



DEAR CUSTOMERS AND SHAREHOLDERS:

We are pleased to report that 2007 was a year of solid financial results for LG Chem. In fiscal year 2007, we saw sales growth of approximately 16% to KRW10,795 billion and operating profits of a remarkable 127% to KRW764 billion. We believe that the support of our customers and shareholders made these substantial results possible. Our successful merger with LG Petrochemical in the last year has also helped us to maintain the top position in the petrochemical industry of Korea.

Looking at the performance of our business divisions, the Petrochemicals Division has dramatically enhanced the cost competitiveness of major products through collective turnaround efforts despite high oil prices that have squeezed profit margins. The Industrial Materials Division has made every effort to improve profitability by intensifying structural reforms while gearing up for global export of major products. The Information & Electronic Materials Division has expanded its leadership in the global market with upgrades of LCD polarizers and photo sensitive materials. Strict cost control and innovative quality manage-

ment combined with winning new orders from large-volume clients in the battery business especially contributed to turning red ink into black.

The business environment of 2008 looks bleak. Global financial uncertainties triggered by the U.S. sub-prime mortgage crisis will impact prolonged economic stagnation worldwide. Unprecedented levels of high oil prices and continuously rising prices of primary feedstocks will likely add more fiscal challenges.

Deteriorating business conditions will adversely affect market access. However, we at LG Chem have set 2008 sales and consolidated sales targets at KRW12.1 trillion and KRW14.2 trillion, respectively. To achieve the targets, we are accelerating 'Speed Management' which we have carried forward from past years. Furthermore, we are reinforcing our business competitiveness and growth engines with a far-sighted vision.

In ways to boost business competitiveness, the Petrochemicals Division is seeking cost-competitive raw material resources. The Information & Electronic Materials Division is revamping its products by developing breakthrough technologies and

solidifying its business structure through the replacement of outsourced core components with inhouse-developed ones.

To accelerate growth engines, we are venturing into display, energy, environment, and biotech areas in step with vigorous M&A and R&D activities. Furthermore, we are promoting creative, globally competent employees to facilitate a sound, unique corporate culture. Building on the strengths of our previous achievements, we pledge ourselves anew toward becoming one of the world's most admired companies by generating the greatest possible value for our customers and shareholders. In closing, we extend our heartfelt thanks to all of you and look forward to your unwavering support.

March 21, 2008

A handwritten signature in black ink that reads "Bahn Suk Kim". The signature is written in a cursive, flowing style.

Bahn-Suk Kim | Vice Chairman & CEO