



Performance in 2008

In 2008, despite adverse external circumstances such as high oil price volatility and a sharp drop in demand due to the global financial crisis, LG Chem posted KRW 16.7 trillion in revenue, a 23% year-on-year increase, and KRW 1 trillion in current net income. Such impressive accomplishments can be attributed to strong performance in the petrochemicals division enabled by ongoing restructuring efforts and productivity and performance improvements in the IT and electronic materials division, including batteries, reinforced by cost-competitiveness. The company also laid the foundation for expanding the petrochemicals business on a global scale, and developed the world's first lithium-ion batteries for electric cars while signing a supply agreement with General Motors. For LG Chem, the year 2008 marked a turning point in its preparation for the future.

Through portfolio improvements to raise the share of high value-added products, and continuous cost-saving and productivity improvements, the petrochemicals division increased revenue by 30% compared to the previous year and achieved a higher operating margin than its peers. The domestic sector maximized the synergy from the merger with LG Petrochem while successfully pursuing the commercialization of elastomers, the acquisition of SAP business, and a BPA capacity build-up. The overseas business portfolio has been further stabilized through enhanced marketing capabilities in China and increased revenue in non-China markets.

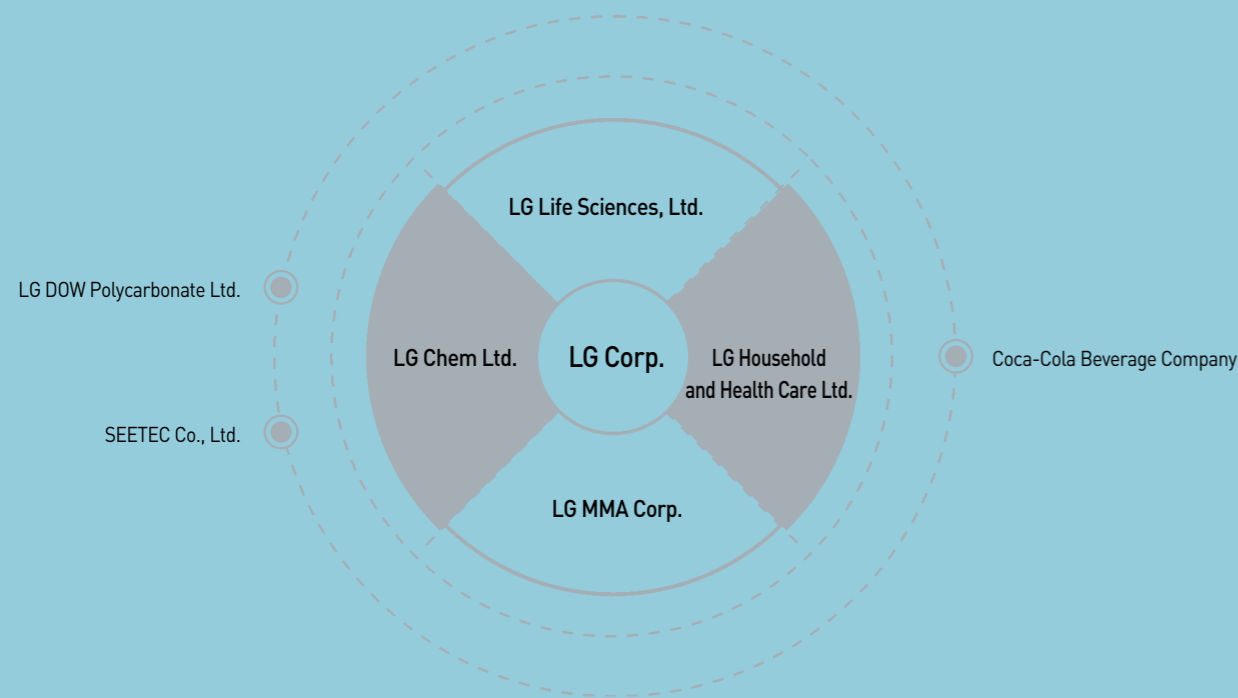
The industrial materials division managed to achieve revenue comparable to the previous year thanks to aggressive penetration into overseas markets and expansion into related sectors despite a deteriorating external environment marked by bankruptcies and a capital crunch in the automotive and construction sectors. Moreover, the company widened its profitability margin over competitors by minimizing cost increases triggered by soaring oil prices through Speed Management.

