

**LG Chem, Ltd.**  
**Interim Financial Statements**  
**September 30, 2008 and 2007**

**LG Chem, Ltd.**  
**Index**  
**September 30, 2008 and 2007**

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## Report of Independent Accountants

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

We have reviewed the accompanying non-consolidated balance sheet of LG Chem, Ltd. (the "Company") as of September 30, 2008, the related non-consolidated statements of income for the three-month and nine-month periods ended September 30, 2008 and 2007, the non-consolidated statements of changes in shareholders' equity and the related non-consolidated statements of cash flows for the nine-month periods ended September 30, 2008 and 2007, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying non-consolidated financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of LG Chem, Ltd. as of December 31, 2007, and the related non-consolidated statements of income, appropriations of retained earnings, statements of changes in shareholders' equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those non-consolidated financial statements in our audit report dated March 13, 2008. These non-consolidated financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2007, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2007.

# Samil PricewaterhouseCoopers

Accounting principles and review standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or review standards and their application in practice.

Seoul, Korea  
November 10, 2008

This report is effective as of November 10, 2008, 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 non-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.**  
**Non-Consolidated Balance Sheets**  
**September 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	₩ 409,154	₩ 466,438
Short-term investments	-	106,412
Trade accounts and notes receivable, net (Notes 4, 12 and 17)	1,545,260	977,305
Other accounts receivable, net (Note 4)	152,706	98,400
Accrued income	6,355	3,734
Advance payments	3,283	2,796
Prepaid expenses	20,702	14,826
Inventories, net (Note 5)	1,649,012	1,167,837
Deferred income tax assets	30,996	23,237
Other current assets	4,931	902
Total current assets	3,822,399	2,861,887
Long-term financial instruments (Note 3)	47	68
Long-term investment securities	1,881	1,912
Equity-method investments (Note 6)	802,641	634,498
Derivative instrument transaction debit (Note 12)	76,526	1,035
Other investments	213	242
Property, plant and equipment, net (Notes 7 and 18)	3,818,058	3,621,800
Intangible assets, net (Notes 8 and 18)	(126,510)	(182,776)
Long-term trade accounts and notes receivable, net (Note 4)	144	207
Long-term other accounts receivable, net (Note 4)	293	639
Long-term guarantee deposits	34,535	35,373
Long-term prepaid expenses	19,562	19,816
Other non-current assets	60,851	55,251
Total assets	₩ 8,510,640	₩ 7,049,952

**LG Chem, Ltd.**  
**Non-Consolidated Balance Sheets**  
**September 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Trade accounts and notes payable (Note 17)	₩ 956,667	₩ 749,401
Short-term borrowings	230,000	-
Other accounts payable	560,572	559,180
Withholdings	48,436	58,948
Accrued expenses (Note 17)	118,065	37,333
Income tax payable	348,711	247,641
Dividends payable	51	40
Current maturities of long-term debts, net (Note 9)	545,051	366,283
Other current liabilities	12,830	11,381
Total current liabilities	2,820,383	2,030,207
Debentures, net (Note 9)	318,052	684,007
Other long-term debts, net	435,359	307,304
Accrued severance benefits, net (Notes 3 and 10)	110,941	94,908
Deferred income tax liabilities	40,469	20,771
Derivative instrument transaction credit (Note 12)	2,904	1,781
Other non-current liabilities	6,095	32,778
Total liabilities	3,734,203	3,171,756
Commitments and contingencies (Note 12)		
Shareholders' equity (Note 1)		
Common stock	376,194	376,194
Preferred stock	43,306	43,306
	419,500	419,500
Capital surplus		
Paid-in capital in excess of par value	1,052,640	1,052,640
Gain on disposal of treasury stock	13,625	841
Asset revaluation surplus	206,769	206,769
Other capital surplus	39,107	39,107
	1,312,141	1,299,357
Capital adjustments		
Treasury stock	(15,245)	(23,475)
Accumulated other comprehensive income (Notes 12 and 15)		
Gain on valuation of equity-method investments	96,537	9,744
Loss on valuation of equity-method investments	(4,469)	(26,066)
Valuation loss on cash flow hedge derivative instruments	(7,166)	-
	84,902	(16,322)
Retained earnings (Notes 2 and 13)		
Legal reserve	73,429	56,729
Other reserves	1,958,693	1,460,097
Unappropriated retained earnings	943,017	682,310
	2,975,139	2,199,136
Total shareholders' equity	4,776,437	3,878,196
Total liabilities and shareholders' equity	₩ 8,510,640	₩ 7,049,952

The accompanying notes are an integral part of these non-consolidated financial statements.  
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**LG Chem, Ltd.**  
**Non-Consolidated Statements of Income**  
**Three-Month and Nine-Month Periods Ended September 30, 2008 and 2007**  
**(Unaudited)**

