

Market Outlook

Sept. 2009



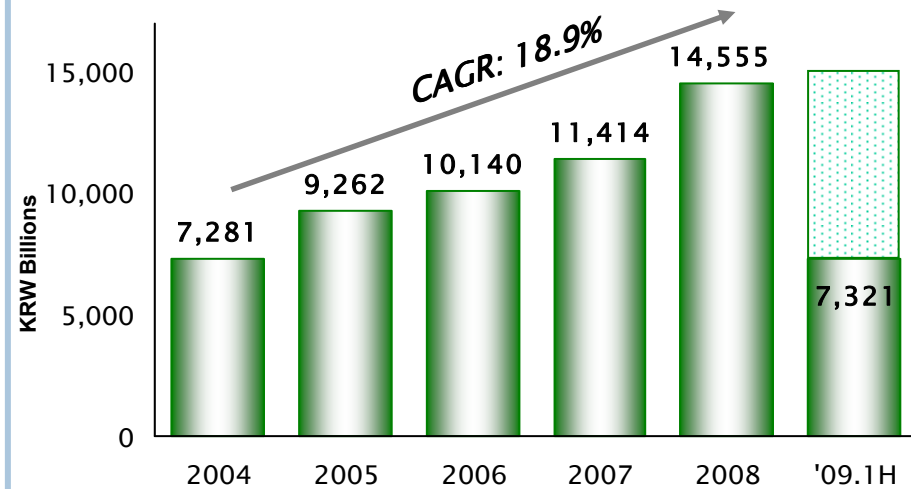
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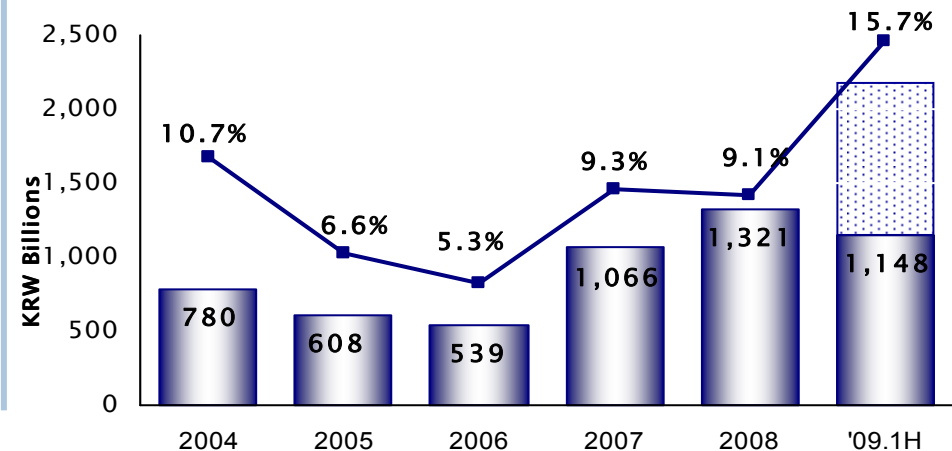
LG Chem at a Glance

- 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 14.6 trillion in 2008
- 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 1H, 2009

Impressive Revenue Scale...



...with Strong EBIT & EBIT Margins



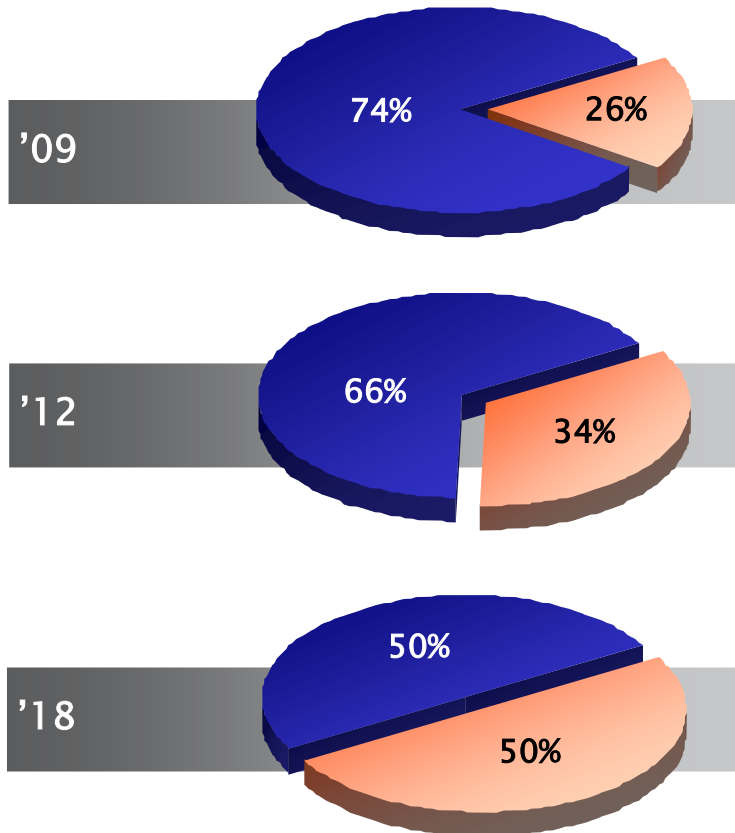
※ Above numbers excluded those of Industrial materials which spun off on April 1, 2009

