

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

June 30, 2011 and 2010

LG Chem, Ltd. and Subsidiaries
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June 30, 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 June 30, 2011 and December 31, 2010, and the related consolidated statements of income, and statements of comprehensive income for the three-month and six-month periods ended June 30, 2011 and 2010, and the consolidated statements of changes in shareholders' equity and cash flows for the six-month periods ended June 30, 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.

The image shows a handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

Seoul, Korea
August 29, 2011

This review report is effective as of August 29, 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
June 30, 2011 and December 31, 2010

<i>(in millions of Korean won)</i>	Notes	June 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	3, 6, 7	989,970	1,368,034
Trade receivables	3, 6, 8, 34	3,175,430	2,529,962
Other receivables	3, 6, 8, 34	96,709	78,015
Prepaid income taxes		10,339	3,379
Other financial assets	3, 6, 9, 11	1,344	2,194
Other current assets	16	191,271	127,609
Inventories	12	2,624,734	2,182,484
Total current assets		7,089,797	6,291,677
Non-current assets			
Other receivables	3, 6, 8	28,912	20,737
Other financial assets	3, 6, 9, 10	5,978	4,183
Investments in associates and joint ventures	1, 5, 13	255,912	213,572
Deferred income tax assets		33,434	45,289
Property, plant and equipment	14	6,555,213	5,872,040
Intangible assets	15	190,960	180,115
Other non-current assets	16	46,885	45,846
Total non-current assets		7,117,294	6,381,782
Total assets		14,207,091	12,673,459
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 6, 34	1,539,866	1,302,563
Other payables	3, 6, 34	871,744	821,435
Borrowings	3, 6, 17, 34	2,247,504	1,620,581
Other financial liabilities	3, 6, 9, 11	24,288	20,535
Provisions	18	7,637	4,949
Current income tax liabilities		311,915	409,658
Other current liabilities	20	160,455	97,671
Total current liabilities		5,163,409	4,277,392
Non-current liabilities			
Other payables	3, 6	22,984	47,792
Borrowings	3, 6, 17	202,572	480,510
Other financial liabilities	3, 6, 9, 11	1,010	1,545
Defined benefit liability	19	27,166	8,136
Deferred income tax liabilities		24,450	14,249
Total non-current liabilities		278,182	552,232
Total liabilities		5,441,591	4,829,624

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
June 30, 2011 and December 31, 2010

<i>(in millions of Korean won)</i>	Notes	June 30, 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(loss)		(94,025)	(62,017)
Retained earnings	23	7,209,705	6,253,917
		<u>8,627,253</u>	<u>7,703,473</u>
Non-controlling interests		<u>138,247</u>	<u>140,362</u>
Total equity		<u>8,765,500</u>	<u>7,843,835</u>
Total liabilities and equity		<u>14,207,091</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 and Six-Month Periods Ended June 30, 2011 and 2010

	Notes	Period Ended June 30			
		2011		2010	
		Three Months	Six Months	Three Months	Six Months
<i>(in millions of Korean won, except per share amounts)</i>					
Revenue	5, 34	5,699,963	11,190,849	5,028,046	9,451,151
Cost of sales	26, 34	<u>(4,622,718)</u>	<u>(8,984,957)</u>	<u>(3,915,605)</u>	<u>(7,442,598)</u>
Gross profit		1,077,245	2,205,892	1,112,441	2,008,553
Selling, general and administrative expenses	25, 26, 34	(315,900)	(613,700)	(282,441)	(533,822)
Other operating income	28	112,280	164,435	176,434	259,282
Other operating expenses	26, 29	<u>(98,241)</u>	<u>(145,931)</u>	<u>(178,558)</u>	<u>(253,711)</u>
Operating profit	5	<u>775,384</u>	<u>1,610,696</u>	<u>827,876</u>	<u>1,480,302</u>
Non-operating income (expenses)					
Financial income	5, 30	38,689	82,278	56,086	69,537
Financial expenses	5, 30	(30,143)	(68,165)	(95,942)	(118,257)
Share of profit of associates and joint ventures	5, 13	3,367	5,926	34,679	41,813
Other non-operating expenses		<u>(1,149)</u>	<u>(3,725)</u>	<u>(1,122)</u>	<u>(3,021)</u>
		<u>10,764</u>	<u>16,314</u>	<u>(6,299)</u>	<u>(9,928)</u>
Profit before Income tax	5, 35	786,148	1,627,010	821,577	1,470,374
Income tax expense	31	<u>(161,681)</u>	<u>(345,955)</u>	<u>(175,929)</u>	<u>(306,985)</u>
Profit for the period		<u>624,467</u>	<u>1,281,055</u>	<u>645,648</u>	<u>1,163,389</u>
Attributable to:					
Owners of the parent		<u>613,975</u>	<u>1,252,482</u>	<u>638,791</u>	<u>1,149,894</u>
Non-controlling interests		<u>10,492</u>	<u>28,573</u>	<u>6,857</u>	<u>13,495</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		8,348	17,030	8,686	15,635
Basic and diluted earnings per preferred share for profit for the period		8,361	17,055	8,698	15,660

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	Period Ended June 30			
		2011		2010	
		Three Months	Six Months	Three Months	Six Months
Profit for the period		624,467	1,281,055	645,648	1,163,389
Other comprehensive income					
Actuarial gain(loss) on defined benefit liability	19	414	679	(327)	(664)
Currency translation differences		(15,597)	(36,742)	55,253	30,606
Cash flow hedges		664	2,496	1,728	3,028
Others		(400)	(2,082)	3,347	3,257
Income tax effect relating to components of other comprehensive income		(354)	(642)	(1,327)	(965)
Other comprehensive income for the period, net of tax		(15,273)	(36,291)	58,674	35,262
Total comprehensive income for the period		609,194	1,244,764	704,322	1,198,651
Attributable to:					
Owners of the parent		600,462	1,220,983	689,846	1,181,246
Non-controlling interests		8,732	23,781	14,476	17,405

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
Six-Month Periods Ended June 30, 2011 and 2010

(in millions of Korean won)

Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
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	-	-	-	-	1,149,894	1,149,894	13,495	1,163,389
Actuarial loss on defined benefit liability	19	-	-	-	(664)	(664)	-	(664)
Currency translation differences	-	-	-	26,775	-	26,775	3,910	30,685
Cash flow hedges	-	-	-	2,295	-	2,295	-	2,295
Others, net of tax	-	-	-	2,942	4	2,946	-	2,946
Total comprehensive income	-	-	-	32,012	1,149,234	1,181,246	17,405	1,198,651
Transactions with owners:								
Loss on capital reduction	-	-	464,272	-	(464,272)	-	-	-
Dividends	33	-	-	-	(257,753)	(257,753)	(22,217)	(279,970)
Others	-	36	(154)	-	(2,338)	(2,456)	3,015	559
Total transactions with owners	-	36	464,118	-	(724,363)	(260,209)	(19,202)	(279,411)
Balance at June 30, 2010	369,500	1,157,772	(15,446)	(42,545)	5,260,970	6,730,251	115,678	6,845,929
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	-	-	-	-	1,252,482	1,252,482	28,573	1,281,055
Actuarial gain on defined benefit liability	19	-	-	-	509	509	-	509
Currency translation differences	-	-	-	(32,005)	-	(32,005)	(4,792)	(36,797)
Cash flow hedges	-	-	-	2,056	-	2,056	-	2,056
Others, net of tax	-	-	-	(2,059)	-	(2,059)	-	(2,059)
Total comprehensive income	-	-	-	(32,008)	1,252,991	1,220,983	23,781	1,244,764
Transactions with owners:								
Dividends	33	-	-	-	(294,520)	(294,520)	(25,225)	(319,745)
Others	-	-	-	-	(2,683)	(2,683)	(671)	(3,354)
Total transactions with owners	-	-	-	-	(297,203)	(297,203)	(25,896)	(323,099)
Balance at June 30, 2011	369,500	1,157,772	(15,699)	(94,025)	7,209,705	8,627,253	138,247	8,765,500

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2011	2010
Cash flows from operating activities			
Cash generated from operations	35	1,073,936	1,057,368
Interest received		15,426	12,674
Interest paid		(42,304)	(39,011)
Dividends received		33	862
Income taxes paid		(428,344)	(208,381)
Net cash generated from operating activities		<u>618,747</u>	<u>823,512</u>
Cash flows from investing activities			
Decrease in other receivables		44,283	143,728
Decrease in non-current other receivables		9,663	3,287
Decrease in non-current other financial assets		13	7
Proceeds from disposal of property, plant and equipment		2,597	456
Proceeds from disposal of intangible assets		-	409
Increase in other receivables		(52,452)	(146,092)
Increase in non-current other receivables		(11,796)	(5,222)
Increase in non-current other financial assets		(1,817)	(11)
Acquisition of investments in associates and joint ventures		(40,230)	(14,210)
Acquisition of property, plant and equipment		(1,084,204)	(704,429)
Acquisition of intangible assets		(13,171)	(9,910)
Net cash used in investing activities		<u>(1,147,114)</u>	<u>(731,987)</u>
Cash flows from financing activities			
Proceeds from borrowings		519,037	505,331
Repayments of borrowings		(49,703)	(396,410)
Dividends paid		(294,520)	(275,790)
Net cash provided by (used in) financing activities		<u>174,814</u>	<u>(166,869)</u>
Net decrease in cash and cash equivalents		(353,553)	(75,344)
Cash and cash equivalents at the beginning of period		1,368,034	1,106,596
Exchange gains (losses) on cash and cash equivalents		(24,511)	11,254
Cash and cash equivalents at the end of period		<u>989,970</u>	<u>1,042,506</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

June 30, 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. The Parent Company also spun off its Industrial Materials segment to LG Hausys, Ltd. on April 1, 2009, and merged with LG Polycarbonate Ltd. on April 1, 2011 (Note 36).

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 June 30, 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.

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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
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1.3 Consolidated subsidiaries, associates and joint ventures

Consolidated subsidiaries, associates and joint ventures 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 Polymers 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
Associates and joint ventures	
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

June 30, 2011 and 2010, and December 31, 2010

2. Summary of significant accounting policies

The interim consolidated financial statements for the three-month and six-month periods ended June 30, 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 2.3 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 Reclassification of prior year financial statements

Certain accounts in the prior year financial statements were reclassified to conform with the current year financial statement presentation. These reclassifications have no impact on the previously reported net income or shareholders' equity.

2.3 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 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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
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(3) New standards amendments and interpretations issued but not effective for the financial years beginning on or after January 1, 2011, and not early adopted by the Company.

- 1) Korean IFRS 1012 'Income taxes'. The amendment introduces a rebuttable presumption that the carrying amount of the investment property measured using the fair value model will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. The amendment applies for annual periods beginning on or after January 1, 2012.
- 2) The amendment requires an entity to disclose, for each class of transferred financial assets that are not derecognized in their entirety, the nature and carrying amounts of the transferred assets, the nature of the risks and rewards of ownership to which the entity is exposed. Also, the amendment requires an entity to disclose additional information on the risk and impact associated with the transferred assets when an entity derecognizes transferred financial assets in their entirety but has continuing involvement in them. An entity shall apply those amendments for annual periods beginning on or after July 1, 2011.

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.

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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.

As of June 30, 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>	June 30, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
USD	2,897,493	3,276,085	1,945,873	2,584,070
EUR	56,880	57,803	44,303	49,263
GBP	3,117	2,197	2,454	2,076
JPY and others	107,022	350,129	74,862	287,492

As of June 30, 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>	June 30, 2011		December 31, 2010	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(37,859)	37,859	(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 June 30, 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 ₩2,191 million (2010: ₩1,796 million) or a decrease of ₩2,191 million (2010: ₩1,796 million), respectively.

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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.

(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 June 30, 2011 and December 31, 2010, the maximum degrees of credit exposures are as follows:

<i>(in millions of Korean won)</i>	June 30, 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	4,296,544	(5,523)	4,291,021	4,004,041	(7,293)	3,996,748
Financial assets at fair value through profit or loss	1,344	-	1,344	2,194	-	2,194
Available-for-sale financial assets	5,978	-	5,978	4,183	-	4,183
Total	4,303,866	(5,523)	4,298,343	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.

(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

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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.