	2008		2007	
	Three months	Nine months	Three months	Nine months
<i>(in millions of Korean won, except per share amounts)</i>				
Sales (Notes 17 and 18)	₩ 4,064,817	₩ 11,250,894	₩ 2,763,275	₩ 7,785,854
Cost of sales (Notes 14 and 17)	3,324,032	9,083,398	2,250,119	6,478,052
Gross profit	740,785	2,167,496	513,156	1,307,802
Selling and administrative expenses	297,876	864,404	260,849	764,111
Operating income	442,909	1,303,092	252,307	543,691
<b>Non-operating income</b>				
Interest income	5,298	17,811	2,259	6,932
Foreign exchange gains	87,281	148,068	12,109	27,670
Gain on foreign currency translation	25,124	39,191	4,300	10,029
Gain on valuation of equity-method investments	14,633	71,676	56,877	159,996
Gain on disposal of property, plant and equipment	1,185	3,873	934	7,303
Reversal of negative goodwill	9,792	29,377	9,792	29,377
Gain on valuation of derivative instruments (Note 12)	49,355	87,156	-	-
Others	4,499	18,474	2,145	11,521
	197,167	415,626	88,416	252,828
<b>Non-operating expenses</b>				
Interest expenses	13,601	43,899	19,651	58,621
Foreign exchange losses	70,276	151,655	14,688	29,058
Loss on foreign currency translation	111,330	181,312	1,717	2,597
Loss on disposal of trade accounts receivable	10,935	25,894	9,477	27,582
Loss on valuation of equity-method investments	16,370	16,115	4,735	2,242
Loss on disposal of property, plant and equipment	4,720	10,306	5,338	13,799
Impairment loss on intangible assets	-	42	5,751	5,897
Loss on valuation of derivative instruments (Note 12)	-	-	1,475	1,892
Donations	1,177	3,311	570	2,979
Others	12,319	30,115	4,903	7,134
	240,728	462,649	68,305	151,801
Income from continuing operations before income tax	399,348	1,256,069	272,418	644,718
<b>Tax on income from continuing operations</b>	102,352	315,095	61,025	77,594
Income from continuing operations	296,996	940,974	211,393	567,124
<b>Loss from discontinued operations (Note 19)</b>	-	-	673	6,798
Net income	₩ 296,996	₩ 940,974	₩ 210,720	₩ 560,326
<b>Per share data (in won) (Note 16)</b>				
Income from continuing operations per share	₩ 3,561	₩ 11,290	₩ 2,915	₩ 7,821
Earnings per share	₩ 3,561	₩ 11,290	₩ 2,906	₩ 7,727
Diluted income from continuing operations per share	₩ 3,561	₩ 11,290	₩ 2,915	₩ 7,821
Diluted earnings per share	₩ 3,561	₩ 11,290	₩ 2,906	₩ 7,727

The accompanying notes are an integral part of these non-consolidated financial statements.  
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**LG Chem, Ltd.**

**Non-Consolidated Statements of Changes in Shareholders' Equity**

**Nine-Month Periods Ended September 30, 2008 and 2007**

**(Unaudited)**

*(in millions of Korean won)*

	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Capital adjustment</u>	<u>Accumulated other comprehensive Income</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of January 1, 2007	₩ 365,432	₩ 739,612	₩ (23,129)	₩ (54,419)	₩ 1,589,744	₩ 2,617,240
Accumulated effects from changes of financial accounting standards	-	-	-	10,025	(3,905)	6,120
Dividends	-	-	-	-	(72,908)	(72,908)
Net income	-	-	-	-	560,326	560,326
Changes in equity arising from equity method investments	-	-	-	50,119	-	50,119
Balance as of September 30, 2007	<u>₩ 365,432</u>	<u>₩ 739,612</u>	<u>₩ (23,129)</u>	<u>₩ 5,725</u>	<u>₩ 2,073,257</u>	<u>₩ 3,160,897</u>
Balance as of January 1, 2008	₩ 419,500	₩ 1,299,357	₩ (23,475)	₩ (16,322)	₩ 2,199,136	₩ 3,878,196
Accumulated effects from changes of financial accounting standards (Note 2)	-	-	-	-	2,035	2,035
Dividends	-	-	-	-	(167,006)	(167,006)
Net income	-	-	-	-	940,974	940,974
Disposal of treasury stock	-	12,784	8,230	-	-	21,014
Changes in equity arising from equity method investments (Note 15)	-	-	-	108,390	-	108,390
Valuation loss on cash flow hedge derivative instruments (Notes 12 and 15)	-	-	-	(7,166)	-	(7,166)
Balance as of September 30, 2008	<u>₩ 419,500</u>	<u>₩ 1,312,141</u>	<u>₩ (15,245)</u>	<u>₩ 84,902</u>	<u>₩ 2,975,139</u>	<u>₩ 4,776,437</u>

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

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**LG Chem, Ltd.**  
**Non-Consolidated Statements of Cash Flows**  
**Nine-Month Periods Ended September 30, 2008 and 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 940,974	₩ 560,326
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	310,295	357,645
Provision for severance benefits	50,852	44,265
Loss (gain) on foreign currency translation, net	143,872	(7,284)
Loss on disposal of trade accounts receivable	25,894	27,582
Gain on valuation of equity-method investments, net	(55,561)	(157,754)
Loss on disposal of property, plant and equipment, net	6,433	6,496
Impairment loss on intangible assets	42	5,897
Gain (loss) on valuation of derivative instruments, net	(87,156)	1,892
Reversal of negative goodwill	(29,377)	(29,377)
Others, net	16,739	26,284
	<u>382,033</u>	<u>275,646</u>
<b>Changes in operating assets and liabilities</b>		
Increase in trade accounts and notes receivable	(565,865)	(245,071)
Increase in inventories	(472,617)	(52,684)
Dividends received	51,193	58,548
Decrease in other accounts receivable	5,270	31,661
Increase in accrued income	(2,621)	(2,185)
(Increase) decrease in advance payments	(487)	97
Increase in prepaid expenses	(5,877)	(8,681)
Increase in deferred income tax assets	(10,154)	(21,386)
Increase in other current assets	(3,827)	(1,693)
Increase (decrease) in trade accounts and notes payable	180,817	(33,593)
Decrease in other accounts payable	(13,807)	(118,380)
Increase in accrued expenses	67,197	47,431
Increase in income tax payable	101,070	117,218
(Decrease) increase in other current liabilities	(13,077)	9,835
Accrued severance benefits transferred from affiliated companies	564	608
Decrease in deferred income tax liabilities	(11,107)	(77,666)
Payment of severance benefits	(44,683)	(40,145)
Others, net	9,426	12,797
	<u>(728,585)</u>	<u>(323,289)</u>
Net cash provided by operating activities	<u>594,422</u>	<u>512,683</u>

