

**LG Chem, Ltd.**  
**Interim Financial Statements**  
**March 31, 2008 and 2007**

**LG Chem, Ltd.**  
**Index**  
**March 31, 2008 and 2007, and December 31, 2007**

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## 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, 2008, the related non-consolidated statements of income, changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2008 and 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 interim 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 non-consolidated interim financial statements referred to above 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, 2007 and the related non-consolidated statements of income, appropriations of retained earnings, statements of changes in shareholders' equity 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 13, 2008. These non-consolidated financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2007, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2007.

# 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, changes in shareholders' equity 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, 2008

This report is effective as of May 14, 2008, 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 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, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	₩ 326,170	₩ 466,438
Short-term investments	6,423	106,412
Trade accounts and notes receivable, net (Notes 4, 12 and 17)	1,309,374	977,305
Other accounts receivable, net (Note 4)	163,556	98,400
Accrued income	3,846	3,734
Advance payments	3,216	2,796
Prepaid expenses	19,954	14,826
Inventories, net (Note 5)	1,154,012	1,167,837
Deferred income tax assets	14,251	23,237
Other current assets	1,687	902
Total current assets	3,002,489	2,861,887
Long-term financial instruments (Note 3)	65	68
Investment securities	1,912	1,912
Equity-method investments (Note 6)	692,697	634,498
Derivative instrument debit (Note 12)	5,300	1,035
Long-term loans receivable	235	242
Property, plant and equipment, net (Notes 7 and 18)	3,572,784	3,621,800
Intangible assets, net (Notes 8 and 18)	(174,984)	(182,776)
Long-term trade accounts and notes receivable, net (Note 4)	173	207
Long-term other accounts receivable, net (Note 4)	647	639
Long-term guarantee deposits	34,926	35,373
Long-term prepaid expenses	19,751	19,816
Other non-current assets	59,965	55,251
Total assets	₩ 7,215,960	₩ 7,049,952

**LG Chem, Ltd.**  
**Non-Consolidated Balance Sheets**  
**March 31, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Trade accounts and notes payable (Note 17)	₩ 835,339	₩ 749,401
Other accounts payable	478,052	559,180
Withholdings	51,594	58,948
Accrued expenses (Note 17)	69,016	37,333
Income tax payable	195,244	247,641
Dividends payable	167,046	40
Current maturities of long-term debts, net	157,315	366,283
Other current liabilities	10,265	11,381
Total current liabilities	1,963,871	2,030,207
Debentures, net (Note 9)	691,552	684,007
Long-term debts, net	420,003	307,304
Accrued severance benefits, net (Notes 3 and 10)	107,163	94,908
Deferred income tax liabilities	20,820	20,771
Derivative instrument credit (Note 12)	4,176	1,781
Other non-current liabilities	13,608	32,778
Total liabilities	3,221,193	3,171,756
Commitments and contingencies (Note 12)		
Shareholders' equity		
Common stock	376,194	376,194
Preferred stock	43,306	43,306
	419,500	419,500
Capital surplus		
Paid-in capital in excess of par value	1,052,640	1,052,640
Gain on disposal of treasury stock	841	841
Asset revaluation surplus	206,769	206,769
Other capital surplus	39,107	39,107
	1,299,357	1,299,357
Capital adjustment		
Treasury stock	(23,475)	(23,475)
Accumulated other comprehensive income (Notes 12 and 15)		
Gain on valuation of equity-method investments	28,467	9,744
Loss on valuation of equity-method investments	(8,448)	(26,066)
Valuation loss on cash flow hedge derivative instruments	(13,231)	-
	6,788	(16,322)
Retained earnings (Note 13)		
Legal reserve	73,429	56,729
Other reserves	1,958,693	1,460,097
Unappropriated retained earnings	260,475	682,310
	2,292,597	2,199,136
Total shareholders' equity	3,994,767	3,878,196
Total liabilities and shareholders' equity	₩ 7,215,960	₩ 7,049,952

The accompanying notes are an integral part of these non-consolidated financial statements.  
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**LG Chem, Ltd.**  
**Non-Consolidated Statements of Income**  
**Three-Month Periods Ended March 31, 2008 and 2007**  
**(Unaudited)**

