

4Q 2010 Business Results & Outlook

Jan 28, 2011



The business results for the fourth quarter of 2010 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.

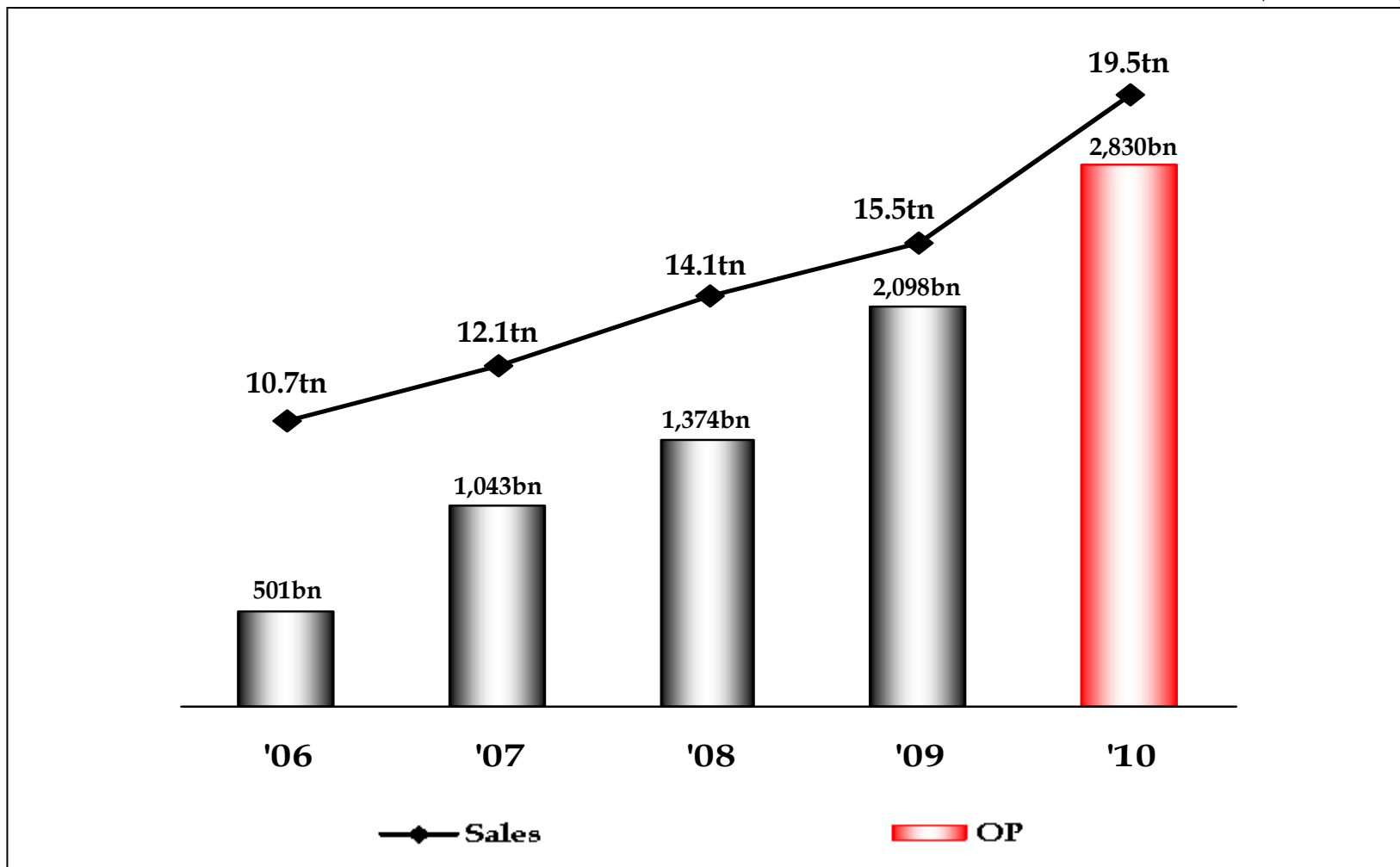
From 2010, the business results including all historical data are subject to the IFRS(International Financial Reporting Standards).

