

Business & Market Outlook

Nov, 2012



Disclaimer

From the first quarter of 2012, this material shows business results and related substances by 3 divisions(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).

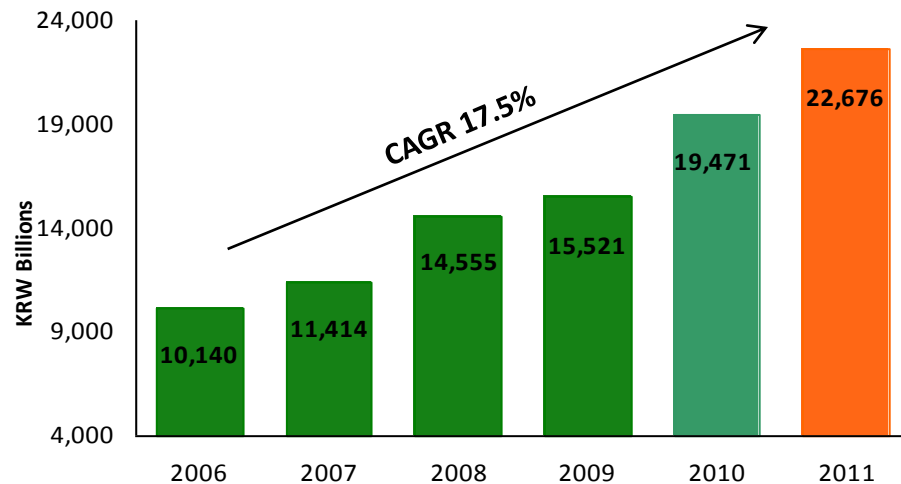
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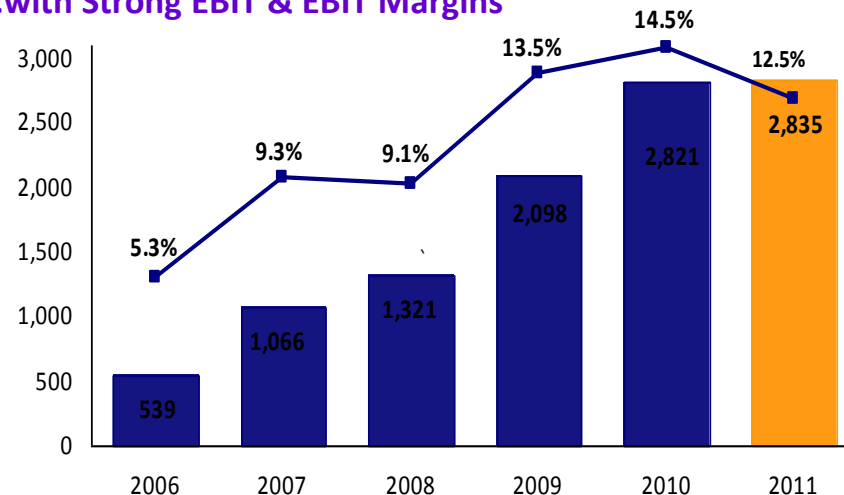
LG Chem at a Glance

