

Business & Market Outlook

May, 2013



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.

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.

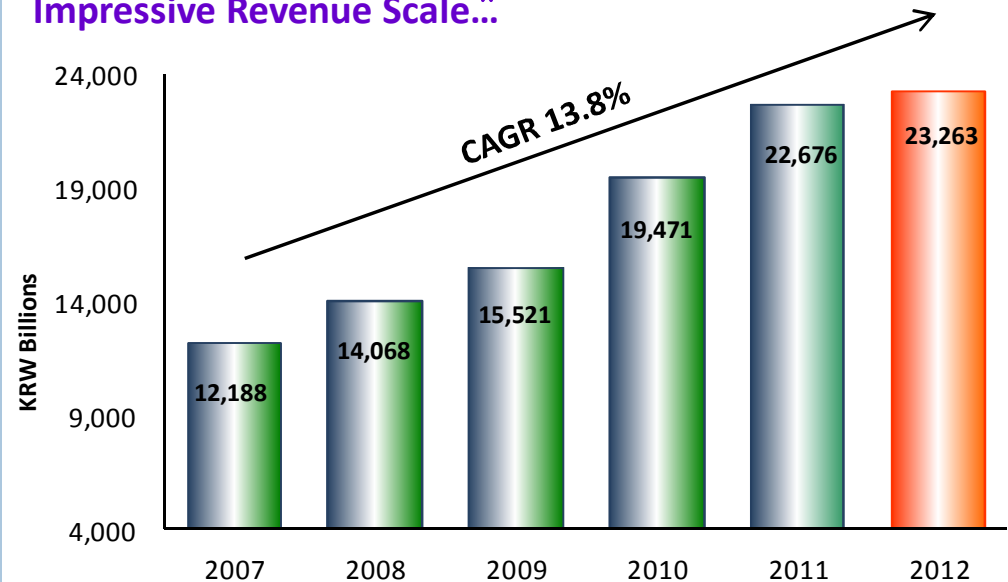
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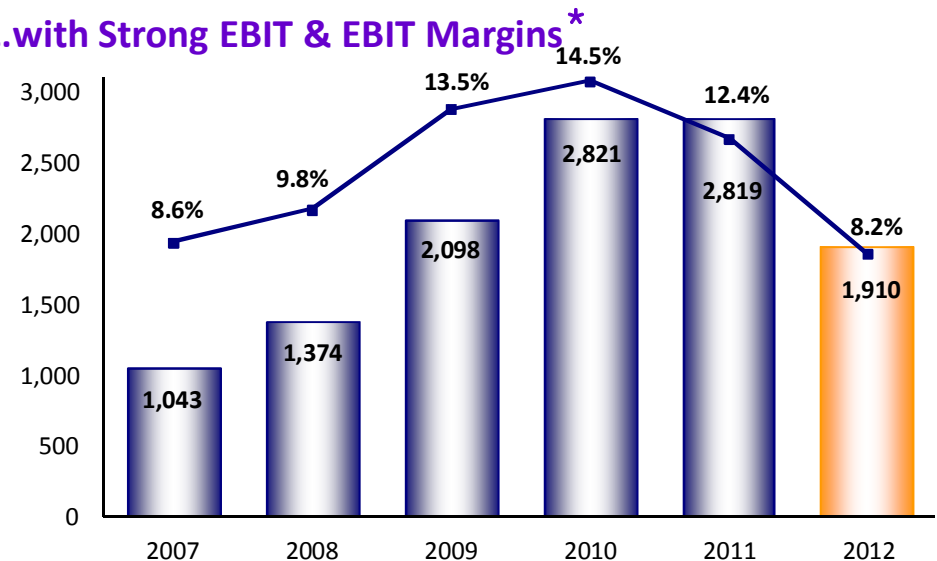
LG Chem at a Glance

- 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 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 in 2012.

