

LG Chem, Ltd.
Interim Financial Statements
March 31, 2007 and 2006

LG Chem, Ltd.
Index
March 31, 2007 and 2006, and December 31, 2006

| | Page(s) |
|--|----------------|
| Report of Independent Accountants | 1 - 2 |
| Non-Consolidated Interim Financial Statements | |
| Balance Sheets | 3 - 4 |
| Statements of Income..... | 5 |
| Statements of Cash Flows | 6 - 7 |
| Statements of Changes in Shareholders' Equity | 8 |
| Notes to Non-Consolidated Financial Statements | 9 - 26 |

Report of Independent Accountants

To the Board of Directors and Shareholders of
LG Chem, Ltd.

We have reviewed the accompanying non-consolidated balance sheet of LG Chem, Ltd. (the “Company”) as of March 31, 2007, the related non-consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006, and the non-consolidated statements of changes in shareholders’ equity for the three-month period ended March 31, 2007, expressed in Korean won. These interim financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying non-consolidated financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of LG Chem, Ltd. as of December 31, 2006 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those non-consolidated financial statements in our audit report dated March 5, 2007. These non-consolidated financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2006, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2006, except for changes in adjustments of SKFAS No. 21 and KAI Opinion 06-2 which are effective from this year.

Samil PricewaterhouseCoopers

Accounting principles and review standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or review standards and their application in practice.

Seoul, Korea
May 14, 2007

This report is effective as of May 14, 2007, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Chem, Ltd.
Non-Consolidated Balance Sheets
March 31, 2007 and December 31, 2006
(Unaudited)

(in millions of Korean won)

| | 2007 | 2006 |
|--|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | ₩ 198,636 | ₩ 115,830 |
| Trade accounts and notes receivable, net (Notes 4, 12 and 17) | 817,789 | 818,384 |
| Other accounts receivable, net (Note 4) | 104,345 | 121,142 |
| Accrued income | 3,198 | 1,704 |
| Advance payments | 1,650 | 1,807 |
| Prepaid expenses | 30,031 | 14,130 |
| Inventories, net (Note 5) | 854,818 | 869,138 |
| Deferred income tax assets | 7,967 | 127 |
| Other current assets | 9,474 | 6,959 |
| Total current assets | <u>2,027,908</u> | <u>1,949,221</u> |
| Long-term financial instruments (Note 3) | 55 | 60 |
| Investment securities | 1,709 | 1,718 |
| Equity-method investments (Note 6) | 909,749 | 876,622 |
| Other investments | 448 | 276 |
| Property, plant and equipment, net (Notes 7 and 18) | 3,110,590 | 3,099,022 |
| Intangible assets, net (Notes 8 and 18) | (203,367) | (212,990) |
| Long-term trade accounts and notes receivable, net (Note 4) | 424 | 465 |
| Long-term other accounts receivable, net (Note 4) | 1,066 | 1,054 |
| Long-term guarantee deposits | 39,166 | 39,344 |
| Long-term prepaid expenses | 20,036 | 20,107 |
| Other non-current assets | 34,626 | 31,617 |
| Total assets | <u>₩ 5,942,410</u> | <u>₩ 5,806,516</u> |

LG Chem, Ltd.
Non-Consolidated Balance Sheets
March 31, 2007 and December 31, 2006
(Unaudited)

(in millions of Korean won)

| | 2007 | 2006 |
|---|-------------|-------------|
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Trade accounts and notes payable (Note 17) | ₩ 750,146 | ₩ 750,762 |
| Short-term borrowings | 76 | 25,076 |
| Other accounts payable | 494,094 | 516,955 |
| Withholdings | 41,002 | 50,488 |
| Accrued expenses | 60,412 | 42,276 |
| Income tax payable | 91,073 | 44,241 |
| Dividends payable | 72,948 | 39 |
| Current maturities of long-term debts, net | 538,263 | 439,932 |
| Other current liabilities | 2,122 | 2,886 |
| Total current liabilities | 2,050,136 | 1,872,655 |
| Debentures, net (Note 9) | 832,269 | 913,798 |
| Other long-term debts, net | 179,793 | 196,885 |
| Accrued severance benefits, net (Note 10) | 110,612 | 98,415 |
| Deferred income tax liabilities | 88,029 | 89,196 |
| Derivative instrument transaction credit (Note 12) | 1,462 | 3,089 |
| Other non-current liabilities | 9,465 | 9,118 |
| Total liabilities | 3,271,766 | 3,183,156 |
| Commitments and contingencies (Note 12) | | |
| Shareholders' equity (Note 1) | | |
| Common stock | 322,126 | 322,126 |
| Preferred stock | 43,306 | 43,306 |
| | 365,432 | 365,432 |
| Capital surplus | | |
| Paid-in capital in excess of par value | 532,002 | 532,002 |
| Gain on disposal of treasury stock | 841 | 841 |
| Asset revaluation surplus | 206,769 | 206,769 |
| | 739,612 | 739,612 |
| Capital adjustments | | |
| Treasury stock | (23,129) | (23,129) |
| Accumulated other comprehensive income (Notes 2 and 15) | | |
| Gain on valuation of equity-method investments | 2,491 | 1,355 |
| Loss on valuation of equity-method investments | (39,720) | (45,749) |
| | (37,229) | (44,394) |
| Retained earnings (Notes 2 and 13) | | |
| Legal reserve | 56,729 | 49,438 |
| Other reserves | 1,460,097 | 1,221,519 |
| Unappropriated retained earnings | 109,132 | 314,882 |
| | 1,625,958 | 1,585,839 |
| Total shareholders' equity | 2,670,644 | 2,623,360 |
| Total liabilities and shareholders' equity | ₩ 5,942,410 | ₩ 5,806,516 |

The accompanying notes are an integral part of these non-consolidated financial statements.
See Report of Independent Accountants

LG Chem, Ltd.
Non-Consolidated Statements of Income
Three-Month Periods Ended March 31, 2007 and 2006
(Unaudited)

