

Message from the CEO



In 2004, despite some distractions in the global and domestic business environment, we believe 2004 was a remarkable year for us by every performance standard. With a shared vision, our employees did their utmost in practicing the "No. 1 LG" guidelines and were successful in contributing to business results. However, the dull business outlook predicted for 2005 will probably exacerbate the already dismal business situations. To overcome these difficulties, we have combined our efforts to realize the 2005 goals, following managerial policies focused on three fronts: transformation of business portfolio, sales and marketing innovations, capability reinforcement toward performance. Furthermore, unsparing investment will go into incubating new businesses with high growth possibilities. Ultimately, we will work hard to maximize corporate value for our shareholders, investors, and all associated within our Company.

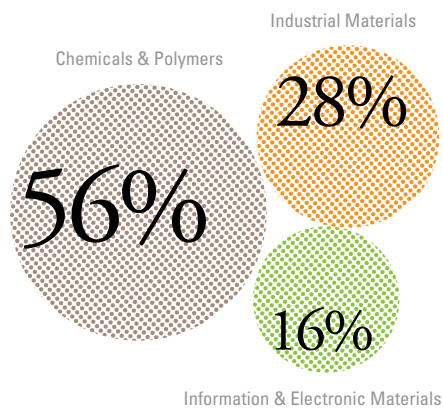
To Our Shareholders, Clients, and Friends

A long period of general recession in Korea, soaring oil prices, uncertainties brewing from the war in Iraq, and continued unrest over the nuclear weapons issue in North Korea were adverse factors affecting businesses in 2004. In response, all of us at LG Chem combined efforts to turn out the best products and technologies possible by adhering to the "No. 1 LG" objectives.

2004 Review

Our combined efforts have paid off as total sales grew 26% in 2004 to ₩7,127 billion. In the consolidated basis, sales accounted for ₩8,817 billion and net income ₩537 billion, a 28% and a 48% increase, respectively.

2004 sales by business units



Looking into the business results of each company, the Chemicals and Polymers posted a double-digit sales increase of 27% through profit-focused marketing, stabilized procurement of raw materials, enhanced competitiveness in China, and increased sales of value-added products.

The Industrial Materials Company showed slight growth in sales due to domestic recession and the stagnant construction market. To offset the sluggish domestic demand, it is accelerating the development of new-concept and value-added products. In the Information and Electronic Materials, sales jumped to ₩1.2 trillion, representing a 73% increase over the figure in the previous year. Increases in sales of strategic business items, including rechargeable batteries and polarizers, all contributed to attaining remarkable growth.

To seize a strong market position in the emerging business areas, multifaceted efforts were poured into fostering growth-promising businesses involved with PVC, ABS, battery, and polarizer. We solidified the platform for global operation with the establishment of LG Chem China Investment Co., Ltd. as a holding company of Chinese subsidiaries, Nanjing Techno Park, and the LG Chem Industrial Materials Inc. in the United States.

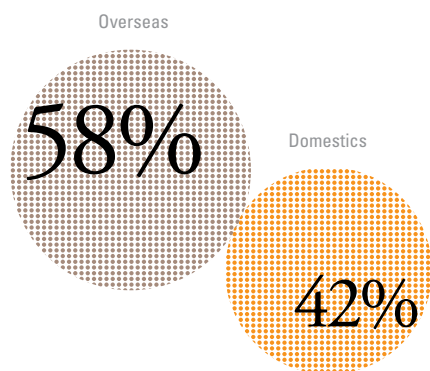
As part of overall reform, the Six Sigma initiatives were expanded not only in production activities but also in non-production activities such as management and marketing. Various innovation activities further improved productivity and cost-cut and energy-saving.

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At LG Chem, we have invited professionals from around the world in order to enrich human resources, while infusing freshness in our corporate culture. We are continuing to carry out long term social outreach programs, including 'Traveling Chemical Laboratory,' 'Chemical Camp,' and 'Frontier Festival in Search of Chemical Knowledge.' These programs have helped to offset the generally unfavorable impression the public has of chemical companies, and have boosted public interest in science and engineering.