Revenue from the Information and electronic materials division rose 27% year-on-year thanks to healthy growth in sales of polarizers, a core product. The division also outperformed competitors in terms of operating margin. The battery business realized a long-cherished goal of supplying prismatic batteries to Nokia. Through a strong customer base, the division continues to grow steadily. In particular, its operating margin stands at the industry's highest level thanks to steady productivity improvements and cost competitiveness secured through the procurement of low-cost raw materials differentiated from our competitors.

LG Household and Health Care achieved a remarkable jump in revenue and operating income compared to the previous year, driven by continuous growth of premium products and the successful market entry of beverage products, a new area. Although the household care products division was at a cost disadvantage due to rising raw materials prices and the weak Korean won, revenue and profitability of premium brands posted increases. The cosmetics division produced steady growth, which is attributable to the rise of prestige brands and upgrading of mass brands. Meanwhile, Su:m, a new premium brand, saw a successful launch.

In the case of the beverage business, the division ended four years of money-losing operations and succeeded in posting a profit in the first year after its acquisition through the growth of major brands and streamlining of pricing.

LG Life Sciences continued to pursue the hybrid strategy, which aims to build R&D capacity and raise competitiveness in the domestic market at the same time. The company recorded a high profit at the 9% level through increased exports of bio-products and a turnaround in the fine chemicals and veterinary pharmaceuticals businesses. In order to prepare for the advent of an aged society, LG Life Sciences constantly endeavors to expand the R&D pipeline for new medicines, including a cure for diabetes.



Business Strategy for 2009

The business environment is likely to deteriorate in 2009 due to the global recession. However, LG Chem will overcome this crisis through a rapid crisis management system that swiftly addresses changes in the business environment. The petrochemicals division will solidify its profit base by optimizing its current business. It also plans to secure new opportunities for worldwide growth in core business areas. In the case of the industrial materials division, a focus on the core business area will be sharpened through a spin-off which will specialize in industrial goods. The Information and electronic materials division will proactively identify new business sectors, such as glass, and secure a base for sustainable growth beyond polarizers. The battery business expects to raise its profile within the industry through bold investments in production facilities and a competitive edge in cost. In addition, with an attitude of turning a crisis into an opportunity, LG Chem will identify and aggressively invest in growth sectors in order to be better prepared for the future.

While growth in global demand is likely to slow and production from new capacities in the Middle East is expected to pick up, the petrochemicals division plans to boost cost competitiveness, increase the share of high-end products, and restructure some underperforming businesses. In addition, it will realize its global market entry through a new joint venture based on securing competitively priced raw materials.

The industrial materials division will revamp its business portfolio to focus on core businesses such as windows and doors, and high functional materials. It will also expand in global markets and build a new business base. It will focus on fostering a sound base from which to pursue considerably greater growth and profits in the future.

When the spin-off takes place on April 1, the effects of "select and focus are expected to be maximized throughout business activities, including in new business, marketing, and R&D. The division will renew itself as a customer-centered company marked by a distinctive business culture and technologies.

The Information and electronic materials division is expected to face a challenging business environment this year due to falling demand in the IT sector because of the global recession. However, it plans to turn the crisis into an opportunity through cost innovation and new-business development. With regard to the polarizer, the core product, cost competitiveness at the industry's highest level will be assured by localizing key raw materials and the build-up of super-wide production lines to generate stable profits. In addition, to deliver sustainable growth, new businesses such as semiconductors, lighting, and energy materials will be identified to prepare for the future.

The battery market is expected to recede due to the economic recession. However, the company plans to take advantage of the crisis and focus on improving its market position. To this end, production capacity will be drastically increased to better meet customers' needs and strengthen cooperative relationships with customers. In addition, emphasis will be placed on differentiating materials technology - the strength of LG Chem - to build quality and cost competitiveness that is beyond the reach of competitors.

As for LG Household and Health Care, building on a sound foundation, the household care products division will endeavor to become a true market leader by launching distinctive product brands ahead of others. The cosmetics division will work to narrow the gap against competitors by upgrading its five major brands to premium products. The beverage division will take its first steps toward becoming the industry's number one company by making distribution more competitive through sales methods appropriate to each distribution channel.