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

	2008	2007
Sales (Notes 17 and 18)	₩ 3,448,084	₩ 2,379,043
Cost of sales (Notes 14 and 17)	2,796,791	2,013,322
Gross profit	651,293	365,721
Selling and administrative expenses (Note 17)	272,503	237,973
Operating income	378,790	127,748
<b>Non-operating income</b>		
Interest income	8,551	2,330
Foreign exchange gains	23,601	6,339
Gain on foreign currency translation	12,266	3,390
Gain on valuation of equity-method investments	23,413	52,926
Gain on disposal of property, plant and equipment	798	248
Reversal of negative goodwill	9,792	9,792
Reversal of compensation expenses associated with stock options (Notes 11 and 17)	4,353	-
Gain on valuation of derivative instruments (Note 12)	20,119	1,626
Others	4,980	6,148
	107,873	82,799
<b>Non-operating expenses</b>		
Interest expenses	17,295	19,095
Foreign exchange losses	41,088	8,936
Loss on foreign currency translation	48,512	6,320
Loss on disposal of trade accounts receivable	7,497	8,457
Loss on valuation of equity-method investments	9,886	5,554
Loss on disposal of property, plant and equipment	1,009	4,114
Loss on disposal of intangible assets	510	73
Donations	1,145	1,098
Others	5,320	498
	132,262	54,145
Income from continuing operations before income tax	354,401	156,402
<b>Tax expense on income from continuing operations</b>	95,969	38,571
Income from continuing operations	258,432	117,831
<b>Loss from discontinued operations (Note 19)</b>	-	4,804
Net income	₩ 258,432	₩ 113,027
<b>Per share data (in won) (Note 16)</b>		
Income from continuing operations per share	₩ 3,102	₩ 1,624
Earnings per share	₩ 3,102	₩ 1,558
Diluted income from continuing operations per share	₩ 3,102	₩ 1,624
Diluted earnings per share	₩ 3,102	₩ 1,558

The accompanying notes are an integral part of these non-consolidated financial statements.  
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**LG Chem, Ltd.**  
**Non-Consolidated Statements of Changes in Shareholders' Equity**  
**Three-Month Periods Ended March 31, 2008 and 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	-	-	-	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	-	-	-	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>
Balance as of January 1, 2008	₩ 419,500	₩ 1,299,357	₩ (23,475)	₩ (16,322)	₩ 2,199,136	₩ 3,878,196
Accumulated effects from changes in financial accounting standards (Note 2)	-	-	-	-	2,035	2,035
Dividends	-	-	-	-	(167,006)	(167,006)
Net income	-	-	-	-	258,432	258,432
Changes in equity arising from equity-method investments (Note 15)	-	-	-	36,341	-	36,341
Valuation loss on cash flow hedge derivative instruments (Notes 12 and 15)	-	-	-	(13,231)	-	(13,231)
Balance as of March 31, 2008	<u>₩ 419,500</u>	<u>₩ 1,299,357</u>	<u>₩ (23,475)</u>	<u>₩ 6,788</u>	<u>₩ 2,292,597</u>	<u>₩ 3,994,767</u>

The accompanying notes are an integral part of these non-consolidated financial statements.  
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**LG Chem, Ltd.**  
**Non-Consolidated Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2008 and 2007**  
**(Unaudited)**

*(in millions of Korean won)*

	2008	2007
<b>Cash flows from operating activities</b>		
Net income	₩ 258,432	₩ 113,027
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	102,726	128,156
Provision for severance benefits	17,096	16,997
Loss on foreign currency translation, net	37,941	3,558
Loss on disposal of trade accounts receivable	7,497	8,457
Gain on valuation of equity-method investments, net	(13,527)	(47,372)
Loss on disposal of property, plant and equipment, net	211	3,866
Loss on disposal of intangible assets	510	73
Gain on valuation of derivative instruments	(20,119)	(1,626)
Reversal of negative goodwill	(9,792)	(9,792)
Others, net	306	5,250
	<u>122,849</u>	<u>107,567</u>
<b>Changes in operating assets and liabilities</b>		
Increase in trade accounts and notes receivable	(332,505)	(5,177)
Decrease in inventories	15,097	14,579
Decrease (increase) in other accounts receivable	(10,521)	39,525
Increase in accrued income	(112)	(1,494)
Decrease (increase) in advance payments	(420)	157
Increase in prepaid expenses	(5,129)	(15,902)
Decrease (increase) in deferred income tax assets	9,264	(9,006)
Increase in other current assets	(753)	(2,486)
Increase (decrease) in trade accounts and notes payable	72,388	(1,234)
Decrease in other accounts payable	(82,513)	(21,444)
Increase in accrued expenses	17,023	17,397
Increase (decrease) in income tax payable	(52,398)	46,832
Decrease in other current liabilities	(8,470)	(12,330)
Accrued severance benefits transferred from affiliated companies	482	251
Decrease in deferred income tax liabilities	(1,342)	(1,191)
Payment of severance benefits	(12,846)	(11,522)
Others, net	7,477	6,911
	<u>(385,278)</u>	<u>43,866</u>
Net cash provided by (used in) operating activities	<u>(3,997)</u>	<u>264,460</u>