We extend our thanks for the support of our shareholders, customers, and employees who make our continued success possible. Certainly, we honor their unwavering trust, which is the prime motive for our growth. In response, we work hard to offer the safest and environmentally-friendly products possible, in step with achieving our vision in becoming one of the globally respected chemical companies.

2004 sales by business area



We work hard to offer the most safe and environment-friendly products possible keeping in step in achieving our vision, one of globally reputed chemical companies.

2005 Outlook and Strategies

Industry watchers anticipate a gloomy global business environment in 2005. Over time, the world economy showed signs of recovery, but was held back by the rising prices of raw materials, and increasing interest rates. The Korean economy is viewed as unlikely to escape from a long general recession. Steadily lowering exchange rates of Won currency will undermine competitiveness in the global market.

In an effort to cope with unfavorable business conditions, in 2005 LG Chem will set its sales goal at ₩7,485 billion, with the figure accounting for ₩10,415 billion in the consolidated basis. Investment to boost high value-added and high-performance materials and information and electronic materials is budgeted over ₩710 billion.

The Chemicals and Polymers will maintain top position in the Chinese market with PVC and ABS, while tapping into India, Russia, and other emerging markets with high-performance product lines. It is concentrating on developing value-added specialties, including heat-resistant and impact modified PVC.

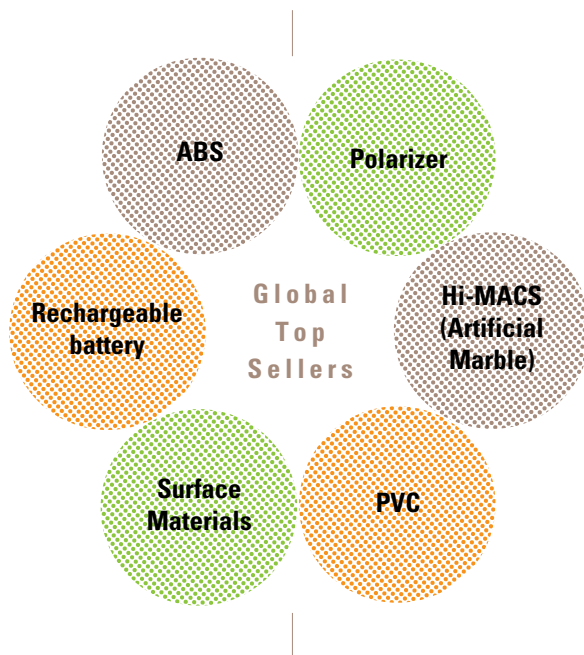
The Industrial Materials is breaking new ground in the United States, European countries, and China, with the export of an increased volume of artificial marbles, advertisement materials, safety materials, and surface materials. Its R&D energy is concentrated on developing high-performance films and environmentally-friendly construction materials.

The Information and Electronic Materials improves marginal profitability with the development of value-added products. These include the high-capacity battery and high-performance polarizer films. At the same time, it focuses resources on developing new materials for next-generation vehicles and IT-related products. These include mid-to-large-sized batteries for hybrid vehicles, fuel cells, and PDP filters.

In today's competitive environment, competitiveness is all about how a company can secure sustainable competitiveness. At LG Chem, we mark 2005 as a year of building competitiveness with the following three points: acceleration of business restructuring, innovation of performance and marketing standards, and creativity to generate profit resources.

At LG Chem, we constantly examine our practices to ensure transparent management on top of the advanced corporate governance system. Our corporate governance system and decision making address the conditions in which a forward-looking corporate culture can thrive under transparent and ethical management. This also applies to our business partners.

Ultimately, we strive for enriching our corporate value for shareholders and customers with wholehearted commitment.



Ki-Ho No
President and CEO

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