



In 2007, oil prices that soared beyond the record-high \$100 price per barrel have had a tremendous impact on the petrochemical industry. This upward trend is likely to continue pushing up the prices of primary feedstocks as well as our products. At the same time, Korea's economic slowdown, which has shown no signs of rebounding, now appears to be headed for a long-term recession due to the adverse economic impacts, which include the US sub-prime mortgage crisis.

Amidst unfavorable business conditions in 2007, we at LG Chem have enhanced the competitiveness of our mainstream businesses, laying the groundwork in boosting profit potentials with aggressive result-driven research and development activities spurred by 'Speed Management' initiatives. For the relatively less profitable businesses, including the battery business, turnaround efforts have been directed toward cost reduction and customer value innovation that have improved matrix organizational structures. In order to stabilize a supply of feedstocks and synergize corporate resources through economies of scale, we completed the merger with LG Petrochemical in November of last year. It is with this rebirth

that we have become more vertically integrated to broadly cover production and supply of feedstocks and downstream derivatives. The merger has also improved our financial status, with a total liability to equity ratio lowered to 82% in 2007 from the previous year's 122%. With this improved financial status, we are better poised to secure capital resources required for our mid- and long-term investments.

To keep our momentum going in 2008, we have set our priorities on three fronts:

First, every effort will be made to secure capital resources for facilitating profitable growth despite adversities. Although we will cover most of the necessary capital expenditures for profitable growth, preparations for inducing low-cost capital investments should be made in the case of commencing new projects that require large-scale investments. To that extent, an acquisition of credit ratings will be promoted from international corporate credit rating agencies as it is helpful to induce international investments. At the same time, working capital and overhead costs will be rigid-

ly controlled for a sustainable cash flow improvement across operations.

Second, financial risk management will be enhanced through efficient management of the variability of foreign exchange and interest rates in today's fluctuating capital markets, particularly with the weakening US dollar. Accordingly, foreign asset management will be enhanced against volatile currency fluctuations, thus minimizing financial risks and optimizing capital resources.

Finally, we will do our best to maximize profits and our shareholder value. For 2008, we plan to expand in-depth investor relations conferences, non-deal road shows, and one-on-one meetings at home and abroad to welcome and facilitate helpful input. Feedback collected from IR activities will be strategically reflected in our management.

A handwritten signature in black ink, appearing to read 'Suk-Jeh Cho'. The signature is fluid and cursive, written in a professional style.

Suk-Jeh Cho | Executive Vice President and CFO