

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

September 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 the consolidated statements of financial position of LG Chem, Ltd. as of September 30, 2011 and December 31, 2010, and the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2011 and 2010, and the consolidated statements of changes in shareholders' equity and cash flows for the nine-month periods ended September 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.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean review standards and their application in practice.

Samil PricewaterhouseCoopers

Seoul, Korea
November 25, 2011

This review report is effective as of November 25, 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
September 30, 2011 and December 31, 2010

<i>(in millions of Korean won)</i>	Notes	September 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	3, 6, 7	1,161,666	1,368,034
Trade receivables	3, 6, 8, 34	3,363,150	2,529,962
Other receivables	3, 6, 8, 34	103,789	78,015
Prepaid income taxes		3,476	3,379
Other financial assets	3, 6, 9, 11	331	2,194
Other current assets	16	231,508	127,609
Inventories	12	2,529,201	2,182,484
Total current assets		7,393,121	6,291,677
Non-current assets			
Other receivables	3, 6, 8	29,109	20,737
Other financial assets	3, 6, 9, 10	5,983	4,183
Investments in associates and joint ventures	1, 5, 13	265,456	213,572
Deferred income tax assets		35,919	45,289
Property, plant and equipment	14	6,967,237	5,872,040
Intangible assets	15	196,785	180,115
Other non-current assets	16	47,519	45,846
Total non-current assets		7,548,008	6,381,782
Total assets		14,941,129	12,673,459
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 6, 34	1,410,738	1,302,563
Other payables	3, 6, 34	977,548	821,435
Borrowings	3, 6, 17, 34	2,298,004	1,620,581
Other financial liabilities	3, 6, 9, 11	26,074	20,535
Provisions	18	8,626	4,949
Current income tax liabilities		224,214	409,658
Other current liabilities	20	147,931	97,671
Total current liabilities		5,093,135	4,277,392
Non-current liabilities			
Other payables	3, 6	19,368	47,792
Borrowings	3, 6, 17	373,554	480,510
Other financial liabilities	3, 6, 9, 11	912	1,545
Defined benefit liability	19	38,108	8,136
Deferred income tax liabilities		26,681	14,249
Total non-current liabilities		458,623	552,232
Total liabilities		5,551,758	4,829,624

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

<i>(in millions of Korean won)</i>	Notes	September 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)		4,606	(62,017)
Retained earnings	23	7,719,042	6,253,917
		<u>9,235,221</u>	<u>7,703,473</u>
Non-controlling interests		<u>154,150</u>	<u>140,362</u>
Total equity		<u>9,389,371</u>	<u>7,843,835</u>
Total liabilities and equity		<u>14,941,129</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 Nine-Month Periods Ended September 30, 2011 and 2010

	Notes	Period Ended September 30			
		2011		2010	
		Three Months	Nine Months	Three Months	Nine Months
Revenue	5, 34	5,885,891	17,076,739	5,021,386	14,472,537
Cost of sales	26, 34	<u>(4,855,249)</u>	<u>(13,840,206)</u>	<u>(3,954,333)</u>	<u>(11,396,932)</u>
Gross profit		1,030,642	3,236,533	1,067,053	3,075,605
Selling, general and administrative expenses	25, 26, 34	(314,195)	(927,895)	(292,658)	(826,236)
Other operating income	28	276,874	418,064	124,970	364,556
Other operating expenses	26, 29	<u>(269,000)</u>	<u>(391,686)</u>	<u>(120,600)</u>	<u>(354,859)</u>
Operating profit	5	<u>724,321</u>	<u>2,335,016</u>	<u>778,765</u>	<u>2,259,066</u>
Non-operating income (expenses)					
Financial income	5, 30	93,440	154,776	50,476	104,747
Financial expenses	5, 30	(143,780)	(191,002)	(45,525)	(148,516)
Share of profit of associates and joint ventures	5, 13	3,842	9,768	9,520	51,333
Other non-operating expenses		<u>(10,157)</u>	<u>(13,882)</u>	<u>(2,626)</u>	<u>(5,646)</u>
		<u>(56,655)</u>	<u>(40,340)</u>	<u>11,845</u>	<u>1,918</u>
Profit before income tax	5, 35	667,666	2,294,676	790,610	2,260,984
Income tax expense	31	<u>(156,041)</u>	<u>(501,996)</u>	<u>(191,498)</u>	<u>(498,483)</u>
Profit for the period		<u>511,625</u>	<u>1,792,680</u>	<u>599,112</u>	<u>1,762,501</u>
Attributable to:					
Owners of the parent		<u>510,035</u>	<u>1,762,517</u>	<u>588,556</u>	<u>1,738,450</u>
Non-controlling interests		<u>1,590</u>	<u>30,163</u>	<u>10,556</u>	<u>24,051</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		6,935	23,965	8,002	23,637
Basic and diluted earnings per preferred share for profit for the period		6,947	24,002	8,015	23,675