**LG Chem, Ltd.**  
**Non-Consolidated Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2008 and 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Cash flows from investing activities</b>		
Disposal (acquisition) of short-term investments, net	₩ 99,988	₩ (22)
Disposal of long-term guarantee deposits, net	472	181
Acquisition of property, plant and equipment, net	(107,679)	(145,573)
Acquisition of equity-method investments	(166)	-
Acquisition of intangible assets, net	(3,291)	(5,252)
Others, net	(2,954)	452
Net cash used in investing activities	<u>(13,630)</u>	<u>(150,214)</u>
<b>Cash flows from financing activities</b>		
Repayment of short-term borrowings, net	-	(25,000)
Repayment of current maturities of long-term debts	(216,465)	(118,931)
Issuance of debentures	-	94,059
Proceeds from long-term debts, net	93,980	18,726
Others, net	(156)	(294)
Net cash used in financing activities	<u>(122,641)</u>	<u>(31,440)</u>
Net increase (decrease) in cash and cash equivalents	(140,268)	82,806
<b>Cash and cash equivalents</b>		
Beginning of the period	466,438	115,830
End of the period	<u>₩ 326,170</u>	<u>₩ 198,636</u>

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The accompanying notes are an integral part of these non-consolidated financial statements.  
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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2008 and 2007, and December 31, 2007**  
**(Unaudited)**

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**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 and LG Petrochemical Co., Ltd. on November 1, 2007.

As of March 31, 2008 and December 31, 2007, the Company has an outstanding capital stock of ₩419,500 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 with par value of ₩5,000 per share. As of March 31, 2008 and December 31, 2007, the Company has issued 75,238,770 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.

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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
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**(Unaudited)**

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**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, except No.14. 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, 2007.

**Changes in Accounting Policy**

In the preparation of the Company's interim financial statements, the Company adopted the Korea Accounting Institute opinion on Korean Accounting Statement Implementation 06-2, *Accounting treatment for taxable temporary differences associated with investments in subsidiaries, associates, and interest in joint ventures*, which was revised on February 22, 2008. The financial statements as of and for the year ended December 31, 2007, have not been restated, and the effect of the change is shown as a one-time charge to the beginning balance of 2008. The effects of this change were an increase in retained earnings by ₩1,358 million, an increase in changes in equity arising from equity-method investments by ₩179 million, and a decrease in deferred income tax liabilities by ₩1,537 million as of December 31, 2006. Also, the effect of this change was a decrease in income tax expense by ₩677 million for the year ended December 31, 2007, a decrease in deferred income tax liabilities by ₩2,035 million, and an increase in retained earnings by ₩2,035 million as of December 31, 2007.

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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
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**(Unaudited)**

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**3. Restricted Bank Deposits**

As of March 31, 2008, long-term financial instruments of ₩65 million are deposited in connection with bank overdraft agreements (December 31, 2007: ₩68 million). The withdrawal of these deposits is restricted.

Further, the withdrawal of group severance insurance deposits is restricted to employees' severance payments (Note 10).

**4. Receivables**

Receivables and allowance for doubtful accounts as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Trade accounts and notes receivable	₩ 1,359,737	₩ 1,025,892
Less : Allowance for doubtful accounts	(50,363)	(48,587)
	<u>₩ 1,309,374</u>	<u>₩ 977,305</u>
Other accounts receivable	₩ 187,755	₩ 122,605
Less : Allowance for doubtful accounts	(24,169)	(24,169)
Less : Present value discount	(30)	(36)
	<u>₩ 163,556</u>	<u>₩ 98,400</u>
Long-term trade accounts and notes receivable	₩ 199	₩ 239
Less : Allowance for doubtful accounts	(26)	(32)
	<u>₩ 173</u>	<u>₩ 207</u>
Long-term other accounts receivable	₩ 685	₩ 685
Less : Present value discount	(38)	(46)
	<u>₩ 647</u>	<u>₩ 639</u>

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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2008 and 2007, and December 31, 2007**  
**(Unaudited)**

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**5. Inventories**

Inventories as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Merchandise, net of valuation allowance of ₩496 million (December 31, 2007: ₩607 million)	₩ 43,170	₩ 43,812
Finished products, net of valuation allowance of ₩5,123 million (December 31, 2007: ₩5,298 million)	511,507	528,350
Work-in-process	144,717	141,239
Raw materials, net of valuation allowance of ₩251 million (December 31, 2007: ₩335 million)	324,986	354,493
Supplies	40,378	37,089
Materials-in-transit	89,254	62,854
	<u>₩ 1,154,012</u>	<u>₩ 1,167,837</u>

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**LG Chem, Ltd.**  
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**(Unaudited)**

**6. Equity-Method Investments**

Equity-method investments as of March 31, 2008 and December 31, 2007, are summarized as follows:

Investee <sup>3</sup>	Percentage of Ownership (%)		Acquisition Cost		Book Value		Fair Value or Net Asset Value	
	2008	2007	2008	2007	2008	2007	2008	2007
	<i>(in millions of Korean won)</i>							
Tianjin LG Dagu Chemical Co., Ltd.	75.00	75.00	17,440	17,440	27,249	23,370	27,299	23,416
Tianjin LG New Building Materials Co., Ltd.	85.35	85.35	33,649	33,649	36,887	31,472	42,970	37,544
Ningbo LG Yongxing Chemical Co., Ltd.	75.00	75.00	110,746	110,746	167,160	143,143	166,555	142,382
LG Chemical India Pvt. Ltd.	100.00	100.00	31,466	31,466	53,188	50,173	53,187	50,173
LG Chemical Hong Kong Ltd.	100.00	100.00	254	254	7,601	7,489	7,764	6,997
LG Vina Chemical J/V Company	40.00	40.00	1,194	1,194	2,996	2,561	3,050	2,614
LG Chem America, Inc.	100.00	100.00	9,596	9,596	6,663	5,441	10,406	8,531
M. Dohmen S.A.	49.00	49.00	43,203	43,203	993	993	5,889	5,889
SEETEC Co., Ltd.	50.00	50.00	36,643	36,643	66,445	64,306	159,013	157,490
LG Dow Polycarbonate Ltd.	50.00	50.00	36,794	36,794	70,005	75,919	70,532	74,822
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100.00	100.00	13,091	13,091	18,590	15,435	18,768	15,453
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	77.00	77.00	50,704	50,704	45,106	37,339	59,939	51,846
LG Chem Trading (Shanghai) Co., Ltd.	100.00	100.00	3,503	3,503	1,712	1,724	1,916	1,739
LG Chem (China) Investment Co., Ltd.	100.00	100.00	40,340	40,340	43,657	43,125	43,657	43,127
LG Chem (Taiwan), Ltd.	100.00	100.00	6,888	6,888	-	2,566	2,810	6,434
LG Chem Industrial Materials Inc.	100.00	100.00	17,846	17,846	9,173	8,545	9,507	8,891
LG Holdings (HK) Ltd. <sup>1</sup>	18.18	18.18	41,582	41,582	27,091	27,222	24,866	24,866
Compact Power Inc. <sup>2</sup>	85.00	81.00	4,801	4,635	777	611	777	611
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	90.00	90.00	5,589	5,589	9,111	7,125	9,844	7,765
LG Chem Display Materials (Beijing) Co., Ltd.	90.00	90.00	6,865	6,865	8,577	7,200	9,339	7,961
Tianjin LG Bohai Chemical Co., Ltd.	65.00	65.00	63,524	63,524	76,590	67,238	86,516	77,313
LG Chem Europe GmbH	100.00	100.00	1,927	1,927	2,277	2,015	3,511	2,781
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	10,591	9,228	10,591	9,214
			<u>₩583,693</u>	<u>₩583,527</u>	<u>₩ 692,697</u>	<u>₩ 634,498</u>	<u>₩ 828,964</u>	<u>₩ 768,117</u>

<sup>1</sup> 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%.

<sup>2</sup> In 2008, the Company acquired additional shares of Compact Power Inc. for ₩166 million, increasing its percentage of ownership to 85%.

<sup>3</sup> As of March 31, 2008, the Company has control over all the investees, except for M. Dohmen S.A., SEETEC Co., Ltd. and LG Holdings (HK) Ltd.

**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2008 and 2007, and December 31, 2007**  
**(Unaudited)**

**7. Property, Plant and Equipment**

Property, plant and equipment as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Buildings	₩ 995,195	₩ 1,015,083
Structures	492,555	492,002
Machinery and equipment	4,539,599	4,575,811
Vehicles	26,246	26,413
Tools and furniture	628,685	606,317
Others	12,935	12,935
	<u>6,695,215</u>	<u>6,728,561</u>
Accumulated depreciation	(3,949,288)	(3,898,819)
Accumulated impairment loss	(12,426)	(12,408)
	<u>2,733,501</u>	<u>2,817,334</u>
Land	497,468	497,823
Construction-in-progress	312,893	286,560
Machinery-in-transit	28,922	20,083
	<u>₩ 3,572,784</u>	<u>₩ 3,621,800</u>

As of March 31, 2008, certain property, plant and equipment have been pledged as collateral for bank loans up to a maximum of ₩380,813 million (December 31, 2007: ₩365,822 million).

