

LG Chem, Ltd.
Interim Financial Statements
September 30, 2009 and 2008

LG Chem, Ltd.
Index
September 30, 2009 and 2008

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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 statement of financial position of LG Chem, Ltd. (the "Company") as of September 30, 2009, the related non-consolidated statements of income for the three-month and nine-month periods ended September 30, 2009 and 2008, the non-consolidated statements of changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2009 and 2008, 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 statement of financial position of LG Chem, Ltd. as of December 31, 2008, and the related non-consolidated statements of income, appropriations of retained earnings, 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 11, 2009. These non-consolidated financial statements are not included in this review report. The non-consolidated statement of financial position as of December 31, 2008, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2008.

Samil PricewaterhouseCoopers

As discussed in Note 19 to the non-consolidated financial statements, LG Chem, Ltd. spun off its Industrial Materials segment into LG Hausys, Ltd. on April 1, 2009.

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.

Samil PricewaterhouseCoopers

Seoul, Korea
November 13, 2009

This report is effective as of November 13, 2009, 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 Statements of Financial Position
September 30, 2009 and December 31, 2008
(Unaudited)

<i>(in millions of Korean won)</i>	2009	2008
Assets		
Current assets		
Cash and cash equivalents	₩ 901,593	₩ 373,300
Short-term investments	-	148,300
Trade accounts and notes receivable, net (Notes 4, 12 and 17)	1,371,452	1,123,361
Other accounts receivable, net (Note 4)	97,780	88,829
Accrued income	8,187	2,799
Advance payments	2,694	8,848
Prepaid expenses	12,709	21,490
Inventories, net (Note 5)	1,263,526	1,508,938
Deferred income tax assets	14,213	39,164
Other current assets	1,506	1,619
Total current assets	3,673,660	3,316,648
Equity method investments (Note 6)	831,113	800,789
Derivative instrument transaction debit (Note 12)	35,420	51,845
Other investments (Note 3)	1,179	2,220
Property, plant and equipment, net (Notes 7 and 18)	3,746,267	3,867,666
Intangible assets, net (Notes 8 and 18)	(98,042)	(112,884)
Long-term guarantee deposits	16,772	31,106
Long-term prepaid expenses	11,480	19,476
Other non-current assets, net (Note 4)	47,921	59,516
Total assets	₩ 8,265,770	₩ 8,036,382

LG Chem, Ltd.
Non-Consolidated Statements of Financial Position
September 30, 2009 and December 31, 2008
(Unaudited)

<i>(in millions of Korean won)</i>	2009	2008
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable (Note 17)	₩ 828,957	₩ 527,150
Other accounts payable	687,854	567,475
Withholdings	37,833	47,641
Accrued expenses (Note 17)	80,434	54,752
Income tax payable	155,672	367,620
Dividends payable	61	51
Current maturities of long-term debts, net (Note 10)	559,702	575,142
Provision for warranty reserve (Note 9)	5,268	-
Other current liabilities	24,839	22,494
Total current liabilities	2,380,620	2,162,325
Debentures, net (Note 10)	280,973	361,148
Long-term borrowings, net	132,820	458,796
Accrued severance benefits, net (Notes 3 and 11)	84,967	93,344
Deferred income tax liabilities	58,628	38,250
Derivative instrument transaction credit (Note 12)	29,876	26,961
Other non-current liabilities	13,861	5,864
Total liabilities	2,981,745	3,146,688
Commitments and contingencies (Note 12)		
Shareholders' equity (Note 1)		
Common stock	331,356	376,194
Preferred stock	38,144	43,306
	369,500	419,500
Capital surplus (Note 13)		
Paid-in capital in excess of par value	927,173	1,052,640
Gain on disposal of treasury stock	13,855	13,855
Asset revaluation surplus	206,769	206,769
Other capital surplus	39,688	41,285
	1,187,485	1,314,549
Capital adjustment (Note 13)	(479,563)	(14,599)
Accumulated other comprehensive income (Notes 12 and 15)	80,396	133,494
Retained earnings (Notes 2 and 13)	4,126,207	3,036,750
Total shareholders' equity	5,284,025	4,889,694
Total liabilities and shareholders' equity	₩ 8,265,770	₩ 8,036,382

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 Nine-Month Periods Ended September 30, 2009 and 2008
(Unaudited)

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

	2009		2008	
	Three months	Nine months	Three months	Nine months
Sales (Notes 17 and 18)	₩ 3,797,697	₩ 10,131,508	₩ 3,596,874	₩ 9,829,367
Cost of sales (Notes 14 and 17)	2,928,763	7,880,527	2,980,368	8,052,088
Gross profit	868,934	2,250,981	616,506	1,777,279
Selling and administrative expenses (Note 17)	213,068	615,588	204,257	580,122
Operating income	655,866	1,635,393	412,249	1,197,157
Non-operating income				
Interest income	6,954	17,283	625	2,453
Foreign exchange gains	40,117	246,053	81,973	137,590
Gain on foreign currency translation	60,114	45,984	25,480	36,669
Gain on valuation of equity-method investments	62,174	158,490	12,208	60,133
Reversal of negative goodwill	9,792	29,377	9,792	29,377
Gain on transactions of derivative instruments	10,019	25,962	-	164
Gain on valuation of derivative instruments (Note 12)	375	3,903	40,431	71,398
Others	1,739	13,442	1,972	15,382
	191,284	540,494	172,481	353,166
Non-operating expenses				
Interest expenses	8,300	28,901	9,183	29,556
Foreign exchange losses	61,621	256,757	65,228	141,221
Loss on foreign currency translation	20,721	7,616	97,440	153,657
Loss on disposal of trade accounts receivable	10,547	34,175	10,188	23,813
Loss on valuation of equity-method investments	17,346	24,944	14,846	13,679
Loss on disposal of property, plant and equipment	3,931	12,926	2,627	5,291
Impairment loss on intangible assets	-	7,135	-	41
Loss on transactions of derivative instruments	613	12,010	-	-
Loss on valuation of derivative instruments (Note 12)	9,853	17,829	-	-
Donations	860	1,916	909	2,348
Others	13,238	39,163	11,795	29,246
	147,030	443,372	212,216	398,852
Income from continuing operations before income tax	700,120	1,732,515	372,514	1,151,471
Income tax expenses on continuing operations	157,056	401,287	95,043	287,806
Income from continuing operations	543,064	1,331,228	277,471	863,665
Income (loss) from discontinued operations (Note 19)	-	(32,570)	19,525	77,309
Net income	₩ 543,064	₩ 1,298,658	₩ 296,996	₩ 940,974
Per share data (in won) (Note 16)				
Income from continuing operations per share	₩ 7,384	₩ 17,325	₩ 3,327	₩ 10,363
Earnings per share	₩ 7,384	₩ 16,901	₩ 3,561	₩ 11,291
Diluted income from continuing operations per share	₩ 7,384	₩ 17,325	₩ 3,327	₩ 10,363
Diluted earnings per share	₩ 7,384	₩ 16,901	₩ 3,561	₩ 11,291

