

3Q 2010 Business Results & Outlook

November 2010



The business results for the third quarter of 2010 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 including all historical data are subject to the IFRS(International Financial Reporting Standards).

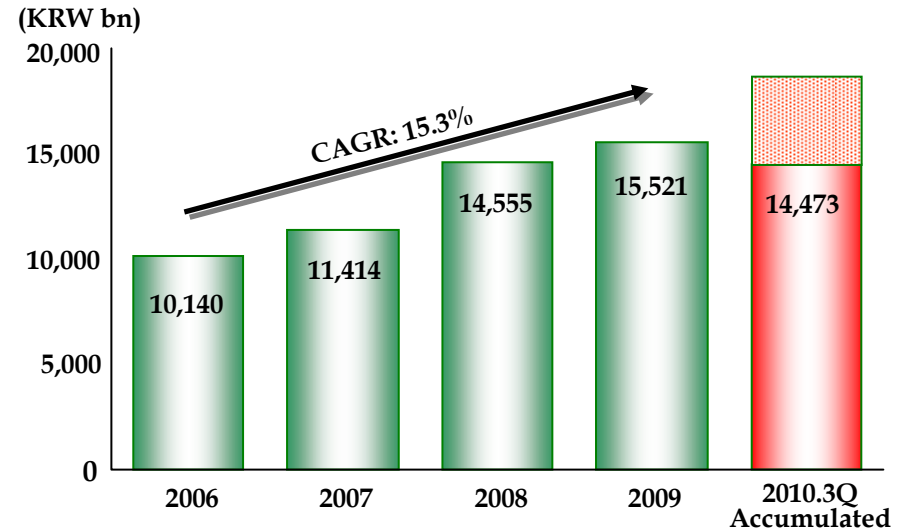
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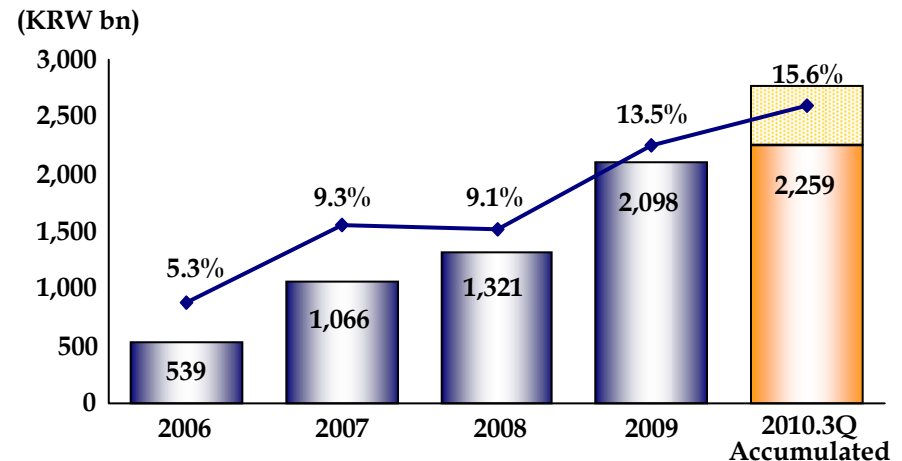
LG Chem at a Glance

- 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 15.5 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.
- 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.
- LG Chem recorded the highest profits in 2009 and '10.3Q(YTD) results already exceeded that of 2009.

Impressive Revenue Scale...



...with Strong EBIT & EBIT Margins



* Sales and EBIT of 2009 and 2010 are subject to IFRS.
Those prior to 2009 are subject to K-GAAP.

