

LG CHEMICAL LTD.
BALANCE SHEETS
December 31, 2000 and 1999

	Millions of Korean Won		Thousands of U. S. Dollars (Note 3)	
	2000	1999	2000	1999
ASSETS				
Current assets:				
Cash and cash equivalents	₩ 147,325	₩ 117,782	\$ 116,952	\$ 93,500
Short-term financial instrument	894	11,943	710	9,481
Trade accounts and notes receivable, net (Notes 5 and 17)	486,516	613,085	386,216	486,691
Other accounts receivable, net (Note 5)	40,621	36,801	32,247	29,214
Short-term loans	6	9,896	5	7,856
Inventories (Note 6)	384,288	310,372	305,063	246,386
Accrued income	12,628	9,277	10,025	7,364
Advance payments	4,784	1,779	3,798	1,412
Prepaid expenses	14,163	12,107	11,243	9,611
Other current assets	2,471	2,393	1,961	1,901
Total current assets	1,093,696	1,125,435	868,220	893,416
Property, plant and equipment, net (Note 7)	2,784,375	2,568,505	2,210,348	2,038,982
Investment securities (Note 8)	2,324,222	1,718,339	1,845,060	1,364,086
Other investments	71,033	61,504	56,389	48,824
Long-term financial instruments (Note 4)	40,046	40,195	31,790	31,908
Long-term trade accounts and notes receivable, net (Note 5)	7,631	8,778	6,058	6,968
Long-term guarantee deposits	50,237	42,279	39,880	33,563
Intangible assets (Note 2)	101,547	60,440	80,612	47,980
Total assets	₩ 6,472,787	₩ 5,625,475	\$ 5,138,357	\$ 4,465,727

Continued;

The accompanying notes are an integral part of these financial statements.

LG CHEMICAL LTD.
BALANCE SHEETS, Continued
December 31, 2000 and 1999

	Millions of Korean Won		Thousands of U. S. Dollars (Note 3)	
	2000	1999	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings (Note 9)	₩ 410,269	₩ 501,856	\$ 325,688	\$ 398,393
Current maturities of long-term debt, net (Note 9)	809,207	772,977	642,381	613,620
Trade accounts and notes payable (Note 17)	341,980	275,685	271,477	218,850
Other accounts payable	339,460	276,340	269,477	219,370
Income taxes payable	72,514	38,843	57,564	30,835
Accrued expenses	133,234	121,037	105,766	96,084
Other current liabilities	127,862	109,345	101,503	86,802
Total current liabilities	2,234,526	2,096,083	1,773,856	1,663,954
Long-term debt, net (Note 10)	1,650,686	1,225,783	1,310,380	973,075
Accrued severance benefits, net	46,775	61,026	37,132	48,445
Deferred income tax liabilities (Note 14)	143,716	76,582	114,087	60,794
Other long-term liabilities	19,206	16,561	15,247	13,147
Total long-term liabilities	1,860,383	1,379,952	1,476,846	1,095,461
Total liabilities	₩ 4,094,909	₩ 3,476,035	\$ 3,250,702	\$ 2,759,415

Continued;

The accompanying notes are an integral part of these financial statements.

LG CHEMICAL LTD.
BALANCE SHEETS, Continued
December 31, 2000 and 1999

	Millions of Korean Won		Thousands of U. S. Dollars (Note 3)	
	2000	1999	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY, Continued				
Commitments and contingencies (Note 11)				
Shareholders' equity :				
Capital stock, ₩5,000 par value; authorized 193,000,000 shares				
Common stock, issued and outstanding, 97,613,734 shares	₩ 488,069	₩ 488,069	\$ 387,449	\$ 387,449
Preferred stock, issued and outstanding, 13,123,108 shares	65,615	65,615	52,088	52,088
	<u>553,684</u>	<u>553,684</u>	<u>439,537</u>	<u>439,537</u>
Capital surplus :				
Paid-in capital in excess of par value	441,514	441,514	350,491	350,491
Asset revaluation surplus (Note 7)	361,572	361,572	287,030	287,030
Gain on business combination	21,859	21,859	17,353	17,353
Gain on disposal of treasury stock	331	331	263	263
	<u>825,276</u>	<u>825,276</u>	<u>655,137</u>	<u>655,137</u>
Retained earnings (Note 12):				
Legal reserve	43,816	35,932	34,783	28,524
Other reserves	679,361	395,651	539,304	314,084
Unappropriated retained earnings (Net income 2000 : ₩324,821 million 1999 : ₩367,728 million)	8	7	7	6
	<u>723,185</u>	<u>431,590</u>	<u>574,094</u>	<u>342,614</u>
Capital adjustment :				
Treasury stock (Note 13)	(119,041)	(32,831)	(94,500)	(26,063)
Gain on valuation of investment securities (Note 8)	394,774	371,721	313,387	295,087
	<u>275,733</u>	<u>338,890</u>	<u>218,887</u>	<u>269,024</u>
Total shareholders' equity	<u>2,377,878</u>	<u>2,149,440</u>	<u>1,887,655</u>	<u>1,706,312</u>
Total liabilities and shareholders' equity	<u>₩ 6,472,787</u>	<u>₩ 5,625,475</u>	<u>\$ 5,138,357</u>	<u>\$ 4,465,727</u>

The accompanying notes are an integral part of these financial statements.

