

# 4Q 2009 Business Results & Outlook

Jan 29, 2010



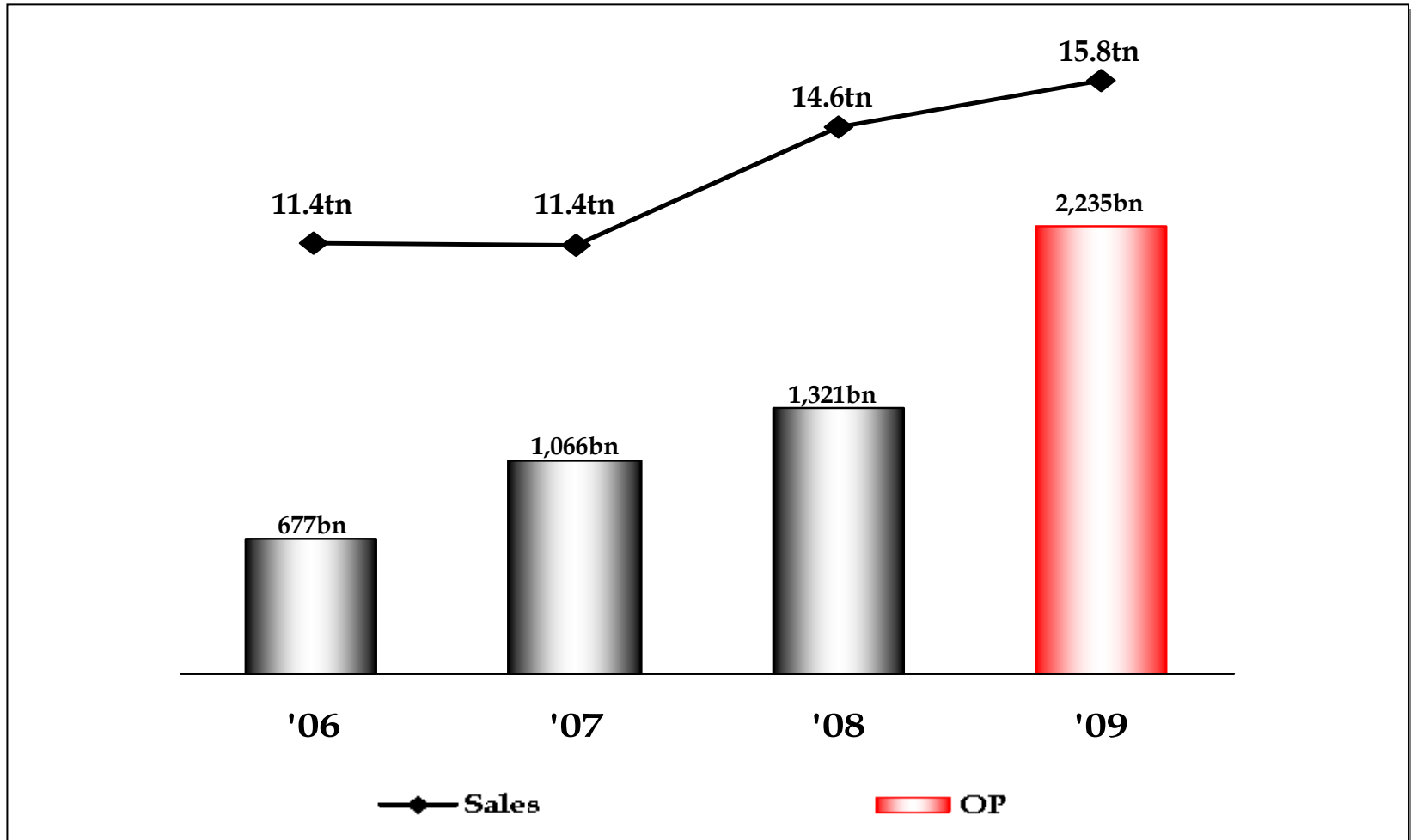
**The business results for the 4th quarter of 2009 currently under audit review are presented here for investors' convenience. Hence, please be advised that some of their contents may be altered in the course of audit.**