(in millions of Korean won, except per share amounts)

| | 2007 | | 2006 | |
|---|-------------|-----------|-------------|-----------|
| Sales (Notes 17 and 18) | ₩ | 2,380,735 | ₩ | 2,125,095 |
| Cost of sales (Notes 14 and 17) | | 2,014,363 | | 1,819,520 |
| Gross profit | | 366,372 | | 305,575 |
| Selling and administrative expenses | | 239,454 | | 239,749 |
| Operating income | | 126,918 | | 65,826 |
| Non-operating income | | | | |
| Interest income | | 2,336 | | 2,544 |
| Foreign exchange gains | | 6,351 | | 17,778 |
| Gain on foreign currency translation | | 3,393 | | 17,470 |
| Gain on valuation of equity-method investments | | 52,808 | | 37,133 |
| Gain on disposal of property, plant and equipment | | 248 | | 513 |
| Reversal of negative goodwill | | 9,792 | | 9,826 |
| Reversal of bad debt allowance | | 276 | | 473 |
| Reversal of compensation expenses associated with stock options (Note 17) | | - | | 652 |
| Gain on valuation of derivative instrument (Note 12) | | 1,626 | | - |
| Others | | 6,089 | | 3,009 |
| | | 82,919 | | 89,398 |
| Non-operating expenses | | | | |
| Interest expenses | | 19,160 | | 22,644 |
| Foreign exchange losses | | 8,952 | | 8,157 |
| Loss on foreign currency translation | | 6,338 | | 1,848 |
| Loss on disposal of trade accounts receivable | | 8,459 | | 7,811 |
| Loss on disposal of investment securities | | - | | 1 |
| Impairment loss on investment securities | | 9 | | - |
| Loss on valuation of equity-method investments | | 5,551 | | 8,101 |
| Loss on disposal of property, plant and equipment | | 4,115 | | 470 |
| Loss on valuation of derivative instruments (Note 12) | | - | | 3,706 |
| Donations | | 1,099 | | 2,107 |
| Others | | 570 | | 1,601 |
| | | 54,253 | | 56,446 |
| Income from continuing operations before income tax | | 155,584 | | 98,778 |
| Income from continuing operations tax expense | | 38,346 | | 32,279 |
| Income from continuing operations | | 117,238 | | 66,499 |
| Loss from discontinued operation (Note 19) | | 4,211 | | 122 |
| Net income | ₩ | 113,027 | ₩ | 66,377 |
| Per share data (in won) (Note 16) | | | | |
| Income from continuing operations per share | ₩ | 1,616 | ₩ | 916 |
| Earnings per share | ₩ | 1,558 | ₩ | 914 |
| Diluted income from continuing operations per share | ₩ | 1,616 | ₩ | 916 |
| Diluted earnings per share | ₩ | 1,558 | ₩ | 914 |

The accompanying notes are an integral part of these non-consolidated financial statements.
See Report of Independent Accountants

LG Chem, Ltd.
Non-Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2007 and 2006
(Unaudited)

(in millions of Korean won)

| | 2007 | | 2006 | |
|--|------|----------------|------|------------------|
| | ₩ | | ₩ | |
| Cash flows from operating activities | | | | |
| Net income | ₩ | 113,027 | ₩ | 66,377 |
| Adjustments to reconcile net income to net cash | | | | |
| Depreciation and amortization | | 128,557 | | 132,741 |
| Provision for severance benefits | | 17,090 | | 17,787 |
| Loss (gain) on foreign currency translation, net | | 3,574 | | (15,749) |
| Loss on disposal of trade accounts receivable | | 8,459 | | 7,811 |
| Loss on disposal of investment securities | | - | | 1 |
| Impairment loss on investment securities | | 9 | | - |
| Loss (gain) on disposal of property, plant and equipment, net | | 3,867 | | (43) |
| Gain on valuation of equity-method investments, net | | (47,257) | | (29,032) |
| (Gain) loss on valuation of derivative instruments | | (1,626) | | 3,706 |
| Reversal of negative goodwill | | (9,792) | | (9,826) |
| Reversal of bad debt allowance | | (276) | | (473) |
| Reversal of compensation expenses associated with stock options | | - | | (652) |
| Others, net | | 4,962 | | 2,003 |
| | | <u>107,567</u> | | <u>108,274</u> |
| Changes in operating assets and liabilities | | | | |
| Increase in trade accounts and notes receivable | | (5,177) | | (47,673) |
| Decrease (increase) in inventories | | 14,579 | | (104,083) |
| Decrease in other accounts receivable | | 39,525 | | 15,151 |
| Increase in accrued income | | (1,494) | | (1,158) |
| Decrease (increase) in advance payments | | 157 | | (327) |
| Increase in prepaid expenses | | (15,902) | | (8,349) |
| (Increase) decrease in deferred income tax assets | | (9,006) | | 5,954 |
| Increase in other current assets | | (2,486) | | (1,824) |
| Decrease in long-term trade accounts and notes receivable | | - | | 101 |
| Decrease in trade accounts and notes payable | | (1,234) | | (279) |
| Decrease in other accounts payable | | (21,444) | | (4,741) |
| Increase in accrued expenses | | 17,397 | | 21,477 |
| Increase (decrease) in income tax payable | | 46,832 | | (1,905) |
| (Decrease) increase in other current liabilities | | (12,330) | | 4,933 |
| Accrued severance benefits transferred from affiliated companies | | 251 | | 320 |
| Decrease in deferred income tax liabilities | | (1,191) | | (1,864) |
| Payment of severance benefits | | (11,522) | | (11,306) |
| Others, net | | 6,911 | | 6,520 |
| | | <u>43,866</u> | | <u>(129,053)</u> |
| Net cash provided by operating activities | | <u>264,460</u> | | <u>45,598</u> |

LG Chem, Ltd.
Non-Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2007 and 2006
(Unaudited)

