

Business & Market Outlook

Aug, 2012



Disclaimer

The business results for the second quarter of 2012 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.

From the first quarter of 2012, this material shows business results and related substances by three companies(Petrochemicals, I&E Materials and Energy Solution) and thus past figures are revised to a same basis.

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 are subject to the IFRS(International Financial Reporting Standards).

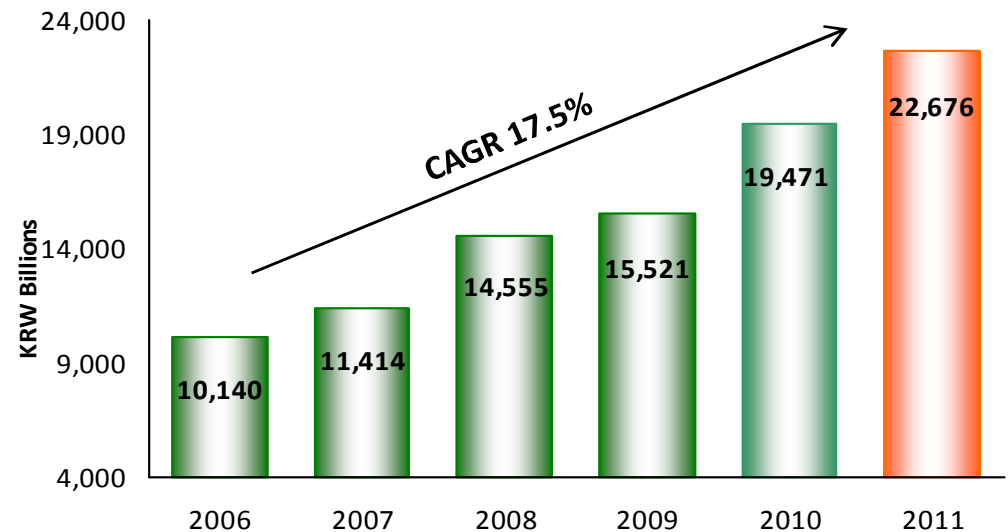
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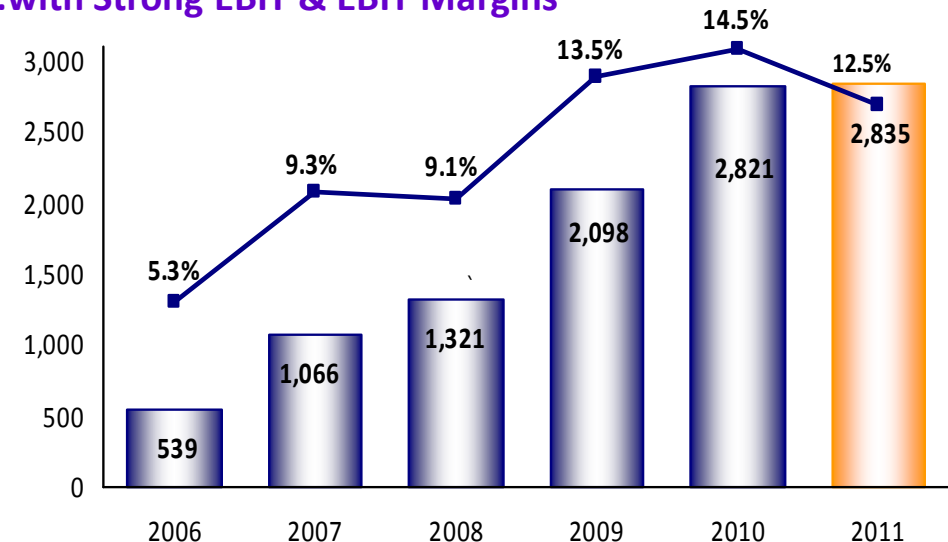
LG Chem at a Glance

- LG Chem was started in 1947 and is Korea's first and largest chemical company with an established track of over 60 years and annual revenues of KRW 22.7 trillion in 2011.
- LG Chem boasts multiple production facilities and an extensive distribution network that spans 15 countries worldwide in Asia, Europe, North and South America.
- LG Chem currently holds the largest vertically integrated petrochemical production platform in Korea.
- LG Chem was reborn as a specialized and diversified chemical company that focuses on petrochemical goods, rechargeable batteries including HEV/EV purpose, OLED materials, and 3D FPR.
- LG Chem will seek operational excellence in its core business and centralize its resources with new business such as HEV/EV batteries and LCD glass substrates to reinforce the necessary momentum for future growth.
- Despite high uncertainties remaining in the business environment such as a delayed recovery in the global economy, LG Chem recorded historically the highest sales and profits in 2011.