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

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

<i>(in millions of Korean won)</i>	Notes	Period Ended September 30			
		2011		2010	
		Three Months	Nine Months	Three Months	Nine Months
Profit for the period		<u>511,625</u>	<u>1,792,680</u>	<u>599,112</u>	<u>1,762,501</u>
Other comprehensive income					
Actuarial gain(loss) on defined benefit liability	19	(52)	627	(11,178)	(11,842)
Currency translation differences		106,058	69,316	(34,583)	(3,977)
Cash flow hedges		853	3,348	1,911	4,939
Others		5,686	3,604	(3,207)	50
Income tax effect relating to components of other comprehensive income		<u>366</u>	<u>(275)</u>	<u>(576)</u>	<u>(1,541)</u>
Other comprehensive income for the period, net of tax		<u>112,911</u>	<u>76,620</u>	<u>(47,633)</u>	<u>(12,371)</u>
Total comprehensive income for the period		<u>624,536</u>	<u>1,869,300</u>	<u>551,479</u>	<u>1,750,130</u>
Attributable to:					
Owners of the parent		<u>608,632</u>	<u>1,829,615</u>	<u>545,690</u>	<u>1,726,936</u>
Non-controlling interests		<u>15,904</u>	<u>39,685</u>	<u>5,789</u>	<u>23,194</u>

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
Nine-Month Periods Ended September 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	-	-	-	-	1,738,450	1,738,450	24,051	1,762,501
Actuarial loss on defined benefit liability	19	-	-	-	(11,842)	(11,842)	-	(11,842)
Currency translation differences		-	-	(3,139)	-	(3,139)	(857)	(3,996)
Cash flow hedges		-	-	3,744	-	3,744	-	3,744
Others, net of tax		-	-	(280)	3	(277)	-	(277)
Total comprehensive income		-	-	325	1,726,611	1,726,936	23,194	1,750,130
Transactions with owners:								
Loss on capital reduction		-	464,272	-	(464,272)	-	-	-
Dividends	33	-	-	-	(257,753)	(257,753)	(22,217)	(279,970)
Others		36	(407)	-	(2,338)	(2,709)	3,020	311
Total transactions with owners		36	463,865	-	(724,363)	(260,462)	(19,197)	(279,659)
Balance at September 30, 2010	369,500	1,157,772	(15,699)	(74,232)	5,838,347	7,275,688	121,472	7,397,160
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		-	-	-	1,762,517	1,762,517	30,163	1,792,680
Actuarial gain on defined benefit liability	19	-	-	-	475	475	-	475
Currency translation differences		-	-	60,333	-	60,333	9,522	69,855
Cash flow hedges		-	-	2,704	-	2,704	-	2,704
Others, net of tax		-	-	3,586	-	3,586	-	3,586
Total comprehensive income		-	-	66,623	1,762,992	1,829,615	39,685	1,869,300
Transactions with owners:								
Dividends	33	-	-	-	(294,520)	(294,520)	(25,225)	(319,745)
Others		-	-	-	(3,347)	(3,347)	(672)	(4,019)
Total transactions with owners		-	-	-	(297,867)	(297,867)	(25,897)	(323,764)
Balance at September 30, 2011	369,500	1,157,772	(15,699)	4,606	7,719,042	9,235,221	154,150	9,389,371

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

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

<i>(in millions of Korean won)</i>	Notes	Nine-Month Period Ended September 30	
		2011	2010
Cash flows from operating activities			
Cash generated from operations	35	1,956,019	2,102,003
Interest received		21,469	19,076
Interest paid		(64,460)	(59,428)
Dividends received		1,795	275
Income taxes paid		(662,839)	(370,778)
Net cash generated from operating activities		<u>1,251,984</u>	<u>1,691,148</u>
Cash flows from investing activities			
Decrease in other receivables		75,980	325,999
Decrease in non-current other receivables		11,604	5,416
Decrease in non-current other financial assets		13	7
Proceeds from disposal of property, plant and equipment		2,733	1,382
Proceeds from disposal of intangible assets		-	185
Increase in other receivables		(83,349)	(231,515)
Increase in non-current other receivables		(14,500)	(8,753)
Increase in non-current other financial assets		(1,817)	(7)
Acquisition of investments in associates and joint ventures		(40,230)	(14,210)
Acquisition of property, plant and equipment		(1,569,509)	(1,094,391)
Acquisition of intangible assets		(19,972)	(15,439)
Net cash used in investing activities		<u>(1,639,047)</u>	<u>(1,031,326)</u>
Cash flows from financing activities			
Proceeds from borrowings		669,057	314,670
Repayments of borrowings		(187,441)	(548,165)
Dividends paid		(319,745)	(279,987)
Net cash provided by (used in) financing activities		<u>161,871</u>	<u>(513,482)</u>
Net increase (decrease) in cash and cash equivalents		(225,192)	146,340
Cash and cash equivalents at the beginning of period		1,368,034	1,106,596
Exchange gains (losses) on cash and cash equivalents		18,824	(1,722)
Cash and cash equivalents at the end of period		<u>1,161,666</u>	<u>1,251,214</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

September 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 September 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

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2. Summary of significant accounting policies

The interim consolidated financial statements for the three-month and nine-month periods ended September 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 period 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).

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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 the operating profit is not separately presented in the consolidated statement of income, the operating profit shall be disclosed in the notes with major operating type items and their respective amounts. Additionally, in the year of Korean IFRS adoption, if the 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.

