

SolutionPartner

3Q 2007 Business Results & Outlook

2007. 10. 16



The business results for the 3rd 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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(Unit : KRW bn)	Non-Consolidated				Consolidated			
	'06 3Q	'07 3Q	'07 2Q	QoQ	'06 3Q	'07 3Q	'07 2Q	QoQ
Sales	2,482.5	2,766.6	2,644.9	11.4%	3,094.0	3,565.9	3,383.7	15.3%
Operating Profit	107.1	252.5	162.6	135.8%	217.3	374.1	292.1	72.2%
(%)	(4.3)	(9.1)	(6.1)		(7.0)	(10.5)	(8.6)	
Recurring Profit	151.4	271.8	217.6	79.5%	224.6	339.5	292.2	51.2%
(%)	(6.1)	(9.8)	(8.2)		(7.3)	(9.5)	(8.6)	
Equity Method Gains	33.9	52.1	58.4	53.7%	2.7	3.4	1.9	25.9%
Net Income	121.0	209.7	236.7	73.3%	121.0	209.7	236.7	73.3%

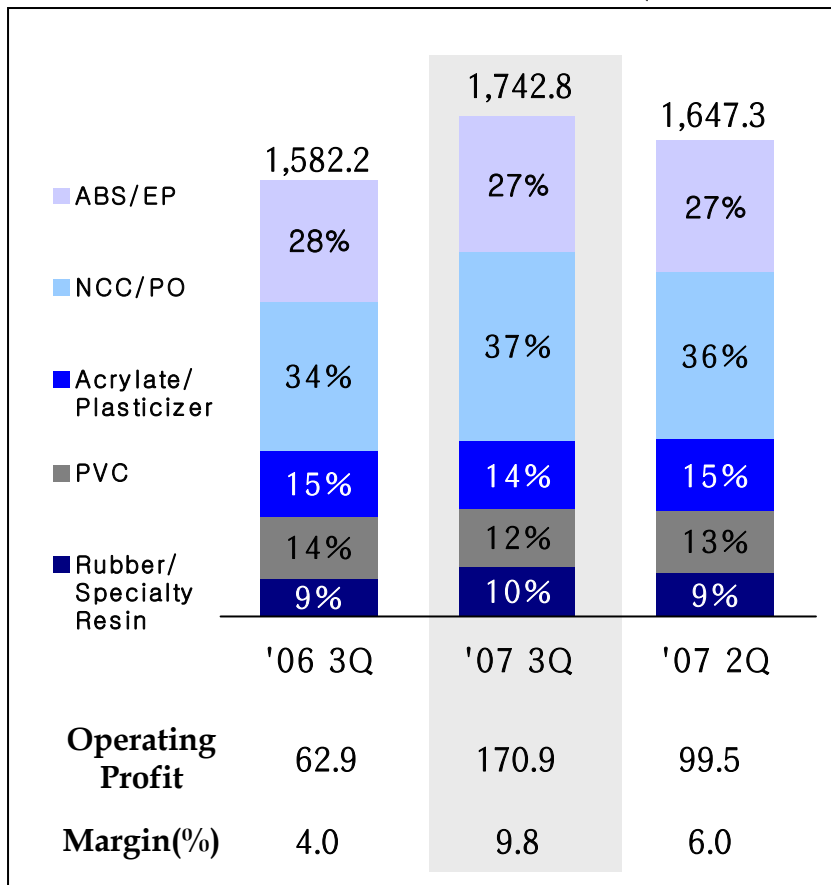
* Recurring Profit stands for "Profit from continuing operations before income tax"



	Non-Consolidated		Consolidated	
(Unit : KRW bn)	'06	'07 3Q	'06	'07 3Q
Assets	5,806.5	6,239.1	7,638.5	8,438.1
(Cash and equivalents)	115.8	123.1	387.2	541.1
Liabilities	3,189.3	3,079.2	4,360.7	4,509.9
(Borrowings)	1,585.3	1,504.8	2,412.1	2,288.5
Shareholder's Equity	2,617.2	3,159.9	3,277.8	3,928.2
Total Liabilities / Equity (%)	121.9	97.4	133.0	114.8
Net Debt / Equity (%)	60.6	47.6	73.6	58.3
Interest Coverage Ratio	3.8	9.3	5.9	10.8
ROE (%)	12.6	25.8	14.5	26.0
ROA (%)	5.6	12.4	6.2	11.6
EBITDA	866.0	901.1	-	-

