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**SolutionPartner**

**LG Chem**  
**2011 Annual Report**

 **LG Chem**

**LG CHEM**

is Korea's first - and largest vertically integrated -  
top 30 chemical makers over the past six decades.  
ronic materials that improve the quality of life for pe

by a growing production, marketing, and R&D

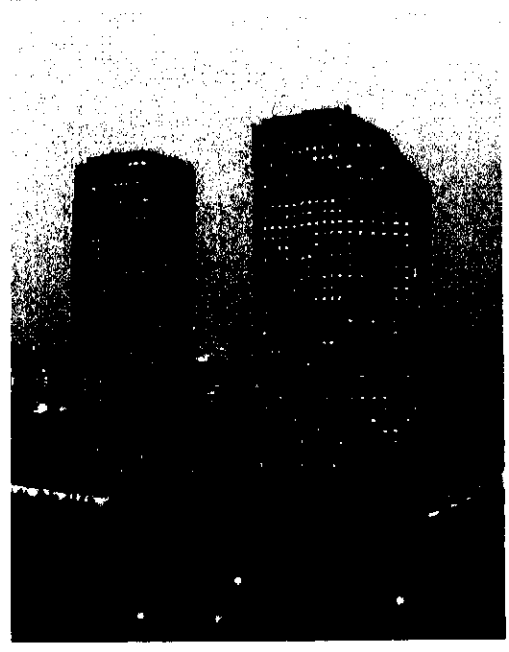
As we continue to transit our existing bus  
ic Materials Division, a key element of our

these strategies for growth will power  
materials and solutions to life.

This report was organized on a consolidated basis. Please refer to the separate report for non-consolidated figures.

At LG Chem, we are dedicated to delivering greater long-term value to all our stakeholders. We seek to maximize this value by focusing on the basics: a sound financial structure, solid revenue base, and steady growth. We also strive to earn your trust and respect by practicing corporate responsibility, ethics, and integrity in all areas of governance. In this annual report, as well as all of our investor-related communications, we are committed to achieving a more complete and accurate standard of reporting.

Thank you once again for your support of LG Chem. We look forward to creating greater satisfaction and value for you in the coming year.



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## BUSINESS DIVISIONS

Distinctive Solutions to Advance Corporate Development  
and Everyday Convenience



## PETROCHEMICALS DIVISION

**NCC / PO** • The integration between Daesan and Yeosu ensured the streamlined, stable production and supply of basic fractions such as ethylene and propylene, as well as various other high-performance polyethylene and polypropylene products.

**SYNTHETIC RUBBER & SPECIALTY POLYMERS** • LG Chem produces Korea's highest quality butadiene-based synthetic rubbers for tires, methacrylate-butadiene-styrene (MBS) impact modifiers, styrene-butadiene-styrene (SBS) asphalt modifiers, latexes for paper coating and gloves, and bisphenol-A (BPA) for polycarbonate and epoxy resins.

**PVC** • PVC is a plastic of universal usage that includes sashes, pipes, flooring and other construction materials and which has a wide range of uses in everyday life. LG Chem commands Korea's largest - and the world's sixth largest - market share of this product.

**ABS / EP** • Producing various high-performance acrylonitrile-butadiene-styrene (ABS) materials for electric, electronic, and automotive use, as well as heat-resistant high performance engineering plastic materials, LG Chem controls the world's largest market share of this product.

**ACRYLATES / PLASTICIZERS** • In addition to production of acrylates, which are used as raw materials for super absorbent polymers, paints, adhesives and various other finished products and diverse plasticizers, LG Chem is expanding into the high value-added super absorbent polymer business.

LG Chem is dedicated to the advancement of corporate development and of everyday convenience by producing and supplying leading petrochemical, information technology & electronic materials and solutions worldwide. With distinctive products and solutions that are the result of years of experience and technology development, LG Chem has grown to become a global solutions partner, striving to support the success of customers and the advancement of the petrochemicals and information technology & electronic materials industries.



## IT & ELECTRONIC MATERIALS DIVISION

**RECHARGEABLE BATTERIES** • LG Chem's product line-up of lithium-ion batteries and lithium-ion polymer batteries ranges from small batteries for mobile devices to advanced automotive batteries and batteries for power storage.

**OPTICAL MATERIALS** • LG Chem leads the global optical materials market with its advanced production capacity of core optical materials for displays, including polarizers and 3D FPR.