Impressive Revenue Scale*



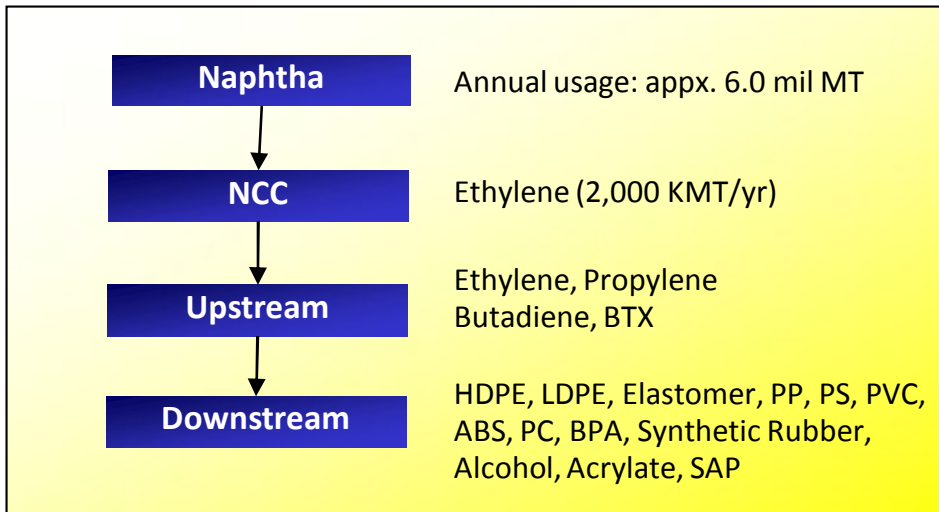
...with Strong EBIT & EBIT Margins*



* 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



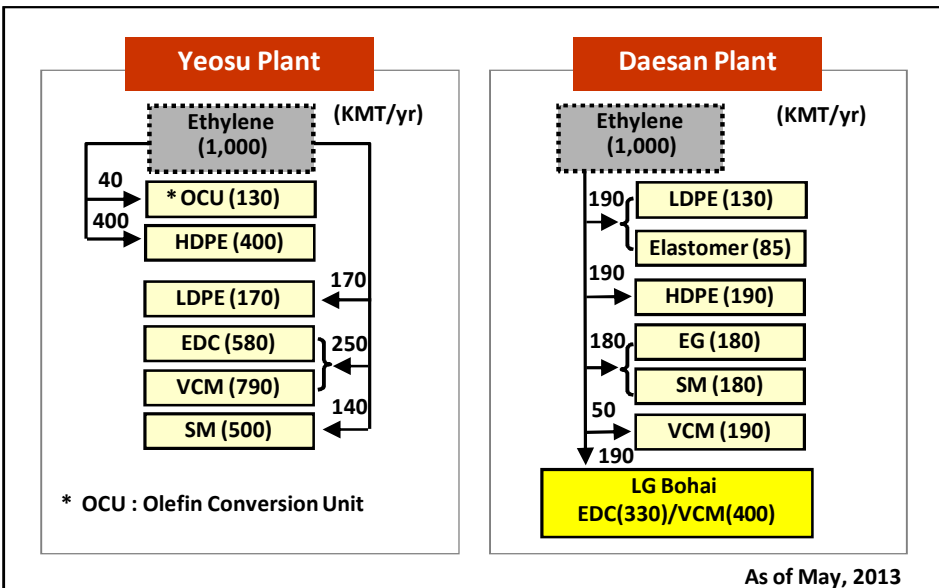
Co-existence of upstream and downstream products

- 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	'12.1Q	'12.4Q	'13.1Q	YoY	QoQ
Sales	5,753	5,681	5,721	-0.6%	0.7%
Operating Profit	447	364	409	-8.5%	12.4%
(%)	(7.8)	(6.4)	(7.1)		
Pre-tax Income	440	375	415	-5.8%	10.6%
(%)	(7.7)	(6.6)	(7.2)		
Net Income	381	292	340	-10.6%	16.5%

Financial Position

(Unit: KRW bn)

Classification	'12	'13.1Q	Change
Asset	16,581	17,511	5.6%
Cash and equivalents	1,341	1,557	16.1%
Liabilities	5,816	6,642	14.2%
Borrowings	2,947	3,102	5.2%
Shareholder's Equity	10,765	10,869	1.0%
EBITDA	2,784	657	