LG Life Sciences will continue to carry out its main strategy of focusing its R&D capabilities on developing new lifestyle drugs to further diversify its R&D pipeline. In order to stimulate overseas business, the company plans to expand into markets in developing economies, particularly those in Latin America and the Middle East. In addition, to ensure a stable source of income and sustainable growth, the portfolio will be enhanced by launching new products that exploit the company's license-in and R&D capabilities.

LG Chem Ltd.

LG Chem was established in 1947 as the parent company of LG and led Korea's chemical industry for more than half a century. As Korea's largest integrated chemical company, it has nurtured the country's IT and electronic materials and clean energy businesses. The company is evolving into a producer of world-class petrochemicals and industrial materials built on quality competitiveness. Key areas of business include ① Petrochemicals: basic chemical products and synthetic resins such as PVC, ABS, high-functional engineering plastics; ② IT & electronic materials: basic materials for IT and electronics industries such as LCD polarizers and photosensitive materials; ③ Batteries: small batteries for mobile phones/laptops and medium/large batteries for electric vehicles; and ④ Industrial materials: construction materials and high-tech industrial materials. By providing distinctive materials and solutions, LG Chem is becoming a global company alongside its customers.

Date of establishment January 1947
Address 20 Yeouido-dong, Yeongdeungpo-gu, Seoul
 Sites in Korea (production and R&D) : Yeosu, Daesan, Ochang, Cheongju, Ulsan, Iksan, Naju, Gimcheon, Daejeon, and Seoul
 Global network (subsidiaries) : 25 subsidiaries in nine countries
 (※ Includes headquarters in Korea and subsidiaries (LG Dow/SEETEC included))
CEO Bahnsuk Kim
Business areas
 · Petrochemicals : ABS, PVC, etc.
 · Information and electronic materials : Polarizers for LCDs , etc.
 · Batteries : Batteries for mobile phones/laptops/electric cars
 · Construction materials and industrial materials : doors and windows, flooring, etc.
Homepage www.lgchem.co.kr

Financial Information

Unit : KRW one million

| | 2008 | 2007 |
|--|------------------|------------------|
| Current Assets | 3,316,648 | 2,861,887 |
| Non-current Assets | 4,719,734 | 4,188,065 |
| Total Assets | 8,036,382 | 7,049,952 |
| Current Liabilities | 2,162,325 | 2,030,208 |
| Non-current Liabilities | 984,364 | 1,141,549 |
| Total Liabilities | 3,146,688 | 3,171,756 |
| Capital stock | 419,500 | 419,500 |
| Capital Surplus | 1,314,549 | 1,299,358 |
| Capital Adjustments | 3,036,751 | (23,475) |
| Accumulated Other Comprehensive Income | (14,600) | (16,322) |
| Retained Earnings | 133,494 | 2,199,135 |
| Total Shareholders' Equity | 4,889,694 | 3,878,196 |
| Sales | 14,487,830 | 10,795,320 |
| Operating Income | 1,429,631 | 763,622 |
| Income before Income Taxes Expenses | 1,323,790 | 822,447 |
| Net Income | 1,002,585 | 686,205 |
| Gains (Losses) from Equity Method | 290,282 | 167,079 |
| LG Corp. Ownership | 33.5% | 33.5% |

LG Household and Health Care Ltd.

Since becoming Korea's first modern cosmetics maker in 1947, LG Household and Health Care has stood at the fore in household products such as toothpaste and detergents, as well as cosmetics. Thanks to generous customer support, the company has achieved steady growth. Positioned as Korea's leading company specializing in household products and cosmetics, LG Household and Health Care helps people enjoy healthier and more comfortable lives through a number of best-selling products, including Perioe, Elastine, Say, Tech, Jayonpong, and Saffron. In cosmetics, the company supports everyone's desire to look beautiful through its signature brands like OHUI, Whoo, Su:m, ISA KNOX, and SooRyeHan.

