



**BEYOND
SEEING**

BEYOND YOUR SEEING, THERE'S MORE OF OUR OPERATIONS.

more



Fine quality in products is all about how a company conducts itself in the world. On the strength of an extensive global manufacturing base, LG Chem works hard to deliver chemicals and polymers, industrial materials, information and electronic materials with added high-performance, multifunction, and value.

Chemicals and Polymers

In fiscal 2004, LG Chem recorded its best performance ever in sales and operating profit, ₩4,152 billion and ₩370 billion, respectively. Sales and operating profit accounted for the largest portion of the Company's total, taking 56% and 71%, respectively. Profit-oriented marketing strategies, stabilized procurement of raw materials, increased competitiveness in exports in China, increased sales of high value-added specialty products, and innovation activities year round all contributed to remarkable growth. In 2005, the empowerment of performance-based business capabilities, the acceleration of globalization, and the enrichment in human resources will be continued to secure profitable structure and global competitiveness.



Churl-Ho Yoo
President
Chemicals & Polymers Company

The Best Business Results Ever

portion of total sales





In fiscal 2004, LG Chem recorded its
best performance ever
in sales and operating profit



The outstanding business results have led us to raise our business goals higher in 2005. Our growth-driven strategies for 2005 will build on the 2004 figures to amplify profit resources as we move toward our goal, becoming one of top ten chemical companies in the world by 2008.

2004 Review

The Chemicals and Polymers Company's sales in 2004 were up 27% to reach ₩4,152 billion, and profit jumped a remarkable 64% to ₩370 billion, from the previous year. Major contributors to these results were price increases of mainstream products due to escalating oil prices, profit-focused marketing activities, proactive procurement of raw materials, such as the long-term supply contract for ethylene dichloride (EDC) made with Oxychem to secure PVC feedstock, and the integrated procurement of SM and AN, both ABS feedstock.

Looking into the result of global marketing, the rapid economic growth of China contributed to the Company's export portions of 50%, which contributed to significant growth of the operating profit .

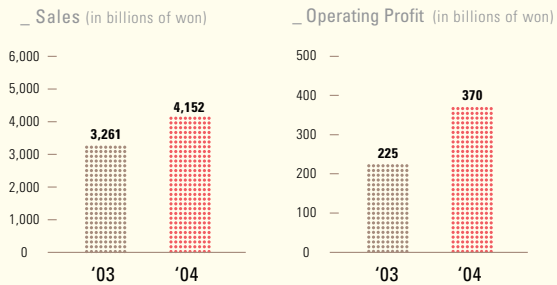
Sales portion of specialties recorded 14.7%, a 3.2% increase from the previous year's 11.5%. These were bolstering turnovers as well as profits, considering that early in 2004 the range of specialty products was narrowed to those generating more than 10% of operating profit margin and 30% higher than that of general-purpose products.

Other factors for leveraging profits were attributed to overall operational and process innovations that led to cost reduction in processing lines, improvement of productivity, and reduction in operating expenses. For instance, NPG business turned profitable after the loss in 2003. Process innovation activities contributed to secure sustainable cost structure and achieving approximately 23% of operating profit margin.



In the Chinese market, the Company established a new China-based subsidiary close to LG Dagu PVC Plant in Tianjin at the end of 2004. The investment decision was made to add 350KMT of VCM and 300KMT of EDC, for the purpose of full integration of PVC production base. In addition, the Company continuously solidifies overseas operations by increasing production bases, including the engineering compound facility in Tianjin.

Key financials



2005 Outlook and Strategies

The economic downturn trend in the world, especially in the United States and Japan, and a steadily lowering Won-dollar exchange rate resulting from the US government's devaluation policy of dollars cast a bleak outlook. In Korea, the sluggish demand due, in large part, to a general recession will also undermine the chemicals and polymers markets. Looking over the Chinese market, the largest in the world, the competitive position of the Chemicals and Polymers Company will be weakened by start-ups of Yangzi-BASF, SECCO-BP, CNOOC-Shell, and other multinationals and large-scale industrial complexes. The price fall of Company's products, which started in November 2004 in line with declining market prices of raw materials, including ethylene and styrene monomer, is expected to slightly worsen business conditions in 2005.



“ Becoming one of the industry's Global Top 10 in the near future. ”

With delays in operation of new chemical plants in the Middle East, despite large-scale chemical plants in China going into full operation, the supply of PVC, ABS, acrylate, and engineering plastic (EP), and other mainstream products will fall short of meeting the ever-growing demand in the world. This in turn has led the upturn in the global petrochemical industry, which is expected to continue for two to three more years.