- 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...*



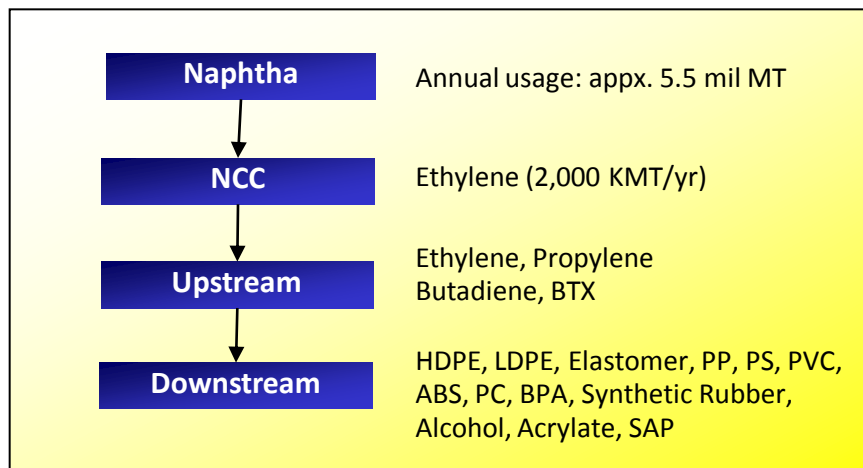
...with Strong EBIT & EBIT Margins*



* 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

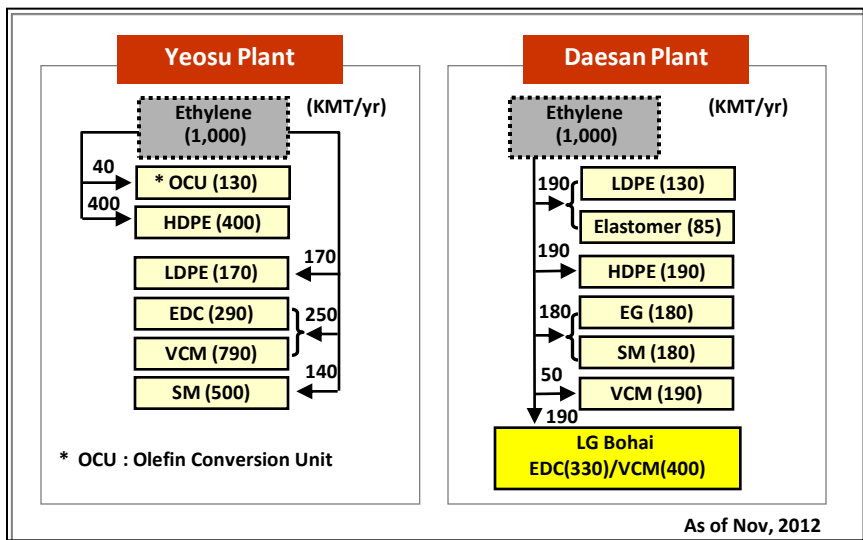
- One of few petrochemical companies around the globe with vertical integration structure, featuring both upstream and downstream production capability.
- This structural characteristic delivers stable business performance against industry cyclicality.

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	'11.3Q	'12.2Q	'12.3Q	YoY	QoQ
Sales	5,886	5,996	5,834	-0.9%	-2.7%
Operating Profit	724	503	601	-17.0%	19.5%
(%)	(12.3)	(8.4)	(10.3)		
Pre-tax Income	668	480	585	-12.4%	21.9%
(%)	(11.3)	(8.0)	(10.0)		
Net Income	512	374	459	-10.2%	22.8%

Financial Position

(Unit: KRW bn)

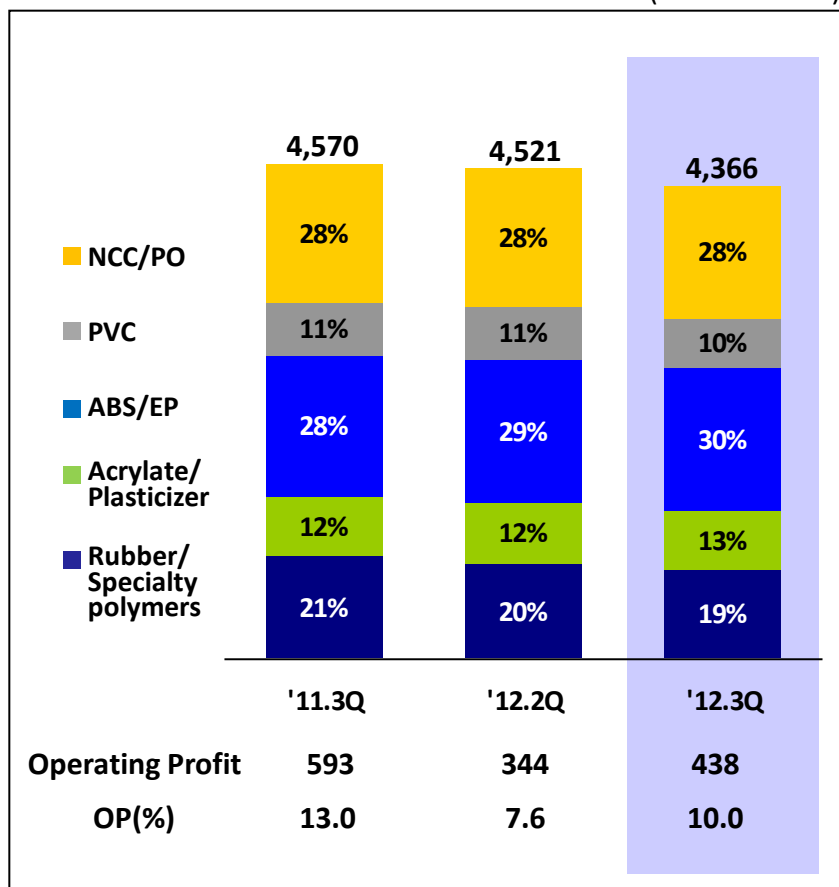
Classification	'11	'12.3Q	Change
Asset	15,286	16,920	10.7%
Cash and equivalents	1,379	1,302	-5.6%
Liabilities	5,578	6,378	14.3%
Borrowings	2,527	3,025	19.7%
Shareholder's Equity	9,708	10,543	8.6%
EBITDA	3,592	2,194	

