SolutionPartner

1Q 2011 Business Results & Outlook

Apr 19, 2011

LG Chem

The business results for the first quarter of 2011 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 are subject to the IFRS(International Financial Reporting Standards).

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Income Statements

(Unit: KRW bn)

Classification	'10.1Q	'10.4Q	'11.1Q	YoY	QoQ
Sales	4,423	4,999	5,491	24.1%	9.8%
Operating Profits (%)	652 (14.7)	562 (11.2)	835 (15.2)	28.0%	48.6%
Pre-tax Income (%)	649 (14.7)	557 (11.2)	841 (15.3)	29.6%	50.9%
Net Income	518	437	657	26.8%	50.1%

Financial Position

(Unit: KRW bn)

Classification	'10	'11.1Q	Change
Asset	**12,674**	**13,927**	9.9%
Cash and equivalents	1,368	1,622	18.6%
Liabilities	**4,830**	**5,742**	18.9%
Borrowings	2,101	2,335	11.1%
Shareholder's Equity	**7,844**	**8,185**	4.3%
EBITDA	**3,495**	**1,017**	

Financial Ratios

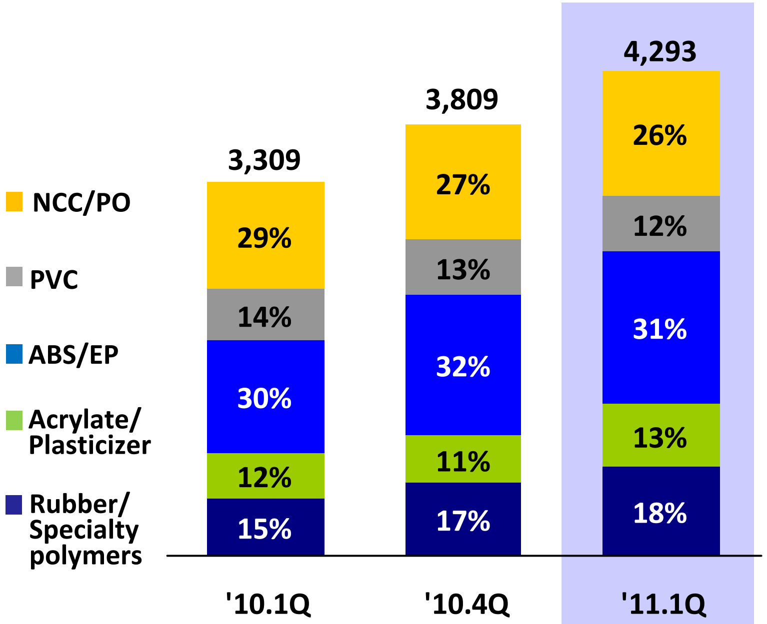
Classification	'10	'11.1Q	Change
Total Liabilities/ Equity (%)	61.6	70.2	8.6%p
Borrowings / Equity (%)	26.8	28.5	1.7%p
Interest Coverage Ratio (x)	46.0	46.9	0.9
ROE (%)	31.9	32.8	0.9%p
ROA (%)	19.0	19.7	0.7%p

Divisional Results & Outlook

Petrochemicals

Business results

(Unit: KRW bn)



	'10.1Q	'10.4Q	'11.1Q
Operating Profit	490	544	736
OP(%)	14.8	14.3	17.1

Analysis

- **Analysis**

▣ **Achieved high profits thanks to favorable supply and demand balance in the market and our competitive products mix**

-NCC/PO : Increased sales of premium products created sound results despite high raw material cost caused by oil price hikes

-PVC : Continuous favorable results backed by demand increase from emerging markets including India, etc.

-ABS/EP : Strong demand due to recovery of front line industries such as automobile and home appliances under limited new capacity expansion

-Acrylate / Plasticizer : Maintained high profitability from continued strong product prices

-Rubber / Specialty polymers : Profits increased thanks to soaring demand growth in emerging markets and high prices of BPA and phenol