**8. Intangible Assets**

Intangible assets as of March 31, 2008 and December 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Intellectual property rights	₩ 26,216	₩ 24,595
Exclusive facility use rights	1,195	1,242
Development costs, net	42,999	45,471
Goodwill	10,084	10,714
Others	8,917	9,389
Negative goodwill	(264,395)	(274,187)
	<u>₩ (174,984)</u>	<u>₩ (182,776)</u>

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**9. Debentures**

Debentures as of March 31, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual Interest Rate (%)		2008	2007
	2008	2007		
Publicly offered debentures, payable through 2013	3.5~5.02	3.5~5.02	₩ 530,000	₩ 680,000
Privately offered debentures, payable through 2009	5.02~5.32	5.02~5.32	100,000	100,000
Foreign debentures, payable through 2010 <sup>1</sup>	LIBOR+0.2-0.45	LIBOR+0.2-0.60	218,174	234,550
			848,174	1,014,550
Less : Current maturities			(154,295)	(327,893)
Discount on debentures issued			(2,327)	(2,650)
			₩ 691,552	₩ 684,007

<sup>1</sup> Floating rate notes were issued on May 25, 2005 to mature on November 25, 2008. Term notes were also issued on March 23, 2006, to mature on September 23, 2008 and September 23, 2009. Further, 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, 2008 and December 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Provision for severance benefits	₩ 283,192	₩ 278,413
Less: Group severance insurance deposits	(172,670)	(179,983)
Contributions to National Pension Plan	(3,359)	(3,522)
Ending balance	₩ 107,163	₩ 94,908

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**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 innovation through a resolution of the Board of Directors or shareholders. In 2005, the Company granted stock options.

Details of the stock options granted are as follows:

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

<sup>1</sup> Of the stock options granted in 2005, 347,000 shares were forfeited due to the grantees' early termination of employment. Further, if the increase in the stock price is not higher than the increase in the Korea Composite Stock Price Index during the three years after the grant date, the final number of common shares exercised will only be 50% of the number of common shares originally granted.

During the current period, the Company recognized a reversal of stock compensation expense associated with stock options, amounting to ₩4,353 million, due to decline in the stock price of the Company.

**12. Commitments and Contingencies**

As of March 31, 2008, the Company has provided a joint guarantee for obligations outstanding as of January 1, 2005, for Lotte Daesan Petrochemical Ltd. and SEETEC Co., Ltd. In addition, the Company has provided financial guarantees to customers.

As of March 31, 2008, the Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.

As of March 31, 2008, the Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges. Further, with respect to the borrowings of the Company, one blank promissory note is provided as collateral to a financial institution.

The Company has guaranteed repayments of various obligations of subsidiaries and affiliated companies. The outstanding balances of such guarantees as of March 31, 2008, amounted to ₩151,681 million (Note 17).

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As of March 31, 2008, 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 ₩845,767 million.

As of March 31, 2008, the Company has bank overdraft agreements with several banks for up to ₩90,100 million. The Company has also entered into contracts with several financial institutions to open letters of credit for up to ₩103,600 million and US \$ 551 million. The Company has entered into contracts with several financial institutions for discounting notes from export for up to ₩15,000 million and US \$ 904 million, for other foreign currency payment guarantee of up to US\$ 15 million, and for other notes of up to ₩80,000 million.

As of March 31, 2008, the Company has entered into various technical license agreements with companies, including Goodyear Tire & Rubber Company, for the production of polymer and rubber products.

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, 2008, the Company has a long-term purchase contract for certain raw materials and was provided with US \$ 7,227 thousand as a guarantee for the contract performance.

As of March 31, 2008, 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.

The Company has cross currency and interest rate swap with financial institutions for hedging against fluctuations in foreign exchange rates and interest rates. As of March 31, 2008, the Company's outstanding contracts and options include currency swap of US\$342 million (December 31, 2007: US\$ 242 million).

Details of the changes in valuation gain or loss on derivatives for the three-month periods ended March 31, 2008 and 2007, are as follow:

<i>(in millions of Korean won)</i>	Trading		Hedge <sup>1</sup>		Other comprehensive income <sup>2</sup>
	Valuation gain	Valuation loss	Valuation gain	Valuation loss	
2008	₩ -	₩ -	₩ 20,119	₩ -	₩ (13,231)
2007	1,627	-	-	-	-

<sup>1</sup> The Company applies cash flow hedge accounting and is exposed to fluctuation in cash flows up to January 22, 2012, on the cross currency and interest swaps.

<sup>2</sup> The ₩13,231 million, net of tax, was charged to accumulated other comprehensive income.