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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) Korean IFRS 1107, 'Financial instruments: Disclosures'. 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 September 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>	September 30, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
USD	2,906,407	3,303,352	1,945,873	2,584,070
EUR	58,358	50,323	44,303	49,263
GBP	3,827	2,212	2,454	2,076
JPY and others	35,059	168,229	74,862	287,492

As of September 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>	September 30, 2011		December 31, 2010	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(39,695)	39,695	(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 September 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 ₩2,372 million (2010: ₩1,796 million) or a decrease of ₩2,372 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 September 30, 2011 and December 31, 2010, the maximum degrees of credit exposures are as follows:

<i>(in millions of Korean won)</i>	September 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	4,663,233	(5,519)	4,657,714	4,004,041	(7,293)	3,996,748
Financial assets at fair value through profit or loss	331	-	331	2,194	-	2,194
Available-for-sale financial assets	5,983	-	5,983	4,183	-	4,183
Total	4,669,547	(5,519)	4,664,028	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)

	September 30, 2011			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,325,281	137,744	242,524	665
Finance lease liabilities	2,481	2,481	3,816	-
Trade and other payables	2,388,286	19,368	-	-
Total	4,716,048	159,593	246,340	665

(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)

		September 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	(671)	(258)	-	-
	Subtotal	(671)	(258)	-	-
Gross-settled derivative financial liabilities	Trading				
	Inflow	449,500	-	-	-
	Outflow	(471,800)	-	-	-
	Hedging				
	Inflow	154,940	-	-	-
	Outflow	(158,808)	-	-	-
	Subtotal	(26,168)	-	-	-
Total		(26,839)	(258)	-	-

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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)

	September 30, 2011			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	150,106	118	60,424	781

(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 September 30, 2011 and December 31, 2010, are as follows:

(in millions of Korean won, except for ratios)

	September 30, 2011	December 31, 2010
Total borrowings (Note 17) (A)	2,671,558	2,101,091
Less: cash and cash equivalents (B)	(1,161,666)	(1,368,034)
Net debt (C=A+B)	1,509,892	733,057
Total liabilities (D)	5,551,758	4,829,624
Total equity (E)	9,389,371	7,843,835
Total capital (F=C+E)	10,899,263	8,576,892
Gearing ratio (C/F)	13.9%	8.5%
Debt to equity ratio (D/E)	59.1%	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 September 30, 2011 and December 31, 2010:

(in millions of Korean won)

	September 30, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	331	-	331
Total financial assets	-	331	-	331
Financial liabilities				
Other current financial liabilities	-	26,074	-	26,074
Other non-current financial liabilities	-	912	-	912
Total financial liabilities	-	26,986	-	26,986

(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 (September 30, 2011: ₩ 5,983 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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(3) The segment information on assets and liabilities as of September 30, 2011 and December 31, 2010, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2011			
	Petro - chemicals	Information & Electronic Materials	Common and others	Total
Total assets for the segment ¹	10,236,555	3,312,046	1,392,528	14,941,129
Investments in associates and joint ventures	41,577	-	223,879	265,456
Total liabilities for the segment ¹	3,406,146	1,466,733	678,879	5,551,758

<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 nine-month periods ended September 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Korea ¹	7,416,281	6,360,548
China	7,349,060	6,670,045
South East Asia	1,079,542	918,749
America	1,175,632	899,986
Western Europe	536,680	401,627
Others	2,167,583	1,494,034
Eliminations	(2,648,039)	(2,272,452)
Total	<u>17,076,739</u>	<u>14,472,537</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 nine-month periods ended September 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	September 30, 2011			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
Cash and cash equivalents	1,161,666	-	-	1,161,666
Trade receivables	3,363,150	-	-	3,363,150
Other receivables	103,789	-	-	103,789
Other financial assets	-	331	-	331
Other non-current receivables	29,109	-	-	29,109
Other non-current financial assets	-	-	5,983	5,983
Total	4,657,714	331	5,983	4,664,028

(in millions of Korean won)

Financial liabilities	September 30, 2011			Total
	Liabilities at fair value through profit or loss	Hedging derivatives	Liabilities at amortized cost	
Trade payables	-	-	1,410,738	1,410,738
Other payables	-	-	977,548	977,548
Borrowings (current)	-	-	2,298,004	2,298,004
Other financial liabilities	22,631	3,443	-	26,074
Other non-current payables	-	-	19,368	19,368
Borrowings (non-current)	-	-	373,554	373,554
Other non-current financial liabilities	-	912	-	912
Total	22,631	4,355	5,079,212	5,106,198

(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

(2) Net gains(losses) on financial instruments by category are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Assets at fair value through profit or loss				
Gain(loss) on valuation/ disposal	(63,907)	(47,069)	6,675	(16,727)
Hedging derivatives				
Gain on valuation/ disposal	20,092	13,953	158	11,349
Gain on valuation recognized in other comprehensive expenses	852	3,348	1,911	4,939
Interest expense	(3,130)	(9,393)	(2,955)	(9,818)
Assets classified as available-for-sale				
Loss on valuation/ disposal	-	(2)	-	(1)
Interest income	1	4	-	1
Gains(loss) on foreign currency translation	4	(3)	(4)	-
Loans and receivables				
Interest income	5,835	19,775	6,167	18,866
Gain(loss) on foreign currency translation	156,696	141,409	(106,790)	(52,649)
Gains(loss) on foreign exchange	40,275	(39,881)	(267)	17,905
Liabilities at amortized cost				
Interest expense	(19,704)	(56,200)	(18,423)	(50,865)
Loss on foreign currency translation	(166,675)	(128,502)	121,864	49,600
Gains(loss) on foreign exchange	(23,292)	49,122	(13,887)	(31,033)

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7. Cash and cash equivalents

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

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Bank deposits and cash on hand	320,848	258,041
Financial deposits, others	840,818	1,109,993
Total	<u>1,161,666</u>	<u>1,368,034</u>

(2) As of September 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>	September 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	3,368,669	(5,519)	3,363,150	2,537,255	(7,293)	2,529,962
Other receivables	103,789	-	103,789	78,015	-	78,015
Non-current						
Other receivables	29,109	-	29,109	20,737	-	20,737
Total	<u>3,501,567</u>	<u>(5,519)</u>	<u>3,496,048</u>	<u>2,636,007</u>	<u>(7,293)</u>	<u>2,628,714</u>

¹ As of September 30, 2011, trade receivables transferred to financial institutions but not derecognized amounted to ₩1,227,079 million (Note 17).