Mid to Long-term Business Strategy

Business Portfolio

■ Petrochemicals

■ Information & Electronic Materials



Strategy

Business

Strategy

Petro-chemicals

- ✓ Optimizing the businesses
- ✓ Focusing on value-added downstream products
- ✓ Securing long-term competitiveness of China businesses
- ✓ Investing overseas via J/V

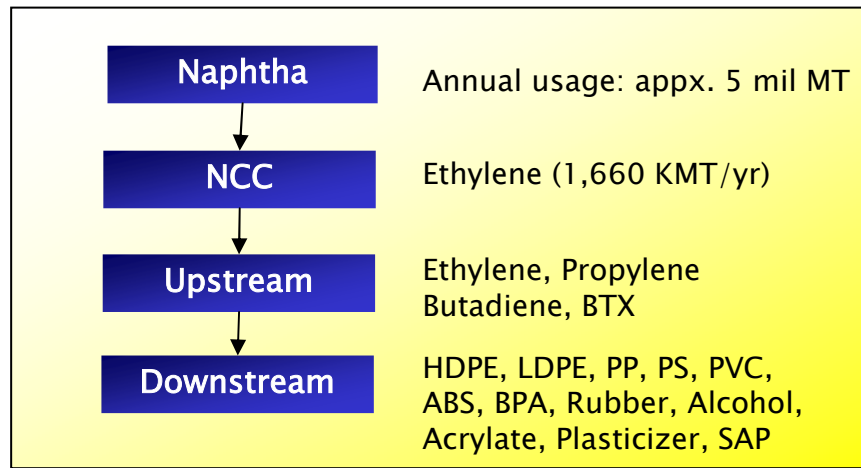
I & E Materials

- ✓ Optical materials- sustain profitable growth
- ✓ Battery- strengthen the position in Top 5 customers