To overcome subsequent difficulties and facilitate stable growth, the future course of managerial action of the Chemicals and Polymers Company is directed mainly to three fronts: (a) heightening performance standards; (b) accelerating global operation; (c) sharpening capabilities of employees. The sales goal is set at achieving ₩5.5 trillion and operating profit margin 11% by 2008. Ultimately, it gears to realize the vision of becoming one of the industry's Global Top 10 in the near future.

Industrial Materials

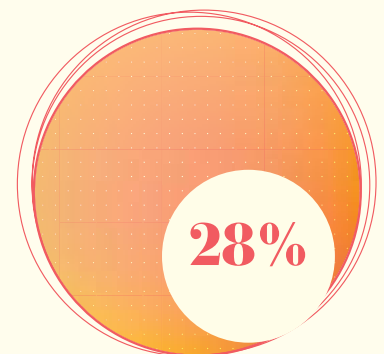
Over the past decade, the Industrial Materials Company has realized more than 10% of sales growth each year, fetching stable profits. However, sales in 2004 rose 5% to ₩2,056 billion and operating income fell 33% to ₩110 billion. Factors adding to difficulties in 2004 were the mainly dormant construction industry, squeezed consumer spending in a long period of recession, and soaring oil prices. Despite experiencing a lackluster business environment, the Company continued shifting its business portfolio to value-added high-end businesses with high growth possibilities and broke new ground for a broader global operation.



Kyu-Sok Park
President
Industrial Materials Company

Leaping forward into the World

portion of total sales





The Company continued shifting
its business portfolio
to value-added high-end businesses
with high growth possibilities



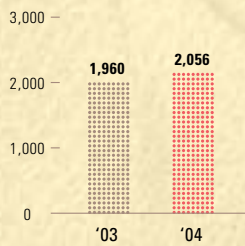
LG New Building Materials in China



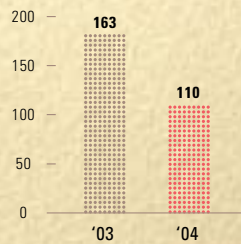
LG Chem Cheongju plant

Key financials

_ Sales (in billions of won)



_ Operating profit (in billions of won)



Industrial Materials R&D Center

In the last ten years, the Industrial Materials Company has realized more than 10% growth rate in sales each year, fetching stable profits. Currently, cohesive energy has been poured into realizing its vision of becoming a world-acclaimed provider of industrial materials in coming years. To this end, it focuses on upcoming business areas to lay a stronger growth foundation.

2004 Review

From 2003 the Korean economy began to stagnate. The construction and real estate sectors, critical business indicators for the Industrial Materials Company, took a sharp turn for the worse and prices of PVC and other major raw materials rocketed, exacerbating the already-frozen market conditions.

Amid the unsettled business environment affected by surging oil prices and the war in Iraq, the economy of the United States, Japan, and advanced European countries started picking up. Upon this favorable turn, the Industrial Materials Company made every effort in line with aggressive global marketing and localization strategies, resulting in double digit growth in overseas sales, a 27% increase from the previous year.

As a way to get back on track, the Company concentrated on turn-around activity for auto parts, Decovil, and other poorly performing businesses. Meanwhile in new business areas, it combined efforts for laying solid groundwork and fostered world-class products for sustainable future growth. These efforts will produce more tangible business results in 2005.

2005 Outlook and Strategies

Business forecasts in Korea are not so bright for 2005, as a general domestic recession and enduring high international oil prices are making it hard for the domestic economy to recover. However, although the growth in demand for industrial materials used for construction and building interior is viewed as stunted, the growing demand in the remodeling

sector and the growing concern about the environment is expected to push sales of high-performance, multifunctional, and environmentally-friendly industrial materials. Currently, the Industrial Materials Company's export of advertising, safety, and surface materials portions more than 40%. On the strength of the ever-growing Chinese market and the core competitiveness it has empowered in the global market over the years, sales of these materials is expected to enjoy continued growth. Sales of automotive materials is also expected to enjoy stable growth.

In 2005, the sluggish domestic demand and revaluing Won currency will impact on business performance. Consequently, the Company expects sales to show a slight increase over the 2004 figure. To spur up sales, the Company will reinforce business strategies as follows:

First, the global market position will be enhanced through strengthening the business foundation of overseas subsidiaries. Expanding sales channels and export volume to wider global regions, it expedites tapping into the potential of its global businesses to the fullest extent. Second, the Company will foster globally-competitive products including surface and advertising materials, along with enhancing R&D capabilities and exploring new business areas. The business portfolio is in transition to emphasize high-growth and profitable businesses and thus stabilize profit resources. Finally, as rising international prices of raw materials have threatened price competitiveness, productivity and cost innovation activities will be accelerated, driven by the Six Sigma initiatives and diversification of products differentiated by regions.

