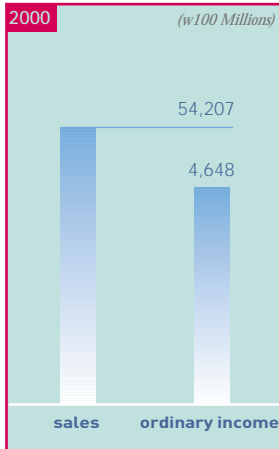


CEO'S { M E S S A G E }



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Dear customers, shareholders, and employees,

It is my greatest honor that I am given the chance to lead the newly demerged LG Chem. The past has provided us with dynamic changes, but the future will give us even faster changes in the way we do business. The April demerger of LG Chem as pure chemical company is timely and proactively preparing for higher performance. Looking back at last year's Korean economy, various signs indicated towards a sluggish market. The national restructuring effort came to a near stall, international oil prices ran up, financial markets dragged down, and chemical industry cycle started to slow.

Market conditions were indeed, very weak. However, despite the unfriendly market conditions, **LG Chem's sales rose to W5.42 trillion, a 19% growth compared to last year. Ordinary income decreased marginally, due to revaluation of stocks invested, to W464.8 billion, but EVA, the key shareholder value measure, was in the 4% level, at par with that of the global leaders.** Such performance is the outcome of value creation strategy and an organization-wide innovation efforts that we initiated in 1996.

Key achievements by business units are as follows:

The information & electronic materials business as LG Chem's biggest bet for future profit streams saw a smooth completion of production facilities for batteries, the next generation rechargeable lithium-ion polymer batteries. The TFT LCD polarizers are ready to be mass produced, and we are currently in the process of building wide line for polarizer. LG Chem's color filter photo-resists, developed by our proprietary technology, are also ready for mass production. As a result, we expect to substitute imports and increase export sales.

With respect to the petrochemical business, we are now able to produce 960,000 tons of PVC per annum, the major earnings generator for the petrochemical business, thanks to the acquisition of Hyundai PVC business. The ABS division including Ningbo LG Yongxing Chemical co., Ltd. in China achieved a record high net income in the LG Chem history.

In the industrial materials business, we have developed top tier products such as the VIP Tiles and HIMACS, providing a platform for differentiated competitive edge in the global market. While the product mix is shifting to high value added, business structure becomes stronger in distribution channel and services, with our total interior coordination business now in full gear. We have been diligent in expanding our presence in the cyber space, demonstrated by how we have pioneered the launching of nation's first chemical products transaction sites called polymerwide.com and chemwide.com. The InteriorLG.com, an e-platform for industrial materials business, is increasingly gaining hit rate from customers. Internally, we have adopted ERP(Enterprise Resource Planning) system to streamline corporate activities and maximize resource efficiency. The life science business, which will remain as incubating business within LGCI, has developed environmental friendly germicide called Guardian. We became the first Korean company to ever enter the European market by its own right, with Guardian. We believe that this is the result of our accumulated R&D capabilities. In the household and healthcare business, we have developed various high value-added and differentiated new products such as Han Spoon Tech and Wrinkle Decline which strengthened our position as the market leader.

With the demerger, we start anew as a specialized chemical company

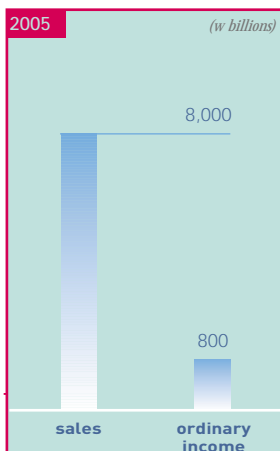
Dear customers, shareholders, and employees!

The focus of LG Chem's efforts has always been in securing our leadership position in the local chemical market as shown by our Turnaround campaigns and our value creation strategy. However, our efforts were not reflected in LG Chem's stock price. **Due to our diversity in business portfolio, a fair valuation of LG Chem was found to be rather difficult. This led us to demerge into three different entities, and LG Chem was reborn as a specialized chemical company.** The worldwide chemical industry trends indicate a shift from commodity to specialty products, in order to mitigate the risk of the fluctuating chemical industry cycle. The frequent mergers and acquisitions in the commodity industry to achieve the economies of scale amplifies 'the rich get richer and the poor get poorer' phenomenon. Meanwhile, the market showed mixed responses to the demerger, reasoning that the future potential of LG Chem's core businesses is unclear, and that the new LG Chem may not truly live up to the promise of management transparency. In response to these concerns, we have built a new vision - a vision of erecting advanced business structure, and anchoring transparent management system in pursuit of better focusing on core business.