New Business

- ✓ HEV/EV Battery
- ✓ LCD Glass

Vertical Integration Structure

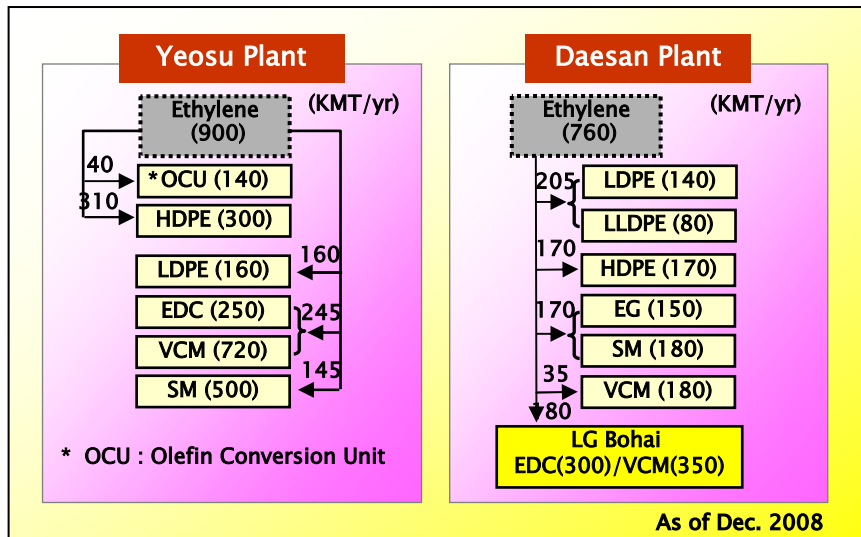


Co-existence of upstream and downstream products

- 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

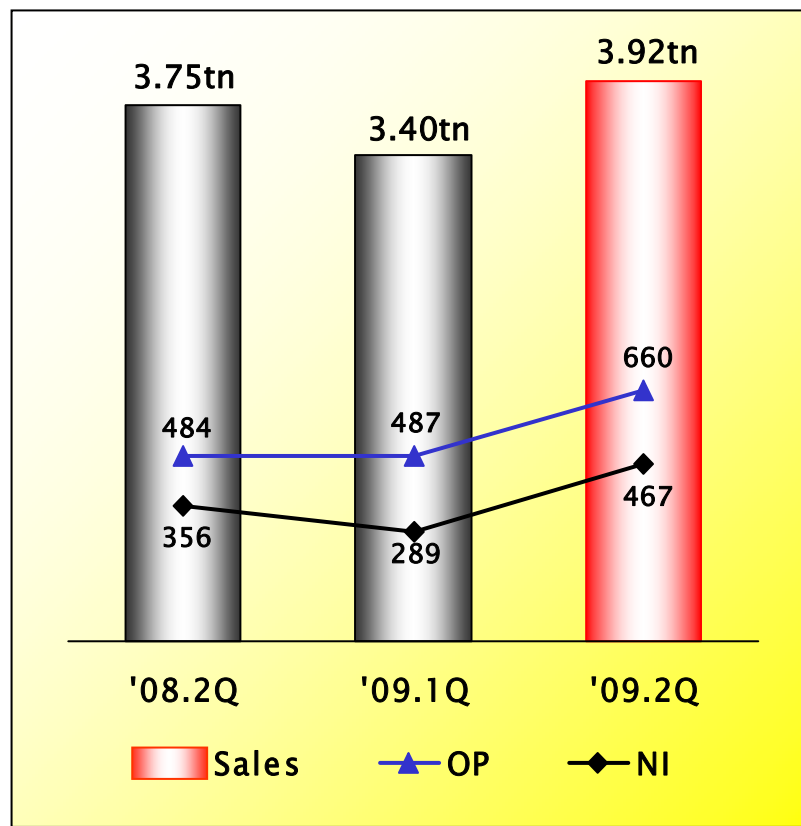
LG Chem's comprehensive downstream product lines of PO, ABS, PVC and other various products have complementary business cycles, enabling the Company to generate stable revenue



Stabilized revenue generating capability under any market conditions

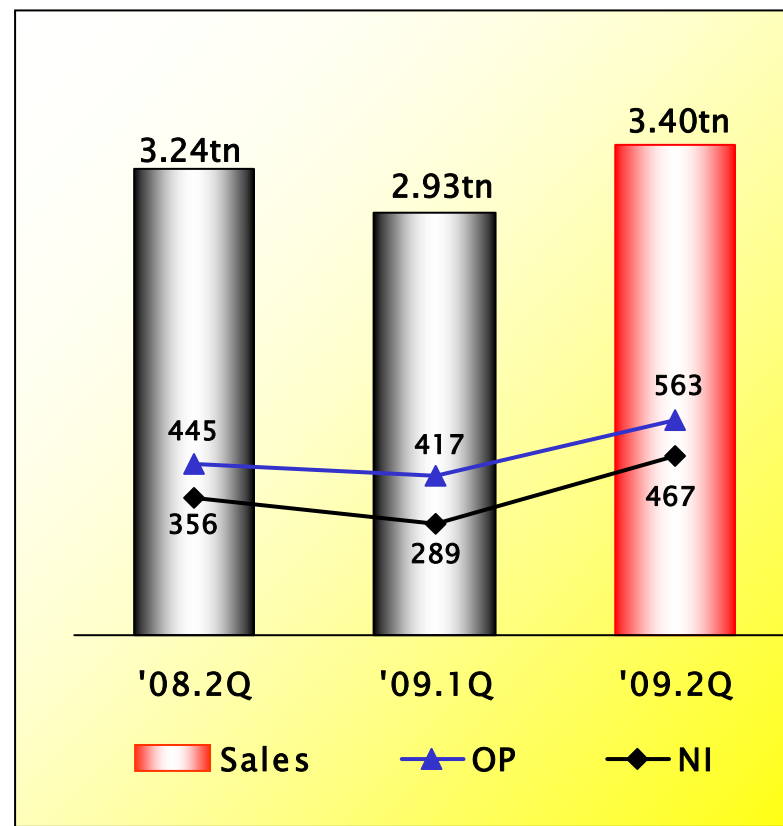
Consolidated

(Unit:KRW bn)