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
Nine-Month Periods Ended September 30, 2009 and 2008
(Unaudited)

(in millions of Korean won)

	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive Income	Retained earnings	Total
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 of financial accounting standards (Note 2)	-	-	-	-	2,035	2,035
Dividends	-	-	-	-	(167,006)	(167,006)
Net income	-	-	-	-	940,974	940,974
Disposal of treasury stock	-	12,784	8,230	-	-	21,014
Changes in equity-method investments (Note 15)	-	-	-	108,390	-	108,390
Valuation loss on cash flow hedge derivative instruments (Notes 12 and 15)	-	-	-	(7,166)	-	(7,166)
Balance as of September 30, 2008	<u>₩ 419,500</u>	<u>₩ 1,312,141</u>	<u>₩ (15,245)</u>	<u>₩ 84,902</u>	<u>₩ 2,975,139</u>	<u>₩ 4,776,437</u>
Balance as of January 1, 2009	₩ 419,500	₩ 1,314,549	₩ (14,599)	₩ 133,494	₩ 3,036,750	₩ 4,889,694
Dividends	-	-	-	-	(209,201)	(209,201)
Decrease in shareholders' equity due to spin-off	(50,000)	(125,467)	(464,272)	(22,769)	-	(662,508)
Net income	-	-	-	-	1,298,658	1,298,658
Acquisition of treasury stock	-	-	(2,293)	-	-	(2,293)
Disposal of treasury stock	-	-	1,785	-	-	1,785
Changes in equity-method investments (Note 15)	-	(1,597)	(184)	(36,921)	-	(38,702)
Valuation loss on cash flow hedge derivative instruments (Notes 12 and 15)	-	-	-	6,592	-	6,592
Balance as of September 30, 2009	<u>₩ 369,500</u>	<u>₩ 1,187,485</u>	<u>₩ (479,563)</u>	<u>₩ 80,396</u>	<u>₩ 4,126,207</u>	<u>₩ 5,284,025</u>

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

LG Chem, Ltd.
Non-Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2009 and 2008
(Unaudited)

<i>(in millions of Korean won)</i>	2009	2008
Cash flows from operating activities		
Net income	₩ 1,298,658	₩ 940,974
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	320,468	310,295
Provision for severance benefits	40,484	50,852
(Gain) loss on foreign currency translation, net	(29,910)	143,872
Loss on disposal of trade accounts receivable	35,064	25,894
Gain on valuation of equity-method investments, net	(132,142)	(55,561)
Loss on disposal of property, plant and equipment	19,678	10,306
Impairment loss on intangible assets	7,135	42
Loss (gain) on valuation of derivative instruments, net	13,926	(87,156)
Gain on transactions of derivative instruments, net	(13,952)	-
Reversal of negative goodwill	(29,377)	(29,377)
Others, net	25,919	12,866
	<u>257,293</u>	<u>382,033</u>
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	(541,823)	(565,865)
Decrease (increase) in inventories	168,429	(472,617)
Dividends received	8,282	51,193
(Increase) decrease in other accounts receivable	(22,905)	5,270
Increase in accrued income	(5,388)	(2,621)
Decrease (increase) in advance payments	5,425	(487)
Decrease (increase) in prepaid expenses	7,029	(5,877)
Decrease (increase) in deferred income tax assets	12,813	(10,154)
Increase in other current assets	(16)	(3,827)
Increase in trade accounts and notes payable	433,212	180,817
Increase (decrease) in other accounts payable	213,296	(13,807)
Increase in accrued expenses	36,987	67,197
(Decrease) increase in income tax payable	(211,948)	101,070
Decrease in other current liabilities	(918)	(13,077)
Increase in provision for warranty reserve	3,564	-
Accrued severance benefits transferred from associated companies	408	564
Increase (decrease) in deferred income tax liabilities	25,209	(11,107)
Payment of severance benefits	(30,219)	(44,683)
Others, net	9,944	9,426
	<u>111,381</u>	<u>(728,585)</u>
Net cash provided by operating activities	<u>1,667,332</u>	<u>594,422</u>

LG Chem, Ltd.