(in millions of Korean won)

| | 2007 | | 2006 |
|--|------------------|---|------------------|
| Cash flows from investing activities | | | |
| Disposal of property, plant and equipment | ₩ 933 | ₩ | 1,114 |
| Disposal of long-term guarantee deposits, net | 181 | | 1,908 |
| Acquisition of property, plant and equipment | (146,506) | | (104,716) |
| Acquisition of equity-method investments | - | | (11,160) |
| Acquisition of intangible assets | (5,252) | | (4,577) |
| Others, net | 430 | | 574 |
| Net cash used in investing activities | <u>(150,214)</u> | | <u>(116,857)</u> |
| Cash flows from financing activities | | | |
| Repayment of short-term borrowings, net | (25,000) | | (25,717) |
| Repayment of current maturities of long-term debts | (118,931) | | (206,650) |
| Issuance of debentures | 94,059 | | 67,858 |
| Proceeds from long-term debts | 18,726 | | - |
| Others, net | (294) | | (1,497) |
| Net cash used in financing activities | <u>(31,440)</u> | | <u>(166,006)</u> |
| Cash flows from merger | | | |
| | <u>-</u> | | <u>181,507</u> |
| Net increase (decrease) in cash and cash equivalents | 82,806 | | (55,758) |
| Cash and cash equivalents | | | |
| Beginning of the period | 115,830 | | 189,445 |
| End of the period | <u>₩ 198,636</u> | ₩ | <u>133,687</u> |

The accompanying notes are an integral part of these non-consolidated financial statements.
See Report of Independent Accountants

LG Chem, Ltd.
Non-Consolidated Statements of Changes in Stockholders' Equity
Three-Month Period Ended March 31, 2007
(Unaudited)

(in millions of Korean won)

| | <u>Capital stock</u> | <u>Capital surplus</u> | <u>Capital adjustment</u> | <u>Accumulated other comprehensive Income</u> | <u>Retained earnings</u> | <u>Total</u> |
|--|--------------------------|----------------------------|-------------------------------|---|------------------------------|--------------------|
| Balance as of January 1, 2007 | 365,432 ₩ | 739,612 ₩ | (23,129) ₩ | (54,419) ₩ | 1,589,744 ₩ | 2,617,240 ₩ |
| Accumulated effects from changes in financial accounting standards (Note 2) | - | - | - | 10,025 | (3,905) | 6,120 |
| Dividends | - | - | - | - | (72,908) | (72,908) |
| Net income | - | - | - | - | 113,027 | 113,027 |
| Changes in equity arising from equity-method investments (Note 15) | - | - | - | 7,165 | - | 7,165 |
| Balance as of March 31, 2007 | <u>365,432 ₩</u> | <u>739,612 ₩</u> | <u>(23,129) ₩</u> | <u>(37,229) ₩</u> | <u>1,625,958 ₩</u> | <u>2,670,644 ₩</u> |

The accompanying notes are an integral part of these non-consolidated financial statements.
See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

1. The Company

The Company was spun off from LG Chem Investment Ltd. (formerly LG Chemical Ltd.) on April 1, 2001, and completed the registration process on April 3, 2001. The Company engages in the business of petrochemicals, industrial materials, and information and electronic materials. The Company has its manufacturing facilities in Yeosu, Cheongju, Ulsan, Naju, Onsan, Iksan, Daesan and Ochang.

The Company merged with LG Daesan Petrochemical Ltd. on January 1, 2006.

As of March 31, 2007 and December 31, 2006, the Company has an outstanding capital stock of ₩365,432 million, including preferred stock of ₩43,306 million. The Company has been listed on the Korea Stock Exchange since April 25, 2001.

The Company is authorized to issue 292 million shares of common stock at ₩5,000 per share. As of March 31, 2007 and December 31, 2006, the Company has issued 64,425,064 common shares and 8,661,251 preferred shares. Preferred shareholders have no voting rights but are entitled to dividends at a rate 1% more than those paid to common shareholders.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statements Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language, in conformity with financial accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. The Company's interim financial statements have been prepared in accordance with the SKFAS including Nos. 1 through 23 (excluding No.14). The significant accounting policies adopted for the preparation of the Company's interim financial statements are identical to those adopted for the financial statements for the year ended December 31, 2006, except for SKFAS Nos. 11, 21 through 23 which became effective for the Company on January 1, 2007. However, the non-consolidated statement of changes in shareholders' equity is only presented this year and is not stated for comparative purposes in accordance with the addendum of SKFAS No. 21.

Restatement of Prior Year Financial Statements

The Company's interim financial statements have been prepared in accordance with the new standards of the KAI Opinion 06-2 and the Practical Opinion about Financial Report 2006-5. Consequently, the Company restated its financial statements as of and for the year ended December 31, 2006, in accordance with the SKFAS No. 1. As a result, retained earnings decreased by ₩3,905 million and accumulated other comprehensive income increased by ₩10,025 million as of January 1, 2007, respectively. The financial statements as of and for the year ended December 31, 2005 also have been retroactively restated to reflect the changes, resulting in decrease of retained earnings by ₩1,123 million, and increase of accumulated other comprehensive income by ₩7,339 million as of January 1, 2006.

The effects on the financial statements caused by the above changes, as of and for the three-month periods ended March 31, 2007 and 2006, and as of and for the years ended December 31, 2006 and 2005, are as follows:

(in millions of Korean won, except per share amounts)

| | 2007 1Quarter | | 2006 | | 2006 1Quarter | | 2005 | |
|---|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Before adjustment | After adjustment |
| Income from continuing operations | ₩116,607 | ₩117,238 | ₩320,088 | ₩317,306 | ₩68,279 | ₩66,499 | ¹ | ¹ |
| Net income | 112,396 | 113,027 | 318,782 | 316,000 | 68,157 | 66,377 | 400,258 | 403,611 |
| Income from continuing operations per share (won) | 1,607 | 1,616 | 4,411 | 4,372 | 941 | 916 | ¹ | ¹ |
| Earnings per share (won) | 1,549 | 1,558 | 4,392 | 4,354 | 939 | 914 | 5,501 | 5,547 |
| Valuation of equity-method investments | (46,108) | (37,229) | (54,419) | (44,394) | (25,531) | (17,212) | (4,934) | 2,405 |

¹ Not applicable for 2005.

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

3. Restricted Bank Deposits

As of March 31, 2007, long-term financial instruments of ₩55 million are deposited in connection with bank overdraft agreements (December 31, 2006: ₩60 million). The withdrawal of these deposits is restricted.

Further, the withdrawal of group severance insurance deposits is restricted to employees' severance payments.