Impressive Revenue Scale*



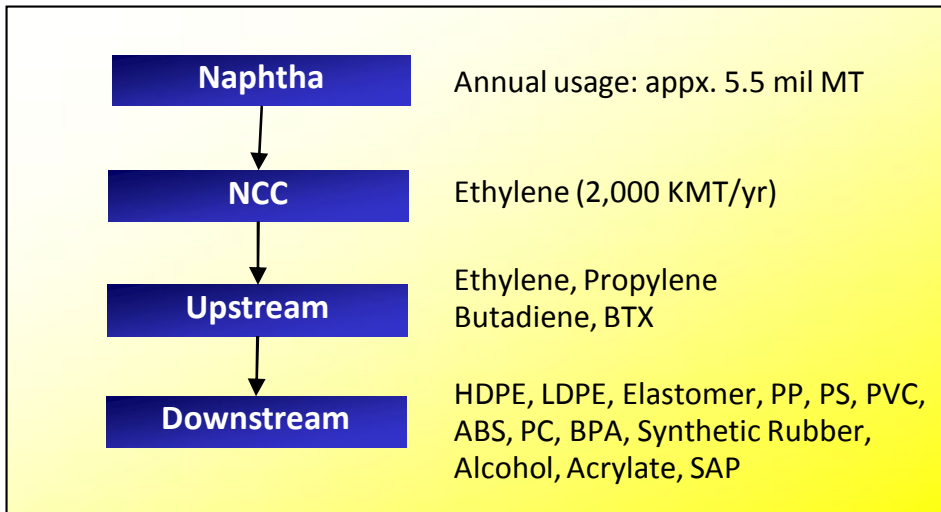
...with Strong EBIT & EBIT Margins*



* Sales and EBIT are subject to IFRS from 2009. Those prior to 2009 are subject to K-GAAP(consolidated base).

Differentiated Competitiveness

Vertical Integration Structure



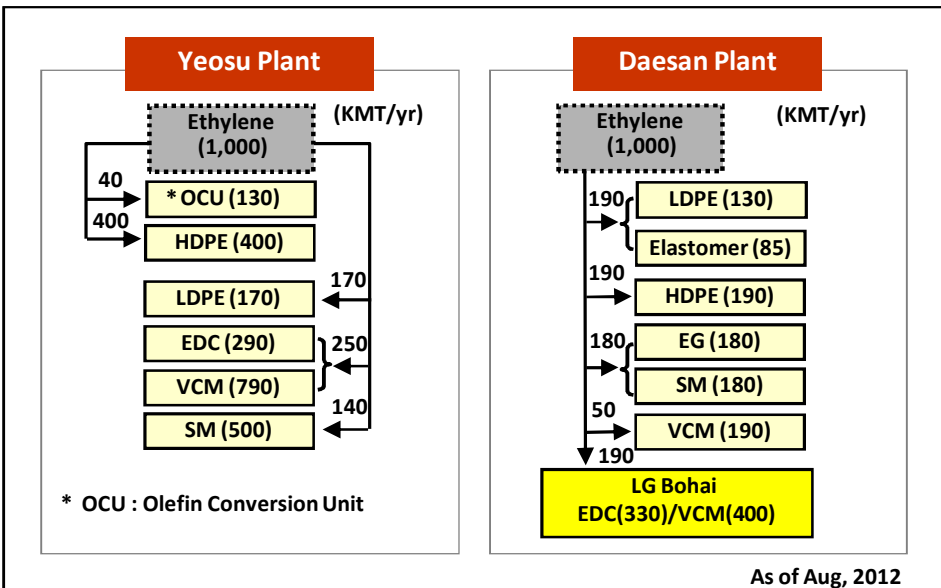
Co-existence of upstream and downstream products

- One of few petrochemical companies around the globe with vertical integration structure, featuring both upstream and downstream production capability.
- This structural characteristic delivers stable business performance against industry cyclicality.

Comprehensive downstream product lines

LG Chem's comprehensive downstream product lines of PO, ABS, PVC and other various products have complementary business cycles, enabling the Company to generate stable revenue

Stabilized revenue generating capability under any market conditions



(Unit: KRW bn)

Classification	'11.2Q	'12.1Q	'12.2Q	YoY	QoQ
Sales	5,700	5,753	5,996	5.2%	4.2%
Operating Profit (%)	775 (13.6)	460 (8.0)	503 (8.4)	-35.1%	9.5%
Pre-tax Income (%)	786 (13.8)	440 (7.7)	480 (8.0)	-38.9%	9.1%
Net Income	625	381	374	-40.1%	-1.8%

Financial Position

(Unit: KRW bn)

Classification	'11	'12.2Q	Change
Asset	15,286	15,972	4.5%
Cash and equivalents	1,379	932	-32.5%
Liabilities	5,578	5,832	4.6%
Borrowings	2,527	2,739	8.4%
Shareholder's Equity	9,708	10,140	4.4%
EBITDA	3,592	1,374	