**LG Chem, Ltd.**  
**Non-Consolidated Statements of Cash Flows**  
**Nine-Month Periods Ended September 30, 2008 and 2007**  
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Cash flows from investing activities</b>		
Disposal (acquisition) of short-term investments, net	₩ 106,410	₩ (68)
Disposal of property, plant and equipment	11,518	15,385
Disposal of long-term guarantee deposits, net	850	2,903
Acquisition of property, plant and equipment	(588,830)	(321,618)
Acquisition of equity-method investments	(17,430)	(20,980)
Acquisition of intangible assets, net	(37,194)	(12,928)
Others, net	(3,894)	(14,565)
Net cash used in investing activities	<u>(528,570)</u>	<u>(351,871)</u>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings, net	230,000	84,924
Repayment of current maturities of long-term debts	(299,790)	(393,963)
Issuance of debentures	-	94,059
Payment of dividends	(166,995)	(72,907)
Proceeds from long-term debts, net	92,802	139,041
Others, net	20,847	(664)
Net cash used in financing activities	<u>(123,136)</u>	<u>(149,510)</u>
Net (decrease) increase in cash and cash equivalents	(57,284)	11,302
<b>Cash and cash equivalents</b>		
Beginning of the period	466,438	115,830
End of the period	<u>₩ 409,154</u>	<u>₩ 127,132</u>

The accompanying notes are an integral part of these non-consolidated financial statements.  
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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
**September 30, 2008 and 2007, and December 31, 2007**  
**(Unaudited)**

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**1. The Company**

The Company was spun off from LG Chem Investment Ltd. (formerly LG Chemical Ltd.) on April 1, 2001, and completed the registration process on April 3, 2001. The Company engages in the business of petrochemicals, industrial materials, and information and electronic materials. The Company has its manufacturing facilities in Yeosu, Cheongju, Ulsan, Naju, Onsan, Iksan, Daesan, Ochang and Gimcheon.

The Company merged with LG Daesan Petrochemical Ltd. on January 1, 2006, and LG Petrochemical Co., Ltd. on November 1, 2007.

As of September 30, 2008 and December 31, 2007, the Company has an outstanding capital stock of ₩419,500 million, including preferred stock of ₩43,306 million. The Company has been listed on the Korea Stock Exchange since April 25, 2001.

The Company is authorized to issue 292 million shares of common stock with par value of ₩5,000 per share. As of September 30, 2008 and December 31, 2007, the Company has issued 75,238,770 common shares and 8,661,251 preferred shares. Preferred shareholders have no voting rights but are entitled to dividends at a rate 1% more than those paid to common shareholders.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

**Basis of Financial Statements Presentation**

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language, in conformity with financial accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
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**(Unaudited)**

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**Application of the Statements of Korean Financial Accounting Standards**

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. The Company's interim financial statements have been prepared in accordance with the SKFAS Nos. 1 through 23, except No.14. Significant accounting policies adopted for the preparation of the Company's interim financial statements are identical to those adopted for the financial statements for the year ended December 31, 2007.

**Changes in Accounting Policy**

In the preparation of the Company's interim financial statements, the Company adopted the Korea Accounting Institute opinion on Korean Accounting Statement Implementation 06-2, *Accounting treatment for taxable temporary differences associated with investments in subsidiaries, associates, and interest in joint ventures*, which was revised on February 22, 2008. The financial statements as of and for the year ended December 31, 2007, have not been restated, and the effect of the change is shown as a one-time charge to the beginning balance of 2008. The effects of this change were an increase in retained earnings by ₩1,358 million, an increase in changes in equity arising from equity-method investments by ₩179 million, and a decrease in deferred income tax liabilities by ₩1,537 million as of December 31, 2006. Also, the effect of this change was a decrease in income tax expense by ₩677 million for the year ended December 31, 2007, a decrease in deferred income tax liabilities by ₩2,035 million, and an increase in retained earnings by ₩2,035 million as of December 31, 2007.

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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
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**(Unaudited)**

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**3. Restricted Bank Deposits**

As of September 30, 2008, long-term financial instruments are deposited in connection with bank overdraft agreements, and withdrawal of these deposits is restricted.

Further, the withdrawal of group severance insurance deposits is restricted to employees' severance payments (Note 10).

**4. Receivables**

Receivables and allowance for doubtful accounts as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Trade accounts and notes receivable	₩ 1,597,785	₩ 1,025,892
Less : Allowance for doubtful accounts	(52,525)	(48,587)
	<u>₩ 1,545,260</u>	<u>₩ 977,305</u>
Other accounts receivable	₩ 176,869	₩ 122,605
Less : Allowance for doubtful accounts	(24,131)	(24,169)
Less : Present value discount	(32)	(36)
	<u>₩ 152,706</u>	<u>₩ 98,400</u>
Long-term trade accounts and notes receivable	₩ 164	₩ 239
Less : Allowance for doubtful accounts	(20)	(32)
	<u>₩ 144</u>	<u>₩ 207</u>
Long-term other accounts receivable	₩ 304	₩ 685
Less : Present value discount	(11)	(46)
	<u>₩ 293</u>	<u>₩ 639</u>

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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
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**(Unaudited)**

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**5. Inventories**

Inventories as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Merchandise, net of valuation allowance of ₩614 million (December 31, 2007: ₩607 million)	₩ 55,005	₩ 43,812
Finished products, net of valuation allowance of ₩7,487 million (December 31, 2007: ₩5,298 million)	746,190	528,350
Work-in-process	192,437	141,239
Raw materials, net of valuation allowance of ₩404 million (December 31, 2007: ₩335 million)	456,661	354,493
Supplies	46,395	37,089
Materials-in-transit	152,324	62,854
	<u>₩ 1,649,012</u>	<u>₩ 1,167,837</u>

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**LG Chem, Ltd.**  
**Notes to Non-Consolidated Financial Statements**  
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**(Unaudited)**

**6. Equity-Method Investments**

Equity-method investments as of September 30, 2008 and December 31, 2007, are summarized as follows:

Investee <sup>4</sup>	Percentage of Ownership (%)		Acquisition Cost		Book Value		Fair Value or Net Asset Value	
	2008	2007	2008	2007	2008	2007	2008	2007
	<i>(in millions of Korean won)</i>							
Tianjin LG Dagu Chemical Co., Ltd.	75.00	75.00	₩ 17,440	₩ 17,440	₩ 26,370	₩ 23,370	₩ 26,438	₩ 23,416
Tianjin LG New Building Materials Co., Ltd.	85.35	85.35	33,649	33,649	50,805	31,472	56,995	37,544
Ningbo LG Yongxing Chemical Co., Ltd.	75.00	75.00	110,746	110,746	154,635	143,143	153,280	142,382
LG Chemical India Pvt. Ltd.	100.00	100.00	31,466	31,466	56,584	50,173	57,201	50,173
LG Chemical Hong Kong Ltd.	100.00	100.00	254	254	11,391	7,489	10,200	6,997
LG Vina Chemical J/V Company	40.00	40.00	1,194	1,194	3,107	2,561	3,299	2,614
LG Chem America, Inc.	100.00	100.00	9,596	9,596	7,657	5,441	12,942	8,531
M. Dohmen S.A.	49.00	49.00	43,203	43,203	993	993	5,889	5,889
SEETEC Co., Ltd.	50.00	50.00	36,643	36,643	70,965	64,306	161,048	157,490
LG Dow Polycarbonate Ltd.	50.00	50.00	36,794	36,794	61,454	75,919	61,741	74,822
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100.00	100.00	13,091	13,091	27,188	15,435	27,444	15,453
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. <sup>1</sup>	81.99	77.00	67,286	50,704	85,806	37,339	101,745	51,846
LG Chem Trading (Shanghai) Co., Ltd.	100.00	100.00	3,503	3,503	2,494	1,724	2,492	1,739
LG Chem (China) Investment Co., Ltd.	100.00	100.00	40,340	40,340	47,046	43,125	47,047	43,127
LG Chem (Taiwan), Ltd.	100.00	100.00	6,888	6,888	3,096	2,566	9,841	6,434
LG Chem Industrial Materials Inc.	100.00	100.00	17,846	17,846	15,582	8,545	16,913	8,891
LG Holdings (HK) Ltd. <sup>2</sup>	18.18	18.18	41,582	41,582	30,159	27,222	28,196	24,866
Compact Power Inc. <sup>3</sup>	100.00	81.00	5,483	4,635	1,012	611	1,012	611
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	90.00	90.00	5,589	5,589	13,774	7,125	14,797	7,765
LG Chem Display Materials (Beijing) Co., Ltd.	90.00	90.00	6,865	6,865	11,201	7,200	11,953	7,961
Tianjin LG Bohai Chemical Co., Ltd.	65.00	65.00	63,524	63,524	103,688	67,238	114,724	77,313
LG Chem Europe GmbH	100.00	100.00	1,927	1,927	3,668	2,015	5,041	2,781
LG Chem Brasil, Ltd.	100.00	100.00	258	258	258	258	258	258
LG Chem Poland Sp. Z.O.O	100.00	100.00	5,790	5,790	13,708	9,228	13,689	9,214
			₩600,957	₩583,527	₩ 802,641	₩ 634,498	₩ 944,185	₩ 768,117

<sup>1</sup> In 2008, the Company acquired additional shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. for ₩16,582 million, increasing its percentage of ownership to 81.99%.

<sup>2</sup> This investment is classified as an equity-method investment as the combined percentage of ownership of the Company and LG Electronics Inc., a consolidated subsidiary of LG Corp., exceeds 20%.

<sup>3</sup> In 2008, the Company acquired additional shares of Compact Power Inc. for ₩848 million, increasing its percentage of ownership to 100%.

<sup>4</sup> As of September 30, 2008, the Company has control over all the investees, except for M. Dohmen S.A., SEETEC Co., Ltd. and LG Holdings (HK) Ltd.

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**7. Property, Plant and Equipment**

Property, plant and equipment as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Buildings	₩ 1,037,062	₩ 1,015,083
Structures	507,205	492,002
Machinery and equipment	4,832,226	4,575,811
Vehicles	30,329	26,413
Tools and furniture	653,408	606,317
Others	-	12,935
	<u>7,060,230</u>	<u>6,728,561</u>
Accumulated depreciation	(4,101,659)	(3,898,819)
Accumulated impairment loss	(12,301)	(12,408)
	<u>2,946,270</u>	<u>2,817,334</u>
Land	499,728	497,823
Construction-in-progress	304,647	286,560
Machinery-in-transit	67,413	20,083
	<u>₩ 3,818,058</u>	<u>₩ 3,621,800</u>

As of September 30, 2008, certain property, plant and equipment have been pledged as collateral for bank loans up to a maximum of ₩384,520 million (December 31, 2007: ₩365,822 million).

**8. Intangible Assets**

Intangible assets as of June 30, 2008 and December 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Intellectual property rights	₩ 29,749	₩ 24,595
Exclusive facility use rights	1,105	1,242
Development costs, net	44,006	45,471
Goodwill	8,742	10,714
Others	34,698	9,389
Negative goodwill	(244,810)	(274,187)
	<u>₩ (126,510)</u>	<u>₩ (182,776)</u>

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**9. Debentures**

Debentures as of September 30, 2008 and December 31, 2007, consist of the following:

<i>(in millions of Korean won)</i>	Annual Interest Rate (%)			2008	2007
	2008	2007			
Publicly offered debentures, payable through 2013	3.5~5.02	3.5~5.02	₩	480,000	₩ 680,000
Privately offered debentures, payable through 2009	5.02~5.32	5.02~5.32		100,000	100,000
Foreign debentures, payable through 2010 <sup>1</sup>	LIBOR+0.2-0.45	LIBOR+0.2-0.60		219,725	234,550
				799,725	1,014,550
Less : Current maturities				(480,340)	(327,893)
Discount on debentures issued				(1,333)	(2,650)
			₩	318,052	₩ 684,007

<sup>1</sup> Floating rate notes were issued on May 25, 2005, to mature on November 25, 2008. Term notes were also issued on March 23, 2006, to mature on September 23, 2008 and September 23, 2009. Further, the Company issued floating rate notes on March 20, 2007, and will redeem these on September 23, 2009 and September 17, 2010.

