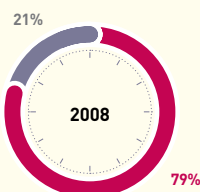
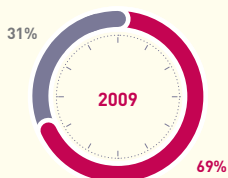


MANAGEMENT'S DISCUSSION & ANALYSIS

DIVISIONAL SALES

- Petrochemicals
- Information & electronic materials

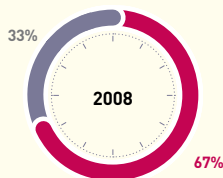
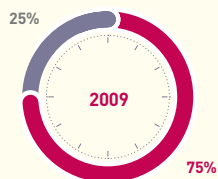
* Not including the industrial materials division in 2008



DIVISIONAL OPERATING PROFIT

- Petrochemicals
- Information & electronic materials

* Not including the industrial materials division in 2008



2009 OVERVIEW

Since its inception in 1947, LG Chem has grown into one of the largest petrochemical businesses in Korea. In 2009, new businesses that the company had been preparing to launch for quite some time as future growth engines began making a name for themselves. While maintaining a healthy profit in its traditional petrochemical business, the company has successfully expanded its business scope into the information & electronic materials businesses, such as the display and clean energy business, which has helped solidify its growth potential as a leading global company.

In the aftermath of the global financial crisis, economies everywhere were still mired in severe recessions in 2009. Volatility abounded in global markets even with aggressive economic stimulus packages initiated by governments around the world. Despite the fluctuating business environments, LG Chem realized significant improvement in profitability in its petrochemical division, due largely to a booming Chinese economy that was propped up in part by the Chinese government's economic stimulus package and stable petrochemical markets, which were backed by the steady rise in oil prices. As a result, LG Chem's traditional petrochemicals business significantly improved its profitability, while its information & electronic materials business sustained real growth thanks to rising customer demand for its products. At the headquarters level, sales improved 8.3% over the previous year, to 13,694.5 billion won, with operating profit growing a steady 44.7%, reaching 1,944.8 billion won. At the same time, net income jumped an impressive 50.3%, to 1,507.1 billion won, making 2009 a historic year for both sales and profits.

On a consolidated basis, sales grew by 8.3%, reaching 15,759.7 billion won. Operating profit went up 69.0%, to reach 2,233.2 billion won, while net income increased by 55.5%, reaching 1,533.2 billion won.

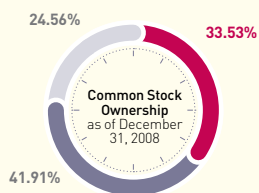
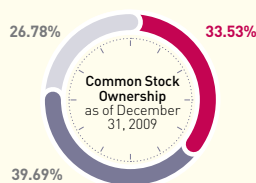
Looking at the performance of business divisions in 2009, the petrochemicals division benefited from favorable business environments, including the Chinese government's economic stimulus package, rising oil prices, and delayed construction projects in the Middle East that left the door open for LG Chem. Internally, the company has adhered to customer value improvement initiatives by increasing the portion of premium products in its sales and implementing various business solutions activities as it went about reinforcing its cost competitiveness. As a result, it was able to realize a significant 61.5% growth in operating profit, to 1,458.6 billion won, despite a 4.3% decline in sales, to 9,597.4 billion won, due to falling petrochemical product prices in 2009.

While all five petrochemicals businesses realized a remarkable growth in profit, the acrylates/plasticizers business carried on with its rate of profitability from the past year and the ABS/EP business also substantially improved its profitability thanks to the Chinese government's economic stimulus package.

The information & electronic materials division realized a robust 55.4% year-on-year growth in sales, reaching 4,196.6 billion won, thanks to cost reduction and productivity enhancement initiatives related to the company's polarizers business being carried out and increasing customer demand for batteries. Operating profit improved a moderate 10.4%, reaching 498.2 billion won.

SHAREHOLDER COMPOSITION

- LG Corp.
- Korean Individuals & Institutions
- Foreign Shareholders



LG Chem's polarizer business outperformed Japanese competitors in terms of sales and profit, strengthening its leading role in global markets both in significance and substance. This achievement owes much to the consistent cost leadership initiatives carried out in the name of innovation for both the production process and materials.