(in millions of Korean won)

	June 30, 2011			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,277,367	109,543	97,481	772
Finance lease liabilities	2,481	2,481	4,436	-
Trade and other payables	2,441,610	22,984	-	-
Total	4,721,458	135,008	101,917	772

(in millions of Korean won)

	December 31, 2010			
	Less than 1 year	1 to 2 years	2 to 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

- 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)

		June 30, 2011			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Net-settled derivative financial liabilities	Hedging				
	Net-cash flow	(733)	(342)	(24)	-
	Subtotal	(733)	(342)	(24)	-
Gross-settled derivative financial liabilities	Trading				
	Inflow	141,498	-	-	-
	Outflow	(140,153)	-	-	-
	Hedging				
	Inflow	135,794	-	-	-
	Outflow	(161,616)	-	-	-
	Subtotal	(24,477)	-	-	-
Total		(25,210)	(342)	(24)	-

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(in millions of Korean won)

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

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

(in millions of Korean won)

	June 30, 2011			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	150,104	115	60,415	821

(in millions of Korean won)

	December 31, 2010			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	98	150,109	60,397	897

¹ The Company and LG Hausys Ltd. have provided the joint guarantee for obligations outstanding as of April 1, 2009, the spin-off date. The amounts represent the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called.

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.

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Debt to equity ratio and the gearing ratio as of June 30, 2011 and December 31, 2010, are as follows:

(in millions of Korean won, except for ratios)

	June 30, 2011	December 31, 2010
Total borrowings (Note 17) (A)	2,450,076	2,101,091
Less: cash and cash equivalents (B)	(989,970)	(1,368,034)
Net debt (C=A+B)	1,460,106	733,057
Total liabilities (D)	5,441,591	4,829,624
Total equity (E)	8,765,500	7,843,835
Total capital (F=C+E)	10,225,606	8,576,892
Gearing ratio (C/F)	14.3%	8.5%
Debt to equity ratio (D/E)	62.1%	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).

(1) The following tables present the Company's financial assets and liabilities that are measured at fair value as of June 30, 2011 and December 31, 2010:

(in millions of Korean won)

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	1,344	-	1,344
Total financial assets	-	1,344	-	1,344
Financial liabilities				
Other current financial liabilities	-	24,288	-	24,288
Other non-current financial liabilities	-	1,010	-	1,010
Total financial liabilities	-	25,298	-	25,298

(in millions of Korean won)

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
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

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All other non-current financial assets of the Company consist of available-for-sale financial assets and are measured at cost (June 30, 2011: ₩ 5,978 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.

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

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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.

(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., Hyundai Oil Bank, LG Hausys Ltd., Mitsui & Co. Ltd., GS Caltex Corp., LG Electronics Inc., Daewoo International Corp., and others
Information & Electronic Materials	Batteries, Polarizers	LG Electronics Inc., LG Display Co., Ltd., Nokia Corp., Apple Inc., Hewlett-Packard Co. and others
Common and others	General management, sales and R&D.	

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(2) The segment information on revenue and profit and loss for the six-month periods ended June 30, 2011 and 2010, is as follows:

<i>(in millions of Korean won)</i>	2011			
	Petro - chemicals	Information & Electronic Materials	Common and others⁴	Total
Total segment revenue	8,637,282	2,523,707	202,385	11,363,374
Inter-segment revenue ¹	61,734	8,569	102,222	172,525
Revenue from external customers ²	8,575,548	2,515,138	100,163	11,190,849
Operating profit (loss) ³	1,378,003	251,592	(18,899)	1,610,696
Financial income ²	65,941	21,818	(5,481)	82,278
Financial expenses	50,452	18,091	(378)	68,165
Share of the profit of associates and joint ventures	4,115	1,548	263	5,926
Profit (loss) before tax	1,394,570	256,165	(23,725)	1,627,010

<i>(in millions of Korean won)</i>	2010			
	Petro - chemicals	Information & Electronic Materials	Common and others⁴	Total
Total segment revenue	7,073,823	2,437,923	112,878	9,624,624
Inter-segment revenue ¹	67,349	10,859	95,265	173,473
Revenue from external customers ²	7,006,474	2,427,064	17,613	9,451,151
Operating profit (loss) ³	1,114,051	385,453	(19,202)	1,480,302
Financial income ²	55,644	13,517	376	69,537
Financial expenses	88,187	29,862	208	118,257
Share of the profit of associates and joint ventures	32,921	8,892	-	41,813
Profit (loss) before tax	1,119,003	372,539	(21,168)	1,470,374

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.

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(3) The segment information on assets and liabilities as of June 30, 2011 and December 31, 2010, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2011			
	Petro - chemicals	Information & Electronic Materials	Common and others	Total
Total assets for the segment ¹	9,676,394	3,626,296	904,401	14,207,091
Investments in associates and joint ventures	41,577	-	214,335	255,912
Total liabilities for the segment ¹	3,593,833	1,695,998	151,760	5,441,591

<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 and joint ventures	1,393	-	212,179	213,572
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.

(4) The external sales by geographical segments from continuing operations for the six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Korea ¹	5,066,947	4,158,457
China	4,922,164	4,515,812
South East Asia	646,224	531,564
America	710,725	574,591
Western Europe	357,906	246,085
Others	1,361,221	943,470
Eliminations	(1,874,338)	(1,518,828)
Total	<u>11,190,849</u>	<u>9,451,151</u>

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 six-month periods ended June 30, 2011 and 2010.