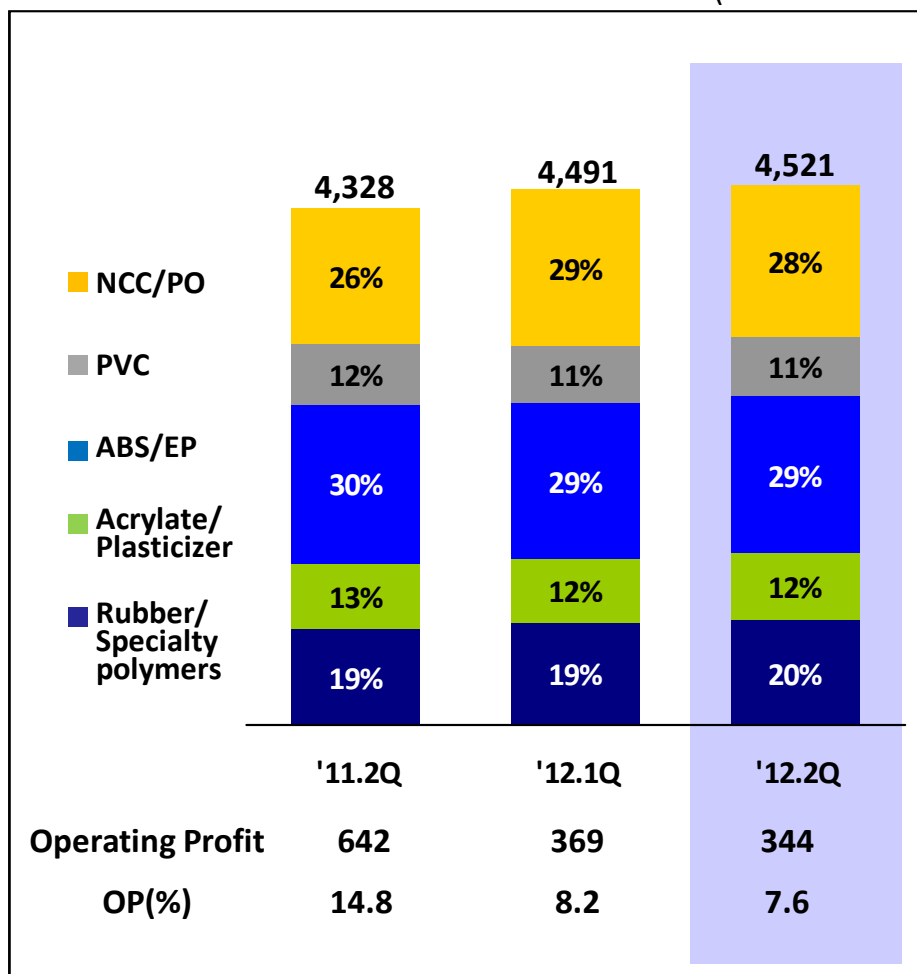
Financial Ratios

Classification	'11	'12.2Q	Change
Total Liabilities/ Equity (%)	57.5	57.5	-
Borrowings / Equity (%)	26.0	27.0	1.0%p
Interest Coverage Ratio (x)	42.3	25.3	-17.0
ROE (%)	24.7	15.2	-9.5%p
ROA (%)	15.5	9.7	-5.8%p

Business results

Analysis

(Unit: KRW bn)



• Analysis

■ Overall margin slightly declined due to continued weak demand and fallen product price amid global economic downturn

-NCC/PO : Recovery of product price slowed while high feedstock costs maintained

-PVC : Price declined by influx of offshore products volume into the emerging market

-ABS/EP : Worsen profitability by continued weak demand from major markets including China

-Acrylate/Plasticizer : Achieved favorable business results by tightening of supply amid regional maintenance shut-downs

-Rubber/Specialty Polymers : Profits increased thanks to improved spread by stabilizing BD price, and increased our share of major customers

• Outlook

■ Margin improvement by reflecting low feedstock costs while product price increases

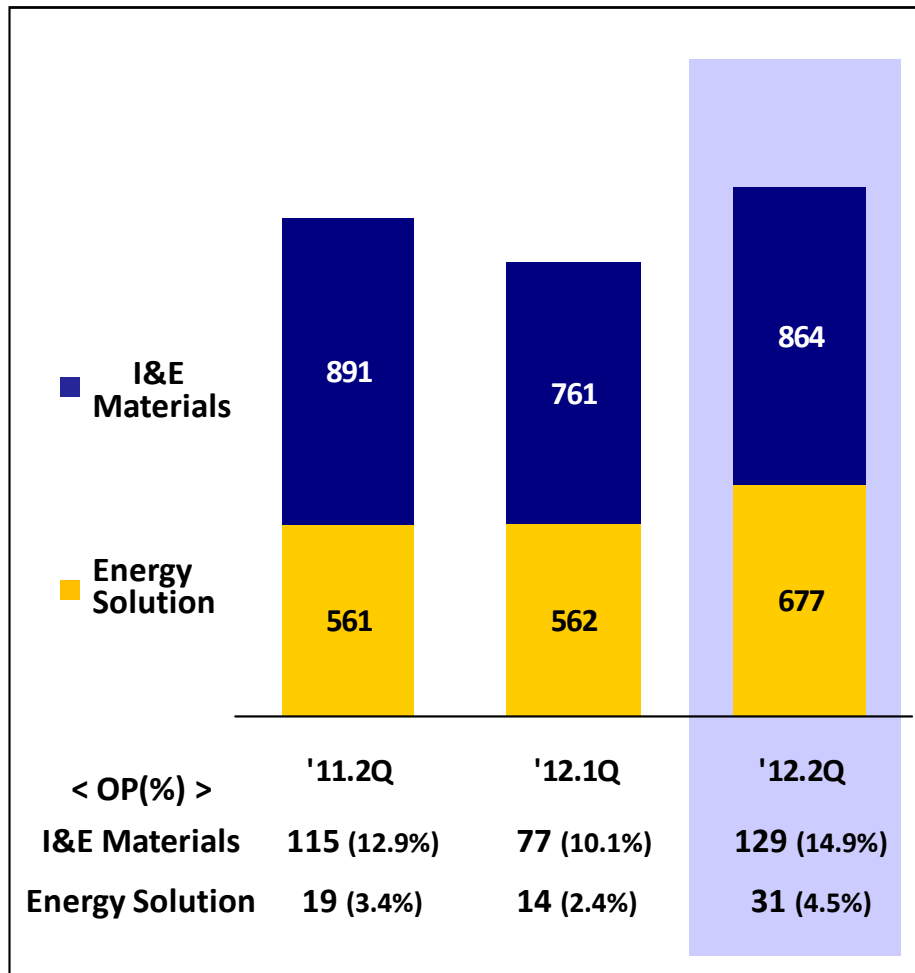
■ Expect gradual market recovery by re-stocking demand, and favorable business environment from Chinese stimulus package

