

MESSAGE FROM THE CFO

“ Our successful merger and integration with LG Daesan Petrochemicals in 2006 brought improved cash flow that enabled us to significantly reduce outstanding borrowings, reducing our debt-to-equity ratio by roughly seven percentage points to 122%. ”



- LG Chem faced considerably tougher market conditions at home and abroad in 2006. Most notable among these were the continued delay of significant economic recovery in Korea, increased raw material costs due to sustained high oil prices in the USD 60-per-barrel range, and greater exchange rate volatility. Our primary emphasis was on ensuring the soundness of our financial structure to ensure our ability to secure the financial resources essential for investment in our strategic mid- and long-term businesses.

- The successful completion of our merger with LG Daesan Petrochemicals was a restructuring from a financial point of view. Our debt-to-equity ratio improved by roughly seven percentage points, falling from 129% at the end of 2005 to 122%. We also expanded the capabilities of our current enterprise-wide risk management system by setting up a global executive information system covering our 15 overseas subsidiaries and an investment tracking system.

- In 2007, our first and foremost priority will be on further reducing our debt-to-equity ratio to strengthen our financial base. Our ratio is slightly above the average for our industry, so we feel that reducing it further is a prudent choice in our ongoing efforts to improve financial soundness. Toward this end, it is our policy to limit

investment to levels our internal cash flow can support. We also plan to improve management of our operating capital and further reduce our overhead costs.

- Our second priority in 2007 will be to reduce risk by effectively managing key business threats such as volatile exchange rates and oil prices as we seek to maximize corporate value. Toward this end, we will continue to pursue cost savings by minimizing our currency risk and optimizing our long- and short-term debt structure.

- Last, but certainly not least, we will continue to generate value for our shareholders. We will continue to vigorously upgrade and expand our investor relations activities to reach potential investors at home and abroad. This will include attending conferences around the globe as well as holding non-deal roadshows and one-on-one meetings to share the LG Chem value proposition.

Suk-Jeh Cho | Executive Vice President and CFO