

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Financial Statements
March 31, 2011 and 2010

LG Chem, Ltd. and Subsidiaries

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March 31, 2011 and 2010

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Report on Review of Interim Financial Statements

To the Board of Directors and Shareholders of
LG Chem, Ltd.

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the "Company"). These financial statements consist of consolidated statements of financial position of LG Chem, Ltd. as of March 31, 2011 and December 31, 2010, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these consolidated 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements do not present fairly, in all material respects, in accordance with the Korean IFRS 34, *Interim Financial Reporting*.

Other matters

We have audited the consolidated statement of financial position of the Company as of December 31, 2010, and the related consolidated statements of income, comprehensive income, 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 financial statements in our audit report dated March 10, 2011. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2010, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2010.

Samil PricewaterhouseCoopers

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Review standards and their application in practice vary among countries. 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 is for use by those who are informed about Korean review standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea
May 30, 2011

This review report is effective as of May 30, 2011, 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 interim 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. and Subsidiaries
Interim Consolidated Statements of Financial Position
March 31, 2011 and December 31, 2010

<i>(in millions of Korean won)</i>	Notes	March 31, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	3, 6, 7	1,621,927	1,368,034
Trade receivables	3, 6, 8, 34	2,959,321	2,529,962
Other receivables	3, 6, 8, 34	90,688	78,015
Prepaid income taxes		2,867	3,379
Other financial assets	3, 6, 9, 11	2,651	2,194
Other current assets	16	227,384	127,609
Inventories	12	2,306,939	2,182,484
Total current assets		7,211,777	6,291,677
Non-current assets			
Other receivables	3, 6, 8	27,163	20,737
Other financial assets	3, 6, 9, 10	4,180	4,183
Investments in associates	1, 5, 13	233,010	213,572
Deferred income tax assets		43,767	45,289
Property, plant and equipment	14	6,174,380	5,872,040
Intangible assets	15	186,955	180,115
Other non-current assets	16	45,418	45,846
Total non-current assets		6,714,873	6,381,782
Total assets		13,926,650	12,673,459
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 6, 34	1,432,312	1,302,563
Other payables	3, 6, 34	1,008,995	821,435
Borrowings	3, 6, 17, 34	1,929,584	1,620,581
Other financial liabilities	3, 6, 9, 11	25,138	20,535
Provisions	18	7,163	4,949
Current income tax liabilities		383,976	409,658
Other current liabilities	20	451,849	97,671
Total current liabilities		5,239,017	4,277,392
Non-current liabilities			
Other payables	3, 6	49,504	47,792
Borrowings	3, 6, 17	405,479	480,510
Other financial liabilities	3, 6, 9, 11	1,205	1,545
Defined benefit liability	19	18,306	8,136
Deferred income tax liabilities		28,322	14,249
Total non-current liabilities		502,816	552,232
Total liabilities		5,741,833	4,829,624

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
March 31, 2011 and December 31, 2010

<i>(in millions of Korean won)</i>	Notes	March 31, 2011	December 31, 2010
Equity			
Equity attributable to owners of the parent			
Share capital	1, 22	369,500	369,500
Capital surplus		1,157,772	1,157,772
Other components of equity	24	(15,699)	(15,699)
Accumulated other comprehensive income(expense)		(80,203)	(62,017)
Retained earnings	23	6,598,036	6,253,917
		<u>8,029,406</u>	<u>7,703,473</u>
Non-controlling interests		<u>155,411</u>	<u>140,362</u>
Total equity		<u>8,184,817</u>	<u>7,843,835</u>
Total liabilities and equity		<u>13,926,650</u>	<u>12,673,459</u>

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Income
Three-Month Periods Ended March 31, 2011 and 2010

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2011	2010
Revenue	5, 34	5,490,886	4,423,105
Cost of sales	26, 34	<u>(4,362,239)</u>	<u>(3,526,993)</u>
Gross profit		1,128,647	896,112
Selling, general and administrative expenses	25, 26, 34	(297,799)	(251,381)
Other operating income	28	77,758	82,848
Other operating expenses	26, 29	<u>(73,294)</u>	<u>(75,153)</u>
Operating profit	5	<u>835,312</u>	<u>652,426</u>
Non-operating income (expenses)			
Financial income	5, 30	45,294	39,925
Financial expenses	5, 30	(39,709)	(48,789)
Share of profit of associates	5, 13	2,559	7,134
Other non-operating expenses		<u>(2,594)</u>	<u>(1,899)</u>
		<u>5,550</u>	<u>(3,629)</u>
Profit before income tax	5, 35	840,862	648,797
Income tax expense	31	<u>(184,275)</u>	<u>(131,056)</u>
Profit for the period		<u>656,587</u>	<u>517,741</u>
Attributable to:			
Owners of the parent		<u>638,506</u>	511,103
Non-controlling interests		<u>18,081</u>	<u>6,638</u>
Earnings per share for profit attributable to owners of the parent (in won)	32		
Basic and diluted earnings per ordinary share for profit for the period		8,682	6,949
Basic and diluted earnings per preferred share for profit for the period		8,694	6,962

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	2011	2010
Profit for the period		656,587	517,741
Other comprehensive income			
Actuarial loss on defined benefit liability	19	265	(337)
Currency translation differences		(21,145)	(24,647)
Cash flow hedges		1,832	1,300
Others		(1,682)	(90)
Income tax effect relating to components of other comprehensive income		(288)	362
Other comprehensive income for the period, net of tax		(21,018)	(23,412)
Total comprehensive income for the period		635,569	494,329
Attributable to:			
Owners of the parent		620,520	491,400
Non-controlling interests		15,049	2,929

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Shareholders' Equity
Three-Month Periods Ended March 31, 2011 and 2010

(in millions of Korean won)

Notes	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income (expense)	Retained earnings			
Balance at January 1, 2010	369,500	1,157,736	(479,564)	(74,557)	4,836,099	5,809,214	117,475	5,926,689
Comprehensive income:								
Profit for the period	-	-	-	-	511,103	511,103	6,638	517,741
Actuarial loss on defined benefit liability	19	-	-	-	(337)	(337)	-	(337)
Currency translation differences	-	-	-	(20,147)	-	(20,147)	(3,709)	(23,856)
Cash flow hedges	-	-	-	985	-	985	-	985
Others, net of tax	-	-	-	(206)	2	(204)	-	(204)
Total comprehensive income	-	-	-	(19,368)	510,768	491,400	2,929	494,329
Transactions with owners:								
Loss on capital reduction	33	-	464,272	-	(464,272)	-	-	-
Dividends	-	-	-	-	(257,753)	(257,753)	-	(257,753)
Others	-	36	-	-	-	36	-	36
Total transactions with owners	-	36	464,272	-	(722,025)	(257,717)	-	(257,717)
Balance at March 31, 2010	369,500	1,157,772	(15,292)	(93,925)	4,624,842	6,042,897	120,404	6,163,301
Balance at January 1, 2011	369,500	1,157,772	(15,699)	(62,017)	6,253,917	7,703,473	140,362	7,843,835
Comprehensive income:								
Profit for the period	-	-	-	-	638,506	638,506	18,081	656,587
Actuarial loss on defined benefit liability	19	-	-	-	200	200	-	200
Currency translation differences	-	-	-	(18,068)	-	(18,068)	(3,032)	(21,100)
Cash flow hedges	-	-	-	1,549	-	1,549	-	1,549
Others, net of tax	-	-	-	(1,667)	-	(1,667)	-	(1,667)
Total comprehensive income	-	-	-	(18,186)	638,706	620,520	15,049	635,569
Transactions with owners:								
Dividends	33	-	-	-	(294,520)	(294,520)	-	(294,520)
Others	-	-	-	-	(67)	(67)	-	(67)
Total transactions with owners	-	-	-	-	(294,587)	(294,587)	-	(294,587)
Balance at March 31, 2011	369,500	1,157,772	(15,699)	(80,203)	6,598,036	8,029,406	155,411	8,184,817

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	2011	2010
Cash flows from operating activities			
Cash generated from operations	35	717,534	476,784
Interest received		8,872	6,578
Interest paid		(21,738)	(10,964)
Dividends received		33	-
Income taxes paid		(192,038)	(82,346)
Net cash generated from operating activities		<u>512,663</u>	<u>390,052</u>
Cash flows from investing activities			
Decrease in other receivables		2,354	4,939
Decrease in non-current other receivables		2,964	534
Decrease in non-current other financial assets		6	7
Proceeds from disposal of property, plant and equipment		2,540	3,082
Proceeds from disposal of intangible assets		-	126
Increase in other receivables		(9,870)	(55,853)
Increase in non-current other receivables		(8,921)	(906)
Increase in non-current other financial assets		(6)	(11)
Acquisition of investments in associates		(20,293)	(14,210)
Purchases of property, plant and equipment		(505,293)	(379,456)
Purchases of intangible assets		(4,553)	(6,119)
Net cash used in investing activities		<u>(541,072)</u>	<u>(447,867)</u>
Cash flows from financing activities			
Proceeds from borrowings		306,425	199,410
Repayments of borrowings		(19,047)	(118,284)
Net cash used in financing activities		<u>287,378</u>	<u>81,126</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1,368,034	1,106,596
Exchange gains on cash and cash equivalents		(5,076)	(10,056)
Cash and cash equivalents at the end of period		<u>1,621,927</u>	<u>1,119,851</u>

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2011 and 2010, and December 31, 2010

1. General information

General information about LG Chem, Ltd. (the "Parent Company") and its subsidiaries (collectively "the Company") is as follows:

1.1 The Parent Company

The Parent Company was spun off on April 1, 2001, from LG Chem Investment Ltd. (formerly LG Chemical Ltd.), to engage in petrochemicals, industrial materials, and information and electronic materials business. It completed its registration process on April 3, 2001. The Parent Company's shares have been listed on the Korea Stock Exchange since April 25, 2001.

