2007 OVERVIEW

LG Chem first established its presence in 1947. Over the past six decades, the Company has grown to become a leading chemical company in Korea. Today, it is dedicated to three mainstay businesses led by the Petrochemicals, Information & Electronic Materials, and Industrial Materials Divisions. In laying the groundwork for future growth, it steps up strategic efforts and investments steadily in areas that pose high growth potential, especially in the Information & Electronic Materials Division.

Fiscal 2007 was a year in which LG Chem saw its sales rise by 16% to KRW10,795 billion and operating profits by 127% to KRW764 billion over the previous year's figures. The rise in both sales and operating profits was due mainly to performance improvement in the Petrochemicals Division and strong business growth in the Information & Electronic Materials Division. Net income also jumped nearly 117% to KRW686 billion. On a consolidated basis, sales were up 18% to KRW13,525 billion, operating profits 75% to KRW1,187 billion, and net income 113% to KRW689 billion.

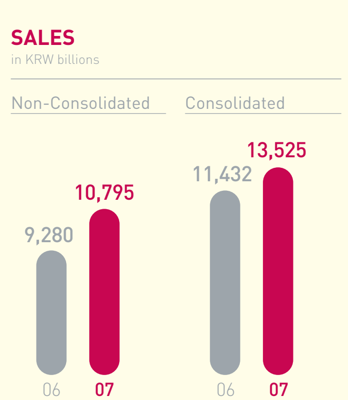
Looking at the performance of business divisions in 2007, the Petrochemicals Division posted strong profitability despite the Daesan Naphtha Cracking Center's maintenance shutdowns and the pressure of increasing feedstock prices coupled with soaring oil prices. Although constraints on business activities were apparent in the last year, growing demand for petrochemical products pushed product prices and resulted in a dramatic swing in profitability. Sales grew 21% to KRW7,100 billion and operating profits more than 201% to KRW511 billion. In particular, the growing oxo-alcohol demand, which continued to exceed supply primarily due to the industry's lack of facility expansion in recent years, has contributed to robust profitability. The merger with LG Petrochemical on November 1, 2007 has allowed a vertical integration that enhanced cost competitiveness, reaffirming its leadership position in the domestic petrochemical industry. On the strength of its integrated business structure, the division will bolster its production competitiveness by developing new technologies and catalyst materials in line with ensuring sustained high levels of profitability through diversified exports with strategic marketing.

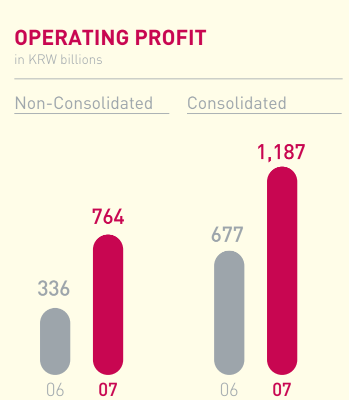
The Information & Electronic Materials Division continued to record impressive returns. In particular, the information and electronic materials business turned red ink into black thanks in a large part to the increased utilization ratios in the battery business and the increased prices of batteries for notebook PC. In the optical materials business, a robust growth of LCD demand especially since the second quarter, cost reduction activities across operations, and productivity ramp up were a major contributor to the improvement in sales and operating profits. As a result, the Divisions' sales grew 33% to KRW2,136 billion and operating profits jumped 218% to KRW153 billion. In the battery business, the growth of notebook PC and mobile phone markets is expected to be solid for years to come. Increasing supply to notebook PC and mobile phone makers as well as productivity ramp up will steadily improve business results. Despite the persistent pressure to drop prices of polarizer, its broad range of marketing activities worldwide and ongoing innovation drives companywide, riding on a LCD market boom, are expected to generate sustained profit growth.