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Yearly Business Results

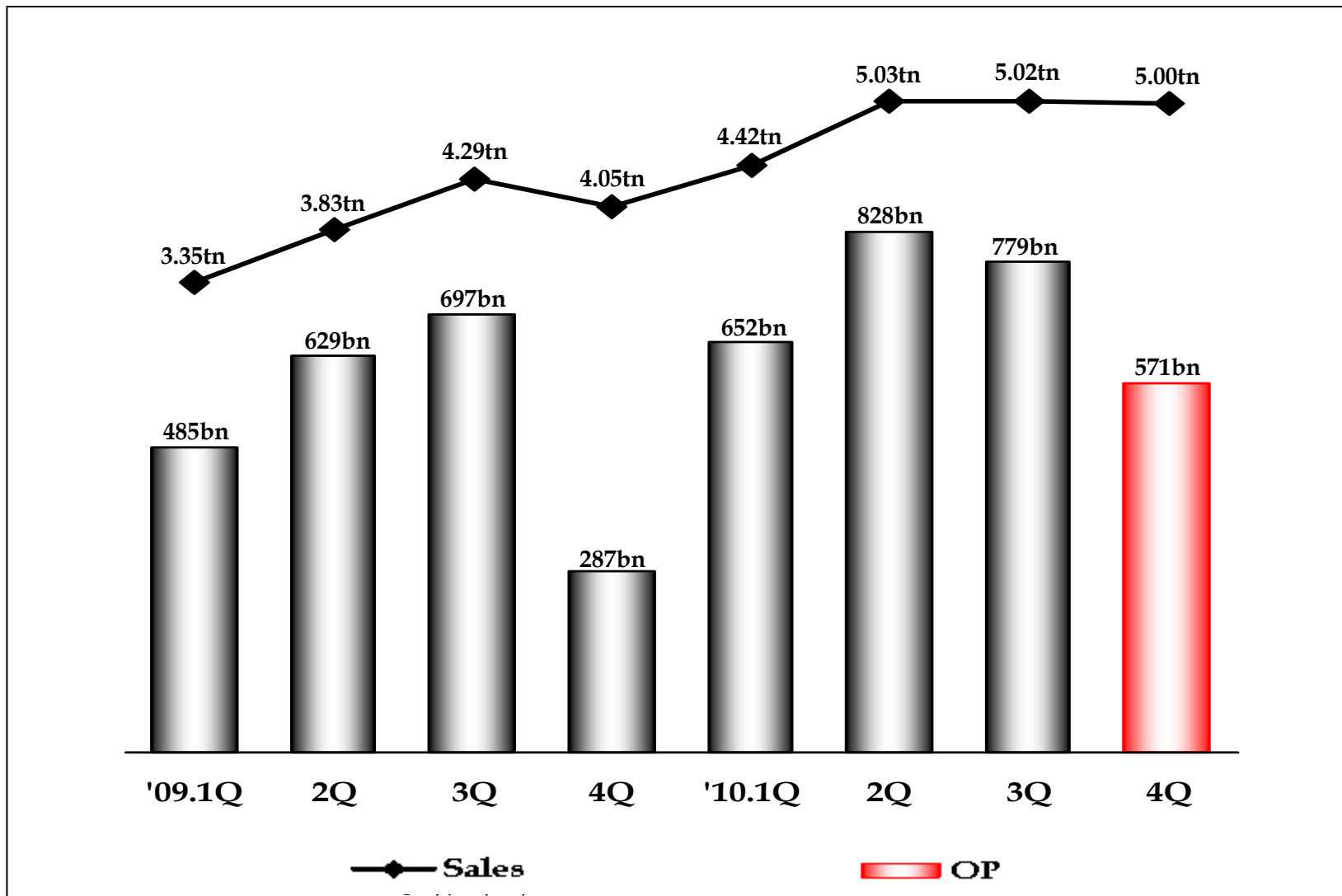
(Unit: KRW)



※ The non-audited IFRS basis business results for 2006~2008 are presented here for investors' convenience.