The rechargeable batteries business realized a sound 80% growth in sales over the previous year. This remarkable achievement can be attributed to the aggressive expansion of the division's production capacity, its customer engagement marketing initiatives, and the significant growth in its share of prominent global corporate customers such as Nokia and HP.

The automotive battery business, one of LG Chem's future growth engines, secured an advantageous position in the market when it concluded an exclusive supply contract with GM to supply batteries for the world's first electric car, the Chevy Volt. The US-based automaker plans for mass production of this plug-in electric vehicle to begin in 2010. Since the second half of 2009, LG Chem also began supplying batteries for hybrid electric vehicles (HEV) for Hyundai Motors. In addition, LG Chem aggressively pursued a new customer base, eventually landing a contract to supply HEV battery cells and packs to Eaton Corporation, the top commercial car component manufacturer in the U.S., beginning in January 2010. LG Chem will also start supplying CT&T, a Korean company that specializes in the manufacture of electric vehicles, in 2010, and has finalized a memorandum of understanding (MOU) with Chang'an Motors, China's third largest automaker.

In the optical materials business, LG Chem plans on making a significant investment in the LCD glass business. After signing a contract to introduce Schott's glass technology, LG Chem carried out an extensive internal investment review over a period of six months. Based on the results of this review, the company began full-scale investment with the groundbreaking ceremony held at the Paju Industrial Complex on September 23, 2009. In the short run, it plans to invest a total of 430.0 billion won to complete the first unit line by 2011, which will then assume operations in 2012.

At the outset, LG Chem allocated 864.2 billion won for capital expenditures in 2009. However, this amount increased with the full-scale investment in next-generation growth engines, and in the end a total of 927.9 billion won was invested. By business division, the petrochemicals division claimed 232.4 billion won, while the information & electronic materials division received 479.7 billion won, with 215.8 billion won spent for common purposes. In 2010, the company plans a 40% increase in capital expenditures to support capacity expansion for the competitive enhancement of existing businesses and investment in new businesses which represent future growth engines.

In terms of shareholder value, LG Chem successfully spun off its industrial materials business on April 1, 2009. Through this strategic move, the company aims to grow into one of the top global companies which specializes in petrochemicals, small & advanced automotive batteries and the information & electronic materials businesses. Based on a production infrastructure with the highest operational excellence, LG Chem will continue with its product innovation in all of its major businesses.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL INFORMATION

FINANCIAL STRUCTURE

As a result of the increased capital inflow which resulted from the significant improvement in business results, LG Chem's total liability to equity ratio fell over 12.0%p, to 52.4%, and its debt to equity ratio dropped 11.9%p, to 15.7% at the end of fiscal 2009. On a consolidated basis, the figures improve to 76.4% and 35.0%, respectively.

In 2010, the company plans to increase investment by 40% over the previous year, to 1,400 billion won, in an effort to secure sustainable growth engines, with the majority of this money allotted to performance-oriented information & electronic materials division that contribute a good deal to the company's profits. This includes LCD glass substrates, HEV/EV batteries, small batteries, and polarizers. LG Chem always ensures its investments do not exceed its internal cash flow, and in the future it will continue improving its financial structure through reasonable investment planning and performances, as well as through restructuring businesses that have not proven very profitable and the efficient management of working capital.

TOTAL LIABILITY TO EQUITY RATIO (in %)

NON-CONSOLIDATED

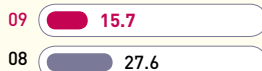


CONSOLIDATED

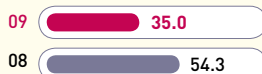


DEBT TO EQUITY RATIO (in %)

NON-CONSOLIDATED



CONSOLIDATED



MAJOR FINANCIAL INDICATORS

	Non-Consolidated		Consolidated	
	2008	2009	2008	2009
Total liability to equity ratio (%)	64.4	52.4	92.7	76.4
Debt-to-equity ratio (%)	27.6	15.7	54.3	35.0
Interest coverage multiple (X)	34.3	59.5	13.5	33.4
Return on assets (%)	13.9	19.0	10.8	16.2
Return on equity (%)	24.5	30.7	21.7	30.3

EQUITY

As of December 31, 2009, the LG Group held 33.53% of LG Chem's outstanding shares, with foreign investors holding 26.78% and domestic institutional and individual investors holding 39.69%.