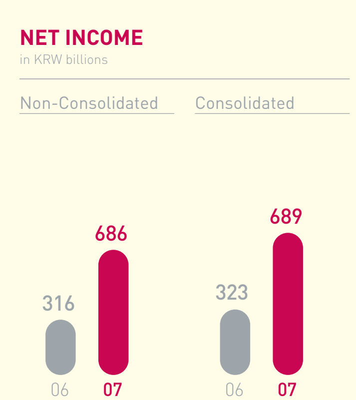
In the Industrial Materials Division, business performance has slackened due mainly to the government's repressive policies against the overheating real-estate market in Korea. Sales growth remained flat at KRW2,140 billion and operating profits dropped by 16% to KRW101 billion. The prolonged weakness in the real-estate market has slowed down the growth of the Housing Solution business. The costly integration and restructuring of low-profit manufacturing plants was another downside factor. It has dampened profit growth that fell below the anticipated level. Addressing the underlying risks with seamless teamwork to offset the downturn in the market, the division invigorates cost reduction and profitability improvement through constant restructuring and diversified global marketing strategies.

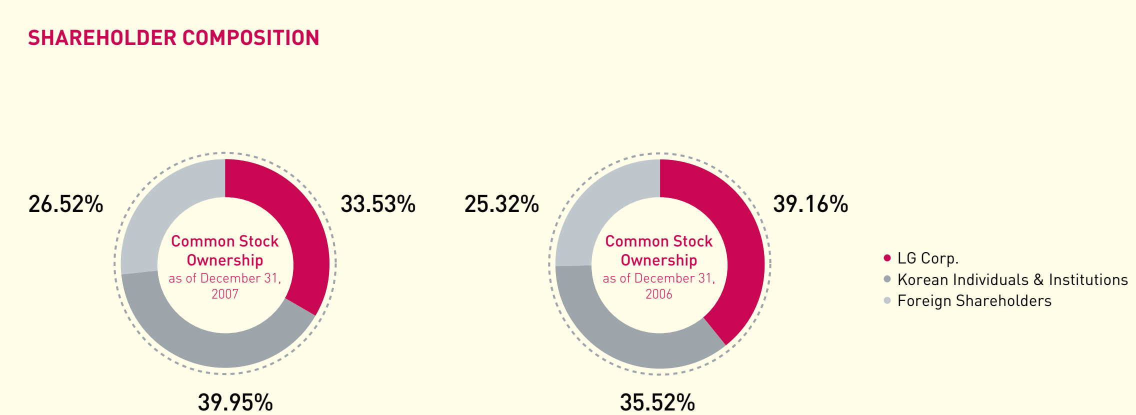
At LG Chem, research and development efforts have been made across organizations to strengthen competitiveness in all lines of businesses and identify growth promising opportunities. The Information & Electronic Materials Division has exploited its expertise in displays, rechargeable batteries, and semiconductor materials. The Industrial Materials Division has identified growth potential of construction and advertising materials, while the Petrochemicals Division has ventured into high polymer compounds as well as process and catalyst technologies. Currently, LG Chem has set sights on selected areas involved with next-generation displays and clean energy as its growth engines for the future. Accordingly, noteworthy steps are being taken on a companywide scale to support related R&D activities. In order to cope with the rapidly changing nature of technologies in the growth promising areas, the Company makes further moves on global partnerships and joint research activities from early phases of R&D projects.

In addition, LG Chem allocated KRW672 billion for FY 2007 investment budget early in the year. However, a total of KRW484 billion was invested as some projects were suspended in response to a sudden downturn in market conditions. Looking at a breakdown of the investment by each division, KRW227 billion went to the Petrochemicals Division, KRW90 billion to the Information & Electronic Materials Division, and KRW67 billion to the Industrial Materials Division, while KRW100 billion spent as corporate common division. For 2008, LG Chem plans to invest KRW805 billion, largely in an expansion of its bisphenol-A (BPA), battery, and polarizer plant.









FINANCIAL INFORMATION

Financial Structure

As a result of substantial improvement in businesses and an increase in cash flow from the merger with LG Petrochemical, LG Chem's total liability to equity ratio fell over 40.1%p to 81.8% and a debt-to-equity ratio dropped 25.5%p to 35.1% at the end of fiscal 2007. On a consolidated basis, the ratios were 112.9% and 58.7%, respectively.

LG Chem expects its cash flow to be substantially improved in 2008 as the Petrochemicals Division benefits from the merger, the Information & Electronic Materials Division begins to reap the fruits of strong polarizer sales, and the Industrial Materials Division's overall restructuring eventually shows tangible results. The Company continues to revamp its financial structure in line with rational approaches to investment, restructuring of low-profit businesses, and smart selection and management of capital expenditures.

