

4Q 2007 Business Results & Outlook

2008. 1. 29



LG Chem

The business results for the 4th quarter of 2007 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.

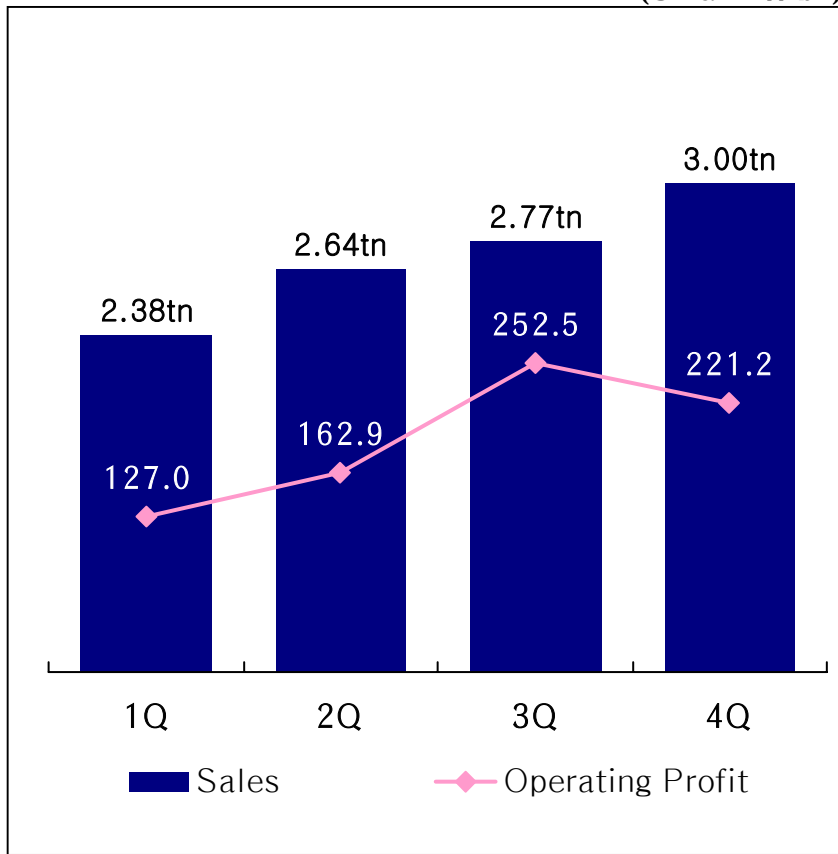
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Quarterly Business Results