(2) Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Current		
Non-trade receivables	85,231	60,676
Financial deposits	12,921	5,508
Loans	-	93
Accrued income	2,837	4,472
Deposits	2,800	7,266
Subtotal	<u>103,789</u>	<u>78,015</u>
Non-current		
Financial deposits	46	46
Loans	757	724
Deposits	28,306	19,967
Subtotal	<u>29,109</u>	<u>20,737</u>
Total	<u>132,898</u>	<u>98,752</u>

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

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Up to 3 months	3,228,241	2,465,462
3 to 6 months	130,690	66,641
Over 6 months	9,738	5,152
Total	<u>3,368,669</u>	<u>2,537,255</u>

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

<i>(in millions of Korean won)</i>	September 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	137	-	-	-	-	-	-	-
Reversals	(1,933)	-	-	-	(1,146)	(3)	-	-
Write-off	-	-	-	-	(4,775)	-	(1,430)	-
Business combination	-	-	-	-	554	-	-	-
Exchange differences	22	-	-	-	93	-	-	-
Ending balance	<u>5,519</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.

9. Other financial assets and liabilities

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

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Other financial assets		
Derivatives (Note 11)	331	2,194
Available-for-sale (Note 10)	5,983	4,183
Less: current portions	(331)	(2,194)
Total	<u>5,983</u>	<u>4,183</u>
Other financial liabilities		
Derivatives (Note 11)	26,986	22,080
Less: current portions	(26,074)	(20,535)
Total	<u>912</u>	<u>1,545</u>

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10. Financial assets classified as available-for-sale

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

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Beginning balance	4,183	4,182
Exchange differences	(3)	2
Additions	1,817	7
Disposals	(14)	(8)
Ending balance	<u>5,983</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 nine-month periods ended September 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>	September 30, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	3,443	-	20,535
Held-for-trading	331	22,631	2,194	-
Sub total	<u>331</u>	<u>26,074</u>	<u>2,194</u>	<u>20,535</u>
Non-current				
Cash flow hedges	-	912	-	1,545

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

Classification	Contractor	Contract date	September 30, 2011		
			Contract amount (in thousands)	Contract period	Contract terms
Forward foreign exchange contract	Korea Exchange Bank and 26 other banks	2011.08.04, Various	US\$ 20,000, various	2011.08.04 ~ 2011.10.31, various	₩1,063.60 / US\$, various
Currency swap, and others	BTMU	2008.12.19	¥ 5,000,000	2008.12.19 ~ 2011.12.19	₩ 15.53/¥
Interest rate swap	BTMU	2008.12.19	¥ 5,000,000	2008.12.19 ~ 2011.12.19	₩15.67/¥
	HSBC	2006.10.11	₩ 8,000,000	2006.10.11 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 12,000	2007.06.15 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%

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

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

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

12. Inventories

(1) Details of inventories are as follows:

<i>(in millions of Korean won)</i>	September 30, 2011			December 31, 2010		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	112,917	(413)	112,504	60,028	(108)	60,520
Finished products	1,101,537	(9,740)	1,091,797	1,019,709	(7,852)	1,011,857
Semi-finished products	317,531	-	317,531	268,895	-	268,895
Work-in-process	3,000	-	3,000	1,032	-	1,032
Raw materials	708,274	(1,926)	706,348	571,525	(976)	570,549
Supplies	74,678	-	74,678	60,331	-	60,331
Materials-in-transit	223,343	-	223,343	209,300	-	209,300
Total	2,541,280	(12,079)	2,529,201	2,191,420	(8,936)	2,182,484

(2) The cost of inventories recognized as expense for the nine-month period ended September 30, 2011 and included in 'Cost of Sales' amounted to ₩12,073,021 million (for the nine-month period ended September 30, 2010: ₩9,745,515 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 nine-month period ended September 30, 2011, and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Beginning balance	213,572	219,505
Acquisitions	40,230	14,210
Share of profit of associates and joint ventures	9,768	55,459
Share of other comprehensive income of associates and joint ventures	3,604	(181)
Reclassification to subsidiaries	-	(74,562)
Dividends	(1,729)	(862)
Others	11	3
Ending balance	<u>265,456</u>	<u>213,572</u>

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

<i>(in millions of Korean won)</i>		September 30, 2011				
Country	Ownership (%)	Assets	Liabilities	Revenue	Profit (loss) for the period	
LG Vina Chemical Company Ltd.	Vietnam	40	27,951	18,429	61,757	2,789
HL Greenpower Co., Ltd	Korea	49	46,038	17,794	41,709	1,022
LG Holdings (HK) Ltd.	Hong Kong	26	411,910	191,628	25,452	7,137
TECWIN Co., Ltd.	Korea	20	39,477	18,950	-	-
SEETEC Co., Ltd.	Korea	50	359,589	40,687	320,780	11,336
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	86,029	971	-	(3,284)
Total			<u>971,327</u>	<u>288,737</u>	<u>449,698</u>	<u>19,000</u>