Non-Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2009 and 2008
(Unaudited)

<i>(in millions of Korean won)</i>	2009	2008
Cash flows from investing activities		
Disposal of short-term investments, net	₩ 148,299	₩ 99,984
Disposal of property, plant and equipment	11,205	11,518
Decrease in derivative instrument transaction debit, net	29,379	-
Acquisition of property, plant and equipment	(663,008)	(588,830)
Acquisition of equity-method investments	(58,756)	(17,430)
Acquisition of intangible assets, net	(11,686)	(37,194)
Others, net	6,856	3,382
Net cash used in investing activities	<u>(537,711)</u>	<u>(528,570)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings, net	-	230,000
Repayment of current maturities of long-term debts	(474,848)	(299,790)
Issuance of debentures	298,653	-
Payment of dividends	(209,192)	(166,995)
Proceeds from long-term borrowings, net	-	92,802
Disposal of treasury stock	-	21,014
Acquisition of treasury stock	(2,293)	-
Others, net	367	(167)
Net cash used in financing activities	<u>(387,313)</u>	<u>(123,136)</u>
Cash flows from spin-off (Note 19)	<u>(214,015)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	528,293	(57,284)
Cash and cash equivalents		
Beginning of the period	373,300	466,438
End of the period	<u>₩ 901,593</u>	<u>₩ 409,154</u>

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

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
September 30, 2009 and 2008, and December 31, 2008
(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, Ochang and Gimcheon.

The Company merged with LG Daesan Petrochemical Ltd. on January 1, 2006, and with LG Petrochemical Co., Ltd. on November 1, 2007, and spun off its Industrial Materials segment to LG Hausys, Ltd. on April 1, 2009.

As of September 30, 2009 the Company has an outstanding capital stock of ₩369,500 million, including preferred stock of ₩38,144 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 September 30, 2009 the Company has issued 66,271,100 common shares and 7,628,921 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
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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, 2008, excluding the accounting policies on spin-off.

Spin-off

On April 1, 2009, the Company spun off its Industrial Materials segment to LG Hausys, Ltd. Principal accounting treatments related to the spin-off are as follows:

- Assets and liabilities were transferred to the newly established company at their carrying value
- Accumulated other comprehensive income directly related to the transferred assets and liabilities are transferred to the spun-off company.
- Any losses from capital reduction were offset against gain from capital reduction and paid-in capital in excess of par value corresponding to the rate of reduced capital, and the remaining amounts after the offset were recorded as capital adjustments.

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 effect of the change is adjusted on the beginning balance of 2008. The effects of this change were a decrease in deferred income tax liabilities by ₩2,035 million, and an increase in retained earnings by ₩2,035 million as of January 1, 2008.

3. Restricted Bank Deposits

As of September 30, 2009, long-term financial instruments of ₩40 million are deposited in connection with bank overdraft agreements (December 31, 2008: ₩46 million). The withdrawal of these deposits is restricted.

Further, the withdrawal of group severance insurance deposits is restricted to employees' severance payments (Note 11).

LG Chem, Ltd.
Notes to Non-Consolidated Financial Statements
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4. Receivables

Receivables and allowance for doubtful accounts as of September 30, 2009 and December 31, 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009	2008
Trade accounts and notes receivable	₩ 1,385,966	₩ 1,156,519
Less : Allowance for doubtful accounts	(14,514)	(33,158)
	<u>₩ 1,371,452</u>	<u>₩ 1,123,361</u>
Other accounts receivable	₩ 99,191	₩ 99,166
Less : Allowance for doubtful accounts	(1,411)	(10,311)
Less : Present value discount	-	(26)
	<u>₩ 97,780</u>	<u>₩ 88,829</u>
Long-term trade accounts and notes receivable	₩ 54	₩ 146
Less : Allowance for doubtful accounts	(4)	(16)
	<u>₩ 50</u>	<u>₩ 130</u>
Long-term other accounts receivable	₩ -	₩ 202
Less : Present value discount	-	(7)
	<u>₩ -</u>	<u>₩ 195</u>

5. Inventories

Inventories as of September 30, 2009 and December 31, 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009	2008
Merchandise, net of valuation allowance of ₩17 million (December 31, 2008: ₩363 million)	₩ 41,836	₩ 67,005
Finished products, net of valuation allowance of ₩3,167 million (December 31, 2008: ₩19,106 million)	506,307	739,012
Work-in-process	199,649	178,072
Raw materials, net of valuation allowance of ₩414 million (December 31, 2008: ₩421 million)	358,766	351,521
Supplies	46,232	41,333
Materials-in-transit	110,736	131,995
	<u>₩ 1,263,526</u>	<u>₩ 1,508,938</u>

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6. Equity Method Investments

Equity method investments as of September 30, 2009 and December 31, 2008, are summarized as follows:

