

Business & Market Outlook

November, 2013



Disclaimer

The business results for the third quarter of 2013 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.

The business results are subject to the IFRS(International Financial Reporting Standards) from 2010. In addition, operating profits for 2011 and 2012 are amended to reflect revisions of "K-IFRS, No. 1001" decided on 19th regular Financial Services Commission's meeting on October 17th, 2012.

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

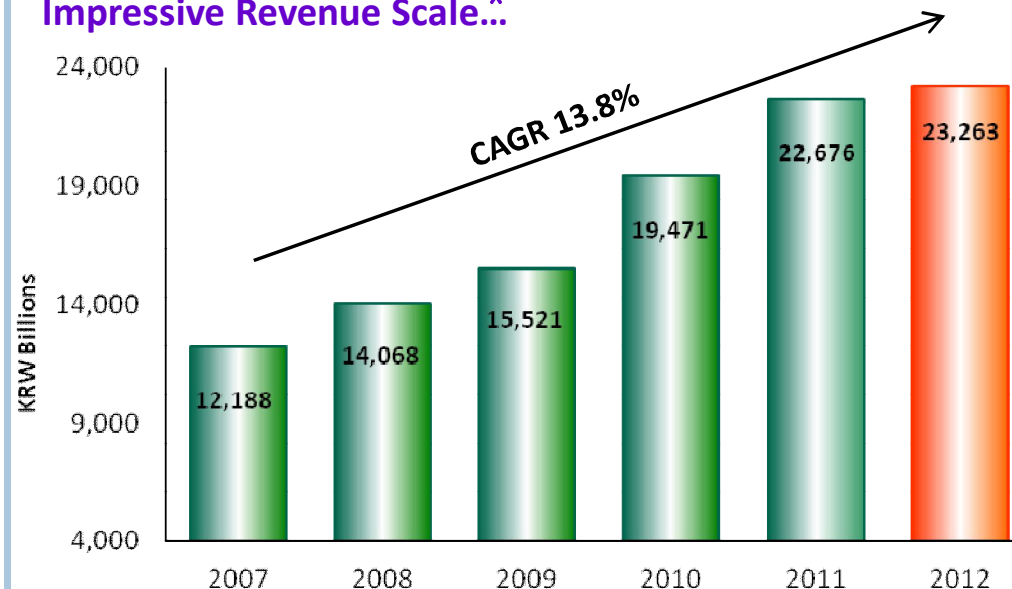
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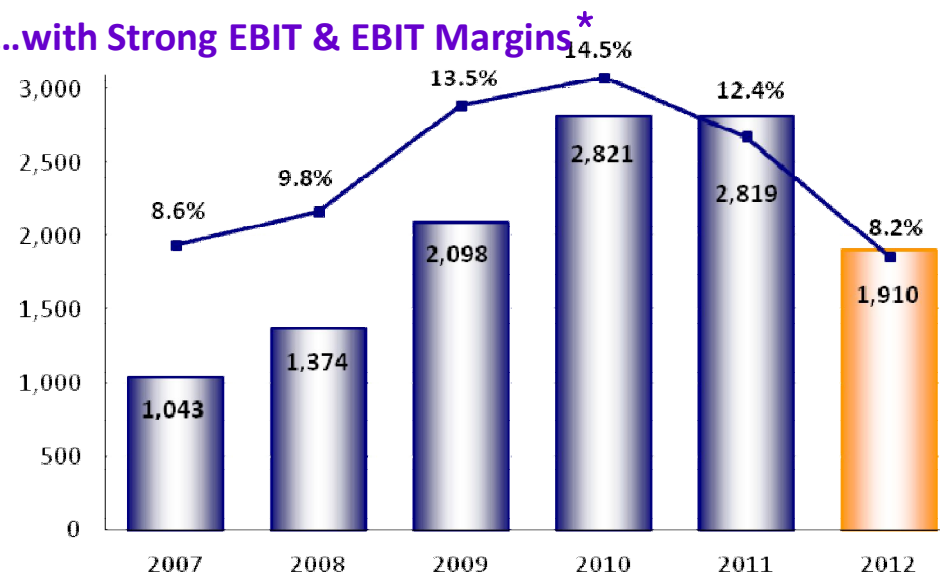
LG Chem at a Glance

- 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 23.3 trillion in 2012.
- 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 xEV 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 in 2012.

