

Market Outlook

March 2010



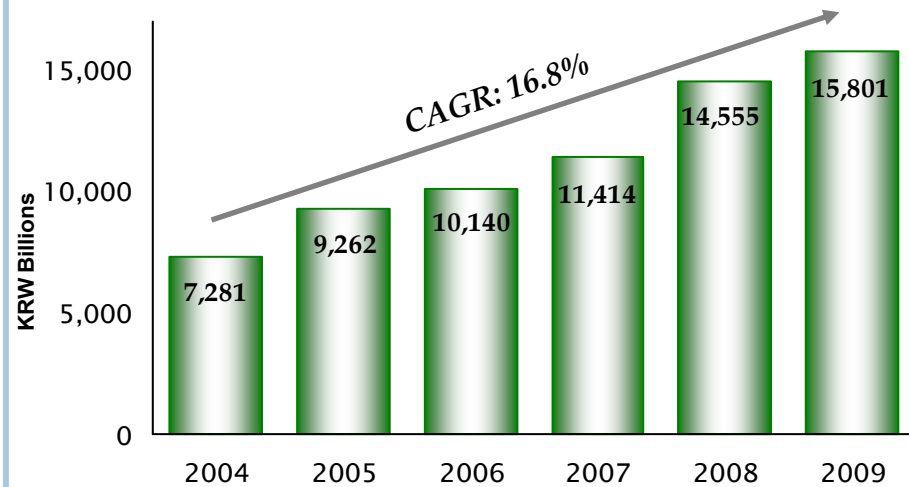
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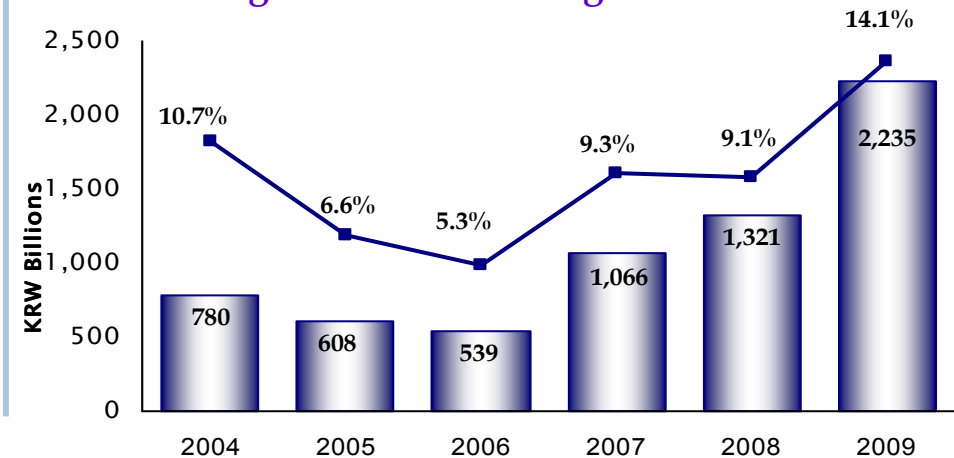
LG Chem at a Glance

- 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 15.8 trillion in 2009
- 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
- Due to inconsistencies of strategic directions such as corporate culture and customer base with existing businesses, the demerger of industrial materials business was completed on April 1, 2009
- LG Chem was reborn as a specialized and diversified chemical company that focuses on petrochemical goods, rechargeable batteries including HEV/EV purpose, and electronic materials
- Despite world economic crisis, LG Chem recorded the highest profits, in its history, in 2009

Impressive Revenue Scale...

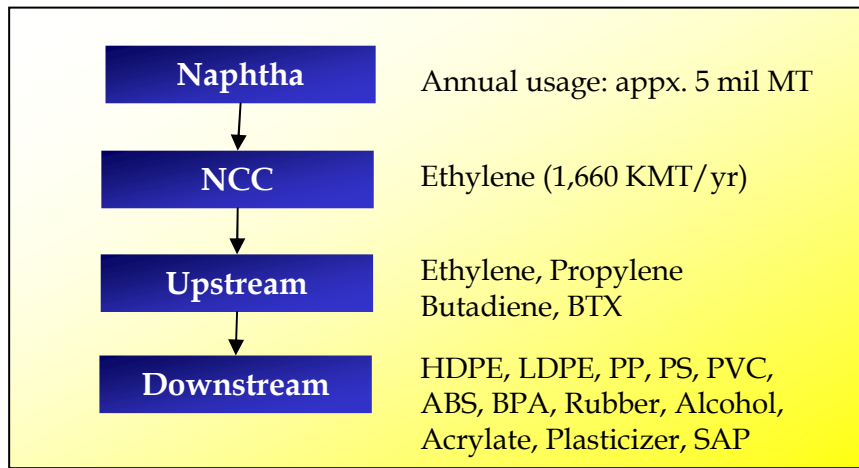


...with Strong EBIT & EBIT Margins



※ Above numbers excluded those of Industrial materials which spun off on April 1, 2009