■ Sustainable profitability through capacity expansion of AA, SAP and differentiated product portfolio

Business results

Analysis

(Unit: KRW bn)



• Analysis

▣ Revenue and profit rose thanks to seasonal demand increase

- **I&E Materials** : Improved revenue and profitability thanks to rises of polarizer's utilization rate and 3D FPR shipments
- **Energy Solution** : Sales increased backed by shipment rises of cylindrical batteries for Notebook PC and large-size polymer batteries, and automotive battery sales increase as well to GM and Renault

• Outlook

▣ Expect to maintain robust profitability based on rise in high margin product sales such as 3D FPR and large-size polymer battery & continuous cost reduction

- **I&E Materials** : Continue to reduce cost through raising the productivity and internalizing raw materials & expect demand increase thanks to the peak season
- **Energy Solution** : Sales increase through rises in high-capacity battery sales and automotive battery shipments to key customers

(Unit: KRW bn)

Classification	2011					2012				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,491	5,700	5,886	5,599	22,676	5,753	5,996			11,749
Operating Profit	835	775	724	500	2,835	460	503			963
Petrochemicals	4,276	4,328	4,570	4,150	17,325	4,491	4,521			9,013
NCC/PO	1,091	1,136	1,279	1,264	4,770	1,308	1,272			2,579
PVC	500	517	502	455	1,974	478	485			963
ABS/EP	1,347	1,318	1,293	1,208	5,166	1,312	1,325			2,637
Acrylate/Plasticizer	549	550	546	441	2,085	530	556			1,087
Synthetic Rubber/ Specialty Resin	789	807	950	783	3,330	864	883			1,747
Operating Profit	735	642	593	383	2,353	369	344			713
I&E Materials	807	891	800	845	3,343	761	864			1,626
Operating Profit	93	115	93	77	377	77	129			206
Energy Solution	468	561	576	664	2,269	562	677			1,240
Operating Profit	8	19	40	42	109	14	31			44

Borrowings

(Unit : KRW bn)

Classification	'11	'12.2Q
Total (Overseas Subsidiaries)	2,527 (1,044) 100%	2,739 (1,034) 100%
KRW Currency	475 19%	618 23%
C P	449	598
Others	27	21
Foreign Currency	2,052 81%	2,121 77%
Loan	1,124	1,044
Negotiation Borrowings	928	1,077
Short-term (Overseas Subsidiaries)	1,838 (679) 73%	1,791 (695) 65%
Long-term (Overseas Subsidiaries)	689 (365) 27%	948 (338) 35%

The % is calculated to total borrowings.

