

LG CHEMICAL LTD.
BALANCE SHEET
December 31, 1999

	Millions of Korean Won	Thousands of U. S. Dollars (Note 3)
ASSETS		
Current assets:		
Cash and cash equivalents	₩ 117,782	\$ 102,831
Short-term financial instrument	11,943	10,427
Trade accounts and notes receivable, net (Notes 5 and 17)	613,085	535,259
Other accounts receivable, net (Note 5)	36,801	32,130
Short-term loans	9,896	8,640
Inventories (Note 6)	310,372	270,972
Accrued income	9,277	8,100
Advance payments	1,779	1,553
Prepaid expenses	12,107	10,570
Other current assets	2,393	2,088
	1,125,435	982,570
Property, plant and equipment, net (Note 7)	2,568,505	2,242,452
Investment securities (Note 8)	1,718,339	1,500,209
Other investments	61,504	53,696
Long-term financial instruments (Note 4)	40,195	35,092
Long-term trade accounts and notes receivable, net (Note 5)	8,778	7,664
Long-term guarantee deposits	42,279	36,912
Intangible assets (Note 2)	60,440	52,768
	5,625,475	4,911,363
Total Assets	₩ 5,625,475	\$ 4,911,363

Continued;

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

LG CHEMICAL LTD.
BALANCE SHEET, Continued
December 31, 1999

	<u>Millions of Korean Won</u>	<u>Thousands of U. S. Dollars (Note 3)</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings (Note 9)	₩ 501,856	\$ 438,149
Current maturities of long-term debt, net (Note 9)	772,977	674,854
Trade accounts and notes payable (Note 17)	275,685	240,689
Other accounts payable	276,340	241,261
Income taxes payable	38,843	33,912
Accrued expenses	121,037	105,673
Other current liabilities	109,345	95,465
Total current liabilities	2,096,083	1,830,003
Long-term debt, net (Note 10)	1,225,783	1,070,179
Accrued severance benefits, net	61,026	53,279
Deferred income tax liabilities (Note 14)	76,582	66,861
Other long-term liabilities	16,561	14,456
Total long-term liabilities	1,379,952	1,204,775
Total liabilities	₩ 3,476,035	\$ 3,034,778

Continued;

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LG CHEMICAL LTD.
BALANCE SHEET, Continued
December 31, 1999

	Millions of Korean Won	Thousands of U. S. Dollars (Note 3)
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	\$ 426,112
Preferred stock, issued and outstanding, 13,123,108 shares	65,615	57,286
	553,684	483,398
Capital surplus :		
Paid-in capital in excess of par value	441,514	385,467
Asset revaluation surplus (Note 7)	361,572	315,673
Gain on business combination	21,859	19,084
Gain on disposal of treasury stock	331	288
	825,276	720,512
Retained earnings (Note 12):		
Legal reserve	35,932	31,371
Other reserves	395,651	345,427
Unappropriated retained earnings (Net income : ₩367,728 million)	7	6
	431,590	376,804
Capital adjustment :		
Treasury stock (Note 13)	(32,831)	(28,663)
Gain on valuation of investment securities (Note 8)	371,721	324,534
	338,890	295,871
Total shareholders' equity	2,149,440	1,876,585
Total liabilities and shareholders' equity	₩ 5,625,475	\$ 4,911,363

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LG CHEMICAL LTD.
STATEMENT OF INCOME
for the year ended December 31, 1999

	Millions of Korean Won	Thousands of U. S. Dollars (Note 3)
Sales (Notes 17 and 18) :		
Domestic	₩ 2,854,675	\$ 2,492,296
Export	1,691,690	1,476,942
	4,546,365	3,969,238
Cost of sales (Note 17)	3,200,460	2,794,186
Gross profit	1,345,905	1,175,052
Selling expenses	673,443	587,954
Administrative expenses	131,776	115,048
	540,686	472,050
Operating income (Note 18)		
Non-operating income (expenses)		
Interest expenses, net	(263,964)	(230,455)
Foreign exchange gain, net	16,971	14,816
Gain on disposal of investment, net	47,254	41,255
Gain on valuation of investment under the equity method of accounting (Note 8)	208,384	181,932
Loss on disposal of property, plant and equipment, net	(26,561)	(23,190)
Others, net	4,295	3,751
	(13,621)	(11,891)
Ordinary income	527,065	460,159
Extraordinary loss	(6,606)	(5,768)
Income before income taxes	520,459	454,391
Income taxes (Note 14)	(152,731)	(133,343)
Net income	₩ 367,728	\$ 321,048
Basic and diluted ordinary income per share (Note 15) (In Won and U.S. Dollars)	₩ 3,956	\$ 3.45
Basic and diluted earnings per share (Note 15) (In Won and U.S. Dollars)	₩ 3,906	\$ 3.41