Strategic Performance Review

Profit Growth in all Businesses

- ◆ **Achieved continuous profit/revenue growth in all businesses**
 - Operating Income Growth: 0.5 trillion KRW ('06) → 2.1 trillion KRW ('09)
 - I&E Materials / Mobile Energy Revenue Growth: 1.6 trillion KRW ('06) → 4.2 trillion KRW ('09)
 - ◆ **Emerging as a Leading player globally**
 - Upward trend in Ranking amongst Global Chemical Companies by Revenue (Diversified Chemicals): # 11 in '06 → # 6 in '09
 - Market Capitalization: 3 trillion KRW (Dec. '06) → 24 trillion KRW (Oct. '10)
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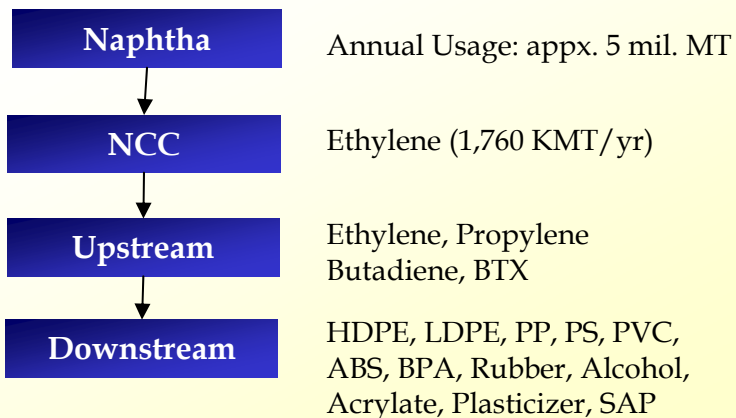
Global #1 in Core Businesses

- ◆ **Global #1 in Polarizers with 30% of market share in 3Q 2010**
 - ◆ **Market share in small batteries increased from 7% in 2008 to 18% in 2010**
 - ◆ **Improved operating margins in petrochemical businesses: 6%('06) → 14%('09) → 16%('10.3Q YTD)**
-

Robust Future Growth Drivers

- ◆ **Stronger global customer base for medium and large batteries**
 - Automotive batteries: Gained foothold in US/ Europe/ China
 - Core customer base: GM, Ford, Eaton, Renault, Volvo, Changan Motors (China), Hyundai Motors, Kia Motors, CT&T
 - Energy Storage System: Contract with SCE (Southern California Edison)
- ◆ **Preparing for the future by acquiring battery R&D personnel**
 - Battery R&D Headcount: 460 people ('06) → 1,000 people ('10)
- ◆ **In the process of building a manufacturing platform for LCD Glass: mass production from 1Q 2012**

Vertical Integration Structure



Co-existence of upstream and downstream products

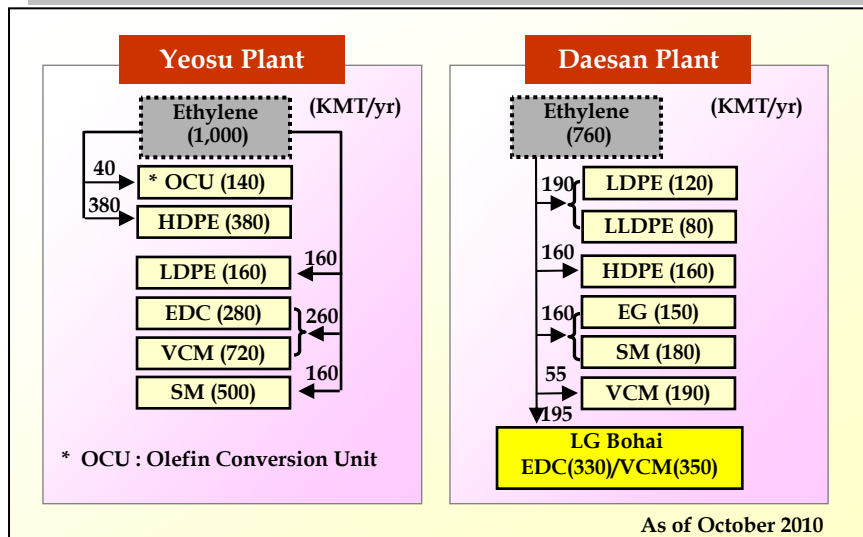
- One of few petrochemical companies around the globe with a vertical integration structure, featuring both upstream and downstream production capability
- This structural characteristic delivers stable business performance against industry cyclicality