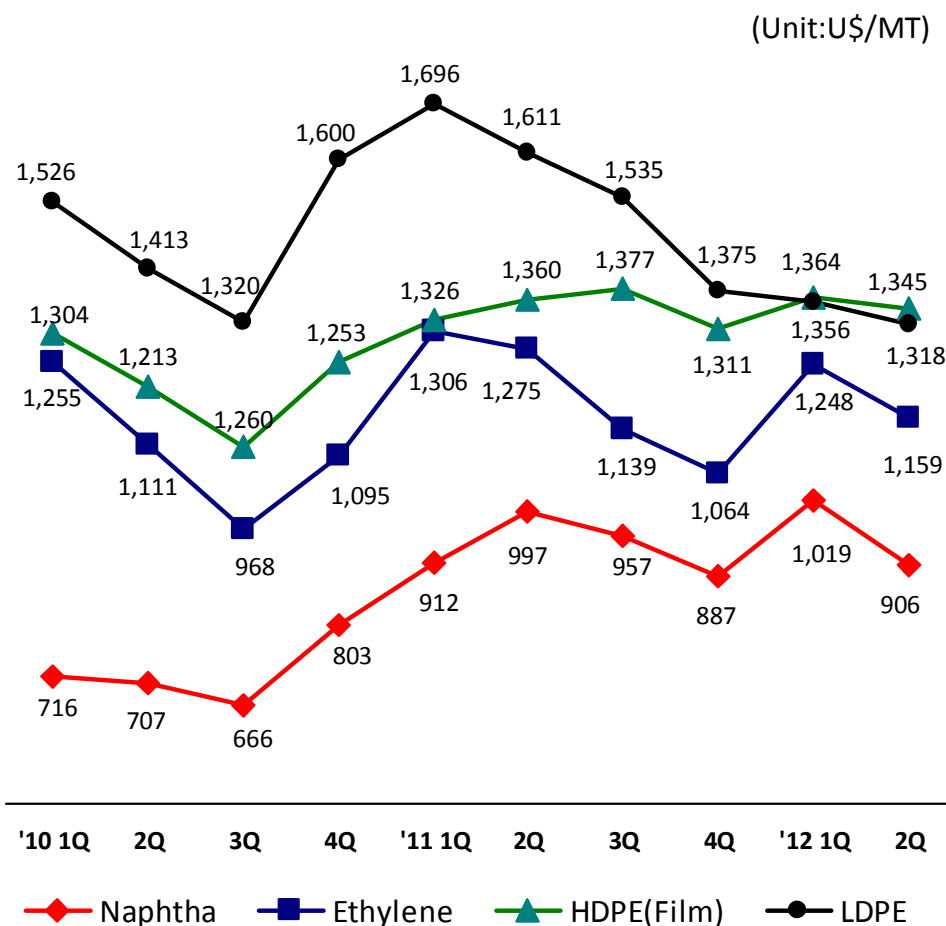
Cash Flow

(Unit: KRW bn)

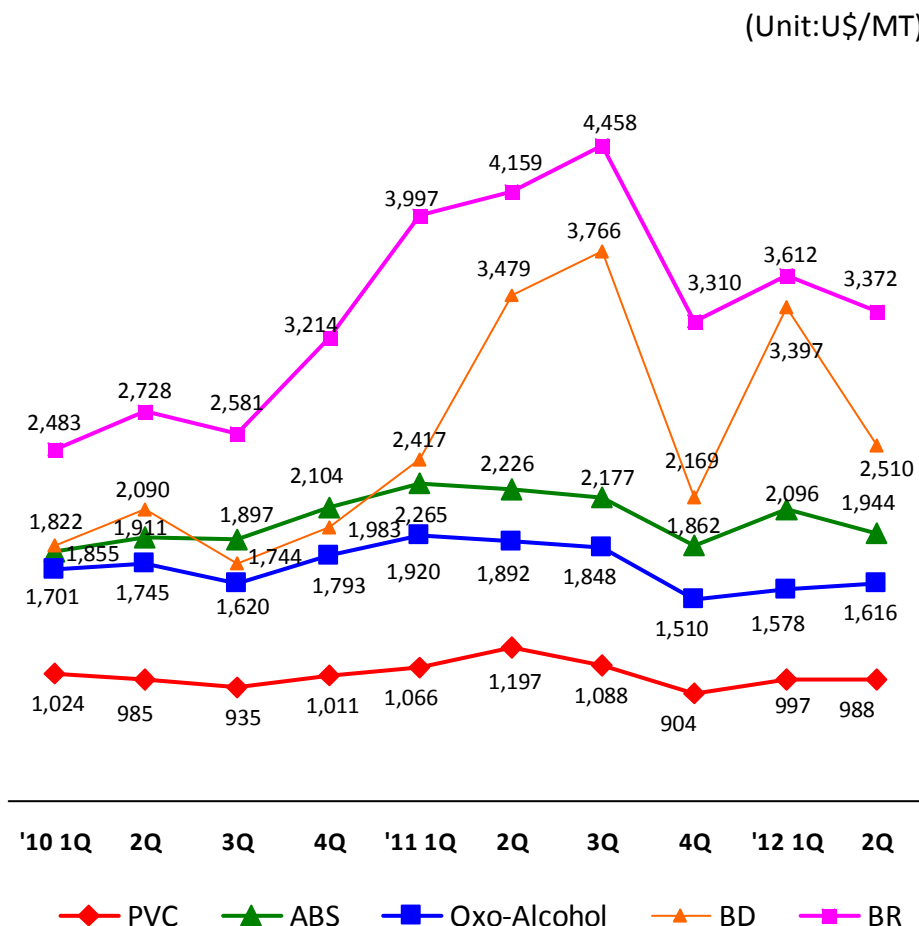
Classification	'11	'12.2Q
Beginning Cash	1,368	1,379
Operating/Investing	-96	-348
Net Income	2,170	755
Depreciation	757	411
Working Capital	-680	-118
CAPEX	-2,321	-1,089
Others	-22	-307
Financing	107	-99
Borrowings	426	213
Dividends	-319	-312
Ending	1,379	932

(Unit: KRW bn)