Vertical Integration Structure

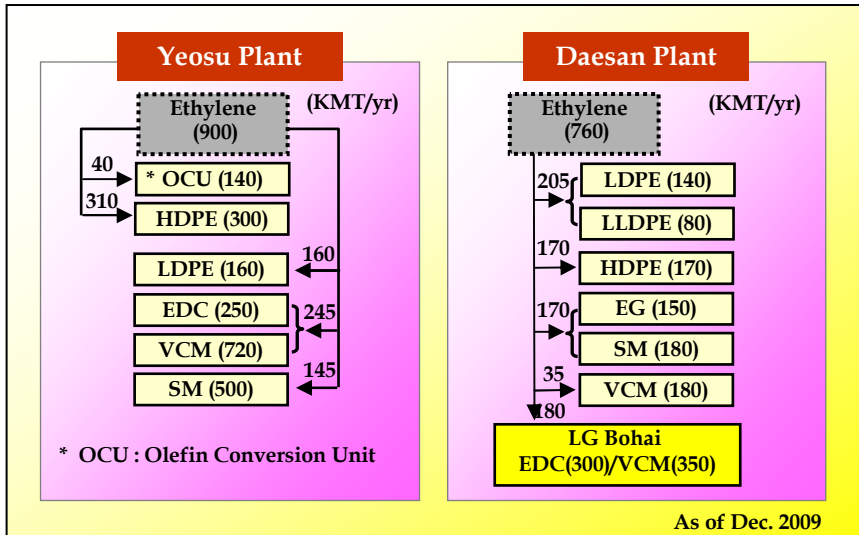


Co-existence of upstream and downstream products

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

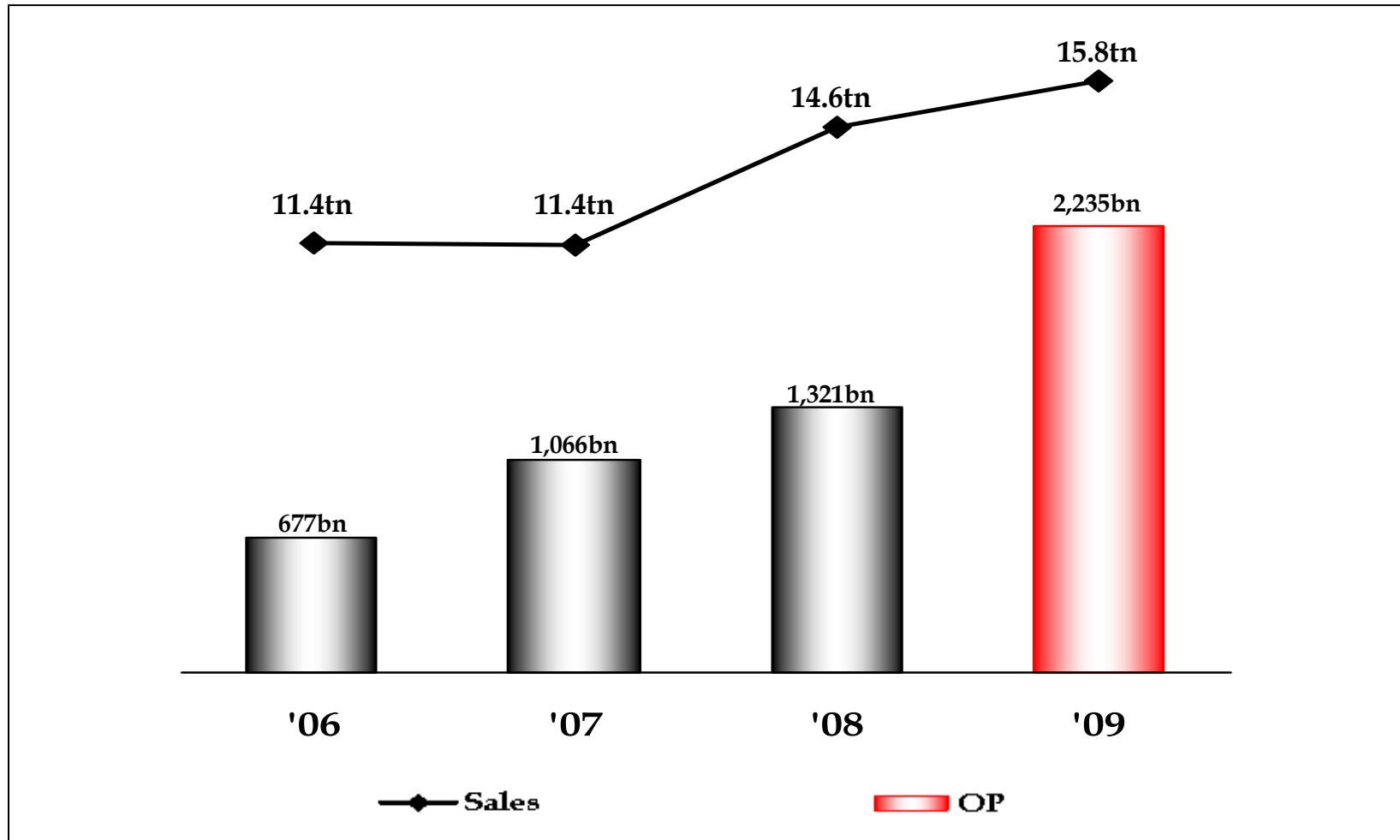
