

Our future is global. In 2005, nearly half of sales came from outside our home market.

The year 2005 will be remembered as a turning point in our global business strategy as we accelerated our diversification away from China and into strategic international markets. We launched operations at a Hi-Macs acrylic solid surface plant in the United States. We expanded our marketing capabilities by adding subsidiaries in Germany and Brazil as well as an office in Turkey. We also finalized plans to set up an LCD polarizer plant in Poland as we continued to strategically increase local production to meet demand in key regional markets. These combined efforts were instrumental in generating a nearly 37% increase in our consolidated non-China global sales from \$1.12 billion to \$1.53 billion.

While commodity markets will continue to provide a substantial portion of our sales for the foreseeable future, we are making steady progress in our transition from volume-driven to profit-driven growth. We continued to make inroads into value-added specialty markets in 2005 as we



honed our marketing capabilities, increasing the top-tier weighting of our customer portfolio. Our focus on profitability at the local level helped us enhance our cost leadership, strengthen local R&D, and actively identify underperforming operations. We also explored the feasibility of setting up plants to produce PVC and ABS in India and PVC doors and window profile in the CIS as we aggressively pursued opportunities in emerging markets in Latin America, the Middle East, and Africa.

Looking ahead to 2006, we will continue to emphasize our value-added products in the Americas and Europe as we pursue opportunities in emerging growth markets such as India, Russia, South America, and the Middle East. We believe that this dual-track focus on developing and marketing specialty and high-end products while aggressively pursuing business with major manufacturers around the globe will keep us growing as it enhances the quality of our bottom line.

GLOBAL OPERATIONS

NORTH AMERICA

- Sales jumped 30% to \$312 million in 2005, with ABS and PS resins accounting for 86% of the increase and 70% of overall sales. Our strategic product mix in this region includes Hi-Macs acrylic solid surfaces, sign media, surface materials, ABS resin, engineering plastics, and toner, all of which delivered solid gains during the year.

We gained distribution efficiencies and flexibility during the year by expanding our network of regional warehouses to six locations across the United States. Our marketing focus on major manufacturers continued to pay off as sales to General Electric soared from \$400,000 to \$4.8 million. We also acquired supplier certification with General Motors in several categories.

We project regional sales will reach \$391 million in 2006.

EUROPE

- Sales climbed over 10% to \$212 million in 2005 as we focused on selling ABS resin and rechargeable batteries to global manufacturers across the region. During the year, we established an office in Istanbul to handle planning and sales in Turkey and throughout the Middle East. We also upgraded our Frankfurt office to a sales subsidiary—LG Chem Europe GmbH—and broke ground for a polarizer plant in Poland that is slated to begin production in early 2007.

We expect sales to rise to \$265 million in 2006.

INDIA

- Sales rose over 21% to \$201 million in 2005. PS and EPS resin sales accounted for \$99 million of the total as we increased our local market share to 32% and 39%, respectively. PVC resin sales more than tripled from \$15 million to \$48 million, while ABS resin sales rose from \$3 million to \$4 million. We continue to explore market opportunities for PVC resin, acrylic solid surfaces, window profile, and rechargeable batteries in the local market.

Our sales target for 2006 is \$192 million.

RUSSIA

- Sales jumped 50% to nearly \$53 million in 2005. This strong growth was driven by dramatic market share gains for our ABS, EPS, and MBS resin products, aided by substantial improvements in our regional distribution channel. PVC resin sales alone were up almost 2,000%. We also secured a distribution network for our PVC window and door product lines during the year.

We believe that regional sales will surpass \$97 million in 2006.

LATIN AMERICA

- Sales soared 78% to \$130 million in 2005 on the strength of an aggressive regional marketing push for our rechargeable batteries and PE, PVC, and ABS resin products following the June opening of our first regional marketing subsidiary—LG Chem Brasil, Ltd.—in São Paulo. We believe that this region has the potential to join China as one of our key petrochemical markets.

Our 2006 regional sales target is \$190 million.

SOUTHEAST ASIA

- Sales climbed over 9% to more than \$177 million in 2005, driven by strong sales of polyolefins, acrylic acid, and rechargeable batteries across the region. In Vietnam, LG VINA Chemical recorded a 15.4% increase in DOP plasticizer sales to \$30 million. Our new Bangkok office opened in October 2004 also played a key role in formulating and executing our regional marketing strategy during the year, collaborating with our Tokyo office to win business from major Japanese consumer electronics and auto makers.

In 2006, we are targeting regional sales of \$248 million.

MIDDLE EAST & AFRICA

- Sales soared over 106% to \$309 million in 2005. Armed with lessons learned from our successful advance into Nigeria's polyolefins market, we continue to progressively expand our product offerings across these regions.

In 2006, our regional sales target is \$341 million.

