

Statement

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LG CHEM MICHIGAN, INC. STATEMENT ON U.S. DEPARTMENT OF ENERGY IG AUDIT REPORT

Late in 2012 LG Chem Michigan Inc. learned that the office of the Inspector General at the U.S. Department of Energy planned to initiate a review of the use of Recovery Act funds. To ensure the review would be complete and factual, LG Chem Michigan cooperated fully by providing all requested documents and making our facility and team members available to the office of the Inspector General.

During the course of the review, the government concluded that we had applied \$842,000 of Recovery Act funding to employment costs that were not allowed under the terms of the grant. LG Chem Michigan has accepted the government's decision and has reimbursed the government for the full amount. LG Chem Michigan has also established internal safeguards to prevent this from happening again.

We regret this situation occurred, and we are confident that we are now taking every measure to be fully compliant in our use of the project grant funding.

LG Chem Michigan is acutely aware of the disappointment arising from the delays in our start of production. These market-driven delays have been very difficult for our team members, for our community and for our company. Nevertheless, we remain fully committed to launching production at LG Chem Michigan's facility in Holland, Michigan and will use our best efforts to create additional new jobs and contribute to a more independent, sustainable energy future. We note that LG Chem Michigan has invested \$150M in the people that it has hired and in completing construction of a world class manufacturing facility in Holland, Michigan.

LG Chem Michigan's facility and team members in Holland remain a vital part of LG Chem's long-term strategy for global supply of lithium ion battery technologies. We have carefully evaluated the projected market and are developing specific plans for the start of production at the Holland facility.

We appreciate the cooperation of the U.S. Department of Energy, National Energy Technology Laboratory, and especially our team members during the review process.

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