The Parent 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 the reporting date, the Parent Company has its manufacturing facilities in Yeosu, Cheongju, Ulsan, Naju, Iksan, Daesan, Ochang and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of March 31, 2011, the Parent Company has issued 66,271,100 ordinary shares (₩331,356 million) and 7,628,921 preferred shares (₩38,144 million). The largest shareholder of the Parent Company is LG Corp., which owns 33.53% of the Parent Company's ordinary shares. Preferred shareholders have no voting rights but are entitled to receive dividends at a rate 1% more than those paid to ordinary shareholders.

1.2 Business overview

The Company is engaged in petrochemicals business, and information and electronic materials business. The Company is also engaged in the manufacturing and distribution of medium and large-sized batteries for electric vehicles.

The petrochemical segment is an upstream supplier of raw materials and a large processing industry that produces, mainly using Naphtha, a variety of primary petrochemicals and their derivatives such as ethylene, propylene, butadiene (olefin petrochemicals) and benzene, xylene, toluene, and others (aromatic petrochemicals), as well as synthetic resin, synthetic rubber and synthetic components made from these primary petrochemicals. The Company's main products are ethylene, polyethylene, propylene, synthetic rubber, polyvinyl chloride (PVC), plasticizer, acrylate, acrylonitrile-butadiene-styrene (ABS), epoxy resin, and others.

LG Chem, Ltd. and Subsidiaries
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Information and electronic materials business manufactures and supplies a variety of display materials such as polarizer, sensitized material, PDP filter and toners along with lithium-ion batteries for cell phone, laptop computers and electric vehicles. Presently, the medium and large battery division for electronic vehicles supplies its products to domestic car manufacturing companies. To maintain its dominant position in the North American battery market, the Company is currently constructing new manufacturing facilities in North America which will manufacture medium and large-sized batteries for HEV / EV. The Company is also preparing the mass production of Liquid Crystal Display Glass based on the source technology licensed from SCHOTT Solar, Inc., a Germany-based company, combining with its high-quality production technology.

1.3 Consolidated subsidiaries and associates

Consolidated subsidiaries and associates are as follows:

	<u>Business location</u>
Consolidated subsidiaries	
Tianjin LG Dagu Chemical Co., Ltd.	China
Ningbo LG Yongxing Chemical Co., Ltd.	China
LG Chemical Hong Kong Ltd.	Hong Kong
LG Chem America, Inc.	USA
LG Chemical India Pvt. Ltd.	India
LG Polymer India Pvt. Ltd.	India
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	China
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	China
LG Chem (Taiwan), Ltd.	Taiwan
LG Chem Display Materials (Beijing) Co., Ltd.	China
Tianjin LG Bohai Chemical Co., Ltd.	China
LG Chem (China) Investment Co., Ltd.	China
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	China
LG Chem Europe GmbH	Germany
LG Chem Poland Sp. Z.O.O	Poland
LG Chem Michigan Inc.	USA
LG Chem Power Inc.	USA
Tianjin LG Botian Chemical Co., Ltd.	China
Ningbo Zhenhai LG Yongxing trade Co., Ltd.	China
LG Polycarbonate Ltd.	Korea
Associates	
SEETEC Co., Ltd.	Korea
LG Vina Chemical J/V Company	Vietnam
LG Holdings (HK) Ltd.	Hong Kong
LG Chem Brasil, Ltd.	Brazil
TECWIN Co., Ltd.	Korea
HL Greenpower Co., Ltd.	Korea
LG Yongxing International Trading Co., Ltd.	China
CNOOC & LG Petrochemicals Co., Ltd. (Note 13)	China

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2011 and 2010, and December 31, 2010

2. Summary of significant accounting policies

The interim consolidated financial statements for the three-month period ended March 31, 2011 have been prepared in accordance with Korean IFRS 1034, 'Interim Financial Reporting.' The significant accounting policies and methods of calculation applied in the preparation of these interim consolidated financial statements are consistent with those of the previous financial year, except as described in Note 2.2 below.

2. 1 Basis of preparation

The Company has adopted the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") from the annual period beginning January 1, 2010. Korean IFRS are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea. The Company's transition date to Korean IFRS in accordance with Korean IFRS 1101 is January 1, 2009, and its Korean IFRS adoption date is January 1, 2010.

The preparation of financial statements in conformity with Korean IFRS 1034 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. 2 Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2011.

- 1) Korean IFRS 1024 (revised), 'Related party disclosures', issued in November 2009. Korean IFRS 1024 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- 2) Korean IFRS 1034 (annual improvement), 'Interim financial reporting'. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments, changes in the classification of financial assets as a result of a change in the purpose or use of those assets and changes in contingent liabilities or contingent assets are added to the disclosure items for interim financial reporting. An entity shall apply those amendments for annual periods beginning on or after January 1, 2011.

- (2) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2011 but not currently relevant to the Company (although they may affect the accounting for future transactions and events).

LG Chem, Ltd. and Subsidiaries
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- 1) Korean IFRS 1032 (amendment), 'Classification of rights issues', issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with Korean IFRS 1008 'Accounting policies, changes in accounting estimates and errors'.
- 2) Korean IFRS 1001 (amendment), 'Presentation of financial statements' issued in December 2010. The amendment applies to annual periods beginning on or after January 1, 2011. If operating profit is not separately presented in the consolidated statement of income, operating profit shall be disclosed in the notes with major operating type items and their amounts. Additionally, in the year of Korean IFRS adoption, if operating profit is measured differently from the previous accounting standard, the major items and amounts causing the difference shall be disclosed.
- 3) Korean IFRS 1034 (amendment), 'Interim financial reporting', issued in December 2010. Entities exempted from preparing consolidated financial statements until year 2012 whose total assets are less than 2 trillion won shall disclose, in the notes to the interim financial statements, the condensed statements of financial position and comprehensive income of the parent company prepared applying the equity method accounting for subsidiaries and other applicable equity investments. The amendment applies to annual periods beginning on or after January 1, 2011.
- 4) Korean IFRS 2119, 'Extinguishing financial liabilities with equity instruments', effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are negotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.
- 5) 'Prepayments of a minimum funding requirement' (amendments to Korean IFRS 2114). The amendment applies to annual periods beginning January 1, 2011. The amendment corrects an unintended consequence of Korean IFRS 2114, 'Korean IFRS 1019' – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when Korean IFRS 2114 was issued, and the amendment corrects this. The amendment should be applied retrospectively to the earliest comparative period presented.
- 6) Korean IFRS 1103 (annual improvements) 'Business combinations'. The amendment applies to annual periods beginning on or after July 1, 2010, and the choice of measuring non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets applies only to the non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by applicable Korean IFRS. The application guidance in Korean IFRS 1103 shall also apply to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the acquirer.

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(3) There are standards and amendments to existing standards issued but are effective for the financial years beginning on or after January 1, 2011, and not early adopted by the Company.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain exposures.

Risk management is carried out by the Company's finance team under policies approved by the Corporate Management Committee. The finance team identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Corporate Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of surplus liquidity.

(1) Market risk

1) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognized assets and liabilities.

Management has set up a policy to require consolidated companies to manage their foreign exchange risk against their functional currency. Each consolidated entity manages its foreign exchange risk arising from future commercial transactions, and recognized assets and liabilities through foreign currency denominated borrowings and derivative instruments such as forward contracts in co-operation with finance team. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency other than the Company's functional currency.

The Company manages maximum loss for currency risk exposures within acceptable range by using currency risk management model and hires employees who are exclusively responsible for currency risk management.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2011 and 2010, and December 31, 2010

As of March 31, 2011 and December 31, 2010, the Company's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
USD	2,358,664	2,674,374	1,945,873	2,584,070
EUR	58,573	53,919	44,303	49,263
GBP	4,221	1,922	2,454	2,076
JPY and others	45,146	335,179	74,862	287,492

As of March 31, 2011 and December 31, 2010, if the Company's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been affected as follows:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(31,571)	31,571	(63,820)	63,820

The above sensitivity analysis has been performed for monetary assets and liabilities denominated in foreign currencies other than the Company's functional currency at the reporting date.

2) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by currency swap. In addition, borrowings issued at fixed rates expose the Company to fair value interest rate risk. As of March 31, 2011 and December 31, 2010, the Company's borrowings at variable rate were denominated in Korean won and foreign currencies.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit for the period of a 0.1% shift would be a maximum increase of ₩2,048 million (2010: ₩1,796 million) or a decrease of ₩2,048 million (2010: ₩1,796 million), respectively.