Quarterly Business Results

(Unit: KRW)



(Unit: KRW bn)

Classification	'09.4Q	'10.3Q	'10.4Q	YoY	QoQ
Sales	4,046	5,021	4,999	23.5%	- 0.4%
Operating Profits	287	779	571	98.9%	- 26.6%
(%)	(7.1)	(15.5)	(11.4)		
Pre-tax Income	258	791	567	119.4%	- 28.3%
(%)	(6.4)	(15.7)	(11.3)		
Net Income	223	599	444	99.1%	- 25.9%

Financial Position

(Unit: KRW bn)

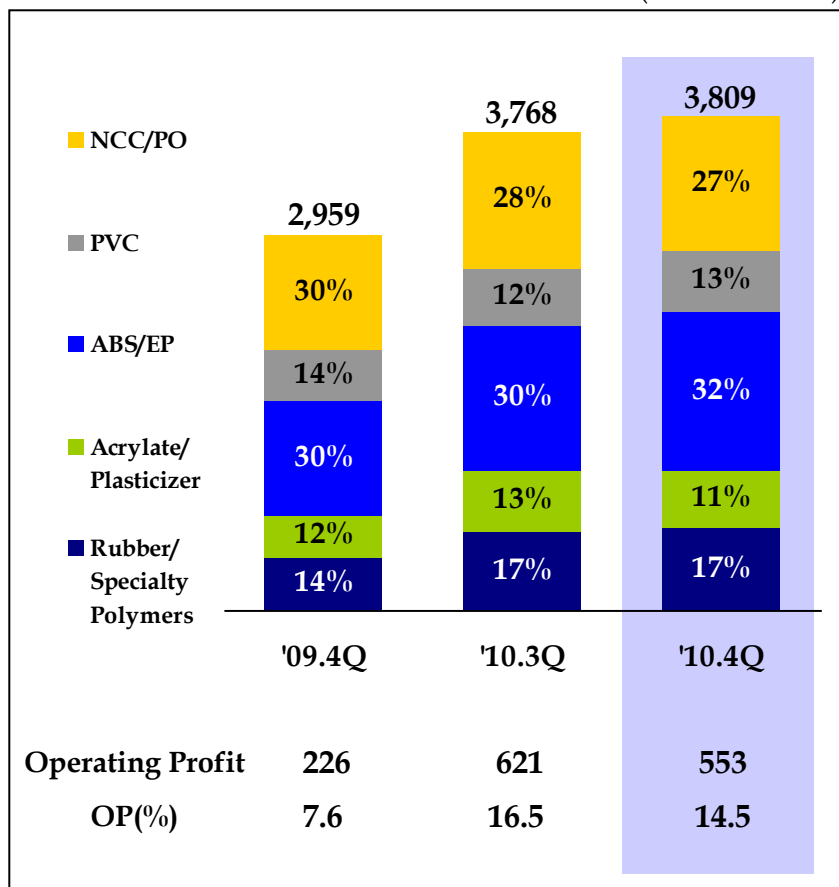
Classification	'09	'10	Change
Asset	10,531	12,673	20.3%
Cash and equivalent	1,107	1,368	23.6%
Liabilities	4,604	4,823	4.8%
Borrowings	2,411	2,101	- 12.8%
Shareholder's Equity	5,927	7,851	32.5%
EBITDA	2,611	3,504	34.2%

Financial Ratios

Classification	'09	'10	Change
Total Liabilities / Equity (%)	77.7	61.4	- 16.3%p
Debt / Equity (%)	40.7	26.8	- 13.9%p
Interest Coverage Ratio	20.2	46.2	26.0
ROE (%)	27.3	32.0	4.7%p
ROA (%)	14.8	19.0	4.2%p

Business results

(Unit: KRW bn)



Analysis

• Analysis

■ **Achieved high profitability thanks to competitive product mix and strong product price despite weak seasonality**

-NCC/PO : Maintained stable margin due to robust premium PO sales despite high naphtha price and weak seasonal demand

-PVC : Improved margin thanks to supply tightness caused by low utilization rate of PVC plants in China

-ABS/EP : Sound results backed by favorable demand and price increase in China

-Acrylate / Plasticizer : Maintained high profitability due to continued supply tightness in Asian market

-Rubber / Specialty Polymers : Natural rubber price hikes and high utilization rate of tire companies led price increases