**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.**

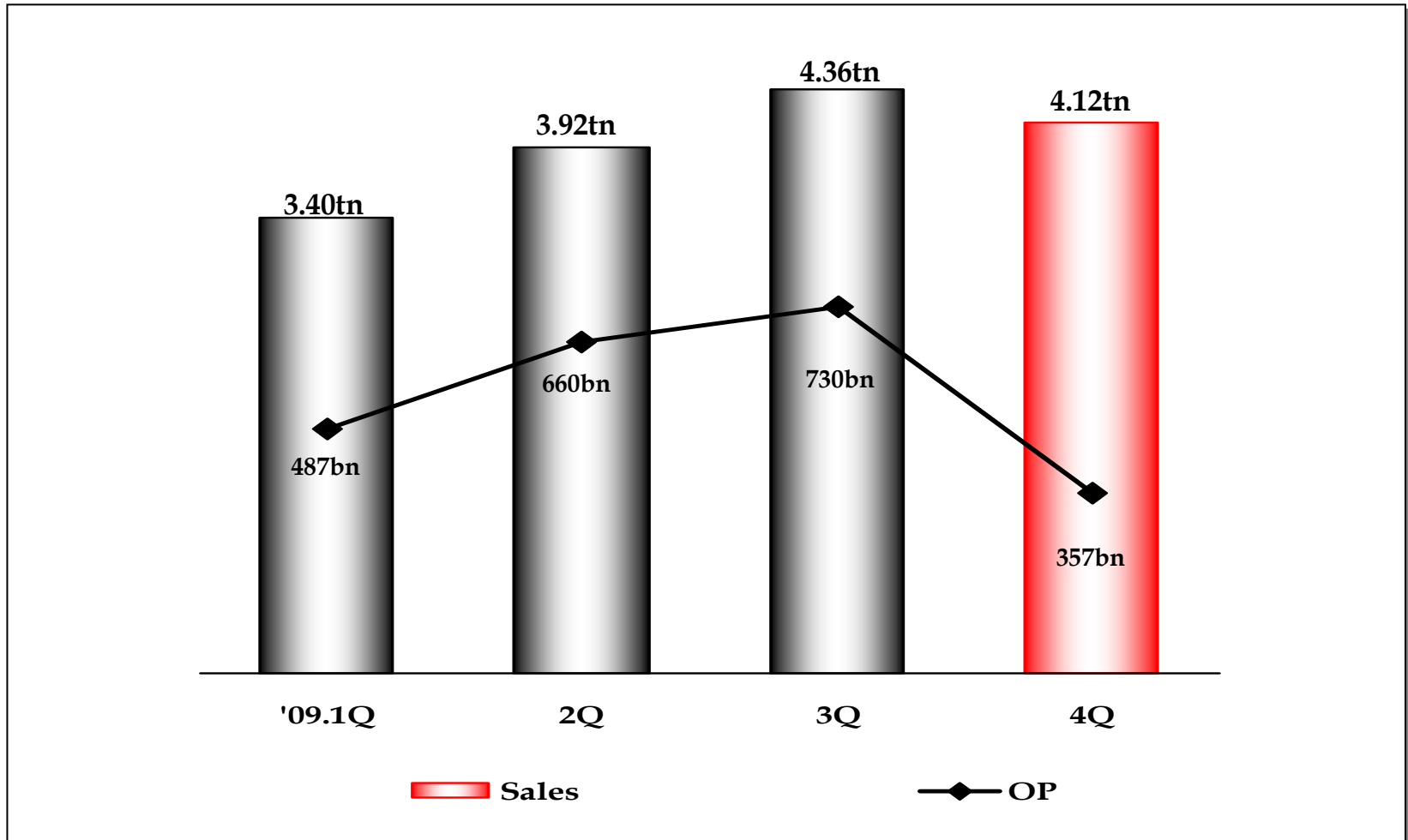
## **Table of Contents**

<b>Yearly Business Results</b>	<b>1</b>
<b>2009 Quarterly Business Results</b>	<b>2</b>
<b>4Q 2009 Business Results</b>	<b>3</b>
<b>Divisional Results &amp; Outlook</b>	<b>5</b>
<b>2010 Business Plan</b>	<b>7</b>
<b>Appendix</b>	<b>9</b>