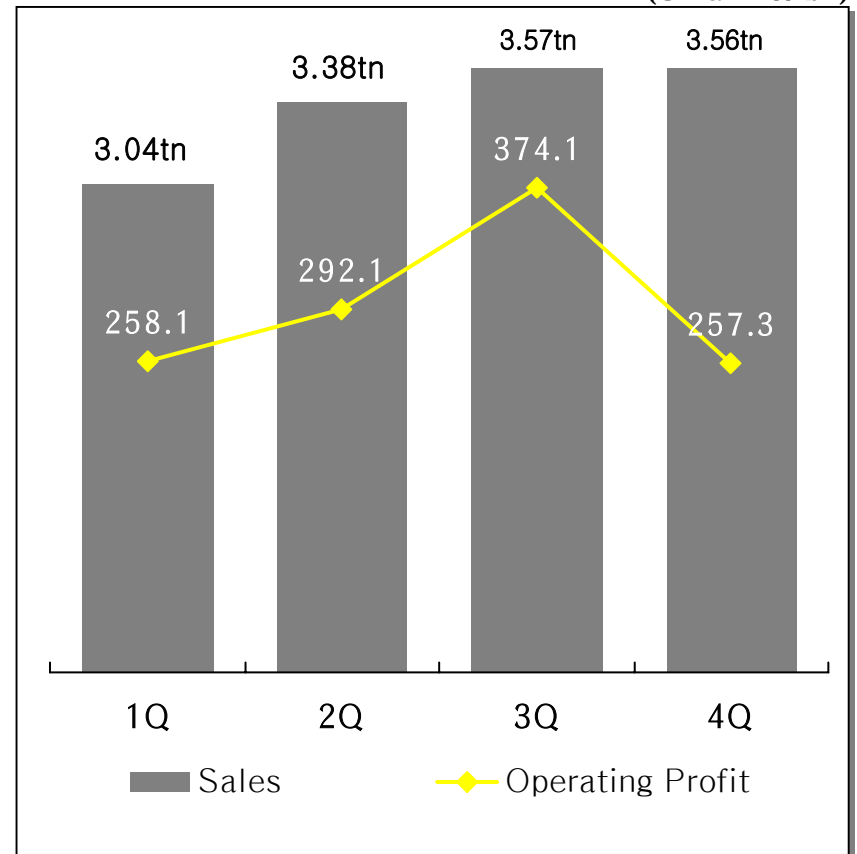
Non-Consolidated

(Unit:KRW bn)



Consolidated

(Unit:KRW bn)

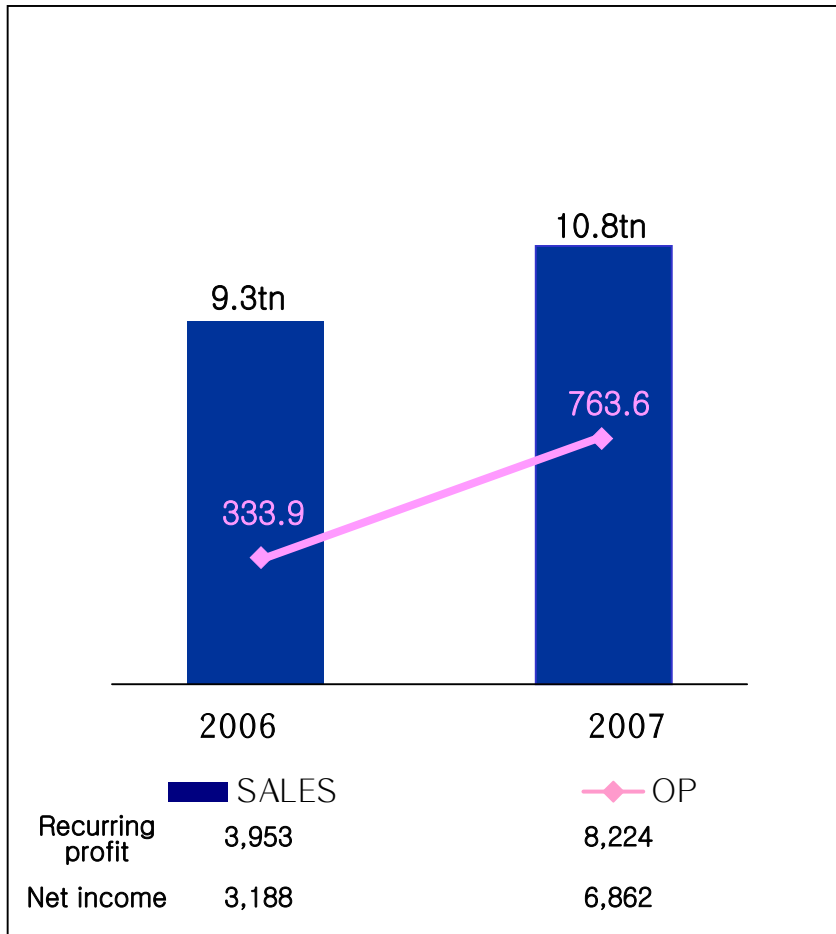


(Unit : KRW bn)	Non-Consolidated				Consolidated			
	'06 4Q	'07 4Q	'07 3Q	YoY	'06 4Q	'07 4Q	'07 3Q	YoY
Sales	2,418.2	3,003.8	2,766.6	24.2%	2,874.2	3,563.4	3,565.9	24.0%
Operating Profit	112.3	221.2	252.5	97.0%	228.4	257.3	374.1	12.7%
(%)	(4.6)	(7.4)	(9.1)		(7.9)	(7.2)	(10.5)	
Recurring Profit	98.8	177.3	271.8	79.5%	179.1	198.9	339.5	11.1%
(%)	(4.1)	(5.9)	(9.8)		(6.2)	(5.6)	(9.5)	
Equity Method Gains	28.3	10.0	52.1	-64.7%	5.4	-1.7	3.4	
Net Income	84.5	125.9	210.7	49.0%	84.5	125.9	210.7	49.0%