STOCK INFORMATION (as of Dec. 31, 2009)

	Total Issued Common Shares	Paid-in Capital (in KRW billions)	Foreign Investor Holdings (in %)
Common stock	66,271,100	331.4	26.78
Preferred stock	7,628,921	38.1	24.58
Total	73,900,021	369.5	26.55

RETURN ON ASSETS (in %)

NON-CONSOLIDATED

09 19.0

08 13.9

CONSOLIDATED

09 16.2

08 10.8

RETURN ON EQUITY (in %)

NON-CONSOLIDATED

09 30.7

08 24.5

CONSOLIDATED

09 30.3

08 21.7

FUNDING STRATEGY**Liquidity Risk Management**

In principle, LG Chem raises funds for capital expenditure from long-term loans and for working capital from short-term loans. As of the end of 2009, management had no outstanding short-term loans to deal with (excluding export receivables financing).

Interest Rate Risk Management

An appropriate mix of fixed and variable rate loans is used to flexibly respond to fluctuating interest rates. For LG Chem, approximately 40% of the company's loans are variable rate loans.

Foreign Exchange Risk Management

LG Chem maintains an optimal level of foreign currency loans, which serves as a natural hedge against foreign exchange exposure. In 2010, it had a net exposure surplus estimated at U.S. \$3.8 billion, while maintaining its foreign currency loans at U.S. \$300 million as a hedge.

INTEREST EXPENSE (in KRW billions)

	2008	2009	Change
Interest expense	63.4	47.9	15.5
Interest rate	4.75%	4.20%	0.55%p

BORROWING BY CURRENCY (in KRW billions)

	Dec. 2008	Dec. 2009	Change
Korean Won	928.5	516.9	411.6
Foreign currency	421.3	350.2	71.1
Total	1,349.8	867.1	482.7

* Bond issue discount excluded. Foreign capital influx via currency swap agreement is listed in KRW.

DEVIDENDS & DIVIDEND POLICY

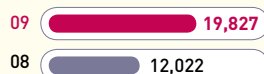
LG Chem considers dividends to be the foremost means of returning profits to its shareholders, and so takes various factors into account when determining its dividends policy, including profit returns, sufficiency of capital resources for securing future growth, and financial soundness.

In fiscal 2009, the company paid an annual cash dividend on its common stock of 3,500 won (70% of face value) per share, up 1,000 won, or 40% year on year, as well as 3,550 won (71% of face value) per share on its preferred stock, a 1,000 won (40%) increase year on year. Based on its earnings, the determinants of dividend payouts included investments in fostering its business competitiveness and future growth.

LG Chem is committed to leveraging shareholder value by enhancing the competitiveness of its core businesses and generating solid profits at a steady pace as it maintains dividends at a substantial level that can ensure both the financial soundness of the company and satisfy shareholder expectations.

MANAGEMENT'S DISCUSSION & ANALYSIS

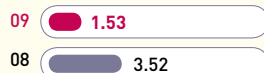
EPS (in KRW)



DIVIDEND PAYOUT RATIO (in %)



DIVIDEND YIELD RATIO, COMMON (in %)



DIVIDEND YIELD RATIO, PREFERRED (in %)



DIVIDEND SUMMARY

	2008	2009
Net income (in KRW million)	1,002,585	1,507,131
EPS (in KRW)	12,022	19,827
Total dividends (in KRW million)	209,202	257,752
Dividend payout ratio (in %)	20.87	17.10
Dividend payout at face value, common (in %)	50	70
Dividend payout at face value, preferred (in %)	51	71
Dividend yield ratio, common (in %)	3.52	1.53
Dividend yield ratio, preferred (in %)	8.85	4.30

CAPITAL EXPENDITURES

In 2009, LG Chem's total investments amounted to 927.9 billion won. In anticipation of the slowdown in its chemicals business, the company readjusted its business portfolio to focus on specialty products. Major investments included small investments and debottlenecking investments in acrylate and NBR latex in the petrochemicals business. Including its investment in advanced automotive batteries of the information & electronic materials business, LG Chem invested a total of 300 billion won into battery production.

