

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

June 30, 2013 and 2012

LG Chem, Ltd. and Subsidiaries
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June 30, 2013 and 2012

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Report on Review of Interim Financial Statements

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the "Company"). These financial statements consist of consolidated statement of financial position of LG Chem, Ltd. and its subsidiaries as of June 30, 2013, and the related consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, and the consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2013 and 2012, 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') 1034, *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 1034, *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Company as of December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in 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 7, 2013. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2012, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2012.

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.

A handwritten signature in black ink that reads "Samil Price Waterhouse Coopers". The signature is written in a cursive, flowing style.

Seoul, Korea
August 13, 2013

The report is effective as of August 13, 2013, 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 consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
June 30, 2013 and December 31, 2012

<i>(in millions of Korean won)</i>	Notes	June 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	1,584,272	720,767
Trade receivables	3, 5, 7, 33	3,567,080	3,131,051
Other receivables	3, 5, 7, 33	614,471	772,746
Prepaid income taxes		8,378	7,314
Other financial assets	3, 5, 8, 10	-	2,352
Other current assets	15	188,418	190,778
Inventories	11	2,528,951	2,627,930
Total current assets		8,491,570	7,452,938
Non-current assets			
Other receivables	3, 5, 7	20,698	20,718
Other financial assets	3, 5, 8, 9	5,963	21,811
Investments in associates and joint ventures	1, 12, 35	436,198	405,068
Deferred income tax assets		70,251	57,525
Property, plant and equipment	13	8,650,254	8,348,178
Intangible assets	14	243,888	233,893
Other non-current assets	15	40,144	41,022
Total non-current assets		9,467,396	9,128,215
Total assets		17,958,966	16,581,153
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 33	1,703,716	1,522,395
Other payables	3, 5, 33	991,497	766,231
Borrowings	3, 5, 16	2,112,758	1,751,781
Other financial liabilities	3, 5, 8, 10	28	154
Provisions	17	1,869	1,943
Current income tax liabilities		189,536	142,901
Other current liabilities	5, 19	138,480	152,607
Total current liabilities		5,137,884	4,338,012
Non-current liabilities			
Other payables	3, 5	4,826	15,070
Borrowings	3, 5, 16	1,194,480	1,195,126
Provisions	17	14,451	11,263
Defined benefit liability	18	141,285	105,901
Deferred income tax liabilities		152,806	150,426
Total non-current liabilities		1,507,848	1,477,786
Total liabilities		6,645,732	5,815,798

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
June 30, 2013 and December 31, 2012

<i>(in millions of Korean won)</i>	Notes	June 30, 2013	December 31, 2012
Equity			
Equity attributable to owners of the parent			
Share capital	1, 21	369,500	369,500
Capital surplus		1,157,772	1,157,772
Other components of equity	23	(15,699)	(15,699)
Accumulated other comprehensive income		17,142	(86,977)
Retained earnings	22	9,647,307	9,204,703
		<u>11,176,022</u>	<u>10,629,299</u>
Non-controlling interests		<u>137,212</u>	<u>136,056</u>
Total equity		<u>11,313,234</u>	<u>10,765,355</u>
Total liabilities and equity		<u>17,958,966</u>	<u>16,581,153</u>

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Income
Three-Month and Six-Month Periods Ended June 30, 2013 and 2012

	Notes	2013		2012	
		Three months	Six months	Three months	Six months
<i>(in millions of Korean won, except per share amounts)</i>					
Revenue	33, 35	5,917,239	11,637,843	5,995,619	11,748,690
Cost of sales	25,33	<u>(5,006,627)</u>	<u>(9,954,331)</u>	<u>(5,134,765)</u>	<u>(10,118,085)</u>
Gross profit		910,612	1,683,512	860,854	1,630,605
Selling, general and administrative expenses	24, 25, 33	<u>(409,094)</u>	<u>(773,078)</u>	<u>(361,748)</u>	<u>(684,640)</u>
Operating profit	35	501,518	910,434	499,106	945,965
Finance income	5, 27, 35	60,161	93,778	21,326	40,257
Finance expenses	5, 27, 35	(45,984)	(85,062)	(45,617)	(80,985)
Share of profit of associates and joint ventures	12, 35	860	3,559	2,141	5,420
Other non-operating income	5, 28, 35	110,690	217,235	104,133	173,297
Other non-operating expenses	5, 29, 35	(117,577)	(215,621)	(101,024)	(163,664)
Profit before income tax	34, 35	509,668	924,323	480,065	920,290
Income tax expense	30	<u>(108,707)</u>	<u>(182,919)</u>	<u>(106,212)</u>	<u>(165,583)</u>
Profit for the period		<u>400,961</u>	<u>741,404</u>	<u>373,853</u>	<u>754,707</u>
Attributable to:					
Owners of the parent		398,295	737,441	376,584	751,983
Non-controlling interests		2,666	3,963	(2,731)	2,724
Earnings per share for profit attributable to owners of the parent (in won)					
31					
Basic and diluted earnings per ordinary share					
for profit for the period		5,415	10,026	5,120	10,224
Basic and diluted earnings per preferred share					
for profit for the period		5,428	10,051	5,132	10,249