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

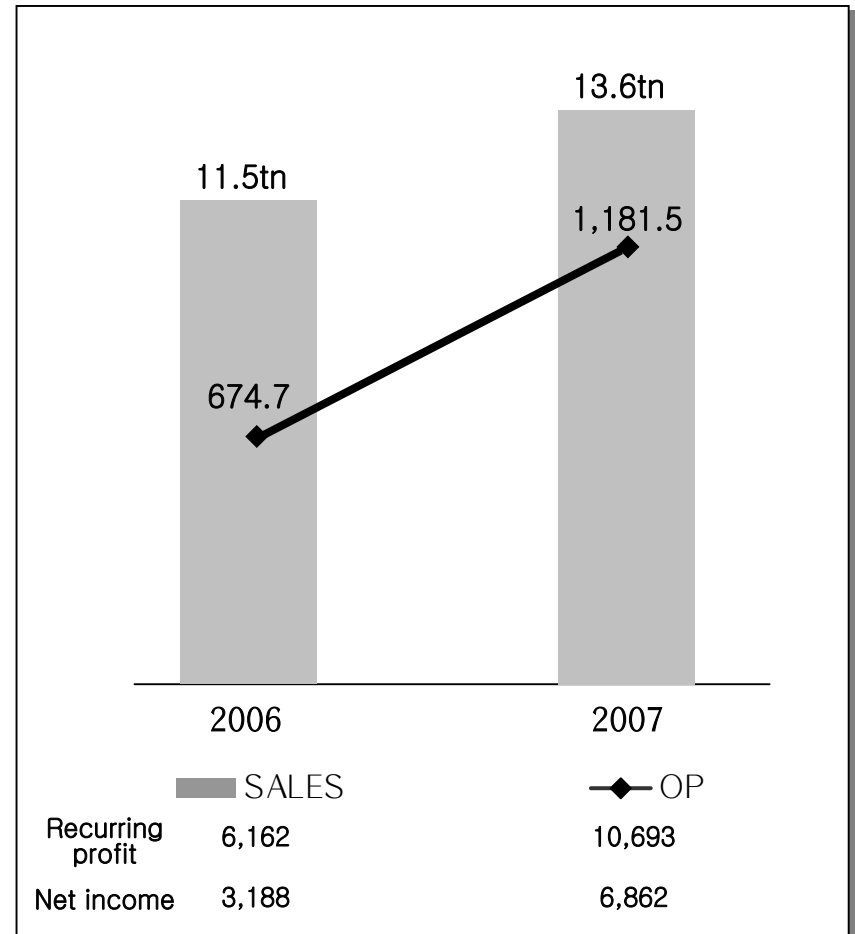
Non-Consolidated

(Unit:KRW bn)