Comprehensive downstream product lines

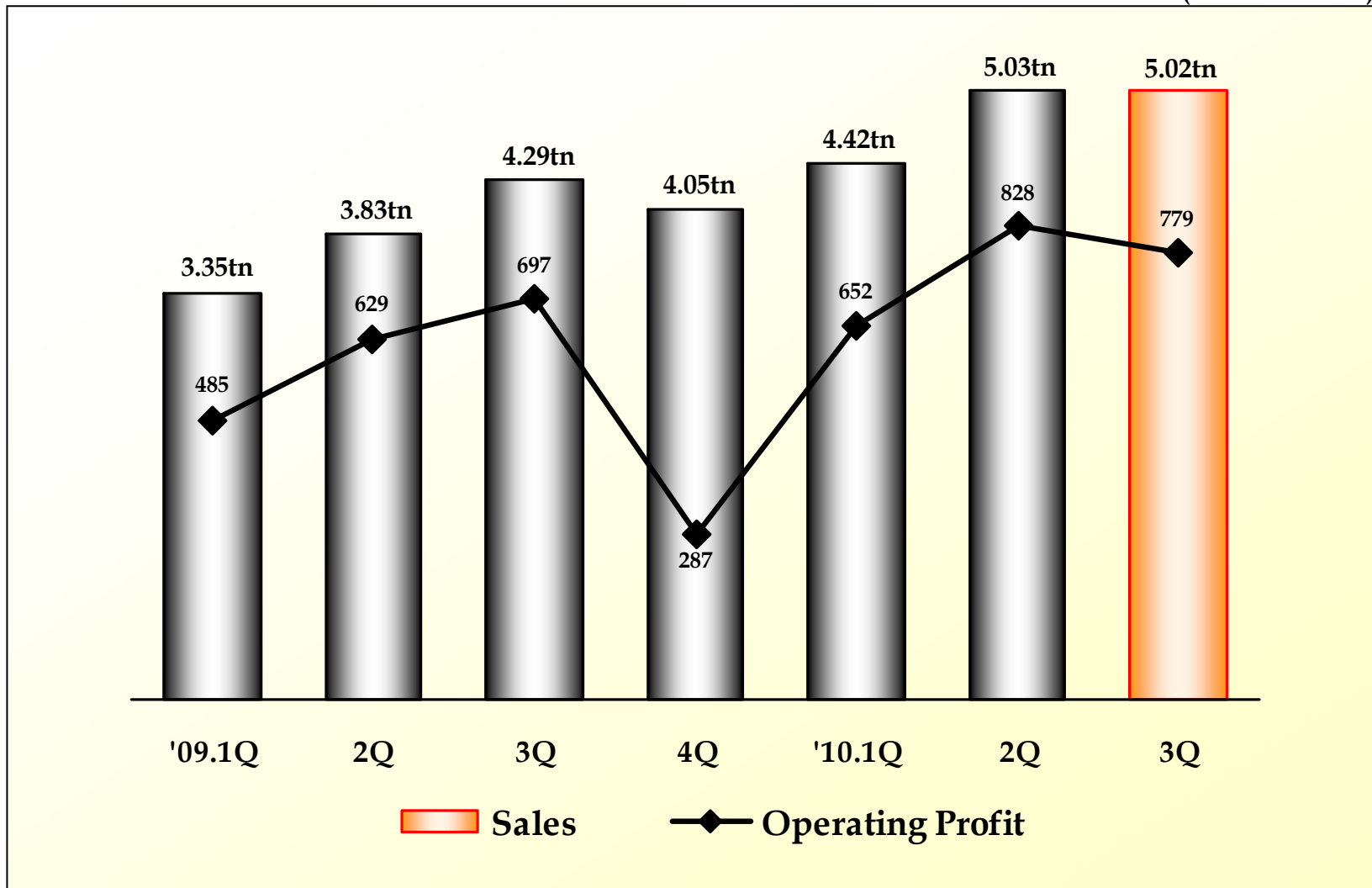
LG Chem's comprehensive downstream product lines of PO, ABS, PVC and other various products have complementary business cycles, enabling the Company to generate stable revenue