Impressive Revenue Scale.*



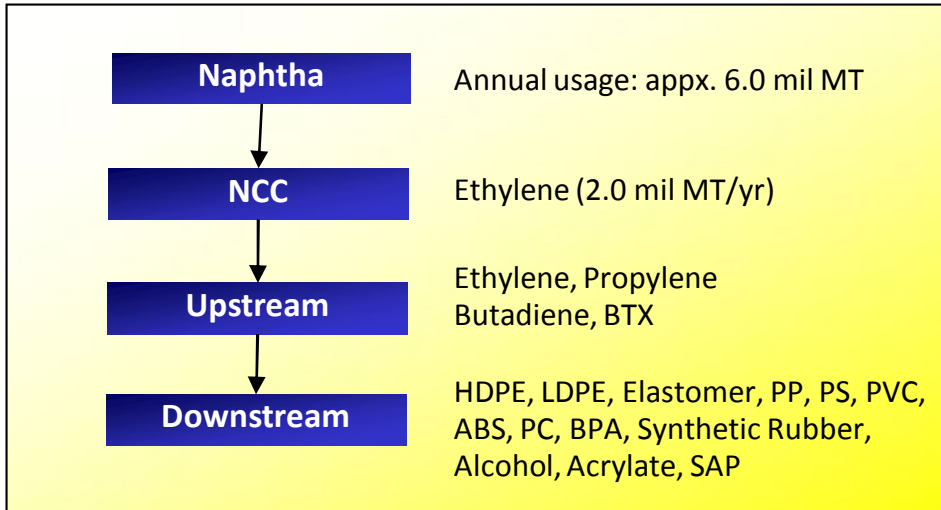
...with Strong EBIT & EBIT Margins.*



* 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



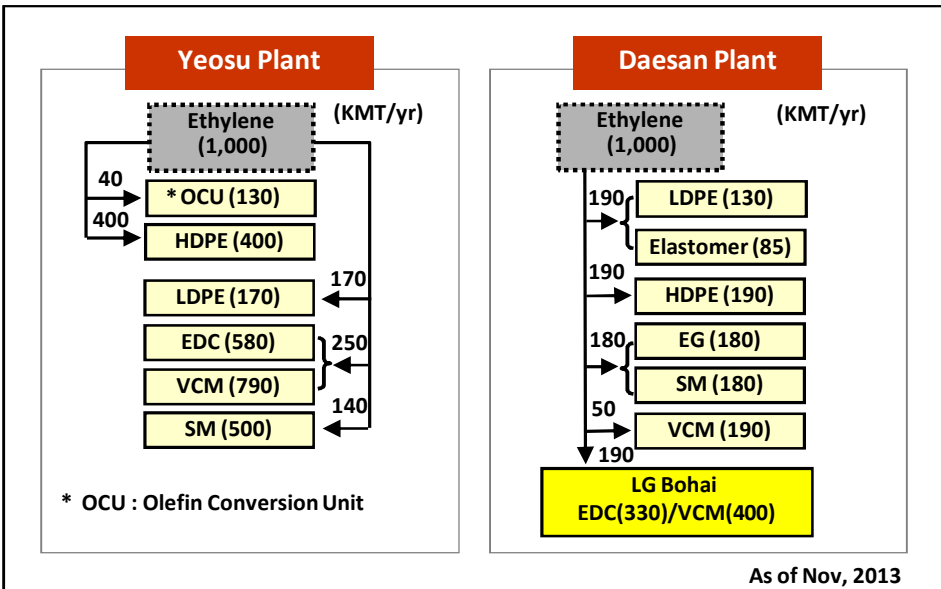
Co-existence of upstream and downstream products

- 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	'12.3Q	'13.2Q	'13.3Q	YoY	QoQ
Sales	5,834	5,917	5,865	0.5%	-0.9%
Operating Profit	601	502	516	-14.0%	3.0%
(%)	(10.3)	(8.5)	(8.8)		
Pre-tax Income	585	510	441	-24.6%	-13.5%
(%)	(10.0)	(8.6)	(7.5)		
Net Income	459	401	352	-23.3%	-12.1%

Financial Position

(Unit: KRW bn)