Consolidated

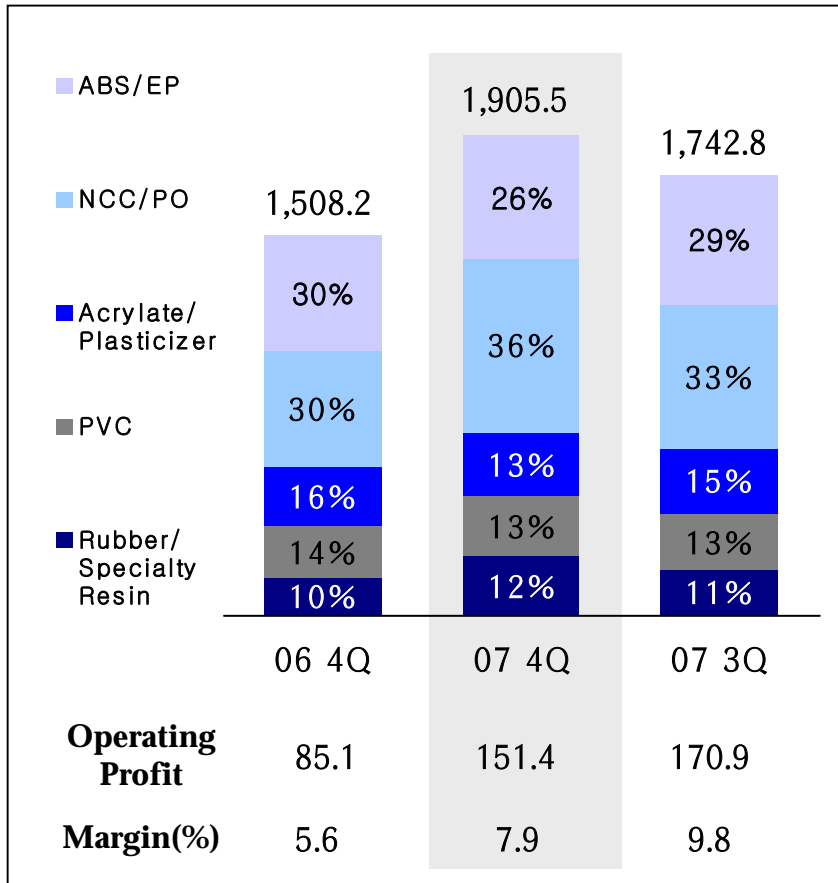
(Unit:KRW bn)



	Non-Consolidated		Consolidated	
(Unit : KRW bn)	'06	'07	'06	'07
Assets	5,806.5	7,050.0	7,638.5	8,515.6
(Cash and equivalents)	115.8	466.4	387.2	597.8
Liabilities	3,189.3	3,171.8	4,360.7	4,515.6
(Borrowings)	1,585.3	1,361.6	2,412.1	2,348.2
Shareholder's Equity	2,617.2	3,878.2	3,277.8	3,999.9
Total Liabilities / Equity (%)	121.9	81.8	133.0	112.9
Debt / Equity (%)	60.6	35.1	73.6	58.7
Interest Coverage Ratio	3.8	10.0	5.9	11.4
ROE (%)	12.6	23.3	14.5	22.9
ROA (%)	5.6	11.3	6.2	10.3
EBITDA	866.0	1,228.6	-	-

Business results

(Unit:KRW bn)



Analysis

• Analysis

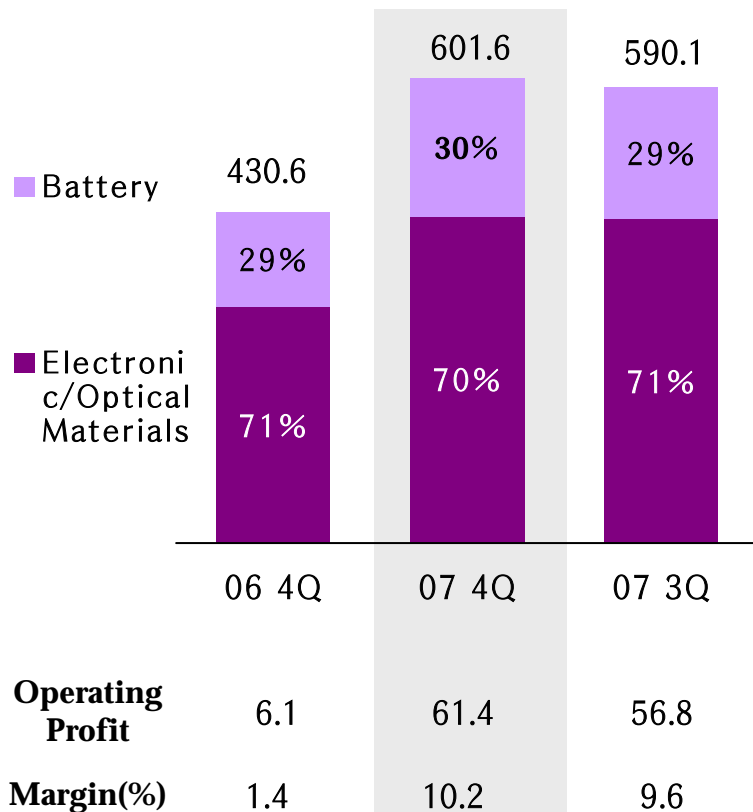
- ▣ Increase in sales & profit of NCC/PO attributable to the merger with LGPC
- ▣ Partial pass-through of input cost hikes to ASP
 - PVC : US\$ 1,011/mt ('07 3Q)→ US\$ 983/mt ('07 4Q)
 - ABS : US\$ 1,688/mt ('07 3Q)→ US\$ 1,733/mt ('07 4Q)
- ▣ Oxo-Alcohol maintenance shutdown for 3 weeks