Stabilized revenue generating capability under any market conditions



(Unit: KRW bn)



(Unit: KRW bn)

Classification	'09.3Q	'10.2Q	'10.3Q	YoY	QoQ
Sales	4,295	5,028	5,021	16.9%	-0.1%
Operating Profit	697	828	779	11.8%	-5.9%
(%)	(16.2)	(16.5)	(15.5)		
Pre-tax Income	704	822	791	12.4%	-3.8%
(%)	(16.4)	(16.3)	(15.7)		
Net Income	542	646	599	10.5%	-7.2%

Financial Position

(Unit: KRW bn)

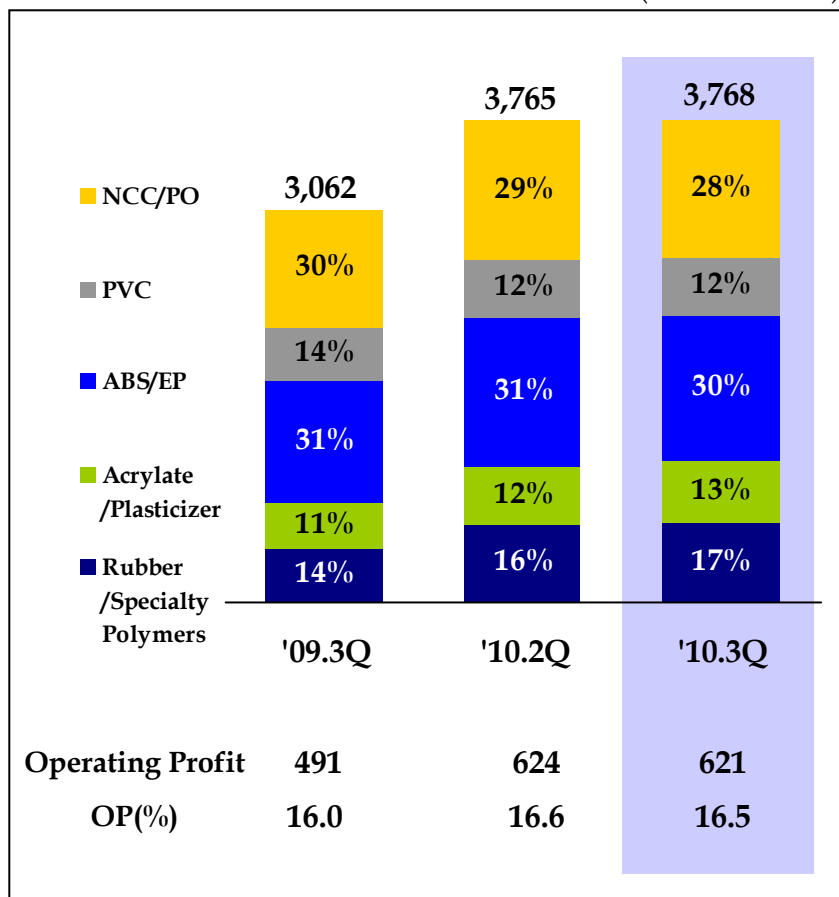
Classification	'09	'10.3Q	Change
Asset	10,531	12,054	14.5%
Cash and equivalent	1,107	1,251	13.1%
Liabilities	4,604	4,657	1.2%
Borrowings	2,411	2,140	-11.2%
Shareholder's Equity	5,927	7,397	24.8%
EBITDA	2,611	2,744	

