

MESSAGE FROM THE CEO

“ Looking back on my first year with LG Chem, I believe 2006 will be remembered as a turning point in our long-term efforts to create shareholder value as we successfully wrapped up our integration with LG Daesan Petrochemicals and accelerated the pace of change. ”



To our Shareholders, Customers, Partners, and Friends,

- LG Chem is a very different company than it was just a year ago. While 2006 was a challenging year on many levels, I am confident that we made substantial progress toward realizing our potential in the global marketplace.

The Year in Review

- As reflected by our lower-than-projected sales of KRW 9,302.3 billion, operating profit of KRW 333.9 billion, and net income of KRW 318.8 billion, we continued to face significant challenges from a stagnant domestic market, unfavorable exchange rates, and high oil prices in 2006.

- While our performance fell short of targets, we continued to systematically lay the foundation for profitability across our organization. Our Petrochemicals Group consolidated facilities and pursued cost innovation to create a stronger, sounder business structure. Our Industrial Materials Group dramatically improved profitability by simplifying branding and expanding the choice of materials and designs to enhance value. Our Information & Electronic Materials Group expanded its leadership in the LCD polarizer and color filter photoresist fields by upgrading both quality and productivity. We also launched number of initiatives in the second-half of the year as we aimed to cut our strategy execution time in half, accelerate our pace of change, simplify our organization and workflow, and sharpen our competitiveness.

The Year Ahead

- Although the market challenges we face in 2007 are virtually identical to the ones we confronted last year, we believe that opportunities for growth do exist. Aiming for sales of KRW 9,700 billion, we will be focusing on boosting the competitiveness of our major businesses, securing engines for future growth, pursuing results-driven R&D, upgrading customer satisfaction, and transforming the way we do business.

- In closing, I am proud to say that we are celebrating our 60th anniversary this year. Over the past six decades, we have risen above countless crises to become one of Korea's leading chemical companies. Today, our goal is to be a true solution partner, delivering superior customer value through market-driven thinking and action as we aim to be one of the world's most innovative and profitable chemical makers. We look forward to sharing our progress with you again soon.

Bahn Suk Kim

Bahn-Suk Kim | President & CEO