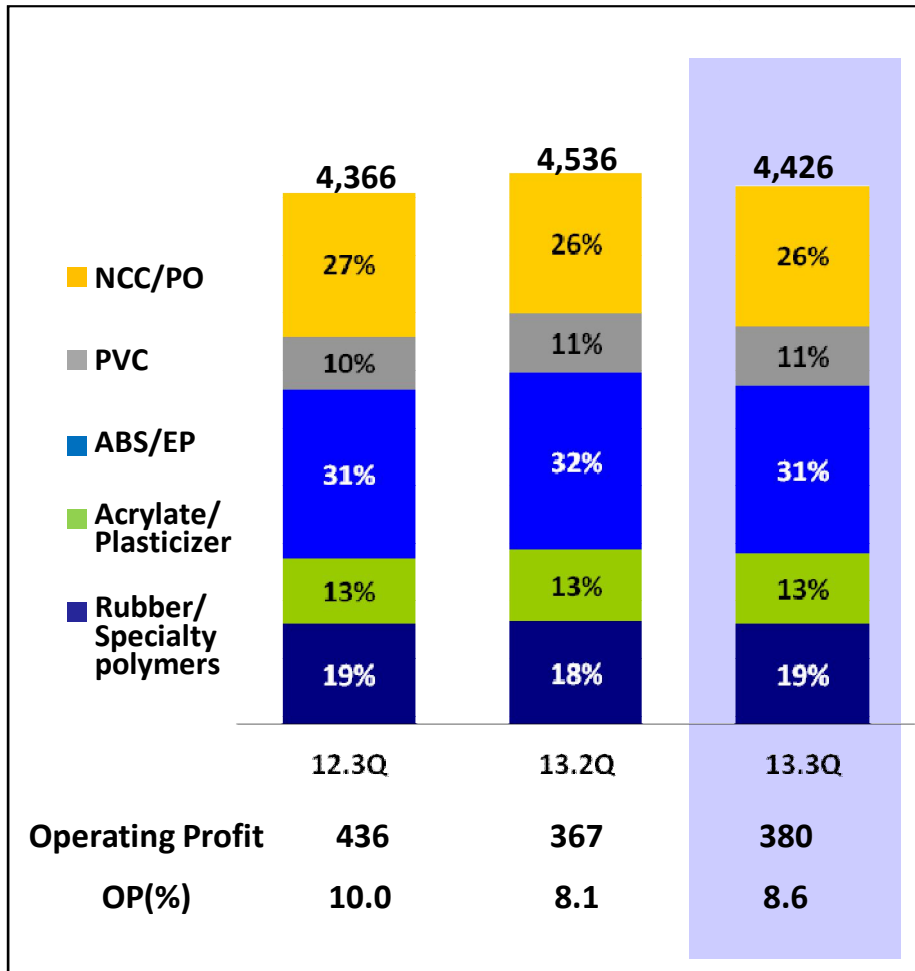
Classification	'12	'13.3Q	Change
Asset	16,581	17,598	6.1%
Cash and equivalents	1,341	1,974	47.2%
Liabilities	5,816	6,031	3.7%
Borrowings	2,947	3,129	6.2%
Shareholder's Equity	10,765	11,568	7.5%
EBITDA	2,784	2,179	

Financial Ratios

Classification	'12	'13.3Q	Change
Total Liabilities/ Equity (%)	54.0	52.1	-1.9%p
Borrowings / Equity (%)	27.4	27.0	-0.4%p
Interest Coverage Ratio (x)	26.2	29.8	3.6
ROE (%)	14.7	13.1	-1.6%p
ROA (%)	9.5	8.5	-1.0%p

Business results

(Unit: KRW bn)



Analysis

• Analysis

▣ Despite sluggish synthetic rubber, earnings improved thanks to overall product price increases and solid PO market condition

-NCC/PO : Earnings improved with expanded PE spread

-PVC : Recovery of profits slowed by weak demand from emerging markets such as India, etc

-ABS/EP : Margin improved through strong market position and increased premium product sales

-Acrylate/Plasticizer : Maintained profitability based on seasonal demand of Acrylates and SAP despite weak alcohol market

