



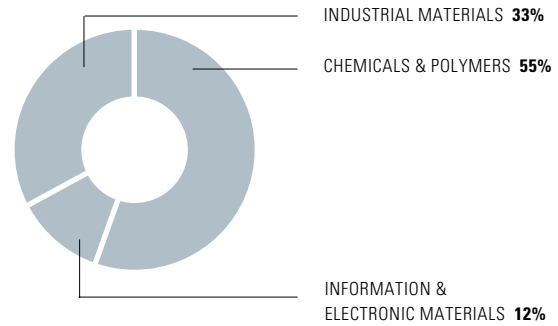
To Our Shareholders Clients and Friends

The war in Iraq, SARS outbreak in Asia and contracted consumption in Korea from soaring household debt were all unforeseen factors adversely affecting business in 2003. As a result, the long-awaited Korean economic recovery did not materialize.

In response, everyone at LG Chem focused on crisis management, implementing various emergency measures from early in the year. Our collective efforts paid off as sales revenue grew 10.9% year on year to exceed ₩5.67 trillion.

Ordinary income reached ₩482.8 billion last year, slightly higher than the figure for the year before.

>> 2003 SALES BY BUSINESS UNITS



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PERFORMING WELL ACROSS THE BOARD

By unit, Information & Electronic Materials achieved ₩699.1 billion in sales and ₩77.9 billion in ordinary income. We have been intently growing this strategic business segment for the future, and our performance last year was remarkable considering the operation first went into the black in 2002.

Our monthly battery production capability, meanwhile, was expanded more than fourfold, from 4.3 million cells to 18 million cells. Last May, we became the world's first to begin mass-producing cylindrical batteries with a 2,400mAh capacity, greatly expanding our customer base. We have improved our competitiveness in polarizers by introducing unique innovations that minimize light leakage and improve brightness.

Construction of Ochang Techno Park (North Chungcheong Province) is right on schedule, and the dedication is set for the end of March 2004. By the end of 2004, the plant will be capable of producing 12 million rechargeable battery cells a month and 40 million polarizer sets for TFT-LCDs a year.

The Ochang Techno Park will ultimately be developed into a world-class facility that also produces materials for

next-generation displays and fuel cells.

Chemicals & Polymers managed to secure the top share of the Chinese PVC and ABS markets in 2003. Annual output at LG Chem's PVC production subsidiary in Tianjin was expanded from 240,000 tons to 340,000 tons last year. Sales of specialty products in the company's ABS portfolio also increased in China, and a local Technical Service Center was established to improve responsiveness to customers' needs.

In Korea, meanwhile, LG Chem and Honam Petrochemical Corp. formed a consortium to take over Hyundai Petrochemical, bolstering competitiveness.

The Industrial Materials Business Unit maintained its domestic market dominance by introducing distinctive new products such as specialty window frames for high-rise buildings, curtain walls, and environment-friendly floor coverings. Overseas, efforts were directed at expanding into high-growth markets such as the US and China, focusing mainly on artificial marble, window frames & doors, and surface materials.

A new plant for doors and window frames started up operation in Tianjin, China in March 2003. We are also building an artificial marble plant in the US state of





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Georgia to increase our presence in that strategic market.

LOOKING OVERSEAS FOR THE FUTURE

The global economy is steadily improving, but the Korean economy has not shown signs of a turnaround. Therefore, we do not consider overall prospects are very bright in the coming year.

The domestic construction market will continue to be sluggish. Moreover, Korean consumer electronics and automobile makers are accelerating their offshore exodus, and prospects for the Korean market are murkier than ever.

Faced with the challenges at home and abroad, we at LG Chem are determined to secure the fundamental competitiveness for profitability under any economic circumstance. To this end, we aim to achieve the following three objectives in 2004:

First, we will upgrade our product portfolio. The market today is characterized by diverse tastes and high customer expectations. Given these conditions, corporate survival can only be assured by offering products with unrivaled quality and functions.

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We are also securing new technology ahead of the competition to establish a platform for future growth. At the same time, we are constantly seeking out new business areas with high growth potential.

Our second task in 2004 is to promote a sound globalization program, which today is not a matter of choice but one of necessity. The bulk of our future revenue growth must be secured in strategic overseas markets. In particular, we will focus our resources on developing the China business, with its tremendous growth potential.

Our mid-term annual sales target in China is US\$5 billion by 2008. This will be tantamount to establishing a second "home market."

We will achieve this ambitious goal by strengthening our business structure as well as building new production and sales operations in the most important overseas markets. Early in 2004, our new China Regional Headquarters opens in Beijing to play a pivotal role in our complete localization of China operations.

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The Chemicals & Polymers Business Unit is entering vinyl chloride monomer/ethylene dichloride (VCM/EDC) and styrene butadiene latex (SBL) production, expanding a vertically integrated system to ensure stable supplies of base materials. At the same time, we will have a sounder foundation for overall operations.

We will also accelerating our globalization effort. Selected Korean employees are being cultivated into regional market specialists, while our overseas operations are hiring more people locally.

Finally, we are promoting innovation company-wide. The company has been greatly transformed in recent years, but our global rivals are also changing fast. LG Chem will not be able to stay in front of them without speeding up the transformation process even more.

Therefore, all LG Chem employees will set their sights even higher for the coming year as we promote a more competitive organizational culture. Constant innovation and improvement will be integral parts of every operation,

as we expand the Six Sigma program at all organizational levels and in all organizational units, including sales, R&D and administrative support.

Besides our three core tasks, we are also building a newly integrated risk management system to better cope with today's uncertain business environment.

Our performance goals for the coming year have been set at a record ₩6.27 trillion in sales and ₩690 billion in ordinary income. Our employees are taking on the challenges with renewed determination and enthusiasm, as we remain committed to meeting or exceeding the expectations of you, the shareholders.

I thank you all for your support in 2003 and pledge we will do our best for you in the year ahead. May you and your families enjoy a healthy and happy 2004.

Ki-Ho No
President & CEO