Date of establishment April 2001
Address 20 Yeouido-dong, Yeongdeungpo-gu, Seoul
 Sites in Korea (production and R&D) : Seoul, Daejeon, Cheongju, Ulsan, Onsan, and Naju
 Global network (subsidiaries) : five subsidiaries in three countries
CEO Suk Cha
Business areas
 · Household goods : oral care, skincare, and hair care products; laundry and household cleaning products; and hygienic paper products
 · Cosmetics : OHUI, Whoo, ISA KNOX, SooRyeHan, LacVert, Cathy Cat, and Vonin
Homepage www.lgcare.co.kr

Financial Information

Unit : KRW one million

| | 2008 | 2007 |
|--|------------------|----------------|
| Current Assets | 330,561 | 288,470 |
| Non-current Assets | 709,499 | 698,132 |
| Total Assets | 1,040,061 | 986,602 |
| Current Liabilities | 413,474 | 378,600 |
| Non-current Liabilities | 141,925 | 226,209 |
| Total Liabilities | 555,400 | 604,809 |
| Capital stock | 88,589 | 88,590 |
| Capital Surplus | 97,326 | 97,350 |
| Capital Adjustments | 363,168 | (70,877) |
| Accumulated Other Comprehensive Income | (71,375) | (1,100) |
| Retained Earnings | 6,953 | 267,832 |
| Total Shareholders' Equity | 484,661 | 381,793 |
| Sales | 1,354,585 | 1,172,451 |
| Operating Income | 153,523 | 126,403 |
| Income before Income Taxes Expenses | 162,289 | 116,901 |
| Net Income | 120,575 | 80,277 |
| Gains (Losses) from Equity Method | 34,345 | 13,732 |
| LG Corp. Ownership | 34.0% | 34.0% |

LG Life Sciences, Ltd.

LG Life Sciences, a bioscience company founded in August of 2002, has developed Factive, a new medicine known worldwide, and intends to grow into a world-class bioscience company with global marketing capabilities. For 27 years since 1981, the company has focused its R&D efforts on bio- and synthetic medicine. As a result, in 2003, it succeeded in obtaining U.S. FDA approval for a new medicine, for the first time in Korean history. Going forward, LG Life Sciences plans to contribute to the betterment of human health and quality of life and become a leader in the bioscience industry, one of Korea's future strategic industries.

Date of establishment August 2002
Address 20 Yeouido-dong, Yeongdeungpo-gu, Seoul
 Sites in Korea (production and R&D) : Iksan, Onsan, and Daejeon
 Global network (subsidiary) : three sales subsidiaries in three countries
CEO In Chull Kim
Business areas
 · Synthetic and bio-pharmaceuticals : Degenerative arthritis drugs, human growth hormones, hypertension drugs, ophthalmological surgery medicine, interferon, infertility treatments, hepatitis diagnosis reagent, etc.
 · Veterinary medicine : Bovine somatotropin (BST), etc.
 · Agricultural chemicals : Insecticides, herbicides, disinfectants, etc.
Homepage www.lgls.co.kr

Financial Information

Unit : KRW one million

| | 2008 | 2007 |
|--|----------------|----------------|
| Current Assets | 165,824 | 206,819 |
| Non-current Assets | 222,204 | 203,130 |
| Total Assets | 388,029 | 409,949 |
| Current Liabilities | 98,851 | 137,940 |
| Non-current Liabilities | 11,476 | 10,883 |
| Total Liabilities | 110,326 | 148,823 |
| Capital stock | 84,066 | 84,066 |
| Capital Surplus | 147,046 | 147,046 |
| Capital Adjustments | 46,471 | (0) |
| Accumulated Other Comprehensive Income | (0) | (1,293) |
| Retained Earnings | 120 | 31,307 |
| Total Shareholders' Equity | 277,702 | 261,126 |
| Sales | 281,891 | 256,403 |
| Operating Income | 25,096 | 25,622 |
| Income before Income Taxes Expenses | 21,609 | 23,096 |
| Net Income | 15,164 | 18,546 |
| Gains (Losses) from Equity Method | (14,113) | (13,093) |
| LG Corp. Ownership | 30.4% | 30.4% |

