

LG Chem, Ltd.
Interim Financial Statements
June 30, 2007 and 2006

LG Chem, Ltd.
Index
June 30, 2007 and 2006, and December 31, 2006

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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 June 30, 2007, the related non-consolidated statements of income for the three-month and six-month periods ended June 30, 2007 and 2006, the related non-consolidated statements of cash flows for six-month periods ended June 30, 2007 and 2006 and the non-consolidated statements of changes in shareholders’ equity for the six-month period ended June 30, 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.

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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.

Samil PricewaterhouseCoopers

Seoul, Korea
August 13, 2007

This report is effective as of August 13, 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
June 30, 2007 and December 31, 2006
(Unaudited)

<i>(in millions of Korean won)</i>	2007	2006
Assets		
Current assets		
Cash and cash equivalents	₩ 134,018	₩ 115,830
Trade accounts and notes receivable, net (Notes 4, 12 and 17)	899,835	818,384
Other accounts receivable, net (Note 4)	73,675	121,142
Accrued income	2,312	1,704
Advance payments	1,311	1,807
Prepaid expenses	26,631	14,130
Inventories, net (Note 5)	924,213	869,138
Deferred income tax assets	15,985	127
Other current assets	16,822	6,959
Total current assets	2,094,802	1,949,221
Long-term financial instruments (Note 3)	53	60
Investment securities	1,698	1,718
Equity-method investments (Note 6)	995,222	876,622
Other investments	259	276
Property, plant and equipment, net (Notes 7 and 18)	3,071,533	3,099,022
Intangible assets, net (Notes 8 and 18)	(192,096)	(212,990)
Long-term trade accounts and notes receivable, net (Note 4)	381	465
Long-term other accounts receivable, net (Note 4)	977	1,054
Long-term guarantee deposits	37,529	39,344
Long-term prepaid expenses	19,972	20,107
Other non-current assets	49,580	31,617
Total assets	₩ 6,079,910	₩ 5,806,516

LG Chem, Ltd.
Non-Consolidated Balance Sheets
June 30, 2007 and December 31, 2006
(Unaudited)

<i>(in millions of Korean won)</i>	2007	2006
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable (Note 17)	₩ 791,197	₩ 750,762
Short-term borrowings	52,000	25,076
Other accounts payable	408,492	516,955
Withholdings	43,731	50,488
Accrued expenses	101,825	42,276
Income tax payable	107,618	44,241
Dividends payable	49	39
Current maturities of long-term debts, net (Note 9)	411,545	439,932
Other current liabilities	1,999	2,886
Total current liabilities	1,918,456	1,872,655
Debentures, net (Note 9)	780,155	913,798
Other long-term debts, net	297,612	196,885
Accrued severance benefits, net (Note 10)	103,288	98,415
Deferred income tax liabilities	14,901	89,196
Derivative instrument transaction credit (Note 12)	3,505	3,089
Other non-current liabilities	13,641	9,118
Total liabilities	3,131,558	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	41,263	1,355
Loss on valuation of equity-method investments	(37,362)	(45,749)
	3,901	(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	345,710	314,882
	1,862,536	1,585,839
Total shareholders' equity	2,948,352	2,623,360
Total liabilities and shareholders' equity	₩ 6,079,910	₩ 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 and Six-Month Periods Ended June 30, 2007 and 2006
(Unaudited)