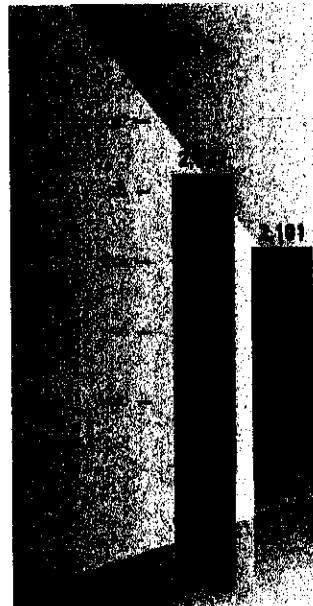
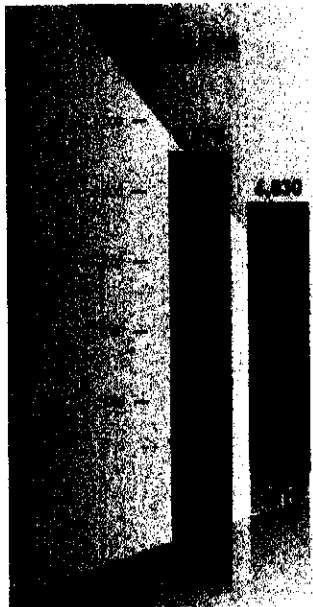
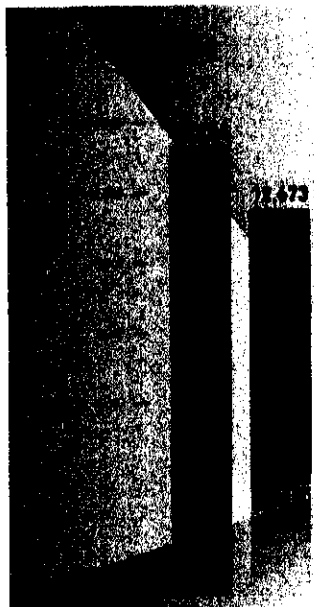
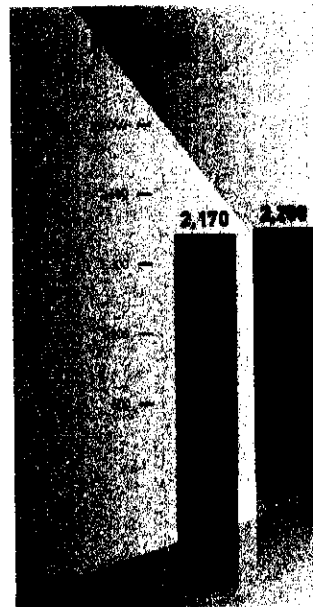
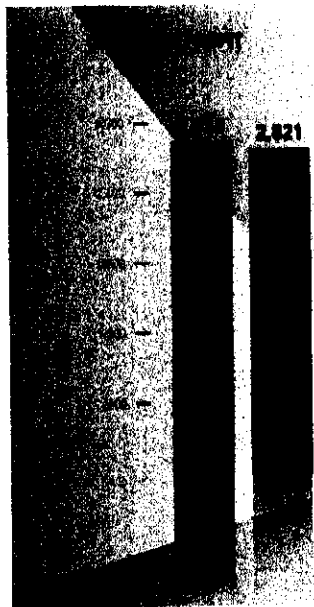
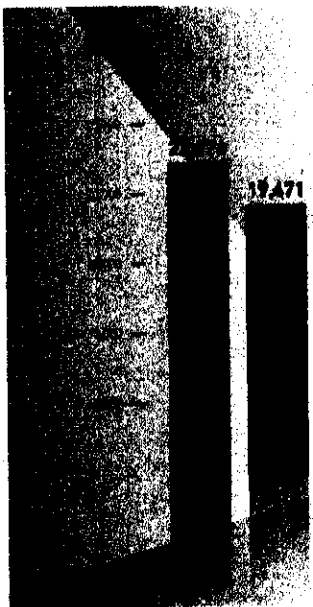
**ELECTRONIC MATERIALS** • With its advanced technologies in photoresists, strippers for LCDs, toners, organic light emitting diode (OLED) materials, cathode materials and circuit board materials, LG Chem offers differentiated solutions for the electronic materials sector.

**FILM** • LG Chem produces a number of high-tech films for LCD-BLU (Liquid Crystal Display Back Light Unit) as well as touch panels, and solar cells.

# FINANCIAL HIGHLIGHTS

## CONSOLIDATED

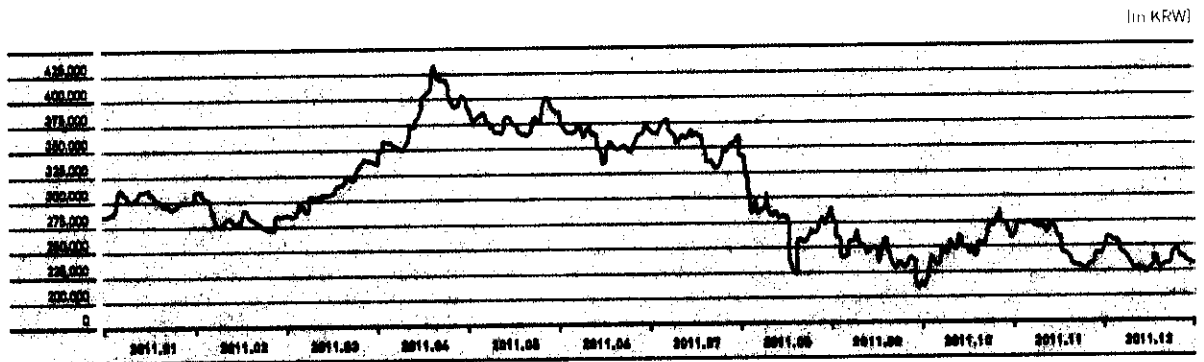
(in KRW billions)



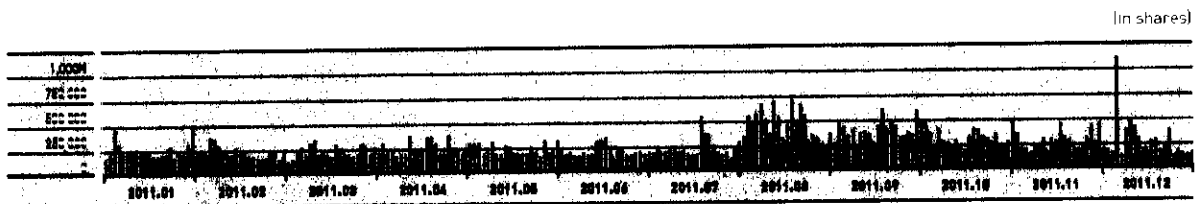
**KEY FIGURES**

	2011	2010
Operating profit margin	12.5%	14.5%
Return on equity	24.7%	31.9%
Debt to equity	26.0%	26.8%
Total issued common shares	66,271,100	66,271,100
Earnings per share in won	29,069	29,345
Stock price in won at year end	317,500	391,000
Dividend per common share in won	4,000	4,000

**STOCK PRICE**



**TRADING VOLUME**



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## MESSAGE FROM THE CEO

Respected shareholders and customers:

We remain committed to becoming a  
leading global company,  
that is respected by customers and  
truly admired by the market."