Investee ¹¹	Percentage of Ownership (%)		Acquisition Cost		Book Value		Fair Value or Net Asset Value	
	2009	2008	2009	2008	2009	2008	2009	2008
	<i>(in millions of Korean won)</i>							
Tianjin LG Dagu Chemical Co., Ltd.	75.00	75.00	₩ 17,440	₩ 17,440	₩ 39,415	₩ 24,265	₩ 34,466	₩ 24,324
Tianjin LG New Building Materials Co., Ltd. ¹	-	85.35	-	33,649	-	51,689	-	57,945
Ningbo LG Yongxing Chemical Co., Ltd.	75.00	75.00	110,746	110,746	186,335	135,908	182,912	134,388
LG Chemical India Pvt. Ltd.	100.00	100.00	31,466	31,466	45,056	54,928	43,405	54,928
LG Chemical Hong Kong Ltd.	100.00	100.00	254	254	10,526	11,159	10,528	10,039
LG Vina Chemical J/V Company	40.00	40.00	1,194	1,194	2,608	1,313	3,014	1,404
LG Hausys America, Inc. ²	-	100.00	-	9,596	-	7,396	-	13,367
LG Chem America, Inc. ²	100.00	-	3,620	-	4,075	-	4,618	-
M. Dohmen S.A. ³	-	49.00	-	43,203	-	993	-	4,023
SEETEC Co., Ltd. ¹¹	50.00	50.00	36,643	36,643	46,785	58,416	133,742	147,465
LG Dow Polycarbonate Ltd.	50.00	50.00	36,794	36,794	62,938	62,577	63,239	63,074
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100.00	100.00	13,091	13,091	28,001	21,911	27,941	22,205
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. ⁴	78.54	82.80	85,602	71,523	128,029	98,921	155,942	116,955
LG Chem Trading (Shanghai) Co., Ltd. ⁵	-	100.00	-	3,503	-	2,473	-	2,471
LG Chem (China) Investment Co., Ltd.	100.00	100.00	40,340	40,340	50,923	46,337	50,910	46,338
LG Chem (Taiwan), Ltd.	100.00	100.00	6,888	6,888	14,674	-	20,878	7,449
LG Chem Industrial Materials Inc. ³	-	100.00	-	17,846	-	15,883	-	17,209
LG Holdings (HK) Ltd. ^{6,11}	26.00	18.18	60,910	41,582	51,919	58,207	50,479	56,375
Compact Power Inc.	100.00	100.00	5,483	5,483	4,503	983	4,503	983
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	90.00	90.00	5,589	5,589	18,082	14,733	19,722	15,810
LG Chem Display Materials (Beijing) Co., Ltd.	90.00	90.00	6,865	6,865	12,654	12,450	13,394	13,201
Tianjin LG Bohai Chemical Co., Ltd. ¹⁰	65.00	65.00	63,524	63,524	103,995	105,847	114,793	116,114
LG Chem Europe GmbH	100.00	100.00	1,927	1,927	5,101	3,085	5,320	4,637
LG Hausys Europe GmbH ⁷	-	-	-	-	-	-	-	-
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	9,273	8,196	9,273	8,196
TECWIN Co., Ltd. ^{8,11}	19.90	19.90	419	419	2,871	2,861	2,871	2,861
LG Chem Industrial Material Russia, LLC ⁹	-	-	-	-	-	-	-	-
Tianjin LG Botian Chemical Co., Ltd. ¹⁰	27.60	-	3,092	-	3,092	-	1,670	-
			<u>₩537,935</u>	<u>₩605,613</u>	<u>₩831,113</u>	<u>₩800,789</u>	<u>₩953,878</u>	<u>₩942,019</u>

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- ¹ The Company acquired additional shares of Tianjin LG New Building Materials Co., Ltd. for ₩11,058 million from LG Chem (China) Investment Co., Ltd. in 2009. And the investee was transferred to LG Hausys, Ltd. on April 1, 2009.
- ² LG Chem America, Inc. changed its name to LG Hausys America, Inc. and LG Chem America was spun off from LG Hausys America, Inc. in 2009. And investment in LG Hausys America, Inc. was transferred to LG Hausys, Ltd. on April 1, 2009.
- ³ Investees were transferred to LG Hausys, Ltd. on April 1, 2009.
- ⁴ The Company acquired additional shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. for ₩14,079 million. As LG Chem (China) Investment Company Ltd. also acquired additional shares, the Company's percentage of ownership decreased from 82.80% to 78.54%.
- ⁵ The Company acquired additional shares of LG Chem Trading (Shanghai) Co., Ltd. for ₩4,250 million. And the investee was transferred to LG Hausys, Ltd. on April 1, 2009.
- ⁶ The Company acquired additional shares of LG Holdings (HK) Ltd. for ₩19,328 million. As a result, the Company's percentage of ownership increased from 18.18% to 26%. As of December 31, 2008, this investment was 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%.
- ⁷ The newly established investee was transferred to LG Hausys, Ltd. on April 1, 2009.
- ⁸ This investee is classified as an equity-method investment as the Company has significant influence over the investee even the Company's percentage of ownership is below 20%.
- ⁹ The Company acquired additional shares of LG Chem Industrial Material Russia, LLC for ₩4,249 million. The investee was reclassified from investment securities to equity-method investments, and transferred to LG Hausys, Ltd. on April 1, 2009.
- ¹⁰ The Company acquired shares of Tianjin LG Botian Chemical for ₩3,092 million (percentage of ownership: 27.60%) during the current period, and the investment is classified as an equity-method investment. As of September 30, 2009, Tianjin LG Bohai Chemical Co., Ltd. also holds 46% ownership in Tianjin LG Botian Chemical Co., Ltd.
- ¹¹ As of September 30, 2009, the Company has control over all the investees, except for SEETEC Co., Ltd., LG Holdings (HK) Ltd. and TECWIN Co., Ltd.

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7. Property, Plant and Equipment

Property, plant and equipment as of September 30, 2009 and December 31, 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009	2008
Buildings	₩ 1,021,593	₩ 1,092,373
Structures	491,913	510,824
Machinery and equipment	4,777,234	4,892,001
Vehicles	27,102	30,773
Tools and furniture	420,554	671,916
Others	14,271	-
	<u>6,752,667</u>	<u>7,197,887</u>
Accumulated depreciation	(3,905,984)	(4,183,634)
Accumulated impairment loss	(4,244)	(12,301)
	<u>2,842,439</u>	<u>3,001,952</u>
Land	425,929	498,231
Construction-in-progress	400,277	286,851
Machinery-in-transit	77,622	80,632
	<u>₩ 3,746,267</u>	<u>₩ 3,867,666</u>

As of September 30, 2009, certain property, plant and equipment have been pledged as collateral for bank loans for up to a maximum of ₩393,236 million (December 31, 2008: ₩429,171 million).