-Rubber/Specialty Polymers : Earnings declined due to plunged BD & BR price

• Outlook

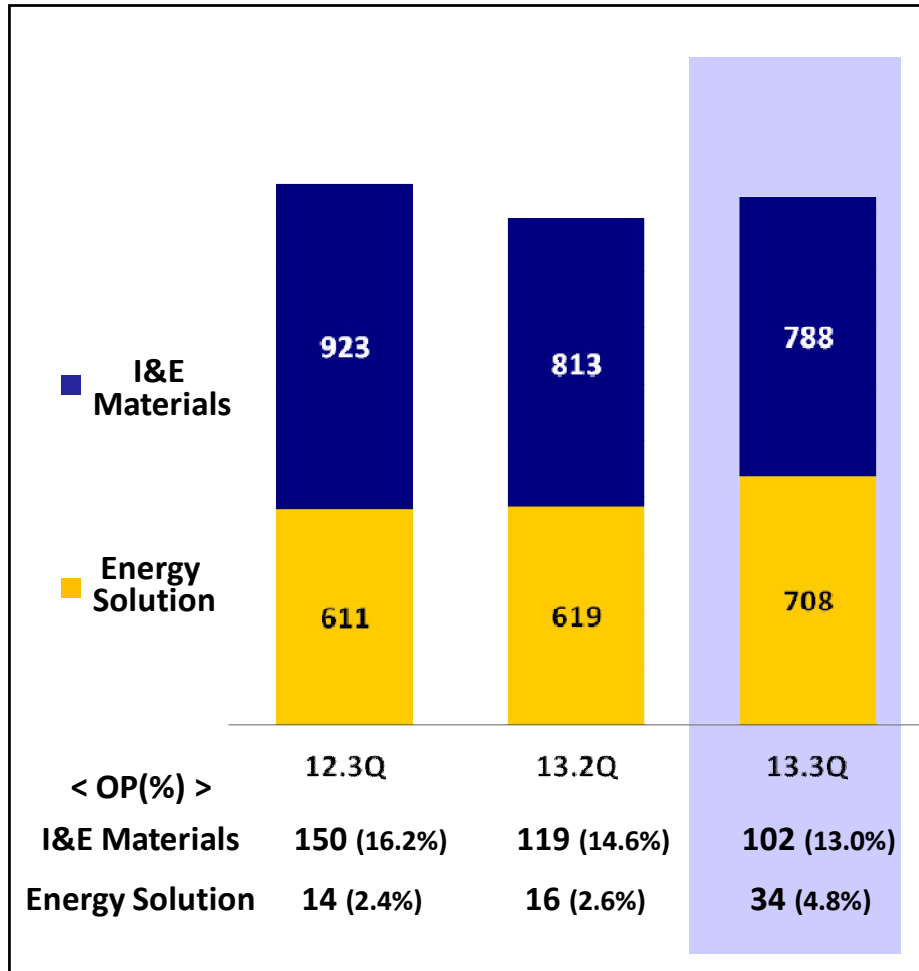
▣ Expect stable product spread with stabilized naphtha costs despite weak seasonality

▣ Rubber business will be gradually recovering with feedstock and product price increases

Business results

Analysis

(Unit: KRW bn)



• Analysis

■ Despite weak demand even in the peak season of display market, favorable results achieved thanks to high margin product sales and capacity additions of polymer battery

- **I&E Materials** : Recorded sound results thanks to profitable product sales in spite of weak TV demand and strong KRW
- **Energy Solution** : Earnings improvement through polymer capacity additions and diversification of the applications such as power tools

• Outlook

■ Strengthen global market position through increasing differentiated product sales & diversifying customers

- **I&E Materials** : Maintain sound profits based on high margin products such as 3D-Polarizer and ITO film
- **Energy Solution** : Continue to increase share in major customers and secure new customers of automotive battery and ESS

(Unit: KRW bn)

Classification	2012					2013				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	5,753	5,996	5,834	5,681	23,263	5,721	5,917	5,865		17,503
Operating Profit	447	499	601	364	1,910	409	502	516		1,427
Petrochemicals	4,491	4,521	4,366	4,201	17,579	4,353	4,536	4,426		13,315
NCC/PO	1,249	1,200	1,174	1,163	4,786	1,178	1,165	1,156		3,499
PVC	478	485	449	450	1,862	463	489	485		1,438
ABS	1,104	1,115	1,111	1,032	4,361	1,082	1,165	1,099		3,345
EP	267	281	262	257	1,067	265	282	284		831
Acrylate/Plasticizer	530	556	551	557	2,195	570	591	577		1,738
Synthetic Rubber/ Specialty Resin	864	883	819	743	3,310	795	845	825		2,465
Operating Profit	366	340	436	294	1,436	324	367	380		1,070
I&E Materials	761	864	923	903	3,452	827	813	788		2,428
Operating Profit	69	131	150	85	436	97	119	102		318
Energy Solution	562	677	611	628	2,479	592	619	708		1,918
Operating Profit	12	28	14	-15	39	-12	16	34		39

※ ABS/EP business are divided into two parts from 2013. So business results for ABS and EP are amended to reflect the partition of business.