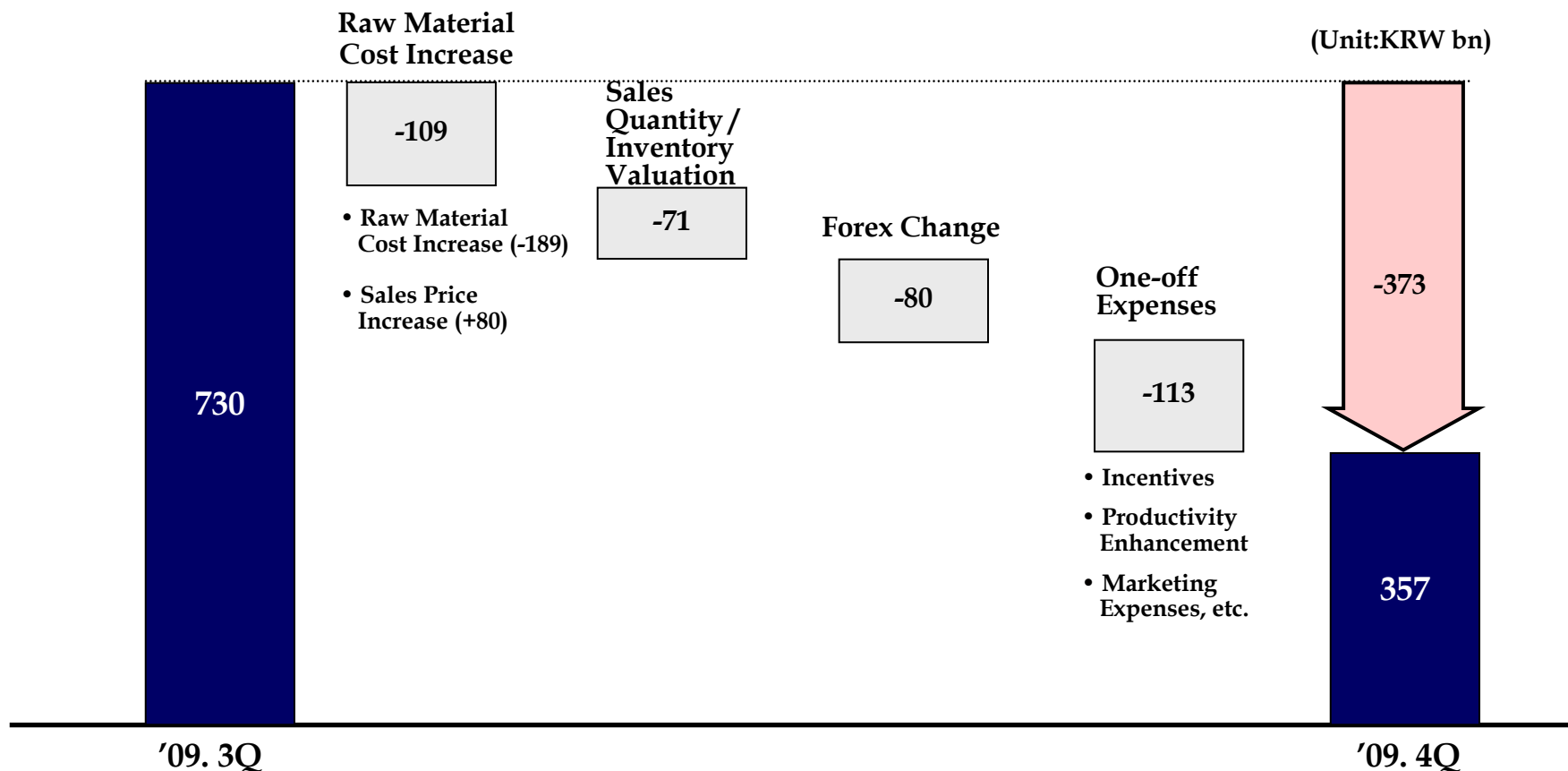
# Yearly Business Results (Consolidated)