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6. Financial instruments by category

(1) Categorizations of financial instruments are as follows:

(in millions of Korean won)

Financial assets	June 30, 2011			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
Cash and cash equivalents	989,970	-	-	989,970
Trade receivables	3,175,430	-	-	3,175,430
Other receivables	96,709	-	-	96,709
Other financial assets	-	1,344	-	1,344
Other non-current receivables	28,912	-	-	28,912
Other non-current financial assets	-	-	5,978	5,978
Total	4,291,021	1,344	5,978	4,298,343

(in millions of Korean won)

Financial liabilities	June 30, 2011		Total
	Hedging derivatives	Liabilities at amortized cost	
Trade payables	-	1,539,866	1,539,866
Other payables	-	871,744	871,744
Borrowings (current)	-	2,247,504	2,247,504
Other financial liabilities	24,288	-	24,288
Other non-current payables	-	22,984	22,984
Borrowings (non-current)	-	202,572	202,572
Other non-current financial liabilities	1,010	-	1,010
Total	25,298	4,884,670	4,909,968

(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

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<i>(in millions of Korean won)</i>	December 31, 2010		
	Hedging derivatives	Liabilities at amortized cost	Total
Financial liabilities			
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

7. Cash and cash equivalents

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Bank deposits and cash on hand	391,376	258,041
Financial deposits, others	598,594	1,109,993
Total	989,970	1,368,034

(2) As of June 30, 2011, non-current other receivables amounted to ₩46 million are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2010: ₩46 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>	June 30, 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 ¹	3,180,953	(5,523)	3,175,430	2,537,255	(7,293)	2,529,962
Other receivables	96,709	-	96,709	78,015	-	78,015
Non-current						
Other receivables	28,912	-	28,912	20,737	-	20,737
Total	3,306,574	(5,523)	3,301,051	2,636,007	(7,293)	2,628,714

¹ As of June 30, 2011, trade receivables transferred to financial institutions but not derecognized amounted to ₩1,087,977 million (Note 17).

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(2) Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Current		
Non-trade receivables	77,835	60,676
Financial deposits	13,234	5,508
Loans	-	93
Accrued income	3,025	4,472
Deposits	2,615	7,266
Subtotal	<u>96,709</u>	<u>78,015</u>
Non-current		
Financial deposits	46	46
Loans	766	724
Deposits	28,100	19,967
Subtotal	<u>28,912</u>	<u>20,737</u>
Total	<u>125,621</u>	<u>98,752</u>

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Up to 3 months	3,008,318	2,465,462
3 to 6 months	163,436	66,641
Over 6 months	9,199	5,152
Total	<u>3,180,953</u>	<u>2,537,255</u>

(4) The movements in bad debt allowance for the six-month period ended June 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	June 30, 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	(1,826)	-	-	-	(1,146)	(3)	-	-
Write-off	-	-	-	-	(4,775)	-	(1,430)	-
Business combination	-	-	-	-	554	-	-	-
Exchange differences	(26)	-	-	-	93	-	-	-
Ending balance	<u>5,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,293</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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9. Other financial assets and liabilities

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Other financial assets		
Derivatives (Note 11)	1,344	2,194
Available-for-sale (Note 10)	5,978	4,183
Less: current portions	(1,344)	(2,194)
Total	<u>5,978</u>	<u>4,183</u>
Other financial liabilities		
Derivatives (Note 11)	25,298	22,080
Less: current portions	(24,288)	(20,535)
Total	<u>1,010</u>	<u>1,545</u>

10. Financial assets classified as available-for-sale

(1) The movements in financial assets classified as available-for-sale for six-month period ended June 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Beginning balance	4,183	4,182
Exchange differences	(7)	2
Additions	1,817	7
Disposals	(15)	(8)
Ending balance	<u>5,978</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 six-month periods ended June 30, 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>	June 30, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	24,288	-	20,535
Held-for-trading	1,344	-	2,194	-
Sub total	<u>1,344</u>	<u>24,288</u>	<u>2,194</u>	<u>20,535</u>
Non-current				
Cash flow hedges	-	1,010	-	1,545

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

June 30, 2011					
Classification	Contractor	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Forward foreign exchange contract	Korea Exchange Bank and 9 other banks	2011.05.06, Various	US\$ 20,000, various	2011.05.06 ~ 2011.07.29, various	₩1091.43 / 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	₩ 9,000,000	2006.10.11 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 13,500	2007.06.15 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%

December 31, 2010					
Classification	Contractor	Contract date	Contract amount (in thousands)	Contract period	Contract terms
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)	June 30, 2011			December 31, 2010		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	87,271	(444)	86,827	60,028	(108)	60,520
Finished products	1,090,179	(11,501)	1,078,678	1,019,709	(7,852)	1,011,857
Semi-finished products	324,314	-	324,314	268,895	-	268,895
Work-in-process	2,699	-	2,699	1,032	-	1,032
Raw materials	761,088	(1,341)	759,747	571,525	(976)	570,549
Supplies	67,083	-	67,083	60,331	-	60,331
Materials-in-transit	305,386	-	305,386	209,300	-	209,300
Total	2,638,020	(13,286)	2,624,734	2,191,420	(8,936)	2,182,484

(2) The cost of inventories recognized as expense for the six-month period ended June 30, 2011 and included in 'Cost of Sales' amounted to ₩7,811,086 million (for the six-month period ended June 30, 2010: ₩6,379,347 million).

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13. Investments in associates and joint ventures

(1) Changes in the carrying amounts of investments in associates and joint ventures for the six-month period ended June 30, 2011, and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Beginning balance	213,572	219,505
Acquisitions	40,230	14,210
Share of profit of associates and joint ventures	5,926	55,459
Share of other comprehensive income of associates and joint ventures	(2,082)	(181)
Reclassification to subsidiaries	-	(74,562)
Dividends	(1,729)	(862)
Others	(5)	3
Ending balance	<u>255,912</u>	<u>213,572</u>

(2) Financial information of associates and joint ventures follows:

<i>(in millions of Korean won)</i>		June 30, 2011				Profit (loss)
Country	Ownership (%)	Assets	Liabilities	Revenue	for the period	
LG Vina Chemical Company Ltd.	Vietnam	40	22,209	14,400	39,503	1,891
HL Greenpower Co., Ltd	Korea	49	39,195	11,485	24,600	489
LG Holdings (HK) Ltd.	Hong Kong	26	369,935	174,000	16,278	3,952
TECWIN Co., Ltd.	Korea	20	39,477	18,950	-	-
SEETEC Co., Ltd.	Korea	50	355,328	39,288	206,089	8,320
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	78,404	662	-	(2,484)
Total			<u>904,881</u>	<u>259,063</u>	<u>286,470</u>	<u>12,168</u>

<i>(in millions of Korean won)</i>		December 31, 2010				Profit (loss)
Country	Ownership (%)	Assets	Liabilities	Revenue	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 six-month period ended June 30, 2011, the Company newly acquired shares of CNOOC & LG Petrochemicals Co., Ltd. at ₩40,230 million.