Comprehensive downstream product lines

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

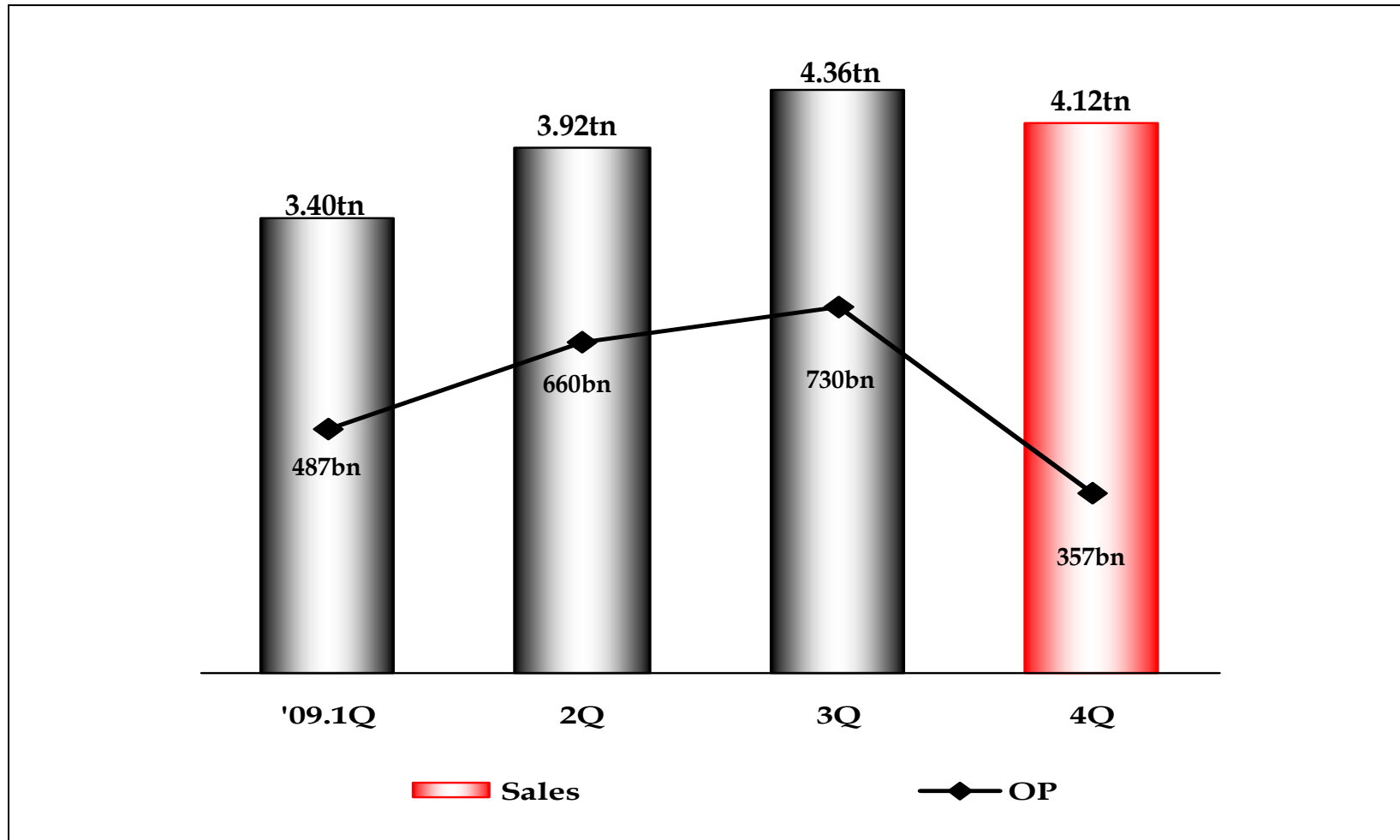


Stabilized revenue generating capability under any market conditions