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 Six-Month Periods Ended June 30, 2013 and 2012

(in millions of Korean won)

	Notes	2013		2012	
		Three months	Six months	Three months	Six months
Profit for the period		400,961	741,404	373,853	754,707
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Actuarial gains(losses) on defined benefit liability	18	(290)	600	670	1,021
Share of actuarial gains and losses on defined benefit liability of associates		(16)	(16)	-	-
Income tax effect relating to components of other comprehensive income	18	71	(145)	(162)	(247)
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences		50,384	99,381	1,527	(8,469)
Cash flow hedges		53	126	139	306
Others		6,405	13,048	684	345
Income tax effect relating to components of other comprehensive income		1,466	2,662	186	1,905
Other comprehensive income for the period, net of tax		<u>58,073</u>	<u>115,656</u>	<u>3,044</u>	<u>(5,139)</u>
Total comprehensive income for the period		<u>459,034</u>	<u>857,060</u>	<u>376,897</u>	<u>749,568</u>
Attributable to:					
Owners of the parent		450,712	841,999	378,718	747,602
Non-controlling interests		8,322	15,061	(1,821)	1,966

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Six-Month Periods Ended June 30, 2013 and 2012

(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	Retained earnings	Total		
Balance at January 1, 2012	369,500	1,157,772	(15,699)	(11,398)	8,053,307	9,553,482	154,197	9,707,679
Comprehensive income:								
Profit for the period	-	-	-	-	751,983	751,983	2,724	754,707
Actuarial gains on defined benefit liability	18	-	-	-	774	774	-	774
Currency translation differences	-	-	-	(5,735)	-	(5,735)	(758)	(6,493)
Cash flow hedges	-	-	-	231	-	231	-	231
Others	-	-	-	349	-	349	-	349
Total comprehensive income	-	-	-	(5,155)	752,757	747,602	1,966	749,568
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	(21,627)	(316,147)
Others	-	-	-	-	(1,247)	(1,247)	(416)	(1,663)
Total transactions with owners	-	-	-	-	(295,767)	(295,767)	(22,043)	(317,810)
Balance at June 30, 2012	369,500	1,157,772	(15,699)	(16,553)	8,510,297	10,005,317	134,120	10,139,437
Balance at January 1, 2013	369,500	1,157,772	(15,699)	(86,977)	9,204,703	10,629,299	136,056	10,765,355
Comprehensive income:								
Profit for the period	-	-	-	-	737,441	737,441	3,963	741,404
Actuarial gains on defined benefit liability	18	-	-	-	455	455	-	455
Currency translation differences	-	-	-	91,009	-	91,009	11,098	102,107
Cash flow hedges	-	-	-	96	-	96	-	96
Others	-	-	-	13,014	(16)	12,998	-	12,998
Total comprehensive income	-	-	-	104,119	737,880	841,999	15,061	857,060
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	(13,653)	(308,173)
Others	-	-	-	-	(756)	(756)	(252)	(1,008)
Total transactions with owners	-	-	-	-	(295,276)	(295,276)	(13,905)	(309,181)
Balance at June 30, 2013	369,500	1,157,772	(15,699)	17,142	9,647,307	11,176,022	137,212	11,313,234

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2013 and 2012

(in millions of Korean won)

	Notes	2013	2012
Cash flows from operating activities			
Cash generated from operations	34	1,661,835	1,011,767
Interest received		19,349	13,451
Interest paid		(43,193)	(51,460)
Dividends received		35	33
Income taxes paid		(143,066)	(286,839)
Net cash generated from operating activities		<u>1,494,960</u>	<u>686,952</u>
Cash flows from investing activities			
Decrease in other receivables		840,136	67,325
Increase (decrease) in non-current other receivables		(2,736)	4,215
Proceeds from disposal of property, plant and equipment		2,335	6,248
Proceeds from disposal of intangible assets		323	1,282
Increase in other receivables		(681,203)	(74,496)
Increase in non-current other receivables		-	(9,785)
Increase in non-current other financial assets		(44)	(15,709)
Acquisition of investments in associates and joint ventures		-	(233)
Acquisition of property, plant and equipment		(699,499)	(1,007,050)
Acquisition of intangible assets		(16,473)	(14,907)
Net cash used in investing activities		<u>(557,161)</u>	<u>(1,043,110)</u>
Cash flows from financing activities			
Proceeds from borrowings		279,115	567,595
Repayments of borrowings		(78,574)	(361,846)
Payments of dividends		(295,233)	(294,520)
Net cash used in financing activities		<u>(94,692)</u>	<u>(88,771)</u>
Net increase(decrease) in cash and cash equivalents		843,107	(444,929)
Cash and cash equivalents at the beginning of period		720,767	1,379,379
Exchange gains on cash and cash equivalents		20,398	(2,733)
Cash and cash equivalents at the end of period		<u>1,584,272</u>	<u>931,717</u>

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

June 30, 2013 and 2012, and December 31, 2012

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 the 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.