- **Outlook**

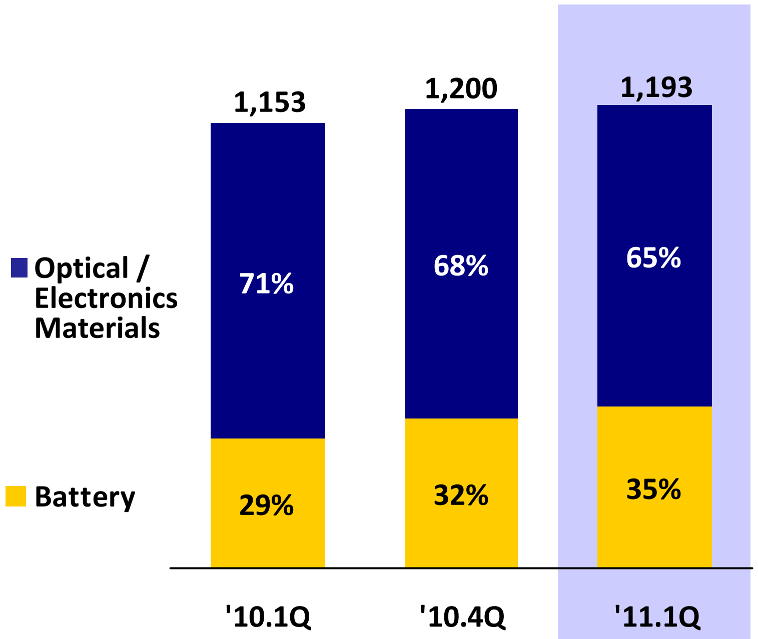
▣ **Short supply sentiment due to maintenance shutdown in Asia and strong seasonality are expected.**

▣ **Strengthened competitiveness through cost leadership and high profitability in acrylate, BPA, synthetic rubber, etc.**

Divisional Results & Outlook

Business results

(Unit: KRW bn)



	'10.1Q	'10.4Q	'11.1Q
Operating Profit	175	44	113
OP(%)	15.2	3.7	9.4

Analysis

- **Analysis**

▣ **Secured profitability through cost reduction and new products despite weak IT demand under sluggish market condition**

-Optical Materials : Improved profits due to brisk sales of 3D Retarder and continuous cost reduction

-Battery : Expanded sales of high capacity battery thanks to increased demand for new IT devices such as smart phones and tablet PCs

- **Outlook**

▣ **Expect better performances based on IT demand recovery and our customers' sales increase of new products such as 3D TV and tablet PC**

-Optical Materials : - IT demand recovery thanks to decreased LCD panel inventory and special demand in China
- 3D Retarder sales increase is expected.

-Battery : Internal share growth in strategic customers such as HP, Apple and sales increase stemming from expansion of polymer battery

Sales & Operating Profit

(Unit:KRW bn)

Classification	2010					2011				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	**4,423**	**5,028**	**5,021**	**4,999**	**19,471**	**5,491**				**5,491**
Operating Profit	**652**	**828**	**779**	**562**	**2,821**	**835**				**835**
Petrochemicals	3,309	3,765	3,768	3,809	14,651	4,293				4,293
NCC/PO	948	1,082	1,068	1,018	4,116	1,108				1,108
PVC	453	455	455	489	1,852	500				500
ABS/EP	998	1,173	1,142	1,228	4,540	1,347				1,347
Acrylate/Plasticizer	401	451	478	429	1,760	549				549
Synthetic Rubber/ Specialty Resin	509	605	626	644	2,383	789				789
Operating Profit	490	624	621	544	2,279	736				736
I & E Materials	1,153	1,285	1,271	1,200	4,909	1,193				1,193
Optical/Electronic	843	917	913	832	3,504	807				807
Battery	347	414	394	399	1,552	432				432
Operating Profit	175	211	171	44	600	113				113

Borrowings

(Unit : KRW bn)

Classification	'10	'11.1Q
Total (Overseas Subsidiaries)	**2,101** (824) 100%	**2,335** (889) 100%
KRW Currency	**162** 8%	**161** 7%
C P	150	150
Others	12	11
Foreign Currency	**1,940** 92%	**2,174** 93%
Loan	936	999
Negotiation Borrowings	865	1,043
FRN	140	133
Short-term (Overseas Subsidiaries)	**1,621** (559) 77%	**1,930** (642) 83%
Long-term (Overseas Subsidiaries)	**481** (265) 23%	**406** (247) 17%

☞ The % is calculated to total borrowings.

Cash Flow

(Unit: KRW bn)

Classification	'10	'11.1Q
Beginning Cash	**1,107**	**1,368**
Operating/Investing	**810**	**20**
Net Income	2,200	657
Depreciation	656	182
Working Capital	-617	-424
CAPEX	-1,702	-520
Others	274	126
Financing	**-549**	**234**
Borrowings	-269	234
Dividends	-280	-
Ending	**1,368**	**1,622**