Major Financial Indicators

	Non-Consolidated		Consolidated	
	2006	2007	2006	2007
Total liability-to-equity ratio (%)	121.9	81.8	133.0	112.9
Debt-to-equity ratio (%)	60.6	35.1	73.6	58.7
Interest coverage multiple (X)	3.8	10.0	5.9	11.4
Return on assets (%)	5.6	11.3	6.2	10.3
Return on equity (%)	12.6	23.3	14.5	22.9

Equity

Under the Fair Trade Law of Korea revised in 2007, holding companies must maintain at least a 20% ownership stake in their listed subsidiary's total outstanding shares. Nevertheless, LG Corp. (LG Chem's holding company) purchased LG Chem's common stocks to raise its ownership stake in 2006. Looking at common stocks only, its stake in LG Chem stood at 39.16%. On November 1, 2007, LG Chem merged with LG Petrochemical to issue 10,813,706 new shares. The merger resulted in the dilution of LG Corp.'s stake in LG Chem to 33.53% as of 2007.

As of December 31, 2007, LG Corp.'s holdings totaled 33.53%, foreign shareholders 26.52%, and Korean individual and institutional investors 39.95%.

Stock Information
(based on common stock as of Dec. 31, 2007)

	Total Issued Common Shares	Paid-in Capital (in KRW billions)	Foreign Investor Holdings (%)
Common stock	75,238,770	376.2	26.52
Preferred stock	8,661,251	43.3	60.19
Total	83,900,021	419.5	30.00

Funding Strategy

Liquidity Risk Management

According to its liquidity management policies, LG Chem uses long-term loans for fixed asset investment such as plant and equipment and short-term loans for working capital. To guard against liquidity risk, the Company limits short-term borrowings to less than 90% of its net working capital.

Interest Rate Risk Management

An appropriate mix of fixed and floating-rate loans is used to respond elastically to fluctuating interest rates. Floating-rate loans are maintained in ranges between 20% and 40% of total borrowings.

Foreign Currency Risk Management

LG Chem maintains an optimal level of foreign currency borrowings, which serves as a natural hedge against foreign exchange exposure. For 2008, the Company estimates exposure of approximately US$2.1 billion and will maintain foreign currency borrowings of around US$300 million as a hedge.

Cost of Capital
(in KRW billions)

	2006	2007	Changes
Interest paid	88.1	76.6	- 11.5
Interest rate (%)	5.19	5.14	- 0.05

Debt by Currency
(in KRW billions)

	Dec. 2006	Dec. 2007	Changes
Korean won	1,269.2	1,033.2	- 236.0
Foreign currency	316.1	328.4	+ 12.3
Total	1,585.3	1,361.6	- 223.7

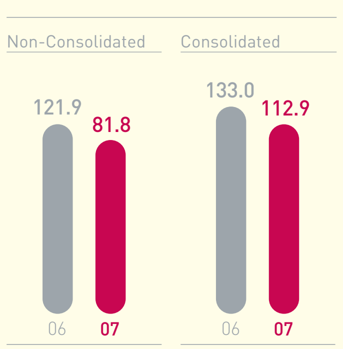
Dividend Policy and Dividends

LG Chem considers dividends to be the foremost means of returning profits to its shareholders. As determinants of dividend policy, the Company takes various factors into account, including the sufficiency of its capital resources for securing future growth, investment plans, and financial soundness.

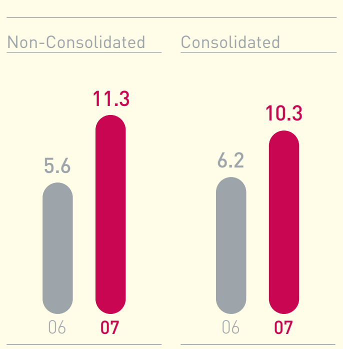
The Company decided to pay an annual cash dividend on its common stock of KRW2,000 (40%) per share and on its preferred stock of KRW2,050 (21%) per share for fiscal 2007. Based on its 2007 earnings, more than double the previous year's figures, the determinants of dividend payouts include investments in fostering its business competitiveness and future growth.

LG Chem is committed to leverage shareholder value by enhancing the competitiveness of its core businesses and generating solid profits at a steady pace, hoping to maintain dividends at a substantial level that can satisfy both the financial soundness and shareholders' expectations.