• Outlook

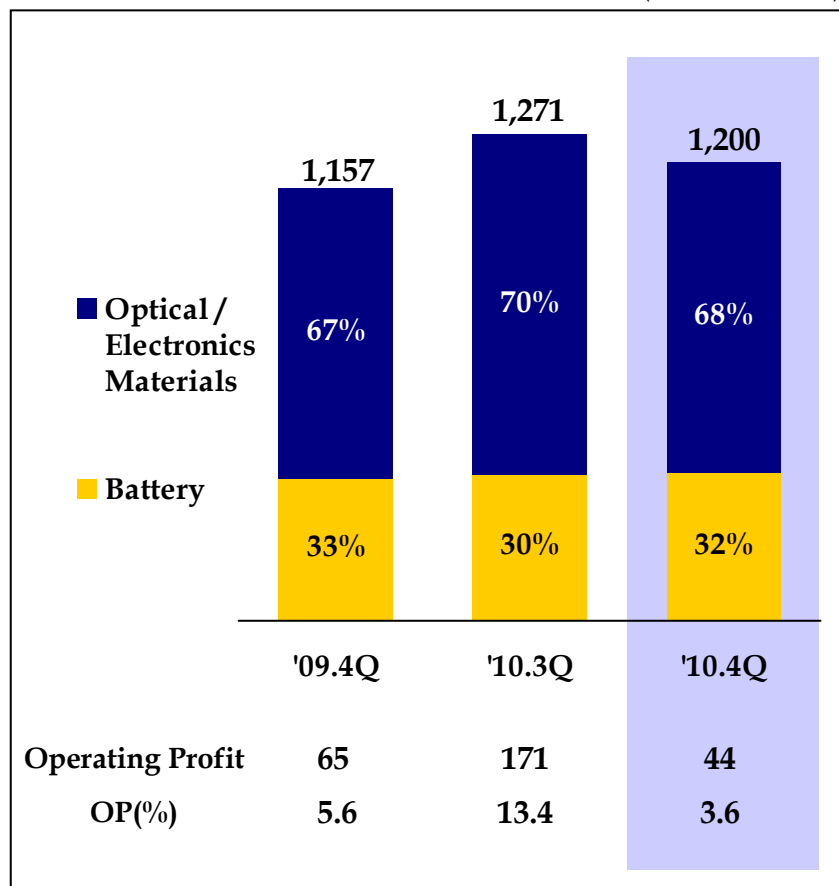
■ **Improved market condition is expected based on solid demand growth of emerging markets**

■ **Sustainable profitability through differentiated product mix and cost leadership**

■ **Increase in operating profits with expansions of competitive products including acrylate, SAP, and synthetic rubber**

Business results

(Unit: KRW bn)



Analysis

• Analysis

■ Continued weak IT demand during the off-season and year-end one-off expenses weakened profitability

-Optical : Continued inventory adjustments of customers Materials led weak demand and product mix changes

-Battery : Profit decreased due to slowdown in Notebook PC demand growth and price drop stemming from intense competition

• Outlook

■ Expect gradual IT demand recovery and expansion of our global position

-Optical : Demand recovery due to Chinese New Year Materials and expansion in sales of new items (3D Retarder, etc.)

-Battery : Market share increase through sales expansion in strategic customers and full-fledged sales for tablet PC

Business Plan

(Unit: KRW bn)

Classification	'10	'11 Plan
Sales	19,470	20,610
Petro-chemicals	14,650	15,000
I&E Materials	4,910	5,530
Operating Profits	2,830	-
CAPEX	1,700	2,370

Business Strategy

- ❑ **Petrochemicals : Maximize capability of profit generation and grow with the strategic business**
 - **Strengthen cost leadership**
 - By increasing energy efficiency and maximizing purchasing capability
 - **Strategic business focused growth**
 - Expand EP compound, SAP, and synthetic rubber
- ❑ **I&E Materials : Reinforce global top position**
 - **Display Materials : Consolidate global position**
 - Polarizer : Magnify the gap between LG Chem's No.1 position and 2nd tiers'
 - Color filter photoresist : Catch up No.1 maker
 - **Enhance business portfolio by focusing on film & battery materials**
 - Start mass production of 3D Retarder/film for touch panels and expand battery materials
 - **Battery : Increase global market share and secure stable profitability**
 - Develop differentiated batteries for smart phone and tablet PC
 - Strengthen No.1 vendor position in Nokia
 - Reinforce Cost/Market leadership by increasing productivity and improving product structures and materials
- ❑ **New projects (Advanced battery and LCD glass) : Secure competitiveness in early stages**
 - **Advanced Battery : Complete construction of Michigan Plant (2H '11)**
 - **LCD Glass : Start test production and stabilize utilization rate**