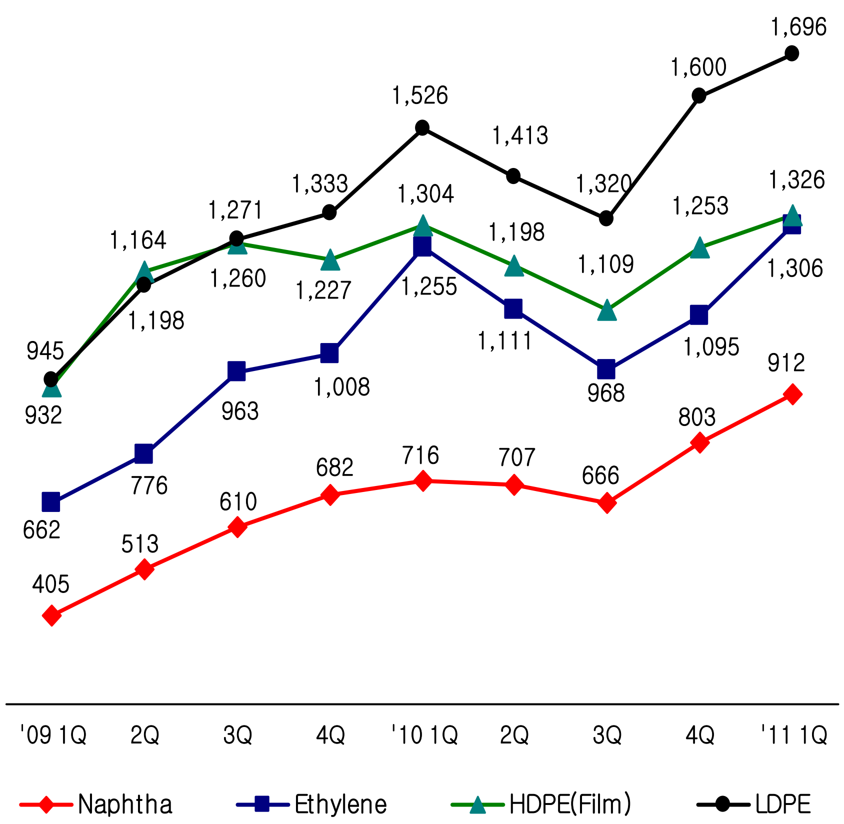
CAPEX Plan & Results

(Unit: KRW bn)

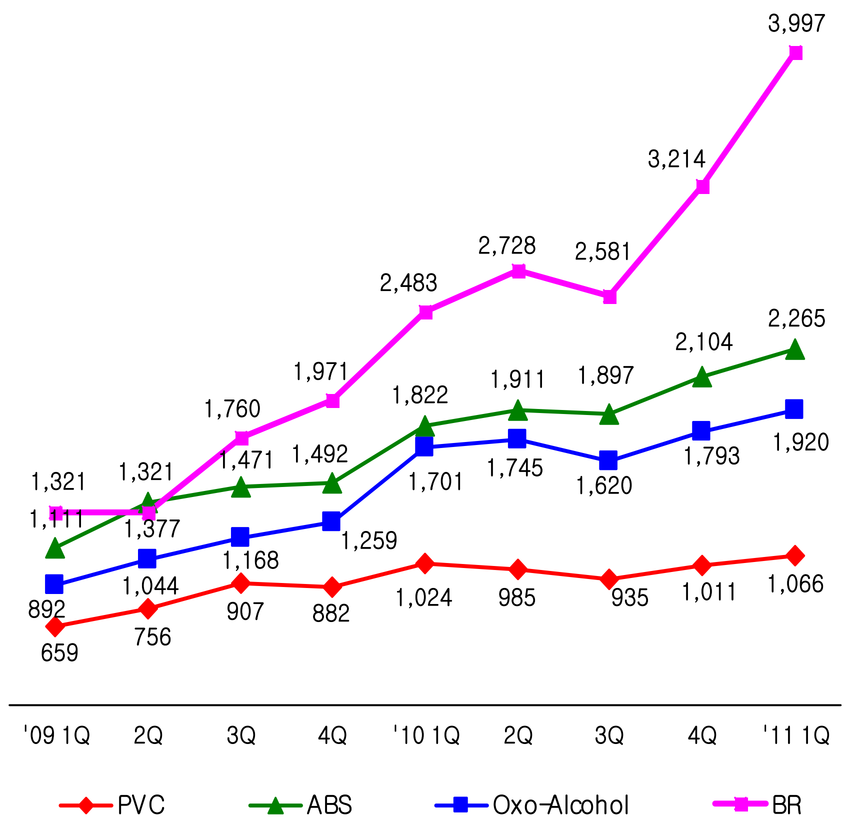
Classification		’09	’10	’11 Plan	’11.1Q
Petrochemicals	New / Expansion	158	324	762	170
	Maintenance	132	237	263	31
	Total	**290**	**560**	**1,025**	**200**
I & E Materials	New / Expansion	472	814	973	245
	Maintenance	81	135	223	35
	Total	**553**	**948**	**1,196**	**280**
Common Expenses	New / Expansion	22	-	-	-
	Maintenance	198	193	145	40
	Total	**221**	**193**	**145**	**40**
Total	New / Expansion	652	1,138	1,735	415
	Maintenance	411	564	631	106
	Total	**1,063**	**1,702**	**2,366**	**520**

Price Trends

(Unit:U$/MT)



(Unit:U$/MT)



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.