• Outlook

- ▣ Oil price is forecasted to be stabilized at around US\$80/bbl
- ▣ Input cost hikes successfully pass onto end-product ASP
- ▣ Decline in depreciation and turnaround expenses of Daesan plant (yoy)

Business results

(Unit:KRW bn)



Analysis

• Analysis

■ Battery

- Cylindrical : Solid profit given tight supply-demand condition
- Prismatic : Rising utilization in line with sales increase to LGE

■ Electronic & optical

- Improved earnings on the back of sales increase in polarizer for LCD TV
- ASP pressure eased as a result of stabilized LCD panel price

• Outlook

■ Battery

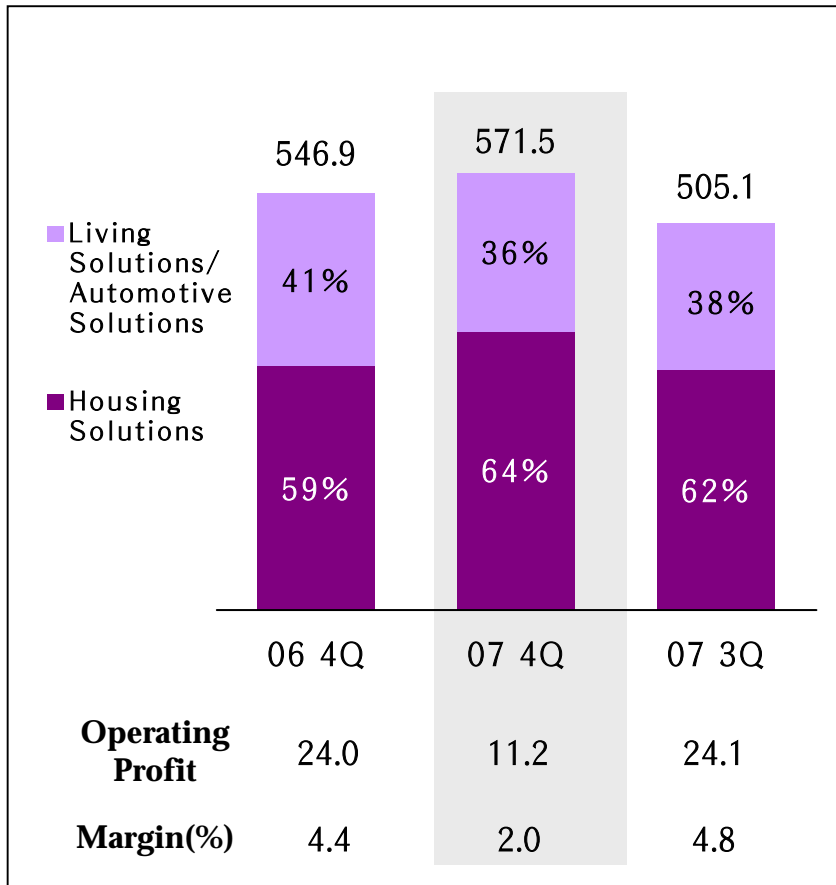
- Cylindrical : solid profit due to continued ASP increase and rising adoption of low-cobalt cathode
- Completion of expansion in 2Q : 10.5 → 15 mn cell/month
- Prismatic : Increase in utilization rate through top tier customers