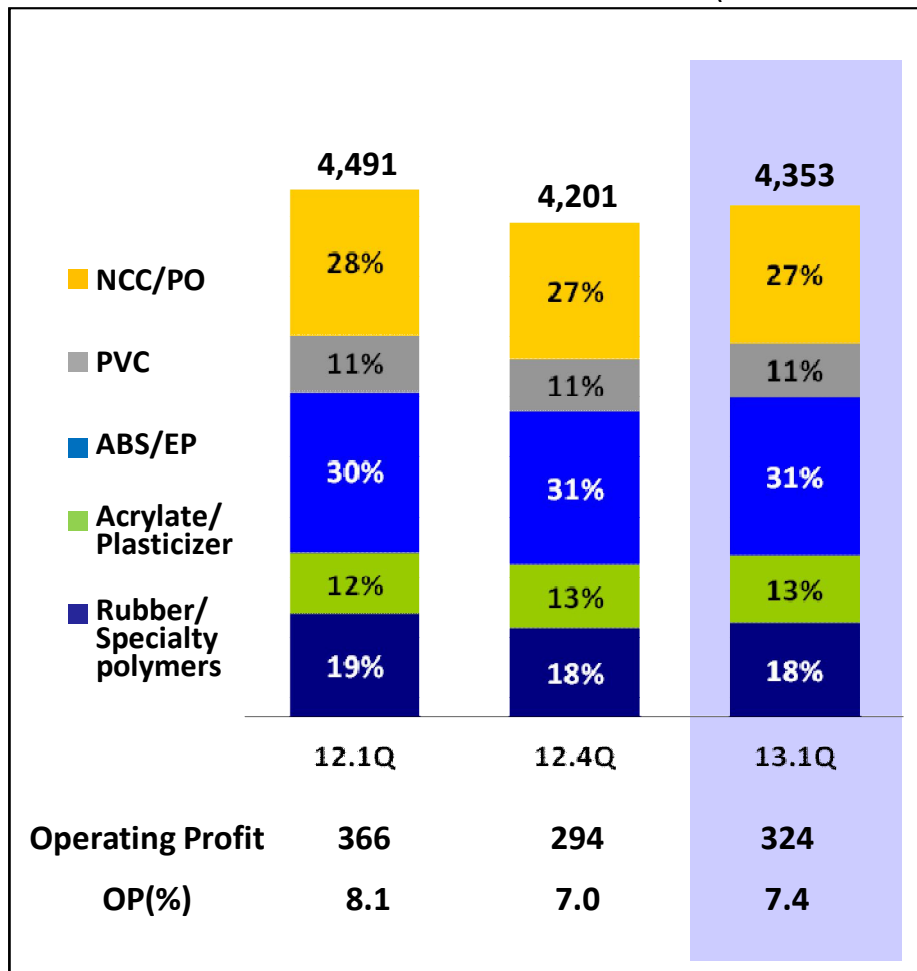
Financial Ratios

Classification	'12	'13.1Q	Change
Total Liabilities/ Equity (%)	54.0	61.1	7.1%p
Borrowings / Equity (%)	27.4	28.5	1.1%p
Interest Coverage Ratio (x)	26.2	24.6	-1.6
ROE (%)	14.7	12.6	-2.1%p
ROA (%)	9.5	8.0	-1.5%p

Business results

Analysis

(Unit: KRW bn)



• Analysis

- **Earnings improved QoQ by increased shipment and higher product price despite rising feedstock costs and slow recovery**
- NCC/PO : Maintained profitability through increased productivity while a wait-and-see stance continued
- PVC : Margin squeezed due to cost burden of ethylene and plunged caustic soda price
- ABS/EP : Improved margin by enhancing market position with shipment increases
- Acrylate/Plasticizer : Achieved robust earnings on the back of favorable SAP market condition
- Rubber/Specialty Polymers : Secured solid rubber's profit through top-tier tire customers, while the recovery of BPA slowed down