Business results

(Unit:KRW bn)



Analysis

• Analysis

- Strong polyolefin prices and decreased depreciation expenses resulted remarkable improvement in profitability for NCC/PO**
 - Ethylene : US\$ 1,050 ('07 2Q)→ 1,206 ('07 3Q)
 - LDPE : US\$ 1,364 ('07 2Q)→ 1,496 ('07 3Q)
 - PP : US\$ 1,282 ('07 2Q)→ 1,361 ('07 3Q)
- Firm global demand led continuous increase of PVC price**
 - PVC : US\$ 928('07 2Q)→ 1,011('07 3Q)
- Seasonal demand pick-up and stabilization of raw material price helped improve profitability for ABS/EP**

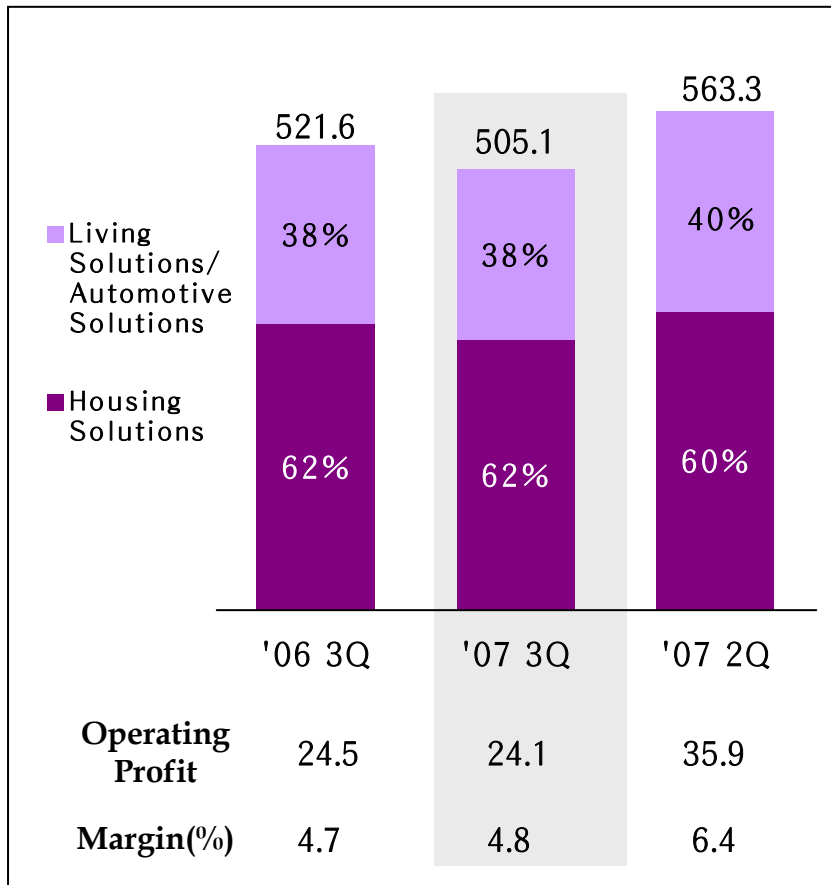
• Outlook

- Solid spreads for PVC/ABS are expected**



Business results

(Unit:KRW bn)



Analysis

• Analysis

- Worsen margin in Housing Solutions (HS) due to sluggish construction markets
- Weak margin in Living Solutions (LS) by high raw material cost and KWR depreciation
- Automotive Material Solutions (AMS) sales and margin declined due to weak seasonal demand