LG CHEMICAL LTD.
INCOME STATEMENTS
for the years ended December 31, 2000 and 1999

	Millions of Korean Won		Thousands of U. S. Dollars (Note 3)	
	2000	1999	2000	1999
Sales (Notes 17 and 18) :				
Domestic	₩ 3,283,135	₩ 2,854,675	\$ 2,606,283	\$ 2,266,155
Export	2,137,603	1,691,690	1,696,914	1,342,931
	<u>5,420,738</u>	<u>4,546,365</u>	<u>4,303,197</u>	<u>3,609,086</u>
Cost of sales (Note 17)	<u>3,933,952</u>	<u>3,200,460</u>	<u>3,122,928</u>	<u>2,540,653</u>
Gross profit	1,486,786	1,345,905	1,180,269	1,068,433
Selling expenses	725,657	673,443	576,055	534,606
Administrative expenses	<u>165,269</u>	<u>131,776</u>	<u>131,197</u>	<u>104,609</u>
Operating income (Note 18)	<u>595,860</u>	<u>540,686</u>	<u>473,017</u>	<u>429,218</u>
Non-operating income (expenses)				
Interest expenses, net	(259,246)	(263,964)	(205,800)	(209,545)
Foreign exchange gain (loss), net	(32,056)	16,971	(25,447)	13,472
Gain on disposal of investment, net	17,132	47,254	13,600	37,512
Gain on valuation of investment under the equity method of accounting (Note 8)	137,244	208,384	108,950	165,424
Loss on disposal of property, plant and equipment, net	(5,507)	(26,561)	(4,372)	(21,085)
Others, net	<u>11,350</u>	<u>4,295</u>	<u>9,011</u>	<u>3,409</u>
	<u>(131,083)</u>	<u>(13,621)</u>	<u>(104,058)</u>	<u>(10,813)</u>
Ordinary income	464,777	527,065	368,959	418,405
Extraordinary loss	<u>-</u>	<u>(6,606)</u>	<u>-</u>	<u>(5,244)</u>
Income before income taxes	464,777	520,459	368,959	413,161
Income taxes (Note 14)	<u>(139,956)</u>	<u>(152,731)</u>	<u>(111,103)</u>	<u>(121,244)</u>
Net income	<u>₩ 324,821</u>	<u>₩ 367,728</u>	<u>\$ 257,856</u>	<u>\$ 291,917</u>
Basic and diluted ordinary income per share (Note 15) (In Won and U.S. Dollars)	<u>₩ 3,385</u>	<u>₩ 3,956</u>	<u>\$ 2.69</u>	<u>\$ 3.14</u>
Basic and diluted earnings per share (Note 15) (In Won and U.S. Dollars)	<u>₩ 3,385</u>	<u>₩ 3,906</u>	<u>\$ 2.69</u>	<u>3.10</u>

The accompanying notes are an integral part of these financial statements.

LG CHEMICAL LTD.
STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
for the years ended December 31, 2000 and 1999

Date of appropriations : March 16, 2001
March 17, 2000

	Millions of Korean Won		Thousands of U. S. Dollars (Note 3)	
	2000	1999	2000	1999
Unappropriated retained earnings at the end of the year				
Unappropriated retained earnings carried over from prior year	₩ 7	₩ 6	\$ 6	\$ 5
Cumulative effect of accounting changes (Note 12)	-	(158,681)	-	(125,967)
Changes of retained earnings of investees using the equity method of accounting (Note 8)	45,608	-	36,205	-
Net income	<u>324,821</u>	<u>367,728</u>	<u>257,856</u>	<u>291,917</u>
	370,436	209,053	294,067	165,955
Transfer from other reserves :	<u>31,840</u>	<u>49,440</u>	<u>25,276</u>	<u>39,247</u>
	402,276	258,493	319,343	205,202
Appropriations :				
Transfer to legal reserve	7,884	8,184	6,259	6,497
Transfer to other reserves	315,550	168,468	250,495	133,736
Cash dividends (Note 16)	78,834	81,834	62,582	64,963
common stock				
15% in 2000 and 1999				
preferred stock				
16% in 2000 and 1999				
	<u>402,268</u>	<u>258,486</u>	<u>319,336</u>	<u>205,196</u>
Unappropriated retained earnings carried over to subsequent year	<u>₩ 8</u>	<u>₩ 7</u>	<u>\$ 7</u>	<u>\$ 6</u>