Classification		'10	'11	'12 Plan	'12.1H
Petrochemicals	New / Expansion	320	664	743	389
	Maintenance	266	296	269	98
	Total	586	960	1,012	487
I & E Materials	New / Expansion	425	330	539	103
	Maintenance	78	100	89	40
	Total	503	430	628	144
Energy Solution	New / Expansion	389	660	473	292
	Maintenance	85	105	139	44
	Total	474	765	612	336
Common Expenses	New / Expansion	-	-	-	16
	Maintenance	139	166	296	106
	Total	139	166	296	122
Total	New / Expansion	1,134	1,654	1,755	800
	Maintenance	568	666	794	289
	Total	1,702	2,321	2,548	1,089



NCC/PO



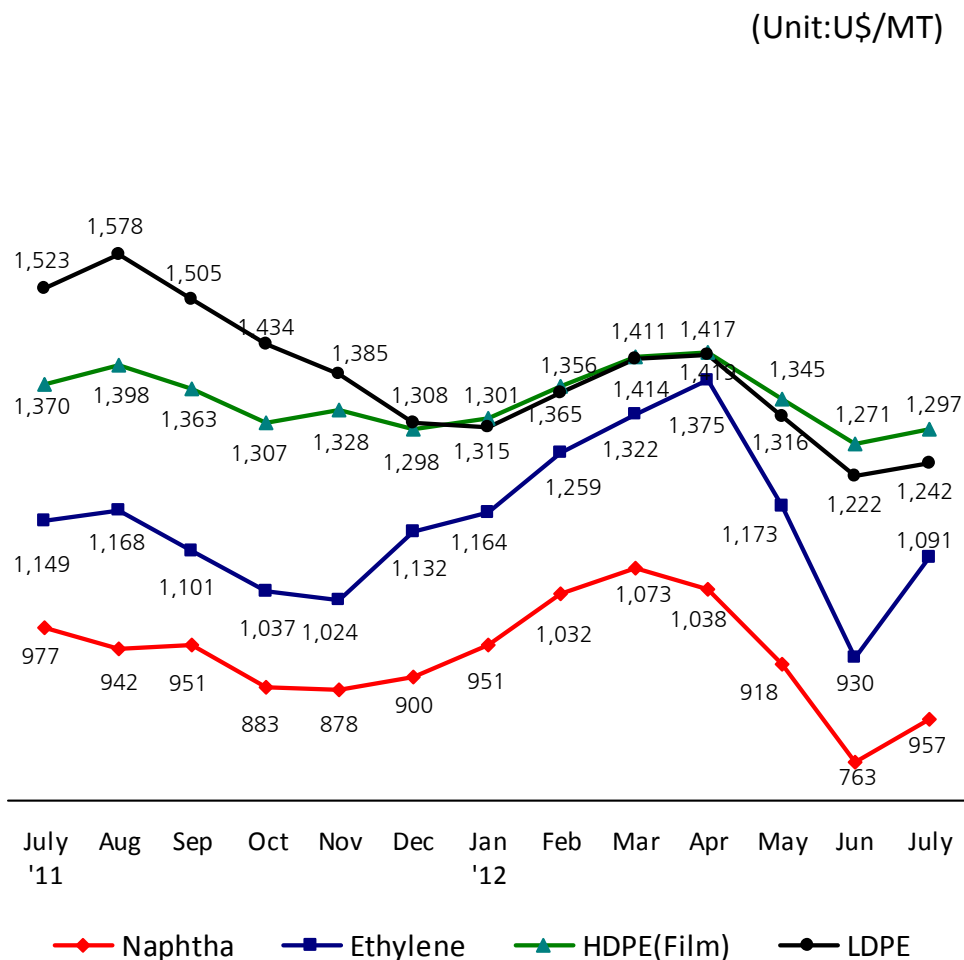
PVC

ABS/EP

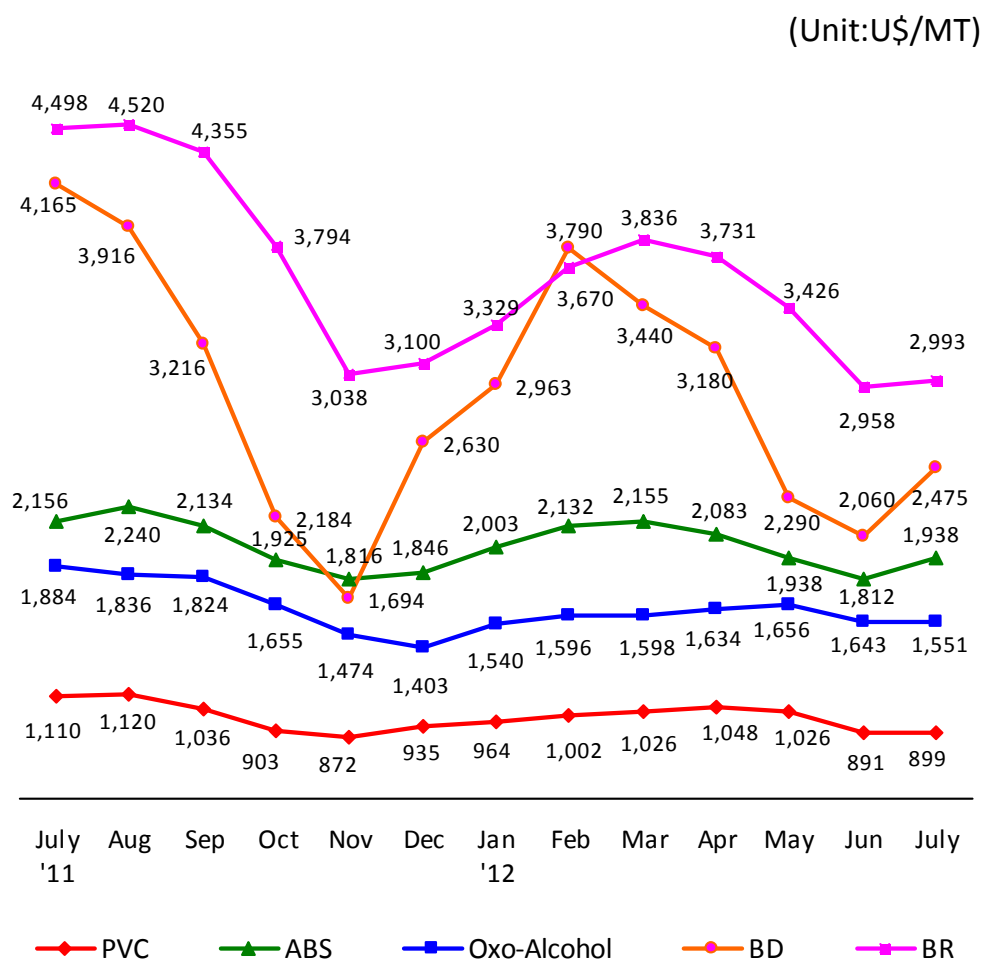
**Acrylate/
Plasticizer**

**Rubber/
Specialty Polymers**

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



NCC/PO



PVC

ABS/EP

**Acrylate/
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As of Aug, 2012

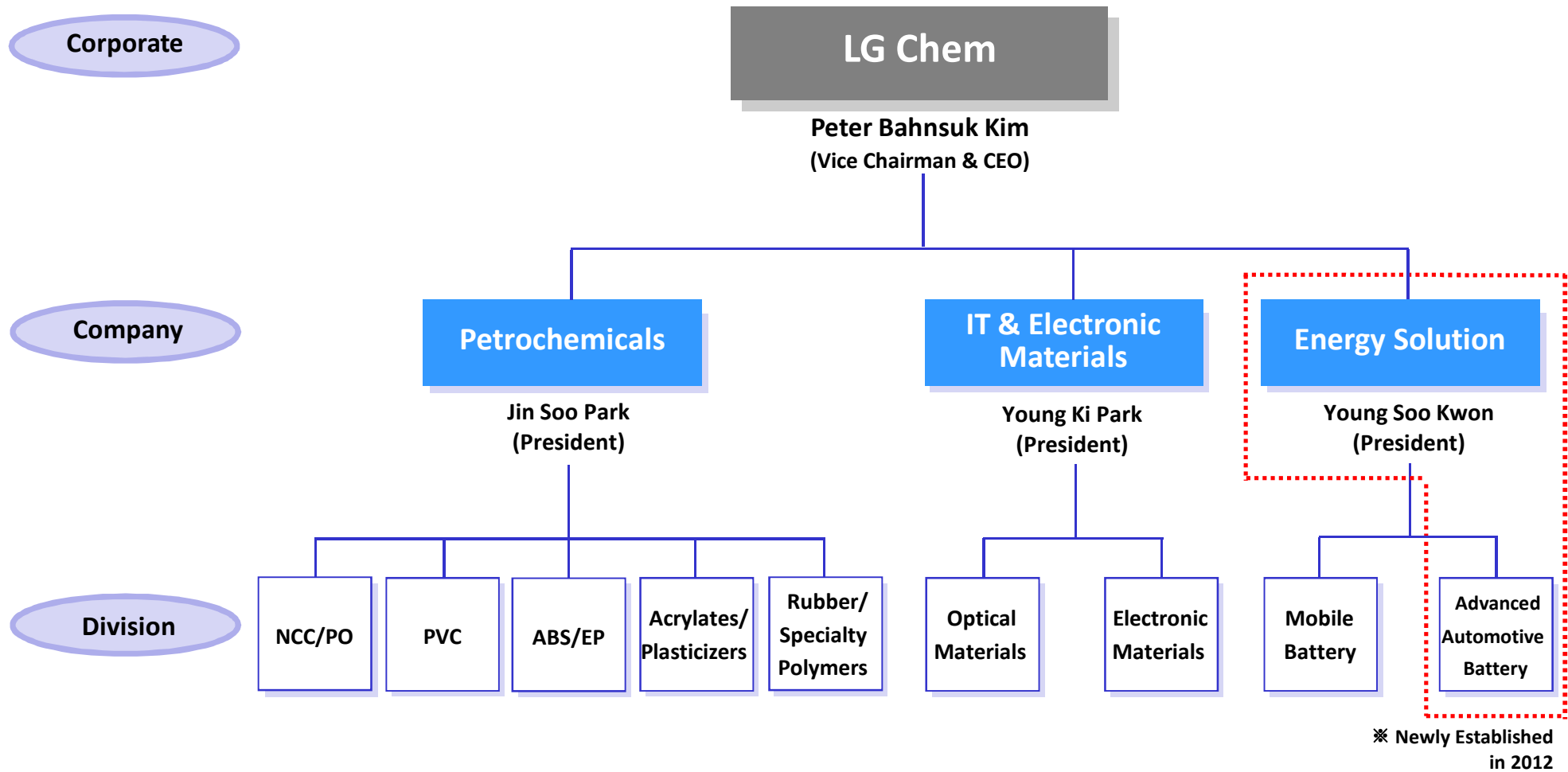
	Item	Location	Capa	Global Rank	Capa Addition('12)
Petro- Chemicals	ABS (Acrylonitrile-Butadiene-Styrene)	Korea, China	1,390 KMT/Yr	1st [*]	