Based on the various scenarios, the Company manages its cash flow interest rate risk by using floating-to-fixed interest rate currency swaps. Such currency swaps have the economic effect of converting borrowings from floating rates to fixed rates that are lower than those available if the Company borrowed at floating rates directly.

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(2) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. As of March 31, 2011 and December 31, 2010, the maximum degrees of credit exposures are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011			December 31, 2010		
	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)
Loans and receivables	4,705,891	(6,792)	4,699,099	4,004,041	(7,293)	3,996,748
Financial assets at fair value through profit or loss	2,651	-	2,651	2,194	-	2,194
Available-for-sale financial assets	4,180	-	4,180	4,183	-	4,183
Total	4,712,722	(6,792)	4,705,930	4,010,418	(7,293)	4,003,125

The Company has established the following policies and procedures to manage credit risks.

To manage credit risks relating to trade receivables, the Company evaluates the credit rating of customers and determines credit limit for each customer based on the information provided by credit rating agencies and other available financial information before commencing business with customers. The credit risks relating to trade receivables are also mitigated by insurance contracts, collaterals as well payment guarantees.

The Company has entered into export insurance contracts with Korea Export Insurance Corporation to mitigate credit risks relating to export trade receivables to overseas customers. The Company is also provided with collaterals by customers depending on their credit rating or payment guarantees from the customers' financial institutions as necessary.

The Company has deposited its cash and cash equivalents, and other long-term deposits in several financial institutions such as Woori Bank and Shinhan Bank. The Company has also entered into derivative contracts with several financial institutions. The Company maintains business relationship with those financial institutions with high credit ratings evaluated by independent credit rating institutions and accordingly, credit risks associated with these financial institutions are limited.

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(3) Liquidity risk

Cash flow forecasting is performed by consolidated subsidiaries and aggregated by corporate finance team. Finance team monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions.

The Company's finance team invests surplus cash in interest-bearing current accounts, time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

- 1) The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

<i>(in millions of Korean won)</i>	March 31, 2011			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,939,092	266,641	133,570	813
Finance lease liabilities	2,484	2,477	5,060	-
Trade and other payables	2,441,307	49,504	-	-
Total	4,382,883	318,622	138,630	813

<i>(in millions of Korean won)</i>	December 31, 2010			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,630,874	335,705	140,988	823
Finance lease liabilities	2,481	2,481	5,676	-
Trade and other payables	2,123,998	47,792	-	-
Total	3,757,353	385,978	146,664	823

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- 2) The table below analyses the Company's derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

(in millions of Korean won)

		March 31, 2011			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Net-settled derivative financial liabilities	Hedging				
	Net-cash flow	(862)	(456)	(76)	-
	Subtotal	(862)	(456)	(76)	-
Gross-settled derivative financial liabilities	Trading				
	Inflow	157,659	-	-	-
	Outflow	(155,008)	-	-	-
	Hedging				
	Inflow	136,522	-	-	-
	Outflow	(164,424)	-	-	-
	Subtotal	(25,251)	-	-	-
Total		(26,113)	(456)	(76)	-

(in millions of Korean won)

		December 31, 2010			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Net-settled derivative financial liabilities	Hedging				
	Net-cash flow	(979)	(596)	(162)	-
	Subtotal	(979)	(596)	(162)	-
Gross-settled derivative financial liabilities	Trading				
	Inflow	173,029	-	-	-
	Outflow	(170,835)	-	-	-
	Hedging				
	Inflow	144,394	-	-	-
	Outflow	(167,232)	-	-	-
	Subtotal	(20,644)	-	-	-
Total		(21,623)	(596)	(162)	-

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3.2 Capital risk management

The Company's capital objectives are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

Debt to equity ratio and the gearing ratio as of March 31, 2011 and December 31, 2010, are as follows:

(in millions of Korean won, except for ratios)

	March 31, 2011	December 31, 2010
Total borrowings (Note 17) (A)	2,335,063	2,101,091
Less: cash and cash equivalents (B)	(1,621,927)	(1,368,034)
Net debt (C=A+B)	713,136	733,057
Total liabilities (D)	5,741,833	4,829,624
Total equity (E)	8,184,817	7,843,835
Total capital (F=C+E)	8,897,953	8,576,892
Gearing ratio (C/F)	8.0%	8.5%
Debt to equity ratio (D/E)	70.2%	61.6%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices).
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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(1) The following tables present the Company's financial assets and liabilities that are measured at fair value as of March 31, 2011 and December 31, 2010:

(in millions of Korean won)

	March 31, 2011			Total
	Level 1	Level 2	Level 3	
Financial assets				
Other current financial assets	-	2,651	-	2,651
Total financial assets	-	2,651	-	2,651
Financial liabilities				
Other current financial liabilities	-	25,138	-	25,138
Other non-current financial liabilities	-	1,205	-	1,205
Total financial liabilities	-	26,343	-	26,343

(in millions of Korean won)

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
Financial assets				
Other current financial assets	-	2,194	-	2,194
Total financial assets	-	2,194	-	2,194
Financial liabilities				
Other current financial liabilities	-	20,535	-	20,535
Other non-current financial liabilities	-	1,545	-	1,545
Total financial liabilities	-	22,080	-	22,080

All other non-current financial assets of the Company consist of available-for-sale financial assets and are measured at cost (March 31, 2011: ₩ 4,180 million; December 31, 2010: ₩ 4,183 million) as their fair values cannot be measured reliably. These are not included in the analysis above (Note 10).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses various techniques and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

(1) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(2) Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(3) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(4) Provisions

The Company recognizes provisions for product warranties and sales return as of the reporting date as described in Note 18. The amounts are estimated based on historical data.

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(5) Defined Benefit Liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions. Additional information is disclosed in Note 19.

5. Segment information

(1) General information about the Company's reportable segments is as follows:

Segment	Products or services	Major customers
Petrochemicals	PE, PVC, VCM, Alcohol, Plasticizers, ABS/PS, EPS, MBS, SBL, EP, Ethylene, Propylene, BPA and others	LG International Corp., LG Electronics Inc., Daewoo Electronics Corp., National Plastic Co., Ltd., Youlchon Chemical Co., Ltd., OCI Company, Ltd., MITSUBISHI International Corp., and others
Information & Electronic Materials	Batteries, Polarizers	LG Electronics Inc., LG Display Co., Ltd., Motorola, Inc, HP and others
Common and others	General management, sales and R&D.	

(2) The segment information on revenue and profit and loss for the three-month periods ended March 31, 2011 and 2010, is as follows:

	2011			
	Petro - chemicals	Information & Electronic Materials	Common and others ⁴	Total
Total segment revenue	4,292,782	1,193,042	84,090	5,569,914
Inter-segment revenue ¹	29,061	2,120	47,847	79,028
Revenue from external customers ²	4,263,721	1,190,922	36,243	5,490,886
Operating profit (loss) ³	735,570	112,711	(12,969)	835,312
Financial income ²	46,080	4,149	(4,935)	45,294
Financial expenses	30,210	9,721	(222)	39,709
Share of the profit of associates	1,916	643	-	2,559
Profit (loss) before tax	751,319	107,226	(17,683)	840,862

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<i>(in millions of Korean won)</i>	2010			
	Petro - chemicals	Information & Electronic Materials	Common and others ⁴	Total
Total segment revenue	3,308,647	1,152,577	63,696	4,524,920
Inter-segment revenue ¹	39,389	5,366	57,060	101,815
Revenue from external customers ²	3,269,258	1,147,211	6,636	4,423,105
Operating profit (loss) ³	490,147	175,056	(12,777)	652,426
Financial income ²	31,333	8,441	151	39,925
Financial expenses	35,678	12,975	136	48,789
Share of the profit of associates	5,404	1,730	-	7,134
Profit (loss) before tax	493,125	169,177	(13,505)	648,797

¹ Sales between segments are carried out at arm's length.

² Revenue from external customers consists of sales of goods. Interest income and dividend income are included in financial income.

³ Management assesses the performance of the operating segments based on a measure of operating profit of segment.

⁴ Common and other segments include operating segments not qualifying as a reportable segment, supporting divisions as well as R&D divisions.

(3) The segment information on assets and liabilities as of March 31, 2011 and December 31, 2010, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2011			
	Petro - chemicals	Information & Electronic Materials	Common and others	Total
Total assets for the segment ¹	9,964,113	3,438,315	524,222	13,926,650
Investments in associates	19,911	-	213,099	233,010
Additions to non-current assets ²	3,968,543	2,019,914	418,296	6,406,753
Total liabilities for the segment ¹	3,712,461	1,539,560	489,812	5,741,833

<i>(in millions of Korean won)</i>	December 31, 2010			
	Petro - chemicals	Information & Electronic Materials	Common and others	Total
Total assets for the segment ¹	8,887,468	3,139,715	646,276	12,673,459
Investments in associates	1,393	-	212,179	213,572
Additions to non-current assets ²	3,836,934	1,937,197	323,870	6,098,001
Total liabilities for the segment ¹	3,330,780	1,350,256	148,588	4,829,624

¹ Assets and liabilities are measured in a manner consistent with those in the financial statements and allocated on the basis of segment operation.