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

	2007		2006	
	Three months	Six months	Three months	Six months
Sales (Notes 17 and 18)	₩ 2,644,917	₩ 5,024,951	₩ 2,267,784	₩ 4,391,821
Cost of sales (Notes 14 and 17)	2,215,293	4,228,981	1,972,035	3,790,690
Gross profit	429,624	795,970	295,749	601,131
Selling and administrative expenses	266,734	506,059	247,530	487,173
Operating income	162,890	289,911	48,219	113,958
Non-operating income				
Interest income	2,347	4,669	1,665	4,207
Foreign exchange gains	9,279	15,634	18,152	35,926
Gain on foreign currency translation	10,550	5,775	5,275	19,932
Gain on valuation of equity-method investments	60,214	110,399	25,023	59,738
Gain on disposal of property, plant and equipment	6,121	6,368	1,240	1,750
Reversal of negative goodwill	9,793	19,585	9,749	19,575
Reversal of bad debt allowance	-	-	562	1,039
Reversal of compensation expenses associated with stock options (Note 17)	-	-	389	1,041
Gain on valuation of derivative instrument (Note 12)	-	9	3,669	-
Others	3,181	9,538	4,630	7,637
	101,485	171,977	70,354	150,845
Non-operating expenses				
Interest expenses	19,862	38,927	23,420	46,050
Foreign exchange losses	5,453	14,410	9,960	18,116
Loss on foreign currency translation	2,710	851	3,656	2,695
Loss on disposal of trade accounts receivable	9,649	18,105	8,086	15,896
Loss on disposal of investment securities	-	-	3	4
Impairment loss on investment securities	10	19	361	361
Loss on valuation of equity-method investments	1,859	4,787	10,490	16,201
Loss on disposal of property, plant and equipment	3,392	7,507	1,567	2,037
Impairment loss on intangible assets	146	146	2,301	2,301
Loss on valuation of derivative instruments (Note 12)	2,033	426	-	36
Donations	1,314	2,412	804	2,911
Others	325	893	11,222	12,822
	46,753	88,483	71,870	119,430
Income from continuing operations before income tax	217,622	373,405	46,703	145,373
Income from continuing operations tax expense	(22,196)	16,150	1,306	33,548
Income from continuing operations	239,818	357,255	45,397	111,825
Loss from discontinued operations (Note 19)	3,239	7,649	88	139
Net income	₩ 236,579	₩ 349,606	₩ 45,309	₩ 111,686
Per share data (in won) (Note 16)				
Income from continuing operations per share	₩ 3,307	₩ 4,926	₩ 625	₩ 1,540
Earnings per share	₩ 3,263	₩ 4,821	₩ 624	₩ 1,538
Diluted income from continuing operations per share	₩ 3,307	₩ 4,926	₩ 625	₩ 1,540
Diluted earnings per share	₩ 3,263	₩ 4,821	₩ 624	₩ 1,538

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
Six-Month Periods Ended June 30, 2007 and 2006
(Unaudited)

<i>(in millions of Korean won)</i>	2007	2006
Cash flows from operating activities		
Net income	₩ 349,606	₩ 111,686
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	259,997	269,355
Provision for severance benefits	30,537	36,493
Gain on foreign currency translation, net	(4,384)	(17,400)
Loss on disposal of trade accounts receivable	18,105	15,896
Loss on disposal of investment securities	-	4
Impairment loss on investment securities	19	361
Gain on valuation of equity-method investments, net	(105,612)	(43,537)
Loss on disposal of property, plant and equipment, net	1,139	287
Impairment loss on intangible asset	146	2,301
Loss on valuation of derivative instruments, net	417	36
Reversal of negative goodwill	(19,585)	(19,575)
Reversal of bad debt allowance	-	(1,039)
Reversal of compensation expenses associated with stock options	-	(1,041)
Others, net	11,044	10,957
	<u>191,823</u>	<u>253,098</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(98,357)	(4,299)
Increase in inventories	(50,920)	(27,736)
Dividends received	55,480	43,531
Decrease in other accounts receivable	47,346	9,273
Increase in accrued income	(608)	(1,930)
Decrease in advance payments	496	1,297
Increase in prepaid expenses	(12,501)	(11,983)
(Increase) decrease in deferred income tax assets	(17,449)	7,748
Increase in other current assets	(9,829)	(9,866)
Decrease in long-term trade accounts and notes receivable	-	203
Increase in trade accounts and notes payable	42,658	51,331
Decrease in other accounts payable	(108,286)	(2,761)
Increase in accrued expenses	56,314	16,224
Increase (decrease) in income tax payable	63,378	(42,161)
(Decrease) increase in other current liabilities	(9,610)	4,550
Accrued severance benefits transferred from affiliated companies	261	329
Decrease in deferred income tax liabilities	(74,387)	(4,901)
Payment of severance benefits	(25,068)	(28,829)
Others, net	4,189	(1,938)
	<u>(136,893)</u>	<u>(1,918)</u>
Net cash provided by operating activities	<u>404,536</u>	<u>362,866</u>

LG Chem, Ltd.
Non-Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2007 and 2006
(Unaudited)