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

LG CHEMICAL LTD.
STATEMENT OF APPROPRIATIONS OF RETAINED EARNINGS
for the year ended December 31, 1999

Date of appropriations : March 17, 2000

	Millions of Korean Won	Thousands of U. S. Dollars (Note 3)
Unappropriated retained earnings at the end of the year (Note 12)		
Unappropriated retained earnings carried over from prior year	₩ 6	\$ 5
Cumulative effect of accounting changes	(158,681)	(138,537)
Net income	367,728	321,048
	209,053	182,516
 Transfer from other reserves :	 49,440	 43,163
	258,493	225,679
 Appropriations :		
Transfer to legal reserve	8,184	7,145
Transfer to other reserves	168,468	147,082
Cash dividends (Note 16)	81,834	71,446
common stock		
15% in 1999		
preferred stock		
16% in 1999		
	258,486	225,673
 Unappropriated retained earnings carried over to subsequent year	 ₩ 7	 \$ 6

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LG CHEMICAL LTD.
STATEMENT OF CASH FLOWS
for the year ended December 31, 1999

	Millions of Korean Won	Thousands of U. S. Dollars (Note 3)
Cash flows from operating activities :		
Net Income	₩ 367,728	\$ 321,048
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation and amortization	301,061	262,844
Provision for severance benefits	55,867	48,775
Foreign exchange gain, net	(14,502)	(12,661)
Amortization of discounts, others	25,127	21,937
Loss on disposal of property, plant and equipment, net	26,561	23,189
Gain on disposal of investment	(53,421)	(46,640)
Gain on valuation of investment under the equity method of accounting	(208,384)	(181,932)
Trade accounts and notes receivable	116,047	101,316
Other accounts receivable	115,121	100,507
Accrued income	4,663	4,071
Inventories	(25,223)	(22,021)
Advance payments	851	743
Prepaid expenses	21,669	18,918
Other current assets	231	202
Trade accounts and notes payable	68,684	59,965
Other accounts payable	82,595	72,110
Accrued expenses	(3,309)	(2,889)
Income taxes payable	9,767	8,527
Payment of accrued severance benefits	(51,217)	(44,716)
Other current liabilities	90,266	78,807
Others	13,249	11,568
Total	943,431	823,668

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LG CHEMICAL LTD.
STATEMENT OF CASH FLOWS, Continued
for the year ended December 31, 1999

	Millions of Korean Won	Thousands of U. S. Dollars (Note 3)
Cash flows from investing activities :		
Decrease in short-term financial instrument	₩ 25,650	\$ 22,393
Disposal of marketable securities	183,013	159,781
Disposal of short-term loans	8,251	7,203
Disposal of investments securities	191,183	166,914
Decrease in other investment	15,399	13,445
Decrease in long-term guarantee deposits	18,665	16,296
Disposal of property, plant and equipment	18,477	16,131
Decrease in accrued severance pay-funded	143,133	124,964
Acquisition of marketable securities	(27,807)	(24,277)
Increase in deposits on allowance for severance pay-funded	(152,313)	(132,978)
Acquisition of investment securities	(553,360)	(483,115)
Increase in long-term prepaid expenses	(7,833)	(6,839)
Increase in long-term guarantee deposits	(13,196)	(11,521)
Acquisition of property, plant and equipment	(10,030)	(8,755)
Increase in intangible assets	(29,396)	(25,664)
Increase in construction in progress	(209,902)	(183,257)
Increase in machinery in-transit	(40,365)	(35,241)
Others	(8,876)	(7,750)
Net cash used in investing activities	(449,307)	(392,270)
Cash flows from financing activities :		
Increase in short-term borrowings	53,361	46,588
Increase in long-term debt	247,940	216,466
Increase in deposit received on sale	3,891	3,397
Issuance of new stock	206,174	180,001
Payment of long-term debt	(967,377)	(844,576)
Payment of dividend payable	(22,174)	(19,359)
Decrease in deposit received on sale	(1,719)	(1,500)
Net cash used in financing activities	(479,904)	(418,983)
Net increase in cash and cash equivalents	14,220	12,415
Cash and cash equivalents at the beginning of the year	103,562	90,416
Cash and cash equivalents at the end of the year (Note 19)	₩ 117,782	\$ 102,831

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