4. Receivables

Receivables and allowance for doubtful accounts as of March 31, 2007 and December 31, 2006, consist of the following:

(in millions of Korean won)

| | 2007 | 2006 |
|---|------------------|------------------|
| Trade accounts and notes receivable | ₩ 863,457 | ₩ 864,339 |
| Less : Allowance for doubtful accounts | (45,668) | (45,955) |
| | <u>₩ 817,789</u> | <u>₩ 818,384</u> |
| Other accounts receivable | ₩ 129,085 | ₩ 145,889 |
| Less : Allowance for doubtful accounts | (24,719) | (24,719) |
| Less : Present value discount | (21) | (28) |
| | <u>₩ 104,345</u> | <u>₩ 121,142</u> |
| Long-term trade accounts and notes receivable | ₩ 500 | ₩ 550 |
| Less : Allowance for doubtful accounts | (76) | (85) |
| | <u>₩ 424</u> | <u>₩ 465</u> |
| Long-term other accounts receivable | 1,187 | 1,188 |
| Less : Present value discount | (121) | (134) |
| | <u>₩ 1,066</u> | <u>₩ 1,054</u> |

As of March 31, 2007, 2nd beneficiary certificates acquired from the trust companies, amounting to ₩113,838 million (December 31, 2006: ₩123,761 million), are included in the trade accounts receivable (Note 12).

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

5. Inventories

Inventories as of March 31, 2007 and December 31, 2006, consist of the following:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|---|------------------|------------------|
| Merchandise, net of valuation allowance of ₩1,080 million (December 31, 2006: ₩649 million) | ₩ 42,842 | ₩ 47,064 |
| Finished products, net of valuation allowance of ₩14,416 million (December 31, 2006: ₩11,973 million) | 352,002 | 375,421 |
| Work-in-process | 127,303 | 104,860 |
| Raw materials, net of valuation allowance of ₩554 million (December 31, 2006: ₩414 million) | 208,170 | 212,788 |
| Supplies | 34,068 | 30,559 |
| Materials-in-transit | 90,433 | 98,446 |
| | <u>₩ 854,818</u> | <u>₩ 869,138</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

6. Equity-Method Investments

Equity-method investments as of March 31, 2007 and December 31, 2006, are summarized as follows:

| Investee ³ | Percentage of Ownership (%) | | Acquisition Cost | | Book Value | | Fair Value or Net Asset Value | |
|---|------------------------------------|--------|------------------|-----------------|------------------|------------------|-------------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | <i>(in millions of Korean won)</i> | | | | | | | |
| LG Petrochemical Co., Ltd. ¹ | 40.00 | 40.00 | ₩ 153,790 | ₩ 153,790 | ₩ 365,173 | ₩ 352,579 | ₩ 359,115 | ₩ 342,029 |
| Tianjin LG Dagu Chemical Co., Ltd. | 75.00 | 75.00 | 17,440 | 17,440 | 20,109 | 21,465 | 20,099 | 21,502 |
| Tianjin LG New Building Materials Co., Ltd. | 82.80 | 82.80 | 20,341 | 20,341 | 18,437 | 16,849 | 23,189 | 21,609 |
| Tianjin LG Window & Door Co., Ltd. | 90.00 | 90.00 | 13,308 | 13,308 | 7,732 | 7,689 | 8,991 | 8,955 |
| Ningbo LG Yongxing Chemical Co., Ltd. | 75.00 | 75.00 | 95,237 | 95,237 | 123,317 | 112,539 | 122,651 | 111,924 |
| LG Chemical India Pvt. Ltd. | 100.00 | 100.00 | 31,466 | 31,466 | 43,010 | 40,906 | 43,009 | 40,906 |
| LG Chemical Hong Kong Ltd. | 100.00 | 100.00 | 254 | 254 | 6,993 | 6,669 | 6,597 | 6,120 |
| LG Vina Chemical J/V Company | 40.00 | 40.00 | 1,194 | 1,194 | 2,376 | 2,239 | 2,863 | 2,549 |
| LG Chem America, Inc. | 100.00 | 100.00 | 9,596 | 9,596 | 4,339 | 5,200 | 7,314 | 8,388 |
| M. Dohmen S.A. | 49.00 | 49.00 | 43,203 | 43,203 | 993 | 993 | 14,835 | 14,835 |
| SEETEC Co., Ltd. | 50.00 | 50.00 | 36,643 | 36,643 | 57,986 | 54,749 | 151,878 | 152,280 |
| LG Dow Polycarbonate Ltd. | 50.00 | 50.00 | 36,794 | 36,794 | 80,764 | 80,246 | 79,542 | 79,287 |
| LG Chemical (Guangzhou) Engineering Plastics Co., Ltd. | 100.00 | 100.00 | 10,486 | 10,486 | 12,093 | 11,301 | 12,092 | 11,325 |
| LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. | 73.43 | 73.43 | 43,296 | 43,296 | 22,464 | 21,370 | 36,348 | 35,687 |
| LG Chem Trading (Shanghai) Co., Ltd. | 100.00 | 100.00 | 3,503 | 3,503 | 1,678 | 1,653 | 1,694 | 1,656 |
| LG Chem (China) Investment Co., Ltd. | 100.00 | 100.00 | 40,340 | 40,340 | 40,439 | 40,298 | 40,438 | 40,298 |
| LG Chem (Taiwan), Ltd. | 100.00 | 100.00 | 2,291 | 2,291 | - | 1,158 | 1,970 | 4,341 |
| LG Chem Industrial Materials Inc. | 100.00 | 100.00 | 17,846 | 17,846 | 9,116 | 9,850 | 9,297 | 10,229 |
| LG Chem Europe Sarl | 100.00 | 100.00 | 5,635 | 5,635 | 1,441 | 1,441 | 1,441 | 1,441 |
| LG Holdings (HK) Ltd. ² | 18.18 | 18.18 | 41,582 | 41,582 | 28,551 | 28,682 | 25,671 | 25,802 |
| Ningbo LG Yongxing Latex Co., Ltd. | 75.00 | 75.00 | 6,843 | 6,843 | 4,655 | 4,748 | 4,671 | 4,759 |
| Compact Power Inc. | 81.00 | 81.00 | 4,635 | 4,635 | 708 | 545 | 708 | 545 |
| LG Chem (Tianjin) Engineering Plastics Co., Ltd. | 90.00 | 90.00 | 5,589 | 5,589 | 5,221 | 4,639 | 5,842 | 5,419 |
| LG Chem Display Materials (Beijing) Co., Ltd. | 90.00 | 90.00 | 6,865 | 6,865 | 5,374 | 4,977 | 6,132 | 5,526 |
| Tianjin LG Bohai Chemical Co., Ltd. | 43.89 | 43.89 | 38,445 | 38,445 | 38,175 | 37,294 | 48,269 | 47,377 |
| LG Chem Europe GmbH | 100.00 | 100.00 | 1,927 | 1,927 | 2,634 | 933 | 2,883 | 1,964 |
| LG Chem Brasil, Ltd. | 100.00 | 100.00 | 258 | 258 | 258 | 258 | 258 | 258 |
| LG Chem Poland Sp. Z.O.O | 100.00 | 100.00 | 5,790 | 5,790 | 5,713 | 5,352 | 5,703 | 5,352 |
| | | | <u>₩694,597</u> | <u>₩694,597</u> | <u>₩ 909,749</u> | <u>₩ 876,622</u> | <u>₩1,043,500</u> | <u>₩1,012,363</u> |