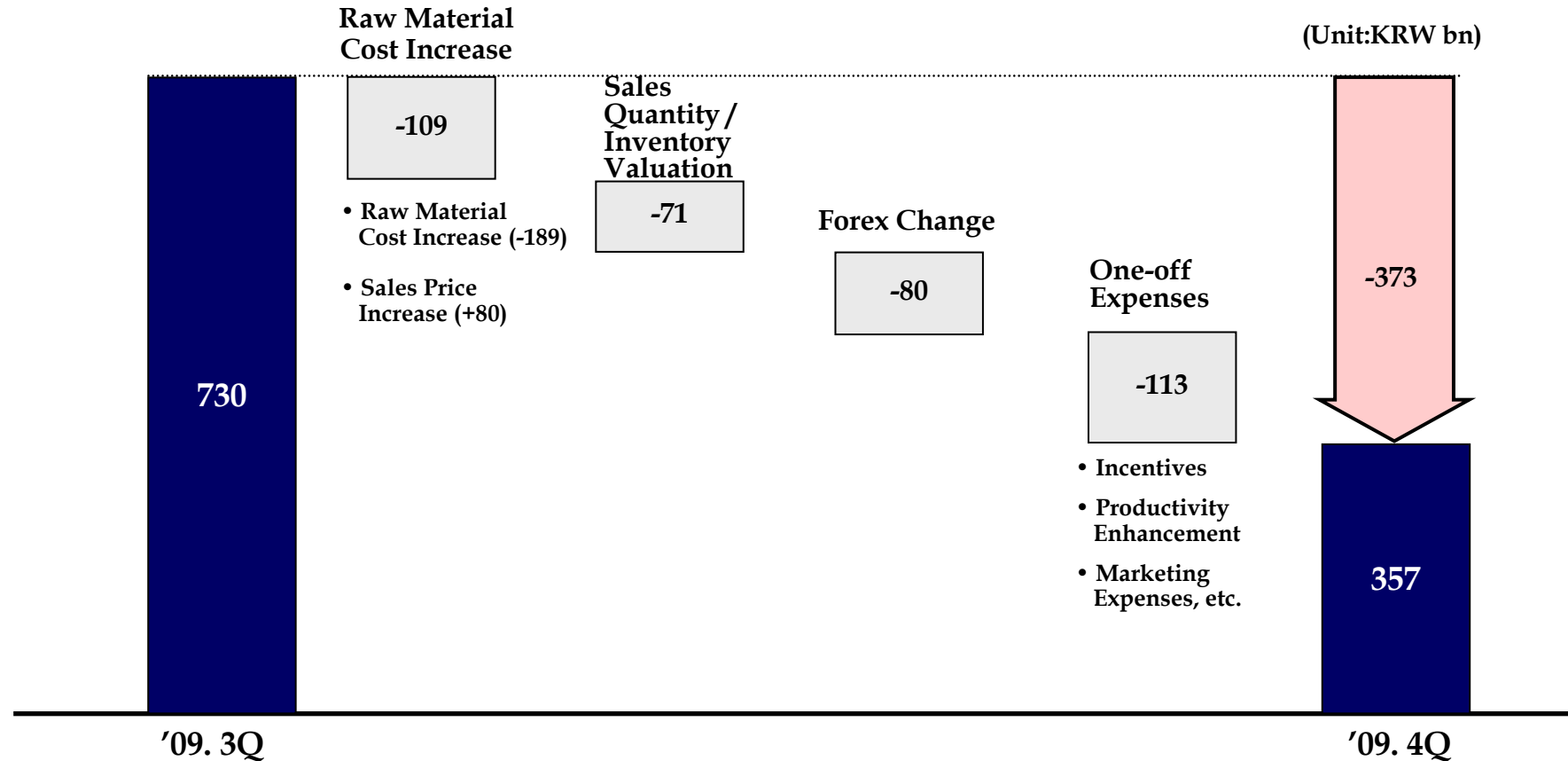
Yearly Business Results (Consolidated)



2009 Business Results (Consolidated)



Operating Profit Change Analysis (Consolidated)