<i>(in millions of Korean won)</i>	2007	2006
Cash flows from investing activities		
Disposal of property, plant and equipment	₩ 9,361	₩ 3,805
Disposal of long-term guarantee deposits, net	1,813	33,241
Acquisition of property, plant and equipment	(248,488)	(237,888)
Acquisition of investment securities	-	(139)
Acquisition of equity-method investments	(18,375)	(41,872)
Acquisition of intangible assets	(8,950)	(9,094)
Others, net	(14,593)	(28,237)
Net cash used in investing activities	<u>(279,232)</u>	<u>(280,184)</u>
Cash flows from financing activities		
Proceeds from (repayment of) short-term borrowings, net	26,923	(25,717)
Repayment of current maturities of long-term debts	(293,642)	(608,297)
Issuance of debentures	94,059	366,691
Payment of dividends	(72,899)	(91,042)
Proceeds from long-term debts, net	139,041	50,000
Others, net	(598)	(3,270)
Net cash used in financing activities	<u>(107,116)</u>	<u>(311,635)</u>
Cash flows from merger	<u>-</u>	<u>181,507</u>
Net increase (decrease) in cash and cash equivalents	18,188	(47,446)
Cash and cash equivalents		
Beginning of the period	115,830	189,445
End of the period	<u>₩ 134,018</u>	<u>₩ 141,999</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
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LG Chem, Ltd.
Non-Consolidated Statement of Changes in Shareholders' Equity
Six-Month Period Ended June 30, 2007
(Unaudited)

(in millions of Korean won)

	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive Income	Retained earnings	Total
Balance as of January 1, 2007	₩ 365,432	₩ 739,612	₩ (23,129)	₩ (54,419)	₩ 1,589,744	₩ 2,617,240
Cumulative effects of restatements(Note 2)				10,025	(3,905)	6,120
Restated beginning balance	365,432	739,612	- 23,129	- 44,394	1,585,839	2,623,360
Dividends	-	-	-	-	(72,909)	(72,909)
Net income	-	-	-	-	349,606	349,606
Changes in equity arising from equity-method investments (Note 15)	-	-	-	48,295	-	48,295
Balance as of June 30, 2007	₩ 365,432	₩ 739,612	₩ (23,129)	₩ 3,901	₩ 1,862,536	₩ 2,948,352

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
June 30, 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 June 30, 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 June 30, 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
June 30, 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 and Supervisory Commission. The Company has adopted SKFAS No.1 through No. 23, except No. 14, in its financial statements as of and for the six-month period ended June 30, 2007. Significant accounting policies adopted by the Company for the interim financial statement are identical to the accounting policies followed by the Company for the annual 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 presented for comparative purposes is not stated in accordance with SKFAS No. 21. As the Company adopted early the amendment to the SKFAS No. 2, the Company presented the non-consolidated statements of cash flows and changes in shareholders' equity only for the six-month periods.

Restatement of Prior Year Financial Statements

In the preparation of the financial statements for the three-month and six-month periods ended June 30, 2007, 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*. The financial statements as of and for the three-month and six-month periods ended June 30, 2006, and as of and for the year ended December 31, 2006, have been retroactively restated to reflect the changes in accordance with 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 six-month periods ended June 30, 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 Half-year		2006		2006 Half-year		2005	
	Before adjustment	After adjustment						
Income from continuing operations	₩356,438	₩357,255	₩319,632	₩316,851	₩113,375	₩111,825	¹	¹
Net income	348,788	349,606	318,782	316,000	113,236	111,686	₩400,258	₩403,611
Income from continuing operations per share (won)	4,915	4,926	4,404	4,366	1,561	1,540	¹	¹
Earnings per share (won)	4,809	4,821	4,392	4,354	1,559	1,538	5,501	5,547
Valuation of equity-method investments	(4,463)	3,901	(54,419)	(44,394)	(37,205)	(27,477)	(4,934)	2,405

¹ Not applicable for 2005.

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LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
June 30, 2007 and 2006, and December 31, 2006
(Unaudited)

3. Restricted Bank Deposits

As of June 30, 2007, long-term financial instruments of ₩53 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 June 30, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	2007	2006
Trade accounts and notes receivable	₩ 946,069	₩ 864,339
Less : Allowance for doubtful accounts	(46,234)	(45,955)
	<u>₩ 899,835</u>	<u>₩ 818,384</u>
Other accounts receivable	₩ 98,408	₩ 145,889
Less : Allowance for doubtful accounts	(24,719)	(24,719)
Less : Present value discount	(14)	(28)
	<u>₩ 73,675</u>	<u>₩ 121,142</u>
Long-term trade accounts and notes receivable	₩ 450	₩ 550
Less : Allowance for doubtful accounts	(69)	(85)
	<u>₩ 381</u>	<u>₩ 465</u>
Long-term other accounts receivable	1,086	1,188
Less : Present value discount	(109)	(134)
	<u>₩ 977</u>	<u>₩ 1,054</u>

As of June 30, 2007, 2nd beneficiary certificates acquired from the trust companies, amounting to ₩94,373 million (December 31, 2006: ₩123,761 million), are included in the trade accounts receivable (Note 12).