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14. Property, plant and equipment

(1) Changes in the carrying amounts of property, plant and equipment for the six-month period ended June 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	June 30, 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	-	143,035	4,589	383,506	7,952	49,829	11,016	78,190	903,022	172,341	1,753,480
Disposals/ Transfer	-	(39)	(18)	(824)	(168)	(558)	(81)	-	(603,348)	(63,708)	(668,744)
Exchange differences	(75)	(10,408)	(2,578)	(23,510)	(52)	79	(448)	-	1,347	-	(35,645)
Depreciation	-	(18,523)	(13,624)	(280,835)	(1,843)	(24,375)	(9,352)	(17,366)	-	-	(365,918)
Ending balance	443,336	1,326,355	342,146	2,608,131	14,343	170,071	59,029	122,475	1,191,741	277,586	6,555,213
Cost	443,336	1,593,067	626,918	7,052,833	41,146	420,132	188,099	172,858	1,226,537	277,586	12,042,512
Accumulated depreciation	-	(266,707)	(284,765)	(4,435,884)	(26,803)	(246,031)	(128,974)	(50,383)	-	-	(5,439,547)
Accumulated impairment	-	(5)	(7)	(8,818)	-	(4,030)	(96)	-	(34,796)	-	(47,752)

<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 six-month period ended June 30, 2011, the Company capitalized ₩10,079 million of borrowing costs (for the year ended December 31, 2010: ₩18,622 million) to property, plant and equipment.

(3) As of June 30, 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>	June 30, 2011	December 31, 2010
Carrying amount	1,132	2,223
Depreciation	1,091	2,182

The said agreement is non-cancellable finance lease agreements. The lease term is 15 years.

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(5) Depreciation of property, plant and equipment for the three-month and six-month periods ended June 30, 2011 and 2010, was classified as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Cost of sales	174,998	342,160	160,601	289,327
Selling, general and administrative expenses	12,180	23,108	10,179	20,179
Others ¹	604	650	59	162
Total	187,782	365,918	170,839	309,668

¹ Amounts capitalized to development costs are included.

15. Intangible assets

(1) Changes in the carrying amount of intangible assets for the six-month period ended June 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011					
	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	7,156	7,394	-	1,753	2,364	18,667
Disposals/ Transfer	-	(8)	-	-	-	(8)
Exchange differences	(29)	(260)	-	(16)	(100)	(405)
Amortization	(3,545)	(1,263)	-	-	(2,601)	(7,409)
Ending balance	29,380	61,571	33,415	50,980	15,614	190,960

<i>(in millions of Korean won)</i>	December 31, 2010					
	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	25,798	55,708	33,415	49,243	15,951	180,115

(2) Amortization of intangible assets for the three-month and six-month periods ended June 30, 2011 and 2010, was classified as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Cost of sales	1,142	2,229	1,417	2,904
Selling, general and administrative expenses	2,616	5,180	2,261	4,512
Total	3,758	7,409	3,678	7,416

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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>	June 30, 2011	December 31, 2010
Current		
Prepayments to suppliers	58,409	26,919
Prepaid expenses	20,070	26,207
Prepaid value added tax	69,321	66,670
Others	43,471	7,813
Total	191,271	127,609
Non-current		
Long-term prepaid expenses	46,859	45,819
Other investment assets	26	27
Total	46,885	45,846

17. Borrowings

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

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Current		
Short-term borrowings	1,632,286	1,259,887
Current maturities of bank loans	330,048	219,421
Current maturities of debentures	283,277	139,461
Current maturities of finance lease liabilities	1,893	1,812
Subtotal	2,247,504	1,620,581
Non-current		
Bank loans	196,327	323,767
Debentures	-	149,531
Finance lease liabilities	6,245	7,212
Subtotal	202,572	480,510
Total	2,450,076	2,101,091

(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 June 30, 2011	Carrying Amount	
				June 30, 2011	December 31, 2010
Notes discounted ¹	Woori Bank, others	2011.08.12	Libor+1.3, various	1,087,977	864,560
Bank loans	China Bank, others	2012.06.08	Libor+0.5, various	544,309	395,327
Total				1,632,286	1,259,887

¹ As of June 30, 2011, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Note 8).

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Non-current borrowings

(in millions of Korean won)

		June 30, 2011				
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency borrowings	Kookmin Bank	3.00	2018.07.14	983	107	876
	Kookmin Bank	3.00	2020.03.21	970	78	892
	Shinhan Bank	2.50	2011.09.15	319	319	-
	BTMU	3CD+0.60	2013.09.05	22,500	10,000	12,500
Foreign currency borrowings	Shanghai Pudong Development Bank	6.65	2015.06.20	3,847	-	3,847
	Sumitomo Mitsui Banking Corporation	6Libor+0.35	2011.07.20	53,905	53,905	-
	Sumitomo Mitsui Banking Corporation	3Libor+0.60	2013.09.05	14,555	6,469	8,086
	Standard Chartered Bank	4.50	2013.06.10	21,589	-	21,589
	Woori Bank	6Libor+1.50	2011.12.13	21,589	21,589	-
	China Construction Bank	6Libor+1.40~2.50	2012.06.08	21,589	21,589	-
	China Construction Bank	6Libor+3.00	2013.01.17	21,589	-	21,589
	Bank of Communications	3Libor+1.50	2012.04.30	20,510	20,510	-
	Agricultural Bank of China	6.80	2015.10.15	21,684	-	21,684
	China Minsheng Bank	6Libor+3.30	2013.01.15	8,396	4,798	3,598
	Bank of China	6Libor+1.20	2012.03.01	62,987	62,987	-
	China Merchants Bank	6.65	2015.05.17	8,340	-	8,340
	Korea Development Bank	3Libor+0.36	2012.01.10	53,905	53,905	-
	Korea Export-Import Bank	6Libor+2.00	2011.09.26	32,384	32,384	-
	ANZ Bank	3Libor+2.80	2013.10.11	19,271	-	19,271
	Bank of America	3Libor+1.65	2013.11.18	26,953	-	26,953
	BTMU	6Libor+2.60	2013.06.21	32,384	16,192	16,192
	BTMU	6Libor+2.60	2013.04.26	32,384	16,192	16,192
	HSBC	6Libor+0.60	2013.09.05	7,277	3,234	4,043
	Mizuho Banking Corporation	3Libor+0.65	2014.05.31	5,390	-	5,390
	Mizuho Banking Corporation	3Libor+0.60	2013.09.05	9,703	4,312	5,391
	Nordea Bank	3Euribor+1.85	2011.07.29	1,566	1,566	-
Less: discount on borrowings				(194)	(88)	(106)
Total				526,375	330,048	196,327