In 2010, LG Chem will channel all its available resources into expanding its existing businesses and securing future growth engines in an effort to follow through on its goal of becoming a leading global company. Investments in the petrochemicals business will focus on moderate expansion of facilities, such as the 10-ton expansion of its Yeosu NCC, as well as its BR and PP facilities. With respect to the information & electronic materials business, the company invested 1,400 billion won, up 40% from the previous year, into expanding polarizer production, LCD glass and HEV/EV batteries. While increasing total investment, the company always makes sure that the amount does not exceed the cash flow generated from business results going back two to three years ago.

2010 OUTLOOK

In 2010, the global economy remains highly volatile, with the Middle East and Europe still mired in the wake of the global financial crisis. On the other hand, China and the U.S. are showing signs of recovery and suggesting implementation of an exit strategy. As the Korean won rises rapidly against the U.S. dollar, the price competitiveness that benefited LG Chem's exports in 2009 is forecast to quickly dwindle. Amid the uncertainties forecast to abound in the business environment, LG Chem will continue to hone its competitiveness in its traditional businesses in an effort to expand overall profit, while securing growth potential through new businesses. All in all, the company aims at 16,300 billion won in sales, a 5% growth from the year prior.

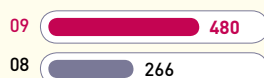
In the petrochemicals division, large-scale infrastructure projects in China and the Middle East have raised concerns over the supply of products that can be universally applied. However, the company has already heightened its competitive edge. In effect, LG Chem's PO business, a field where fierce competition is expected with the advance of Chinese and

DIVISIONAL CAPITAL INVESTMENT

PETROCHEMICALS (in KRW billions)



INFORMATION & ELECTRONIC MATERIALS (in KRW billions)



Middle Eastern businesses, accounts for only 20% of the company's overall sales in petrochemicals. In addition, the focus of its product line-up has shifted to specialty products, which account for more than 60% of the products it sells.

With respect to its PVC, ABS/EP, acrylate/plasticizers, and synthetic rubber & specialty polymers businesses, supply and demand remains steady. Furthermore, the company is improving its cost leadership by carrying on with its cost competitiveness enhancement initiatives so as to maximize its profit structure.

With the information & electronics division, it is concentrating on enhancing its market dominance in existing businesses and normalizing its future growth engine businesses early on.

With respect to the polarizer business, the company is currently considering an expansion of its extra-wide polarizer production line. In addition to the enlarged polarizer production line that went into operation in 2009, the company will draw on its leadership in the global market and redouble its efforts to maintain its outstanding profitability over its competitors by realizing the self-supply of raw materials, enhancing production speed, and improving the efficiency of the cutting process.

LG Chem's rechargeable batteries enjoyed significant growth in its global market share with a doubling of output thanks to the expansion of some of its facilities and a stable customer base in 2009. In 2010, the division aims at 30% growth in sales volume based on increased capacity.

The automotive battery business has secured market dominance internationally as proven by the diversification of its customer base through supply contracts with Hyundai Motors and Kia Motors, GM, CT&T and Eaton Corporation, as well as the MOU it signed with Chang'an Motors. In 2010, the division plans to mobilize all its available resources to attract major new clients to its supply list. To this end, LG Chem has decided to build a factory in the U.S., which is currently under construction. Additionally, the company will further strengthen its R&D activities by hiring more researchers and increasing investment in R&D so as to maintain its market leadership in step with the growth of the market size.

As for its investment in the LCD glass business, which is currently in progress, the first unit line is scheduled for completion in 2011 and to begin commercial production in 2012. In the long run, a total of 3 trillion won will be spent on seven production lines by 2018. LG Chem is determined to bring about tangible results as fast as possible by normalizing its new businesses quickly.

In its commitment to operational excellence in its core businesses, LG Chem will continue to adhere to Speed Management in 2010, centralizing its resources and reinforcing the necessary momentum for future growth in order to grow as a leading global company. Based on its accumulated experience over the years, LG Chem will spare no effort in realizing the very best performance results through its three-pronged mission of Speed Management: the pursuit of excellence in core businesses; innovation of customer value; and reinforcement of the organization's global competencies.