■ Electronic & optical

- Solid profits on the back of positive LCD market backdrop
- Winning market share in Taiwan and continued expansion of customer base

Business results

(Unit:KRW bn)



Analysis

• Analysis

- Decline in HS earnings as a result of prolonged sluggish real estate market
- One-off restructuring expenses
 - Consolidating low margin plants and restructuring employees

• Outlook

- Expecting construction industry rebound with new government's policy
- Improving distribution channel
 - Large sized total interior shop
- Continuous cost saving efforts

Business plan

Key issue

(Unit: KRW bn)

	Non-Consolidated	Consolidated
SALES	12,100	14,200
Divisional Sales		
Petrochemicals	7,750	9,630
Industrial Materials	2,150	2,370
I&E Materials	2,500	2,520
CAPEX	805.1	909.2

■ Petrochemicals

- NCC/PO : Internal turnaround activities, Synergy effect from merger
- ABS : Internal turnaround activities
- PVC : Debottlenecking in China(PVC: April, VCM: June)
- Acrylate : Strengthen downstream business
- Synthetic Rubber : Debottlenecking for NBR, BR (20KTPA each)
- BPA : Earlier completion of No.2 Line (130KTPA) (June)
- Specialty Resin : Review SBS expansion in China

■ Polarizer

- Productivity improvement : Acceleration of stretching speed
- Capacity expansion in wide width line : 24 mn m² ('08.4Q)
- Expansion of M/S in Taiwan & China

■ Battery

- Cost cutting by expanding application of low cobalt cathode
- Cylindrical : Capacity expansion (4.5mn cell/month) in Korea (April)
- Prismatic : Starting sales to new top tier customers
Capacity expansion (2.5mn cell/month) in China (Oct.)
- Starting mid-to-large size battery for HEV

■ Industrial materials : Restructuring & developing Russia & China market

Cash Flow

(Unit : KRW bn)

Item	Amount
Cash-in	1,624.0
Net Income, etc.	1,192.5
Depreciation	431.5
Cash-Out	1,264.5
CAPEX	805.1
Working Capital	110.1
Dividend, etc.	349.3
Balance	359.5

CAPEX

(Unit : KRW bn)

Item	Amount	
CAPEX	805.1	
Type	New / Expansion	422.9
	Maintenance	334.0
	Equity	48.2
Divisional	Petrochemicals	253.4
	Industrial Materials	103.6
	I&E Materials	309.6
	Common	138.5

Key Investment

(Unit : KRW bn)

- Petrochemicals** 155.6
 (BPA expansion etc.)
- I&E materials** 231.4
 (Polarizer, cylindrical battery etc.)
- Industrial materials** 32.2

(Unit : KRW bn)