Information and Electronic Materials

The Information and Electronic Materials Company leveled up to global leading player. Sales recorded ₩1,207 billion, the highest number ever. Sales of rechargeable batteries and optical materials, including polarizers, both surpassed ₩500 billion in 2004. Sales of color filter photoresists and PDP filters, both new business items the Company has fostered for years, went into full swing and began to show tangible results. The operation of Ochang Techno Park in Korea and Nanjing Techno Park in China further secured the production capacity and stable supply of rechargeable batteries and polarizers. As for global operation, overseas production facilities, marketing and sales network have been expanded steadily, placing the Company in a good position to better compete with the global players.

Global Leadership in Production and Marketing



Soon-Yong Hong
President
Information & Electronic Materials Company

portion of total sales





The Information and
Electronic Materials Company
leveled up to global leading player



Sales of rechargeable batteries and polarizers increased considerably. Sales of color filter photoresists and PDP filter are now well underway. Expanded production facility and marketing network have enhanced global competitiveness.

2004 Review

Sales of mobile handsets, notebook PCs, and flat-panel displays have grown rapidly in the global market. The competition among providers of related business lines intensified in 2004 following the trend in 2003.

In the Information and Electronic Materials Company, the sales of rechargeable batteries increased 86% over the previous year. The leading-edge product quality appreciated by many global mobile and notebook makers led this huge success.

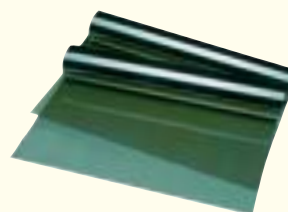
The strategic effort made for years to foster the mid-to-large-sized battery business came in August last year when it received US\$4.6 million for the technological development of the lithium-ion polymer battery from the United States Advanced Battery Consortium (USABC), an organization formed by the big three US car makers. This placed it in an advantageous position for sales in the US automotive market.

As for sales of polarizers for TFT-LCD panels, the Company recorded a 79% growth over the previous year by dint of growing demand of LCD monitors and LCD TVs. With the operation of the post-process polarizer plant at Nanjing Techno Park, China, it is actively penetrating into the Taiwanese and Chinese markets. The development of high-end products such as pure black polarizing films strengthened the competitiveness which will set it apart from competitors in the global market and maximize profits.

The Company-developed color filter photoresists, a value-added hard core for flat panel display, received enthusiastic customer endorsement in 2004. Achieving excellent results in sales, the photoresist business was included in the new business portfolio. It is expected to emerge as a primary business item in 2005.

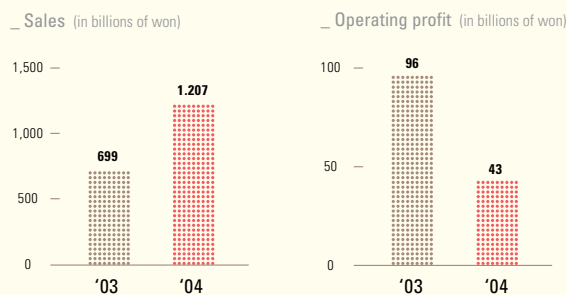


sales
86% ↑
**rechargeable
batteries**



sales
79% ↑
polarizers

Key financials



2005 Outlook and Strategies

Many predict the IT industry will show gradual recovery in 2005 due to the oversupply of some IT-related products. But businesses involved with mobile handsets, notebook PCs, and LCD monitors, its primary businesses, will show fair progress.

In the rechargeable battery business, the Company will secure leading position in the market through developing new customers and solidifying the leading supplier's position among existing customers. The China-based production lines will serve as a launching base for entry into the Taiwanese and Chinese markets.



In the polarizer business, cost competitiveness coupled with internal development of raw material will be upgraded to capture a wider global market, while keeping abreast of the latest changes in the business environment.

In the areas of color filter photoresists, PDP filters, chemicals used for manufacturing processes, and other new products and businesses, the Company fosters growth through enhancing global competitiveness. New products applied with the OLED technology will be launched to seize opportunities and capitalize profit resources earlier than competitors.

As for printed circuit materials, the Company lays firmer groundwork for flexible copper-clad laminate (FCCL), and for toners, it targets high-end digital copiers.