Non-consolidated

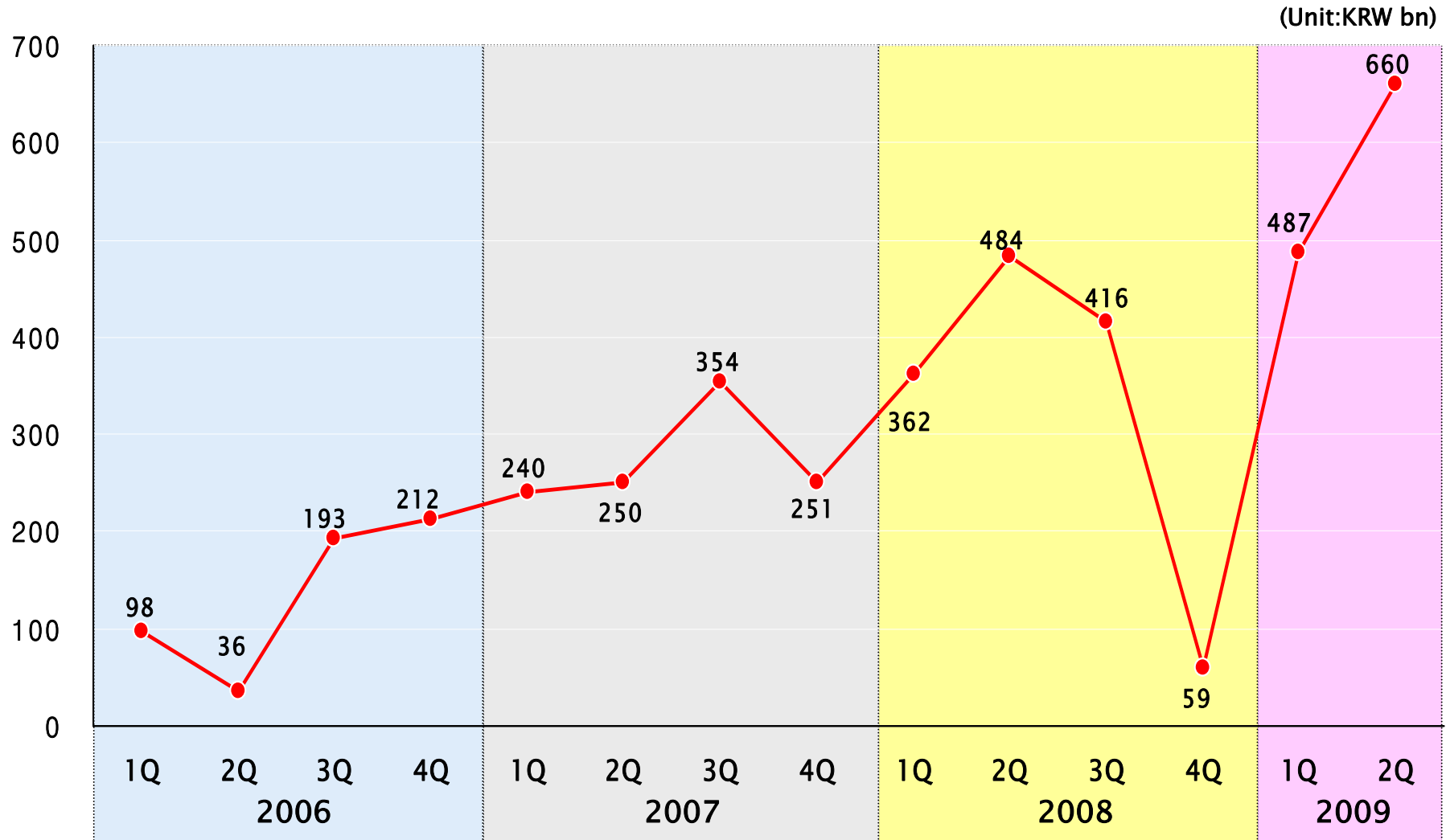
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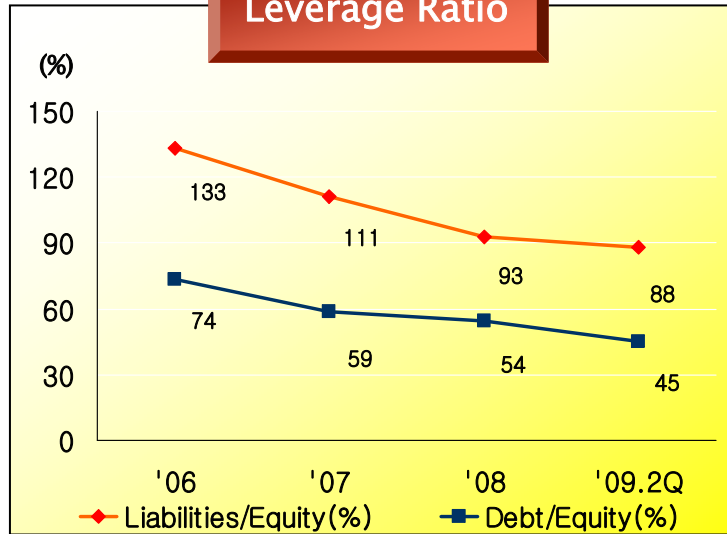
Business Results

Operating Profit Trend (consolidated)