	2006					2007				
	1Q	2Q	3Q	4Q	Sum	1Q	2Q	3Q	4Q	Sum
Sales	2,129.1	2,272.5	2,482.5	2,418.2	9,302.3	2,380.0	2,644.9	2,766.6	3,003.8	10,795.3
Operating Profit	65.6	48.1	107.1	112.3	333.9	127.0	162.9	252.5	221.2	763.6
Petrochemicals	1,364.8	1,429.6	1,582.2	1,508.2	5,884.8	1,498.3	1,647.3	1,742.8	1,905.5	6,793.9
NCC/PO	397.8	429.9	506.6	458.7	1,793.0	376.3	491.2	569.9	682.1	2,119.5
Synthetic Rubber/ Specialty Resin	132.6	149.1	142.2	146.1	570.0	153.2	168.2	184.7	237.7	743.8
PVC	187.5	197.7	231.2	210.4	826.8	206.3	229.3	220.0	238.8	894.4
ABS/EP	440.0	436.9	453.6	454.5	1,785.0	495.1	489.3	511.5	496.2	1,992.1
Acrylate/Plasticizer	206.9	216.0	248.6	238.5	910.0	267.4	269.3	256.7	250.7	1,044.1
Operating Profit	27.5	△5.5	62.9	85.1	170.0	89.0	99.5	170.9	151.4	510.9
I & E Materials	361.2	370.4	448.5	430.6	1,610.7	438.1	510.0	590.1	601.6	2,139.8
Battery	94.2	105.3	127.7	124.5	451.7	131.5	159.0	175.3	182.8	648.6
Optical/Electronic	269.2	268.9	324.5	309.4	1,172.0	311.1	359.4	425.6	428.9	1,525.0
Operating Profit	10.5	13.1	18.9	6.1	48.7	7.3	26.4	56.8	61.4	152.0
Industrial Materials	476.0	543.3	521.6	546.9	2,087.8	499.8	563.3	505.1	571.5	2,139.7
Building/Decorative	253.7	314.1	323.3	321.4	1,212.5	291.5	339.7	316.2	364.8	1,312.2
Living/Automotive	224.1	231.7	200.4	227.2	883.4	209.8	225.5	190.7	209.0	835.1
Operating Profit	27.4	41.9	24.5	24.0	117.9	30.1	35.9	24.1	11.2	101.2

* 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)
	'06	'07	Changes	
Total	1,585.3 (100%)	1,361.6 (100%)	△223.7	1,315.2 (100%)
KRW Currency	1,269.2 (80%)	1,033.2 (76%)	△236.0	1,000.2 (76%)
C P	25.0	-	△25.0	-
C B	1,080.0	780.0	△300.0	660.0
Others	164.2	253.2	89.0	340.2
Foreign Currency	316.1 (20%)	328.4 (24%)	12.3	315.0 (24%)
FRN	213.9	234.6	20.7	225.0
Others	102.2	93.8	△8.4	90.0
Short-term	465.9 (29%)	366.9 (27%)	△99.0	529.9 (40%)
Long-term	1,119.4 (71%)	994.7 (73%)	△124.7	785.3 (60%)

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

Cash Flow

(Unit : KRW bn)

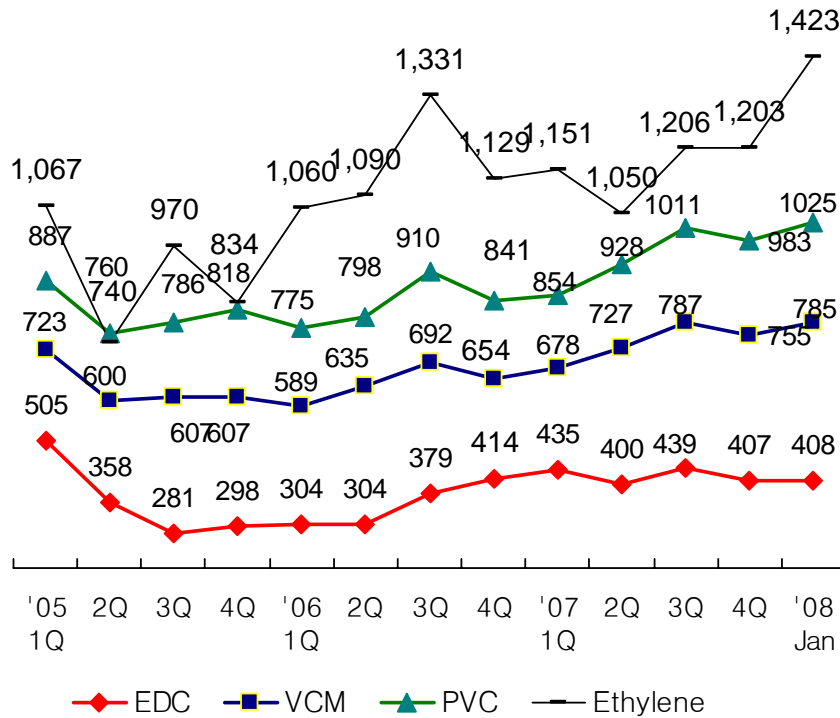
	'06	'07
Beginning	371.0	115.8
Operating/Investing	115.8	644.9
Net Income	318.8	686.2
Depreciation	502.2	437.9
Working Capital	△178.5	△458.6
CAPEX	△590.5	△483.7
Others	63.9	463.1
Financing	△370.9	△294.3
Borrowings	△279.9	△221.4
Dividend	△91.0	△72.9
End	115.8	466.4