	PVC (Polyvinyl Chloride)	Korea, China	1,270 KMT/Yr	6th	
	Oxo-Alcohol	Korea (Yeosu, Naju)	299 KMT/Yr	10th	
	AA (Acrylic Acid)	Korea (Yeosu, Naju)	353 KMT/Yr	6th	[160 KMT added on June]
	PC (Polycarbonate)	Korea (Yeosu)	170 KMT/Yr	6th	
	BR (Butadiene Rubber)	Korea (Daesan)	180 KMT/Yr	7th	
	Elastomer	Korea (Daesan)	85 KMT/Yr	4th	
	SAP (Super Absorbent Polymer)	Korea (Gimcheon, Yeosu)	180 KMT/Yr	6th	[72 KMT added on June]
	MBS (Methacrylate-Butadiene-Styrene)	Korea (Yeosu)	50 KMT/Yr	4th	
	NBL (Acrylonitrile-Butadiene-Latex)	Korea (Yeosu)	100 KMT/Yr	2nd	
I & E Materials / Energy Solution	BPA (Bisphenol A)	Korea (Yeosu)	300 KMT/Yr	8th	150 KMT/Yr (Dec)
	Polarizer	Korea (Ochang)	128 mn m ² /Yr	1st	
	Consumer Battery (Lithium-ion)	Korea (Ochang)	88 mn cells/Month ^{**}	3rd	Variable
	EV/HEV Battery (Lithium-ion)	Korea (Ochang)	100K Units/Yr	1st	100K Units/Yr (~Dec) ^{***}
	Color Filter Photoresists	Korea (Ochang)	-	2nd	
	3D FPR	Korea (Ochang)	-	1st	