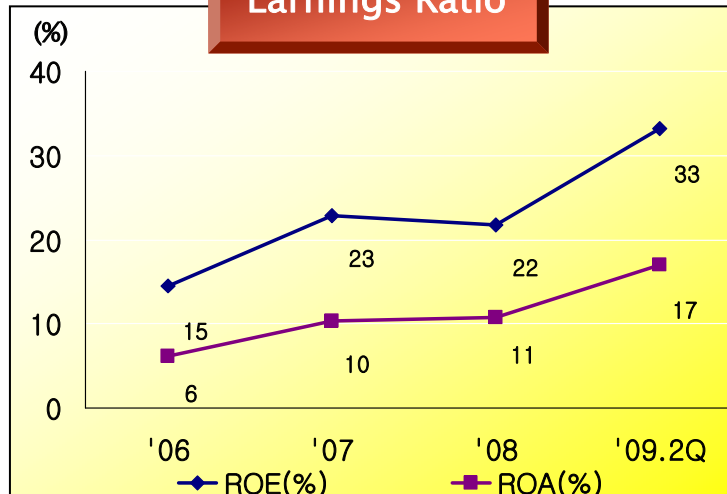
LG Chem has achieved high profit growth every year based on diversified business portfolio. LG Chem will pursue sustainable growth with profitability in the future.



Leverage Ratio



Earnings Ratio



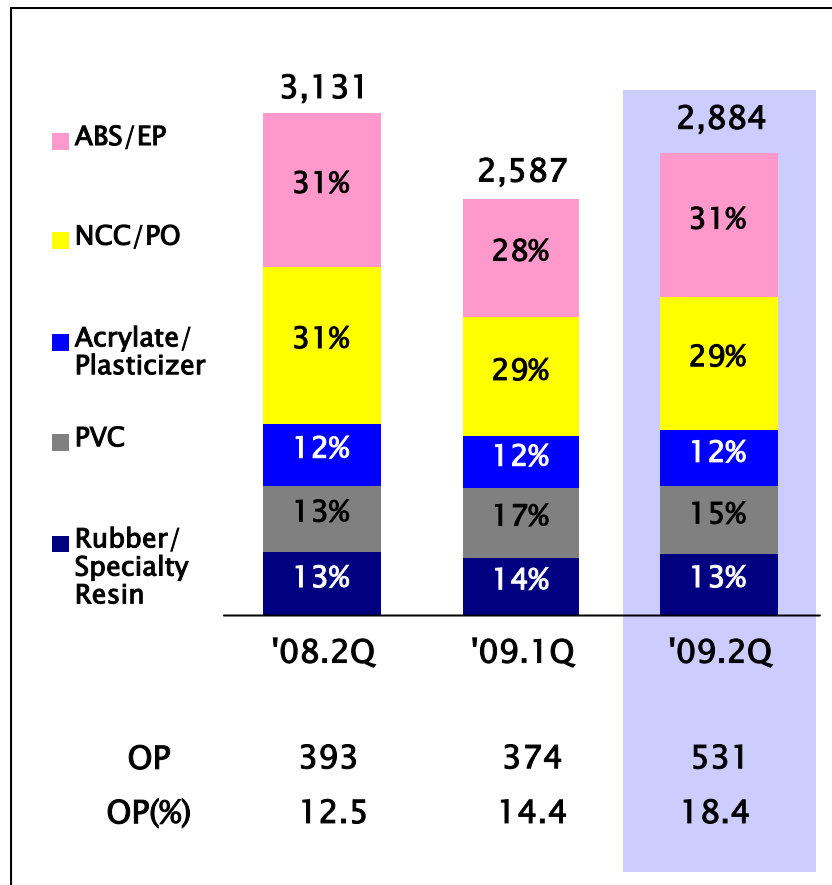
Analysis

- ✓ Continuous improvement of financial profiles driven by robust business performance.
- ✓ Top level credit rating among global peer group and local companies.
(Moody's Baa1, S&P BBB+, Domestic AA+)
- ✓ Target debt to equity ratio on year-end is 40%.
- ✓ Healthy financial structure will be maintained through strong cash generation and strict investment management

Business results

Analysis

(Unit:KRW bn)