¹ As of March 31, 2007, the market value of the shares of LG Petrochemical Co., Ltd. owned by the Company amounted to ₩501,720 million.

² This investment is classified as an equity-method investment as the combined percentage of ownership of the Company and LG Electronics Inc., a consolidated subsidiary of LG Corp., exceeds 20%.

³ As of March 31, 2007, the Company has control over all the investees, except for M. Dohmen S.A., SEETEC Co., Ltd. and LG Holdings (HK) Ltd.

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

7. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2007 and December 31, 2006, consist of the following:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|------------------------------------|--------------------|--------------------|
| Buildings | ₩ 950,498 | ₩ 925,972 |
| Structures | 373,204 | 366,588 |
| Machinery and equipment | 3,719,028 | 3,737,563 |
| Vehicles | 27,132 | 26,356 |
| Tools and furniture | 614,798 | 596,301 |
| Others | 12,935 | 12,935 |
| | <u>5,697,595</u> | <u>5,665,715</u> |
| Accumulated depreciation | (3,400,165) | (3,346,920) |
| Accumulated impairment loss | (16,579) | (19,510) |
| | <u>2,280,851</u> | <u>2,299,285</u> |
| Land | 430,183 | 430,480 |
| Construction-in-progress | 345,788 | 324,841 |
| Machinery-in-transit | 53,768 | 44,416 |
| | <u>₩ 3,110,590</u> | <u>₩ 3,099,022</u> |

As of March 31, 2007, certain property, plant and equipment have been pledged as collateral for bank loans up to a maximum of ₩358,894 million (December 31, 2006: ₩356,988 million).

8. Intangible Assets

Intangible assets as of March 31, 2007 and December 31, 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|------------------------------------|--------------------|--------------------|
| Intellectual property rights | ₩ 19,850 | ₩ 17,761 |
| Exclusive facility use rights | 1,392 | 1,443 |
| Development costs, net | 64,760 | 66,345 |
| Others | 14,195 | 14,818 |
| Negative goodwill | (303,564) | (313,357) |
| | <u>₩ (203,367)</u> | <u>₩ (212,990)</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

9. Debentures

Debentures as of March 31, 2007 and December 31, 2006, consist of the following:

| <i>(in millions of Korean won)</i> | Annual Interest Rate (%) | | | 2007 | | 2006 |
|--|---------------------------------|----------------|---|------------------|---|------------------|
| | 2007 | 2006 | | | | |
| Publicly offered debentures, payable through 2013 | 3.5~5.02 | 3.5~5.02 | ₩ | 880,000 | ₩ | 980,000 |
| Privately offered debentures, payable through 2009 | 5.02~5.32 | 5.02~5.32 | | 100,000 | | 100,000 |
| Foreign debentures, payable through 2010 ¹ | LIBOR+0.2-0.95 | LIBOR+0.4-0.95 | | 310,299 | | 213,808 |
| | | | | <u>1,290,299</u> | | <u>1,293,808</u> |
| Less : Current maturities | | | | (453,433) | | (374,368) |
| Discount on debentures issued | | | | <u>(4,597)</u> | | <u>(5,642)</u> |
| | | | ₩ | <u>832,269</u> | ₩ | <u>913,798</u> |

¹ Floating rate notes were issued on March 11, 2005 to mature on March 11, 2008; and on May 25, 2005 to mature on November 25, 2007 and November 25, 2008. Term notes issued on June 24, 2004 will mature on June 24, 2007, while term notes issued on March 23, 2006, will mature on September 23, 2008 and September 23, 2009. Furthermore, the Company issued floating rate notes on March 20, 2007, and will redeem these on September 23, 2009 and September 17, 2010.

10. Accrued Severance Benefits

Accrued severance benefits as of March 31, 2007 and December 31, 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007 | | 2006 | |
|---|-------------|----------------|-------------|----------------|
| Provision for severance benefits | ₩ | 252,470 | ₩ | 246,543 |
| Less: Group severance insurance deposits | | (138,293) | | (144,394) |
| Contribution to National Pension Plan | | <u>(3,565)</u> | | <u>(3,734)</u> |
| Ending balance | ₩ | <u>110,612</u> | ₩ | <u>98,415</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

11. Stock Options

Based on the Commercial Code of Korea, the Company may grant stock options to directors and employees who have contributed or can contribute to the Company's establishment, management, overseas business or technology renovation through a resolution of the Board of Directors or Shareholders. In 2005, the Company granted stock options pursuant to the resolution of the Board of Directors.

Details of the stock options granted are as follows:

| Grant date | Number of Common Shares Granted | Grant Method | Exercise Price per share (in Korean won) | Exercise Period |
|-------------------|--|--------------------------------|---|----------------------------------|
| March 25, 2005 | 221,000 | To compensate price difference | ₩ 42,530 | March 26, 2008 to March 25, 2012 |

¹ In 2005, stock options for 347,000 shares were forfeited due to the early termination of employment of the related employees.

During the current period, the Company recognized ₩739 million in stock compensation expense.