Financial Ratios

Classification	'09	'10.3Q	Change
Total Liabilities / Equity (%)	77.7	63.0	-14.7%p
Debt / Equity (%)	40.7	28.9	-11.8%p
Interest Coverage Ratio	20.2	48.7	28.5
ROE (%)	27.3	35.3	8.0%p
ROA (%)	14.8	20.8	6.0%p

Business results

(Unit: KRW bn)



Analysis

• Analysis

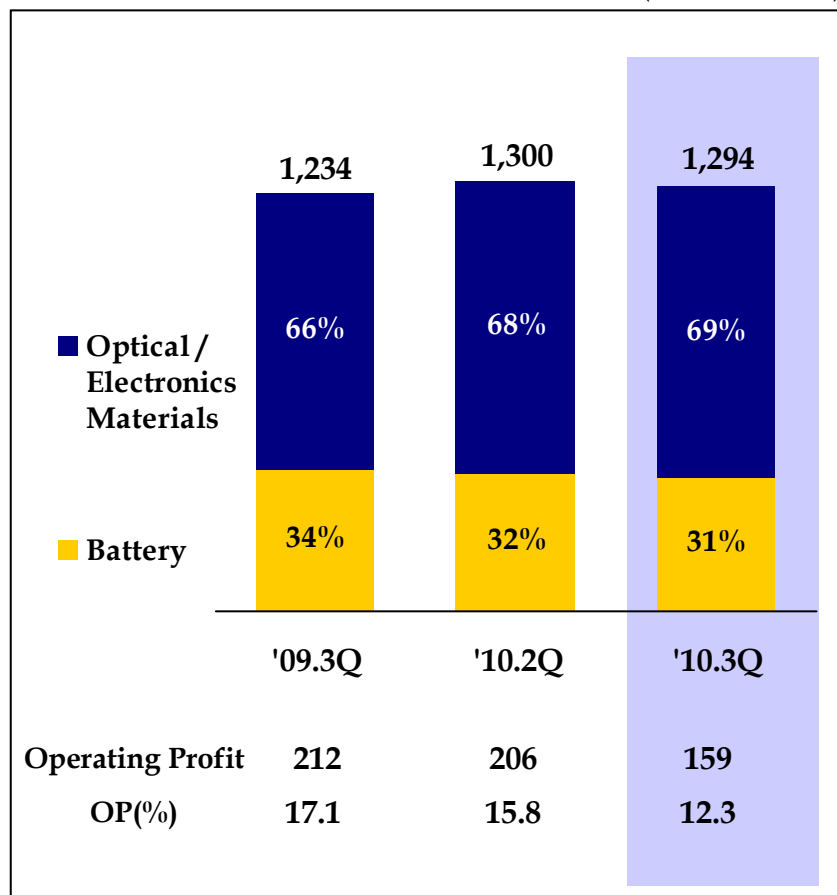
- Maintained high profitability thanks to differentiated product mix despite price adjustments of some products
 - NCC/PO : Despite the market fluctuations, stable margin maintained attributable to increased sales of premium products
 - PVC : Solid performance backed by favorable market conditions
 - ABS/EP : Margin improved with seasonal demands and stable prices of raw material
 - Acrylate / Plasticizer : Maintained high profitability by continued supply tightness and robust demands
 - Rubber / Specialty Polymer : Continued solid results based on the tight supply

• Outlook

- Strong product prices thanks to favorable supply and demand balance
- Sustainable profits through predominant competitive products

Business results

(Unit: KRW bn)



Analysis

• Analysis

- A slight drop in profits due to weak demand in IT industry
 - Optical Materials : Earnings went down due to decreased utilization rate of customers and increased raw material cost stemming from strong JPY
 - Battery : Maintained stable sales based on successful partnership with key customers despite weak demand
- Acquired new big customers for Advanced Battery
 - Selected as a supplier of EV battery for Ford and Renault, and*ESS battery for*SCE