• Analysis

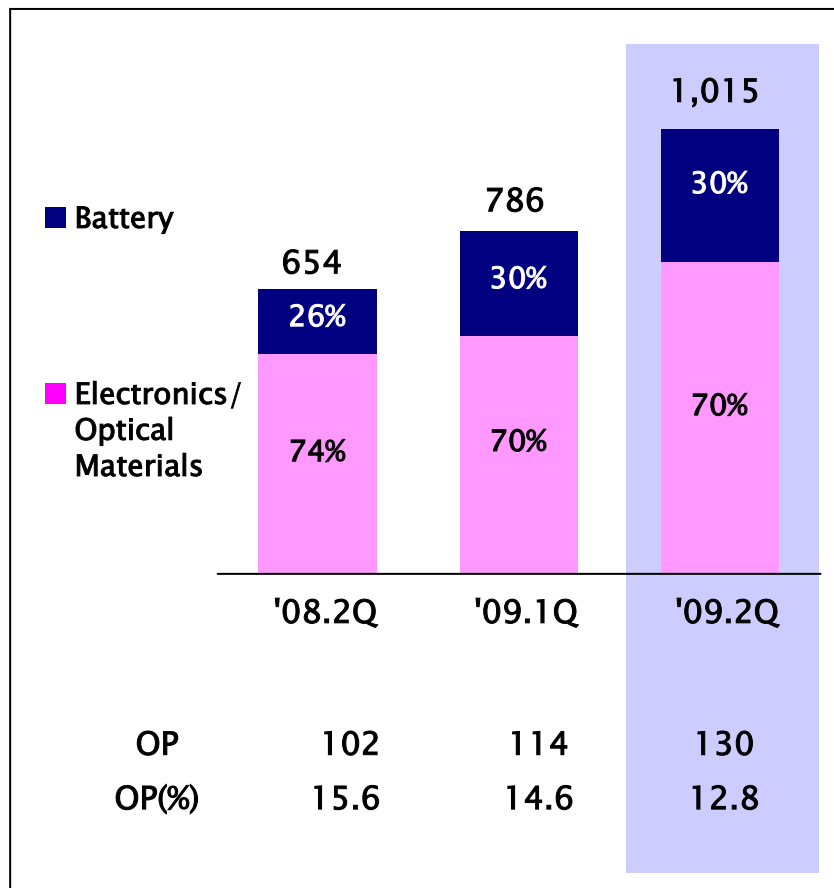
- Strong demand across the products thanks to China's aggressive economic stimulus packages
- Delay in new supplies from Middle East tightened PO supply/demand balance
- Poor cost competitiveness for carbide based PVC and low utilization of North America plants led strong PVC price
- Margin improvement in Synthetic Rubber, Acrylate & Plasticizer due to favorable supply/demand balance

• Outlook

- Increase of oil and raw material prices will keep product price strong
- New PO supplies from Middle East and China are expected but the impact will be limited

Business results

(Unit:KRW bn)



Analysis

• Analysis

■ Electronics & opticals

- LCD polarizer sales went up due to 'home appliances subsidy program' in China and HD broadcasting in US
- Continuous performance improvement in photo-resist and battery materials

■ Battery

- Despite price drop, operating profits rose due to demand recovery in the market and order increase from major customers (Nokia)

• Outlook

■ Electronics & Opticals

- Entering into strong season & recovery in demand will make continuous volume increase
- Improvement of profits backed by strong LCD market

■ Battery

- Expect recovery in demands of notebook PC & cell phone. Order from major customers (Nokia, LGE & HP) will increase continuously
- HEV Battery sales for new hybrid cars in Korea (HMC 'Avante' & Kia 'Forte')

(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			7,321
Operating Profit	362	484	416	59	1,321	487	660			1,148
Petrochemicals	2,835	3,131	3,380	2,470	11,816	2,587	2,884			5,471
NCC/PO	884	977	1,074	703	3,638	751	838			1,589
Synthetic Rubber/ Specialty Resin	353	400	516	434	1,703	358	390			747
PVC	370	412	493	335	1,609	439	420			860
ABS/EP	891	965	908	692	3,456	724	899			1,623
Acrylate/Plasticizer	337	379	388	306	1,410	315	338			653
Operating Profit	285	393	319	-85	912	374	531			904
I & E Materials	620	654	654	750	2,678	786	1,015			1,801
Optical/Electronic	462	516	511	492	1,981	556	728			1,284
Battery	165	148	154	272	739	242	309			550
Operating Profit	84	102	107	172	466	114	130			244

(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			6,334
Operating Profit	340	445	412	147	1,344	417	563			980
Petrochemicals	2,397	2,607	2,961	2,075	10,039	2,152	2,388			4,540
NCC/PO	884	985	1,085	720	3,674	777	885			1,661
Synthetic Rubber/ Specialty Resin	347	381	503	395	1,626	338	368			705
PVC	259	286	341	237	1,124	295	293			588
ABS/EP	583	604	653	430	2,271	432	522			954
Acrylate/Plasticizer	323	350	378	294	1,344	310	322			632
Operating Profit	262	350	310	-14	907	316	450			766
I & E Materials	611	656	669	769	2,705	804	1,047			1,852
Optical/Electronic	445	505	505	478	1,933	546	711			1,257
Battery	173	160	174	304	811	269	356			625
Operating Profit	80	98	105	170	453	104	116			219