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**13. Retained earnings**

Retained earnings as of March 31, 2008 and December 31, 2007, consist of:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Appropriations		
Legal reserve	₩ 73,429	₩ 56,729
Reserve for business rationalization	4,000	4,000
Reserve for technology development	1,366,196	997,664
Voluntary reserve	212,120	212,120
Reserve for investment losses	376,377	246,313
	<u>1,958,693</u>	<u>1,460,097</u>
Unappropriated retained earnings	260,475	682,310
	<u>₩ 2,292,597</u>	<u>₩ 2,199,136</u>

**14. Cost of Sales**

Cost of sales for the three-month periods ended March 31, 2008 and 2007, are as follows :

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Products		
Beginning balance of inventories	₩ 669,154	₩ 480,039
Cost of goods manufactured	2,512,691	1,690,964
Ending balance of inventories	(655,745)	(479,070)
Other	(9,195)	(13,262)
Discontinued operations	-	(3,635)
	<u>2,516,905</u>	<u>1,675,036</u>
Merchandise		
Beginning balance of inventories	43,812	47,064
Purchases	267,646	327,868
Ending balance of inventories	(43,170)	(42,842)
Discontinued operations	-	(9)
	<u>268,288</u>	<u>332,081</u>
Other cost of sales	11,598	6,205
Total	<u>₩ 2,796,791</u>	<u>₩ 2,013,322</u>

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**15. Comprehensive Income**

Comprehensive income for the three-month periods ended March 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Net income	₩ 258,432	₩ 113,027
Other comprehensive income		
Increase from equity-method investments, net of tax effects of ₩8,168 million (2007: ₩1,190 million)	36,341	7,165
Valuation loss on cash flow hedge derivative instruments, net of tax effects of ₩5,018 million	(13,231)	-
Comprehensive income	<u>₩ 281,542</u>	<u>₩ 120,192</u>

**16. Earnings Per Share**

Basic income from continuing operations per share and earnings per share for the year ended December 31, 2007, were ₩9,466 and ₩9,264.

Basic income from continuing operations per share and earnings per share for the three-month periods ended March 31, 2008 and 2007, are computed as follows:

<i>(in millions of Korean won, except per share amounts)</i>	<b>2008</b>	<b>2007</b>
Income from continuing operations	₩ 258,432	₩ 117,831
Preferred stock dividends <sup>1</sup>	(4,437)	(2,273)
Preferred stock share in the remaining profit available for dividends	<u>(22,524)</u>	<u>(11,898)</u>
Income from continuing operations available for common stock (A)	₩ 231,471	₩ 103,660
Weighted average number of shares of outstanding common stock (B) <sup>2</sup>	<u>74,628,861</u>	<u>63,818,182</u>
Basic income from continuing operations per share (A/B)	<u>₩ 3,102</u>	<u>₩ 1,624</u>

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

	<b>2008</b>	<b>2007</b>
Net income	₩ 258,432	₩ 113,027
Preferred stock dividends <sup>1</sup>	(4,437)	(2,273)
Preferred stock share in the remaining profit available for dividends	(22,524)	(11,324)
Net income available for common stock (A)	₩ 231,471	₩ 99,430
Weighted average number of shares of outstanding common stock (B) <sup>2</sup>	7,468,861	63,818,182
Basic earnings per share (A/B)	₩ 3,102	₩ 1,558

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

<sup>2</sup> Excludes treasury stock.

There are no outstanding convertible bonds or other dilutive securities as of March 31, 2008 and 2007. 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, 2008 and 2007, are computed as follows:

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

	<b>2008</b>	<b>2007</b>
Loss from discontinued operations per share	₩ -	₩ 66

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**17. Related Party Transactions**

The Company is a subsidiary of LG Corp. The ultimate controlling party of LG Corp is Mr. Koo Bon-moo, the chairman of LG Corp, and his related parties.

Significant transactions, which occurred in the ordinary course of business with related companies for the three-month periods ended March 31, 2008 and 2007, and the related account balances as of March 31, 2008 and December 31, 2007, are summarized as follows:

<i>(in millions of Korean won)</i>	<b>Sales</b>	<b>Purchases<sup>2</sup></b>	<b>Receivables<sup>3</sup></b>	<b>Payables</b>
Largest shareholder	₩ -	₩ -	₩ -	₩ -
Controlling company	-	9,508	7,354	5,386
Subsidiaries	281,800	53,807	41,348	26,492
Equity method investees	19,154	38,159	10,143	17,087
Key management officers	-	3,865	-	47,708
Other related companies <sup>1</sup>	581,574	133,870	392,631	82,733
2008 Total	₩ 882,528	₩ 239,209	₩ 451,476	₩ 179,406
2007 Total	₩ 614,919	₩ 596,241	₩ 367,716	₩ 183,528

<sup>1</sup> Includes LG Display Co., Ltd. (formerly LG Phillips LCD Co., Ltd.) and LG Electronics Inc.