**10. Accrued Severance Benefits**

Accrued severance benefits as of September 30, 2008 and December 31, 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Provision for severance benefits	₩	285,275	₩	278,413
Less: Group severance insurance deposits		(171,328)		(179,983)
Contributions to National Pension Plan		(3,006)		(3,522)
Ending balance	₩	110,941	₩	94,908

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**11. Stock Options**

Based on the Commercial Code of Korea, the Company may grant stock options to directors and employees who have contributed or can contribute to the Company's establishment, management, overseas business or technology innovation through a resolution of the Board of Directors or shareholders. In 2005, the Company granted stock options.

Details of the stock options granted are as follows:

Grant date	Number of Common Shares Granted <sup>1</sup>	Grant Method	Exercise Price per Share (in Korean won)	Exercise Period
March 25, 2005	221,000	To compensate price difference	₩ 42,530	March 26, 2008 to March 25, 2012

<sup>1</sup> Of the stock options granted in 2005, 347,000 shares were forfeited due to the grantees' early termination of employment. Further, if the increase in the stock price is not higher than the increase in the Korea Composite Stock Price Index during the three years after the grant date, the final number of common shares exercised will only be 50% of the number of common shares originally granted.

Changes in stock options during the nine-month periods ended September 30, of 2008 and 2007, are as follows:

	Granted number of shares	
	2008	2007
Beginning balance	221,000	221,000
Exercised number of shares	221,000	-
Ending balance	-	221,000

(in millions of Korean won)

	Amounts	
	2008	2007
Beginning balance <sup>1</sup>	₩ 11,857	₩ -
Stock compensation cost <sup>2</sup>	1,059	11,672
Exercised amounts	(12,916)	-
Ending balance	₩ -	₩ 11,672

<sup>1</sup> As stock price did not exceed the exercise price, no stock compensation expense was recognized as of December 31, 2006.

<sup>2</sup> Stock compensation expense was recognized due to changes in stock price, excluding reversal of stock compensation expense of ₩268 million.

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**12. Commitments and Contingencies**

As of September 30, 2008, the Company has provided a joint guarantee for obligations outstanding as of January 1, 2005, for Lotte Daesan Petrochemical Ltd. and SEETEC Co., Ltd. In addition, the Company has provided financial guarantees to customers.

As of September 30, 2008, the Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.

As of September 30, 2008, the Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges. Further, with respect to the borrowings of the Company, one blank promissory note is provided as collateral to a financial institution.

The Company has guaranteed repayments of various obligations of subsidiaries and affiliated companies. The outstanding balances of such guarantees as of September 30, 2008, amounted to ₩209,495 million (Note 16).

As of September 30, 2008, the Company is contingently liable for notes receivable from export sales which were discounted through financial institutions in the ordinary course of business amounting to ₩1,094,347 million.

As of September 30, 2008, the Company has bank overdraft agreements with several banks for up to ₩82,000 million. The Company has also entered into contracts with several financial institutions to open letters of credit for up to ₩110,100 million and US\$ 482 million. The Company has entered into contracts with several financial institutions for discounting notes from export for up to ₩15,000 million and US\$ 956 million, for other foreign currency payment guarantee of up to US\$ 15 million, and for other notes of up to ₩60,000 million, respectively.

As of September 30, 2008, the Company has entered into various technical license agreements with companies, including Goodyear Tire & Rubber Company, for the production of polymer and rubber products.

The Company entered into a contract with LG Corp. to use trademarks on the products that the Company manufactures and sells, and on the services the Company provides in relation to its business.

As of September 30, 2008, the Company has a long-term purchase contract for certain raw materials and was provided with US\$ 14 million as a guarantee for the contract performance.

As of September 30, 2008, the Company has been named as a defendant and plaintiff in various legal actions. Management believes that these legal actions will not have a material adverse impact on the Company's operations or financial position although the outcome of these legal actions is uncertain.

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The Company has cross currency and interest rate swap with financial institutions for hedging against fluctuations in foreign exchange rates and interest rates. As of September 30, 2008, the Company's outstanding contracts and options include currency swap of US\$ 342 million (December 31, 2007: US\$ 242 million).

Details of the changes in valuation gain or loss on derivatives for the nine-month periods ended September 30, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	Trading		Hedge <sup>1</sup>		Other comprehensive income <sup>2</sup>
	Valuation gain	Valuation loss	Valuation gain	Valuation loss	
2008	₩ -	₩ -	₩ 87,156	₩ -	₩ 7,166
2007	-	1,892	-	-	-

<sup>1</sup> The Company applies cash flow hedge accounting and is exposed to fluctuations in cash flows up to January 22, 2012, on its cross currency and interest swaps.

<sup>2</sup> The ₩7,166 million, net of tax, was charged to accumulated other comprehensive income (Note 14).