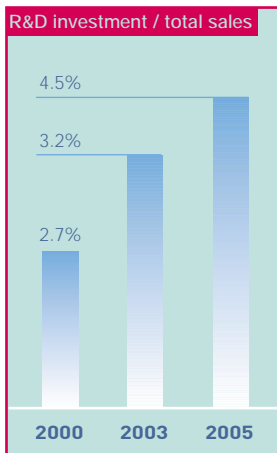
Detail of the new vision is as follows:

We would like "To be a global leader-Exceeding customer expectations through advanced technologies and innovative solutions, and earning the trust of stakeholders." This statement bears our aspiration to innovate, transform ourselves into a solution provider, establish management trust, and leap out towards the global market. Our sales goal for 2005 stands at W8 trillion and ordinary income at W800 billion, a compound annual growth of 11.8% and 25.0% respectively. Considering that only the top quartile of global companies has achieved such growth, our goal is indeed very ambitious and challenging. This means that whatever surprise the future market may have for us, we will continue to grow and make profit. To this aim, we have set several core initiatives.

First, we will transform current business mix into future and global market oriented centered structure. We have set information and electronic materials, high performance industrial materials, and high value-added petrochemical products as our future strategic businesses, where we aim to become world's top player. So far, we have withdrawn from 16 businesses; six marginally performing businesses such as EMC, five non-core businesses such as carbon black, and five candidates for rationalization such as PMMA. Restructuring will continue for the next three years. Cash flow generated from such endeavors and earned profit, will be plowed back into the future strategic businesses, to grow them from 32% against sales in 2000 to 42% in 2003 or W2.6 trillion. In order to go beyond the domestic market, we will pursue globalization effort, increasing our export sales to 50% of total sales, while keeping our leadership position firm in the home ground.



Second, we will strive to achieve core competencies in innovation, in providing solutions, and in global leadership. We will strengthen R&D capabilities by increasing R&D investment from 2.7% of total sales in 2000 to 3.2% by 2003, and 4.5% by 2005. We expect to see top tier product sales to surge from 6% in 2000 to 30% in 2003. We will not only suffice in simply providing products to customers, but also go one mile further in solving customer problems with total services. We hope to be competitive as solution provider exceeding customer expectations, and thereby create new business opportunities.



Third, we will do whatever it takes to gain the trust from our shareholders, customers, and employees for transparent management.

With the demerger of three entities, LGCI has become a holding company, and LG Chem, a pure player. All the cash flow generated from business activities will only be used for distributing dividend and plowing back to business related investments. No investment can be made unless it is for enforcing the business, as stipulated by the Fair Trade Law and mandated by our objectives of the demerger. Furthermore, the board of directors will be comprised of three professional manager and three non-standing members, implying a shift of executives with

professional knowledge and insight. All this is to pursue maximization of shareholder value through improving transparency, increasing value as a pure player, and to maintain leadership position in the Korean chemical market.

Year 2001, preparing for a new leap

Dear customers, shareholders, and employees

This year, Korea will continue to have last year's burden of high oil price, inflation, and economic recession. However, the world's chemical market is regarded as having passed the trough. There are opportunities ahead and we will make that leap this year. We will expedite in recovering financial health, accelerate our Six Sigma quality assurance initiatives, continue organization-wide " Top Tier Product Campaign", and take all measures to pep up the organization. **Most of all, this year's top of the list agenda is to carefully manage cash flow so that we can keep funding our core strategic businesses, cut all unnecessary investments, maximize working capital efficiency, and make aggressive cost reductions to keep liquidity floating.** Six Sigma initiatives began with the intention of improving production and manufacturing quality. We will extend this into R&D, sales, and administration. We will push to increase the top tier products share from 6% last year, to 14% this year. We are determined to differentiate our products, gain recognition from our customers, and anchor our footing as top player in the market. We believe that keeping every member of the LG Chem family motivated and proud in what they do is of utmost importance. We have, therefore, made major improvements in our HR system, as a measure to root highly motivated organizational culture. We view our people from a long-term perspective, aiming to nurture future leadership of the company. Only when the entire organization moves towards competency, then can we maximize performance, to become a better company. We ask you to note how LG Chem, has posted satisfactory performance despite the weakening market conditions in the second half of last year,. This is the result of LG Chem's capabilities that have been accumulated for the past half century. The newly demergerd LG Chem will make its best effort to gain global competitiveness in the core business areas. We have no doubt that the new vision, the change program of LG Chem will ultimately increase corporate value. We would like to ask you to watch us closely with interest and encouragement.

LG Chem president & CEO **Ki-Ho No**