Borrowings

(Unit : KRW bn)

Classification	'12	'13.3Q
Total (Overseas Subsidiaries)	2,947 (1,024) 100%	3,129 (1,236) 100%
KRW Currency	812 28%	804 26%
C P	598	599
Others	214	205
Foreign Currency	2,135 72%	2,325 74%
Loan	1,140	1,334
Negotiation Borrowings	994	991
Short-term (Overseas Subsidiaries)	1,752 (739) 59%	2,087 (1,104) 67%
Long-term (Overseas Subsidiaries)	1,195 (286) 41%	1,042 (132) 33%

The % is calculated to total borrowings.

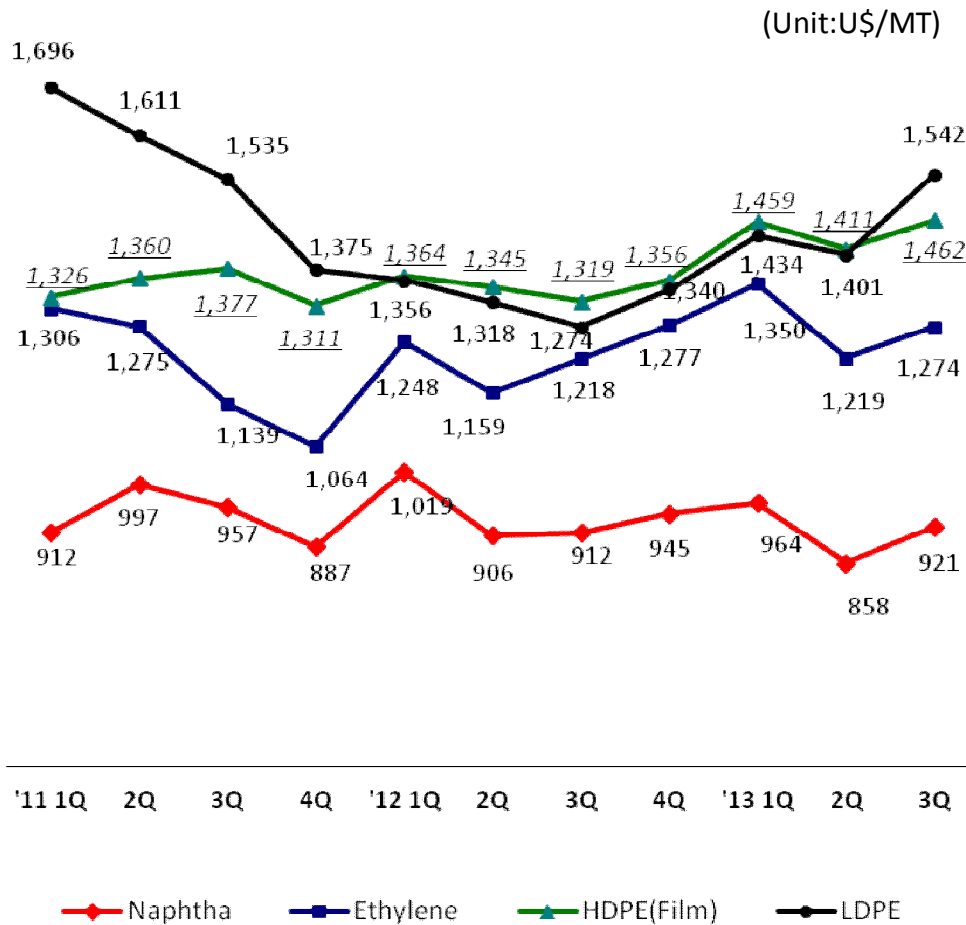
Cash Flow

(Unit: KRW bn)