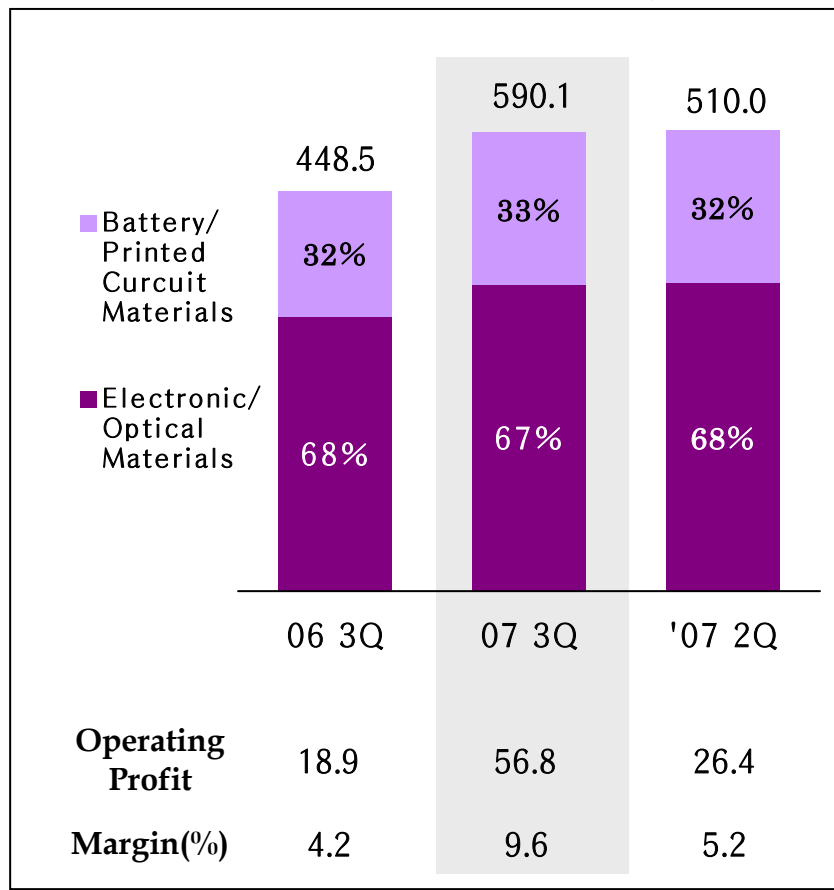
• Outlook

- Continuing cost reduction activities in HS
- Sales improve in AMS due to normalizing auto industry



Business results

(Unit:KRW bn)



Analysis

• Analysis

- **Battery : Turned to profit in 3Q**
 - Cylindrical : Tight supply/demand balance led price increase & full utilization
 - Prismatic : Increased sales to LGE moved up utilization
 - Polymer : Maintained full utilization
- **Electronic & optical : Strong performance improvement**
 - Solid LCD market resulted in sales increase & stopping price competition
 - Additional profit gain by Japanese yen appreciation

• Outlook

- **Battery : Continue robust profit**
 - Cylindrical : Shortage expected due to Matsushita accident
 - Prismatic : Close to getting order from top-tier customer
- **Electronic & optical : Continuous improvement**
 - Expect stable growth in LCD market
 - Aggressive promotion to Taiwan market & new customers



Subsidiaries' Results & Outlook

Business results

(Unit: KRW bn)

		'06 3Q	'07 3Q	'07 2Q
LG Petro- chemical	Sales	641.8	659.6	639.5
	Operating Profit (%)	92.5 (14.4)	87.6 (13.3)	90.3 (14.1)
	Net Income	68.0	67.0	67.0
* Overseas	Sales	421.7	536.0	514.9
	Operating profit (%)	17.4 (4.1)	36.8 (6.9)	33.0 (6.4)
	Net Income	12.0	30.8	25.9

* Figures exclude marketing subsidiaries.