	Consolidated			Non-Consolidated		
	'08	'09.4.1*	'09.2Q	'08	'09.4.1*	'09.2Q
(Unit : KRW bn)						
Assets	9,736	9,110	9,326	8,036	7,502	7,678
(Cash and equivalents)	514	905	839	373	755	640
Liabilities	4,683	4,611	4,373	3,147	3,172	2,899
(Borrowings)	2,743	2,565	2,237	1,350	1,327	1,095
Shareholder's Equity	5,053	4,500	4,953	4,890	4,330	4,779
Total Liabilities / Equity (%)	92.7	102.5	88.3	64.4	73.2	60.7
Debt / Equity (%)	54.3	57.0	45.2	27.6	30.6	22.9
Interest Coverage Ratio	13.5	-	25.5	34.3	-	47.5
ROE (%)	21.7	-	33.2	24.5	-	33.7
ROA (%)	10.8	-	17.0	13.9	-	20.2
EBITDA	1,864		1,431	1,746		1,179

* LG Hausys was spun-off on April 1, 2009

Borrowings

(Unit : KRW bn)

	Balance			'09 Plan
	'08	'09.4.1	'09.2Q	
Total	1,350 (100%)	1,327 (100%)	1,095 (100%)	914 (100%)
KRW	929 (69%)	865 (65%)	665 (61%)	593 (65%)
Currency				
C P	-	-	-	-
C B	560	500	350	250
Others	369	365	315	343
Foreign	421 (31%)	461 (35%)	430 (39%)	321 (35%)
Currency				
FRN	170	186	173	64
Others	252	275	257	257
Short-term	560 (42%)	671 (51%)	570 (52%)	598 (65%)
Long-term	790 (58%)	656 (49%)	525 (48%)	316 (35%)

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

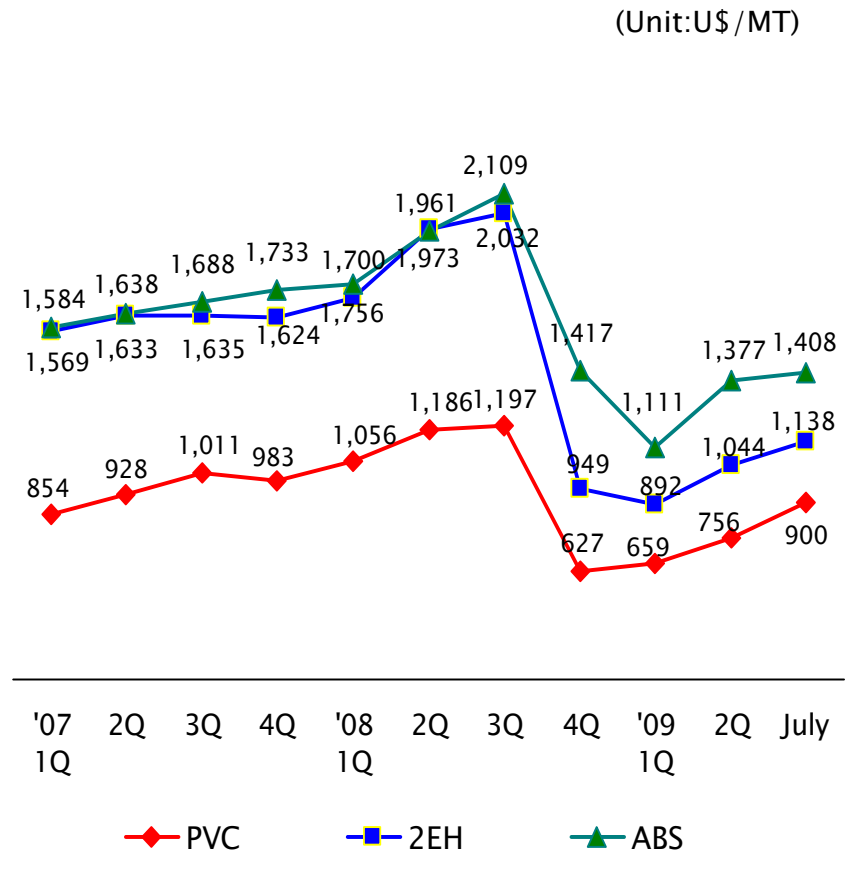
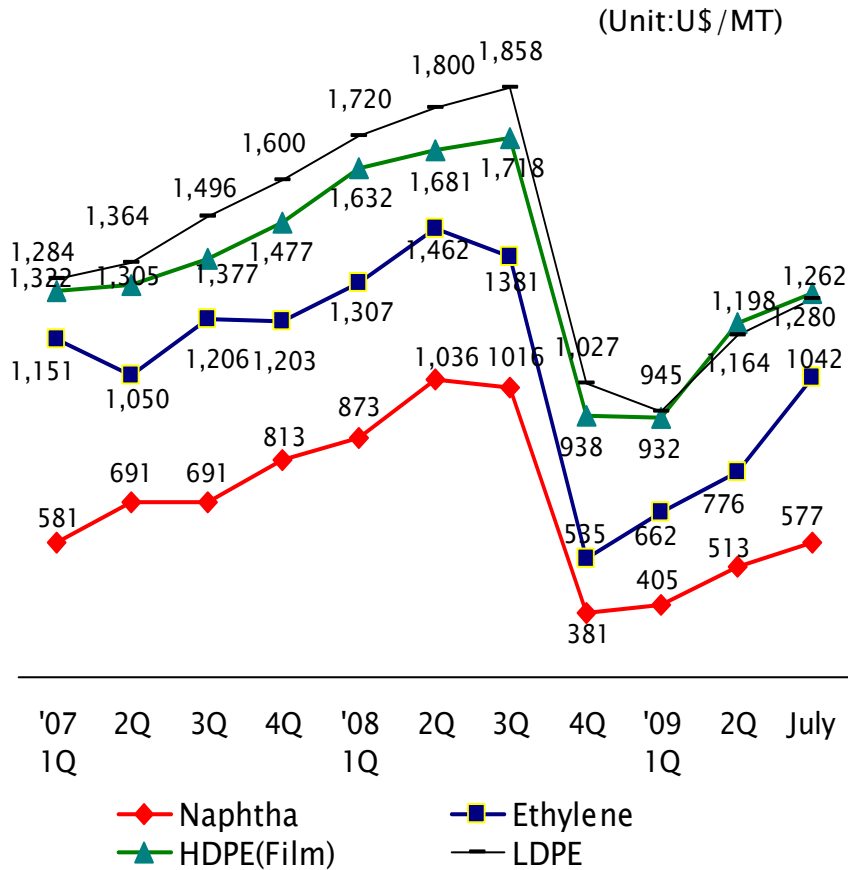
Cash Flow