Financial Ratios

Classification	'11	'12.3Q	Change
Total Liabilities/ Equity (%)	57.5	60.5	3.0%p
Borrowings / Equity (%)	26.0	28.7	2.7%p
Interest Coverage Ratio (x)	42.3	28.4	-13.9
ROE (%)	24.7	16.0	-8.7%p
ROA (%)	15.5	10.1	-5.4%p

Business results

(Unit: KRW bn)



Analysis

• Analysis

■ Overall margin improved thanks to stabilizing feedstock costs and better cost position despite continued weak demand amid global economic downturn

-NCC/PO : Improved spread by stabilized naphtha price and increased premium PO sales

-PVC : Improved margin thanks to price increases by supply tightness and sales increase in the emerging markets such as India, etc.

-ABS/EP : Increased profits based on seasonal demand and stable feedstock costs

-Acrylate/Plasticizer : Maintained favorable business results with capacity expansion of Acrylate and SAP, etc

-Rubber/Specialty Polymers : Secured solid profits through increased internal share in major customers despite weak tire demand

• Outlook

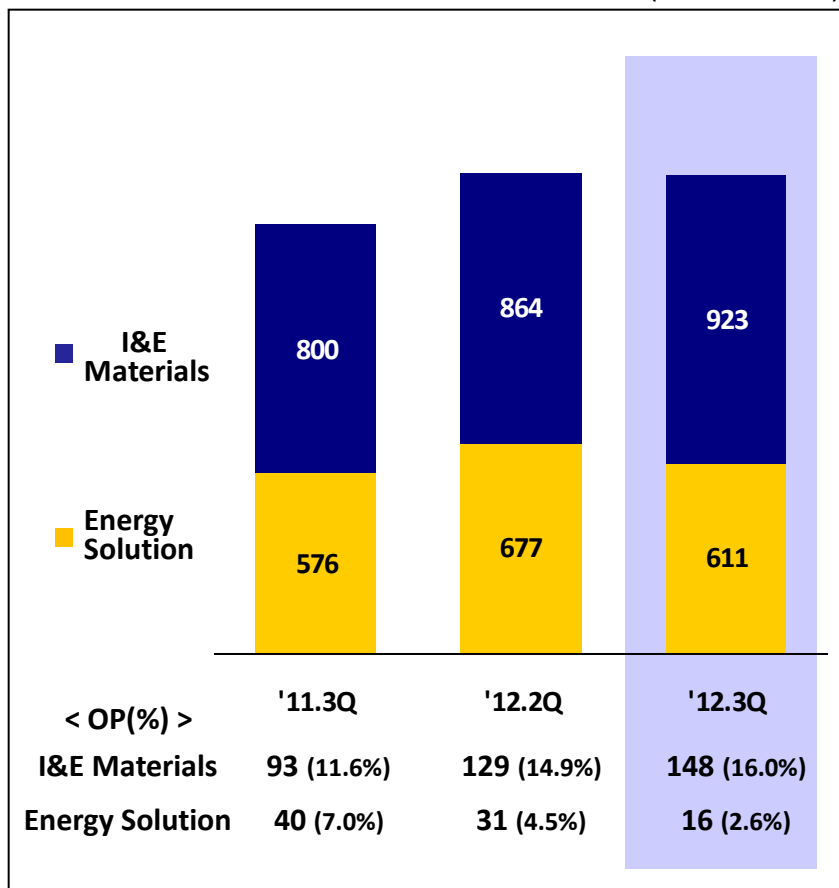
■ Expect better business results than peers through differentiated product portfolio