² Financial instruments and deferred tax assets are excluded.

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(4) The external sales by geographical segments from continuing operations for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Korea ¹	2,499,470	1,961,828
China	2,432,937	2,178,564
South East Asia	321,223	216,893
America	305,623	231,988
Western Europe	174,207	94,953
Others	680,810	427,173
Eliminations	(923,384)	(688,294)
Total	5,490,886	4,423,105

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

(5) There is no external customer attributing to more than 10% of total revenue for the three-month periods ended March 31, 2011 and 2010.

6. Financial instruments by category

(1) Categorizations of financial instruments are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
Financial assets				
Cash and cash equivalents	1,621,927	-	-	1,621,927
Trade receivables	2,959,321	-	-	2,959,321
Other receivables	90,688	-	-	90,688
Other financial assets	-	2,651	-	2,651
Other non-current receivables	27,163	-	-	27,163
Other non-current financial assets	-	-	4,180	4,180
Total	4,699,099	2,651	4,180	4,705,930

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Financial liabilities	March 31, 2011		
	Hedging derivatives	Liabilities at amortized cost	Total
Trade payables	-	1,432,312	1,432,312
Other payables	-	1,008,995	1,008,995
Borrowings (current)	-	1,929,584	1,929,584
Other financial liabilities	25,138	-	25,138
Other non-current payables	-	49,504	49,504
Borrowings (non-current)	-	405,479	405,479
Other non-current financial liabilities	1,205	-	1,205
Total	26,343	4,825,874	4,852,217

(in millions of Korean won)

Financial assets	December 31, 2010			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
Cash and cash equivalents	1,368,034	-	-	1,368,034
Trade receivables	2,529,962	-	-	2,529,962
Other receivables	78,015	-	-	78,015
Other financial assets	-	2,194	-	2,194
Other non-current receivables	20,737	-	-	20,737
Other non-current financial assets	-	-	4,183	4,183
Total	3,996,748	2,194	4,183	4,003,125

(in millions of Korean won)

Financial liabilities	December 31, 2010		
	Hedging derivatives	Liabilities at amortized cost	Total
Trade payables	-	1,302,563	1,302,563
Other payables	-	821,435	821,435
Borrowings (current)	-	1,620,581	1,620,581
Other financial liabilities	20,535	-	20,535
Other non-current payables	-	47,792	47,792
Borrowings (non-current)	-	480,510	480,510
Other non-current financial liabilities	1,545	-	1,545
Total	22,080	4,272,881	4,294,961

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7. Cash and cash equivalents

(1) Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Bank deposits and cash on hand	354,304	258,041
Financial deposits, others	1,267,623	1,109,993
Total	<u>1,621,927</u>	<u>1,368,034</u>

(2) As of March 31, 2011, non-current other receivables amounted to ₩45 million are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2010: ₩45 million).

8. Trade and other receivables

(1) Trade and other receivables, net of allowance for doubtful accounts, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011			December 31, 2010		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current						
Trade receivables	2,966,113	(6,792)	2,959,321	2,537,255	(7,293)	2,529,962
Other receivables	90,688	-	90,688	78,015	-	78,015
Non-current						
Other receivables	27,163	-	27,163	20,737	-	20,737
Total	<u>3,083,964</u>	<u>(6,792)</u>	<u>3,077,172</u>	<u>2,636,007</u>	<u>(7,293)</u>	<u>2,628,714</u>

(2) Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Current		
Non-trade receivables	66,898	60,676
Financial deposits	12,646	5,508
Loans	95	93
Accrued income	3,470	4,472
Deposits	7,579	7,266
Subtotal	<u>90,688</u>	<u>78,015</u>
Non-current		
Financial deposits	46	46
Loans	738	724
Deposits	26,379	19,967
Subtotal	<u>27,163</u>	<u>20,737</u>
Total	<u>117,851</u>	<u>98,752</u>

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(3) The aging analysis of these trade and other receivables is as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Up to 3 months	2,874,688	2,465,462
3 to 6 months	86,908	66,641
Over 6 months	4,517	5,152
Total	2,966,113	2,537,255

(4) The movements in bad debt allowance for the three-month period ended March 31, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011				December 31, 2010			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Beginning balance	7,293	-	-	-	12,567	3	1,430	-
Additions	82	-	-	-	-	-	-	-
Reversals	(569)	-	-	-	(1,146)	(3)	-	-
Write-off	-	-	-	-	(4,775)	-	(1,430)	-
Business combination	-	-	-	-	554	-	-	-
Spin-off	-	-	-	-	-	-	-	-
Exchange differences	(14)	-	-	-	93	-	-	-
Ending balance	6,792	-	-	-	7,293	-	-	-

(5) The carrying amounts of trade and other receivables approximate their fair values.

9. Other financial assets and liabilities

(1) Details of other financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Other financial assets		
Derivatives (Note 11)	2,651	2,194
Available-for-sale (Note 10)	4,180	4,183
Less: current portions	(2,651)	(2,194)
Total	4,180	4,183
Other financial liabilities		
Derivatives (Note 11)	26,343	22,080
Less: current portions	(25,138)	(20,535)
Total	1,205	1,545

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10. Financial assets classified as available-for-sale

(1) The movements in financial assets classified as available-for-sale for three-month period ended March 31, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Beginning balance	4,183	4,182
Exchange differences	(3)	2
Additions	6	7
Disposals	(6)	(8)
Ending balance	<u>4,180</u>	<u>4,183</u>

(2) Financial assets classified as available-for-sale consist of listed and unlisted equity securities. The unlisted equity securities are measured at cost as their fair values cannot be measured reliably.

(3) No impairment losses were recognized for financial assets classified as available-for-sale during the three-month periods ended March 31, 2011 and 2010.

11. Derivative financial instruments

(1) Details of derivative financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	25,138	-	20,535
Held-for-trading	2,651	-	2,194	-
Total	<u>2,651</u>	<u>25,138</u>	<u>2,194</u>	<u>20,535</u>
Non-current				
Cash flow hedges	-	1,205	-	1,545

(2) Details of derivative financial contracts are as follows:

Classification	Contractor	Contract date	March 31, 2011		
			Contract amount (in thousands)	Contract period	Contract terms
Forward foreign exchange contract	BOA and 12 other banks	2011.02.16, Various	US\$ 10,000, various	2011.02.16 ~ 2011.04.29, various	1125.76 / US\$, various
Currency swap, and others	BTMU	2008.12.19	¥ 5,000,000	2008.12.19 ~ 2011.12.19	₩ 15.53/¥
	BTMU	2008.12.19	¥ 5,000,000	2008.12.19 ~ 2011.12.19	₩15.67/¥
Interest rate swap	HSBC	2006.10.11	₩ 10,000,000	2006.10.11 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 15,000	2007.06.15 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%

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Classification	Contractor	Contract date	December 31, 2010		Contract terms
			Contract amount (in thousands)	Contract period	
Forward foreign exchange contract	Korea Exchange Bank and 15 other banks	2010.12.10, various	US\$ 10,000, various	2010.12.10 ~ 2011.01.04, various	1145.66 / US\$, various
Currency swap, various	BTMU	2008.12.19	¥ 5,000,000	2008.12.19 ~ 2011.12.19	₩ 15.53/¥
	BTMU	2008.12.19	¥ 5,000,000	2008.12.19 ~ 2011.12.19	₩15.67/¥
Interest rate swap	HSBC	2006.10.11	₩ 12,000,000	2006.10.11 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 18,000	2007.06.15 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%

(3) Trading derivative is classified as a current asset or liability. The fair values of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

(4) There was no ineffectiveness to be recorded from cash flow hedges.

12. Inventories

(1) Details of inventories are as follows:

(in millions of Korean won)	March 31, 2011			December 31, 2010		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	81,511	(76)	81,435	60,028	(108)	60,520
Finished products	979,622	(6,752)	972,870	1,019,709	(7,852)	1,011,857
Semi-finished products	305,997	-	305,997	268,895	-	268,895
Work-in-process	1,938	-	1,938	1,032	-	1,032
Raw materials	657,252	(551)	656,701	571,525	(976)	570,549
Supplies	67,146	-	67,146	60,331	-	60,331
Materials-in-transit	220,852	-	220,852	209,300	-	209,300
Total	2,314,318	(7,379)	2,306,939	2,191,420	(8,936)	2,182,484

(2) The cost of inventories recognized as expense for the three-month period ended March 31, 2011 and included in 'Cost of Sales' amounted to ₩3,751,912 million (for the three-month period ended March 31, 2010: ₩3,044,127 million).