# 2009 Business Results (Consolidated)



# Operating Profit Change Analysis (Consolidated)



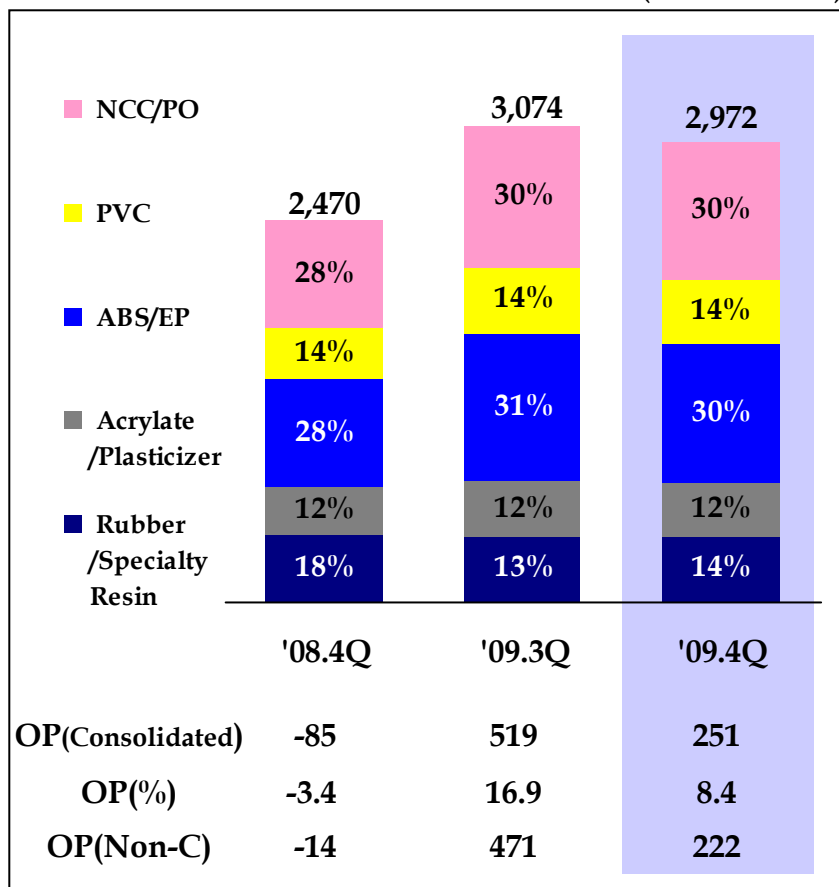
	Consolidated				Non-Consolidated			
	'08.4Q	'09.3Q	'09.4Q	YoY	'08.4Q	'09.3Q	'09.4Q	YoY
(Unit : KRW bn)								
<b>Sales</b>	3,332	4,364	4,116	23.5%	2,816	3,798	3,563	26.5%
<b>Operating Profit</b>	59	730	357	508.3%	147	656	309	110.2%
(%)	(1.8)	(16.7)	(8.7)		(5.2)	(17.3)	(8.7)	
<b>Pre-tax Income From Continuing Operations</b>	27	713	270	896.7%	94	700	252	168.0%
(%)	(1.0)	(16.3)	(6.6)		(3.3)	(18.4)	(7.1)	
Equity Method Gains	-9	-2	1	-	-62	45	4	-
<b>Net Income</b>	62	543	209	238.5%	62	543	209	238.5%

