

MESSAGE FROM THE CFO

Respected shareholders and customers:

In 2010, there was a great deal of uncertainty in the business landscape due to slow economic recovery internationally and the financial crisis in Europe. Despite these challenges, LG Chem was able to continue laying the groundwork on its way to becoming a leading global company based on demand steadily increasing in emerging markets, a diversified business portfolio, and an excellent ability to generate profits.

LG Chem is doing its utmost to establish itself as a globally competitive company by strengthening traditional core business such as its Petrochemicals Division, which maintains high profitability by taking full advantage of its operating excellence, as well as its diverse portfolio, and the IT & Electronic Materials Division, which enjoys the greatest market share in the global market. In addition, LG Chem is enhancing its market leadership in the electric car battery business, an exciting future growth engine for the company.

As a result of these efforts, LG Chem realized its best performance in sales, 25.5 percent, or KRW 19,471.4 billion, and operating profit, 34.5 percent, or KRW 2,821.3 billion, on an International Financial Reporting Standards (IFRS) basis.

In addition to the growth that the Petrochemicals and the IT & Electronic Materials Divisions witnessed in 2010, a significant amount of money was invested in LG Chem's automotive battery business and its LCD glass business. Thus, the responsibility of the CFO was more important than ever in making timely, accurate decisions about investments, and also minimizing market vulnerability risks in an uncertain financial market environment.

In terms of its international credit rating, Moody's increased LG Chem's rating from Baa1 to A3, while S&P increased it

from BBB+ to A-, citing its high profitability and consistent cash generation capacity.

As part of an initiative to improve its competitive edge through the creation of synergy with the ABS/EP business and vertical integration, LG Chem took over the remaining residual equity from LG DOW Polycarbonate Ltd., which, up until then, had been co-managed along with DOW. Furthermore, LG Chem signed additional contracts with major automakers that included Renault, Volvo, Ford, GM, Hyundai, and Kia, bringing LG Chem one step closer to fully realizing future growth engines. With its stock price up 71 percent since the end of 2009, LG Chem has positioned itself as Korea's top chemical company and one of the country's top five companies in terms of market capitalization.

In 2011, the business environment is expected to be challenging, as interest rate hikes are expected, the Korean won is forecast to appreciate, and oil prices are set to go up amid uncertainties in the Middle East.

As LG Chem's CFO, I am committed to ensuring that the company continues on its current trajectory and with just as many formidable achievements in 2011 as in the year prior. While aiming to create a synergy effect between business operations and management, we also hope to maintain the financial stability and efficient risk management worthy of a leading global company. Consequently, we are maximizing our support for new business sectors, such as our automotive battery and LCD glass businesses, helping to accelerate their growth in line with the company's traditional core divisions. To accomplish this, we have come up with the following initiatives to focus on in 2011.

“ LG Chem was able to continue laying the groundwork on its way to becoming a leading global company based on demand steadily increasing in emerging markets. ”

First, LG Chem’s quick growth has given rise to the importance of stably managing its working capital to ensure a sound financial structure. By sustaining constant cash flow through systematic working capital management, we will further improve our financial structure while matching global standards in accounting and financial statements by adhering to the IFRS standards which LG Chem adopted in 2010 to realize our vision of becoming a leading global company.

In fact, even with our increased investment in new growth engine businesses, LG Chem’s total liability-to-equity ratio stood at 61.6 percent and its debt-to-equity ratio stood at 20.7 percent as of the end of 2010, an improvement of 16.1 percentage points and 10.2 percentage points, respectively, compared to 2009. In 2011 we are committed to continuing our efforts to establish a healthy financial structure.

Second, LG Chem will concentrate on striking the right balance between our investments in future growth engines and current financial stability, as we continue investing in the securement of future growth engines. Additionally, we expect to see substantial achievements in our automotive business in 2011.

As a result, additional investment plans are already in place for the IT & Electronic Materials Division, including the automotive battery business, the LCD glass business, and the consumer battery business. Moreover, LG Chem will expand its highly profitable synthetic rubber and SAP capacity in the Petrochemicals Division in an effort to differentiate LG Chem’s strengths from its competitors.

LG Chem plans to increase overall investment by approximately 40 percent compared with the previous year, to KRW 2.4 trillion, a large portion of which has been assigned to



strategic businesses for future growth. I believe such investments will greatly contribute to an increase in profits and the sustainable growth of LG Chem in the long run.

In addition, I will make investment decisions that will be carried out within the cash flow created from operating activities after thoroughly scrutinizing investment priorities and conducting feasibility studies. I will also further intensify the monitoring of investments that have already been made.

“

We will continue to engage in more active communication with investors and IR activities, securing the trust of investors as a company they want to invest in.

”

Third, LG Chem will improve its global internal control process by running overseas subsidiaries in a more systematic manner. Today, both our overseas production base and customer base are expanding at a brisk pace and in proportion to our growth as a leading global company.

By diversifying our business portfolio, from petrochemicals based around China and other Asian countries to the IT & Electronic Materials Division, LG Chem's overseas business grew in scope and became more varied this past year. One example of this has been our investment in a factory for automotive batteries in the U.S.

We are also planning to enhance the systematic monitoring of our overseas business, while doing everything we can to minimize risks in capital management, bond management, and insurance.

Finally, we will maximize shareholder value. In spite of the delayed global economic recovery in 2010, LG Chem's stock price still rose significantly due to our future growth engine plans, which include automotive batteries and LCD glass, and LG Chem's traditional core businesses, which saw revived demand in newly emerging markets. As a reflection of such solid growth, dividends for 2010 increased by KRW 500 per share, to KRW 4,000 for common shares and KRW 4,050 for preferred shares.

Nevertheless, we are expecting stock markets to be highly volatile in 2011 because of persistent instability in the Middle East, projected austerity measures from the Chinese government, and a global recession in the aftermath of the devastating earthquake and tsunami in Japan. However, we do believe that LG Chem will gain significant market valuation

to match its status as leading technology company that realizes customer value if we can maintain our excellent business results in competitive core businesses and normalize new businesses early on.

Every employee at LG Chem, including senior management, will do their utmost to further enhance shareholder value, while proactively reflecting investors' opinions in our business operations.

As a result of all our efforts, LG Chem won a top prize at the 10th Korean IR Awards last year. In 2011, we will continue to engage in more active communication with investors and IR activities, securing the trust of investors as a company they want to invest in.



Suk-Jeh Cho | President & CFO