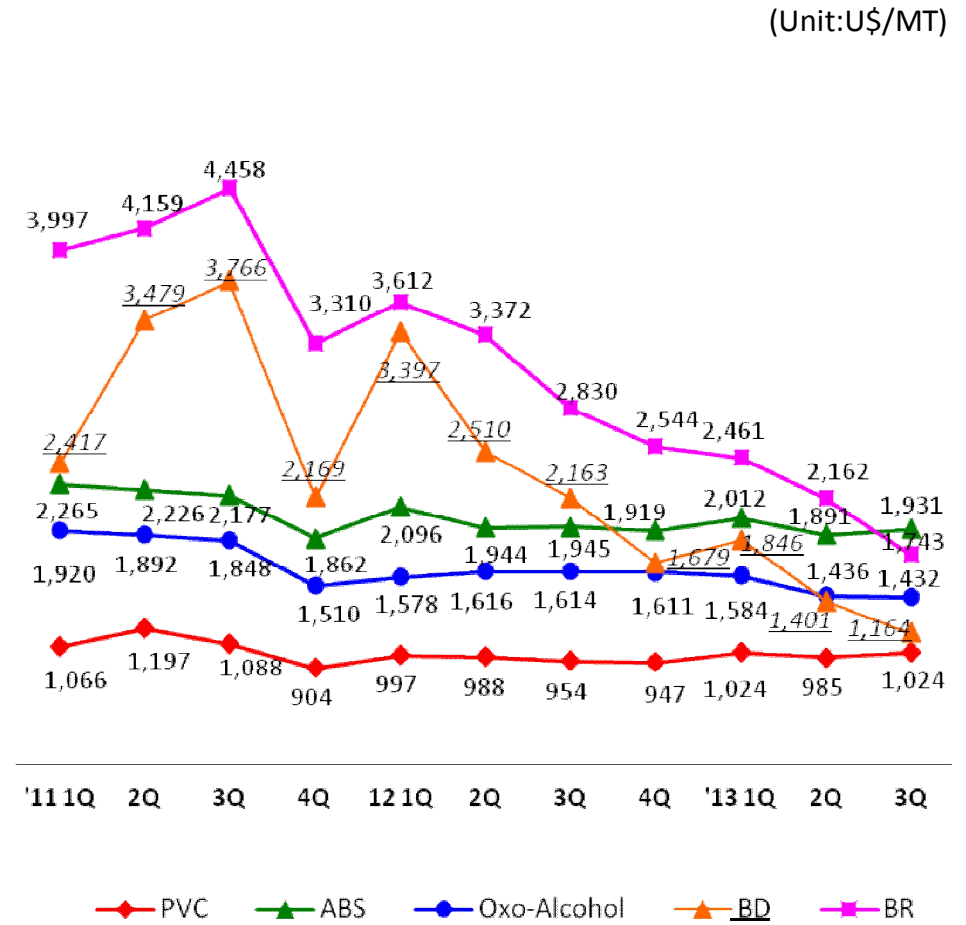
Classification	'12	'13.3Q
Beginning Cash	1,379	1,341
Operating/Investing	-143	760
Net Income	1,506	1,094
Depreciation	874	752
Working Capital	-147	-290
CAPEX	-2,075	-1,006
Others	-300	209
Financing	104	-127
Borrowings	420	182
Dividends	-316	-308
Ending	1,341	1,974

(Unit: KRW bn)

Classification		'11	'12	'13 Plan	'13.3Q(YTD)
Petrochemicals	New / Expansion	664	784	549	332
	Maintenance	296	226	245	169
	Total	960	1,009	795	501
I & E Materials	New / Expansion	332	242	744	185
	Maintenance	103	90	135	75
	Total	434	332	878	261
Energy Solution	New / Expansion	660	395	70	72
	Maintenance	176	138	202	91
	Total	836	533	272	163
Common Expenses	New / Expansion	-	16	-	-
	Maintenance	91	185	179	81
	Total	91	201	179	81
Total	New / Expansion	1,655	1,436	1,363	589
	Maintenance	665	639	761	416
	Total	2,321	2,075	2,124	1,006