	Consolidated			Non-Consolidated		
(Unit : KRW bn)	'08	'09.4.1	'09	'08	'09.4.1	'09
<b>Assets</b>	9,736	9,110	9,950	8,036	7,502	8,359
(Cash and equivalents)	514	905	1,093	373	755	863
<b>Liabilities</b>	4,683	4,611	4,294	3,147	3,172	2,875
(Borrowings)	2,743	2,565	1,961	1,350	1,327	867
<b>Shareholder's Equity</b>	5,053	4,500	5,656	4,890	4,330	5,484
<b>Total Liabilities / Equity (%)</b>	92.7	102.5	75.9	64.4	73.2	52.4
<b>Debt / Equity (%)</b>	54.3	57.0	34.7	27.6	30.6	15.8
<b>Interest Coverage Ratio</b>	13.5	-	33.4	34.3	-	59.5
<b>ROE (%)</b>	21.7	-	30.3	24.5	-	30.7
<b>ROA (%)</b>	10.8	-	16.2	13.9	-	19.0
<b>EBITDA</b>	1,864	-	2,818	1,746	-	2,373



## Business results

(Unit:KRW bn)



## Analysis

### • Analysis

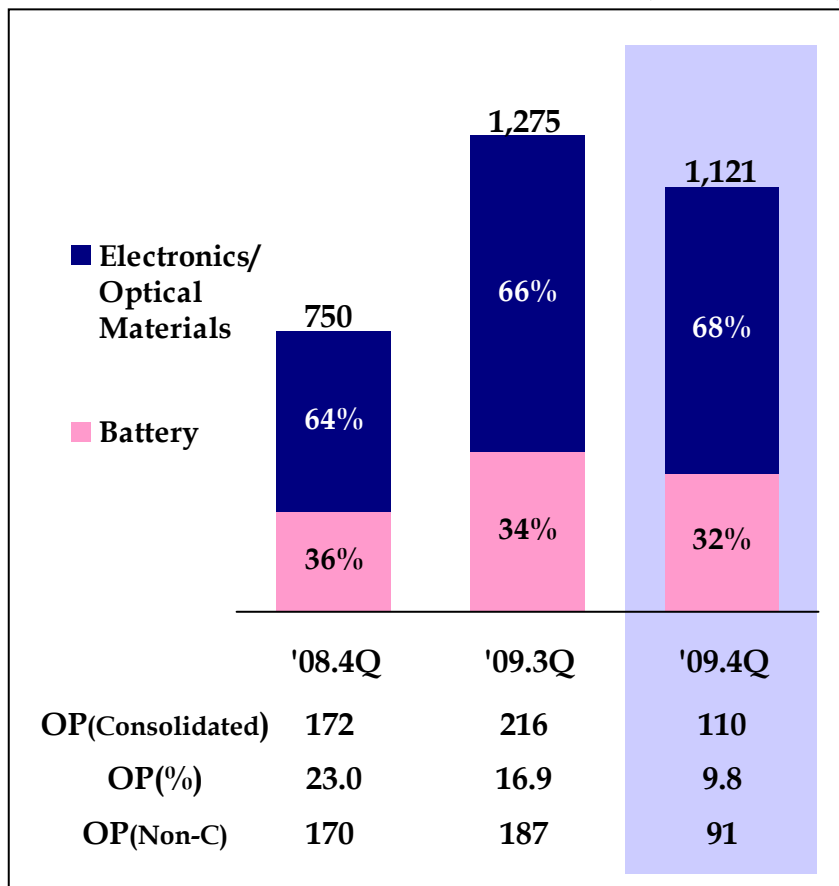
- Appreciation of Korean Won & one-off expenses weakened profitability
- Weak seasonality & hike of raw material cost due to strong oil price
  - NCC/PO : Strong naphtha price worsened margin
  - PVC : Decline in product price due to slow seasonality
  - ABS/EP : Despite the recovery of overseas demand, strong feedstock narrowed spread
  - Acrylate/Plasticizer : High margin maintained thanks to plasticizer tight supply market condition
  - Rubber/Specialty Resin : Rapid increase of raw material (BD) resulted margin contraction

### • Outlook

- Recovery of China's exports will lead robust China demand
- China domestic market will continue its solid growth
- Pass through of raw material cost hikes to product prices will expand spread

## Business results

(Unit:KRW bn)