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13. Investments in associates

(1) Changes in the carrying amount of investments in associates for the three-month period ended March 31, 2011, and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Beginning balance	213,572	219,505
Acquisitions	20,293	14,210
Share of profit of associates	2,559	55,459
Share of other comprehensive income of associates	(1,682)	(181)
Reclassification to subsidiaries	-	(74,562)
Dividends	(1,729)	(862)
Others	(3)	3
Ending balance	<u>233,010</u>	<u>213,572</u>

(2) Financial information of associates follows:

		March 31, 2011					
<i>(in millions of Korean won)</i>		Country	Ownership (%)	Assets	Liabilities	Revenue	Profit (loss) for the period
LG Vina Chemical Company Ltd.		Vietnam	40	22,379	11,300	19,757	1,015
HL Greenpower Co., Ltd		Korea	49	36,149	9,397	8,031	(470)
LG Holdings (HK) Ltd.		Hong Kong	26	377,041	181,801	8,063	1,727
TECWIN Co., Ltd.		Korea	20	39,477	18,950	-	-
SEETEC Co., Ltd.		Korea	50	349,197	37,265	101,382	4,222
LG Chem Brasil, Ltd.		Brazil	100	162	268	-	-
LG Yongxing International Trade Co., Ltd.		China	90	171	10	-	-
CNOOC & LG Petrochemicals Co., Ltd. ¹		China	50	39,466	153	-	(1,569)
Total				<u>864,042</u>	<u>259,144</u>	<u>137,233</u>	<u>4,925</u>

		December 31, 2010					
<i>(in millions of Korean won)</i>		Country	Ownership (%)	Assets	Liabilities	Revenue	Profit (loss) for the year
LG Vina Chemical Company Ltd.		Vietnam	40	21,722	11,101	72,120	4,891
HL Greenpower Co., Ltd		Korea	49	30,287	3,033	1,875	(1,746)
LG Holdings (HK) Ltd.		Hong Kong	26	389,907	190,297	32,117	7,787
TECWIN Co., Ltd.		Korea	20	39,477	18,950	70,987	2,572
SEETEC Co., Ltd.		Korea	50	362,133	47,268	395,423	43,714
LG Chem Brasil, Ltd.		Brazil	100	159	262	-	-
LG Yongxing International Trade Co., Ltd.		China	90	171	10	-	(13)
Total				<u>843,856</u>	<u>270,921</u>	<u>572,522</u>	<u>57,205</u>

¹ For the three-month period ended March 31, 2011, the Company newly acquired shares of CNOOC & LG Petrochemicals Co., Ltd. at ₩20,293 million.

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14. Property, plant and equipment

(1) Changes in the carrying amounts of property, plant and equipment for the three-month period ended March 31, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery- in-transit	Total
Beginning balance	443,411	1,212,290	353,777	2,529,794	8,454	145,096	57,894	61,651	890,720	168,953	5,872,040
Cost	443,411	1,475,425	632,000	6,928,120	34,440	374,325	179,962	94,668	925,516	168,953	11,256,820
Accumulated depreciation	-	(258,901)	(278,216)	(4,372,096)	(25,986)	(225,197)	(121,967)	(33,017)	-	-	(5,315,380)
Accumulated impairment	-	(4,234)	(7)	(26,230)	-	(4,032)	(101)	-	(34,796)	-	(69,400)
Acquisitions/ Transfer	-	39,668	1,247	79,496	408	17,377	6,186	162	388,191	114,413	647,148
Disposals/ Transfer	-	(39)	(11)	(539)	(129)	(229)	(37)	-	(133,530)	(9,825)	(144,339)
Exchange differences	(7)	(7,646)	(1,731)	(15,564)	(31)	(325)	(285)	-	3,256	-	(22,333)
Depreciation	-	(9,105)	(6,840)	(138,050)	(728)	(11,663)	(4,641)	(7,109)	-	-	(178,136)
Ending balance	443,404	1,235,168	346,442	2,455,137	7,974	150,256	59,117	54,704	1,148,637	273,541	6,174,380
Cost	443,404	1,501,786	630,866	6,972,730	34,275	390,274	184,802	94,830	1,148,637	273,541	11,875,145
Accumulated depreciation	-	(266,613)	(284,417)	(4,493,494)	(26,301)	(235,987)	(125,586)	(40,126)	-	-	(5,472,524)
Accumulated impairment	-	(5)	(7)	(24,099)	-	(4,031)	(99)	-	-	-	(28,241)

<i>(in millions of Korean won)</i>	December 31, 2010										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery- in-transit	Total
Beginning balance	432,093	1,045,559	341,582	2,222,794	11,498	117,350	46,629	10,667	482,796	64,382	4,775,350
Cost	432,093	1,272,910	586,626	5,955,011	36,447	312,697	159,618	17,978	517,592	64,382	9,355,354
Accumulated depreciation	-	(220,508)	(245,037)	(3,721,524)	(24,949)	(191,315)	(112,888)	(7,311)	-	-	(4,523,532)
Accumulated impairment	-	(6,843)	(7)	(10,693)	-	(4,032)	(101)	-	(34,796)	-	(56,472)
Acquisitions/ Transfer	170	179,657	26,500	728,284	1,914	70,990	28,623	77,386	1,328,426	284,814	2,726,764
Disposals/ Transfer	(77)	(2,842)	(1,548)	(9,156)	(115)	(957)	(1,876)	(232)	(923,220)	(180,243)	(1,120,266)
Exchange differences	(155)	240	2,733	10,342	(1,165)	160	473	201	2,569	-	15,398
Depreciation	-	(33,668)	(26,769)	(505,948)	(3,678)	(42,447)	(16,023)	(26,371)	-	-	(654,904)
Impairment	-	(4,228)	-	(15,537)	-	-	-	-	-	-	(19,765)
Business combination	11,380	27,572	11,279	99,015	-	-	68	-	149	-	149,463
Ending balance	443,411	1,212,290	353,777	2,529,794	8,454	145,096	57,894	61,651	890,720	168,953	5,872,040
Cost	443,411	1,475,425	632,000	6,928,120	34,440	374,325	179,962	94,668	925,516	168,953	11,256,820
Accumulated depreciation	-	(258,901)	(278,216)	(4,372,096)	(25,986)	(225,197)	(121,967)	(33,017)	-	-	(5,315,380)
Accumulated impairment	-	(4,234)	(7)	(26,230)	-	(4,032)	(101)	-	(34,796)	-	(69,400)

(2) For the three-month period ended March 31, 2011, the Company capitalized ₩4,668 million of borrowing costs (for the year ended December 31, 2010: ₩18,622 million) to property, plant and equipment.

(3) As of March 31, 2011, certain property, plant and equipment have been pledged as collaterals for certain bank loans for up to a maximum of ₩8,787 million (December 31, 2010: ₩8,787 million).

(4) The Company has a finance lease agreement on certain property, plant and equipment at the MTBE factory. The carrying amounts of leased assets and depreciation are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Carrying amount	1,678	2,223
Depreciation	545	2,182

The said agreement is non-cancellable finance lease agreements. The lease term is 15 years, and the Company has the title of the leased assets.

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(5) Depreciation of property, plant and equipment for the three-month periods ended March 31, 2011 and 2010, was classified as follows:

<i>(in millions of Korean won)</i>	2011	2010
Cost of sales	167,162	128,726
Selling, general and administrative expenses	10,928	10,000
Others ¹	46	103
Total	<u>178,136</u>	<u>138,829</u>

¹ Amounts capitalized to development costs are included.

15. Intangible assets

(1) Changes in the carrying amount of intangible assets for the three-month period ended March 31, 2011 and for the year ended December 31, 2010, are as follows:

March 31, 2011						
<i>(in millions of Korean won)</i>	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	25,798	55,708	33,415	49,243	15,951	180,115
Acquisitions/ Transfer	5,416	3,593	-	-	1,730	10,739
Disposals/ Transfer	-	-	-	-	-	-
Exchange differences	(18)	(166)	-	(8)	(56)	(248)
Amortization	(1,715)	(625)	-	-	(1,311)	(3,651)
Ending balance	<u>29,481</u>	<u>58,510</u>	<u>33,415</u>	<u>49,235</u>	<u>16,314</u>	<u>186,955</u>

December 31, 2010						
<i>(in millions of Korean won)</i>	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	24,300	47,205	33,415	46,747	10,492	162,159
Acquisitions/ Transfer	9,412	12,086	-	2,196	12,010	35,704
Disposals/ Transfer	(2)	(642)	-	(236)	(29)	(909)
Exchange differences	-	67	-	536	485	1,088
Amortization	(7,912)	(3,008)	-	-	(7,007)	(17,927)
Ending balance	<u>25,798</u>	<u>55,708</u>	<u>33,415</u>	<u>49,243</u>	<u>15,951</u>	<u>180,115</u>

(2) Amortization of intangible assets for the three-month periods ended March 31, 2011 and 2010, was classified as follows:

<i>(in millions of Korean won)</i>	2011	2010
Cost of sales	1,087	1,487
Selling, general and administrative expenses	2,564	2,251
Total	<u>3,651</u>	<u>3,738</u>

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16. Other current and non-current assets

(1) Details of other current and non-current assets are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Current		
Advances to suppliers	75,118	26,919
Prepaid expenses	20,788	26,207
Prepaid value added tax	83,435	66,670
Others	48,043	7,813
Total	<u>227,384</u>	<u>127,609</u>
Non-current		
Long-term prepaid expenses	45,392	45,819
Other investment assets	26	27
Total	<u>45,418</u>	<u>45,846</u>

17. Borrowings

(1) The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Current		
Short-term borrowings	1,483,019	1,259,887
Current maturities of bank loans	311,734	219,421
Current maturities of debentures	132,976	139,461
Current maturities of finance lease liabilities	1,855	1,812
Subtotal	<u>1,929,584</u>	<u>1,620,581</u>
Non-current		
Bank loans	249,136	323,767
Debentures	149,614	149,531
Finance lease liabilities	6,729	7,212
Subtotal	<u>405,479</u>	<u>480,510</u>
Total	<u>2,335,063</u>	<u>2,101,091</u>

(2) The details of borrowings are as follows:

Current borrowings

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at 3.31, 2011	Carrying Amount	
				March 31, 2011	December 31, 2010
Notes discounted ¹	Woori Bank, others	2011.08.12	Libor+1.3, various	1,042,454	864,560
Bank loans	China Bank, others	2012.03.09	Libor+0.8, various	440,565	395,327
Total				<u>1,483,019</u>	<u>1,259,887</u>

¹ Notes discounted that are not yet due.