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5. Inventories

Inventories as of June 30, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	2007	2006
Merchandise, net of valuation allowance of ₩859 million (December 31, 2006: ₩649 million)	₩ 35,520	₩ 47,064
Finished products, net of valuation allowance of ₩6,727 million (December 31, 2006: ₩11,973 million)	366,887	375,421
Work-in-process	136,899	104,860
Raw materials, net of valuation allowance of ₩856 million (December 31, 2006: ₩414 million)	259,671	212,788
Supplies	36,816	30,559
Materials-in-transit	88,420	98,446
	<u>₩ 924,213</u>	<u>₩ 869,138</u>

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(Unaudited)

6. Equity-Method Investments

Equity-method investments as of June 30, 2007 and December 31, 2006, are summarized as follows:

Investee ⁷	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	₩ 436,952	₩ 352,579	₩430,607	₩ 342,029
Tianjin LG Dagu Chemical Co., Ltd.	75.00	75.00	17,440	17,440	20,628	21,465	20,654	21,502
Tianjin LG New Building Materials Co., Ltd. ²	82.80	82.80	20,341	20,341	19,837	16,849	24,628	21,609
Tianjin LG Window & Door Co., Ltd. ²	90.00	90.00	13,308	13,308	8,013	7,689	9,288	8,955
Ningbo LG Yongxing Chemical Co., Ltd. ³	75.00	75.00	103,904	95,237	111,013	112,539	110,258	111,924
LG Chemical India Pvt. Ltd.	100.00	100.00	31,466	31,466	47,257	40,906	47,257	40,906
LG Chemical Hong Kong Ltd.	100.00	100.00	254	254	7,507	6,669	6,677	6,120
LG Vina Chemical J/V Company	40.00	40.00	1,194	1,194	2,178	2,239	2,178	2,549
LG Chem America, Inc.	100.00	100.00	9,596	9,596	3,619	5,200	7,599	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	60,893	54,749	153,753	152,280
LG Dow Polycarbonate Ltd.	50.00	50.00	36,794	36,794	80,644	80,246	79,460	79,287
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100.00	100.00	10,486	10,486	13,019	11,301	13,012	11,325
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	73.43	73.43	43,296	43,296	23,027	21,370	37,063	35,687
LG Chem Trading (Shanghai) Co., Ltd.	100.00	100.00	3,503	3,503	1,681	1,653	1,687	1,656
LG Chem (China) Investment Co., Ltd.	100.00	100.00	40,340	40,340	40,444	40,298	40,444	40,298
LG Chem (Taiwan), Ltd. ⁴	100.00	100.00	6,888	2,291	9,062	1,158	11,073	4,341
LG Chem Industrial Materials Inc.	100.00	100.00	17,846	17,846	9,471	9,850	9,406	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. ⁵	18.18	18.18	41,582	41,582	28,517	28,682	25,899	25,802
Ningbo LG Yongxing Latex Co., Ltd.	75.00	75.00	6,843	6,843	4,583	4,748	4,595	4,759
Compact Power Inc.	81.00	81.00	4,635	4,635	639	545	639	545
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	90.00	90.00	5,589	5,589	5,850	4,639	6,470	5,419
LG Chem Display Materials (Beijing) Co., Ltd.	90.00	90.00	6,865	6,865	5,869	4,977	6,631	5,526
Tianjin LG Bohai Chemical Co., Ltd. ⁶	45.00	43.89	43,556	38,445	43,034	37,294	53,006	47,377
LG Chem Europe GmbH	100.00	100.00	1,927	1,927	2,520	933	2,990	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	6,273	5,352	6,258	5,352
			<u>₩712,972</u>	<u>₩694,597</u>	<u>₩ 995,222</u>	<u>₩ 876,622</u>	<u>₩1,128,066</u>	<u>₩1,012,363</u>

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- ¹ As of June 30, 2007, the market value of the shares of LG Petrochemical Co., Ltd. owned by the Company amounted to ₩651,784 million.
- ² On July 1, 2007, Tianjin LG New Building Materials Co., Ltd. merged with Tianjin LG Window & Door Co., Ltd.
- ³ During the current period, the Company acquired additional shares of Ningbo LG Yongxing Chemical Co., Ltd. for ₩8,667 million without any changes in its percentage of ownership.
- ⁴ During the current period, the Company acquired additional shares of LG Chem (Taiwan), Ltd. for ₩4,597 million without any changes in its percentage of ownership.
- ⁵ 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%.
- ⁶ During the current period, the Company acquired additional shares of Tianjin LG Bohai Chemical Co., Ltd. for ₩5,111 million. As a result, the Company's percentage of ownership in Tianjin LG Bohai Chemical Co., Ltd. increased from 43.89% to 45.00%.
- ⁷ As of June 30, 2007, the Company has control over all the investees, except for M. Dohmen S.A., SEETEC Co., Ltd. and LG Holdings (HK) Ltd.