<sup>2</sup> Purchases of 2007 include purchases of ₩387,996 million from LG Petrochemical Co., Ltd., which was merged with the Company in November 2007.

<sup>3</sup> Allowance for doubtful accounts as of March 31, 2008, amounts to ₩2,778 million. Reversal of bad debt allowance recognized in the current period is ₩572 million.

Compensation for key management officers for three-month period ended March 31, 2008 and 2007, consists of:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Short-term employee benefits	₩ 5,466	₩ 4,127
Post-employment benefits	1,132	751
Other long-term employee benefits	1,620	640
Share-based payments (Reversal of share-based compensation)	(4,353)	739
Total	₩ 3,865	₩ 6,257

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

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The details of guarantees provided by the Company as of March 31, 2008 and December 31, 2007, are as follows:

*(in millions of Korean won)*

**2008**

<b>Guarantee Beneficiary</b>	<b>Amount of Guarantee</b>	<b>Financial Institution</b>	<b>Outstanding Loan Amount</b>
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	₩ 16,363	Bank of China	₩ 16,363
	19,834	Woori Bank	19,834
	16,760	Korea Exchange Bank	992
	25,090	Kookmin Bank	25,090
LG Chem Industrial Materials Inc.	4,695	Societe Generale Bank	-
LG Chem Europe GmbH	39,668	KEXIM Bank	16,529
Tianjin LG Bohai Chemical Co., Ltd.	15,650	KEXIM Bank	15,650
LG Chem Poland Sp.Z.O.O.	4,695	Nordea Bank	4,695
	3,967	Woori Bank	3,967
LG Chem America, Inc	4,959	Kookmin Bank	4,959
	<u>₩ 151,681</u>		<u>₩ 108,079</u>

*(in millions of Korean won)*

**2007**

<b>Guarantee Beneficiary</b>	<b>Amount of Guarantee</b>	<b>Financial Institution</b>	<b>Outstanding Loan Amount</b>
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	₩ 15,480	Bank of China	₩ 15,480
	18,764	Woori Bank	18,764
	15,856	Korea Exchange Bank	9,382
	23,736	Kookmin Bank	23,736
LG Chem Industrial Materials Inc.	4,144	Societe Generale Bank	-
LG Chem Europe GmbH	37,528	KEXIM Bank	15,637
Tianjin LG Bohai Chemical Co., Ltd.	13,813	KEXIM Bank	13,813
LG Chem Poland Sp.Z.O.O.	6,216	Nordea Bank	4,144
	3,753	Woori Bank	3,753
LG Chem America, Inc	4,691	Kookmin Bank	3,753
	<u>₩ 143,981</u>		<u>₩ 108,462</u>

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**18. Segment Information**

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

(1) Industry Segment Information

<b>Industry</b>	<b>Products or Services</b>	<b>Major Customers</b>
Petrochemicals	PE, PVC, VCM, alcohol, plasticizers, ABS/PS, EPS, MBS, SBL, EP, ethylene, propylene, BPA and others	LG Electronics Inc. Daewoo Electronics Co., Ltd. Kia Motors Corp. Youlchon Chemical Co., Ltd. National Plastic Co., Ltd. Mitsubishi Corporation 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. Display Co., Ltd. and others

Financial information on industry segments for the three-month periods ended March 31, 2008 and 2007, follows:

<i>(in millions of Korean won)</i>	<b>2008</b>				<b>Total</b>
	<b>Petrochemicals</b>	<b>Industrial Materials</b>	<b>Information &amp; Electronic Materials</b>	<b>Others</b>	
<b>Sales</b>					
External sales	₩ 2,317,037	₩ 517,548	₩ 610,350	₩ 3,150	₩ 3,448,084
Inter-segment sales	79,478	9	430	43,171	123,089
	<u>₩ 2,396,515</u>	<u>₩ 517,557</u>	<u>₩ 610,780</u>	<u>₩ 46,321</u>	<u>₩ 3,571,173</u>
<b>Operating income</b>	<u>₩ 261,569</u>	<u>₩ 38,542</u>	<u>₩ 79,768</u>	<u>₩ (1,089)</u>	<u>₩ 378,790</u>
<b>Property, plant and equipment and intangible assets<sup>1</sup></b>	<u>₩ 2,002,424</u>	<u>₩ 417,563</u>	<u>₩ 803,848</u>	<u>₩438,360</u>	<u>₩3,662,195</u>
<b>Depreciation and amortization</b>	<u>₩ 55,649</u>	<u>₩ 14,187</u>	<u>₩ 31,408</u>	<u>₩ 1,482</u>	<u>₩ 102,726</u>