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		December 31, 2010					
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts	
Won currency borrowings	Kookmin Bank	3.00	2018.07.14	1,006	74	932	
	Kookmin Bank	3.00	2020.03.21	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	5.18	2011.03.21	2,300	2,300	-	
	China Construction Bank	6Libor+1.40~2.50	2012.06.08	22,848	-	22,848	
	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	
	Standard Chartered Bank	4.50	2013.06.10	22,849	-	22,849	
	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				<u>543,188</u>	<u>219,421</u>	<u>323,767</u>

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)

		June 30, 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	133,570	133,570	-
Less: discount on debentures				(293)	(293)	-
Total				<u>283,277</u>	<u>283,277</u>	<u>-</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

		June 30, 2011			
Bank	Annual interest rate (%)	Maturity	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	8,138	1,893	6,245

		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)

	June 30, 2011		December 31, 2010	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Bank loans	196,327	197,062	323,767	323,574
Debentures	-	-	149,531	153,716
Finance lease liabilities	6,245	6,110	7,212	7,197
Total	202,572	203,172	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)

	June 30, 2011			December 31, 2010		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	2,481	588	1,893	2,481	669	1,812
1 to 5 years	6,917	672	6,245	8,157	945	7,212
Over 5 years	-	-	-	-	-	-

18. Provisions

Changes in the carrying amount of provisions for the six-month period ended June 30, 2011 and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)	June 30, 2011		
	Sales returns ¹	Warranty ²	Total
Beginning balance	2,822	2,127	4,949
Additions	105	2,583	2,688
Ending balance	2,927	4,710	7,637

(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>	June 30, 2011	December 31, 2010
Present value of obligations ¹	179,989	162,363
Fair value of plan assets	(152,823)	(154,227)
Liability in the statement of financial position	27,166	8,136

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩998 million as of June 30, 2011 (December 31, 2010: ₩1,052 million).

(2) The amounts recognized in the statements of income for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Current service cost ¹	10,556	21,312	9,282	18,580
Interest cost	2,166	4,297	2,716	5,430
Expected return on plan assets	(1,695)	(3,373)	(1,962)	(3,928)
Curtailment of plan	-	-	3,982	3,982
Total, included in employee benefit expenses	11,027	22,236	14,018	24,064

¹ The above amounts excluded ₩280 million (June 30, 2010: ₩112 million) of expenses capitalized to construction in progress and development costs.

(3) The amounts recognized in the statement of income for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Cost of sales	7,490	15,085	10,599	17,730
Selling, general and administrative expenses	3,537	7,151	3,386	6,334
Others	-	-	33	-
Total	11,027	22,236	14,018	24,064

(4) Actuarial gains and losses recognized as other comprehensive income for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Actuarial gains(losses) before tax	414	679	(327)	(664)
Income tax effect	(105)	(170)	-	-
Actuarial gains(losses) after tax	309	509	(327)	(664)

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As of June 30, 2011, ₩23,624 million (December 31, 2010: ₩24,133 million) of accumulated actuarial losses are included in other comprehensive income.

(5) Changes in the carrying amount of defined benefit obligations for the six-month period ended June 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Beginning balance	162,363	219,256
Transfer in	730	452
Current service cost	21,592	37,387
Interest expense	4,297	10,730
Actuarial losses(before tax)	-	16,769
Benefits paid	(9,022)	(34,741)
Business combination	-	3,300
Curtailment of plan	-	7,967
Settlements of plan	-	(90,067)
Past service cost	-	(8,834)
Exchange differences	29	144
Ending balance	<u>179,989</u>	<u>162,363</u>

(6) Changes in the fair value of plan assets for the six-month period ended June 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Beginning balance	154,227	164,867
Transfer in	431	-
Expected return on plan assets	3,372	7,621
Actuarial gains/(losses) (before tax)	679	(1,002)
Employer contributions	-	52,500
Benefits paid	(5,886)	(20,388)
Business combination	-	2,501
Settlements of plan	-	(51,872)
Ending balance	<u>152,823</u>	<u>154,227</u>

(7) The actual return on plan assets for the six-month period ended June 30, 2011, was ₩4,051 million (for the year ended December 31, 2010: ₩6,619 million).

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

	June 30, 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	(14,234)	16,470

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(10) Plan assets consist of:

<i>(in millions of Korean won)</i>	June 30, 2011		December 31, 2010	
	Amount	Proportion	Amount	Proportion
Equity instruments	30,046	20%	29,669	20%
Time deposits	55,579	36%	54,901	36%
Insurance contracts with guaranteed yield	67,198	44%	69,657	44%
Total	152,823	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>	June 30, 2011	December 31, 2010	December 31, 2009
Present value of defined benefit obligations	179,989	162,363	219,256
Fair value of plan assets	(152,823)	(154,227)	(164,867)
Deficit in the plan	27,166	8,136	54,389
Experience adjustments on plan liabilities	-	(20,393)	(4,674)
Experience adjustments on plan assets	679	(1,002)	2,068

20. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	June 30, 2011	December 31, 2010
Advances from customers	13,784	28,188
Dividends payable	30,296	43
Withholding	39,041	37,232
Unearned revenues	11,790	10,609
Others	65,544	21,599
Total	160,455	97,671

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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 June 30, 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 June 30, 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 June 30, 2011, the Company has various specific and comprehensive line of credit agreements with several financial institutions, as follows:

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

Classification	KRW	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	59,000	117	210	-	435	32
Limit of the letter of credit	270,900	386	360	-	1,840	-
Limit of discount of notes from export	-	1,724	-	-	-	-
Limit of loan arrangements	-	960	4,660	6	-	-