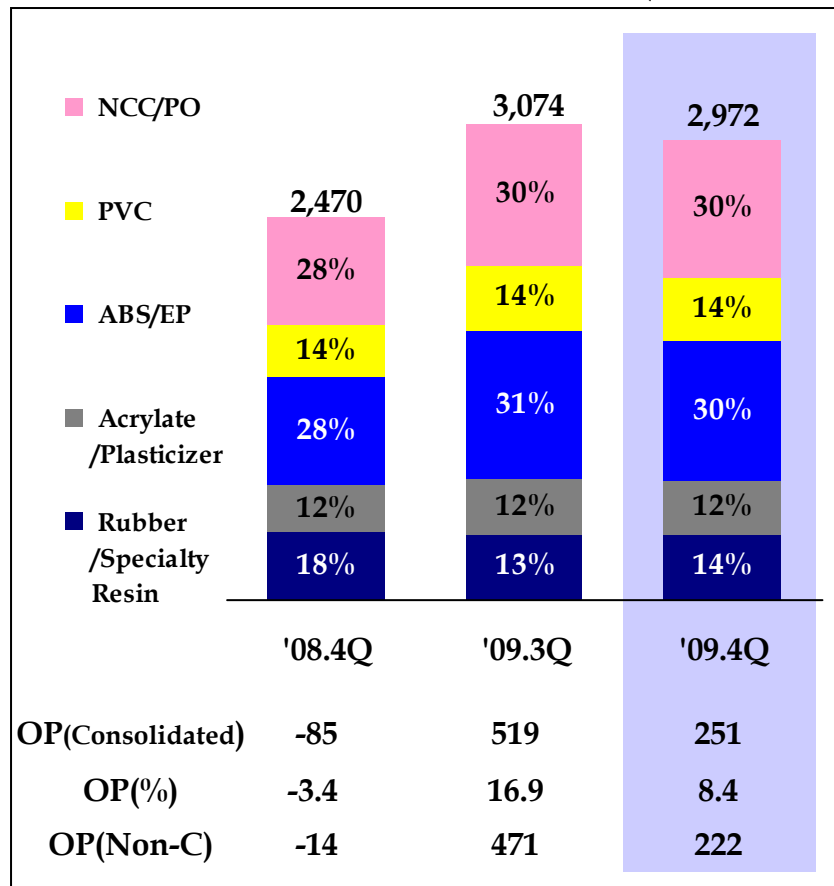
(Unit : KRW bn)	Consolidated				Non-Consolidated			
	'08.4Q	'09.3Q	'09.4Q	YoY	'08.4Q	'09.3Q	'09.4Q	YoY
Sales	3,332	4,364	4,116	23.5%	2,816	3,798	3,563	26.5%
Operating Profit	59	730	357	508.3%	147	656	309	110.2%
(%)	(1.8)	(16.7)	(8.7)		(5.2)	(17.3)	(8.7)	
Pre-tax Income From Continuing Operations	27	713	270	896.7%	94	700	252	168.0%
(%)	(1.0)	(16.3)	(6.6)		(3.3)	(18.4)	(7.1)	
Equity Method Gains	-9	-2	1	-	-62	45	4	-
Net Income	62	543	209	238.5%	62	543	209	238.5%

	Consolidated			Non-Consolidated		
	'08	'09.4.1	'09	'08	'09.4.1	'09
(Unit : KRW bn)						
Assets	9,736	9,110	9,950	8,036	7,502	8,359
(Cash and equivalents)	514	905	1,093	373	755	863
Liabilities	4,683	4,611	4,294	3,147	3,172	2,875
(Borrowings)	2,743	2,565	1,961	1,350	1,327	867
Shareholder's Equity	5,053	4,500	5,656	4,890	4,330	5,484
Total Liabilities / Equity (%)	92.7	102.5	75.9	64.4	73.2	52.4
Debt / Equity (%)	54.3	57.0	34.7	27.6	30.6	15.8
Interest Coverage Ratio	13.5	-	33.4	34.3	-	59.5
ROE (%)	21.7	-	30.3	24.5	-	30.7
ROA (%)	10.8	-	16.2	13.9	-	19.0
EBITDA	1,864	-	2,818	1,746	-	2,373

Business results

Analysis

(Unit:KRW bn)



• Analysis

- ▣ Appreciation of Korean Won & one-off expenses weakened profitability
- ▣ Weak seasonality & hike of raw material cost due to strong oil price
 - NCC/PO : Strong naphtha price worsened margin
 - PVC : Decline in product price due to slow seasonality
 - ABS/EP : Despite the recovery of overseas demand, strong feedstock narrowed spread
 - Acrylate/Plasticizer : High margin maintained thanks to Plasticizer tight supply market condition
 - Rubber/Specialty Resin : Rapid increase of raw material (BD) resulted margin contraction