8. Intangible Assets

Intangible assets as of September 30, 2009 and December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Intellectual property rights	₩ 35,634	₩ 32,339
Development costs	33,598	45,908
Goodwill	29,568	33,415
Others	8,798	10,472
Negative goodwill	(205,640)	(235,018)
	<u>₩ (98,042)</u>	<u>₩ (112,884)</u>

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9. Provisions for warranty reserve

As of September 30, 2009, the Company has accrued provisions amounting to ₩3,564 million for product defects for a specified period of time after sale and has also accrued provisions amounting to ₩1,704 million for the estimated cost of future repairs and recalls based on experience, terms of guarantees and the expectation of future repairs and recalls.

10. Debentures

Debentures as of September 30, 2009 and December 31, 2008, consist of the following:

<i>(in millions of Korean won)</i>	Annual Interest Rate (%)			
	2009	2008	2009	2008
Publicly offered debentures, payable through 2012	3.5~4.85	3.5~5.02	₩ 481,880	₩ 599,389
Privately offered debentures, payable through 2009	-	5.02~5.32	-	100,000
Foreign debentures, payable through 2010 ¹	LIBOR+0.26	LIBOR+0.2-0.45	59,435	169,763
			541,315	869,152
Less : Current maturities			(259,435)	(506,888)
Discount on debentures issued			(907)	(1,116)
			₩ 280,973	₩ 361,148

¹ The Company issued floating rate notes on March 20, 2007, and will redeem these on September 17, 2010.

11. Accrued Severance Benefits

Accrued severance benefits as of September 30, 2009 and December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Provision for severance benefits	₩ 228,689	₩ 277,340
Less: Group severance insurance deposits	(141,739)	(181,240)
Contributions to National Pension Plan	(1,983)	(2,756)
Ending balance	₩ 84,967	₩ 93,344

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12. Commitments and Contingencies

The Company and the newly established company, LG Hausys Ltd., have provided the joint guarantee for obligations outstanding as of April 1, 2009, the spin-off date.

As of September 30, 2009, 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 September 30, 2009, the Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.

As of September 30, 2009, 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 associated companies. The outstanding balances of such guarantees as of September 30, 2009, amounted to ₩231,043 million (Note 17).

As of September 30, 2009, 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 ₩1,058,140 million.

As of September 30, 2009, the Company has bank overdraft agreements with several banks for up to ₩59,000 million. The Company has also entered into contracts with several financial institutions to open import letters of credit for up to ₩130,100 million and US\$ 258 million. The Company has entered into contracts with several financial institutions for discounting notes from export for up to US\$ 999 million, for other foreign currency payment guarantee of up to US\$ 15 million, and for other notes of up to ₩60,000 million.

Furthermore, the Company has entered into credit line agreements with several financial institutions for up to ₩30,000 million and US\$ 318 million.

As of September 30, 2009, the Company has B2B contracts with several financial institutions.

As of September 30, 2009, the Company has entered into technology license agreements with companies such as Goodyear Tire & Rubber Company for the production of polymer and rubber products. Further, the Company has entered into manufacture and production technical contracts with Toyo Engineering Corp., and Exxon Mobile and others. The Company has also entered into technical contracts for technologies and consultation in relation to the manufacture of certain 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 September 30, 2009, the Company has a long-term purchase contract for certain raw materials and was provided with US\$ 75 million as a guarantee for the contract performance.

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As of September 30, 2009, 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 forward and currency swap contracts with financial institutions for hedging against fluctuations in foreign exchange rates. As of September 30, 2009, the Company's outstanding contracts amounts are US\$ 222 million and JPY 10,000 million (2008: US\$ 202 million and JPY 10,000 million).

Details of the changes in valuation gain or loss on derivatives for the nine-month periods ended September 30, 2009 and 2008, are as follows :

<i>(in millions of Korean won)</i>	Trading		Hedge ¹		Other comprehensive income ³
	Valuation gain	Valuation loss	Valuation gain ²	Valuation loss ²	
2009	₩ 3,903	₩ -	₩ -	₩ (17,829)	₩ (9,461)
2008	₩ -	₩ -	₩ 87,156	₩ -	₩ (7,166)

¹ The Company applies cash flow hedge accounting and is exposed to fluctuation in cash flows up to January 10, 2012, on the cross currency and interest swaps.

² Includes gain(loss) from discontinued operations.

³ The ₩9,461 million (2008: ₩7,166 million), net of tax, was charged to accumulated other comprehensive income.

13. Shareholders' Equity

Changes in shareholders' equity as the Company spun off its Industrial Materials segment are as follows (Note 19):

<i>(in millions of Korean won)</i>	Common stock		Preferred stock		Capital surplus ¹	Capital adjustment ¹
	Number of shares	Capital stock	Number of shares	Capital stock		
January 1, 2009	75,238,770	₩376,194	8,661,251	₩ 43,306	₩ 1,502,640	₩ -
Spin off	<u>(8,967,670)</u>	<u>(44,838)</u>	<u>(1,032,330)</u>	<u>(5,162)</u>	<u>(125,467)</u>	<u>(464,272)</u>
September 30, 2009	<u>66,271,100</u>	<u>₩331,356</u>	<u>7,628,921</u>	<u>₩ 38,144</u>	<u>₩ 927,173</u>	<u>₩(464,272)</u>

¹ The Company incurred losses on capital reduction amounting to ₩589,735 million and recognized ₩464,272 million as capital adjustment, after offsetting against paid-in capital in excess of par value corresponding to the rate of reduced capital. The capital adjustment will be treated in the same manner as disposition of accumulated deficit.