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LG CHEMICAL LTD.
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2000 and 1999

	Millions of Korean Won		Thousands of U. S. Dollars (Note 3)	
	2000	1999	2000	1999
Cash flows from operating activities :				
Net income	₩ 324,821	₩ 367,728	\$ 257,856	\$ 291,917
Adjustments to reconcile net income to net cash provided by operating activities :				
Depreciation and amortization	271,902	301,061	215,847	238,994
Provision for severance benefits	63,799	55,867	50,646	44,349
Foreign exchange loss (gain), net	38,592	(14,502)	30,636	(11,512)
Amortization of discounts, net	20,542	25,127	16,307	19,947
Loss on disposal of property, plant and equipment, net	5,507	26,561	4,372	21,085
Gain on disposal of investment, net	(17,132)	(47,254)	(13,600)	(37,512)
Gain on valuation of investment under the equity method of accounting	(137,244)	(208,384)	(108,950)	(165,424)
Changes in :				
Trade accounts and notes receivable	141,426	116,047	112,270	92,123
Other accounts receivable	(5,289)	115,121	(4,199)	91,388
Accrued income	(3,350)	4,663	(2,659)	3,702
Inventories	(58,139)	(25,223)	(46,153)	(20,023)
Advance payments	(3,005)	851	(2,385)	676
Prepaid expenses	(974)	21,669	(773)	17,202
Other current assets	(225)	231	(179)	183
Trade accounts and notes payable	63,928	68,684	50,749	54,524
Other accounts payable	62,708	82,595	49,780	65,567
Accrued expenses	12,196	(3,309)	9,682	(2,627)
Income taxes payable	33,671	9,767	26,729	7,753
Other current liabilities	21,621	90,266	17,164	71,657
Others	53,581	(9,816)	42,533	(7,793)
Payment of accrued severance benefits	(56,909)	(51,217)	(45,177)	(40,658)
Net cash provided by operating activities	<u>832,027</u>	<u>926,533</u>	<u>660,496</u>	<u>735,518</u>

Continued;

The accompanying notes are an integral part of these financial statements.

LG CHEMICAL LTD.
STATEMENTS OF CASH FLOWS, Continued
for the years ended December 31, 2000 and 1999

	Millions of Korean Won		Thousands of U. S. Dollars (Note 3)	
	2000	1999	2000	1999
Cash flows from investing activities :				
Decrease in short-term financial instrument	₩ 11,943	₩ 25,650	\$ 9,481	\$ 20,362
Disposal of marketable securities	-	183,013	-	145,283
Decrease of short-term loans	40	8,251	32	6,550
Disposal of investment securities	25,690	191,183	20,394	151,769
Decrease in other investments	4,192	15,399	3,328	12,224
Decrease in long-term guarantee deposits	8,496	18,665	6,744	14,817
Disposal of property, plant and equipment	12,317	18,477	9,778	14,668
Dividends from investments using equity method	50,511	16,898	40,098	13,414
Acquisition of marketable securities	-	(27,807)	-	(22,074)
Increase in accrued severance pay-funded	(27,536)	(9,180)	(21,859)	(7,287)
Acquisition of investment securities	(446,429)	(553,360)	(354,393)	(439,279)
Increase in long-term guarantee deposits	(16,498)	(13,196)	(13,097)	(10,476)
Acquisition of property, plant and equipment	(513,946)	(260,297)	(407,990)	(206,634)
Increase in intangible assets	(46,506)	(29,396)	(36,918)	(23,336)
Others	(4,565)	(16,709)	(3,626)	(13,264)
Net cash used in investing activities	(942,291)	(432,409)	(748,028)	(343,263)
Cash flows from financing activities :				
Decrease (increase) in short-term borrowings, net	(91,945)	53,361	(72,990)	42,360
Increase in long-term debt	1,203,794	247,940	955,620	196,825
Issuance of new stock	-	206,174	-	163,669
Payment of long-term debt	(807,016)	(967,377)	(640,641)	(767,942)
Payment of dividend payable	(81,822)	(22,174)	(64,954)	(17,603)
Acquisition of treasury stock	(86,210)	-	(68,437)	-
Others	3,006	2,172	2,386	1,724
Net cash provided by (used in) financing activities	139,807	(479,904)	110,984	(380,967)
Net increase in cash and cash equivalents	29,543	14,220	23,452	11,288
Cash and cash equivalents at the beginning of the year	117,782	103,562	93,500	82,212
Cash and cash equivalents at the end of the year (Note 19)	₩ 147,325	₩ 117,782	\$ 116,952	\$ 93,500

The accompanying notes are an integral part of these financial statements.