12. Commitments and Contingencies

As of March 31, 2007, the Company has provided a joint guarantee for obligations existing prior to the spin-off, which are assumed by LG Corp. (formerly LG Chem Investment Ltd.) and LG Household & Health Care Ltd. Also, the Company has provided a joint guarantee for obligations outstanding on January 1, 2005 for Lotte Daesan Petrochemical Ltd. and SEETEC Co., Ltd. In addition, the Company has provided financial guarantee to customers.

As of March 31, 2007, the Company has been provided with guarantees from Seoul Guarantee Insurance for the execution of supply contracts.

As of March 31, 2007, the Company has provided one blank promissory note to the Korea National Oil Corporation as a collateral in relation to petroleum import surcharges.

The Company has guaranteed repayments of various obligations of subsidiaries and affiliated companies. The outstanding balances of such guarantees as of March 31, 2007, amounted to ₩125,660 million (Note 17).

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

As of March 31, 2007, the Company is contingently liable for notes receivable from export sales which were discounted through financial institutions in the ordinary course of business amounting to ₩445,251 million. Also, as of March 31, 2007, the Company is contingently liable for trade accounts receivable transferred to the special purpose companies amounting to ₩273,838 million (Note 4).

As of March 31, 2007, the Company has bank overdraft agreements with several banks for up to ₩77,100 million. The Company has also entered into contracts with several financial institutions to open letters of credit for up to ₩88,600 million and US \$ 602 million. The Company has entered into contracts with several financial institutions for discounting notes from export for up to ₩10,000 million and US \$ 740 million, and for other notes up to ₩100,000 million.

As of March 31, 2007, the Company has technical importation contracts with companies like Goodyear Tire & Rubber Company for the production of polymer and rubber products. The Company has also entered into technical contracts for technologies and consultation in relation to the manufacture of certain products.

On January 1, 2005, the Company entered into a contract with LG Corp. to use trademarks on the products that the Company manufactures and sells and on the services the Company provides in relation to its business.

As of March 31, 2007, the Company has a long-term purchase contract for certain raw materials and was provided with US \$ 3,858 thousand as a guarantee for the contract performance.

The Company has interest rate swap, currency swap, forward exchange contracts and options for hedging against fluctuations in foreign exchange rates and interest rates. As of March 31, 2007, the Company's outstanding contracts and options include currency swap of US\$152 million. As of December 31, 2006, the Company had currency swap of US\$152 million.

As of March 31, 2007, the Company has been named as a defendant and plaintiff in various legal actions. Management believes that these legal actions will not have a material adverse impact on the Company's operations or financial position although the outcome of these legal actions is uncertain.

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

13. Retained earnings

Retained earnings as of March 31, 2007 and December 31, 2006, consist of:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|--------------------------------------|--------------------|--------------------|
| Appropriations | | |
| Legal reserve | ₩ 56,729 | ₩ 49,438 |
| Reserve for business rationalization | 4,000 | 4,000 |
| Reserve for technology development | 997,664 | 840,877 |
| Reserve for investment losses | 246,313 | 164,522 |
| Voluntary reserve | 212,120 | 212,120 |
| | <u>₩ 1,516,826</u> | <u>₩ 1,270,957</u> |
| Unappropriated retained earnings | 109,132 | 314,882 |
| | <u>₩ 1,625,958</u> | <u>₩ 1,585,839</u> |

14. Cost of Sales

Cost of sales for the three-month periods ended March 31, 2007 and 2006, are as follows :

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|------------------------------------|--------------------|--------------------|
| Products | | |
| Beginning balance of inventories | ₩ 480,039 | ₩ 455,918 |
| Cost of goods manufactured | 1,690,964 | 1,679,617 |
| Ending balance of inventories | (479,070) | (540,743) |
| | <u>1,691,933</u> | <u>1,594,792</u> |
| Other | (13,262) | (16,530) |
| Discontinued operations | (2,593) | (3,443) |
| | <u>₩ 1,676,078</u> | <u>₩ 1,574,819</u> |
| Merchandise | | |
| Beginning balance of inventories | ₩ 47,064 | ₩ 37,294 |
| Purchases | 327,868 | 239,174 |
| Ending balance of inventories | (42,842) | (34,094) |
| | <u>332,090</u> | <u>242,374</u> |
| Discontinued operations | (9) | (6) |
| | <u>₩ 332,081</u> | <u>₩ 242,368</u> |
| Others | <u>₩ 6,204</u> | <u>₩ 2,333</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

15. Comprehensive Income

Comprehensive income for the three-month periods ended March 31, 2007 and 2006, are as follows :

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|--|------------------|-----------------|
| Net income | ₩ 113,027 | ₩ 66,377 |
| Other comprehensive income | | |
| Increase from equity-method investments, net of tax effects of ₩1,190 million (2006: ₩5,055 million) | 7,165 | (19,627) |
| Comprehensive income | <u>₩ 120,192</u> | <u>₩ 46,750</u> |

16. Earnings Per Share

Basic income from continuing operations per share and earnings per share for the year ended December 31, 2006, were ₩4,372 and ₩4,354

Basic income from continuing operations per share and earnings per share for the three-month periods ended March 31, 2007 and 2006, are computed as follows:

| <i>(in millions of Korean won, except per share amounts)</i> | 2007 | 2006 |
|---|-------------------|-------------------|
| Income from continuing operations | ₩ 117,238 | ₩ 66,499 |
| Preferred stock dividends ¹ | (2,273) | (2,814) |
| Preferred stock share in the remaining profit available for dividend | <u>(11,827)</u> | <u>(5,225)</u> |
| Income from continuing operations available for common stock (A) | ₩ 103,138 | ₩ 58,460 |
| Weighted average number of shares of outstanding common stock (B) ² | <u>63,818,182</u> | <u>63,818,183</u> |
| Basic income from continuing operations per share (A/B) | <u>₩ 1,616</u> | <u>₩ 916</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

(in millions of Korean won, except per share amounts)

| | 2007 | 2006 |
|--|-------------|-------------|
| Net income | ₩ 113,027 | ₩ 66,377 |
| Preferred stock dividends ¹ | (2,273) | (2,814) |
| Preferred stock share in the remaining profit available for dividend | (11,324) | (5,210) |
| Net income available for common stock (A) | ₩ 99,430 | ₩ 58,353 |
| Weighted average number of shares of outstanding common stock (B) ² | 63,818,182 | 63,818,183 |
| Basic earnings per share (A/B) | ₩ 1,558 | ₩ 914 |

¹ Preferred stock dividends were assumed to be one-fourth of the dividends paid for the previous years.