**13. Retained earnings**

Retained earnings as of September 30, 2008 and December 31, 2007, consist of:

<i>(in millions of Korean won)</i>	2008	2007
Legal reserve	₩ 73,429	₩ 56,729
Other reserves		
Reserve for business rationalization	4,000	4,000
Reserve for technology development	1,366,196	997,664
Voluntary reserve	212,120	212,120
Reserve for investment losses	376,377	246,313
	1,958,693	1,460,097
Unappropriated retained earnings	943,017	682,310
	₩ 2,975,139	₩ 2,199,136

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**14. Cost of Sales**

Cost of sales for the three-month and nine-month periods ended September 30, 2008 and 2007, are as follows:

*(in millions of Korean won)*

	2008		2007	
	Three Months	Nine Months	Three Months	Nine Months
<b>Products</b>				
Beginning inventories	₩ 757,755	₩ 669,154	₩ 503,453	₩ 480,039
Cost of goods manufactured	3,184,273	8,454,696	1,945,030	5,539,942
Ending inventories	(938,278)	(938,278)	(528,067)	(528,067)
Others	(9,531)	(27,543)	(10,297)	(33,193)
Discontinued operations	-	-	(2,775)	(8,347)
	<u>2,994,219</u>	<u>8,158,029</u>	<u>1,907,344</u>	<u>5,450,374</u>
<b>Merchandise</b>				
Beginning inventories	40,540	43,812	35,520	47,064
Purchases	326,672	892,728	334,812	993,217
Ending inventories	(55,005)	(55,005)	(38,650)	(38,650)
Discontinued operations	-	-	-	(14)
	<u>312,207</u>	<u>881,535</u>	<u>331,682</u>	<u>1,001,617</u>
Other cost of sales	17,606	43,834	11,093	26,061
<b>Total</b>	<u>₩ 3,324,032</u>	<u>₩ 9,083,398</u>	<u>₩ 2,250,119</u>	<u>₩ 6,478,052</u>

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**15. Comprehensive Income**

Comprehensive income for the three-month and nine-month periods ended September 30, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	<b>2008</b>		<b>2007</b>	
	Three Months	Nine Months	Three Months	Nine Months
Net income	₩ 296,996	₩ 940,974	₩ 210,720	₩ 560,326
Cumulative effect of the changes in accounting policy	-	2,035	-	-
Other comprehensive income				
Increase from equity-method investments, net of tax effects of ₩37,955 million (2007: ₩2,818 million)	53,205	108,390	1,824	50,119
Valuation loss on cash flow hedge derivative instruments, net of tax effects of ₩(2,718) million	(1,557)	(7,166)	-	-
Comprehensive income	<u>₩ 348,644</u>	<u>₩1,044,233</u>	<u>₩ 212,544</u>	<u>₩ 610,445</u>

**16. Earnings Per Share**

Basic income from continuing operations per share and earnings per share for the year ended December 31, 2007, were ₩9,466 and ₩9,264, respectively.

Basic income from continuing operations per share and earnings per share for the three-month and nine-month periods ended September 30, 2008 and 2007, are computed as follows:

<i>(in millions of Korean won, except per share amounts)</i>	<b>2008</b>		<b>2007</b>	
	Three Months	Nine Months	Three Months	Nine Months
Income from continuing operations	₩ 296,996	₩ 940,974	₩ 211,393	₩ 567,124
Preferred stock dividends <sup>1</sup>	(2,273)	(6,818)	(2,273)	(6,818)
Preferred stock share in the remaining profit available for dividends	(28,664)	(91,250)	(23,075)	(61,214)
Income from continuing operations available for common stock (A)	₩ 266,059	₩ 842,906	₩ 186,046	₩ 499,092
Weighted average number of shares of outstanding common stock (B) <sup>2</sup>	<u>74,721,776</u>	<u>74,660,059</u>	<u>63,818,182</u>	<u>63,818,182</u>
Basic income from continuing operations per share (A/B)	<u>₩ 3,561</u>	<u>₩ 11,290</u>	<u>₩ 2,915</u>	<u>₩ 7,821</u>

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

	2008		2007	
	Three Months	Nine Months	Three Months	Nine Months
Net income	₩ 296,996	₩ 940,974	₩ 210,720	₩ 560,326
Preferred stock dividends <sup>1</sup>	(2,273)	(6,818)	(2,273)	(6,818)
Preferred stock share in the remaining profit available for dividends	(28,664)	(91,250)	(22,994)	(60,402)
Net income available for common stock (A)	₩ 266,059	₩ 842,906	₩ 185,454	₩ 493,107
Weighted average number of shares of outstanding common stock (B) <sup>2</sup>	74,721,776	74,660,059	63,818,182	63,818,182
Basic earnings per share (A/B)	₩ 3,561	₩ 11,290	₩ 2,906	₩ 7,727

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

<sup>2</sup> Excludes treasury stock.

There are no outstanding convertible bonds or other dilutive securities as of September 30, 2008 and 2007. Accordingly, basic earnings and income from continuing operations per share are identical to fully diluted earnings and income from continuing operations per share.

Basic and diluted loss from discontinued operations per share for the nine-month periods ended September 30, 2008 and 2007, are computed as follows:

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

	2008		2007	
	Three Months	Nine Months	Three Months	Nine Months
Loss from discontinued operations per share	₩ -	₩ -	₩ 10	₩ 94

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**17. Related Party Transactions**

The Company is a subsidiary of LG Corp. The ultimate controlling party of LG Corp is Mr. Koo Bon-moo, the chairman of LG Corp, and his related parties.

Significant transactions, which occurred in the ordinary course of business with related companies for the nine-month periods ended September 30, 2008 and 2007, and the related account balances as of September 30, 2008 and December 31, 2007, are summarized as follows:

<i>(in millions of Korean won)</i>	<b>Sales</b>	<b>Purchases<sup>2</sup></b>	<b>Receivables<sup>3</sup></b>	<b>Payables</b>
Largest shareholder	₩ -	₩ -	₩ -	₩ -
Controlling company	-	30,912	7,723	5,279
Subsidiaries	958,293	130,718	55,404	37,707
Equity method investees	74,155	123,631	4,868	4,356
Key management officers	-	57,325	-	55,566
Other related companies <sup>1</sup>	1,780,252	467,595	416,705	108,608
2008 Total	<u>₩2,812,700</u>	<u>₩ 810,181</u>	<u>₩ 484,700</u>	<u>₩ 211,516</u>
2007 Total	<u>₩2,059,387</u>	<u>₩1,851,144</u>	<u>₩ 367,716</u>	<u>₩ 183,528</u>

<sup>1</sup> Includes LG Display Co., Ltd. (formerly LG Philips LCD Co., Ltd.) and LG Electronics Inc.