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7. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2007 and December 31, 2006, consist of the following:

<i>(in millions of Korean won)</i>	2007		2006	
Buildings	₩	951,725	₩	925,972
Structures		377,741		366,588
Machinery and equipment		3,932,215		3,737,563
Vehicles		27,216		26,356
Tools and furniture		619,318		596,301
Others		12,935		12,935
		<u>5,921,150</u>		<u>5,665,715</u>
Accumulated depreciation		(3,488,393)		(3,346,920)
Accumulated impairment loss		<u>(4,613)</u>		<u>(19,510)</u>
		2,428,144		2,299,285
Land		428,671		430,480
Construction-in-progress		199,715		324,841
Machinery-in-transit		15,003		44,416
	₩	<u>3,071,533</u>	₩	<u>3,099,022</u>

As of June 30, 2007, certain property, plant and equipment have been pledged as collaterals for bank loans up to a maximum of ₩354,964 million (December 31, 2006: ₩356,988 million).

8. Intangible Assets

Intangible assets as of June 30, 2007 and December 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	2007		2006	
Intellectual property rights	₩	21,660	₩	17,761
Exclusive facility use rights		1,341		1,443
Development costs, net		63,368		66,345
Others		15,307		14,818
Negative goodwill		(293,772)		(313,357)
	₩	<u>(192,096)</u>	₩	<u>(212,990)</u>

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9. Debentures

Debentures as of June 30, 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	₩	780,000	₩	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+0.2-0.60	LIBOR+0.4-0.95		278,040		213,808
				<u>1,158,040</u>		<u>1,293,808</u>
Less : Current maturities				(374,144)		(374,368)
Discount on debentures issued				<u>(3,741)</u>		<u>(5,642)</u>
			₩	<u>780,155</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 March 23, 2006, will 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 June 30, 2007 and December 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	2007		2006	
Provision for severance benefits	₩	252,482	₩	246,543
Less: Group severance insurance deposits		(145,840)		(144,394)
Contribution to National Pension Plan		<u>(3,354)</u>		<u>(3,734)</u>
Ending balance	₩	<u>103,288</u>	₩	<u>98,415</u>

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11. Stock Options

In accordance with 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 technological 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:

Date of grant	Granted number of Common shares (shares)	Grant Method	Exercise Price per share	Exercisable 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 grantee employees. Further, if the increase in the stock price is not higher than the increase of Korea Composite Stock Price Index in the three years after the grant date, the final number of common shares exercised will be only 50% of the number of common shares first granted.

During the current period, the Company recognized ₩3,235 million in stock compensation expense.

12. Commitments and Contingencies

As of June 30, 2007, the Company has provided a joint guarantee for obligations existing prior to the spin-off, which were 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 guarantees to customers.

As of June 30, 2007, the Company has been provided with guarantees from Seoul Guarantee Insurance for the execution of supply contracts.

As of June 30, 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 June 30, 2007, amounted to ₩132,017 million (Note 17).

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As of June 30, 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 ₩498,216 million. Also, as of June 30, 2007, the Company is contingently liable for trade accounts receivable transferred to the special purpose companies amounting to ₩254,373 million (Note 4).

As of June 30, 2007, the Company has bank overdraft agreements with several banks for up to ₩57,300 million. The Company has also entered into contracts with several financial institutions to open letters of credit for up to ₩106,600 million and US \$ 552 million. The Company has entered into contracts with several financial institutions for discounting notes from export for up to ₩10,000 million and US \$ 790 million, and for other notes up to ₩70,000 million.

As of June 30, 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 June 30, 2007, the Company has a long-term purchase contract for certain raw materials and was provided with a US \$ 3 million guarantee for this contract. Further as of June 30, 2007, the Company provided a US \$ 60 million guarantee for a certain raw materials purchase contract.

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 June 30, 2007, the Company's outstanding contracts and options include currency swap of US\$242 million. As of December 31, 2006, the Company had currency swap of US\$152 million.

As of June 30, 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.