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<i>(in millions of Korean won)</i>	2007				Total
	Petrochemicals	Industrial Materials	Information & Electronic Materials	Others	
Sales					
External sales	₩ 1,438,505	₩ 500,453	₩ 435,337	₩ 4,748	₩ 2,379,043
Inter-segment sales	59,833	76	583	32,919	93,411
	<u>₩ 1,498,338</u>	<u>₩ 500,529</u>	<u>₩ 435,920</u>	<u>₩ 37,667</u>	<u>₩ 2,472,454</u>
Operating income	<u>₩ 89,043</u>	<u>₩ 30,922</u>	<u>₩ 7,571</u>	<u>₩ 212</u>	<u>₩ 127,748</u>
Property, plant and equipment and intangible assets <sup>1</sup>	<u>₩ 1,428,152</u>	<u>₩ 450,587</u>	<u>₩ 892,233</u>	<u>₩ 439,815</u>	<u>₩ 3,210,787</u>
Depreciation and amortization	<u>₩ 75,509</u>	<u>₩ 15,334</u>	<u>₩ 36,368</u>	<u>₩ 945</u>	<u>₩ 128,156</u>

<sup>1</sup> Excludes negative goodwill incurred from the merger, which is deducted from intangible assets.

(2) Geographical Segment Information

The sales by geographical segments for the three-month periods ended March 31, 2008 and 2007, are as follows:

	<i>(in millions of Korean won)</i>							Total
	Domestic <sup>1</sup>	China	North America	South America	South- East Asia	Western Europe	Others	
2008	<u>₩1,896,347</u>	<u>₩817,179</u>	<u>₩127,648</u>	<u>₩23,267</u>	<u>₩109,498</u>	<u>₩110,211</u>	<u>₩363,934</u>	<u>₩3,448,084</u>
2007	<u>₩1,315,228</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>₩2,379,043</u>

<sup>1</sup> Domestic sales include the exports made based on local letters of credit.

Information on property, plant and equipment of each geographical segment has not been included as the Company does not manage its property, plant and equipment by geographical segments.

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**19. Discontinued Operations**

The Company decided to sell its safety materials business as approved by the CEO of the Company on March 23, 2007. Also, the Company decided to sell its PDP fluorescent substance business and AMS Filter business as approved by the CEO of the Company on October 16, 2007 and December 11, 2007, respectively. The Company disposed of all of its related assets, by December 31, 2007.

The loss before tax from discontinued operations for the three-month period ended March 31, 2007, is as follows:

*(in millions of Korean won)*

	Safety materials business	PDP fluorescent substance business	AMS Filter business	Total
Impairment loss on discontinued operations	₩ (3,256)	₩ -	₩ -	₩ (3,256)
Loss from the discontinued operations <sup>1</sup>	(2,553)	140	(958)	(3,371)
Loss before tax from discontinued operations	(5,809)	140	(958)	(6,627)

<sup>1</sup> Excludes impairment loss on discontinued operations.

The income statements of the discontinued operations excluding impairment loss on discontinued operations for the three-month period ended March 31, 2007, are as follows:

*(in millions of Korean won)*

	Safety materials business	PDP fluorescent substance business	AMS Filter business	Total
Sales	₩ 1,743	₩ 1,675	₩ 17	₩ 3,435
Cost of sales	(2,602)	(1,042)	-	(3,644)
Gross profit (loss)	(859)	633	17	(209)
Selling and administrative expenses	(1,739)	(507)	(974)	(3,220)
Operating income (loss)	(2,598)	126	(957)	(3,429)
Non-operating income	141	120	1	262
Non-operating expenses	(96)	(106)	(2)	(204)
Income (loss) from the discontinued operations	₩ (2,553)	₩ 140	₩ (958)	₩(3,371)

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The loss after tax from discontinued operations for the three-month period ended March 31, 2007, is as follows:

*(in millions of Korean won)*

	<b>Safety materials business</b>	<b>PDP fluorescent substance business</b>	<b>AMS Filter business</b>	<b>Total</b>
Loss before tax from discontinued operations	₩ (5,809)	₩ 140	₩ (958)	₩ (6,627)
Income tax effects	1,598	(38)	263	1,823
Income (loss) after tax from discontinued operations	<u>₩ (4,211)</u>	<u>₩ 102</u>	<u>₩ (695)</u>	<u>₩ (4,804)</u>

Cash flows from the discontinued operations for the three-month period ended March 31, 2007, are as follows:

*(in millions of Korean won)*

	<b>Safety materials business</b>	<b>PDP fluorescent substance business</b>	<b>AMS Filter business</b>	<b>Total</b>
Cash flows from operating activities	₩ 352	₩ (755)	₩ (642)	₩ (1,045)
Cash flows from investing activities	88	(158)	5,532	5,462
Cash flows from financing activities	(440)	913	(4,890)	(4,417)
Total	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>

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