■ Secure solid profits despite slow seasonality

Business results

Analysis

(Unit: KRW bn)



• Analysis

■ Despite sluggish Energy Solution, I&E Materials recorded sound results thanks to seasonal demand and high margin product sales increases

- **I&E Materials** : Recorded sound results thanks to rises of polarizer's utilization rate and 3D FPR sales
- **Energy Solution** : Both revenue and operating profit decreased due to weak demand for Notebook PCs and GM's plant suspension

• Outlook

■ Consolidate global leading position through high margin product portion increase & cost reduction

- **I&E Materials** : Maintain robust profitability based on differentiated products such as 3D FPR & cost competitiveness
- **Energy Solution** : Expect to rise in large-size polymer battery sales & gradual recovery of automotive battery demand

(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	5,834		17,582
Operating Profit	835	775	724	500	2,835	460	503	601		1,564
Petrochemicals	4,276	4,328	4,570	4,150	17,325	4,491	4,521	4,366		13,379
NCC/PO	1,091	1,136	1,279	1,264	4,770	1,308	1,272	1,226		3,805
PVC	500	517	502	455	1,974	478	485	449		1,412
ABS/EP	1,347	1,318	1,293	1,208	5,166	1,312	1,325	1,320		3,957
Acrylate/Plasticizer	549	550	546	441	2,085	530	556	551		1,638
Synthetic Rubber/ Specialty Resin	789	807	950	783	3,330	864	883	819		2,567
Operating Profit	735	642	593	383	2,353	369	344	438		1,151
I&E Materials	807	891	800	845	3,343	761	864	923		2,549
Operating Profit	93	115	93	77	377	77	129	148		354
Energy Solution	468	561	576	664	2,269	562	677	611		1,851
Operating Profit	8	19	40	42	109	14	31	16		60

Borrowings

(Unit : KRW bn)

Classification	'11	'12.3Q
Total (Overseas Subsidiaries)	2,527 (1,044) 100%	3,025 (1,021) 100%
KRW Currency	475 19%	815 27%
C P	449	598
Others	27	218
Foreign Currency	2,052 81%	2,210 73%
Loan	1,124	1,143
Negotiation Borrowings	928	1,067
Short-term (Overseas Subsidiaries)	1,838 (679) 73%	1,789 (700) 59%
Long-term (Overseas Subsidiaries)	689 (365) 27%	1,236 (321) 41%

The % is calculated to total borrowings.

Cash Flow

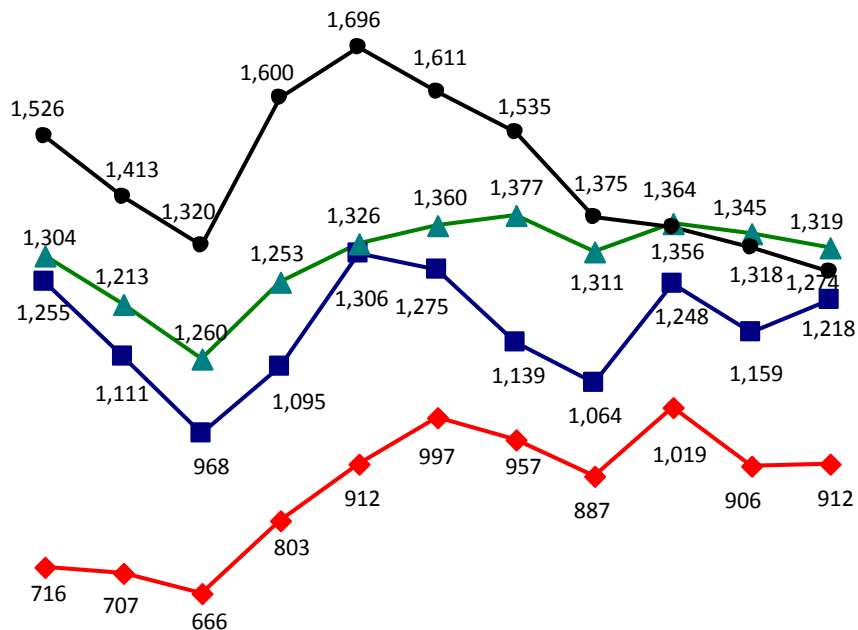
(Unit: KRW bn)