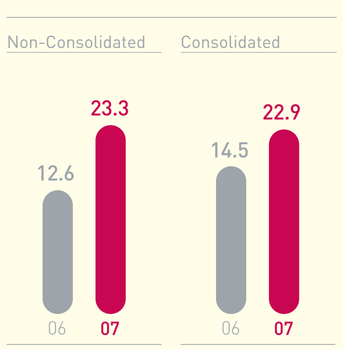
TOTAL LIABILITY TO EQUITY
in %



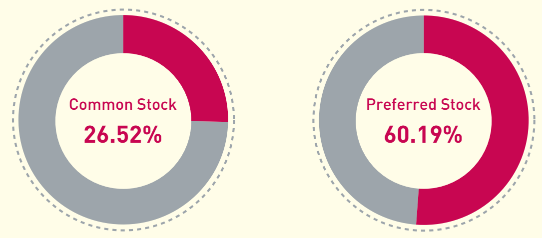
RETURN ON ASSETS
in %



RETURN ON EQUITY
in %



FOREIGN INVESTOR HOLDINGS
(based on common stock as of Dec. 31, 2007)



Dividend Summary

	2006	2007
Net income (in KRW millions)	316,000	686,205
EPS (in KRW)	4,354	9,264
Total dividends (in KRW millions)	72,908	167,006
Dividends-to-net income (%)	23.07	24.34
Dividend payout (%) per common stock	20	40
Dividend payout (%) per preferred stock	21	41
Dividend payout ratio (%)	2.3	2.2

* Dividend payout is based on percentage of face value.

Merger with LG Petrochemical

LG Chem's merger with LG Petrochemical on November 1, 2007, enabled it to become a global- level integrated chemical company. LG Chem's consolidated sales totaled KRW13,524.8 billion in 2007 and is estimated to be about KRW14,200.0 billion in 2008. The merger allowed the Company a vertical integration of mainstay petrochemical businesses that significantly enhanced cost competitiveness. With an expansion of bisphenol-A (BPA) plant, slated for 2008, and specialty product ramp up, it strives to set itself apart from competitors. The merger also brought it a notable improvement in cash flow to solidify its financial structure as it has been able to tap LG Petrochemical's surplus cash flow. Thus it could more easily secure capital resources required for growth promising investments. With sound business portfolios, LG Chem is now building a formidable presence sufficient for dealing with whatever the business world may hold.

Capital Expenditures

In 2007, LG Chem's total investments amounted to KRW483.7 billion. Noteworthy investment was KRW102.8 billion worth of expansion of the Daesan Naphtha Cracking Center. But as for polarizers, the expansion of wide-width polarizer lines planned early in 2007 was suspended as most LCD companies held off their investments in facility expansion.

In 2008, however, to proactively cope with adverse business factors in the global petrochemical industry, including rapidly increasing chemical production facilities in the Middle East, LG Chem will carry out an expansion of bisphenol-A (BPA) plant and a debottlenecking of synthetic rubber lines as part of its product portfolio reshuffle with specialty products. In order to meet the explosive demand for batteries and new orders in a timely manner, it will also expand production lines in domestic subsidiaries and its Nanjing subsidiary in China. As for polarizers, an expansion of wide-width polarizer lines will begin in parallel with related clients resume expansions of 8th-generation production lines. Racing to meet changes in the global market, the Company is now exploring new business models and mergers and acquisitions in display, energy, and biotech areas in which synergistic opportunities will be ample to foster its sustainable growth.

Capital Expenditures (in KRW billions)

	2007	2008 (E)
LG Chem	483.7	805.1
Petrochemicals	226.7	253.4
Information & Electronic Materials	89.8	309.6
Industrial Materials	66.8	103.6
Other	100.3	138.5

2008 Outlook

Market watchers say 2008 business outlook will remain gloomy due to the widespread uneasiness in the global financial market, soaring oil prices, and uncertain economy rebounding and prolonged sluggish demand in Korea. However, LG Chem has set 2008 sales and non-consolidated sales targets at a 12% increase to KRW12.1 trillion and consolidated sales targets at a 5% increase to KRW14.2 trillion. With its unrivaled competitiveness in the petrochemical business through the merger with LG Petrochemical, the Company's fast growing sales of batteries and polarizers in the information and electronic materials business and improved profitability of the recently restructured industrial material business are viewed as positive attributes for steady growth.

