

MESSAGE FROM THE CEO

Distinguished guests, shareholders, and customers:

We are pleased to report that 2008 was a year of solid financial results for LG Chem.

Last year, LG Chem witnessed remarkable growth: sales increased by 42 percent, to 12,645 billion won, and operating profit by 103 percent, to 1,344 billion won. Thus, LG Chem was able to join the "1 Trillion Club" for net profit, the first time the company had ever accomplished this.

I believe this was made possible as a result of the tremendous support shown to us by our customers, as well as the relentless effort of LG Chem employees to achieve the company's goal of Speed Management.

Let me give you all a brief overview of our performance by business divisions. First, LG Chem's petrochemicals division has produced outstanding results by strengthening its cost competitiveness in core products and increasing its portion of premium products and sales of strategically important products. At the same time, our industrial materials division has focused on improving its profit structure by actively restructuring and innovating itself.

Our information and electronic materials division has enhanced its performance by improving productivity and reducing costs centered around core businesses such as polarizers and color filter photoresist, while our battery business strengthened its production capabilities and attracted such prominent clients as Nokia and Motorola not only to enhance its presence in the global marketplace, but also to greatly improve its overall performance.

In addition, we have focused much of our energy on nurturing new businesses to create future growth engines. This led to a successful partnership with American automobile giant GM to

supply automotive batteries for their electric vehicles. LG Chem also signed a contract to adopt advanced technology from the German company Schott in an effort to lay the groundwork for our new business sector.

Distinguished guests:

We expect 2009 to be an extremely challenging year for businesses, as economic uncertainties continue. Also, the downturn in the world economy has not abated and the petrochemical industry faces a dramatic decrease in demand and oversupply because of added competition from the Middle East.

Given these circumstances, LG Chem decided to demerge the industrial materials division and launch a new company called LG Hausys on April 1, 2009 so that both business divisions could gain a competitive edge and focus on their respective specialized businesses.

I assure you that we will do our utmost to ensure that LG Hausys is a customer-oriented company that specializes in industrial materials and is equipped with the industry's top technology and sound management. Along with existing LG Chem divisions like its petrochemicals and information and electronic materials, LG Chem will become a globally competitive company that grows alongside its customers with unique materials and solutions.

To this end, we are committing ourselves to three important core initiatives for Speed Management: core businesses reinforcement, customer value innovation, and organizational capabilities enhancement.

For core business reinforcement, we need to achieve cost leadership, product leadership, and market leadership. In

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times as difficult as they are right now, and with depressed demand and a global glut, our first and foremost challenge is to ensure cost leadership by reducing costs so that we can provide better products at cheaper prices than our competitors.

Second of all, if there is one thing you can never sacrifice, no matter what, it is customer value innovation. We here at LG Chem create new values for our customers by consistently pursuing solution partnerships, allowing customers to perform better and succeed by solving their problems together, and by adopting new technologies in the clean energy business, including automotive batteries and the next-generation IT business.

We will also continue to promote globally competitive human resources as part of our efforts to enhance our capabilities, while ensuring our company is a workplace where everyone can work with trust, pride and fun.

Distinguished guests:

This year we are facing an unprecedented crisis, a challenge greater than we have ever seen before.

Nonetheless, we will build on last year's excellent performance and continue to establish ourselves as a leading chemical company in Korea as we maintain our status as a world-class company that all of our customers can truly depend on.

I would like to ask for your continued support and encouragement in the coming year.

Thank you very much.



Bahn Suk Kim

Bahn-Suk Kim | Vice Chairman & CEO