Classification	'11	'12.3Q
Beginning Cash	1,368	1,379
Operating/Investing	-96	-259
Net Income	2,170	1,214
Depreciation	757	630
Working Capital	-680	45
CAPEX	-2,321	-1,554
Others	-22	-594
Financing	107	182
Borrowings	426	498
Dividends	-319	-312
Ending	1,379	1,302

(Unit: KRW bn)

Classification		'10	'11	'12 Plan	'12.3Q (YTD)
Petrochemicals	New / Expansion	320	664	743	630
	Maintenance	266	296	269	159
	Total	586	960	1,012	789
I & E Materials	New / Expansion	425	330	539	173
	Maintenance	78	100	89	60
	Total	503	430	628	232
Energy Solution	New / Expansion	389	660	473	313
	Maintenance	85	105	139	68
	Total	474	765	612	380
Common Expenses	New / Expansion	-	-	-	16
	Maintenance	139	166	296	137
	Total	139	166	296	152
Total	New / Expansion	1,134	1,654	1,755	1,131
	Maintenance	568	666	794	423
	Total	1,702	2,321	2,548	1,554

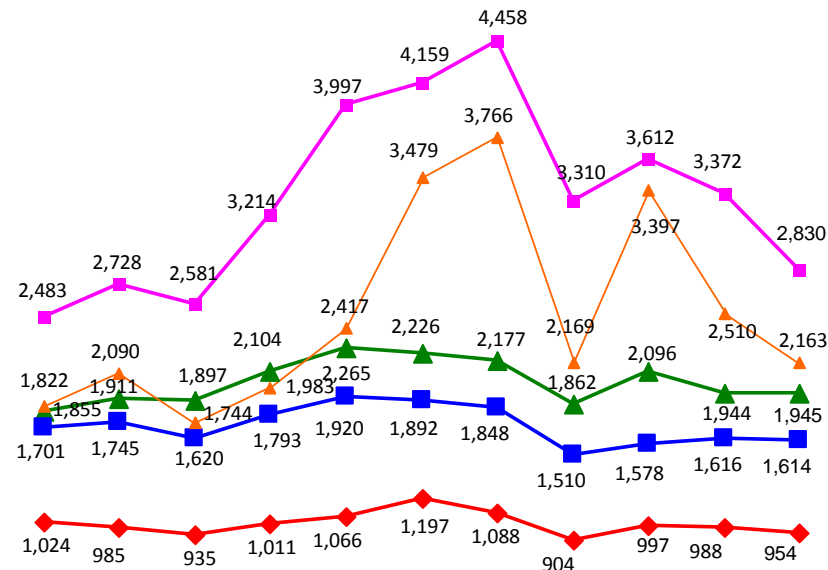
(Unit:U\$/MT)



'10 1Q 2Q 3Q 4Q '11 1Q 2Q 3Q 4Q '12 1Q 2Q 3Q
 ◆ Naphtha ■ Ethylene ▲ HDPE(Film) ● LDPE

NCC/PO

(Unit:U\$/MT)



'10 1Q 2Q 3Q 4Q '11 1Q 2Q 3Q 4Q '12 1Q 2Q 3Q
 ◆ PVC ▲ ABS ■ Oxo-Alcohol ▲ BD ■ BR

