

MESSAGE FROM THE CFO



Suk-Jeh Cho | President & CFO

With the economic recession worsening in the aftermath of the global financial crisis and government-backed economic stimulus packages, markets around the world were in turmoil in 2009. Despite such economic challenges, LG Chem stayed the course with its Speed Management drive, successfully enhancing its competitiveness in traditional business sectors, while also expanding its business portfolio. Furthermore, company-wide endeavors to nurture future growth engines led to some outstanding business performances and laid the groundwork for future growth. In terms of the external business environment, there were actually certain market conditions which developed in favor of LG Chem: a weakened Korea; and a steady rise in oil prices stabilized petrochemical businesses and won resulted in enhanced price competitiveness of our exports; China's economic stimulus package propped up global demand for our products around the world. Buoyed by these favorable market conditions, LG Chem realized its highest growth rates ever in sales and operating profit, posting 8.3 and 69.0 percent growth rates, respectively, to reach KRW 15,759.7 billion and KRW 2,233.2 billion on a consolidated basis.

Given the uncertainties which were rife throughout financial markets in 2009, my role as LG Chem's CFO was to minimize the company's risk exposure to market volatility. In particular, my focus was on managing risks associated with fluctuating foreign exchange rates over the past year, such as the roller-coaster ride the Korean and U.S. currency exchange rate was on, going from a high of 1,573.60 won to the dollar in the first quarter of 2009 to a low of 1,167.60 won to the dollar by the end of the year. In addition, although many Korean companies bore the brunt of the economic downturn, with sagging profits that left them with downgraded credit ratings, LG Chem was able to maintain its international credit rating at BBB+/Baa1 while actually improving the company's domestic credit rating from AA0 to AA+. In terms of shareholder value, we not only realized unprecedentedly high figures with our business results but successfully spun off our industrial materials business division. Our back-to-back signing of contracts with major automakers, first with Hyundai Motors and Kia Motors and then with GM to supply HEV/EV batteries, embodied LG Chem's



We will continue to engage in direct communication with investors and IR activities in 2010, securing the trust of our investors as a company they want to invest in.



blueprint for future growth engines. Consequently, our stock price has shot up 222% since the end of 2008 and LG Chem now ranks among Korea's top 10 companies in terms of market capitalization.

The year ahead also stands to be highly volatile in the global economy, as the Middle East and Europe still struggle with the lingering effects of the global financial crisis. On a more positive note, the U.S. and China are finally showing signs of economic recovery.

As LG Chem's CFO I am committed to ensuring that the company continues with its formidable achievements in 2010. We seek to create a synergy effect between business operations and management which matches our vision of becoming a leading global company. To that effect, we have come up with the following initiatives for the coming year.

First, our organic growth has given rise to the importance of maintaining a stable working capital ratio in proportion to our rate of growth as we strive toward becoming a leading global company. Sustaining a stable cash flow through systematic working capital management, we will continue to minimize risks associated with the company's capital management and further improve our financial structure. As a matter of fact, on a consolidated basis LG Chem's total liability-to-equity ratio stood at 76 percent and its debt-to-equity ratio stood at 35 percent as of the end of 2009, a significant improvement over the end of 2008.

Second, we will concentrate on striking the right balance between our investments in future growth engines and current financial stability. LG Chem increased its investments by approximately 40% over the previous year, to 1,400 billion won, a large portion of which was assigned to the information & electronic business sector, especially in expanding the production capacity of LCD glass substrates, automotive batteries, small batteries and polarizers. We believe our investment in these strategic businesses for future growth will greatly contribute to the overall profitability of the company and to the sustainable growth of LG Chem in the long run. In short, we will be prudent with our investments and make

decisions based on cash flow created from normal business operations and only after considering our priorities and running feasibility tests.

Third, our overseas production base and customer base are expanding in proportion to our growth as a leading global company. In particular, we diversified our business portfolio from our traditional petrochemical business, which is based around China and other Asian countries, to the information and electronic materials business. As a result, we expanded our overseas business and diversified as saliently as we did with our investments in a factory for automotive batteries in the U.S., which has given rise to the need for a systematic monitoring of our overseas business. Today, LG Chem is assisting all of its overseas operations to normalize their business operations as soon as possible in an effort to solidify our ability to grow into a leading global company.

Finally, we are increasing shareholder value. Despite bleak stock market performances in 2009, LG Chem's stock price went up significantly thanks to our successful spin-off of our industrial materials business division and the excellent performance of our new businesses, especially our automotive batteries and LCD glass substrates. Although rocky stock markets brought on by dismal global economic recovery are expected to affect the company's stock price, we believe that LG Chem will gain significant market valuation if we can maintain our excellent business results in competitive core businesses and normalize new businesses early on.

Every employee at LG Chem is doing their utmost to further enhance shareholder value, while proactively reflecting investors' opinions in our business operations. To that end we will continue to engage in direct communication with investors and IR activities in 2010, securing the trust of our investors as a company they want to invest in.