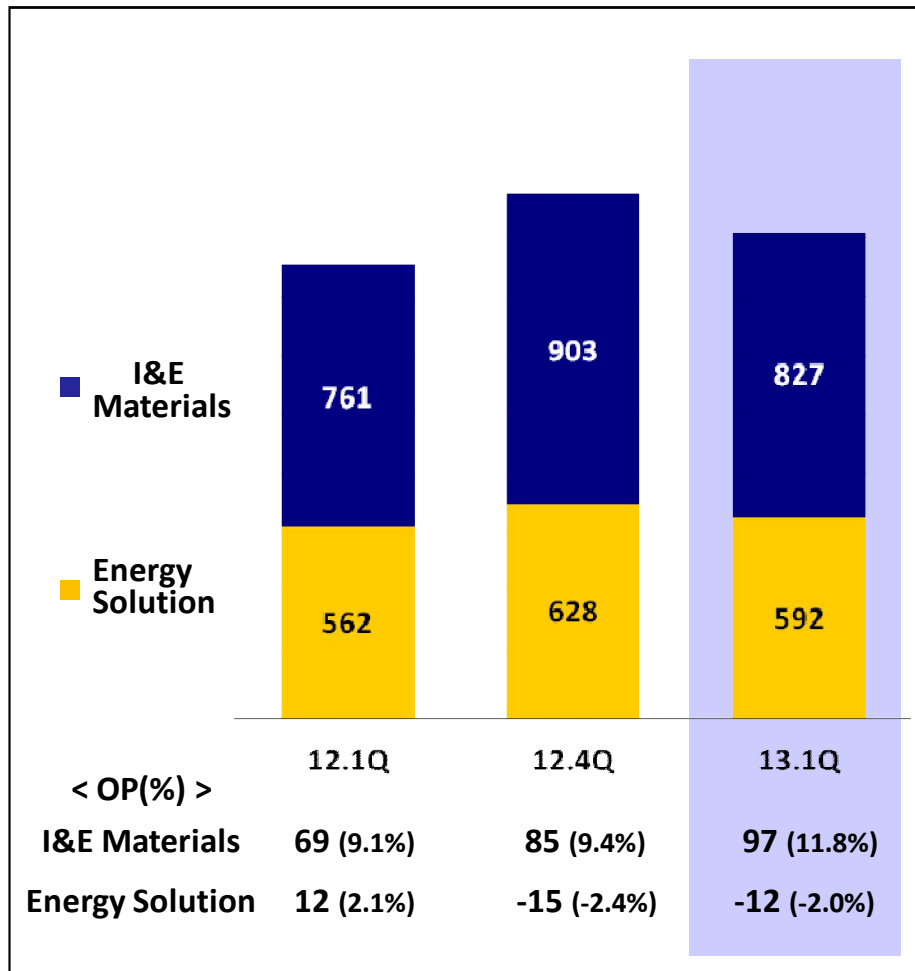
• Outlook

- **Overall margin improvement by reflecting stabilized feedstock costs and the recovery of product price with seasonal demand**
- **Expect better business results than peers through differentiated product portfolio**

Business results

Analysis

(Unit: KRW bn)



• Analysis

■ Despite sales decrease due to weak season, earnings improved thanks to new product sales increase and cost reduction

- **I&E Materials** : Recorded improved profits thanks to new product sales & raw material cost drops
- **Energy Solution** : Low profitability with delayed recovery due to shipments decrease from weak season

• Outlook

■ Secure profitability by entering peak season and changing product mix with high margin products

- **I&E Materials** : Maintain sound profitability based on utilization rate rises and high margin products such as 3D FPR and ITO film
- **Energy Solution** : Expect improved profitability of consumer battery backed by polymer capacity additions & gradual rise in automotive battery sales thanks to customers' new car launches

(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				5,721
Operating Profit	447	499	601	364	1,910	409				409
Petrochemicals	4,491	4,521	4,366	4,201	17,579	4,353				4,353
NCC/PO	1,249	1,200	1,174	1,163	4,786	1,178				1,178
PVC	478	485	449	450	1,862	463				463
ABS	1,104	1,115	1,111	1,032	4,361	1,082				1,082
EP	267	281	262	257	1,067	265				265
Acrylate/Plasticizer	530	556	551	557	2,195	570				570
Synthetic Rubber/ Specialty Resin	864	883	819	743	3,310	795				795
Operating Profit	366	340	436	294	1,436	324				324
I&E Materials	761	864	923	903	3,452	827				827
Operating Profit	69	131	150	85	436	97				97
Energy Solution	562	677	611	628	2,479	592				592
Operating Profit	12	28	14	-15	39	-12				-12

※ 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	'13.1Q
Total (Overseas Subsidiaries)	2,947 (1,024) 100%	3,102 (1,070) 100%
KRW Currency	812 28%	810 26%
C P	598	598
Others	214	211
Foreign Currency	2,135 72%	2,292 74%
Loan	1,140	1,183
Negotiation Borrowings	994	1,109
Short-term (Overseas Subsidiaries)	1,752 (739) 59%	1,876 (757) 60%
Long-term (Overseas Subsidiaries)	1,195 (286) 41%	1,226 (312) 40%

The % is calculated to total borrowings.