² Excludes treasury stock.

There are no outstanding convertible bonds or other dilutive securities as of March 31, 2007 and 2006. Accordingly, basic earnings and income from continuing operations per share are identical to fully diluted earnings and income from continuing operations per share.

Basic and diluted loss from discontinued operations per share for the three-month periods ended March 31, 2007 and 2006, are computed as follows:

(in millions of Korean won, except per share amounts)

| | 2007 | 2006 |
|---|-------------|-------------|
| Loss from discontinued operations per share | ₩ 58 | ₩ 2 |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

17. Related Party Transactions

LG Corp. is the Parent of the Company, and issues the consolidated financial statements.

Significant transactions, which occurred in the ordinary course of business with related companies for the three-month periods ended March 31, 2007 and 2006, and the related account balances as of March 31, 2007 and December 31, 2006, are summarized as follows:

| <i>(in millions of Korean won)</i> | Sales | Purchases | Receivables⁴ | Payables |
|--------------------------------------|------------------|------------------|--------------------------------|------------------|
| Controlling company | ₩ - | ₩ 6,663 | ₩ 6,668 | ₩ 26,363 |
| Subsidiaries ^{1,2} | 253,818 | 427,075 | 19,469 | 218,790 |
| Equity method investees ¹ | 8,251 | 37,620 | 3,010 | 15,919 |
| Other related companies ³ | 352,850 | 116,831 | 263,928 | 95,585 |
| 2007 Total | <u>₩ 614,919</u> | <u>₩ 588,189</u> | <u>₩ 293,075</u> | <u>₩ 356,657</u> |
| 2006 Total | <u>₩ 566,856</u> | <u>₩ 593,074</u> | <u>₩ 278,056</u> | <u>₩ 332,563</u> |

¹ Please refer to Note 6 for percentage of ownership, acquisition cost, net asset value and book value of the Company's investments in its subsidiaries.

² Includes LG Solid Source, LLC, a subsidiary of LG Chem America Inc., and Ningbo Bond International Trade, a subsidiary of Ningbo LG Yongxing Chemical Co., Ltd.

³ Includes LG. Philips LCD Co., Ltd. and LG Electronics Inc.

⁴ Allowance for doubtful accounts for the outstanding balance as of March 31, 2007, amounts to ₩2,278 million. Reversal of bad debt allowance recognized in the current period is ₩66 million.

Compensation for key management officers for three-month period ended March 31, 2007 and 2006, consists of:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|--|----------------|----------------|
| Short-term employee benefits | ₩ 5,921 | ₩ 4,956 |
| Post-employment benefits | 751 | 949 |
| Other long-term employee benefits | 640 | - |
| Share-based payments (Reversal of share-based compensation) | 739 | (652) |
| Total | <u>₩ 8,051</u> | <u>₩ 5,253</u> |

Key management officers include directors and audit committee members having duties and responsibilities over planning, operations and control of the Company's business activities.

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

The details of guarantees provided by the Company as of March 31, 2007 and December 31, 2006, are as follows:

(in millions of Korean won)

| | | 2007 | |
|---|----------------------------|------------------------------|--------------------------------|
| Guarantee Beneficiary | Amount of Guarantee | Financial Institution | Outstanding Loan Amount |
| LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. | ₩ 23,508 | Bank of China | ₩ 23,508 |
| | 18,806 | Woori Bank | 18,806 |
| LG Chem Industrial Materials Inc. | 23,790 | Wachovia Bank | 23,790 |
| LG Chem Europe GmbH | 3,762 | Societe Generale | - |
| Tianjin LG Bohai Chemical Co., Ltd. | 37,612 | Export-Import Bank of Korea | 18,806 |
| LG Chem Poland Sp.Z.O.O | 12,539 | Export-Import Bank of Korea | 12,539 |
| | 5,643 | Nordea Bank | 2,508 |
| | <u>₩ 125,660</u> | | <u>₩ 99,957</u> |

(in millions of Korean won)

| | | 2006 | |
|---|----------------------------|------------------------------|--------------------------------|
| Guarantee Beneficiary | Amount of Guarantee | Financial Institution | Outstanding Loan Amount |
| LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. | ₩ 23,240 | Bank of China | ₩ 23,240 |
| | 18,592 | Woori Bank | 18,592 |
| LG Chem Industrial Materials Inc. | 23,519 | Wachovia Bank | 23,519 |
| LG Chem Europe GmbH | 3,667 | Societe Generale | - |
| Tianjin LG Bohai Chemical Co., Ltd. | 37,184 | Export-Import Bank of Korea | 18,592 |
| LG Chem Poland Sp.Z.O.O | 12,222 | Export-Import Bank of Korea | 12,222 |
| | <u>₩ 118,424</u> | | <u>₩ 96,165</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

18. Segment Information

The Company defines its segments by the nature of its products and services.

(1) Industry Segment Information

| Industry | Products or Services | Major Customers |
|------------------------------------|--|---|
| Petrochemicals | PE, PVC, VCM, alcohol, plasticizers, ABS/PS, EPS, MBS, SBL, EP, ethylene, propylene and others | LG Electronics Inc. Daewoo Electronics Co., Ltd. Kia Motors Corp. Youlchon Chemical Co., Ltd. National Plastic Co., Ltd. and others |
| Industrial Materials | Hi Sash, UBR, wall coverings, living materials, building materials and others | Hyundai Motors Co., Ltd. GM Daewoo Auto & Technology Company Distributors and wholesalers |
| Information & Electronic Materials | Batteries, Polarizers | LG Electronics Inc. LG. Philips LCD Co., Ltd. and others |