• Outlook

- Expect stable business performance based on our global competitiveness
 - Optical Materials : Secure global No.1 position and enhance differentiated competitiveness
 - Battery : Achieve continuous growth through the internal M/S increase in key customers and new sales for tablet PC, etc.
 - Advanced Battery : Sales increase due to a launch of GM Volt and Sonata HEV. Continuous efforts into securing new customers

*ESS (Energy Storage System), SCE (Southern California Edison)

(Unit: KRW bn)

LGC	2009					2010				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	3,350	3,830	4,295	4,046	15,521	4,423	5,028	5,021		14,473
Operating Profit	485	629	697	287	2,098	652	828	779		2,259
Petrochemicals	2,582	2,847	3,062	2,959	11,450	3,309	3,765	3,768		10,842
NCC/PO	751	836	911	897	3,395	948	1,082	1,068		3,098
PVC	439	416	429	408	1,693	453	455	455		1,363
ABS/EP	724	886	948	900	3,458	998	1,173	1,142		3,312
Acrylate/Plasticizer	310	324	351	330	1,315	401	451	478		1,330
Synthetic Rubber/ Specialty Resin	358	385	423	423	1,588	509	605	626		1,739
Operating Profit	380	511	491	226	1,608	490	624	621		1,735
I & E Materials	786	1,015	1,234	1,157	4,191	1,159	1,300	1,294		3,753
Optical/Electronic	556	724	862	774	2,916	843	917	913		2,672
Battery	248	317	445	375	1,385	353	429	417		1,199
Operating Profit	110	121	212	65	507	168	206	159		533

Borrowings

(Unit: KRW bn)

Classification	'09	'10.3Q
Total	2,411	2,140
(Overseas Subsidiaries)	(602)	(796)
	100%	100%
KRW Currency	266	163
	11%	8%
C P	249	150
Others	17	13
Foreign Currency	2,145	1,977
(Overseas Subsidiaries)	(602)	(796)
	89%	92%
Loan	1,011	911
(Overseas Subsidiaries)	(602)	(796)
Negotiation Borrowing	949	931
FRN	185	136
Short-term	1,833	1,530
(Overseas Subsidiaries)	(429)	(539)
	76%	71%
Long-term	578	610
(Overseas Subsidiaries)	(174)	(257)
	24%	29%

Cash Flow

(Unit: KRW bn)