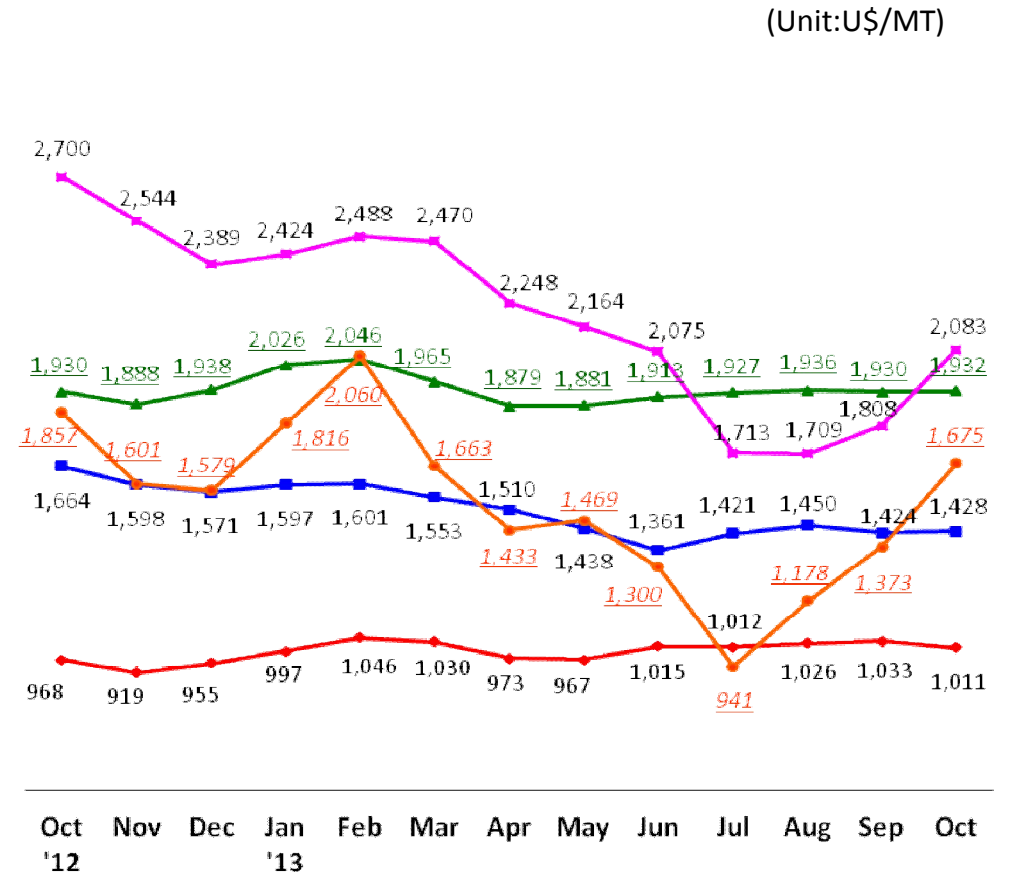
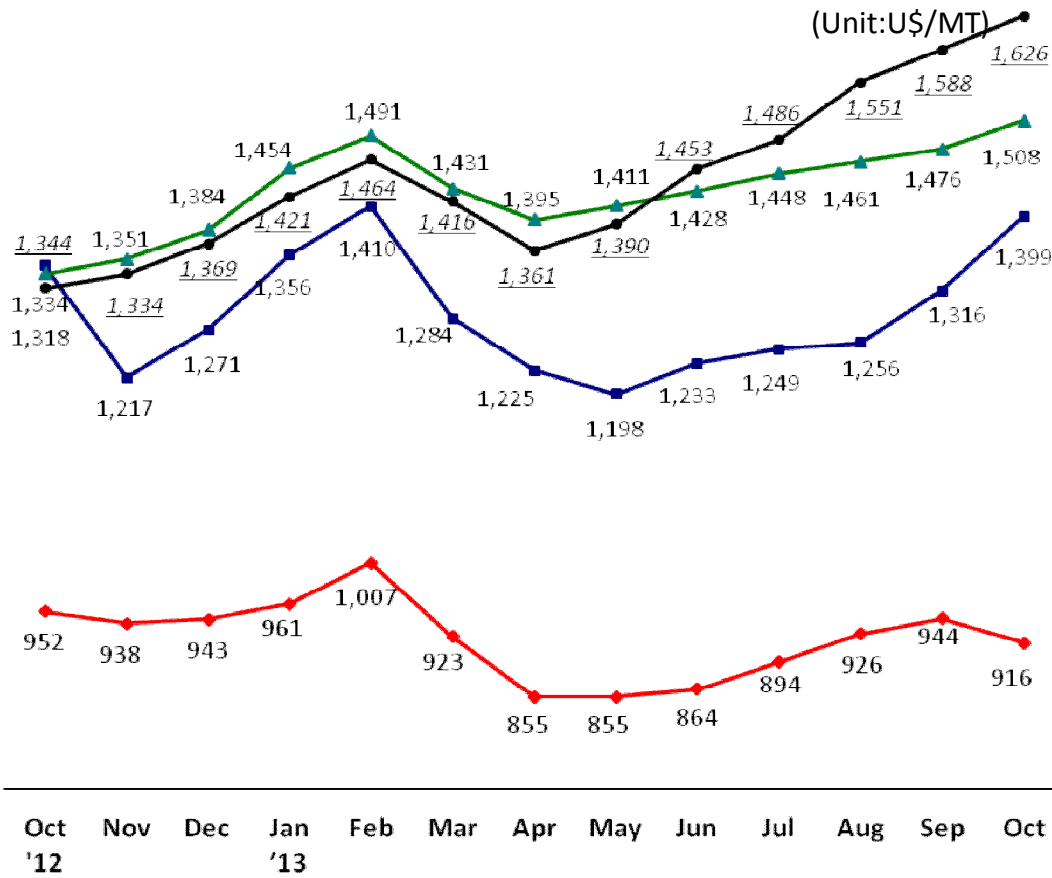