Financial information on industry segments for the three-month periods ended March 31, 2007 and 2006, follows:

| <i>(in millions of Korean won)</i> | 2007 | | | | |
|--|-----------------------|-----------------------------|---|------------------|--------------------|
| | Petrochemicals | Industrial Materials | Information & Electronic Materials | Others | Total |
| Sales | | | | | |
| External sales ¹ | ₩ 1,438,505 | ₩ 499,769 | ₩ 437,713 | ₩ 4,748 | ₩ 2,380,735 |
| Inter-segment sales | 59,833 | 76 | 583 | 32,919 | 93,411 |
| | <u>₩ 1,498,338</u> | <u>₩ 499,845</u> | <u>₩ 438,296</u> | <u>₩ 37,667</u> | <u>₩ 2,474,146</u> |
| Operating income | <u>₩ 89,043</u> | <u>₩ 30,070</u> | <u>₩ 7,593</u> | <u>₩ 212</u> | <u>₩ 126,918</u> |
| Property, plant and equipment and intangible assets ² | <u>₩ 1,428,152</u> | <u>₩ 446,248</u> | <u>₩ 896,571</u> | <u>₩ 439,816</u> | <u>₩ 3,210,787</u> |
| Depreciation and amortization | <u>₩ 75,509</u> | <u>₩ 15,553</u> | <u>₩ 36,550</u> | <u>₩ 945</u> | <u>₩ 128,557</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

| <i>(in millions of Korean won)</i> | 2006 | | | | |
|--|-----------------------|-----------------------------|---|------------------|-------------------|
| | Petrochemicals | Industrial Materials | Information & Electronic Materials | Others | Total |
| Sales | | | | | |
| External sales ¹ | ₩ 1,295,552 | ₩ 466,594 | ₩ 359,736 | ₩ 3,213 | ₩2,125,095 |
| Inter-segment sales | 69,295 | 5,452 | 1,487 | 69,238 | 145,472 |
| | <u>₩1,364,847</u> | <u>₩ 472,046</u> | <u>₩ 361,223</u> | <u>₩ 72,451</u> | <u>₩2,270,567</u> |
| Operating income | <u>₩ 27,525</u> | <u>₩ 27,717</u> | <u>₩ 10,542</u> | <u>₩ 42</u> | <u>₩ 65,826</u> |
| Property, plant and equipment and intangible assets ² | <u>₩1,467,099</u> | <u>₩ 444,976</u> | <u>₩ 854,960</u> | <u>₩ 416,001</u> | <u>₩3,183,036</u> |
| Depreciation and Amortization | <u>₩ 85,074</u> | <u>₩ 15,734</u> | <u>₩ 30,973</u> | <u>₩ 960</u> | <u>₩ 132,741</u> |

¹ External sales of continuing operations.

² Excludes negative goodwill, incurred from merger, which is deducted from intangible assets.

(2) Geographical Segment Information

The sales by geographical segments for the three-month periods ended March 31, 2007 and 2006, are as follows:

| | <i>(in millions of Korean won)</i> | | | | | | | |
|------|------------------------------------|-----------------|----------------------|----------------------|------------------------|-----------------------|-----------------|-------------------|
| | Domestic¹ | China | North America | South America | South-East Asia | Western Europe | Others | Total |
| 2007 | <u>₩1,316,920</u> | <u>₩608,900</u> | <u>₩ 70,306</u> | <u>₩17,185</u> | <u>₩57,073</u> | <u>₩97,449</u> | <u>₩212,902</u> | <u>₩2,380,735</u> |
| 2006 | <u>₩1,254,786</u> | <u>₩464,530</u> | <u>₩103,379</u> | <u>₩29,492</u> | <u>₩53,245</u> | <u>₩67,729</u> | <u>₩151,934</u> | <u>₩2,125,095</u> |

¹ Domestic sales include the exports made based on local letters of credit.

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

19. Discontinued Operations

The Company will sell its safety materials business as approved by the CEO of the Company. The Company expects the disposal date to be June 30, 2007.

The loss before tax from discontinued operations of the safety materials business for the three-month periods ended March 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|--|----------------|--------------|
| Impairment loss on discontinued operations | ₩ 3,256 | ₩ - |
| Loss from the safety materials business ¹ | 2,553 | 169 |
| Loss before tax from discontinued operations | <u>₩ 5,809</u> | <u>₩ 169</u> |

¹ Excludes impairment loss on discontinued operations.

Book value of the expected assets which will be disposed of, as of March 31, 2007 and December 31, 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|------------------------------------|----------------|-----------------|
| Inventories | ₩ 1,585 | ₩ 2,313 |
| Property, plant and equipment | 5,661 | 9,165 |
| | <u>₩ 7,246</u> | <u>₩ 11,478</u> |

The income statements of the safety materials business excluding impairment loss on discontinued operations for the three-month periods ended March 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|---|------------------|----------------|
| Sales | ₩ 1,743 | ₩ 3,985 |
| Cost of sales | (2,602) | (3,452) |
| Gross profit (loss) | ₩ (859) | ₩ 533 |
| Selling and administrative expenses | (1,739) | (810) |
| Operating loss | ₩ (2,598) | ₩ (277) |
| Non-operating income | 141 | 213 |
| Non-operating expenses | (96) | (105) |
| Loss from the safety materials business | <u>₩ (2,553)</u> | <u>₩ (169)</u> |

See Report of Independent Accountants

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
March 31, 2007 and 2006, and December 31, 2006
(Unaudited)

The loss after tax from discontinued operations on the safety materials business for the three-month periods ended March 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|--|----------------|--------------|
| Loss before tax from discontinued operations | ₩ 5,809 | ₩ 169 |
| Income tax effects | (1,598) | (47) |
| Loss after tax from discontinued operations | <u>₩ 4,211</u> | <u>₩ 122</u> |

Cash flows from the safety materials business for the three-month periods ended March 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007 | 2006 |
|--------------------------------------|-------------|-------------|
| Cash flows from operating activities | ₩ 352 | ₩ (408) |
| Cash flows from investing activities | 88 | 76 |
| Cash flows from financing activities | (440) | 332 |
| Total | <u>₩ -</u> | <u>₩ -</u> |

20. Reclassification of Prior Period Financial Statements

Due to the adoption of SKFAS No.21, certain amounts in the December 31, 2006 and March 31, 2006 financial statements were reclassified to conform with the March 31, 2007 financial statement presentation. These reclassifications had no effect on the previously reported net income, shareholders' equity or cash flows.