

## MESSAGE FROM THE CFO



A handwritten signature in black ink, appearing to read 'Suk-Jeh Cho'.

Suk-Jeh Cho  
Executive Vice President and CFO

There were some dramatic changes in the business world in 2008, including a steep economic downturn. To begin, oil prices, which have the biggest impact on LG Chem's business, soared to 140 dollars per barrel before plummeting to 30 dollars because of the economic slump in the fourth quarter of the year. The exchange rate also fluctuated wildly, from 940 won to the U.S. dollar at the beginning of the year to 1,370 won at the end of the year.

In the wake of the U.S. sub-prime mortgage crisis, the financial sector started to crumble around the world, resulting in a global credit crunch. The Korean economy is currently undergoing a serious slowdown and the business forecast for 2009 remains bleak.

Despite this harsh reality, LG Chem proved itself extremely resilient in the face of such a crisis by recording higher sales and profits last year than the company had ever seen. I firmly believe this impressive performance was made possible because of the Speed Management strategy we have been following since 2006, which has strengthened the competitiveness of our existing businesses and upgraded our business structures. However, our record-setting performance last year was also a result of the company paving the way for stable profits by focusing on performance-oriented R&D Projects.

In order to respond effectively to the volatility of financial markets, LG Chem concentrated its efforts on guaranteeing a significant number of financial sources last year. While supporting stable management by securing credit lines at home and overseas, we also continued to attract sound capital.



*Despite this harsh reality, LG Chem proved itself extremely resilient in the face of such a crisis by recording higher sales and profits last year than the company had ever seen.*



As a result, the company's financial structure showed a substantial improvement, with our Total Liability to Equity going from 111.4 percent to 92.7 percent on a consolidated basis.

Our sound, stable financial performance, based on profitable business structures and strong competitiveness, was acknowledged when international credit rating agencies Moody's and S&P gave LG Chem a credit rating of Baa1 and BBB+, respectively, the highest credit rating in the industry in Korea. This enhanced LG Chem's credit standing internationally and has enabled us to issue long-term bonds with low interest rates overseas for the near future.

As LG Chem's CFO, I will proactively respond to the persistent global financial crisis in 2009. More than anything else, I will put a priority on risk and liquidity management to address the current economic recession.

First of all, we will take the initiative and respond proactively to changes in external capital markets. In particular, we are committing ourselves to manage our cash flow effectively in order to secure liquidity, while also maintaining a tight grip on working capital and promoting a wide range of cost reduction efforts to avoid a credit crunch that could result from instability in the financial markets.

Second of all, we will properly prioritize investments in new projects to secure future growth engines. As we continue investing in new businesses to achieve sustainable growth, we will also keep a close eye on other potential investment opportunities to guarantee optimal investment for the

company. Every investment decision made at LG Chem concerning a possible investment will be thoroughly scrutinized so as not to impair the company's financial soundness.

Lastly, we will continue to increase our shareholder's value. By all accounts, 2009 is expected to be a difficult year, with unstable stock markets and a challenging business environment. However, we are committed to dedicating ourselves to enhancing shareholder value through active IR activities. We will also achieve great performances in each of our business units, while reflecting our shareholder's opinions along the way.

To this end, we are hosting a variety of events in 2009, including IR conferences in Korea and overseas, non-deal road shows, and one-on-one meetings to reach out to our investors, showing everyone that LG Chem is a company they can trust and invest in with more confidence than ever.