## Analysis

### • Analysis

- Appreciation of Korean Won & marketing cost weakened profitability
- Slowdown of the demand during the off-season
  - Polarizer : Total sales decreased, but high value-added products portion increased
  - Battery : Despite slight price decrease, stable demand continued
  - HEV/EV : Supply to Hyundai, Kia & strive to secure new global customers continued

### • Outlook

- Robust demand in LCD market is expected to continue due to the Winter Olympic Games & Chinese New Year
- Sales increase in steady demand of the global market
  - Polarizer : Continuous achievement of profitability with full operation of ultra-wide line
  - Battery : Increase internal shares of strategic customers & strengthen cost leadership
  - HEV/EV : Acquire new major customers & market strength through accelerated global spec-in process

# 2010 Business Plan (IFRS)

## Business Plan

(Unit:KRW bn)

	'09	'10 Plan
Sales	15,600	16,300
Petro-chemicals	11,500	11,700
I&E Materials	4,200	4,700
Operating Profits	2,095	-
CAPEX	1,030	1,430

## Business Strategy

- **Petrochemicals : Achieve maximize profitability**
  - Expand domestic business & strengthen competitiveness
    - Yeosu NCC 100KT, BR 80KT, SAP 40KT
  - Increase the portion of value-added premium product
    - ABS 71%, PE 73%
  - Cost reduction of energy, raw materials & sub materials
    - 10% reduction YoY
  
- **I&E Materials : Strengthen Global #1 position**
  - Polarizer : Maintain Global #1 M/S
    - VA Polarizer : Expand global top customers base
    - Maximize productivity through ultra-wide line (2,300mm)
  - Reinforce CF photo-resist & Electronic materials business
    - CF photo-resist 1,500ton, Electrolyte 1,200ton
  - Battery : Expand M/S of global strategic customers
    - Nokia, HP, Dell, etc.
    - Prismatic 5mn cell/m, Polymer 3mn cell/m
  - HEV/EV : Secure solid market leader's position
    - Strengthen market power by securing new global customers
    - Commencement of US plant construction (2nd Half '10)

# 2010 Business Plan (IFRS)

## Cash Flow

(Unit:KRW bn)

Class		Amounts
<b>Cash Inflow</b>		<b>2,040</b>
	From Operating	1,480
	Depreciation	560
<b>Cash Outflow</b>		<b>1,890</b>
	<b>CAPEX</b>	<b>1,430</b>
	Working Capital & other	190
	Dividend	270
<b>Net Cash Flow</b>		<b>150</b>

## CAPEX

Class		Amounts
<b>Total</b>		<b>1,430</b>
Type	<b>New / Expansion</b>	<b>960</b>
	Maintenance	470
Divisional	Petrochemicals	460
	I&E Materials	800
	Common (Land in Ochang, Paju, etc.)	170

## Key Investments

(Unit:KRW bn)

- Petrochemicals** 290
  - NCC Expansion in Yeosu
  - BR, SAP Expansion in Korea
  - SBS in China, etc.
  
- I&E Materials** 670
  - LCD Glass, Polarizer, Battery, HEV/EV Battery, etc.

(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	4,364	4,116	15,801
Operating Profit	362	484	416	59	1,321	487	660	730	357	2,235
Petrochemicals	2,835	3,131	3,380	2,470	11,816	2,587	2,884	3,074	2,972	11,517
NCC/PO	884	977	1,074	703	3,638	751	838	911	897	3,397
Synthetic Rubber/ Specialty Resin	353	400	516	434	1,703	358	390	423	424	1,594
PVC	370	412	493	335	1,609	439	420	429	408	1,697
ABS/EP	891	965	908	692	3,456	724	899	948	900	3,471
Acrylate/Plasticizer	337	379	388	306	1,410	315	338	363	342	1,358
Operating Profit	285	393	319	-85	912	374	531	519	251	1,674
I & E Materials	620	654	654	750	2,678	786	1,015	1,275	1,121	4,197
Optical/Electronic	462	516	511	492	1,981	556	728	862	774	2,920
Battery	165	148	154	272	739	242	309	437	371	1,358
Operating Profit	84	102	107	172	466	114	130	216	110	569