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Non-current borrowings

(in millions of Korean won)

		March 31, 2011				
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency borrowings	Kookmin Bank	3.00	2020.03.21	987	75	912
	Kookmin Bank	3.00	2018.07.14	1,009	105	904
	Shinhan Bank	2.50	2011.09.15	638	638	-
	BTMU	3CD+0.60	2013.09.05	25,000	10,000	15,000
Foreign currency borrowings	Shanghai Pudong Development Bank	5.60	2015.09.15	3,895	-	3,895
	Standard Chartered Bank	4.50	2013.06.10	22,145	-	22,145
	Sumitomo Mitsui Banking Corporation	6Libor+0.35	2011.07.20	55,360	55,360	-
	Sumitomo Mitsui Banking Corporation	3Libor+0.60	2013.09.05	16,608	6,643	9,965
	Bank of Communications	3Libor+1.50	2012.04.30	21,038	-	21,038
	Agricultural Bank of China	5.60	2011.06.20	15,458	15,458	-
	China Construction Bank	6Libor+1.40~2.50	2012.06.08	22,145	13,287	8,858
	China Construction Bank	6Libor+3.00	2013.01.17	22,145	-	22,145
	Agricultural Bank of China	5.60	2015.10.15	25,332	-	25,332
	Woori Bank	3Libor+1.50	2011.12.23	22,145	22,145	-
	China Minsheng Bank	6Libor+3.30	2013.01.15	9,843	4,921	4,922
	Bank of China	6Libor+1.20	2012.03.01	64,608	64,608	-
	China Merchants Bank	5.36	2011.06.15	3,996	3,996	-
	China Merchants Bank	5.60	2015.05.17	8,444	-	8,444
	Korea Development Bank	3Libor+0.36	2012.01.10	55,360	55,360	-
	Korea Export-Import Bank	6Libor+2.00	2011.09.26	33,217	33,217	-
	ANZ Bank	3Libor+2.80	2013.10.11	19,767	-	19,767
	Bank of America	3Libor+1.65	2013.11.18	24,358	-	24,358
	BTMU	6Libor+2.60	2013.06.21	33,217	8,304	24,913
	BTMU	6Libor+2.60	2013.04.26	33,217	8,304	24,913
	HSBC	3Libor+0.60	2013.09.05	8,304	3,322	4,982
	Mizuho Banking Corporation	3Libor+0.60	2013.09.05	11,072	4,429	6,643
Nordea Bank	3EURIBOR+0.40	2011.07.29	1,562	1,562	-	
Total				560,870	311,734	249,136

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Korean won)

		December 31, 2010					
Bank		Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts	
Won currency borrowings	Kookmin Bank	3.00	2020.03.21	1,006	74	932	
	Kookmin Bank	3.00	2018.07.14	1,033	102	931	
	Shinhan Bank	2.00	2011.09.15	957	957	-	
	BTMU	CD+0.60	2013.09.05	27,500	10,000	17,500	
Foreign currency borrowings	Shanghai Pudong Development Bank	5.60	2015.09.15	3,979	-	3,979	
	Woori Bank	3Libor+1.50	2011.12.23	22,848	22,848	-	
	Woori Bank China	5.18	2011.03.21	2,300	2,300	-	
	Construction Bank Standard	6Libor+1.40~2.50	2012.06.08	22,848	-	22,848	
	Chartered Bank	4.50	2013.06.10	22,849	-	22,849	
	Sumitomo Mitsui Banking Corporation	6Libor+0.35	2011.07.20	56,945	56,945	-	
	Sumitomo Mitsui Banking Corporation	3Libor+0.60	2013.09.05	18,792	6,834	11,958	
	Bank of Communications	3Libor+1.50	2012.04.30	21,706	-	21,706	
	Agricultural Bank of China	5.18	2011.06.20	19,756	19,756	-	
	Agricultural Bank of China	5.35	2015.10.15	25,875	-	25,875	
	Agricultural Bank of China	6Libor+0.95	2011.02.28	2,285	2,285	-	
	China Minsheng Bank	5.18	2011.02.27	2,386	2,386	-	
	China Minsheng Bank	6Libor+3.30	2013.01.15	11,426	5,077	6,349	
	Bank of China	6Libor+1.20	2012.03.01	66,660	33,450	33,210	
	China Merchants Bank	5.18	2011.06.15	4,081	4,081	-	
	China Merchants Bank	5.60	2015.05.17	8,625	-	8,625	
	Korea Development Bank	3Libor+0.36	2012.01.10	56,945	-	56,945	
	Korea Export- Import Bank	6Libor+2.00	2011.09.26	34,272	34,272	-	
	ANZ Bank	3Libor+2.80	2013.10.11	7,022	-	7,022	
	Bank of America	3Libor+1.65	2013.11.18	9,111	-	9,111	
	BTMU	6Libor+2.60	2013.06.21	34,272	-	34,272	
	BTMU	6Libor+2.60	2013.04.26	34,272	8,568	25,704	
	HSBC	3Libor+0.60	2013.09.05	9,397	3,418	5,979	
	Mizuho Banking Corporation	3Libor+0.60	2013.09.05	12,528	4,556	7,972	
	Nordea Bank	3EURIBOR+0.40	2011.07.29	1,512	1,512	-	
	Total				543,188	219,421	323,767

Certain property, plant and equipment have been pledged as collaterals for the above non-current borrowings (Note 14).

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Debentures

(in millions of Korean won)

		March 31, 2011				
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency debentures	Woori Security	4.85	2012.04.29	150,000	-	150,000
Foreign currency debentures	Woori Security	3Tibor+3.00	2011.12.19	133,189	133,189	-
Less: discount on debentures				(599)	(213)	(386)
Total				<u>282,590</u>	<u>132,976</u>	<u>149,614</u>

(in millions of Korean won)

		December 31, 2010				
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency debentures	Woori Security	4.85	2012.04.29	150,000	-	150,000
Foreign currency debentures	Woori Security	3Tibor+3.00	2011.12.19	139,708	139,708	-
Less: discount on debentures				(716)	(247)	(469)
Total				<u>288,992</u>	<u>139,461</u>	<u>149,531</u>

Finance lease liabilities

March 31, 2011

Bank	Annual interest rate (%)	Maturity	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	8,584	1,855	6,729

December 31, 2010

Bank	Annual interest rate (%)	Maturity	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	9,024	1,812	7,212

Finance lease liabilities are liabilities associated with sales and leaseback arrangements of property, plant and equipment of MTBE factory (Note 14).

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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(3) Carrying amounts and fair values of non-current borrowings are as follows:

(in millions of Korean won)

	March 31, 2011		December 31, 2010	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Bank loans	249,136	248,330	323,767	323,574
Debentures	149,614	150,523	149,531	153,716
Finance lease liabilities	6,729	6,633	7,212	7,197
Total	405,479	405,486	480,510	484,487

¹ Fair values are based on cash flows discounted using Korean won currency note yield (AA+) in the same credit grade with the Company, and borrowing rate quoted by People's Bank of China and others.

(4) The present value of finance lease liabilities is as follows:

(in millions of Korean won)

	March 31, 2011			December 31, 2010		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	2,484	629	1,855	2,481	669	1,812
1 to 5 years	7,537	808	6,729	8,157	945	7,212
Over 5 years	-	-	-	-	-	-

18. Provisions

Changes in the carrying amount of provisions for the three-month period ended March 31, 2011 and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)	March 31, 2011		
	Sales returns ¹	Warranty ²	Total
Beginning balance	2,822	2,127	4,949
Additions	88	2,126	2,214
Ending balance	2,910	4,253	7,163

(in millions of Korean won)	December 31, 2010		
	Sales returns ¹	Warranty ²	Total
Beginning balance	3,501	1,792	5,293
Additions	-	335	335
Reversals	(679)	-	(679)
Ending balance	2,822	2,127	4,949

¹ Sales return provisions have been accrued for the estimated sales return determined based on historical experience.

² Warranty provisions have been accrued for the estimated warranty service costs to be incurred based on the terms of warranty and historical experience.

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19. Defined benefit liability

(1) The amounts recognized in the statements of financial position are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Present value of obligations ¹	172,321	162,363
Fair value of plan assets	<u>(154,015)</u>	<u>(154,227)</u>
Liability in the statement of financial position	<u>18,306</u>	<u>8,136</u>

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩1,036 million as of March 31, 2011 (December 31, 2010: ₩1,052 million).