(Unit : KRW bn)

		'05 Results	'06 Results	'07 Plan	'07 Results
Petrochemicals	New/Expansion	23.7	118.2	180.6	142.2
	Maintenance	69.1	83.6	59.8	68.2
	Equity Investment	41.2	39.0	7.5	16.4
	Total	134.0	240.8	247.9	226.7
Industrial Materials	New/Expansion	17.1	14.5	44.9	10.3
	Maintenance	49.1	56.4	53.1	56.5
	Equity Investment	3.5	9.9	9.7	-
	Total	69.6	80.8	107.7	66.8
I & E Materials	New/Expansion	147.4	121.9	150.2	41.9
	Maintenance	39.0	37.6	33.2	35.9
	Equity Investment	20.5	8.2	8.5	12.0
	Total	206.9	167.8	191.9	89.8
Common Expenses	New/Expansion	-	-	7.5	0.7
	Maintenance	88.0	87.1	116.5	99.6
	Equity Investment	3.2	14.0	-	-
	Total	91.3	101.1	124.0	100.3
Total	New/Expansion	188.2	254.6	383.2	195.1
	Maintenance	245.2	264.7	262.6	260.2
	Equity Investment	68.5	71.2	25.7	28.4
	Total	501.8	590.5	671.5	483.7

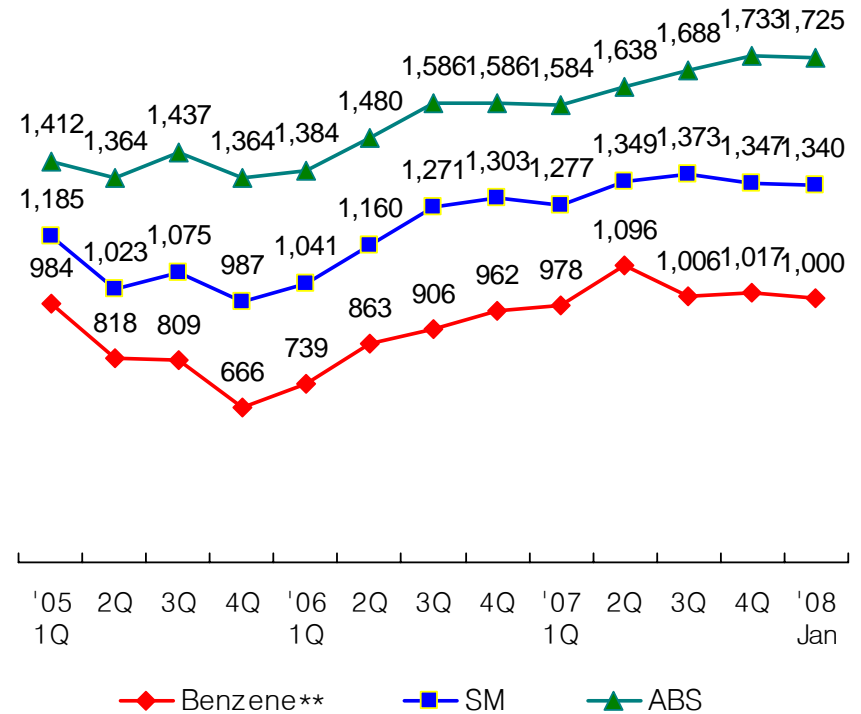
Vinyls

(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