Cash Flow

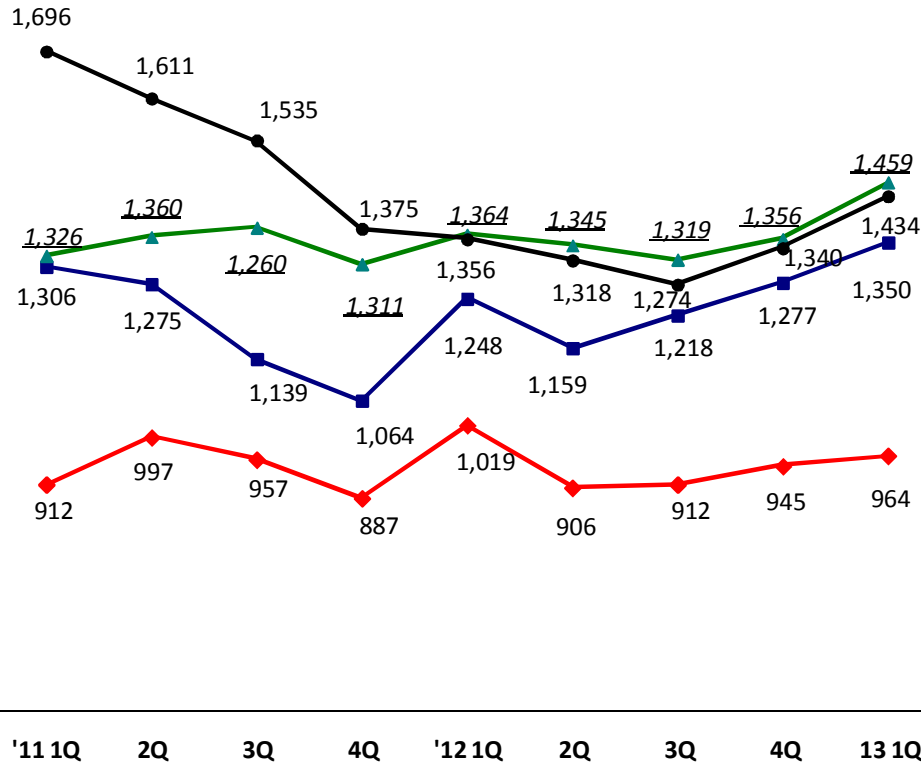
(Unit: KRW bn)

Classification	'12	'13.1Q
Beginning Cash	1,379	1,341
Operating/Investing	-143	61
Net Income	1,506	340
Depreciation	874	248
Working Capital	-147	-40
CAPEX	-2,075	-316
Others	-300	-171
Financing	104	155
Borrowings	420	155
Dividends	-316	-
Ending	1,341	1,557