(2) The amounts recognized in the statements of income for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Current service cost ¹	10,755	9,298
Interest cost	2,132	2,714
Expected return on plan assets	<u>(1,678)</u>	<u>(1,966)</u>
Total, included in employee benefit expenses	<u>11,209</u>	<u>10,046</u>

¹ The above amounts excluded ₩143 million (March 31, 2010: ₩52 million) of expenses capitalized to construction in progress and development costs.

(3) The amounts recognized in the statement of income for the for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Cost of sales	7,595	7,131
Selling, general and administrative expenses	3,614	2,948
Others	-	(33)
Total	<u>11,209</u>	<u>10,046</u>

(4) Actuarial gains and losses recognized as other comprehensive income for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Actuarial losses before tax	265	(337)
Income tax effect	<u>(65)</u>	<u>-</u>
Actuarial losses after tax	<u>200</u>	<u>(337)</u>

As of March 31, 2011, ₩23,933 million (December 31, 2010: ₩24,133 million) of accumulated actuarial losses are included in other comprehensive income.

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(5) Changes in the carrying amount of defined benefit obligations for the three-month period ended March 31, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Beginning balance	162,363	219,256
Transfer in	457	452
Current service cost	10,898	37,387
Interest expense	2,132	10,730
Actuarial losses(before tax)	-	16,769
Benefits paid	(3,596)	(34,741)
Business combination	-	3,300
Curtailment of plan	-	7,967
Settlements of plan	-	(90,067)
Past service cost	-	(8,834)
Exchange differences	67	144
Ending balance	<u>172,321</u>	<u>162,363</u>

(6) Changes in the fair value of plan assets for the three-month period ended March 31, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Beginning balance	154,227	164,867
Transfer in	270	-
Expected return on plan assets	1,678	7,621
Actuarial gains/(losses) (before tax)	265	(1,002)
Employer contributions	-	52,500
Benefits paid	(2,425)	(20,388)
Business combination	-	2,501
Settlements of plan	-	(51,872)
Ending balance	<u>154,015</u>	<u>154,227</u>

(7) The actual return on plan assets for the three-month period ended March 31, 2011, was ₩1,943 million (for the year ended December 31, 2010: ₩6,619 million).

(8) The principal actuarial assumptions used are as follows:

	March 31, 2011	December 31, 2010
Discount rate	5.7%	5.7%
Expected return on plan assets	4.3%	4.3%
Future salary increase	4.7%	4.7%

(9) The sensitivity analysis for changes in key actuarial assumptions is as follows:

<i>(in millions of Korean won)</i>	Increase by 1%	Decrease by 1%
Discount rate:		
Increase(decrease) of defined benefit obligations	(13,395)	15,499

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(10) Plan assets consist of:

<i>(in millions of Korean won)</i>	March 31, 2011		December 31, 2010	
	Amount	Proportion	Amount	Proportion
Equity instruments	29,746	19%	29,669	20%
Time deposits	55,030	36%	54,901	36%
Insurance contracts with guaranteed yield	69,239	45%	69,657	44%
Total	154,015	100%	154,227	100%

(11) The amounts of experience adjustments on the defined benefit obligations and the plan assets are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010	December 31, 2009
Present value of defined benefit obligations	172,321	162,363	219,256
Fair value of plan assets	(154,015)	(154,227)	(164,867)
Deficit in the plan	18,306	8,136	54,389
Experience adjustments on plan liabilities	-	(20,393)	(4,674)
Experience adjustments on plan assets	265	(1,002)	2,068

20. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Advances from customers	18,402	28,188
Dividends payable	294,563	43
Value added tax withheld	9,632	2,111
Withholding	46,917	35,121
Advance income	10,060	10,609
Others	72,275	21,599
Total	451,849	97,671

21. Commitments and contingencies

- (1) The Company and the newly established company, LG Hausys Ltd., are jointly liable for the obligations outstanding as of April 1, 2009, the spin-off date.
- (2) As of March 31, 2011 and December 31, 2010, the Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.
- (3) As of March 31, 2011, the Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.
- (4) As of March 31, 2011, the Company has various specific and comprehensive line of credit agreements with several financial institutions, as follows:

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(unit: Korean won in millions, foreign currencies in millions)

Classification	KRW	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	59,000	97	435	32	210	-
Limit of the letter of credit	232,200	465	1,840	-	200	-
Limit of discount of notes from export	15,000	1,463	-	-	-	-
Limit of loan arrangements	28,000	880	-	-	2,418	6

- (5) As of March 31, 2011, the Company has B2B purchase arrangements with several financial institutions.
- (6) As of March 31, 2011, the Company has been named as a plaintiff for 30 legal actions involving ₩8,726 million in claims and defendant for 18 legal actions with ₩6,449 million in claims. The ultimate outcome of these cases cannot be determined at this time.
- (7) As of March 31, 2011, the Company has technology license agreements with KBR and other companies for the production of polymer and rubber products. Further, the Company has entered into manufacture and production technical contracts with Exxon Mobile and others.
- (8) The Company has entered into a license agreement 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.
- (9) As of March 31, 2011, the Company has a long-term purchase contract for certain raw materials and was provided with a US\$ 59 million guarantee for this contract. Further, as of March 31, 2011, the Company provided a US\$ 17 million guarantee in regard to a purchase contract for certain raw materials.

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(10) As of the reporting date, the Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of March 31, 2011, amounts to US\$ 153 million, EUR 1 million and PLN 32 million (total equivalent to ₩183,814 million) (2010: US\$ 170 million, EUR 1 million and PLN 32 million, total equivalent to ₩207,744 million). Details of guarantees provided as of March 31, 2011 and December 31, 2010, are as follows:

(in millions of Korean won)

		March 31, 2011			
Guarantor	Guarantee beneficiary	Amount of guarantee	Financial institution	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	64,605	Bank of China	64,605	
	"	22,144	Woori Bank	22,144	
	"	33,216	Korea Export-Import Bank	33,216	
	LG Chem Poland Sp.ZOO.	14,025	Nordea Bank	7,994	
	LG Chem America, Inc.	-	Bank of America	-	
	LG Chem Michigan, Inc.	27,680	Bank of America	24,358	
	LG Chem Power, Inc.	11,072	Woori Bank	11,072	
	LG Chem Power, Inc.	11,072	Comerica Bank	7,750	
	LG Chem (China) Investment Co., Ltd.	LG Chem Display Materials Co., Ltd.	-	Agricultural Bank of China	-
			183,814		171,139

(in millions of Korean won)

		December 31, 2010			
Guarantor	Guarantee beneficiary	Amount of guarantee	Financial institution	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	66,455	Bank of China	66,455	
	"	22,778	Woori Bank	22,778	
	"	34,167	Export-Import Bank of Korea	34,167	
	LG Chem Poland Sp.ZOO.	13,731	Nordea Bank	8,865	
	LG Chem America, Inc.	5,695	Bank of America	-	
	LG Chem Michigan, Inc.	39,862	Bank of America	20,272	
	LG Chem Power, Inc.	11,389	Woori Bank	3,417	
	LG Chem Power, Inc.	11,389	Comerica Bank	2,278	
	LG Chem (China) Investment Co., Ltd.	LG Chem Display Materials Co., Ltd.	2,278	Agricultural Bank of China	2,278
			207,744		160,510

(11) Capital expenditure contracted for as of the reporting date but not yet incurred is as follows:

(in millions of Korean won)	March 31, 2011	December 31, 2010
Property, plant and equipment	967,487	1,136,056

(12) On May 20, 2011, the Korean Fair Trade Commission announced its decision to impose the total surcharge of KRW 6,612 million and corrective orders on certain products against the Company. The surcharges are subject to adjustment after assessment and the final amount to be levied cannot yet be reasonably estimated.

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22. Equity

(1) Changes in share capital and share premium are as follows:

<i>(in millions of Korean won)</i>	Ordinary shares		Preferred shares		Share premium	Loss on capital reduction
	Number of shares	Amount	Number of shares	Amount		
January 1, 2010	66,271,100	331,356	7,628,921	38,144	897,424	(464,272)
Offset of loss on capital reduction	-	-	-	-	-	464,272
December 31, 2010	66,271,100	331,356	7,628,921	38,144	897,424	-
March 31, 2011	66,271,100	331,356	7,628,921	38,144	897,424	-

(2) Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	Number of shares		Carrying amount	Gain on sale of treasury shares
	Ordinary shares	Preferred shares		
January 1, 2010	359,778	5,518	15,484	13,855
Purchase of treasury shares	3	1	-	-
December 31, 2010	359,781	5,519	15,484	13,855
March 31, 2011	359,781	5,519	15,484	13,855

The Company intends to sell its treasury shares in the near future.

23. Retained earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Legal reserve ¹	179,588	153,441
Discretionary reserve ²	5,444,028	3,488,528
Unappropriated retained earnings	974,420	2,611,948
Total	6,598,036	6,253,917

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate an amount equal to a minimum of 10% of its cash dividends as a legal reserve until such reserve equals 50% of its paid-in capital. This reserve is not available for the payment of cash dividends, but may be transferred to common stock or used to reduce accumulated deficit, if any.