* Actual Sales Base

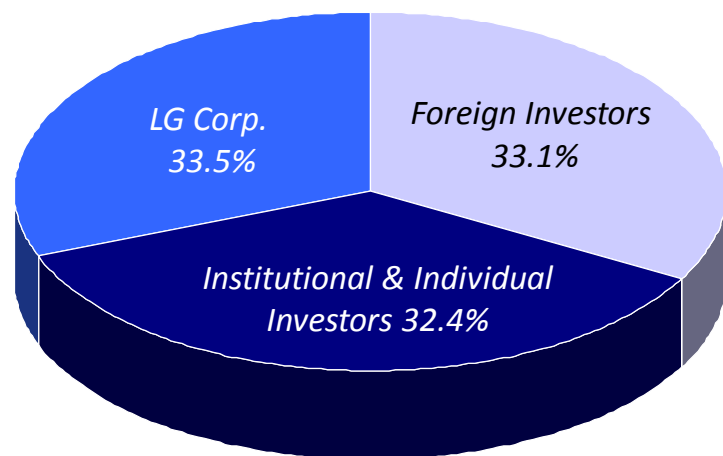
** Cylindrical : 41 mn, Prismatic : 30 mn, Polymer : 17 mn

*** Convert to GM 'VOLT' base

From 2012, Energy Solution Company newly established to strengthen each company's Independent Management System.



Shareholders & Market Cap



Common Stock as of Aug 10, 2012

(Unit : KRW)

	No. of Shares	Aug 10, '12	
		Price	Market Cap
Common	66,271,100	324,500	21.5 tn
Preferred	7,628,921	102,000	0.7 tn
Total	73,900,021		22.2 tn

Par value : KRW 5,000

Dividends

(Unit: KRW bn)

Classification	'10	'11	Change
Net Income	2,200	2,170	-1.4%
EPS(KRW)	29,345	29,069	-0.9%
Total Dividends	295*	295*	0
Dividend Payout Ratio	14.9%	14.5%	-0.4%p
Common Stock Price at year-end(KRW)	391,000	317,500	-73,500
Dividend Yield Ratio	1.0%	1.3%	0.3%p

* Dividend of KRW 4,000 per common share