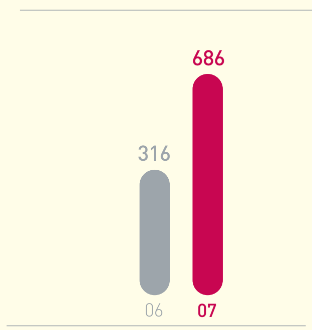
In early 2008, the Petrochemicals Division formed the Petrochemicals Unit to maximize synergy of current mergers through mapping out far-sighted strategies with following actions. The division anticipates adding fresh fuel to an integrated marketing network with customer value-based approaches. It will also ensure the cost competitiveness of its major products and give weight to increasing specialty products to offer differentiated customer solutions.

The Information & Electronic Materials Division continues to focus intently on its cost competitiveness by replacing outsourced core components with inhouse-developed ones and diversifying global market access with distinctive product features and customer solutions. To the extent that quality is a critical selling point for resulting profitability, the division gears up R&D activities for improving the quality and safety of batteries. In the case of medium- to large-sized batteries, a special taskforce team is operated to ramp up new orders through direct customer interactions. In the LCD polarizer business, the division goes one step further to respond to today's dynamic LCD market at home and abroad through ongoing investment in production facilities while seeking to expand customer base.

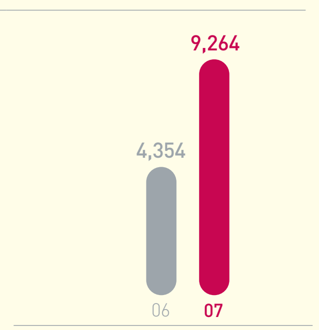
The Industrial Materials Division keeps reshuffling its business portfolio to deploy customer-directed products and market approaches on the firm basis of customer-first management. To that extent, the division accelerates time-to-market product development and invigorates customer communications centered on branding of 'Z:IN,' its master brand for Housing Solutions. It takes aggressive steps to widen global access to housing markets around the U.S. and Chinese production subsidiaries.

Furthermore, LG Chem ventures into display, energy, environment, and biotech areas in which opportunities are amply widespread to foster its future growth, while accommodating M&A, if needed for an early launch of business ventures.

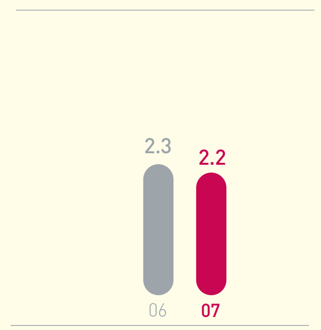
NET INCOME
in KRW billions



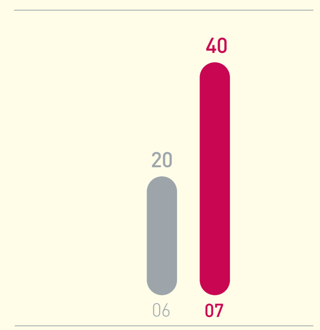
EPS
in KRW



DIVIDEND YIELD RATIO
in %

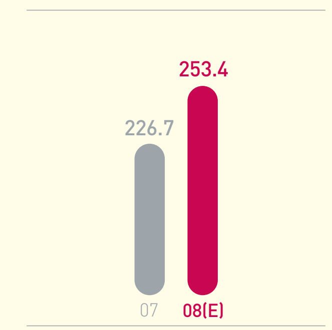


COMMON STOCK DIVIDEND PAYOUT
in %

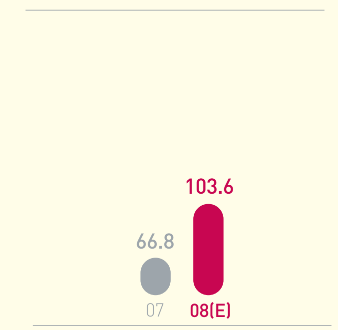


CAPITAL INVESTMENT BY BUSINESS DIVISION

PETROCHEMICALS
in KRW billions



INDUSTRIAL MATERIALS
in KRW billions



INFORMATION & ELECTRONIC MATERIALS
in KRW billions