² Pursuant to the Special Tax Treatment Control Law, the Company is required to appropriate, as a reserve for business rationalization, a portion of retained earnings equal to tax reductions arising from investment and other tax credits. This reserve may be distributed as dividends after reversal.

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24. Other components of equity

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	March 31, 2011	December 31, 2010
Treasury shares (Note 22)	(15,484)	(15,484)
Capital transactions within the Company ¹	(215)	(215)
Total	<u>(15,699)</u>	<u>(15,699)</u>

¹ Included gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries.

25. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Wages and salaries	61,763	49,515
Pension costs (Note 19)	3,614	2,948
Welfare expense	12,853	10,807
Travel expense	5,467	5,002
Water & utilities	4,601	4,244
Packaging expense	1,104	945
Rental expense	24,695	14,306
Commission expense	40,417	33,741
Depreciation (Note 14)	10,928	10,000
Advertising expense	2,570	1,853
Freight expense	82,081	78,231
Training expense	2,377	1,573
Amortization (Note 15)	2,564	2,251
Sample expense	2,073	1,446
Others	40,692	34,519
Total	<u>297,799</u>	<u>251,381</u>

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26. Expenses by nature

Expenses that are recorded by nature as cost of sales, selling, general and administrative expenses and other operating expenses in the statements of income for the three-month periods ended March 31, 2011 and 2010, are consist of:

<i>(in millions of Korean won)</i>	2011	2010
Changes in inventories	(19,936)	(82,604)
Raw materials and consumables used	3,582,778	2,928,796
Purchase of merchandise	189,070	197,935
Employee benefit expense (Note 27)	204,887	171,431
Advertising expense	2,670	1,962
Transportation expense	87,858	84,024
Service fees	60,146	48,341
Depreciation, amortization and impairment	181,741	142,465
Operating lease payments	11,030	8,309
Other expenses	433,088	352,868
Total	4,733,332	3,853,527

27. Employee benefit expense

Details of employee benefit expense for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Wages and salaries	176,916	148,575
Pension costs (Note 19)	11,209	10,046
Others	16,762	12,810
Total	204,887	171,431

28. Other operating income

Details of other operating income for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Foreign exchange gain	43,885	49,553
Gain on foreign currency translation	27,513	27,222
Gain on disposal of property, plant and equipment	1,604	114
Gain on disposal of intangible assets	-	145
Others	4,756	5,814
Total	77,758	82,848

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29. Other operating expenses

Detail of other operating expenses for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Foreign exchange loss	45,477	45,954
Loss on foreign currency translation	26,989	27,793
Loss on disposal of property, plant and equipment	238	378
Loss on disposal of intangible assets	-	17
Others	590	1,011
Total	73,294	75,153

30. Financial income and expense

Details of financial income and expense for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Financial income		
Interest income ¹	7,760	7,152
Dividend income	-	17
Foreign exchange gain	13,746	8,705
Gain on foreign currency translation	17,000	19,655
Gain on settlement of trading derivatives	4,128	1,580
Gain on valuation of trading derivatives	2,651	2,816
Others	9	-
Total	45,294	39,925
Financial expense		
Interest expense ²	17,815	17,442
Foreign exchange loss	13,186	18,129
Loss on foreign exchange translations	1,811	978
Loss on settlement of trading derivatives	377	4,044
Loss on valuation of hedging derivatives	6,519	8,195
Others	1	1
Total	39,709	48,789

¹ Details of interest income are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Bank deposits	7,615	7,080
Financial assets classified as available- for- sale	29	2
Other loans and receivables	116	70
Total	7,760	7,152

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² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Interest on bank overdraft and borrowings	17,127	13,131
Interest on finance lease liabilities	204	213
Interest on debentures	1,908	3,054
Other interest expenses	3,244	4,315
Capitalized interest for qualifying assets	(4,668)	(3,271)
Total	17,815	17,442

31. Income taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ending December 31, 2011, is 21.9% (for the three-month ended March 31, 2010: 20.2%).

32. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent Company by the weighted average number of shares in issue excluding shares purchased by the Parent Company and held as treasury shares. As of the reporting date, the Parent Company has no potential ordinary shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

(1) Basic earnings per share attributable to the owners of the Parent Company for the three-month periods ended March 31, 2011 and 2010, is computed as follows:

<i>(in millions of Korean won)</i>	2011	2010
Profit attributable to ordinary shares ¹	572,227	458,031
Weighted average number of ordinary shares outstanding ²	65,911,319	65,911,322
Basic earnings per ordinary share (in won)	8,682	6,949

<i>(in millions of Korean won)</i>	2011	2010
Profit attributable to preferred shares ¹	66,279	53,072
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,403
Basic earnings per preferred share (in won)	8,694	6,962

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¹ Profit attributable to ordinary and preferred shares are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Profit for the period	638,506	511,103
Ordinary shares dividends (A)	65,911	57,672
Preferred shares dividends (B)	7,718	6,766
Undistributed earnings for the period	<u>564,877</u>	<u>446,665</u>
Undistributed earnings available for ordinary shares (C)	506,316	400,359
Undistributed earnings available for preferred shares (D)	58,561	46,306
Profit for the period attributable to ordinary shares (A+C)	572,227	458,031
Profit for the period attributable to preferred shares (B+D)	66,279	53,072

² Weighted average numbers of shares are calculated as follows:

	2011	2010
Ordinary shares outstanding	<u>66,271,100</u>	<u>66,271,100</u>
Ordinary treasury shares	<u>(359,781)</u>	<u>(359,778)</u>
Weighted average number of ordinary shares outstanding	<u>65,911,319</u>	<u>65,911,322</u>
Preferred shares outstanding	7,628,921	7,628,921
Preferred treasury shares	<u>(5,519)</u>	<u>(5,518)</u>
Weighted average number of preferred shares outstanding	<u>7,623,402</u>	<u>7,623,403</u>

(2) There were no dilutive potential outstanding ordinary shares at the reporting date. Accordingly, diluted earnings per share for profit attributable to owners of the Parent Company is identical to basic earnings per share.

33. Dividends

The ₩294,520 million (2010: ₩257,753 million) of dividends for the year ended December 31, 2010, was paid to the shareholders of the Parent Company in April 2011.

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34. Related party transactions

(1) Significant transactions, which occurred in the ordinary course of business with related parties for the three-month periods ended March 31, 2011 and 2010, and the related account balances as of March 31, 2011 and December 31, 2010, are summarized as follows:

(in millions of Korean won)

	2011		2010	
	Sales	Purchases	Sales	Purchases
Entities with significant influence over the Company ¹	-	11,511	-	9,823
Associates	8,445	44,959	38,893	65,088
Key management	-	13,340	-	14,773
Others ²	5,264	199,327	3,812	124,439
Total	13,709	269,137	42,705	214,123

(in millions of Korean won)

	March 31, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	5,539	98,293	5,541	6,923
Associates	10,281	28,998	1,325	18,961
Key management	-	49,002	-	51,768
Others ²	32,619	198,118	31,100	142,247
Total	48,439	374,411	37,966	219,899

¹ The largest shareholder of the Company is LG Corp., which owns 33.53% of the Company's ordinary shares (Note 1).

² Includes LG Corp.'s subsidiaries.

(2) Compensation for key management of the Company for the three-month periods ended March 31, 2011 and 2010, consists of:

(in millions of Korean won)

	2011	2010
Wages and salaries	9,518	11,574
Pension costs	653	293
Other long-term employee benefits	3,169	2,906
Total	13,340	14,773

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

(3) As of the reporting date, no allowance for doubtful accounts was recorded against receivables from related parties and accordingly, no bad debt expenses were recognized for receivables from related parties during the three-month periods ended March 31, 2011 and 2010.

(4) Details of the guarantees provided by the Company for related parties at the reporting date are disclosed in Note 21.

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35. Cash generated from operations

(1) Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Profit before income tax	840,862	648,797
Adjustments for:		
Depreciation	178,090	138,726
Amortization	3,651	3,738
Pension costs	11,209	10,046
Financial income	(59,052)	(58,414)
Financial expenses	53,512	58,386
Foreign exchange differences	(11,350)	(16,822)
Gain on disposal of property, plant and equipment	(1,604)	(114)
Loss on disposal of property, plant and equipment	238	378
Gain on disposal of intangible assets	-	(145)
Loss on disposal of intangible assets	-	17
Other expenses	(2,279)	(9,432)
Inventories	(132,982)	(128,766)
Trade receivables	(474,866)	(322,158)
Other receivables	(50,454)	(24,131)
Settlement of derivatives	5,946	(2,126)
Trade payables	158,488	11,595
Other payables	243,069	151,116
Defined benefit liability	(984)	(2,332)
Other cash flows from operations	(43,960)	18,425
Cash generated from operations	717,534	476,784

(2) The principal non-cash transactions for the three-month periods ended March 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Transfer of construction-in-progress	123,434	154,152
Transfer of machinery-in-transit	9,826	4,072
Reclassification of current maturities of borrowings	130,539	33,673
Gain(loss) on valuation of derivatives recognized as other comprehensive income	2,256	1,600

36. Event after the reporting period

On April 1, 2011, the Company merged with LG Polycarbonate Ltd., which the Company previously wholly owned.