It is with a great deal of pleasure I can report that in 2011 LG Chem recorded sales of KRW 22,676 billion and an operating profit of KRW 2,835 billion.

Despite a challenging business environment, sales saw a 16 percent rise over 2010, while operating profit increased from the previous year as well. I believe this is the result of our continuous efforts to pursue Speed Management, which is based on a clear vision and unrelenting determination. At the same time, these achievements would not have been possible without your steadfast encouragement and support.

By business segment, LG Chem's Petrochemicals Division has significantly enhanced its profitability by increasing sales of premium products, raising its capacity in core businesses that include SAP, BR, and metallocene polyethylene, and strengthening cost competitiveness. In addition, the division has aggressively been expanding globally by increasing its production capacity in China, establishing a manufacturing base in Eastern Europe, and starting construction of a petrochemical complex in Kazakhstan that is part of a joint project.

The IT & Electronic Materials Division has not only assumed a leading position in the polarizer business in markets around the world, but also succeeded in commercializing 3D film for passive glasses after it secured a dedicated production line for them. Furthermore, the division made significant progress in new film businesses, including solar battery back sheets and ITO film for touch panels.

The Energy Solution Division saw outstanding growth in its share of the global market based on strong ties with core customers. It also gained a competitive edge by switching to high-volume, high value-added products, developing differentiated materials, and raising productivity across its facilities.

Additionally, LG Chem's push for new businesses to serve as future growth engines got on track in 2011. A plant for LCD glass substrates is now under construction as planned, with the first line completed and preparing to start mass production.

The advanced automotive battery business is solidifying its leading position globally by signing further contracts with major international automakers, establishing more factories overseas, and completing construction on a factory in the United States.

In the coming year, the business environment is expected to remain quite challenging. However, each and every LG Chem employee will do their utmost in bringing about top results despite these unfavorable conditions on our way to becoming a market leader in all of our business divisions by ensuring the highest level of competitiveness and effectively preparing for the future.

Moreover, we have recently created a Energy Solution Division and enhanced responsible management around the company's three main divisions in order to respond rapidly to the changing business environment and accelerate our ambitious effort to become a market leader. LG Chem firmly believes its new management system has been made possible because of Speed Management, as it allows for quick decision making and timely action.

That said, we will continue reinforcing the synergy effect between divisions, one of LG Chem's distinct strengths. Through swift responses to changes in the business environment and providing differentiated value to customers, we will continue to hasten growth and increase profits.

In closing, I would like to express my sincere appreciation for the unwavering support and encouragement our customers and investors have shown over the past year. We remain committed to going back to basics and outpacing our rivals when it comes to becoming a leading global company, one that is respected by customers and truly admired by the market.

We appreciate your constant support and encouragement.  
Thank you.



Vice Chairman & CEO  
Peter Bahnsuk Kim

## MANAGEMENT'S DISCUSSION & ANALYSIS

### 2011 OVERVIEW

Since the company's founding in 1947, LG Chem has grown into a leading global corporation and Korea's leader in the petrochemicals industry. While expanding the company's IT & Electronic Materials and Energy Solution divisions, which includes the display and clean energy fields, LG Chem has been enhancing the profitability and growth potential of its Petrochemicals Division.

In 2011, the global economy experienced a sustained slowdown in the aftermath of austerity measures taken by the Chinese government and uncertainties due to financial crises in Europe.

Still, LG Chem's Petrochemicals Division was able to achieve stable profits thanks to the company's differentiated portfolio of premium products as well as the relatively high growth in demand in emerging markets such as China and India.

The IT & Electronic Materials and Energy Solution divisions also saw relatively stable profits due to productivity growth and increased sales of its premium products despite sluggish IT industry. Furthermore, new businesses that we have long been preparing for as future growth engines began taking shape in 2011.

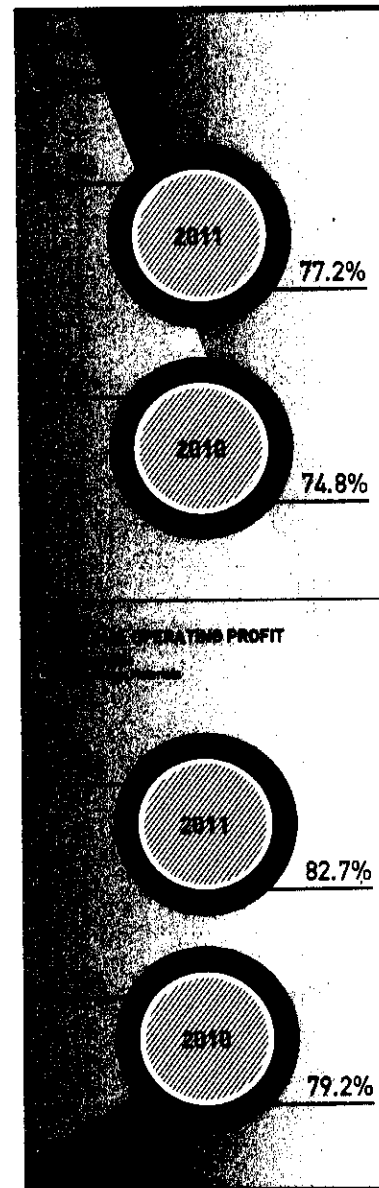
As a result, sales and operating profit increased 16.5 and 0.5 percent, respectively, reaching KRW 22,676 billion and KRW 2,835 billion on an IFRS basis. Net income dropped 1.4 percent, reaching KRW 2,170 billion, due to a decline in gain on valuation using the equity method.