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

¹ For the nine-month period ended September 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 nine-month period ended September 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	September 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	162,175	206,831	16,803	561,183	8,318	78,572	17,042	86,630	1,328,635	226,124	2,692,313
Disposals/ Transfer	-	(933)	(83)	(1,529)	(194)	(591)	(117)	-	(1,012,531)	(105,451)	(1,121,429)
Exchange differences	(298)	11,523	4,099	37,357	35	1,312	657	-	18,330	-	73,015
Depreciation	-	(28,652)	(20,534)	(416,553)	(2,851)	(37,562)	(14,090)	(28,460)	-	-	(548,702)
Ending balance	605,288	1,401,059	354,062	2,710,252	13,762	186,827	61,386	119,821	1,225,154	289,626	6,967,237
Cost	605,288	1,683,256	648,665	7,364,139	41,613	450,783	196,426	181,298	1,259,950	289,626	12,721,044
Accumulated depreciation	-	(282,192)	(294,596)	(4,644,202)	(27,851)	(259,920)	(134,935)	(61,477)	-	-	(5,705,173)
Accumulated impairment	-	(5)	(7)	(9,685)	-	(4,036)	(105)	-	(34,796)	-	(48,634)

<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 nine-month period ended September 30, 2011, the Company capitalized ₩15,877 million of borrowing costs (for the year ended December 31, 2010: ₩18,622 million) to property, plant and equipment.

(3) As of September 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>	September 30, 2011	December 31, 2010
Carrying amount	587	2,223
Depreciation	1,636	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 nine-month periods ended September 30, 2011 and 2010, was classified as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Cost of sales	170,172	512,332	153,393	442,720
Selling, general and administrative expenses	12,473	35,581	10,513	30,692
Others ¹	139	789	312	474
Total	182,784	548,702	164,218	473,886

¹ Amounts capitalized to development costs are included.

15. Intangible assets

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

<i>(in millions of Korean won)</i>	September 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	9,867	3,954	-	1,753	11,911	27,485
Disposals/ Transfer	-	(8)	-	-	-	(8)
Exchange differences	59	(229)	-	30	895	755
Amortization	(5,478)	(1,897)	-	-	(4,187)	(11,562)
Ending balance	30,246	57,528	33,415	51,026	24,570	196,785

<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 nine-month periods ended September 30, 2011 and 2010, was classified as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Cost of sales	1,261	3,490	1,422	4,326
Selling, general and administrative expenses	2,892	8,072	2,474	6,986
Total	4,153	11,562	3,896	11,312

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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>	September 30, 2011	December 31, 2010
Current		
Prepayments to suppliers	91,865	26,919
Prepaid expenses	22,864	26,207
Prepaid value added tax	65,638	66,670
Others	51,141	7,813
Total	<u>231,508</u>	<u>127,609</u>
Non-current		
Long-term prepaid expenses	47,493	45,819
Other investment assets	26	27
Total	<u>47,519</u>	<u>45,846</u>

17. Borrowings

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

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Current		
Short-term borrowings	1,759,426	1,259,887
Current maturities of bank loans	233,178	219,421
Current maturities of debentures	303,464	139,461
Current maturities of finance lease liabilities	1,936	1,812
Subtotal	<u>2,298,004</u>	<u>1,620,581</u>
Non-current		
Bank loans	367,814	323,767
Debentures	-	149,531
Finance lease liabilities	5,740	7,212
Subtotal	<u>373,554</u>	<u>480,510</u>
Total	<u>2,671,558</u>	<u>2,101,091</u>

(2) The details of borrowings are as follows:

Current borrowings

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at September 30, 2011	Carrying Amount	
				September 30, 2011	December 31, 2010
Notes discounted ¹	Woori Bank, others	2012.03.12	Libor+1.3, various	1,227,079	864,560
Bank loans	China Bank, others	2012.08.30	Libor+0.5~4, various	532,347	395,327
Total				<u>1,759,426</u>	<u>1,259,887</u>

¹ As of September 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)

		September 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	957	109	848
	Kookmin Bank	3.00	2020.03.21	951	80	871
	BTMU	3CD+0.60	2013.09.05	20,000	10,000	10,000
Foreign currency borrowings	Shanghai Pudong Development Bank	6.65	2015.06.20	4,252	-	4,252
	Sumitomo Mitsui Banking Corporation	3Libor+0.60	2013.09.05	14,154	7,077	7,077
	Sumitomo Mitsui Banking Corporation	3Libor+0.85	2014.07.29	23,590	-	23,590
	Standard Chartered Bank	4.50	2013.06.10	23,433	-	23,433
	Woori Bank	6Libor+1.50	2011.12.13	23,433	23,433	-
	China Construction Bank	6Libor+1.40~2.50	2012.06.08	23,433	23,433	-
	China Construction Bank	6Libor+3.00	2013.01.17	23,433	-	23,433
	Bank of Communications	3Libor+1.50	2012.04.30	22,262	22,262	-
	Agricultural Bank of China	6.80	2015.10.15	23,968	-	23,968
	China Minsheng Bank	6Libor+3.30	2013.01.15	7,811	5,207	2,604
	Bank of China	6Libor+1.20	2012.03.01	34,060	34,060	-
	China Merchants Bank	6.65	2015.05.17	9,218	-	9,218
	Korea Development Bank	3Libor+0.36	2012.01.10	58,975	58,975	-
	ANZ Bank	3Libor+2.80	2013.10.11	20,917	5,229	15,688
	ANZ Bank	3Libor+2.10	2014.07.07	35,150	-	35,150
	Bank of America	3Libor+1.65	2013.11.18	29,487	-	29,487
	Bank of America	3Libor+1.68	2014.08.29	46,865	-	46,865
	BTMU	6Libor+2.60	2013.06.21	35,150	17,575	17,575
	BTMU	6Libor+2.60	2013.04.26	35,150	17,575	17,575
	HSBC	6Libor+0.60	2013.09.05	7,007	3,538	3,539
HSBC	3Libor+1.20	2014.09.19	46,866	-	46,866	
Mizuho Banking Corporation	3Libor+0.65	2014.05.31	20,052	-	20,052	
Mizuho Banking Corporation	3Libor+0.60	2013.09.05	9,436	4,718	4,718	
Nordea Bank	1Wibor+1.00	2014.06.30	1,084	-	1,084	
Less: discount on borrowings				(172)	(93)	(79)
Total				600,992	233,178	367,814