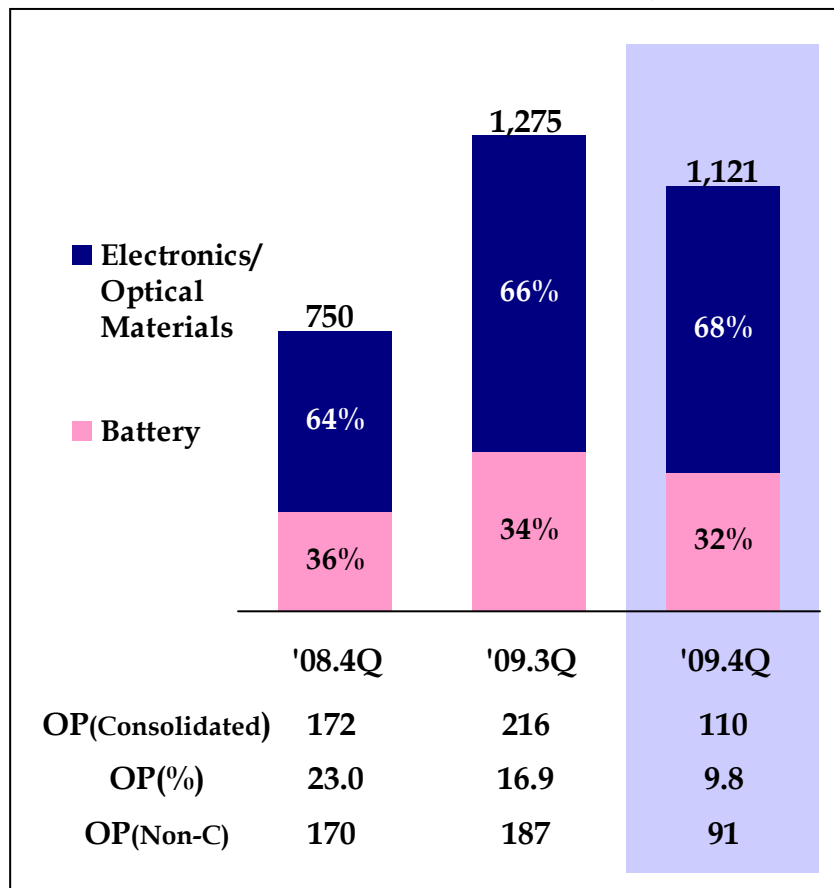
• Outlook

- ▣ Recovery of China's exports will lead robust China demand
- ▣ China domestic market will continue its solid growth
- ▣ Pass through of raw material cost hikes to product prices will expand spread

Business results

Analysis

(Unit:KRW bn)



• Analysis

- Appreciation of Korean Won & marketing cost weakened profitability
- Slowdown of the demand during the off-season
 - Polarizer : Total sales decreased, but high value-added products portion increased
 - Battery : Despite slight price decrease, stable demand continued
 - HEV/EV : Supply to Hyundai, Kia & strive to secure new global customers continued

• Outlook

- Robust demand in LCD market is expected to continue due to the Winter Olympic Games & Chinese New Year
- Sales increase in steady demand of the global market
 - Polarizer : Continuous achievement of profitability with full operation of ultra-wide line
 - Battery : Increase internal shares of strategic customers & strengthen cost leadership
 - HEV/EV : Acquire new major customers & market strength through accelerated global spec-in process

2010 Business Plan (IFRS)

Business Plan

(Unit:KRW bn)

Class	'09	'10 Plan
Sales	15,600	16,300
Petro-chemicals	11,500	11,700
I&E Materials	4,200	4,700
Operating Profits	2,095	-
CAPEX	1,030	1,430

Business Strategy

- Petrochemicals : Achieve maximize profitability
 - Expand domestic business & strengthen competitiveness
 - Yeosu NCC 100KT, BR 80KT, SAP 40KT
 - Increase the portion of value-added premium product
 - ABS 71%, PE 73%
 - Cost reduction of energy, raw materials & sub materials
 - 10% reduction YoY
- I&E Materials : Strengthen Global #1 position
 - Polarizer : Maintain Global #1 M/S
 - VA Polarizer : Expand global top customers base
 - Maximize productivity through ultra-wide line (2,300mm)
 - Reinforce CF photo-resist & Electronic materials business
 - CF photo-resist 1,500ton, Electrolyte 1,200ton
 - Battery : Expand M/S of global strategic customers
 - Nokia, HP, Dell, etc.
 - Prismatic 5mn cell/m, Polymer 3mn cell/m
 - HEV/EV : Secure solid market leader's position
 - Strengthen market power by securing new global customers
 - Commencement of US plant construction (2nd Half '10)

2010 Business Plan (IFRS)

Cash Flow

(Unit:KRW bn)

Class	Amounts
Cash Inflow	2,040
From Operating	1,480
Depreciation	560
Cash Outflow	1,890
CAPEX	1,430
Working Capital & other	190
Dividend	270
Net Cash Flow	150

CAPEX

Class	Amounts
Total	1,430
Type	
New / Expansion	960
Maintenance	470
Divisional	
Petrochemicals	460
I&E Materials	800
Common (Land in Ochang, Paju, etc.)	170

Key Investments

(Unit:KRW bn)

<ul style="list-style-type: none"> ■ Petrochemicals - NCC Expansion in Yeosu - BR, SAP Expansion in Korea - SBS in China, etc. 	<u>290</u>
<ul style="list-style-type: none"> ■ I&E Materials -LCD Glass, Polarizer, Battery, HEV/EV Battery, etc. 	<u>670</u>

(Unit: KRW bn)

LGC	2008					2009				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	3,494	3,749	3,980	3,332	14,555	3,400	3,921	4,364	4,116	15,801
Operating Profit	362	484	416	59	1,321	487	660	730	357	2,235
Petrochemicals	2,835	3,131	3,380	2,470	11,816	2,587	2,884	3,074	2,972	11,517
NCC/PO	884	977	1,074	703	3,638	751	838	911	897	3,397
Synthetic Rubber/ Specialty Resin	353	400	516	434	1,703	358	390	423	424	1,594
PVC	370	412	493	335	1,609	439	420	429	408	1,697
ABS/EP	891	965	908	692	3,456	724	899	948	900	3,471
Acrylate/Plasticizer	337	379	388	306	1,410	315	338	363	342	1,358
Operating Profit	285	393	319	-85	912	374	531	519	251	1,674
I & E Materials	620	654	654	750	2,678	786	1,015	1,275	1,121	4,197
Optical/Electronic	462	516	511	492	1,981	556	728	862	774	2,920
Battery	165	148	154	272	739	242	309	437	371	1,358
Operating Profit	84	102	107	172	466	114	130	216	110	569