Analysis & Outlook

■ LG Petrochem

- Despite high naphtha price, NCC resulted solid performance thanks to strong ethylene market
- BPA continues to show strong margin

■ Overseas Subsidiaries

- LG YX sustained solid performance thanks to strong domestic (China) market demand
- Margin improved from LG Dagu due to firm PVC price



(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		7,791.6
Operating Profit	65.6	48.1	107.1	112.3	333.9	127.0	162.6	252.5		542.4
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		4,888.4
NCC/PO	498.4	495.8	567.7	561.0	2,122.9	483.5	637.4	715.6		1,836.5
Synthetic Rubber/ Specialty Resin	132.6	149.1	142.2	146.1	570.0	153.2	168.2	184.7		506.1
PVC	187.5	197.7	231.2	210.4	826.8	206.3	229.3	220.0		655.6
ABS/EP	440.0	436.9	453.6	454.5	1,785.0	495.1	489.3	511.5		1,495.9
Acrylate/Plasticizer	206.9	216.0	248.6	238.5	910.0	267.4	269.3	256.7		793.5
Operating Profit	27.5	△5.5	62.9	85.1	170.0	89.0	99.5	170.9		359.5
Industrial Materials	476.0	543.3	521.6	546.9	2,087.8	499.8	563.3	505.1		1,568.3
Building/Decorative	253.7	314.1	323.3	321.4	1,212.5	291.5	339.7	316.2		947.4
Living/Automotive	224.1	231.7	200.4	227.2	883.4	209.8	225.5	190.7		626.0
Operating Profit	27.4	41.9	24.5	24.0	117.9	30.1	35.9	24.1		90.1
I & E Materials	361.2	370.4	448.5	430.6	1,610.7	438.1	510.0	590.1		1,538.2
Battery/PCM	108.6	120.8	142.6	135.7	506.3	143.8	171.6	190.3		505.7
Optical/Electronic	254.8	253.3	309.5	298.2	1,197.1	298.8	346.8	410.6		1,056.2
Operating Profit	10.5	13.1	18.9	6.1	48.7	7.3	26.4	56.8		90.5

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



Borrowings

(Unit : KRW bn)

	Balance			'07 (P)
	'06	'07 3Q	Changes	
Total	1,585.3 (100%)	1,504.8 (100%)	△80.5	1,578.5 (100%)
KRW Currency	1,269.2 (80%)	1,136.5 (76%)	△132.7	1,206.5 (78%)
C P	25.0	110.0	85.0	-
C B	1,080.0	780.0	△300.0	1,080.0
Others	164.2	246.5	82.3	126.5
Foreign Currency	316.1 (20%)	368.3 (24%)	52.2	372.0 (23%)
FRN	213.9	276.2	62.3	269.7
Others	102.2	92.1	△10.1	102.3
Short-term	465.9 (29%)	454.1 (30%)	△11.8	386.2 (24%)
Long-term	1,119.4 (71%)	1,050.7 (70%)	△68.7	1,212.3 (76%)

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

Cash Flow

(Unit : KRW bn)

	'06	'07 3Q
Beginning	317.0	115.8
Operating/Investing	115.8	160.7
Net Income	318.8	559.3
Depreciation	502.2	338.0
Working Capital	△178.5	△311.4
CAPEX	△590.5	△346.7
Others	63.9	△78.5
Financing	△370.9	△153.4
Borrowings	△279.9	△80.5
Dividend	△91.0	△72.9
End	115.8	123.1