The Petrochemicals Division enjoyed favorable market conditions, with robust demand in emerging markets such as China and India.

Although the profitability of the five businesses within the Petrochemicals Division fell slightly in the wake of the global financial crisis, the acryl and plasticizer business and the synthetic rubber & specialty polymer business enjoyed stable profit levels with their high proportion of premium products.

In addition, LG Chem is consistently increasing customer value by strengthening cost competitiveness and expanding premium product lines, including synthetic rubber and SAP, while providing top solutions every step of the way. These efforts led to a significant improvement in results, with increases in sales and operating profit standing at 18.8 and 3.3 percent, respectively, reaching KRW 17,398 billion and KRW 2,353 billion.

Despite a decrease in operating ratio as a result of weak IT demand, the IT & Electronic Materials Division did see a 4.3 percent rise, reaching KRW 5,119 billion, due to LG Chem's release of 3D FPR and increased demand among major clients of the Energy Solution Division. Operating profit declined 18.2 percent because of a slump in forward industries, dipping to KRW 491 billion. However, LG Chem was still able to maintain relatively solid profit levels by focusing on the operation of ultra-wide lines for polarizer plates, releasing new 3D FPR products, and increasing the production capacity of highly profitable polymer batteries.



Polarizer is a core material for LCD panels. Although LG Chem got into this business late, we have now become the world leader both in name and substance. This has been made possible thanks to our consistent cost leadership activities, relentless material innovation, and enhanced productivity, which is accomplished by operating ultra-wide lines while continually improving line speed.

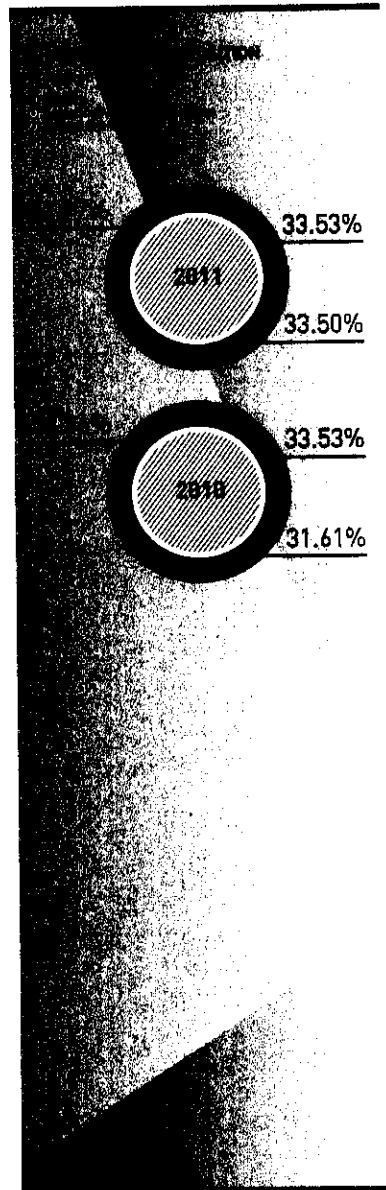
LG Chem's Energy Solution Division also strengthened its position in the global market as it continued to expand its internal share of strategic customers. This was accomplished by increasing product supply to meet customer needs and enhancing communication with customers.

To help prepare for changes ahead of our competition in the advanced automotive battery business, LG Chem consolidated its leading market position by signing deals with 10 leading auto manufacturers that included GM, Renault, Hyundai/Kia, Ford and Volvo. LG Chem expects sales in its advanced automotive battery business to soar on the division's way to becoming a future growth engine of the company, as most of our biggest clients, such as Renault, Ford, and Volvo, prepare for the release of new cars that make use of advanced automotive batteries in addition to GM's Chevrolet Volt and hybrid cars from Hyundai/Kia released in 2010 and 2011 respectively.

LCD glass substrates also represent another future growth engine for LG Chem. The company is scheduled to start production on its first line in the first half of 2012 and made investment decisions on the second and third lines in April to ensure the success of the business. At the same time, we will continue to develop next-generation growth industries such as OLED materials and lighting.

In 2011, LG Chem made investments totaling KRW 2.3 trillion, with KRW 923 billion invested in the Petrochemicals Division, KRW 1,171 billion in the IT & Electronic Materials and Energy Solution divisions, and KRW 227 billion used for common expenses. In 2012, LG Chem will continue to make further investments in order to strengthen competitiveness in traditional businesses and secure future growth engines.

Through continuous innovation based on operational excellence, LG Chem will continue to realize its vision of becoming a leading global company in every business division, from Petrochemicals to the IT & Electronic Materials and Energy Solution divisions.



## MANAGEMENT'S DISCUSSION & ANALYSIS

### FINANCIAL INFORMATION

#### FINANCIAL STRUCTURE

By posting stable results despite a challenging business environment, consolidated debt-to-equity ratio and leverage ratio over the year was reduced 4.1 percentage points and 0.8 percentage points, respectively, to 57.5 percent and 26.0 percent, as of the end of 2011.

In 2012, LG Chem plans to focus most of its investments in result-oriented and highly profitable businesses in the IT & Electronic Materials and Energy Solution divisions. This will include LCD glass substrates, advanced automotive batteries, 3D FPR, and polymer batteries. At the same time, we will increase our production capacity of highly profitable acrylate and SAP products in the Petrochemicals Division. All of these efforts will help secure future engines for constant growth at LG Chem.