- (5) As of June 30, 2011, the Company has B2B purchase arrangements with several financial institutions.
- (6) As of June 30, 2011, the Company has been named as a plaintiff for 27 legal actions involving ₩7,981 million in claims and defendant for 18 legal actions with ₩5,039 million in claims. The ultimate outcome of these cases cannot be determined at this time.
- (7) As of June 30, 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 June 30, 2011, the Company has a long-term purchase contract for certain raw materials and was provided with a US\$ 60 million guarantee for this contract. Further, as of June 30, 2011, the Company provided a US\$ 16 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 June 30, 2011, amounts to US\$ 233 million, EUR 6 million and PLN 32 million (total equivalent to ₩273,441 million) (2010: US\$ 170 million, EUR 1 million and PLN 32 million, total equivalent to ₩207,744 million). Details of guarantees provided as of June 30, 2011 and December 31, 2010, are as follows:

(in millions of Korean won)

		June 30, 2011			
Guarantor	Guarantee beneficiary	Amount of guarantee	Financial institution	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	62,907	Bank of China	62,907	
	"	21,562	Woori Bank	21,562	
	"	32,343	Korea Export-Import Bank	32,343	
	LG Chem Poland Sp. z o.o.	14,064	Nordea Bank	7,891	
	LG Chem Europe GmbH	7,802	Shinhan Bank	-	
	LG Chem America, Inc.	-	Bank of America	-	
	LG Chem Michigan, Inc.	26,953	Bank of America	26,953	
	LG Chem Michigan, Inc.	64,686	Mizuho Bank	5,391	
	LG Chem Michigan, Inc.	21,562	SMBC	-	
	LG Chem Power, Inc.	10,781	Woori Bank	8,625	
	LG Chem Power, Inc.	10,781	Comerica Bank	10,781	
	LG Chem (China) Investment Co., Ltd.	LG Chem Display Materials (Beijing) Co., Ltd.	-	Agricultural Bank of China	-
			<u>273,441</u>		<u>176,453</u>

(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. z o.o.	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 (Beijing) Co., Ltd.	2,278	Agricultural Bank of China	2,278
		<u>207,744</u>		<u>160,510</u>

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

(in millions of Korean won)

	June 30, 2011	December 31, 2010
Property, plant and equipment	832,823	1,136,056

(12) On May 20, 2011, the Korean Fair Trade Commission announced its decision to impose the total surcharge of KRW 6,622 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>	<u>Ordinary shares</u>		<u>Preferred shares</u>		<u>Share premium</u>	<u>Loss on capital reduction</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>		
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	<u>66,271,100</u>	<u>331,356</u>	<u>7,628,921</u>	<u>38,144</u>	<u>897,424</u>	<u>-</u>
June 30, 2011	<u>66,271,100</u>	<u>331,356</u>	<u>7,628,921</u>	<u>38,144</u>	<u>897,424</u>	<u>-</u>

(2) Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	<u>Number of shares</u>		<u>Carrying amount</u>	<u>Gain on sale of treasury shares</u>
	<u>Ordinary shares</u>	<u>Preferred shares</u>		
January 1, 2010	359,778	5,518	15,484	13,855
Purchase of treasury shares	3	1	-	-
December 31, 2010	<u>359,781</u>	<u>5,519</u>	<u>15,484</u>	<u>13,855</u>
June 30, 2011	<u>359,781</u>	<u>5,519</u>	<u>15,484</u>	<u>13,855</u>

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>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Legal reserve ¹	191,407	153,441
Discretionary reserve ²	5,444,028	3,488,528
Unappropriated retained earnings	1,574,270	2,611,948
Total	<u>7,209,705</u>	<u>6,253,917</u>

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>	June 30, 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 and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	<u>Three months</u>	<u>Six months</u>	<u>Three months</u>	<u>Six months</u>
Wages and salaries	62,824	124,587	52,080	101,595
Pension costs (Note 19)	3,537	7,151	3,386	6,334
Welfare expense	16,376	29,229	11,933	22,740
Travel expense	6,391	11,858	5,596	10,598
Water & utilities	4,110	8,710	3,394	7,638
Packaging expense	1,138	2,243	964	1,909
Rental expense	24,775	49,469	15,175	29,481
Commission expense	45,905	86,322	43,473	77,214
Depreciation (Note 14)	12,180	23,108	10,179	20,179
Advertising expense	2,888	5,458	2,656	4,509
Freight expense	81,443	163,524	88,797	167,028
Training expense	3,249	5,625	2,272	3,845
Amortization (Note 15)	2,616	5,180	2,261	4,512
Sample expense	1,963	4,036	1,751	3,197
Others	46,505	87,200	38,524	73,043
Total	<u>315,900</u>	<u>613,700</u>	<u>282,441</u>	<u>533,822</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 and six-month periods ended June 30, 2011 and 2010, consist of:

(in millions of Korean won)

	2011		2010	
	Three months	Six months	Three months	Six months
Changes in inventories	(130,279)	(150,214)	(119,317)	(201,921)
Raw materials and consumables used	3,991,271	7,574,049	3,253,213	6,182,009
Purchase of merchandise	198,180	387,251	201,324	399,259
Employee benefit expense (Note 27)	221,404	426,291	194,791	366,222
Advertising expense	3,190	5,860	2,824	4,786
Transportation expense	87,307	175,165	95,105	179,129
Service fees	70,260	130,406	61,366	109,707
Depreciation, amortization and impairment	190,936	372,677	174,458	316,922
Operating lease payments	9,470	20,500	8,402	16,711
Other expenses	381,529	802,603	504,438	857,307
Total	5,023,268	9,744,588	4,376,604	8,230,131

27. Employee benefit expense

Details of employee benefit for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

(in millions of Korean won)

	2011		2010	
	Three months	Six months	Three months	Six months
Wages and salaries	192,424	369,340	165,833	314,408
Pension costs (Note 19)	11,027	22,236	14,018	24,064
Others	17,953	34,715	14,940	27,750
Total	221,404	426,291	194,791	366,222

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28. Other operating income

Details of other operating income for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

(in millions of Korean won)

	2011		2010	
	Three months	Six months	Three months	Six months
Foreign exchange gain	74,817	118,702	127,906	177,459
Gain on foreign currency translation	13,591	15,501	41,958	69,180
Gain on disposal of property, plant and equipment	193	1,797	107	221
Gain on disposal of intangible assets	-	-	-	145
Others	23,679	28,435	6,463	12,277
Total	112,280	164,435	176,434	259,282