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Retained earnings as of September 30, 2009 and December 31, 2008, consist of :

<i>(in millions of Korean won)</i>	2009	2008
Appropriations		
Legal reserve	₩ 94,349	₩ 73,430
Reserve for business rationalization	4,000	4,000
Reserve for technology development	2,140,695	1,366,197
Voluntary reserve	212,120	212,120
Reserve for investment losses	376,376	376,376
	<u>2,733,191</u>	<u>1,958,693</u>
Unappropriated retained earnings	1,298,667	1,004,627
	<u>₩ 4,126,207</u>	<u>₩ 3,036,750</u>

14. Cost of Sales

Cost of sales for the three-month and nine-month periods ended September 30, 2009 and 2008, are as follows :

<i>(in millions of Korean won)</i>	2009		2008	
	Three Months	Nine Months	Three Months	Nine Months
Products				
Beginning balance of inventories	₩ 606,797	₩ 916,590	₩ 757,755	₩ 669,154
Cost of goods manufactured	2,877,171	7,496,191	3,254,281	8,648,674
Ending balance of inventories	(704,758)	(704,758)	(938,278)	(938,278)
Duty refund	(12,262)	(33,691)	(9,531)	(27,543)
Discontinued operations	-	(161,256)	(204,943)	(633,433)
	<u>2,766,948</u>	<u>7,513,076</u>	<u>2,859,284</u>	<u>7,718,574</u>
Merchandise				
Beginning inventories	36,258	67,005	40,540	43,812
Purchases	147,046	417,807	328,767	898,784
Ending inventories	(41,836)	(41,836)	(55,005)	(55,005)
Discontinued operations	-	(120,116)	(210,120)	(595,197)
	<u>141,468</u>	<u>322,860</u>	<u>104,182</u>	<u>292,394</u>
Other cost of sales	20,347	44,591	16,902	41,120
Total	<u>₩ 2,928,763</u>	<u>₩ 7,880,527</u>	<u>₩ 2,980,368</u>	<u>₩ 8,052,088</u>

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15. Comprehensive Income

Comprehensive income for the three-month and nine-month periods ended September 30, 2009 and 2008, consists of:

(in millions of Korean won)

	2009		2008	
	Three Months	Nine Months	Three Months	Nine Months
Net income	₩ 543,064	₩ 1,298,658	₩ 296,996	₩ 940,974
Cumulative effect of the changes in accounting policy	-	-	-	2,035
Other comprehensive income				
Changes in equity-method investments, net of tax effects of ₩(13,679) million (2008: ₩37,955 million)	(22,756)	(36,921)	53,205	108,390
Valuation loss on cash flow hedge derivative instruments, net of tax effects of ₩3,421 million (2008: ₩(2,718) million)	7,219	6,592	(1,557)	(7,166)
Comprehensive income	<u>₩ 527,527</u>	<u>₩ 1,268,329</u>	<u>₩ 348,644</u>	<u>₩ 1,044,233</u>

16. Earnings Per Share

Basic income from continuing operations per share and earnings per share for the year ended December 31, 2008, were ₩11,341 and ₩12,022, respectively.

Basic income from continuing operations per share and earnings per share for the three-month and nine-month periods ended September 30, 2009 and 2008, are computed as follows:

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

	2009		2008	
	Three Months	Nine Months	Three Months	Nine Months
Income from continuing operations	₩ 543,064	₩1,331,228	₩ 277,471	₩ 863,665
Preferred stock dividends ¹	4,860	14,580	4,437	13,311
Preferred stock share in the remaining profit available for dividends	<u>51,525</u>	<u>123,688</u>	<u>24,464</u>	<u>76,695</u>
Income from continuing operations available for common stock (A)	₩ 486,679	₩1,192,960	₩ 248,570	₩ 773,659
Weighted average number of shares of outstanding common stock (B) ²	<u>65,911,326</u>	<u>68,859,734</u>	<u>74,721,776</u>	<u>74,660,059</u>
Basic income from continuing operations per share (A/B)	<u>₩ 7,384</u>	<u>₩ 17,325</u>	<u>₩ 3,327</u>	<u>₩ 10,363</u>

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

	2009		2008	
	Three Months	Nine Months	Three Months	Nine Months
Net income	₩ 543,064	₩ 1,298,658	₩ 296,996	₩ 940,974
Preferred stock dividends ¹	4,860	14,580	4,437	13,311
Preferred stock share in the remaining profit available for dividends	<u>51,525</u>	<u>120,311</u>	<u>26,492</u>	<u>84,729</u>
Net income available for common stock (A)	₩ 486,679	₩ 1,163,767	₩ 266,067	₩ 842,934
Weighted average number of shares of outstanding common stock (B) ²	<u>65,911,326</u>	<u>68,859,734</u>	<u>74,721,776</u>	<u>74,660,059</u>
Basic earnings per share (A/B)	<u>₩ 7,384</u>	<u>₩ 16,901</u>	<u>₩ 3,561</u>	<u>₩ 11,291</u>

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

² Excludes treasury stock.

There are no outstanding convertible bonds or other dilutive securities as of September 30, 2009 and 2008. 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 income (loss) from discontinued operations per share for the nine-month periods ended September 30, 2009 and 2008, are as follows:

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

	2009		2008	
	Three Months	Nine Months	Three Months	Nine Months
Loss from discontinued operations per share	<u>₩ -</u>	<u>₩ (424)</u>	<u>₩ 234</u>	<u>₩ 928</u>

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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 parties for the three-month periods ended September 30, 2009 and 2008, and the related account balances as of September 30, 2009 and December 31, 2008, are summarized as follows:
(in millions of Korean won)

	Sales	Purchases	Receivables	Payables
Controlling company	₩ -	₩ 27,758	₩ 5,276	₩ 472
Subsidiaries ^{1,2}	940,287	290,133	42,892	98,062
Equity method investees ¹	35,924	96,969	-	11,433
Key management officers	-	30,187	-	31,806
Other related companies ¹	2,152,356	476,067	568,758	97,805
2009 Total	<u>₩3,128,567</u>	<u>₩ 921,114</u>	<u>₩ 616,926</u>	<u>₩ 239,578</u>
2008 Total	<u>₩2,812,700</u>	<u>₩ 810,181</u>	<u>₩ 400,090</u>	<u>₩ 203,872</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.