Financial Information

Unit : KRW one million

| | LG DOW Polycarbonate Ltd. | | SEETEC Co., Ltd. | | Coca-Cola Beverage Company | |
|--|---|----------------|--|----------------|----------------------------|----------------|
| | Manufacture of synthetic resins & other plastic materials | | Supply of utilities and logistics services | | Manufacture of beverages | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current Assets | 75,145 | 83,208 | 77,699 | 218,611 | 79,180 | 68,547 |
| Non-current Assets | 223,162 | 254,494 | 299,109 | 301,878 | 255,824 | 308,191 |
| Total Assets | 298,307 | 337,702 | 376,808 | 520,489 | 335,004 | 376,738 |
| Current Liabilities | 88,714 | 77,383 | 83,219 | 202,944 | 87,231 | 137,844 |
| Non-current Liabilities | 102,105 | 111,686 | 2,492 | 2,566 | 48,571 | 30,614 |
| Total Liabilities | 190,818 | 189,069 | 85,711 | 205,510 | 135,802 | 168,458 |
| Capital stock | 140,516 | 140,516 | 33,257 | 33,257 | 375,983 | 367,249 |
| Capital Surplus | - | - | 27,866 | 27,866 | 63,675 | 16,903 |
| Capital Adjustments | (28,996) | - | - | - | (240,456) | - |
| Accumulated Other Comprehensive Income | (4,032) | (770) | 35 | 40 | - | - |
| Retained Earnings | - | 8,887 | 229,939 | 253,816 | - | (175,873) |
| Total Shareholders' Equity | 107,488 | 148,633 | 291,097 | 314,979 | 199,202 | 208,279 |
| Sales | 320,288 | 259,509 | 470,381 | 359,348 | 534,959 | 461,585 |
| Operating Income | (26,274) | (5,991) | 7,085 | 11,422 | 42,194 | (7,416) |
| Income before Income Taxes Expenses | (37,883) | (8,557) | 10,720 | 20,118 | 36,555 | (6,479) |
| Net Income | (37,883) | (8,813) | (23,877) | 15,173 | 36,555 | (6,479) |

LG MMA Corp.

Upon its founding in March of 1991, LG MMA began local production of MMA and PMMA, which are used in a variety of industries, and helped stabilize their supply to Korean clients, which had until then depended entirely on imports, thus enhancing their global competitiveness in the process. LG MMA currently operates MMA plants 1 and 2 with combined annual production capacity of 100,000 tons and PMMA plants 1 and 2 with combined annual production capacity of 90,000 tons. With the completion of MMA plant 3 in 2008, the company is now able to produce 180,000 tons of MMA and 90,000 tons of PMMA annually, solidifying its number one position in Korea and emerging as a global MMA producer. In addition, through joint R&D with its partners, LG MMA provides the highest quality products and services to its clients, quickly and conveniently. By doing so, the company is setting an example by practicing the LG management principles of "value creation for customers" and "respect for human dignity."

Date of establishment March 1991
Address 12F, Uwha Securities Building, 23-7 Yeouido-dong, Yeongdeungpo-gu, Seoul
 Site in Korea (production) : Yeosu
CEO Dae Hyun Jun
Business areas
 Production and sales of MMA and PMMA
Homepage www.lgmma.com

Financial Information

Unit : KRW one million

| | 2008 | 2007 |
|--|----------------|----------------|
| Current Assets | 141,174 | 87,151 |
| Non-current Assets | 385,501 | 370,586 |
| Total Assets | 526,675 | 457,737 |
| Current Liabilities | 111,458 | 113,267 |
| Non-current Liabilities | 182,349 | 128,765 |
| Total Liabilities | 293,807 | 242,032 |
| Capital stock | 24,000 | 24,000 |
| Capital Surplus | 29,041 | 29,041 |
| Capital Adjustments | 185,673 | - |
| Accumulated Other Comprehensive Income | - | (1,217) |
| Retained Earnings | (5,847) | 163,881 |
| Total Shareholders' Equity | 232,868 | 215,705 |
| Sales | 409,266 | 326,463 |
| Operating Income | 50,792 | 40,689 |
| Income before Income Taxes Expenses | 43,220 | 33,349 |
| Net Income | 30,192 | 33,996 |
| Gains (Losses) from Equity Method | 14,814 | 16,801 |
| LG Corp. Ownership | 50.0% | 50.0% |