29. Other operating expenses

Detail of other operating expenses for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

(in millions of Korean won)

	2011		2010	
	Three months	Six months	Three months	Six months
Foreign exchange loss	77,863	123,340	127,473	173,426
Loss on foreign currency translation	16,362	17,748	42,851	70,644
Loss on disposal of property, plant and equipment	1,280	1,518	6,244	6,622
Loss on disposal of intangible assets	8	8	68	85
Others	2,728	3,317	1,922	2,934
Total	98,241	145,931	178,558	253,711

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30. Financial income and expense

Details of financial income and expense for the three-month and six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Financial income				
Interest income ¹	6,183	13,943	5,548	12,700
Dividend income	132	132	927	944
Foreign exchange gain	9,163	22,909	26,621	35,326
Gain on foreign currency translation	10,988	27,987	-	4,107
Gain on settlement of trading derivatives	11,834	15,963	2,454	4,034
Gain on valuation of hedging derivatives	-	1,344	-	85
Gain on valuation of trading derivatives	380	-	20,504	12,309
Others	9	-	32	32
Total	38,689	82,278	56,086	69,537
Financial expense				
Interest expense ²	14,865	32,680	13,081	30,523
Foreign exchange loss	12,826	26,013	20,205	38,334
Loss on foreign exchange translations	1,052	2,862	35,330	20,760
Loss on settlement of trading derivatives	92	469	18,744	22,788
Loss on settlement of hedging derivatives	-	-	1,118	1,118
Loss on valuation of trading derivatives	1,307	-	7,464	4,733
Loss on valuation of hedging derivatives	-	6,139	-	-
Others	1	2	-	1
Total	30,143	68,165	95,942	118,257

¹ Details of interest income are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Bank deposits	5,965	13,609	5,501	12,584
Financial assets classified as available- for- sale	1	1	-	-
Other loans and receivables	217	333	47	116
Total	6,183	13,943	5,548	12,700

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² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Interest on bank overdraft and borrowings	14,636	31,791	13,279	26,410
Interest on finance lease liabilities	-	176	-	213
Interest on debentures	1,910	3,818	2,026	5,080
Other interest expenses	3,730	6,974	3,287	7,602
Capitalized interest for qualifying assets	(5,411)	(10,079)	(5,511)	(8,782)
Total	14,865	32,680	13,081	30,523

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 21.3% (for the six-month ended June 30, 2010: 20.9%).

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 and six-month periods ended June 30, 2011 and 2010, is computed as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares ¹	550,238	1,122,465	572,481	1,030,512
Weighted average number of ordinary shares outstanding ²	65,911,319	65,911,319	65,911,322	65,911,322
Basic earnings per ordinary share (in won)	8,348	17,030	8,686	15,635

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares ¹	63,737	130,017	66,309	119,381
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402	7,623,403	7,623,403
Basic earnings per preferred share (in won)	8,361	17,055	8,698	15,660

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Six months	Three months	Six months
Profit for the period	613,975	1,252,482	638,791	1,149,894
Ordinary shares dividends (A)	65,911	131,823	57,672	115,345
Preferred shares dividends (B)	7,718	15,437	6,766	13,532
Undistributed earnings for the period	540,346	1,105,222	574,353	1,021,017
Undistributed earnings available for ordinary shares (C)	484,327	990,642	514,809	915,167
Undistributed earnings available for preferred shares (D)	56,019	114,580	59,544	105,850
Profit for the period attributable to ordinary shares (A+C)	550,238	1,122,465	572,481	1,030,512
Profit for the period attributable to preferred shares (B+D)	63,737	130,017	66,310	119,382

² Weighted average numbers of shares are calculated as follows:

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

(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 six-month periods ended June 30, 2011 and 2010, and the related account balances as of June 30, 2011 and December 31, 2010, are summarized as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Sales	Purchases	Sales	Purchases
Entities with significant influence over the Company ¹	-	23,954	-	20,700
Associates and joint ventures	27,282	96,129	81,094	129,914
Key management	-	26,381	-	27,336
Others ²	10,935	381,918	8,671	252,029
Total	38,217	528,382	89,765	429,979

<i>(in millions of Korean won)</i>	June 30, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	371	2,297	5,541	6,923
Associates and joint ventures	14,328	23,727	1,325	18,961
Key management	-	55,081	-	51,768
Others ²	32,871	135,591	31,100	142,247
Total	47,570	216,696	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 six-month periods ended June 30, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011	2010
Wages and salaries	18,208	20,169
Pension costs	1,330	1,354
Other long-term employee benefits	6,843	5,813
Total	26,381	27,336

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 six-month periods ended June 30, 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 six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Profit before income tax	1,627,010	1,470,374
Adjustments for:		
Depreciation	365,268	309,506
Amortization	7,409	7,416
Pension costs	22,236	24,064
Financial income	(74,871)	(103,286)
Financial expenses	59,899	150,529
Foreign exchange differences	(44,651)	10,368
Gain on disposal of property, plant and equipment	(1,797)	(221)
Loss on disposal of property, plant and equipment	1,518	6,622
Gain on disposal of intangible assets	-	(145)
Loss on disposal of intangible assets	8	85
Other expenses	(1,327)	(41,182)
Inventories	(464,691)	(348,499)
Trade receivables	(696,618)	(506,096)
Other receivables	(41,429)	(17,991)
Settlement of derivatives	17,688	(18,416)
Trade payables	276,591	144,185
Other payables	81,058	26,879
Defined benefit liability	(2,837)	(29,491)
Other cash flows from operations	(56,528)	(27,333)
Cash generated from operations	<u>1,073,936</u>	<u>1,057,368</u>

(2) The principal non-cash transactions for the six-month periods ended June 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Transfer of construction-in-progress	603,176	397,676
Transfer of machinery-in-transit	63,708	58,078
Reclassification of current maturities of borrowings	340,404	36,722
Gain(loss) on valuation of derivatives recognized as other comprehensive income	2,496	3,028

36. Event after the reporting period

In order to maximize synergy effect and strengthen market dominating power through vertical integration, based on the resolution of the board of directors on December 17, 2011, the Company merged with LG Polycarbonate Ltd., a wholly owned subsidiary, on April 1, 2011.