² Includes Ningbo Bond International Trade, a subsidiary of Ningbo LG Yongxing Chemical Co., Ltd.

³ Includes LG Display Co., Ltd., LG Hausys, Ltd. and LG Electronics Inc.

Compensation for key management officers for nine-month period ended September 30, 2009 and 2008, consists of:

<i>(in millions of Korean won)</i>	2009	2008
Short-term employee benefits	₩ 19,410	₩ 38,894
Post-employment benefits	3,127	3,836
Other long-term employee benefits	7,650	13,537
Reversal of share-based payments	-	1,059
Total	<u>₩ 30,187</u>	<u>₩ 57,326</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 September 30, 2009 and December 31, 2008, are as follows:

(in millions of Korean won)

2009

Guarantee Beneficiary	Amount of Guarantee	Financial Institution	Outstanding Loan Amount
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	₩ 74,116	Bank of China	₩ 62,145
	23,774	Woori Bank	23,774
	35,661	KEXIM Bank	35,661
	7,925	KEXIM Bank	7,925
Tianjin LG Bohai Chemical Co., Ltd.	19,077	Nordea Bank	13,874
LG Chem Poland Sp.Z.O.O.	10,698 (*)	JP Morgan	7,132
LG Hausys America, Inc.	30,074	Kookmin Bank	30,074
	11,887	Bank of America	7,964
	5,944	Bank of America	1,010
LG Chem America, Inc.	11,887	Bank of America	-
Compact Power, Inc.			
	<u>₩ 231,043</u>		<u>₩ 189,559</u>

(*)Terminated on October 28, 2009.

(in millions of Korean won)

2008

Guarantee Beneficiary	Amount of Guarantee	Financial Institution	Outstanding Loan Amount
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	₩ 10,060	Bank of China	₩ 10,060
	25,150	Woori Bank	25,150
	12,575	Korea Exchange Bank	12,575
	37,725	KEXIM Bank	32,695
Tianjin LG Bohai Chemical Co., Ltd.	12,575	KEXIM Bank	12,575
LG Chem Poland Sp.Z.O.O.	17,762	KEXIM Bank	17,762
	5,329	Nordea Bank	5,329
LG Hausys America, Inc.	11,318	JP Morgan	-
	31,815	Kookmin Bank	31,815
	12,575	Bank of America	2,767
	<u>₩ 176,884</u>		<u>₩ 150,728</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, BPA and others	LG Electronics Inc. Daewoo Electronics Co., Ltd. Kia Motors Corp. Youlchon Chemical Co., Ltd. National Plastic Co., Ltd. and others
Industrial Materials ¹	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

¹ As explained in Note 19, the Company spun off its Industrial Materials segment on April 1, 2009, and classified it as discontinued operations.

Financial information on industry segments for the nine-month periods ended September 30, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009			
	Petrochemicals	Information & Electronic Materials	Others	Total
Sales				
External sales ¹	₩ 7,029,708	₩ 3,078,431	₩ 23,369	₩ 10,131,508
Inter-segment sales	89,776	10,250	144,701	244,727
	<u>₩ 7,119,484</u>	<u>₩ 3,088,681</u>	<u>₩ 168,070</u>	<u>₩ 10,376,235</u>
Operating income	<u>₩ 1,236,645</u>	<u>₩ 405,219</u>	<u>₩ (6,471)</u>	<u>₩ 1,635,393</u>
Property, plant and equipment and intangible assets ²	<u>₩ 2,124,390</u>	<u>₩ 1,169,340</u>	<u>₩ 560,135</u>	<u>₩ 3,853,865</u>
Depreciation and amortization	<u>₩ 177,384</u>	<u>₩ 121,913</u>	<u>₩ 5,973</u>	<u>₩ 305,270</u>

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<i>(in millions of Korean won)</i>	2008			
	Petrochemicals	Information & Electronic Materials	Others	Total
Sales				
External sales ¹	₩ 7,896,581	₩ 1,931,258	₩ 1,528	₩ 9,829,367
Inter-segment sales	67,552	2,616	160,138	230,306
	<u>₩ 7,964,133</u>	<u>₩ 1,933,874</u>	<u>₩ 161,666</u>	<u>₩ 10,059,673</u>
Operating income	<u>₩ 920,814</u>	<u>₩ 283,152</u>	<u>₩ (6,809)</u>	<u>₩ 1,197,157</u>
Property, plant and equipment and intangible assets ²	<u>₩ 2,093,322</u>	<u>₩ 962,641</u>	<u>₩ 880,395</u>	<u>₩ 3,936,358</u>
Depreciation and amortization	<u>₩ 171,961</u>	<u>₩ 90,539</u>	<u>₩ 4,675</u>	<u>₩ 267,175</u>

¹ Includes sales of continuing operations to the Industrial Materials segment, which was discontinued, amounting to ₩36,883 million (2008: ₩200,034 million).

² Excludes negative goodwill incurred from the merger, which is deducted from intangible assets. The negative goodwill as of September 30, 2009, amounts to ₩205,640 million (2008: ₩244,810 million). Meanwhile, property, plant and equipment, and intangible assets of discontinued operations as of September 30, 2009 and 2008, are included under others.
(2) Geographical Segment Information

The sales by geographical segments for the nine-month periods ended September 30, 2009 and 2008, are as follows:

(in millions of Korean won)

	Domestic ¹	China	North America	South America	South-East Asia	Western Europe	Others	Total
2009	₩4,728,255	₩3,209,421	₩261,811	₩89,285	₩446,479	₩254,221	₩1,142,036	₩10,131,508
2008	₩4,889,309	₩2,576,408	₩352,110	₩91,895	₩449,606	₩305,525	₩1,164,514	₩ 9,829,367

¹ 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. Spin-off

Pursuant to a resolution of the Board of Directors on December 2, 2008, and an approval by the shareholders on January 23, 2009, the Company spun off its Industrial Materials segment to the newly established LG Hausys, Ltd. on April 1, 2009.