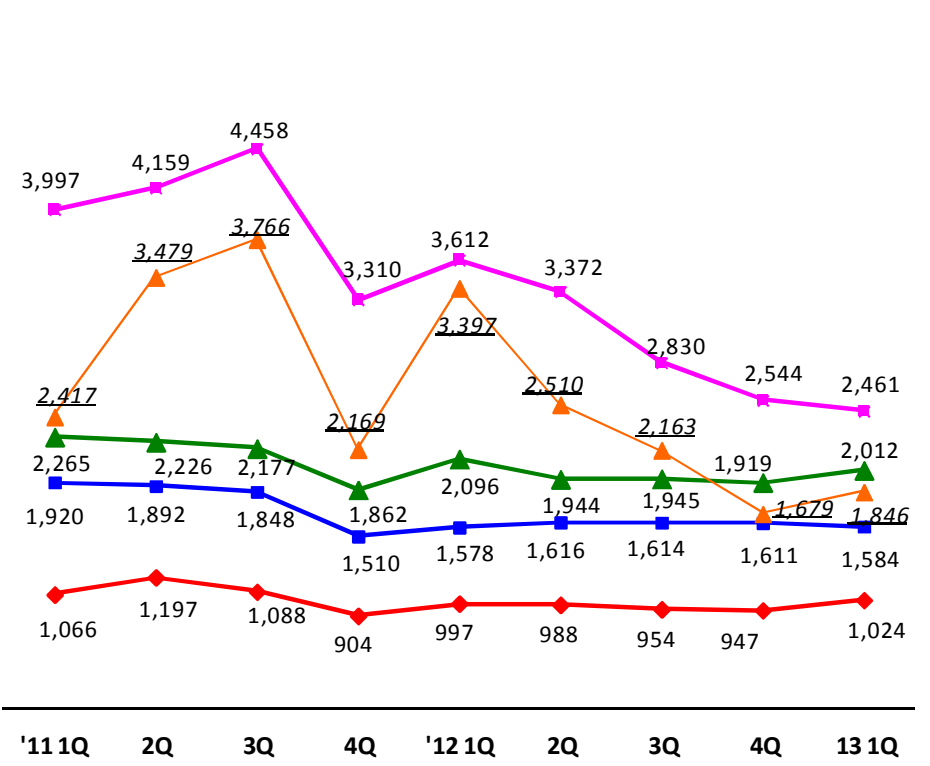
(Unit: KRW bn)

Classification		'11	'12	'13 Plan	'13.1Q
Petrochemicals	New / Expansion	664	784	549	105
	Maintenance	296	226	245	42
	Total	960	1,009	795	147
I & E Materials	New / Expansion	332	242	744	71
	Maintenance	103	90	135	23
	Total	434	332	878	94
Energy Solution	New / Expansion	660	395	70	17
	Maintenance	176	138	202	31
	Total	836	533	272	47
Common Expenses	New / Expansion	-	16	-	-
	Maintenance	91	185	179	28
	Total	91	201	179	28
Total	New / Expansion	1,655	1,436	1,363	193
	Maintenance	665	639	761	124
	Total	2,321	2,075	2,124	316

(Unit:U\$/MT)



(Unit:U\$/MT)