(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	3,798	3,563	13,695
Operating Profit	340	445	412	147	1,344	417	563	656	309	1,945
Petrochemicals	2,397	2,607	2,961	2,075	10,039	2,152	2,388	2,580	2,478	9,597
NCC/PO	884	985	1,085	720	3,674	777	885	980	929	3,571
Synthetic Rubber/ Specialty Resin	347	381	503	395	1,626	338	368	399	411	1,515
PVC	259	286	341	237	1,124	295	293	313	286	1,186
ABS/EP	583	604	653	430	2,271	432	522	538	524	2,016
Acrylate/Plasticizer	323	350	378	294	1,344	310	322	350	328	1,310
Operating Profit	262	350	310	-14	907	316	450	471	222	1,459
I & E Materials	611	656	669	769	2,705	804	1,047	1,258	1,118	4,228
Optical/Electronic	445	505	505	478	1,933	546	711	845	740	2,842
Battery	173	160	174	304	811	269	356	435	400	1,460
Operating Profit	80	98	105	170	453	104	116	187	91	497

## Borrowings

(Unit : KRW bn)

	Balance		
	'08	'09.4.1	'09
<b>Total</b>	<b>1,350</b> (100%)	<b>1,327</b> (100%)	<b>867</b> (100%)
<b>KRW</b>	<b>929</b>	<b>865</b>	<b>517</b>
<b>Currency</b>	(69%)	(65%)	(69%)
C P	-	-	-
C B	560	500	250
Others	369	365	267
<b>Foreign</b>	<b>421</b>	<b>461</b>	<b>350</b>
<b>Currency</b>	(31%)	(35%)	(31%)
FRN	170	186	58
Others	252	275	292
<b>Short-term</b>	<b>560</b> (42%)	<b>671</b> (51%)	<b>444</b> (57%)
<b>Long-term</b>	<b>790</b> (58%)	<b>656</b> (49%)	<b>424</b> (43%)

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

## Cash Flow

(Unit : KRW bn)

	'08	'09
<b>Beginning</b>	<b>466</b>	<b>373</b>
<b>Operating/Investing</b>	<b>246</b>	<b>1,204</b>
Net Income	1,003	1,507
Depreciation	402	409
Working Capital	-534	149
CAPEX	-713	-928
Others	88	66
<b>Financing</b>	<b>-339</b>	<b>-692</b>
Borrowings	-12	-483
ABS refund	-160	-
Dividend	-167	-209
<b>LG Hausys Spin-off</b>	<b>-</b>	<b>-23</b>
Cash split	-	-214
Borrowings split	-	212
Working Capital, etc.	-	-21
<b>Year-End</b>	<b>373</b>	<b>863</b>