By maintaining a principle of investing within the limits of our internal cash flow, LG Chem will continue to improve the company's financial structure, with prudent investment decisions, tangible results, and more efficient management of operating capital.

#### MAJOR FINANCIAL INDICATORS

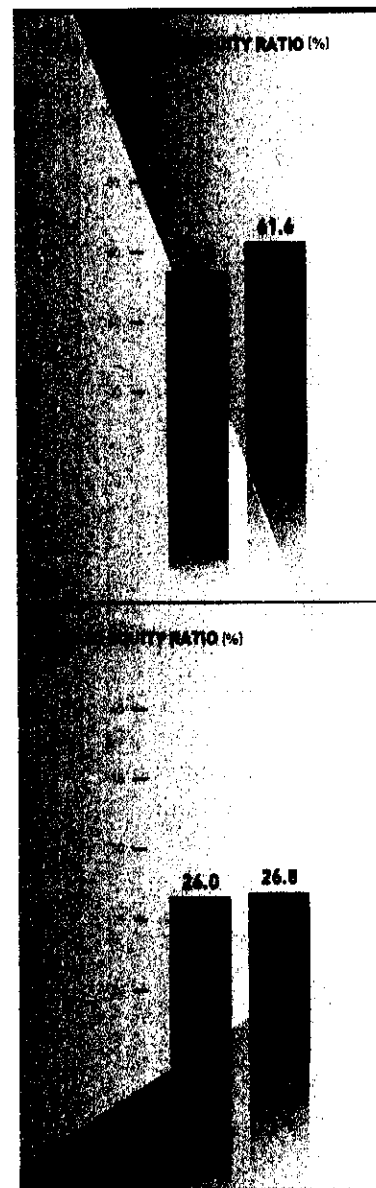
	2011	2010
Debt to equity (%)	26.0	26.8
Interest coverage multiple (x)	42.3	44.2
Return on assets (%)	15.5	19.0
Return on equity (%)	24.7	31.9

#### EQUITY

As of December 31, 2011, the LG Group held 33.53 percent of LG Chem's outstanding shares, with foreign investors holding 33.50 percent and domestic institutional and individual investors holding 32.97 percent.

#### STOCK INFORMATION (as of Dec. 31, 2011)

	Total Shares Issued	Paid-in Capital (in KRW billions)	Foreign Investor Holdings (%)
Common stock	64,271,100	331.4	33.50
Preferred stock	7,628,921	38.1	24.89
Total	73,900,021	369.5	32.61



**FUNDING STRATEGY**

**Liquidity Risk Management**

In principle, LG Chem raises funds for capital expenditures from long-term loans and for working capital from short-term loans.

**Interest Rate Risk Management**

An appropriate mix of fixed and variable rate loans is used to flexibly respond to fluctuating interest rates. By using interest derivatives, LG Chem is able to partially hedge against risks associated with interest rates. In addition, we are able to keep our loan interest rate at a low figure of approximately 2.7 percent based on the company's high credit rating.

**Foreign Exchange Risk Management**

LG Chem has an optimal level of foreign currency loans, which helps serve as a natural hedge against foreign exchange exposure. In 2012, the company is forecast to have a net exposure surplus estimated at U.S. \$5.8 billion. At the same time, the company will maintain its foreign currency loans at U.S. \$1 billion as a hedge, including export receivable financing.

**INTEREST EXPENSE** (in KRW billions)

	2011	2010	Change
Interest expense	72.9	72.4	+0.5
Interest rate	2.78%	2.73%	+0.02%p

**BORROWING BY CURRENCY** (in KRW billions)

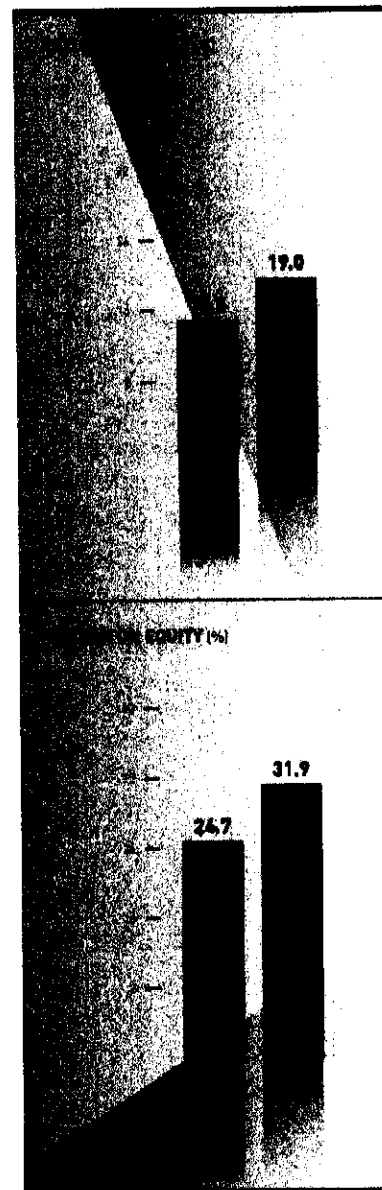
	Dec. 2011	Dec. 2010	Change
Korean won	476.6	161.5	+315.1
Foreign currency	2,052.7	1,939.6	+113.1
Total	2,529.3	2,101.1	+428.2

**DIVIDEND & DIVIDEND POLICY**

LG Chem considers dividends to be the foremost means of returning profits to its shareholders. As a result, we take various factors into account when determining the company's dividend policy, including profit returns, sufficiency of capital resources for securing future growth, and financial soundness.

In fiscal 2011, the company paid annual cash dividends on its common stock of KRW 4,000 (80 percent of face value) per share, as well as KRW 4,050 (81 percent of face value) per share on its preferred stock, the same amount as the previous year.