<sup>2</sup> Purchases of 2007 include purchases of ₩1,180,919 million from LG Petrochemical Co., Ltd., which was merged with the Company in November 2007.

<sup>3</sup> Allowance for doubtful accounts as of September 30, 2008, amounts to ₩3,577 million. Bad debt expenses recognized in the current period is ₩1,390 million.

Compensation for key management officers for nine-month periods ended September 30, 2008 and 2007, consists of:

<i>(in millions of Korean won)</i>	<b>2008</b>	<b>2007</b>
Short-term employee benefits	₩ 38,894	₩ 19,976
Post-employment benefits	3,836	2,526
Other long-term employee benefits	13,537	15,361
Share-based payments	1,059	11,672
Total	<u>₩ 57,326</u>	<u>₩ 49,535</u>

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

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The details of guarantees provided by the Company as of September 30, 2008 and December 31, 2007, are as follows:

*(in millions of Korean won)*

<b>2008</b>			
<b>Guarantee Beneficiary</b>	<b>Amount of Guarantee</b>	<b>Financial Institution</b>	<b>Outstanding Loan Amount</b>
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	₩ 19,597	Bank of China	₩ 14,549
	23,754	Woori Bank	23,754
	20,072	Korea Exchange Bank	11,877
	35,631	KEXIM Bank	4,751
LG Chem Industrial Materials Inc.	30,049	Kookmin Bank	30,049
Tianjin LG Bohai Chemical Co., Ltd.	47,508	KEXIM Bank	15,837
LG Chem Poland Sp.Z.O.O.	17,072	KEXIM Bank	17,072
	5,122	Nordea Bank	5,122
LG Chem America, Inc.	4,751	Woori Bank	4,751
	5,939	Kookmin Bank	1,188
	<u>₩ 209,495</u>		<u>₩ 128,950</u>

*(in millions of Korean won)*

<b>2007</b>			
<b>Guarantee Beneficiary</b>	<b>Amount of Guarantee</b>	<b>Financial Institution</b>	<b>Outstanding Loan Amount</b>
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	₩ 15,480	Bank of China	₩ 15,480
	18,764	Woori Bank	18,764
	15,856	Korea Exchange Bank	9,382
LG Chem Industrial Materials Inc.	23,736	Kookmin Bank	23,736
LG Chem Europe GmbH	4,144	Societe Generale Bank	-
Tianjin LG Bohai Chemical Co., Ltd.	37,528	KEXIM Bank	15,637
LG Chem Poland Sp.Z.O.O.	13,813	KEXIM Bank	13,813
	6,216	Nordea Bank	4,144
LG Chem America, Inc.	3,753	Woori Bank	3,753
	4,691	Kookmin Bank	3,753
	<u>₩ 143,981</u>		<u>₩ 108,462</u>

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**18. Segment Information**

The Company defines its segments by the nature of its products and services.

(1) Industry Segment Information

Industry	Products or Services	Major Customers
Petrochemicals	PE, PVC, VCM, alcohol, plasticizers, ABS/PS, EPS, MBS, SBL, EP, ethylene, propylene, BPA and others	LG Electronics Inc. Daewoo Electronics Co., Ltd. Kia Motors Corp. Youlchon Chemical Co., Ltd. National Plastic Co., Ltd. Mitsubishi Corporation and others
Industrial Materials	Hi Sash, UBR, wall coverings, living materials, building materials and others	Hyundai Motors Co., Ltd. GM Daewoo Auto & Technology Company Distributors and wholesalers
Information & Electronic Materials	Batteries, Polarizers	LG Electronics Inc. LG Display Co., Ltd. and others

Financial information on industry segments for the nine-month periods ended September 30, 2008 and 2007, follows:

<i>(in millions of Korean won)</i>	2008				
	Petrochemicals	Industrial Materials	Information & Electronic Materials	Others	Total
Sales					
External sales	₩ 7,696,547	₩ 1,612,691	₩ 1,931,258	₩ 10,398	₩ 11,250,894
Inter-segment sales	267,586	8,869	2,617	151,267	430,339
	<u>₩ 7,964,133</u>	<u>₩ 1,621,560</u>	<u>₩ 1,933,875</u>	<u>₩ 161,665</u>	<u>₩ 11,681,233</u>
Operating income	<u>₩ 920,814</u>	<u>₩ 105,935</u>	<u>₩ 283,152</u>	<u>₩ (6,809)</u>	<u>₩ 1,303,092</u>
Property, plant and equipment and intangible assets <sup>1</sup>	<u>₩ 2,093,322</u>	<u>₩ 436,671</u>	<u>₩ 962,641</u>	<u>₩ 443,724</u>	<u>₩ 3,936,358</u>
Depreciation and amortization	<u>₩ 171,961</u>	<u>₩ 43,120</u>	<u>₩ 90,539</u>	<u>₩ 4,675</u>	<u>₩ 310,295</u>

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<i>(in millions of Korean won)</i>	2007				
	<b>Petrochemicals</b>	<b>Industrial Materials</b>	<b>Information &amp; Electronic Materials</b>	<b>Others</b>	<b>Total</b>
Sales					
External sales <sup>1</sup>	₩ 4,679,443	₩ 1,566,171	₩ 1,529,123	₩ 11,117	₩ 7,785,854
Inter-segment sales	208,945	1,535	1,793	109,021	321,294
	<u>₩ 4,888,388</u>	<u>₩ 1,567,706</u>	<u>₩ 1,530,916</u>	<u>₩ 120,138</u>	<u>₩ 8,107,148</u>
Operating income	<u>₩ 359,450</u>	<u>₩ 92,329</u>	<u>₩ 90,590</u>	<u>₩ 1,322</u>	<u>₩ 543,691</u>
Property, plant and equipment and intangible assets <sup>2</sup>	<u>₩ 1,383,930</u>	<u>₩ 458,324</u>	<u>₩ 874,535</u>	<u>₩ 411,234</u>	<u>₩ 3,128,023</u>
Depreciation and amortization	<u>₩ 197,715</u>	<u>₩ 45,652</u>	<u>₩ 111,308</u>	<u>₩ 2,970</u>	<u>₩ 357,645</u>

<sup>1</sup> External sales from continuing operations.