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13. Retained earnings

Retained earnings as of June 30, 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
	₩	1,516,826	₩	1,270,957
Unappropriated retained earnings		345,710		314,882
	₩	1,862,536	₩	1,585,839

14. Cost of Sales

Cost of sales for the three-month and six-month periods ended June 30, 2007 and 2006, are as follows:

(in millions of Korean won)

	2007		2006	
	Three Months	Six months	Three Months	Six months
Products				
Beginning balance of inventories	₩ 479,070	₩ 480,039	₩ 540,743	₩ 455,918
Cost of goods manufactured	1,903,555	3,594,912	1,616,561	3,296,178
Ending balance of inventories	(503,453)	(503,453)	(459,268)	(459,268)
	1,879,172	3,571,498	1,698,036	3,292,828
Others	(9,241)	(22,896)	(16,286)	(32,816)
Discontinued operations	(1,253)	(4,522)	(3,921)	(8,229)
	₩ 1,868,678	₩ 3,544,080	₩ 1,677,829	₩ 3,251,783
Merchandise				
Beginning balance of inventories	₩ 42,842	₩ 47,064	₩ 34,094	₩ 37,294
Purchases	330,537	658,405	290,666	529,840
Ending balance of inventories	(35,520)	(35,520)	(37,297)	(37,297)
	337,859	669,949	287,463	529,837
Discontinued operations	(6)	(15)	(39)	(45)
	₩ 337,853	₩ 669,934	₩ 287,424	₩ 529,792
Others	₩ 8,762	₩ 14,967	₩ 6,782	₩ 9,115

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15. Comprehensive Income and Expenses

Comprehensive income and expenses for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007		2006	
Net income	₩	349,606	₩	111,686
Valuation of equity-method investments in capital adjustments ¹		48,295		(29,882)
	₩	<u>397,901</u>	₩	<u>81,804</u>

¹ Includes income tax effects of ₩1,683 million (2006: ₩(8,069) million).

16. Earnings Per Share

Basic income from continuing operations per share and earnings per share for the year ended December 31, 2006, were ₩4,366 and ₩4,354 respectively.

Basic income from continuing operations per share and earnings per share for the three-month period ended March 31, 2007, were ₩1,619 and ₩1,558 respectively, and basic income from continuing operations per share and earnings per share for the three-month period ended March 31, 2006, were ₩915 and ₩914, respectively.

Basic income from continuing operations per share and earnings per share for the three-month and six-month periods ended June 30, 2007 and 2006, are computed as follows:

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

	2007		2006	
	Three Months	Six months	Three Months	Six months
Income from continuing operations	₩ 239,818	₩ 357,255	₩ 45,397	₩ 111,825
Preferred stock dividends ¹	(2,273)	(4,545)	(2,814)	(5,627)
Preferred stock share in the remaining profit available for dividend	<u>(26,470)</u>	<u>(38,321)</u>	<u>(2,704)</u>	<u>(7,921)</u>
Income from continuing operations available for common stock (A)	₩ 211,075	₩ 314,389	₩ 39,879	₩ 98,277
Weighted average number of shares of outstanding common stock (B) ²	<u>63,818,182</u>	<u>63,818,182</u>	<u>63,818,183</u>	<u>63,818,183</u>
Basic income from continuing operations per share (A/B)	<u>₩ 3,307</u>	<u>₩ 4,926</u>	<u>₩ 625</u>	<u>₩ 1,540</u>

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

	2007		2006	
	Three Months	Six months	Three Months	Six months
Net income	₩ 236,579	₩ 349,606	₩ 45,309	₩ 111,686
Preferred stock dividends ¹	(2,273)	(4,545)	(2,814)	(5,627)
Preferred stock share in the remaining profit available for dividends	(26,083)	(37,408)	(2,694)	(7,905)
Net income available for common stock (A)	₩ 208,223	₩ 307,653	₩ 39,801	₩ 98,154
Weighted average number of shares of outstanding common stock (B) ²	63,818,182	63,818,182	63,818,183	63,818,183
Basic earnings per share (A/B)	₩ 3,263	₩ 4,821	₩ 624	₩ 1,538

¹ Preferred stock dividends for the six-month periods ended June 30, 2007 and 2006, were assumed to be half of the dividends paid for the previous years.

² Excludes treasury stock.

There are no outstanding convertible bonds or other dilutive securities as of June 30, 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 six-month periods ended June 30, 2007 and 2006, are as follows:

	2007	2006
Loss from discontinued operations per share	₩ 105	₩ 2

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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 six-month periods ended June 30, 2007 and 2006, and the related account balances as of June 30, 2007 and December 31, 2006, are summarized as follows:

<i>(in millions of Korean won)</i>	Sales	Purchases	Receivables³	Payables
Controlling company	₩ 1	₩ 14,899	₩ 6,669	₩ 1,640
Subsidiaries ¹	534,696	855,260	29,582	218,021
Equity method investees ¹	24,230	77,915	7,816	17,563
Other related companies ²	741,786	237,782	269,186	76,398
2007 Total	<u>₩1,300,713</u>	<u>₩1,185,856</u>	<u>₩ 313,253</u>	<u>₩ 313,622</u>
2006 Total	<u>₩1,151,312</u>	<u>₩1,150,481</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 related parties. And it 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.