PVC

ABS/EP

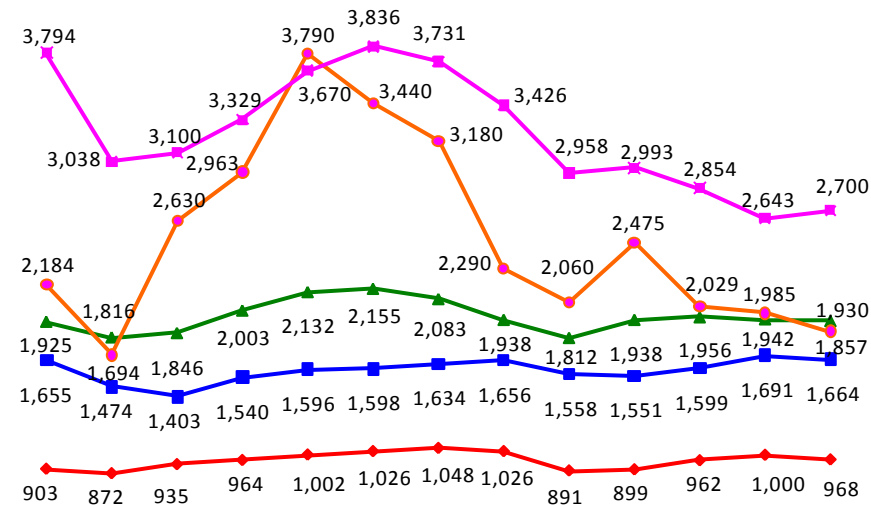
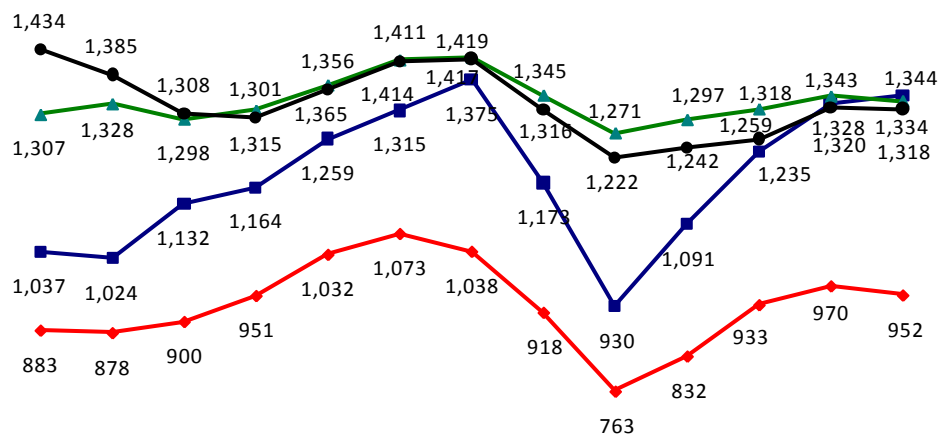
**Acrylate/
Plasticizer**

**Rubber/
Specialty Polymers**

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

(Unit:U\$/MT)

(Unit:U\$/MT)



◆ Naphtha ■ Ethylene ▲ HDPE(Film) ● LDPE

◆ PVC ▲ ABS ■ Oxo-Alcohol ● BD ◆ BR

NCC/PO

PVC

ABS/EP

**Acrylate/
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As of Nov, 2012

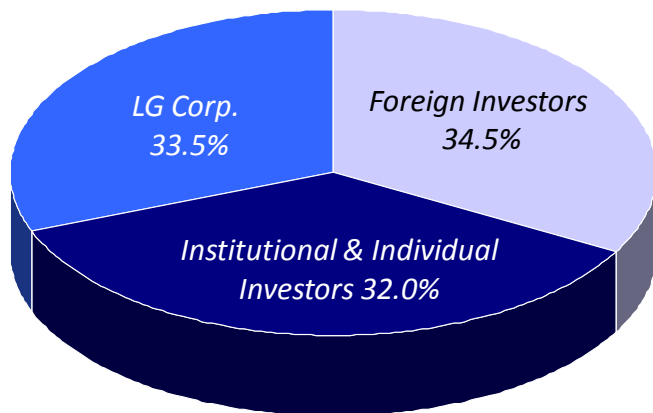
	Item	Location	Capa	Global Rank	Capa Addition('12)
Petro-Chemicals	ABS (Acrylonitrile-Butadiene-Styrene)	Korea, China	1,390 KMT/Yr	1st [*]	
	PVC (Polyvinyl Chloride)	Korea, China	1,270 KMT/Yr	6th	
	Oxo-Alcohol	Korea (Yeosu, Naju)	299 KMT/Yr	10th	
	AA (Acrylic Acid)	Korea (Yeosu, Naju)	353 KMT/Yr	6th	[160 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	
	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)	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 : 17 mn

*** Convert to GM 'VOLT' base

Shareholders & Market Cap



Common Stock as of Nov 20, 2012

(Unit : KRW)

	No. of Shares	Nov 20, '12	
		Price	Market Cap
Common	66,271,100	300,000	19.9 tn
Preferred	7,628,921	97,000	0.7 tn
Total	73,900,021		20.6 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