◆ Naphtha ■ Ethylene ▲ HDPE(Film) ● LDPE

◆ PVC ▲ ABS ■ Oxo-Alcohol ▲ BD ◆ BR

NCC/PO

PVC

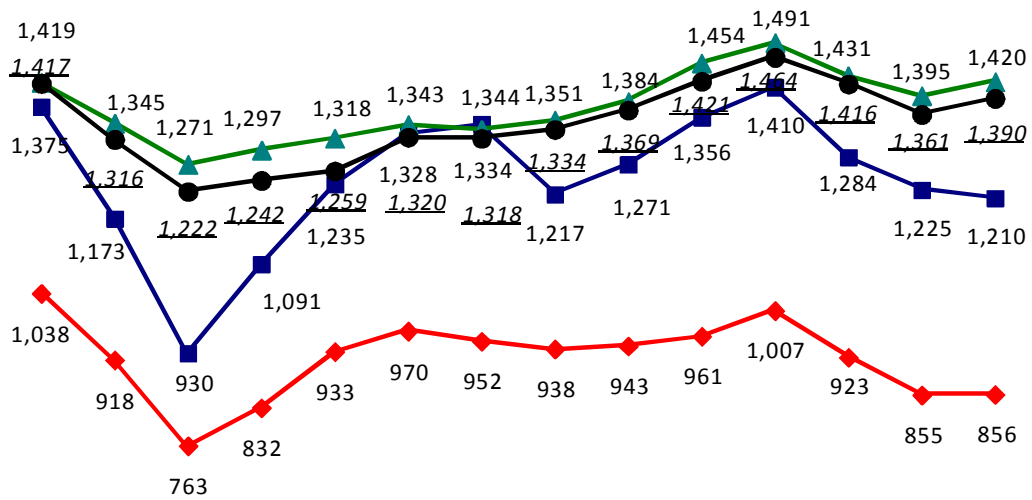
ABS/EP

Acrylate/
Plasticizer

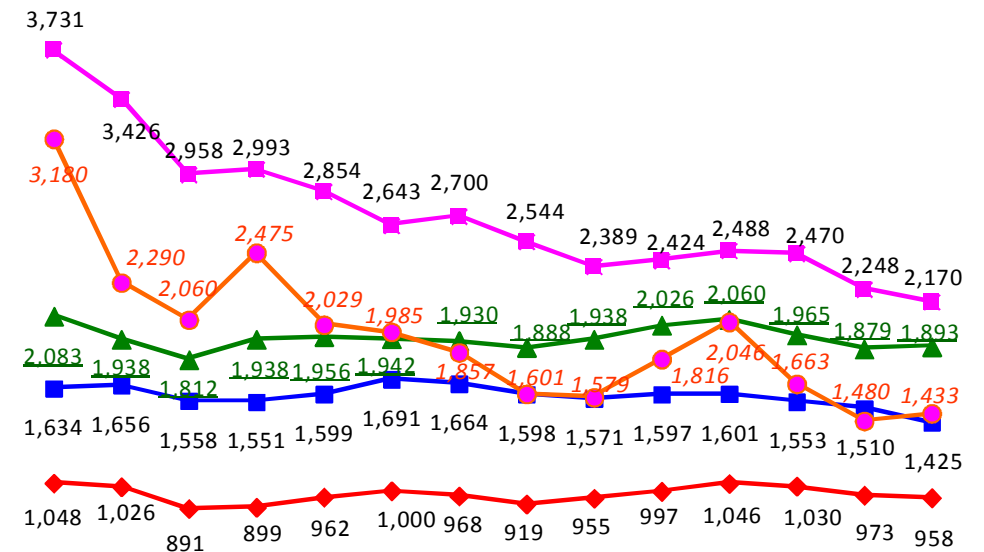
Rubber/
Specialty Polymers

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

(Unit:U\$/MT)



(Unit:U\$/MT)



◆ 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.

* May 2013 prices are the price on May 17th.

As of 1st quarter of 2013

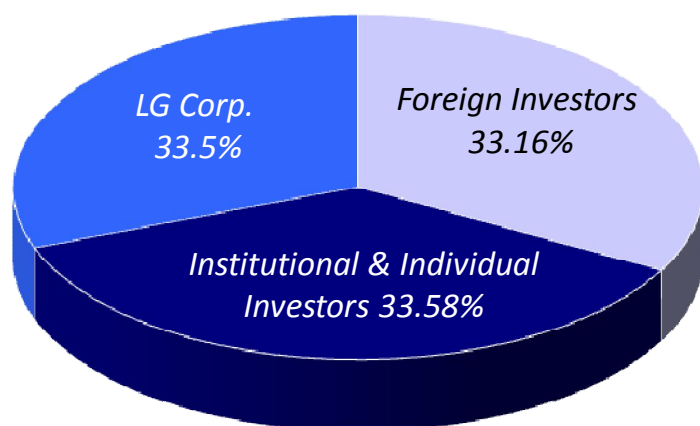
	Item	Location	Capa	Global Rank	Capa Addition('13)
Petro-Chemicals	ABS (Acrylonitrile-Butadiene-Styrene)	Korea, China	1,390 KMT/Yr	1st*	
	PVC (Polyvinyl Chloride)	Korea, China	1,270 KMT/Yr	6th	
	Oxo-Alcohol	Korea (Yeosu, Naju)	299 KMT/Yr	10th	
	AA (Acrylic Acid)	Korea (Yeosu, Naju)	353 KMT/Yr	6th	
	PC (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 '13]
	Consumer Battery (Lithium-ion)	Korea (Ochang)	91 mn cells/Month**	3rd	[9mn of Polymer add on from 2Q~3Q]
	EV/HEV Battery (Lithium-ion)	Korea (Ochang)	130K Units/Yr***	1st	
	Color Filter Photoresists	Korea (Ochang)	-	2nd	
	3D FPR	Korea (Ochang)	-	1st	[2nd line add on '13]

* Actual Sales Base

** Cylindrical : 42 mn, Prismatic : 31 mn, Polymer : 18 mn

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

Shareholders & Market Cap



Common Stock as of May 20, 2013

(Unit : KRW)

	No. of Shares	May 20, '13	
		Price	Market Cap
Common	66,271,100	278,000	18.4 tn
Preferred	7,628,921	122,500	0.9 tn
Total	73,900,021		19.3 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