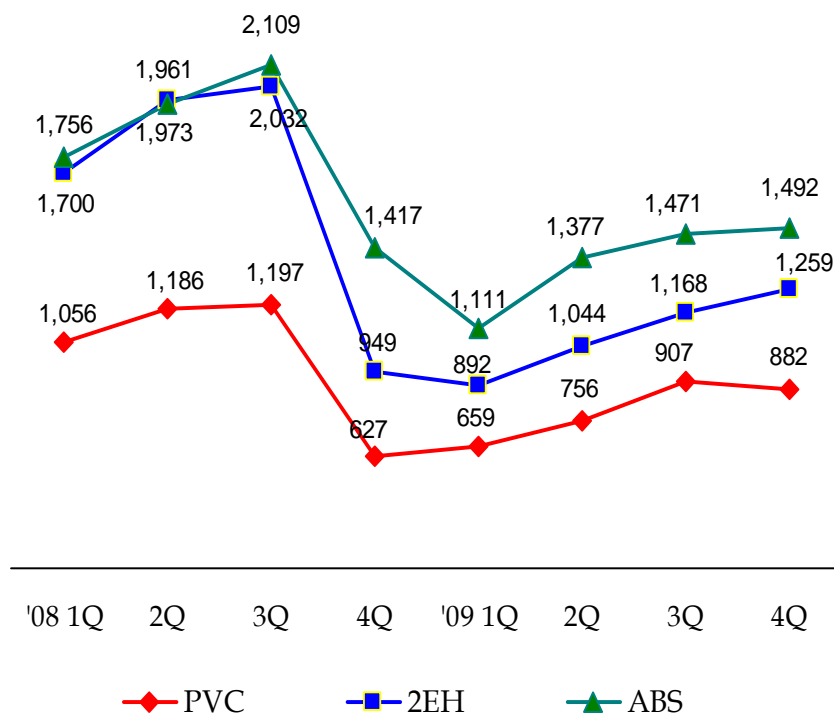
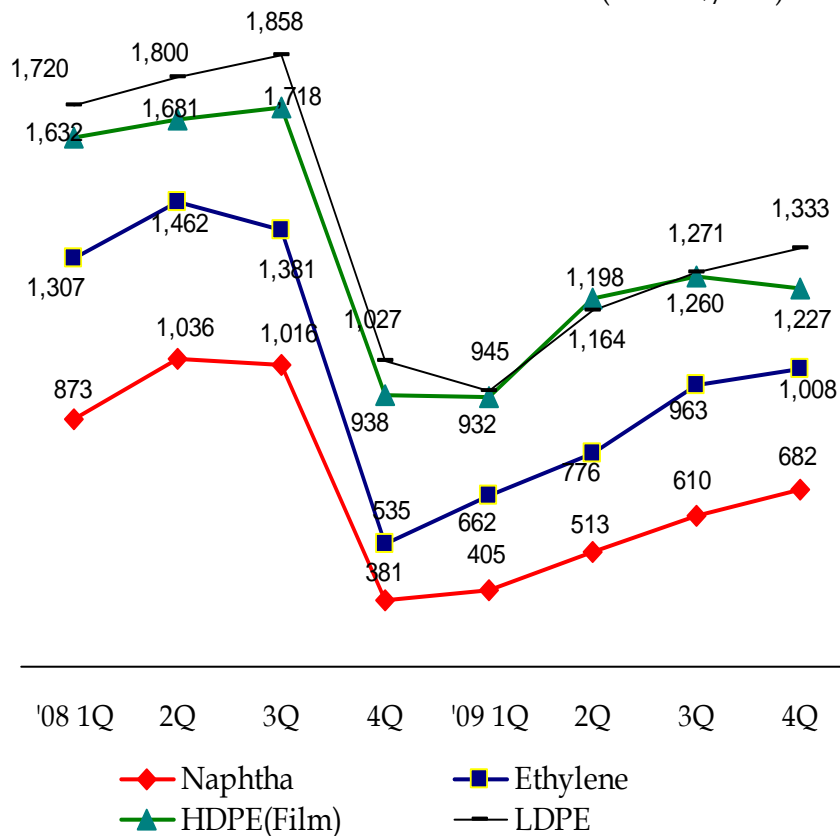
(Unit : KRW bn)

		'07	'08	'09 Plan	'09
Petrochemicals	New/Expansion	142	217	104	117
	Maintenance	68	85	136	109
	Equity Investment	16	-	23	6
	<b>Total</b>	<b>227</b>	<b>302</b>	<b>263</b>	<b>232</b>
I & E Materials	New/Expansion	42	194	347	382
	Maintenance	36	51	91	67
	Equity Investment	12	21	28	30
	<b>Total</b>	<b>90</b>	<b>266</b>	<b>466</b>	<b>480</b>
Common Expenses	New/Expansion	1	-	-	0
	Maintenance	100	71	136	196
	Equity Investment		1	-	19
	<b>Total</b>	<b>100</b>	<b>72</b>	<b>136</b>	<b>216</b>
Total	New/Expansion	185	411	451	500
	Maintenance	204	207	363	373
	Equity Investment	28	22	50	56
	<b>Total</b>	<b>417</b>	<b>640</b>	<b>864</b>	<b>928</b>



(Unit:U\$/MT)

(Unit:U\$/MT)



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