2011 Business Plan

Cash Flow

(Unit: KRW bn)

Class		Amounts
Cash Inflow		3,000
	From Operating	2,260
	Depreciation	740
Cash Outflow		2,960
	CAPEX	2,370
	Working Capital & others	300
	Dividend	290
Net Cash Flow		40

CAPEX

Class		Amounts
Total		2,370
Type	New / Expansion	1,740
	Maintenance	630
Divisional	Petrochemicals	1,030
	I&E Materials	1,200
	Common (Land in Ochang, Paju, etc.)	140

Key Investments

(Unit: KRW bn)

- Petrochemicals** 770
 - Yeosu : Expansions of acrylate, SAP and CA/EDC
 - Daesan : Expansions of ethylene and synthetic rubber
 - China : Investment in ABS

- I&E Materials** 970
 - LCD glass, 3D Retarder, and consumer & automotive battery

(Unit: KRW bn)

LGC	2009					2010				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	3,350	3,830	4,295	4,046	15,521	4,423	5,028	5,021	4,999	19,471
Operating Profit	485	629	697	287	2,098	652	828	779	571	2,830
Petrochemicals	2,582	2,847	3,062	2,959	11,450	3,309	3,765	3,768	3,809	14,651
NCC/PO	751	836	911	897	3,395	948	1,082	1,068	1,018	4,116
PVC	439	416	429	408	1,693	453	455	455	489	1,852
ABS/EP	724	886	948	900	3,458	998	1,173	1,142	1,228	4,540
Acrylate/Plasticizer	310	324	351	330	1,315	401	451	478	429	1,760
Synthetic Rubber/ Specialty Resin	358	385	423	423	1,588	509	605	626	644	2,383
Operating Profit	380	511	491	226	1,608	490	624	621	553	2,288
I & E Materials	786	1,015	1,234	1,157	4,191	1,153	1,285	1,271	1,200	4,909
Optical/Electronic	556	724	862	774	2,916	843	917	913	832	3,504
Battery	248	317	445	375	1,385	347	414	394	399	1,552
Operating Profit	110	121	212	65	507	175	211	171	44	600

Borrowings

(Unit : KRW bn)

Classification	'09	'10
Total	2,411	2,101
(Overseas Subsidiaries)	(602)	(824)
	100%	100%
KRW Currency	266	162
	11%	8%
C P	249	150
Others	17	12
Foreign Currency	2,145	1,940
	89%	92%
Loan	1,011	938
Negotiation Borrowings	949	862
FRN	185	140
Short-term	1,833	1,621
(Overseas Subsidiaries)	(429)	(559)
	76%	77%
Long-term	578	481
(Overseas Subsidiaries)	(174)	(265)
	24%	23%

☞ The % is calculated to total borrowings.