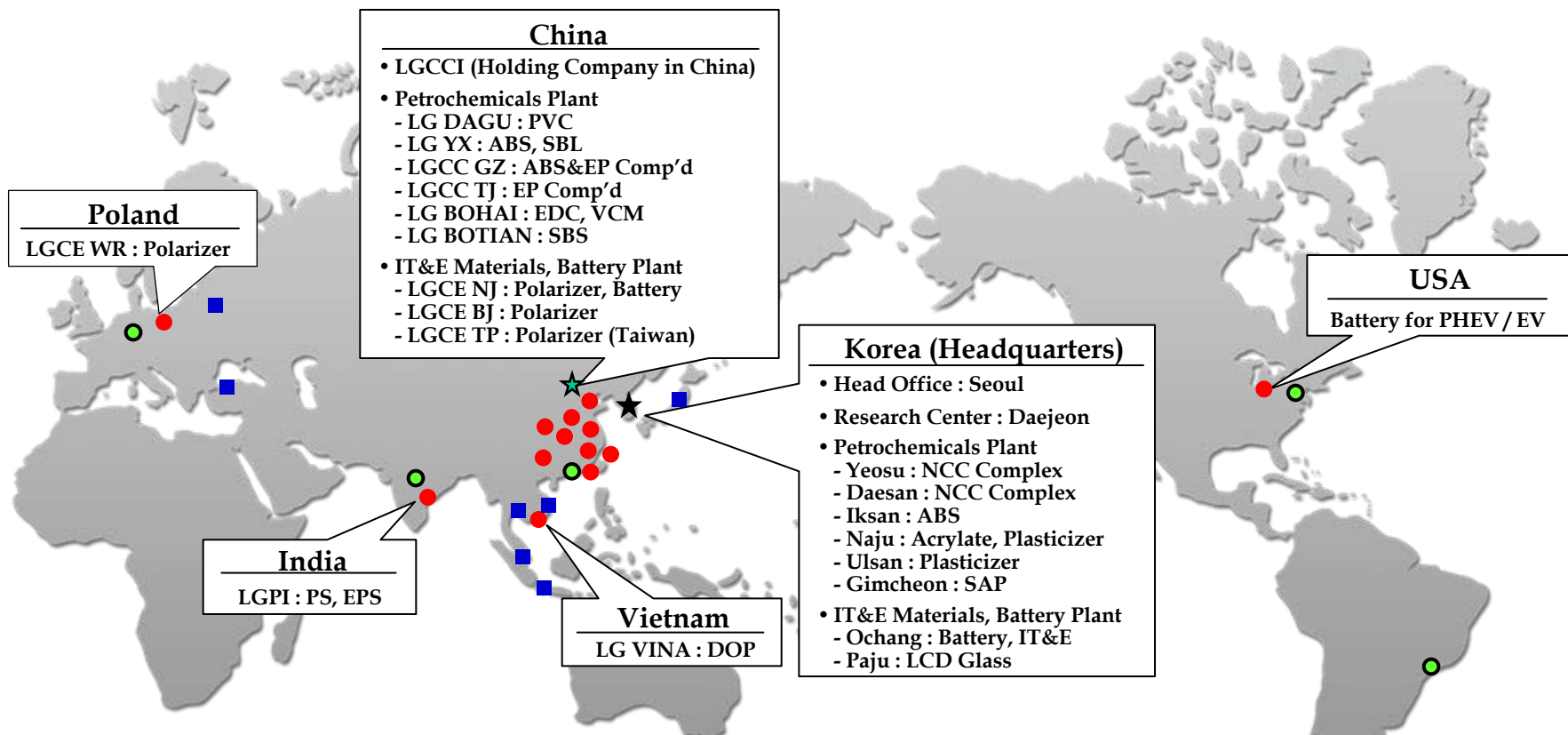
Classification	'09	'10.3Q
Beginning	514	1,107
Operating/Investing	1,515	696
Net Income	1,539	1,763
Depreciation	533	473
Working Capital	445	-647
CAPEX	-1,063	-1,026
Others	61	132
Financing	-922	-551
Borrowings	-713	-271
Dividends	-209	-280
Net Cash Flow	1,107	1,251

☞ The % is calculated to total borrowings.

(Unit: KRW bn)

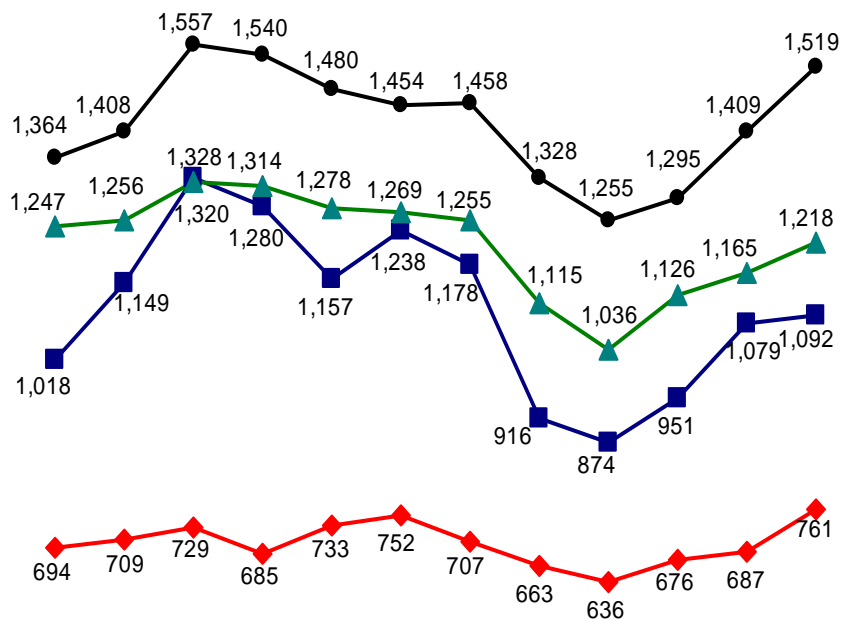
Classification		'08	'09	'10 Plan	'10.3Q Accumulated
Petrochemicals	New / Expansion	223	158	289	155
	Maintenance	103	132	174	122
	Total	326	290	463	277
I & E Materials	New / Expansion	270	472	670	559
	Maintenance	58	81	125	88
	Total	328	553	795	647
Common Expenses	New / Expansion	1	22	-	-
	Maintenance	71	198	175	102
	Total	72	221	175	102
Total	New / Expansion	494	652	959	714
	Maintenance	233	411	474	312
	Total	727	1,063	1,434	1,026