Based on 2011 earnings, the determinants of dividend payouts included investments in fostering LG Chem's business competitiveness and future growth.



## MANAGEMENT'S DISCUSSION & ANALYSIS

LG Chem is committed to increasing shareholder value by enhancing the competitiveness of its core businesses, constantly generating solid profits, and maintaining dividends at a level that can ensure both the financial soundness of the company and satisfy shareholder expectations.

### DIVIDEND SUMMARY

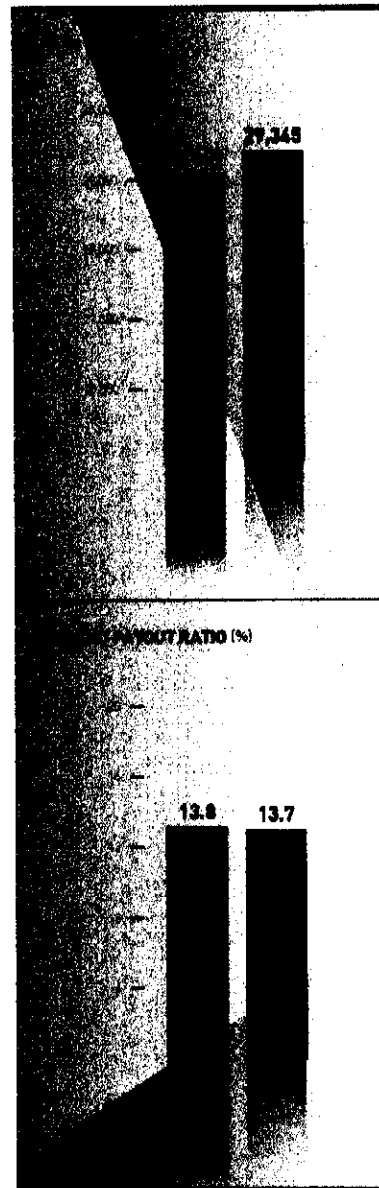
	2011	2010
Net Income (in KRW million)	2,169,670	2,199,765
EPS (in KRW)	29,069	29,345
Total Dividends (in KRW million)	318,645	279,980
Dividend Payout Ratio (%)	13.8	13.7
DPO at face, Common (%)	80	80
DPO at face, Preferred (%)	81	81
Dividend Yield Ratio, Common (%)	1.24	1.02
Dividend Yield Ratio, Preferred (%)	3.77	2.55

### CAPITAL EXPENDITURES

In 2011, LG Chem's total investments amounted to KRW 2.3 trillion on a consolidated basis. The company continued readjusting its business portfolio in the Petrochemicals Division, with major investments that included a 70,000-ton expansion of its Daesan naphtha cracking center (NCC) and the increased production capacity of premium products such as BR and SAP. Including the investments made in LCD glass substrates and advanced automotive batteries, LG Chem invested a total of KRW 1,656 billion into battery production in the IT & Electronic Materials and Energy Solution divisions.

In 2012, LG Chem will channel all its available resources into expanding its existing businesses and securing future growth engines to follow through on its goal of becoming a leading global company. Investments in the petrochemicals business will focus on the expansion of production capacity of specialty products such as BPA, acrylate, and SAP facilities. In the IT & Electronic Materials and Energy Solution divisions, the company will increase its investments in LCD glass substrates, advanced automotive batteries, and 3D FPR.

Despite uncertainties in the management environment, LG Chem will continue to make future-oriented investments based on the stable cash flow generated from solid business results.



2012 OUTLOOK

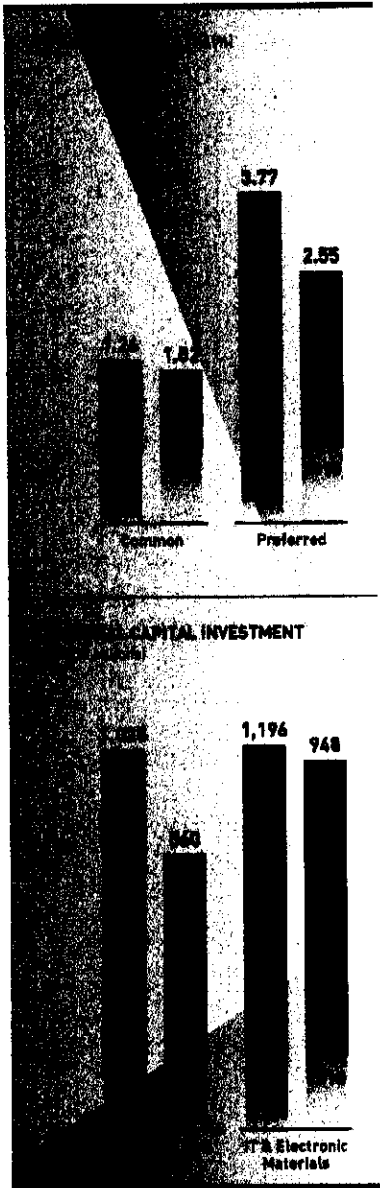
With uncertainty shrouding global economic recovery, high oil prices due to instability in the Middle East, and slower growth in China in 2012, the world's economy remains highly volatile. Despite the uncertainties which are expected to abound in the business environment, LG Chem will continue to strengthen its competitiveness in its traditional businesses in an effort to expand overall profit and continue promoting new businesses.

Although there are still uncertainties about demand in China, LG Chem continues to expand its proportion of premium products like metallocene-based PE and to increase the production capacity of profitable products such as acrylate and SAP to realize higher profitability. In addition, we will ensure higher profit levels by improving energy efficiency through the optimum operational excellence of all our facilities.