(Unit : KRW bn)

	'08	'09.2Q
Beginning	466	373
Operating/Investing	246	753
Net Income	1,003	756
Depreciation	402	190
Working Capital	-534	190
CAPEX	-713	-463
Others	88	81
Financing	-339	-464
Borrowings	-12	-254
ABS refund	-160	-
Dividend	-167	-209
LG Hausys Spin-off	-	-23
Cash split		-214
Borrowings split		212
Working Capital, etc. (LG Hausys)		-21
End	373	640

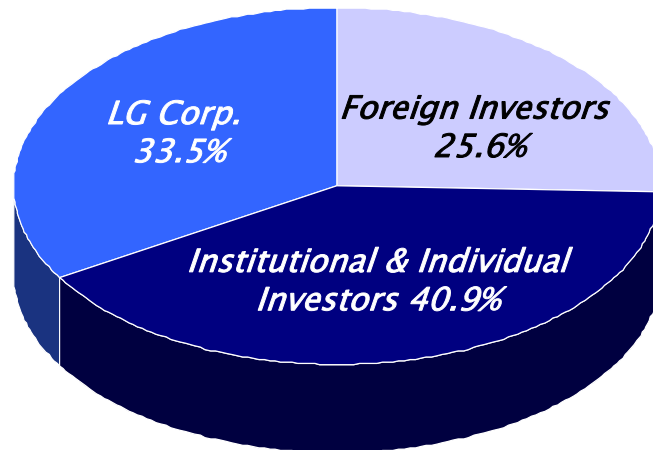
(Unit : KRW bn)

		'07	'08	'09 Plan	'09.2Q
Petrochemicals	New/Expansion	142	217	104	72
	Maintenance	68	85	136	48
	Equity Investment	16		23	3
	Total	227	302	263	123
I & E Materials	New/Expansion	42	194	347	183
	Maintenance	36	51	91	29
	Equity Investment	12	21	28	11
	Total	90	266	466	224
Common Expenses	New/Expansion	1			
	Maintenance	100	71	136	97
	Equity Investment		1		19
	Total	100	72	136	116
Total	New/Expansion	185	411	451	256
	Maintenance	204	207	363	175
	Equity Investment	28	22	50	33
	Total	417	640	864	463



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

Shareholders



Common Stock as of Aug. 12, 2009

Stock Information

(Unit : KRW)

	No. of Shares	Aug 12, '09	
		Price	Market Cap
Common	66,271,100	171,000	11.3 tn
Preferred	7,628,921	59,700	0.4 tn
Total	73,900,021		11.7 tn

Par value : KRW 5,000