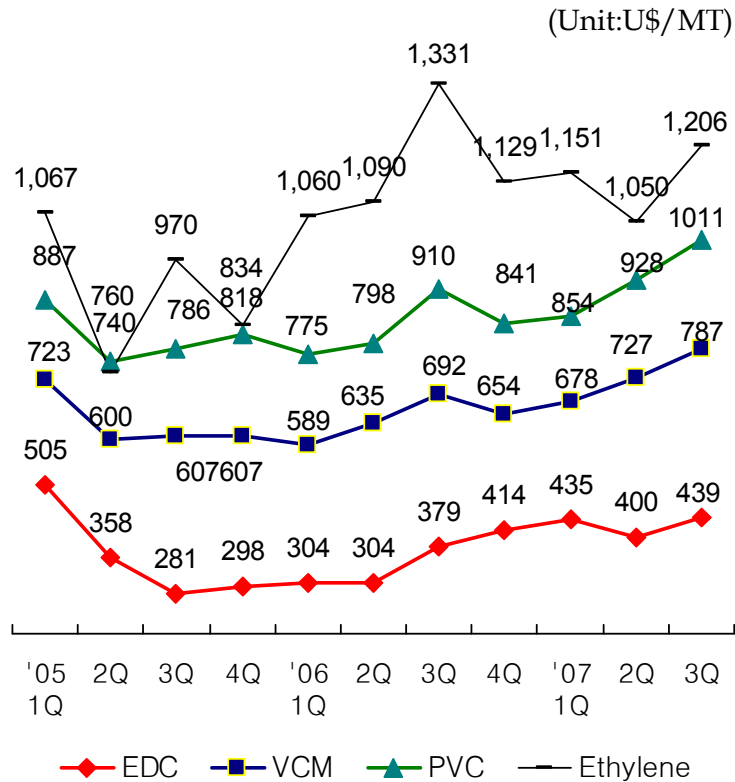


(Unit : KRW bn)

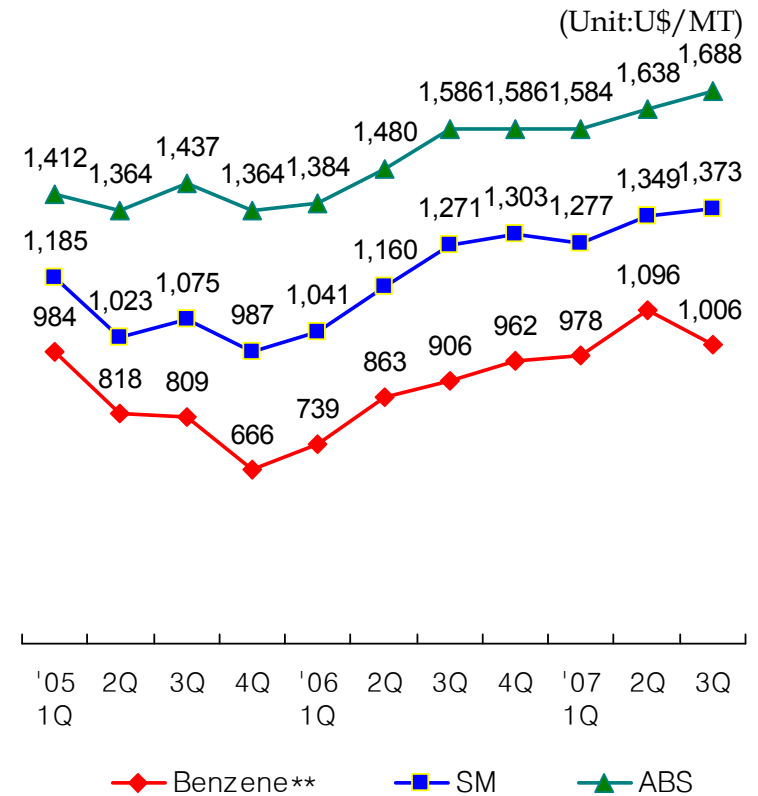
		'05 Results	'06 Results	'07 Plan	'07 3Q
Petrochemicals	New/Expansion	23.7	118.2	180.6	97.2
	Maintenance	69.1	83.6	59.8	46.2
	Equity Investment	41.2	39.0	7.5	16.4
	Total	134.0	240.8	247.9	159.8
Industrial Materials	New/Expansion	17.1	14.5	44.9	9.8
	Maintenance	49.1	56.4	53.1	40.0
	Equity Investment	3.5	9.9	9.7	-
	Total	69.6	80.8	107.7	49.8
I & E Materials	New/Expansion	147.4	121.9	150.2	33.2
	Maintenance	39.0	37.6	33.2	26.0
	Equity Investment	20.5	8.2	8.5	4.6
	Total	206.9	167.8	191.9	63.8
Common Expenses	New/Expansion	-	-	7.5	0.7
	Maintenance	88.0	87.1	116.5	72.6
	Equity Investment	3.2	14.0	-	-
	Total	91.3	101.1	124.0	73.3
Total	New/Expansion	188.2	254.6	383.2	141.0
	Maintenance	245.2	264.7	262.6	184.8
	Equity Investment	68.5	71.2	25.7	21.0
	Total	501.8	590.5	671.5	346.7



Vinyls



Styrenics



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

** Average of FOB Korea price