(Unit: KRW bn)

LGC	2008					2009				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	2,994	3,239	3,597	2,816	12,645	2,932	3,402	3,798	3,563	13,695
Operating Profit	340	445	412	147	1,344	417	563	656	309	1,945
Petrochemicals	2,397	2,607	2,961	2,075	10,039	2,152	2,388	2,580	2,478	9,597
NCC/PO	884	985	1,085	720	3,674	777	885	980	929	3,571
Synthetic Rubber/ Specialty Resin	347	381	503	395	1,626	338	368	399	411	1,515
PVC	259	286	341	237	1,124	295	293	313	286	1,186
ABS/EP	583	604	653	430	2,271	432	522	538	524	2,016
Acrylate/Plasticizer	323	350	378	294	1,344	310	322	350	328	1,310
Operating Profit	262	350	310	-14	907	316	450	471	222	1,459
I & E Materials	611	656	669	769	2,705	804	1,047	1,258	1,118	4,228
Optical/Electronic	445	505	505	478	1,933	546	711	845	740	2,842
Battery	173	160	174	304	811	269	356	435	400	1,460
Operating Profit	80	98	105	170	453	104	116	187	91	497

Borrowings

(Unit : KRW bn)

	Balance		
	'08	'09.4.1	'09
Total	1,350 (100%)	1,327 (100%)	867 (100%)
KRW	929	865	517
Currency	(69%)	(65%)	(69%)
C P	-	-	-
C B	560	500	250
Others	369	365	267
Foreign	421	461	350
Currency	(31%)	(35%)	(31%)
FRN	170	186	58
Others	252	275	292
Short-term	560 (42%)	671 (51%)	444 (57%)
Long-term	790 (58%)	656 (49%)	424 (43%)

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

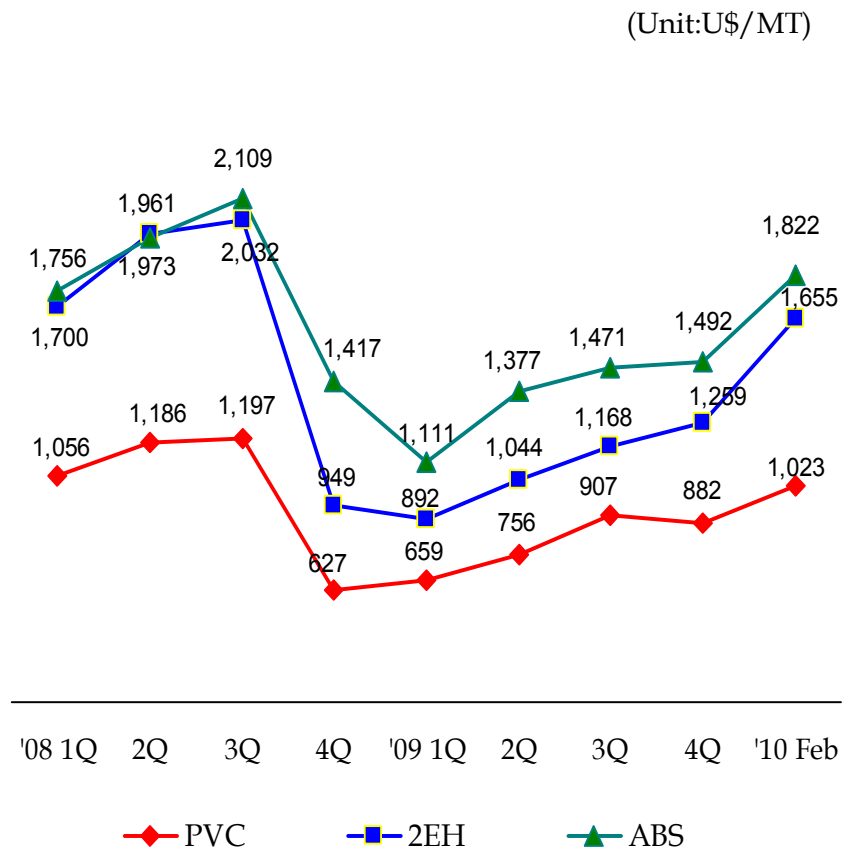
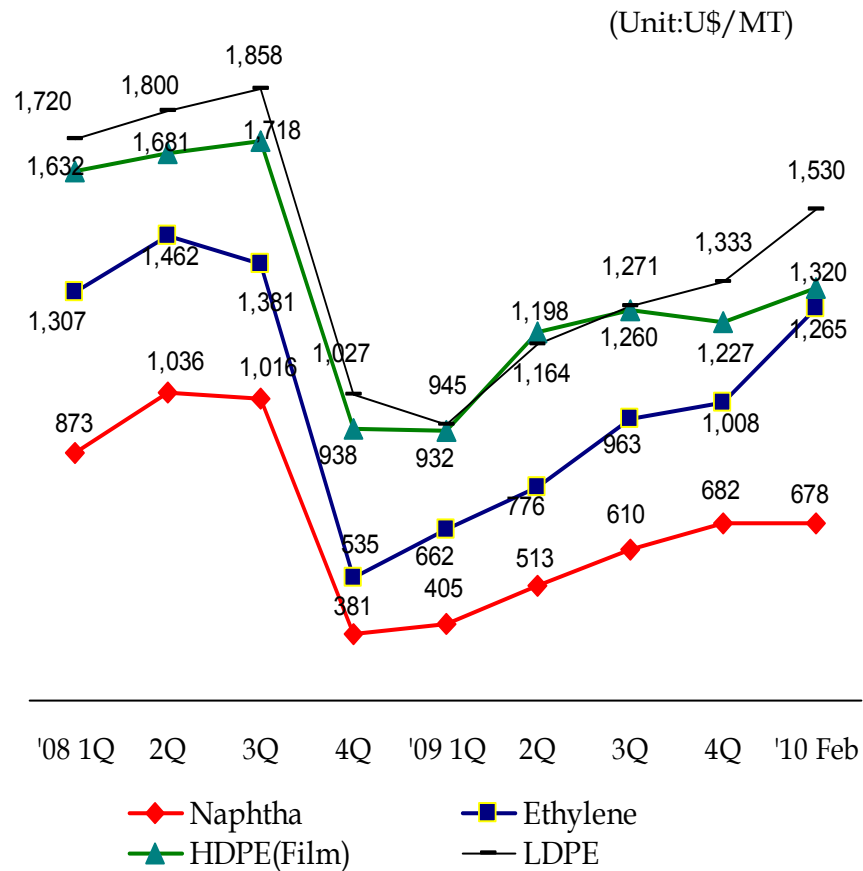
Cash Flow