² Includes LG Electronics Inc. and LG. Philips LCD Co., Ltd.

³ Allowance for doubtful accounts for the outstanding balance as of June 30, 2007, amounts to ₩2,198 million. Reversal of bad debt allowance recognized in the current period is ₩145 million.

Compensation for key management officers for six-month periods ended June 30, 2007 and 2006, consists of:

<i>(in millions of Korean won)</i>	2007	2006
Short-term employee benefits	₩ 13,497	₩ 10,603
Post-employment benefits	1,642	1,766
Other long-term employee benefits	5,120	-
Share-based payments		
(Reversal of share-based compensation)	3,235	(1,041)
Total	<u>₩ 23,494</u>	<u>₩ 11,328</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.

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The details of guarantees provided by the Company as of June 30, 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.	₩ 19,231	Bank of China	₩ 19,231
	18,536	Woori Bank	18,536
	15,663	Korea Exchange Bank	927
LG Chem Industrial Materials Inc.	23,448	Wachovia Bank	23,448
Tianjin LG Bohai Chemical Co., Ltd.	37,072	Export-Import Bank of Korea	18,536
LG Chem Poland Sp.Z.O.O	12,460	Export-Import Bank of Korea	12,460
	5,607	Nordea Bank	3,738
	<u>₩ 132,017</u>		<u>₩ 96,876</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>

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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 six-month periods ended June 30, 2007 and 2006, follows:

<i>(in millions of Korean won)</i>	2007				
	Petrochemicals	Industrial Materials	Information & Electronic Materials	Others	Total
Sales					
External sales ¹	₩ 3,009,507	₩ 1,062,263	₩ 945,087	₩ 8,094	₩ 5,024,951
Inter-segment sales	136,102	909	1,384	71,964	210,359
	<u>₩ 3,145,609</u>	<u>₩ 1,063,172</u>	<u>₩ 946,471</u>	<u>₩ 80,058</u>	<u>₩ 5,235,310</u>
Operating income	<u>₩ 188,509</u>	<u>₩ 65,995</u>	<u>₩ 34,196</u>	<u>₩ 1,211</u>	<u>₩ 289,911</u>
Property, plant and equipment and intangible assets²	<u>₩ 1,399,363</u>	<u>₩ 445,818</u>	<u>₩ 891,672</u>	<u>₩ 436,356</u>	<u>₩ 3,173,209</u>
Depreciation and amortization	<u>₩ 153,050</u>	<u>₩ 31,255</u>	<u>₩ 73,741</u>	<u>₩ 1,951</u>	<u>₩ 259,997</u>

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<i>(in millions of Korean won)</i>	2006				
	Petrochemicals	Industrial Materials	Information & Electronic Materials	Others	Total
Sales					
External sales ¹	₩ 2,657,357	₩ 999,529	₩ 728,102	₩ 6,833	₩ 4,391,821
Inter-segment sales	137,014	9,979	3,480	58,118	208,591
	<u>₩ 2,794,371</u>	<u>₩ 1,009,508</u>	<u>₩ 731,582</u>	<u>₩ 64,951</u>	<u>₩ 4,600,412</u>
Operating income	<u>₩ 21,972</u>	<u>₩ 69,650</u>	<u>₩ 23,646</u>	<u>₩ (1,310)</u>	<u>₩ 113,958</u>
Property, plant and equipment and intangible assets²	<u>₩ 1,446,645</u>	<u>₩ 450,893</u>	<u>₩ 870,383</u>	<u>₩ 415,647</u>	<u>₩ 3,183,568</u>
Depreciation and Amortization	<u>₩ 171,226</u>	<u>₩ 32,355</u>	<u>₩ 63,801</u>	<u>₩ 1,973</u>	<u>₩ 269,355</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 six-month periods ended June 30, 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	₩2,769,244	₩1,265,978	₩157,609	₩36,680	₩121,243	₩200,298	₩473,899	₩5,024,951
2006	<u>₩2,579,510</u>	<u>₩ 965,993</u>	<u>₩206,721</u>	<u>₩56,662</u>	<u>₩112,689</u>	<u>₩135,803</u>	<u>₩334,443</u>	<u>₩4,391,821</u>

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

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19. Discontinued Operations

(1) Safety materials Business

The Company will sell its safety materials business as approved by the CEO of the Company. The Company expects the disposal date to be August 31, 2007.