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Korean won)

		December 31, 2010				
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency borrowings	Kookmin Bank	3.00	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)

		September 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	153,661	153,661	-
Less: discount on debentures				(197)	(197)	-
Total				<u>303,464</u>	<u>303,464</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

		September 30, 2011				
	Bank	Annual interest rate (%)	Maturity	Total amount	Current maturities	Long-term debts
	Hyundai Oil Bank	9.00	2014.10.29	7,676	1,936	5,740

		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

The finance lease liabilities are liabilities associated with sales and leaseback arrangements of property, plant and equipment of the 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)

	September 30, 2011		December 31, 2010	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Bank loans	367,814	368,027	323,767	323,574
Debentures	-	-	149,531	153,716
Finance lease liabilities	5,740	5,565	7,212	7,197
Total	373,554	373,592	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)

	September 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	545	1,936	2,481	669	1,812
1 to 5 years	6,297	557	5,740	8,157	945	7,212

18. Provisions

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

(in millions of Korean won)	September 30, 2011		
	Sales returns ¹	Warranty ²	Total
Beginning balance	2,822	2,127	4,949
Additions	260	3,417	3,677
Ending balance	3,082	5,544	8,626

(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>	September 30, 2011	December 31, 2010
Present value of obligations ¹	191,295	162,363
Fair value of plan assets	(153,187)	(154,227)
Liability in the statement of financial position	38,108	8,136

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩994 million as of September 30, 2011 (December 31, 2010: ₩1,052 million).

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Current service cost ¹	10,893	32,205	9,272	27,852
Interest cost	2,279	6,576	2,710	8,140
Expected return on plan assets	(1,792)	(5,166)	(1,965)	(5,893)
Curtailment of plan	-	-	-	3,982
Total, included in employee benefit expenses	11,380	33,615	10,017	34,081

¹ The above amounts excluded ₩418 million (September 30, 2010: ₩215 million) of expenses capitalized to construction in progress and development costs.

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Cost of sales	7,801	22,885	7,017	24,747
Selling, general and administrative expenses	3,579	10,730	3,171	9,334
Others	-	-	(171)	-
Total	11,380	33,615	10,017	34,081

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Actuarial gains(losses) before tax	(52)	627	(11,178)	(11,842)
Income tax effect	17	(152)	-	-
Actuarial gains(losses) after tax	(35)	475	(11,178)	(11,842)

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As of September 30, 2011, ₩23,658 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 nine-month period ended September 30, 2011 and for the year ended December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Beginning balance	162,363	219,256
Transfer in	784	452
Current service cost	32,623	37,387
Interest expense	6,576	10,730
Actuarial losses(before tax)	-	16,769
Benefits paid	(11,258)	(34,741)
Business combination	-	3,300
Curtailement of plan	-	7,967
Settlements of plan	-	(90,067)
Past service cost	-	(8,834)
Exchange differences	207	144
Ending balance	<u>191,295</u>	<u>162,363</u>

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

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Beginning balance	154,227	164,867
Transfer in	431	-
Expected return on plan assets	5,166	7,621
Actuarial gains/(losses) (before tax)	627	(1,002)
Employer contributions	-	52,500
Benefits paid	(7,264)	(20,388)
Business combination	-	2,501
Settlements of plan	-	(51,872)
Ending balance	<u>153,187</u>	<u>154,227</u>

(7) The actual return on plan assets for the nine-month period ended September 30, 2011, was ₩5,793 million (for the year ended December 31, 2010: ₩6,619 million).

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

	September 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	(15,085)	17,454

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(10) Plan assets consist of:

<i>(in millions of Korean won)</i>	September 30, 2011		December 31, 2010	
	Amount	Proportion	Amount	Proportion
Equity instruments	30,097	20%	29,669	20%
Time deposits	55,665	36%	54,901	36%
Insurance contracts with guaranteed yield	67,425	44%	69,657	44%
Total	153,187	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>	September 30, 2011	December 31, 2010	December 31, 2009
Present value of defined benefit obligations	191,295	162,363	219,256
Fair value of plan assets	(153,187)	(154,227)	(164,867)
Deficit in the plan	38,108	8,136	54,389
Experience adjustments on plan liabilities	-	(20,393)	(4,674)
Experience adjustments on plan assets	627	(1,002)	2,068

20. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	September 30, 2011	December 31, 2010
Advances from customers	22,626	28,188
Dividends payable	43	43
Withholding	42,203	37,232
Unearned revenues	12,848	10,609
Others	70,211	21,599
Total	147,931	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 September 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 September 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 September 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	110,000	115	210	-	435	32
Limit of the letter of credit	277,200	384	360	-	1,840	-
Limit of discount of notes from export	3,000	1,694	-	-	-	-
Limit of loan arrangements	-	1,002	5,784	5	-	20

- (5) As of September 30, 2011, the Company has B2B purchase arrangements with several financial institutions.
- (6) As of September 30, 2011, the Company has been named as a plaintiff for 18 legal actions involving ₩2,792 million in claims and defendant for 23 legal actions with ₩6,545 million in claims. The ultimate outcome of these cases cannot be determined at this time.
- (7) As of September 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 September 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 September 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 September 30, 2011, amounts to US\$ 214 million, EUR 5 million and PLN 52 million (total equivalent to ₩278,585 million) (2010: US\$ 170 million, EUR 1 million and PLN 32 million, total equivalent to ₩207,744 million). Details of guarantees provided as of September 30, 2011 and December 31, 2010, are as follows:

(in millions of Korean won)

		September 30, 2011		
Guarantor	Guarantee beneficiary	Amount of guarantee	Financial institution	Outstanding loan amount
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	34,060	Bank of China	34,060
	"	23,433	Woori Bank	23,433
	"	46,866	HSBC	46,866
	LG Chem Poland Sp. z o.o.	18,782	Nordea Bank	6,917
	LG Chem Europe GmbH	8,007	Shinhan Bank	-
	LG Chem Michigan, Inc.	29,487	Bank of America	29,487
	LG Chem Michigan, Inc.	70,770	Mizuho Bank	20,052
	LG Chem Michigan, Inc.	23,590	SMBC	23,590
	LG Chem Power, Inc.	11,795	Woori Bank	2,359
	LG Chem Power, Inc.	11,795	Comerica Bank	8,257
		<u>278,585</u>		<u>195,021</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	Korea Export-Import Bank	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)

	September 30, 2011	December 31, 2010
Property, plant and equipment	1,618,807	1,136,056

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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	66,271,100	331,356	7,628,921	38,144	897,424	-
September 30, 2011	66,271,100	331,356	7,628,921	38,144	897,424	-

(2) Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	<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	359,781	5,519	15,484	13,855
September 30, 2011	359,781	5,519	15,484	13,855

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

23. Retained earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Legal reserve ¹	193,315	153,441
Discretionary reserve ²	5,444,028	3,488,528
Unappropriated retained earnings	2,081,699	2,611,948
Total	<u>7,719,042</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>	September 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 nine-month periods ended September 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Wages and salaries	64,304	188,892	55,701	157,467
Pension costs (Note 19)	3,579	10,730	3,171	9,334
Welfare expense	13,165	42,393	12,153	34,894
Travel expense	5,311	17,168	5,449	16,047
Water & utilities	4,783	13,493	4,093	11,731
Packaging expense	1,200	3,442	972	2,882
Rental expense	22,579	72,048	16,344	45,825
Commission expense	47,272	133,595	41,718	118,932
Depreciation (Note 14)	12,473	35,581	10,513	30,692
Advertising expense	1,843	7,301	3,199	7,707
Freight expense	85,304	248,828	94,080	261,109
Training expense	2,887	8,512	2,644	6,489
Amortization (Note 15)	2,892	8,072	2,474	6,986
Sample expense	1,939	5,975	2,147	5,344
Others	44,664	131,865	38,000	110,797
Total	<u>314,195</u>	<u>927,895</u>	<u>292,658</u>	<u>826,236</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 nine-month periods ended September 30, 2011 and 2010, consist of:

(in millions of Korean won)

	2011		2010	
	Three months	Nine months	Three months	Nine months
Changes in inventories	(32,313)	(182,528)	(17,706)	(219,627)
Raw materials and consumables used	4,026,655	11,600,704	3,192,196	9,374,205
Purchase of merchandise	267,594	654,845	191,678	590,937
Employee benefit expense (Note 27)	227,779	654,069	195,312	561,534
Advertising expense	2,069	7,929	3,398	8,184
Transportation expense	91,602	266,767	100,081	279,210
Service fees	71,061	201,467	61,490	171,197
Depreciation, amortization and impairment	186,798	559,475	168,136	485,058
Operating lease payments	11,281	31,781	8,588	25,299
Other expenses	585,918	1,365,278	464,418	1,302,030
Total	5,438,444	15,159,787	4,367,591	12,578,027

27. Employee benefit expense

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

(in millions of Korean won)

	2011		2010	
	Three months	Nine months	Three months	Nine months
Wages and salaries	198,102	567,442	170,798	485,206
Pension costs (Note 19)	11,380	33,615	10,017	34,081
Others	18,297	53,012	14,497	42,247
Total	227,779	654,069	195,312	561,534

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28. Other operating income

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Foreign exchange gain	113,748	232,450	113,506	290,966
Gain on foreign currency translation	155,866	148,125	-	49,872
Gain on disposal of property, plant and equipment	68	1,865	4,404	4,624
Gain on disposal of intangible assets	-	-	-	1
Others	7,192	35,624	7,060	19,093
Total	276,874	418,064	124,970	364,556

29. Other operating expenses

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Foreign exchange loss	124,124	247,464	115,707	289,133
Loss on foreign currency translation	142,891	137,397	3,326	54,663
Loss on disposal of property, plant and equipment	1,092	2,610	657	7,279
Loss on disposal of intangible assets	-	8	603	688
Others	893	4,207	307	3,096
Total	269,000	391,686	120,600	354,859