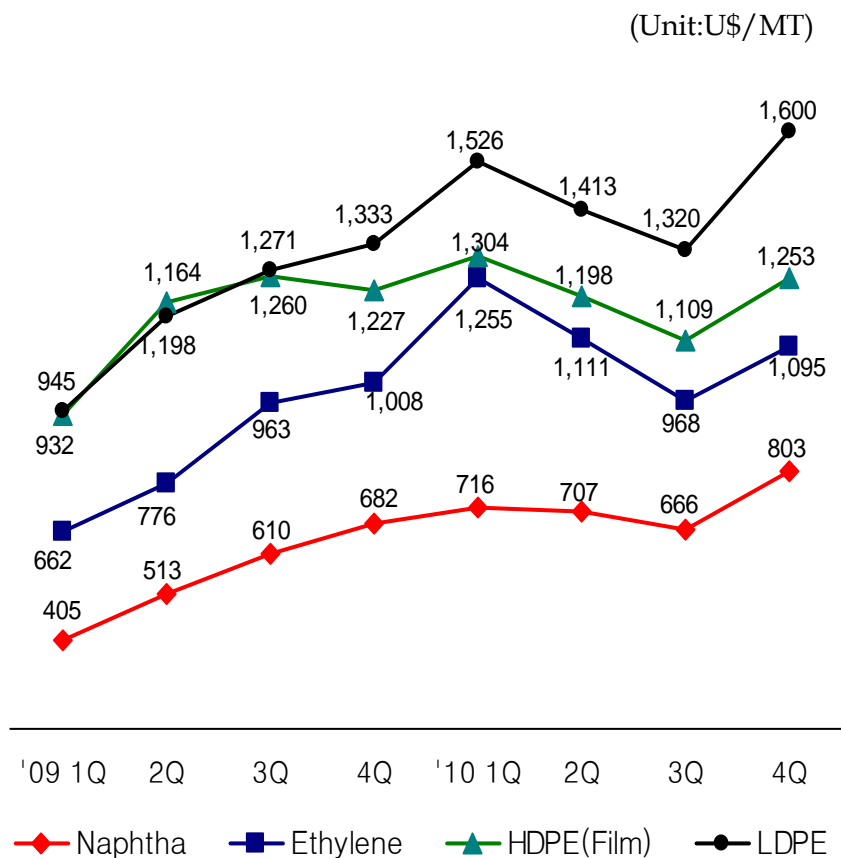
Cash Flow

(Unit: KRW bn)

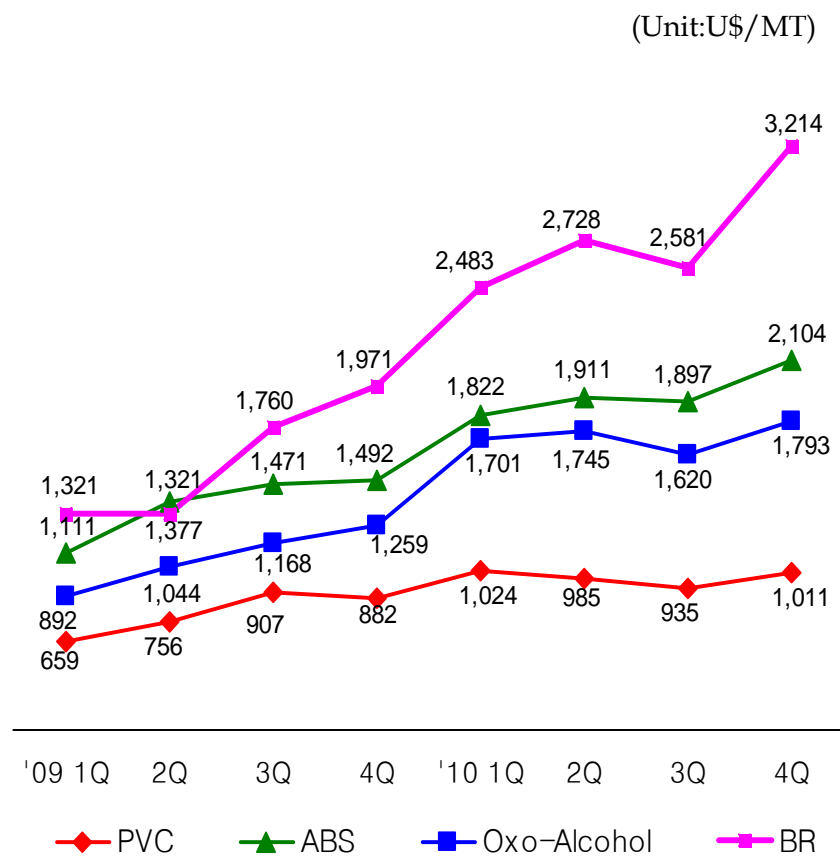
Classification	'09	'10
Beginning	514	1,107
Operating/Investing	1,515	851
Net Income	1,539	2,207
Depreciation	533	674
Working Capital	445	- 617
CAPEX	- 1,063	- 1,702
Others	61	289
Financing	-922	-590
Borrowings	-713	- 310
Dividends	-209	- 280
Ending	1,107	1,368

(Unit: KRW bn)

Classification		'08	'09	'10 Plan	'10
Petrochemicals	New / Expansion	223	158	289	324
	Maintenance	103	132	174	237
	Total	326	290	463	560
I & E Materials	New / Expansion	270	472	670	814
	Maintenance	58	81	125	135
	Total	328	553	795	948
Common Expenses	New / Expansion	1	22	-	-
	Maintenance	71	198	175	193
	Total	72	221	175	193
Total	New / Expansion	494	652	959	1,138
	Maintenance	233	411	474	564
	Total	727	1,063	1,434	1,702



NCC/PO



PVC

ABS/EP

**Acrylate/
Plasticizer**

**Rubber/
Specialty Polymers**

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