LG Chem, Ltd. engages in the business of petrochemicals and information and electronic materials as of April 1, 2009.

(1) Method of spin-off

The Company spun off its Industrial Materials segment to LG Hausys, Ltd., in accordance with the Commercial Law of the Republic of Korea, and transferred related assets and liabilities to LG Hausys, Ltd.

LG Hausys, Ltd. issued shares within its net asset value and allotted them to LG Chem, Ltd.'s shareholders in proportion to the percentage of shareholding as of the spin-off date.

The Company reduced its capital stock by 0.1191895 share per one share of the Company.

(2) The summarized financial information of the spun off business segment:

Assets and liabilities transferred to LG Hausys, Ltd. are those listed on the spin-off plan approved by the shareholders on January 23, 2009, reflecting changes in carrying value occurred up to the spin-off date.

(3) Transfer of right and obligations

Upon the date of spin-off, all the rights and obligations regarding the transferred assets and liabilities are transferred to LG Hausys, Ltd.

(4) Severance benefits and employees

Employees of the spun off business segment and their severance benefits as of the spin-off date were transferred to LG Hausys, Ltd.

(5) Responsibilities

The Company and LG Hausys, Ltd., have provided the joint guarantee for obligations outstanding as of April 1, 2009, the spin-off date.

(6) Settlement of transfer transactions after the spin-off date.

Adjustments resulting from transactions prior to spin-off will be settled in cash.

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The summarized asset and liabilities of the spun off business segment as of April 1, 2009 and December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Total assets	₩ 1,130,549	₩ 956,713
Total liabilities	<u>₩ 468,045</u>	<u>₩ 271,846</u>

The summarized sales and operating income of the spun off business segment for the three-month period ended March 31, 2009 and for the year ended December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Sales	<u>₩ 341,200</u>	<u>₩ 2,090,667</u>
Operating income	<u>₩ (26,939)</u>	<u>₩ 85,282</u>

The financial statements of the Company are prepared in accordance with SKFAS No. 11, *Discontinued operations*.

The income before tax from discontinued operations of the Industrial Materials segment for the three-month period ended March 31, 2009 and nine-month period ended September 30, 2008, follows:

<i>(in millions of Korean won)</i>	2009	2008
Impairment loss on discontinued operations	₩ (168)	₩ (19)
Income (loss) from the industrial materials segment ¹	<u>(43,020)</u>	<u>104,617</u>
Income (loss) before tax from discontinued operations	<u>₩ (43,188)</u>	<u>₩ 104,598</u>

¹ Excludes impairment loss from discontinued operations.

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The book values of the Industrial Materials segment's assets and liabilities as of March 31, 2009 and December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Current assets	₩ 549,547	₩ 383,103
Investments	99,629	82,557
Property, plant and equipment	438,392	457,461
Intangible assets	9,352	9,235
Other non-current assets	33,629	24,357
Total assets	<u>₩ 1,130,549</u>	<u>₩ 956,713</u>
Current liabilities	₩ 234,072	₩ 245,335
Non-current liabilities	233,973	26,511
Total liabilities	<u>₩ 468,045</u>	<u>₩ 271,846</u>

The statements of operations of the Industrial Materials segment, excluding impairment loss on discontinued operations, for the three-month period ended March 31, 2009 and nine-month periods ended September 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Sales ¹	₩ 341,200	₩ 1,621,579
Cost of sales ¹	<u>281,975</u>	<u>1,231,343</u>
Gross profit	59,225	390,236
Selling and administrative expenses	<u>86,164</u>	<u>284,301</u>
Operating income (loss)	(26,939)	105,935
Non-operating income	19,425	62,459
Non-operating expenses	<u>35,506</u>	<u>63,777</u>
Income (loss) from the Industrial Materials segment	<u>₩ (43,020)</u>	<u>₩ 104,617</u>

¹ The amounts include sales and costs of discontinued to continuing operations, which are expected to continue after spin-off.

The income (loss) after income tax from discontinued operations on the Industrial Materials segment for the three-month period ended March 31, 2009 and nine-month period ended September 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Income (loss) before income tax from discontinued operations	₩ (43,188)	₩ 104,598
Income tax (benefit)	<u>10,618</u>	<u>(27,289)</u>
Income (loss) after income tax from discontinued operations	<u>₩ (32,570)</u>	<u>₩ 77,309</u>

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Cash flows from the Industrial Materials segment for the three-month period ended March 31, 2009 and nine-month period ended September 30, 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Cash flows from operating activities	₩ 13,309	₩ 230,422
Cash flows from investing activities	(20,932)	(77,538)
Cash flows from financing activities	7,623	(152,883)

20. Early Adoption of Korean International Financial Reporting Standards

The Company plans to early adopt the Korean International Financial Reporting Standards (K-IFRS) from 2010. K-IFRS will be mandatorily applied from 2011 for all listed companies. The Company's implementation plan is as follows:

The Company organized certain task force team in order to manage the Company's K-IFRS implementation process and the team regularly reports the result to the management.

Since 2007, the Company engaged an external advisory firm and completed an analysis on significant differences between K-IFRS and the current Korean Financial Accounting Standards. The Company is in the process of determination of accounting policies on identified significant differences.