The loss before tax from discontinued operations of the safety materials business for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Impairment loss on discontinued operations	₩ (3,292)	₩ -
Loss from the safety materials business ¹	<u>(3,254)</u>	<u>(472)</u>
Loss before tax from discontinued operations	<u>₩ (6,546)</u>	<u>₩ (472)</u>

¹ Excludes impairment loss on discontinued operations.

Book value of the assets which will be disposed of, as of June 30, 2007 and December 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Inventories	₩ 296	₩ 2,313
Property, plant and equipment	<u>5,516</u>	<u>9,165</u>
	<u>₩ 5,812</u>	<u>₩ 11,478</u>

The income statements of the safety materials business, excluding impairment loss on discontinued operations, for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Sales	₩ 3,068	₩ 7,588
Cost of sales	<u>(4,158)</u>	<u>(6,482)</u>
Gross profit (loss)	(1,090)	1,106
Selling and administrative expenses	<u>(2,183)</u>	<u>(1,661)</u>
Operating loss	(3,273)	(555)
Non-operating income	144	362
Non-operating expenses	<u>(125)</u>	<u>(279)</u>
Loss from the safety materials business	<u>₩ (3,254)</u>	<u>₩ (472)</u>

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The loss after tax from discontinued operations on the safety materials business for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Loss before tax from discontinued operations	₩ (6,546)	₩ (472)
Income tax effects	1,524	130
Loss after tax from discontinued operations	<u>₩ (5,022)</u>	<u>₩ (342)</u>

Cash flows from the safety materials business for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Cash flows from operating activities	₩ 743	₩ (1,039)
Cash flows from investing activities	1,945	(50)
Cash flows from financing activities	(2,688)	1,089
Total	<u>₩ -</u>	<u>₩ -</u>

(2) T-tape Business

On June 5, 2007, the Company decided to dispose of its T-tape business as approved by the representative director of the Company.

The loss before tax from discontinued operations of the T-tape business for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Impairment loss on discontinued operations	₩ (1,321)	₩ -
Profit (loss) from the T-tape business ¹	(1,306)	234
Profit (loss) before tax from discontinued operations	<u>₩ (2,627)</u>	<u>₩ 234</u>

¹ Excludes impairment loss on discontinued operations.

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Book value of the assets which will be disposed of, as of June 30, 2007 and December 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Inventories	₩ 233	₩ 280
Property, plant and equipment	1,345	3,598
	<u>₩ 1,578</u>	<u>₩ 3,878</u>

The income statements of the T-tape business, excluding impairment loss on discontinued operations, for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Sales	₩ 1,128	₩ 2,221
Cost of sales	(1,102)	(1,799)
Gross profit	26	422
Selling and administrative expenses	(206)	(207)
Operating profit (loss)	(180)	215
Non-operating income	34	69
Non-operating expenses	(1,160)	(50)
Profit (loss) from the T-tape business	<u>₩ (1,306)</u>	<u>₩ 234</u>

The loss after tax from discontinued operations on the T-tape business for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Profit (loss) before tax from discontinued operations	₩ (2,627)	₩ 234
Income tax effects	-	(31)
Profit (loss) after tax from discontinued operations	<u>₩ (2,627)</u>	<u>₩ 203</u>

Cash flows from the T-tape business for the six-month periods ended June 30, 2007 and 2006, are as follows:

<i>(in millions of Korean won)</i>	2007	2006
Cash flows from operating activities	₩ (178)	₩ (489)
Cash flows from investing activities	2,204	(3,009)
Cash flows from financing activities	(2,026)	3,498
Total	<u>₩ -</u>	<u>₩ -</u>

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20. Subsequent Event

As approved by the Board of Directors on July 5, 2007, the Company will merge with LG Petrochemical Co., Ltd. on November 1, 2007. According to the merger plan, one common share of LG Petrochemical Co., Ltd. with a par value of ₩5,000 per share will be exchanged with 0.480533 common share of LG Chem, Ltd.

21. Reclassification of Prior Period Financial Statements

Due to the adoption of SKFAS No.21, certain amounts in the December 31, 2006 and June 30, 2006 financial statements were reclassified to conform with the June 30, 2007 financial statement presentation. These reclassifications had no effect on the previously reported net income, shareholders' equity or cash flows.