NCC/PO



PVC ABS/EP Acrylate/Plasticizer Rubber/Specialty Polymers

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



◆ Naphtha
 ◆ Ethylene
 ◆ HDPE(Film)
 ◆ LDPE

◆ PVC
 ◆ ABS
 ◆ Oxo-Alcohol
 ◆ BD
 ◆ BR

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.

As of 3rd quarter of 2013

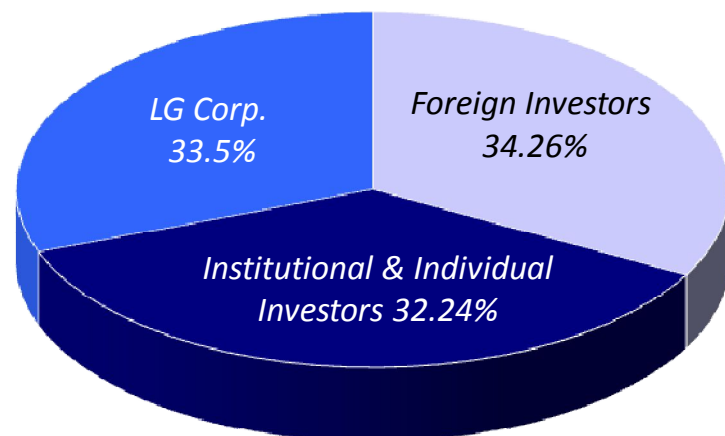
	Item	Location	Capa	Global Rank	Capa Additions('13)
Petro-Chemicals	ABS (Acrylonitrile-Butadiene-Styrene)	Korea, China	1,390 KMT/Yr	1st*	
	PVC (Polyvinyl Chloride)	Korea, China	1,270 KMT/Yr	6th	
	Oxo-Alcohol	Korea (Yeosu, Naju)	299 KMT/Yr	10th	
	AA (Acrylic Acid)	Korea (Yeosu, Naju)	353 KMT/Yr	6th	
	PC (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	
	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)	450 KMT/Yr	5th	[150 KMT/Yr added on Jan]
	Polarizer	Korea (Ochang)	117 mn m ² /Yr	1st	[20mn m ² /Yr add on Dec]
	Consumer Battery (Lithium-ion)	Korea (Ochang)	98 mn cells/Month**	2nd	
	EV/HEV Battery (Lithium-ion)	Korea (Ochang)	130K Units/Yr***	1st	
	Color Filter Photoresists	Korea (Ochang)	-	2nd	
	3D FPR	Korea (Ochang)	-	1st	

* Actual Sales Base

** Cylindrical : 41 mn, Prismatic : 30 mn, Polymer : 27 mn

*** Convert to GM 'VOLT' base. U.S. Plant will start operating from 3Q.

Shareholders & Market Cap



Common Stock as of Oct 25, 2013

(Unit : KRW)

	No. of Shares	October 25, '13	
		Price	Market Cap
Common	66,271,100	299,500	19.8 tn
Preferred	7,628,921	138,000	1.1 tn
Total	73,900,021		20.9 tn

Par value : KRW 5,000

Dividends

(Unit: KRW bn)

Classification	'11	'12	Change
Net Income	2,170	1,510	-30.41%
EPS(KRW)	29,360	20,384	-30.57%
Total Dividends	295*	295*	0
Dividend Payout Ratio	14.5%	20.4%	+5.9%p
Common Stock Price at year-end(KRW)	317,500	330,000	+12,500
Dividend Yield Ratio	1.3%	1.2%	-0.1%p

* Dividend of KRW 4,000 per common share