26 subsidiaries and representative offices around the world



- ★ LG Chem Head Office, Research Park (1), Plant (8)
- ★ LG Chem China Investment (LGCCI)
- Manufacturing Subsidiaries (13) : China (8), Taiwan (1), Vietnam (1), India (1), USA (1), Poland (1)
- Marketing Subsidiaries (5) : China (1), USA (1), Brazil (1), Europe (1), India (1)
- Representative Offices (7) : Hochiminh, Bangkok, Singapore, Jakarta, Tokyo, Moscow, Istanbul

(Unit:U\$/MT)

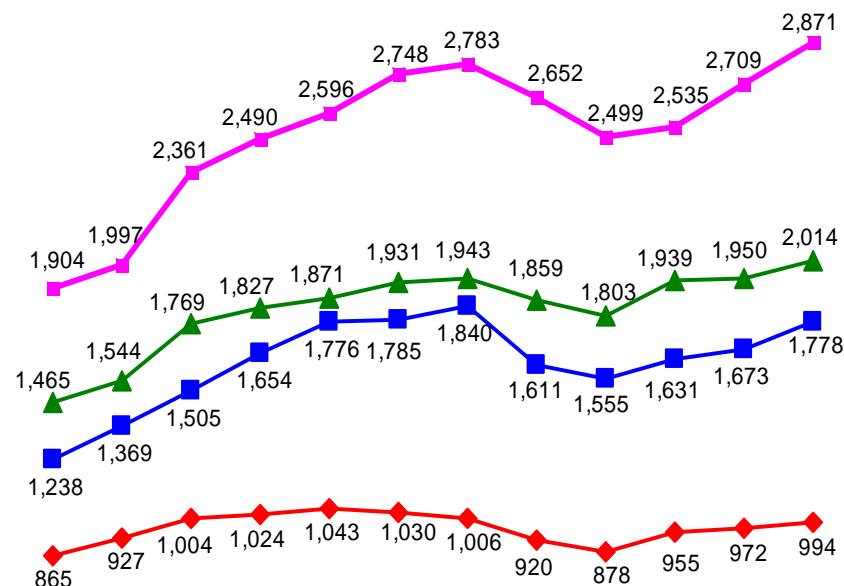


Nov '09 Dec '09 Jan '10 Feb '10 Mar '10 Apr '10 May '10 Jun '10 Jul '10 Aug '10 Sep '10 Oct '10

◆ Naphtha ■ Ethylene ▲ HDPE(Film) ● LDPE

NCC/PO

(Unit:U\$/MT)



Nov '09 Dec '09 Jan '10 Feb '10 Mar '10 Apr '10 May '10 Jun '10 Jul '10 Aug '10 Sep '10 Oct '10

◆ PVC ▲ ABS ■ Oxo-Alcohol ■ 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.