<sup>2</sup> Excludes negative goodwill incurred from the merger, which is deducted from intangible assets.

(2) Geographical Segment Information

The sales by geographical segments for the nine-month periods ended September 30, 2008 and 2007, are as follows:

*(in millions of Korean won)*

	<b>Domestic<sup>1</sup></b>	<b>China</b>	<b>North America</b>	<b>South America</b>	<b>South-East Asia</b>	<b>Western Europe</b>	<b>Others</b>	<b>Total</b>
2008	<u>₩6,071,855</u>	<u>₩2,624,183</u>	<u>₩413,561</u>	<u>₩98,584</u>	<u>₩457,933</u>	<u>₩333,686</u>	<u>₩1,251,092</u>	<u>₩ 11,250,894</u>
2007	<u>₩4,217,226</u>	<u>₩2,006,183</u>	<u>₩248,579</u>	<u>₩53,901</u>	<u>₩194,001</u>	<u>₩300,437</u>	<u>₩ 765,527</u>	<u>₩ 7,785,854</u>

<sup>1</sup> Domestic sales include the exports made based on local letters of credit.

Information on property, plant and equipment of each geographical segment has not been included as the Company does not manage its property, plant and equipment by geographical segments.

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**19. Discontinued Operations**

The Company decided to sell its safety materials business as approved by the CEO of the Company on March 23, 2007. Also, the Company decided to sell its PDP fluorescent substance business and AMS Filter business as approved by the CEO of the Company on October 16, 2007 and December 11, 2007, respectively. The Company disposed of all of the related assets by December 31, 2007.

The loss before tax from discontinued operations for the six-month period ended June 30, 2007, is as follows:

*(in millions of Korean won)*

	<b>Safety materials business</b>	<b>PDP fluorescent substance business</b>	<b>AMS Filter business</b>	<b>Total</b>
Impairment loss on discontinued operations	₩ (3,292)	₩ (3)	₩ -	₩ (3,295)
Loss from the discontinued operations <sup>1</sup>	(3,330)	(44)	(2,275)	(5,649)
Loss before tax from discontinued operations	(6,622)	(47)	(2,275)	(8,944)

<sup>1</sup> Excludes impairment loss on discontinued operations.

The income statements of the discontinued operations excluding impairment loss on discontinued operations for the nine-month period ended September 30, 2007, are as follows:

*(in millions of Korean won)*

	<b>Safety materials business</b>	<b>PDP fluorescent substance business</b>	<b>AMS Filter business</b>	<b>Total</b>
Sales	₩ 3,241	₩ 6,425	₩ 575	₩ 10,241
Cost of sales	(4,354)	(3,700)	(358)	(8,412)
Gross profit (loss)	(1,113)	2,725	217	1,829
Selling and administrative expenses	(2,416)	(1,967)	(2,493)	(6,876)
Operating income (loss)	(3,529)	758	(2,276)	(5,047)
Non-operating income	360	318	1	679
Non-operating expenses	(161)	(1,120)	-	(1,281)
Loss from the discontinued operations	₩ (3,330)	₩ (44)	₩ (2,275)	₩ (5,649)

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The loss after tax from discontinued operations for the nine-month period ended September 30, 2007, is as follows:

*(in millions of Korean won)*

	<b>Safety materials business</b>	<b>PDP fluorescent substance business</b>	<b>AMS Filter business</b>	<b>Total</b>
Loss before tax from discontinued operations	₩ (6,622)	₩ (47)	₩ (2,275)	₩ (8,944)
Income tax effects	1,508	12	626	2,146
Income (loss) after tax from discontinued operations	<u>₩ (5,114)</u>	<u>₩ (35)</u>	<u>₩ (1,649)</u>	<u>₩ (6,798)</u>

Cash flows from the discontinued operations for the nine-month period ended September 30, 2007, are as follows:

*(in millions of Korean won)*

	<b>Safety materials business</b>	<b>PDP fluorescent substance business</b>	<b>AMS Filter business</b>	<b>Total</b>
Cash flows from operating activities	₩ (38)	₩ (1,627)	₩ 755	₩ (910)
Cash flows from investing activities	586	1,876	1,216	3,678
Cash flows from financing activities	(548)	(249)	(1,971)	(2,768)
Total	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>

**20. Business Acquisition**

Pursuant to a resolution of Board of directors on June 23, 2008, the Company acquired the Super Absorbent Polymers division (the "SAP division") from Kolon Industry Inc., on September 1, 2008.

The Company recorded the fair value of individually identifiable assets and liabilities acquired. The differences between the acquisition costs and the fair values of assets and liabilities were recorded as goodwill and amortized over ten years.

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(1) The acquisition cost and goodwill are as follows :

<i>(in millions of Korean won)</i>		Amount
Acquisition cost	₩	87,000
Fair value of net assets acquired		<u>60,908</u>
Goodwill	₩	<u>26,092</u>

(2) Changes in goodwill are as follows:

<i>(in millions of Korean won)</i>		Amount
Goodwill incurred from business combination	₩	26,092
Amortization		<u>217</u>
Balance as of September 30, 2008	₩	<u>25,875</u>

(3) Condensed balance sheet of the SAP division as of September 1, 2008, follows:

<i>(in millions of Korean won)</i>		Amount
Current assets, net	₩	14,372
Fixed assets		<u>46,536</u>
Total	₩	<u>60,908</u>

(4) The fair value of net assets acquired will be adjusted based on the result of the due diligence and the review of contingency liabilities.

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