(Unit : KRW bn)

	'08	'09
Beginning	466	373
Operating/Investing	246	1,204
Net Income	1,003	1,507
Depreciation	402	409
Working Capital	-534	149
CAPEX	-713	-928
Others	88	66
Financing	-339	-692
Borrowings	-12	-483
ABS refund	-160	-
Dividend	-167	-209
LG Hausys Spin-off	-	-23
Cash split	-	-214
Borrowings split	-	212
Working Capital, etc.	-	-21
Year-End	373	863

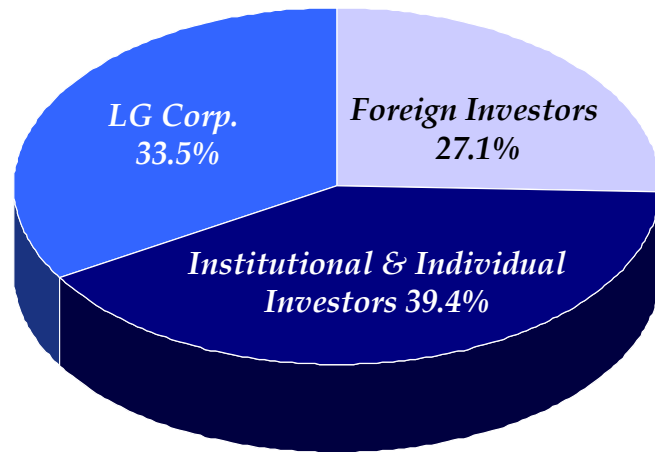
(Unit : KRW bn)

		'07	'08	'09 Plan	'09
Petrochemicals	New/Expansion	142	217	104	117
	Maintenance	68	85	136	109
	Equity Investment	16	-	23	6
	Total	227	302	263	232
I & E Materials	New/Expansion	42	194	347	382
	Maintenance	36	51	91	67
	Equity Investment	12	21	28	30
	Total	90	266	466	480
Common Expenses	New/Expansion	1	-	-	0
	Maintenance	100	71	136	196
	Equity Investment		1	-	19
	Total	100	72	136	216
Total	New/Expansion	185	411	451	500
	Maintenance	204	207	363	373
	Equity Investment	28	22	50	56
	Total	417	640	864	928



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

Shareholders



Common Stock as of Mar 2, 2010

Stock Information

(Unit : KRW)

	No. of Shares	Mar 2, '10	
		Price	Market Cap
Common	66,271,100	216,500	14.3 tn
Preferred	7,628,921	79,400	0.6 tn
Total	73,900,021		14.9 tn

Par value : KRW 5,000