At the IT & Electronic Materials Division, LG Chem is concentrating on enhancing its market dominance in existing businesses and quickly normalizing new materials businesses such as 3D FPR and OLED-related products. At the same time, we are taking every necessary measure to attain tangible results in the LCD glass substrates business as fast as possible. In fact, the first line is slated to begin commercial production in the first half of 2012, with plans in place to invest in the second and third lines as well.

The Energy Solution Division will secure a greater number of customers by increasing the production capacity of mobile batteries to respond to the growing demand of new devices such as smartphones and Ultrabook. The advanced automotive battery business is expecting to see a substantial increase in sales with the release of new models from major automakers such as Renault, Ford, and Volvo. In 2012, the Energy Solution Division plans to increase the number of its research and development personnel, up its investment in the sector to maintain the division's leading position, and maintain its top position in the world market by reaching out to a wider range of customers.

LG Chem will seek operational excellence in its core businesses and concentrate the company's resources on new businesses to reinforce the necessary momentum for future growth. Indeed, we are poised to draw on all available resources to grow as a leading global company.



## MESSAGE FROM THE CFO

Respected shareholders and customers:

There were a great number of difficulties to overcome in the business world in 2011 due to continued financial uncertainty in Europe and austerity measures undertaken by the Chinese government. Despite these challenges, LG Chem was able to continue laying the groundwork on its way to becoming a leading global company, one with stable results that is based on a differentiated competitive edge.

LG Chem is establishing itself as a globally competitive company by strengthening traditional core business such as our Petrochemicals Division, which has maintained a level of sustained profitability by taking full advantage of the division's operating excellence and diverse portfolio of premium products. At the same time, the IT & Electronic Materials Division continues to enjoy the largest share of the global market, while the company is enhancing its market leadership in the advanced automotive battery business, an exciting future growth engine for LG Chem.

As a result of these and other efforts, LG Chem recorded a 16.5 percent increase in sales, or KRW 22,676 billion, despite the worldwide slowdown in the economy. We also achieved a modest 0.5 percent increase in operating profit, or KRW 2,835 billion, on an International Financial Reporting Standards (IFRS) basis.

Despite the global economic slowdown, LG Chem continued to invest in new growth engines, including the advanced automotive battery and LCD glass substrates businesses, while also strengthening our traditional core businesses, the Petrochemicals and IT & Electronic Materials divisions, through continued investments. Thus, my responsibility as CFO was more important than ever in making timely, accurate decisions about investments, and also in minimizing market vulnerability risks amid an uncertain financial market environment.

Looked at by business division, LG Chem's Petrochemicals Division expanded its capacity of highly profitable products such as synthetic rubber and SAP while establishing a foundation for strengthening its cost competitiveness by establishing a joint venture to build ethane cracker in Kazakhstan. In addition, the IT & Electronic Materials Division was able to minimize the effects of a sluggish LCD market by releasing the world's first 3D film patterned retarder (FPR), a core material for 3D TVs, while the battery business took a significant step forward as one of our future growth engine businesses when major automakers that included GM, Hyundai Motor Company and Kia Motors Corporation began releasing electric and hybrid vehicles on the market.

As LG Chem's CFO, I am committed to ensuring that the company is consistent in maintaining top economic results as we overcome a wide range of challenges in the business environment. As part of this effort, we will create a synergy effect between business operations

and management, maintain financial stability, and ensure an efficient risk management system worthy of a leading global company. Thus, we are maximizing our support for new business sectors, such as our advanced automotive battery and LCD glass substrates businesses, as we accelerate their growth in line with the company's traditional core divisions. To accomplish this, we have come up with the following initiatives.

First, a high level of uncertainty in the business environment has heightened the importance of deftly managing working capital not only to champion a sound financial structure, but also to ensure the company's future growth. To this end, we are maintaining a stable cash flow and further improving our financial structure by focusing our investments on profitable businesses.

In fact, even with our increased investment in new growth engine businesses and the challenging management environment in 2011, LG Chem's total liability-to-equity ratio stood at 57.5 percent and its debt-to-equity ratio at 26.0 percent, an improvement of 4.1 percentage points and 0.8 percentage points, respectively, compared to 2010.

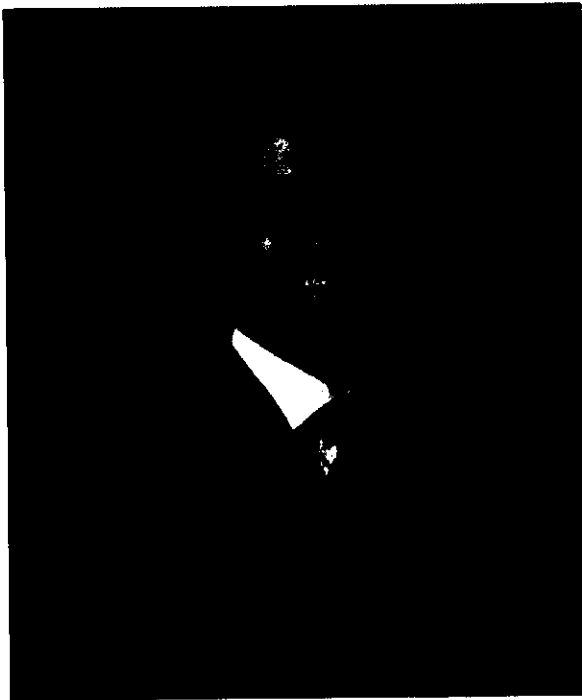
Second, LG Chem will continue investing in future growth engines. We will act prudently with these investments and make decisions based on cash flow created from normal business operations, and only after thoroughly scrutinizing our priorities and running comprehensive feasibility studies.