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30. Financial income and expense

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

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Financial income				
Interest income ¹	5,836	19,779	6,167	18,867
Dividend income	16	148	-	279
Foreign exchange gain	51,164	74,073	12,775	48,101
Gain on foreign currency translation	10,675	24,872	18,396	14,227
Gain on settlement of trading derivatives	5,657	21,620	2,388	6,421
Gain on settlement of hedging derivatives	-	-	2,415	2,415
Gain on valuation of trading derivatives	-	331	6,959	2,311
Gain on valuation of hedging derivatives	20,092	13,953	-	10,052
Others	-	-	1,376	2,074
Total	93,440	154,776	50,476	104,747
Financial expense				
Interest expense ²	16,786	49,466	15,868	46,390
Foreign exchange loss	23,805	49,818	24,728	63,062
Loss on foreign exchange translations	33,625	22,696	-	12,486
Loss on settlement of trading derivatives	45,920	46,389	2,672	25,459
Loss on settlement of hedging derivatives	-	-	-	1,118
Loss on valuation of trading derivatives	23,644	22,631	-	-
Loss on valuation of hedging derivatives	-	-	2,257	-
Others	-	2	-	1
Total	143,780	191,002	45,525	148,516

¹ Details of interest income are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Bank deposits	5,490	19,100	6,048	18,631
Financial assets classified as available- for- sale	1	4	-	1
Other loans and receivables	345	675	119	235
Total	5,836	19,779	6,167	18,867

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² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Interest on bank overdraft and borrowings	5,500	37,290	10,536	36,946
Interest on finance lease liabilities	336	512	412	625
Interest on debentures	1,914	5,732	2,005	7,085
Other interest expenses	15,084	22,059	8,425	16,027
Capitalized interest for qualifying assets	(6,048)	(16,127)	(5,510)	(14,293)
Total	16,786	49,466	15,868	46,390

31. Income taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ending December 31, 2011, is 21.9% (for the nine-month ended September 30, 2010: 22.0%).

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 nine-month periods ended September 30, 2011 and 2010, is computed as follows:

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares ¹	457,074	1,579,539	527,454	1,557,968
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)	6,935	23,965	8,002	23,637

<i>(in millions of Korean won)</i>	2011		2010	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares ¹	52,961	182,978	61,102	180,482
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)	6,947	24,002	8,015	23,675

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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	Nine months	Three months	Nine months
Profit for the period	510,035	1,762,517	588,556	1,738,450
Ordinary shares dividends (A)	65,911	197,734	57,672	173,017
Preferred shares dividends (B)	7,718	23,156	6,766	20,297
Undistributed earnings for the period	436,406	1,541,627	524,118	1,545,136
Undistributed earnings available for ordinary shares (C)	391,163	1,381,805	469,782	1,384,951
Undistributed earnings available for preferred shares (D)	45,243	159,822	54,336	160,185
Profit for the period attributable to ordinary shares (A+C)	457,074	1,579,539	527,454	1,557,968
Profit for the period attributable to preferred shares (B+D)	52,961	182,978	61,102	180,482

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 nine-month periods ended September 30, 2011 and 2010, and the related account balances as of September 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	-	34,955	-	31,751
Associates and joint ventures	48,681	144,223	120,882	288,508
Key management	-	40,566	-	39,536
Others ²	16,357	602,938	13,065	393,110
Total	65,038	822,682	133,947	752,905

<i>(in millions of Korean won)</i>	September 30, 2011		December 31, 2010	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	371	3,863	5,541	6,923
Associates and joint ventures	17,985	22,053	1,325	18,961
Key management	-	61,396	-	51,768
Others ²	33,363	146,649	31,100	142,247
Total	51,719	233,961	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 nine-month periods ended September 30, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011	2010
Wages and salaries	28,320	28,753
Pension costs	1,982	2,064
Other long-term employee benefits	10,264	8,719
Total	40,566	39,536

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 nine-month periods ended September 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 nine-month periods ended September 30, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Profit before income tax	2,294,676	2,260,984
Adjustments for:		
Depreciation	547,913	473,412
Amortization	11,562	11,312
Pension costs	33,615	34,081
Financial income	(228,828)	(104,315)
Financial expenses	278,581	140,077
Foreign exchange differences	(44,309)	19,699
Gain on disposal of property, plant and equipment	(1,865)	(4,624)
Loss on disposal of property, plant and equipment	2,610	7,279
Gain on disposal of intangible assets	-	(1)
Loss on disposal of intangible assets	8	688
Other expenses	(5,900)	(46,467)
Inventories	(344,016)	(393,127)
Trade receivables	(634,429)	(348,554)
Other receivables	(42,986)	(48,841)
Settlement of derivatives	(22,575)	(18,700)
Trade payables	30,217	61,387
Other payables	167,128	115,968
Defined benefit liability	(3,641)	(40,652)
Other cash flows from operations	(81,742)	(17,603)
Cash generated from operations	<u>1,956,019</u>	<u>2,102,003</u>

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

<i>(in millions of Korean won)</i>	2011	2010
Transfer of construction-in-progress	1,012,348	665,538
Transfer of machinery-in-transit	105,451	127,850
Reclassification of current maturities of borrowings	352,469	120,690
Gain(loss) on valuation of derivatives recognized as other comprehensive income	3,348	4,939

36. Event after the reporting period

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