As a result of our continued investments, LG Chem started an advanced automotive battery business in earnest in 2011 and expect to see similar results in the LCD glass substrates business in the coming year. Furthermore, additional investment plans are in place for the IT & Electronic Materials and Energy Solution divisions, which includes expanding the production capacity of 3D FPR and mobile batteries. We will also increase the production capacity of our highly profitable acrylate and SAP products at our Petrochemicals Division as we continue to differentiate the company's strengths from those of our competitors.

Overall, LG Chem plans to increase investment by approximately 10 percent compared to 2010, to KRW 2.5 trillion, a large portion of which has been assigned to strategic future growth businesses. I firmly believe such investments will greatly contribute to increased profits and the sustainable, long-term growth of LG Chem.

Third, in addition to the company's Petrochemicals and IT & Electronic Materials divisions, LG Chem launched its new Energy Solution Division to enhance responsible management of each respective division, as business is growing very quickly in scale. LG Chem is committed to improving its internal control process so that every division can continue growing substantively.





We will continue to pursue sustainable and profitable growth based on our strong core businesses and our determination to enhance future growth engine businesses.

At the same time, we are planning to strengthen systematic monitoring of our overseas businesses, while minimizing risks in the fields of capital management, bond management, and insurance.

Finally, we will maximize shareholder value. Due to a slowdown in the global economy in 2011, LG Chem was only able to achieve similar results as the previous year, though we do have plans to carry out large-scale investments for our future growth engines. As a result, dividends for 2011 were KRW 4,000 for common shares and KRW 4,050 for preferred shares, the same as the past year.

Despite these harsh challenges in the business environment, LG Chem was able to widen the gap with its competitors by strengthening traditional core businesses and paving the way for developing future growth engines such as advanced automotive batteries and LCD glass substrates.

While we expect stock markets to be highly volatile in 2012 because of a delay in economic recovery throughout developed nations, a projected relaxing of austerity measures from the Chinese

government, and high oil prices, we will continue to pursue sustainable and profitable growth based on our strong core businesses and our determination to enhance future growth engine businesses.

Every employee at LG Chem, from senior management on down, is doing their utmost to further enhance shareholder value, which will further strengthen the trust investors have in the company. Proof of this is evident in LG Chem receiving the grand prize in the securities category at the Korea IR Service's Korea IR Awards two years in a row, in 2010 and 2011, a first for any publicly traded company.

In 2012, we will continue to engage in more active communication with domestic and overseas investors and IR activities.

President & CFO  
Suk-Jeh Cho

## REPORT OF INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

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Yongsan-gu, Seoul 140-702, Korea  
(Yongsan P.O. Box 266, 140-600)

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

We have audited the accompanying consolidated statements of financial position of LG Chem, Ltd. and its subsidiaries (collectively the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Ningbo LG Yongxing Chemical Co., Ltd. and certain other consolidated subsidiaries, whose financial statements represent 19% of the Company's consolidated total assets as of December 31, 2011 (2010: 22%), and represent 19% of the Company's consolidated total revenue for the year ended December 31, 2011 (2010: 22%). These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG Chem, Ltd. and its subsidiaries as of December 31, 2011 and 2010, and their finance performance and cash flows for the years then ended in conformity with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated 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 auditing standards and their application in practice.

Seoul, Korea  
March 8, 2012

*Samil PricewaterhouseCoopers*

This report is effective as of March 8, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

(in millions of Korean won)

	Notes		2011		2010
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3, 6, 7	₩	1,379,379	₩	1,368,034
Trade receivables	3, 6, 8, 34		3,117,239		2,829,962
Other receivables	3, 6, 8, 34		133,915		78,015
Prepaid income taxes			17,848		3,379
Other financial assets	3, 6, 9, 11		-		2,194
Other current assets	14		132,598		127,609
Inventories	12		2,475,233		2,182,484
<b>Total current assets</b>		₩	<b>7,256,212</b>	₩	<b>6,291,677</b>
<b>Non-current assets</b>					
Other receivables	3, 6, 8		33,657		20,737
Other financial assets	3, 6, 9, 10		5,973		4,183
Investments in associates and joint ventures	1, 5, 13		328,408		213,572
Deferred income tax assets	31		32,211		45,289
Property, plant and equipment	14		7,375,955		5,872,040
Intangible assets	15		207,172		180,115
Other non-current assets	16		45,966		45,846
<b>Total non-current assets</b>			<b>8,029,342</b>		<b>6,381,782</b>
<b>Total assets</b>		₩	<b>15,285,554</b>	₩	<b>12,673,459</b>
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade payables	3, 6, 34		1,503,106		1,302,563
Other payables	3, 6, 34		950,168		821,435
Borrowings	3, 6, 17, 34		1,837,637		1,620,581
Other financial liabilities	3, 6, 9, 11		536		20,535
Provisions	18		7,229		4,949
Current income tax liabilities	31		289,460		409,688
Other current liabilities	20		135,768		97,671
<b>Total current liabilities</b>		₩	<b>4,723,904</b>	₩	<b>4,277,392</b>
<b>Non-current liabilities</b>					
Other payables	3, 6,		41,329		47,792
Borrowings	3, 6, 17		689,081		480,510
Other financial liabilities	3, 6, 9, 11		146		1,845
Provisions	18		2,314		-
Defined benefit liability	19		60,777		8,136
Deferred income tax liabilities	31		60,324		14,249
<b>Total non-current liabilities</b>			<b>853,971</b>		<b>552,232</b>
<b>Total liabilities</b>		₩	<b>5,577,875</b>	₩	<b>4,829,624</b>

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