As of June 30, 2013, the Parent Company has its manufacturing facilities in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of June 30, 2013, the Parent Company has issued 66,271,100 ordinary shares (₩369,500 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, information and electronic materials, and batteries business. The petrochemical business includes production of olefin petrochemicals such as ethylene, propylene, butadiene from Naphtha and aromatic petrochemicals such as benzene, xylene, toluene, and production of synthetic resin, synthetic rubber, and synthetic components from olefin and aromatic petrochemicals. This business is regarded as important as it provides primary materials to other industries and bears characteristics of large-volume process industry. The Company's major products are ethylene, polyethylene, propylene, synthetic rubber, polyvinyl chloride (PVC), plasticizer, acrylate, acrylonitrile-butadiene-styrene (ABS), epoxy resin, and others.

The information and electronic materials business manufactures and supplies electronic materials such as optical material including 3D FPR, sensitized material, OLED-related materials and PCB materials. The Company produces Liquid Crystal Display Glass based on the source technology licensed from SCHOTT Solar, Inc., a Germany-based company, combining with its high-quality production techniques.

The batteries business manufactures and supplies batteries ranging from small batteries for portable media devices such as laptop computers, camcorders, mobiles and PDA to battery for electric vehicles and batteries for energy storage system. Currently, the battery division for electronic vehicles is in its position to supply to major domestic/foreign 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 batteries for hybrid electric vehicle / electric vehicle.

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

June 30, 2013 and 2012, and December 31, 2012

1.3 Consolidated subsidiaries, associates and joint ventures

	Percentage of ownership (%)	Business location	June 30, 2013		Business activities
			Fiscal year-end		
Consolidated subsidiaries					
Tianjin LG Dagu Chemical Co.,Ltd.	75	China	December 31		PVC manufacturing and sales
Ningbo LG Yongxing Chemical Co.,Ltd. ¹	75	China	December 31		ABS/SBL manufacturing and sales
LG Chem HK Ltd.	100	Hong Kong	December 31		Sales and trading
LG Chem America, Inc.	100	USA	December 31		Sales and trading
LG Chemical India Pvt. Ltd. ²	100	India	December 31		Syntetic resins manufacturing and sales
LG Polymer India Pvt. Ltd. ²	100	India	December 31		PS manufacturing
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	100	China	December 31		EP manufacturing and sales
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd. ³	100	China	December 31		Battery/ Polarizer Manufacturing and sales
LG Chem (Taiwan), Ltd.	100	Taiwan	December 31		Polarizer manufacturing and sales
LG Chem Display Materials (Beijing) Co.,Ltd.	100	China	December 31		Polarizer manufacturing
Tianjin LG Bohai Chemical Co.,Ltd. ⁴	75	China	December 31		VCM, EDC manufacturing and sales
LG Chem (China) Investment Co.,Ltd.	100	China	December 31		China holding company
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	100	China	December 31		ABS/EP manufacturing and sales
LG Chem Europe GmbH	100	Germany	December 31		Sales and trading
LG Chem Poland Sp. z.o.o	100	Poland	December 31		Polarizer manufacturing Medium&Large sized battery research and manufacturing
LG Chem Michigan Inc.	100	USA	December 31		Medium&Large sized battery research
LG Chem Power Inc.	100	USA	December 31		Medium&Large sized battery research
Tianjin LG Botian Chemical Co.,Ltd. ⁴	56	China	December 31		SBS manufacturing and sales
Ningbo Zhenhai LG Yongxing trade Co.,Ltd. ¹	100	China	December 31		ABS sales
LGC Petrochemical India Private Limited. ⁵	100	India	December 31		Syntetic resins manufacturing and sales Facility management and general cleaning
Haengboknuri ⁶	100	Korea	December 31		
Associates and Joint ventures					
LG Vina Chemical Co.,Ltd.	40	Vietnam	December 31		DOP production and sales Battery manufacturing for electric automobile
HL Greenpower Co.,Ltd.	49	Korea	December 31		Sales and trading
LG Holdings (HK) Ltd.	26	Hong Kong	December 31		Environment solution and Construction of chemical plant
TECWIN Co.,Ltd.	20	Korea	December 31		Plant utility and Distribution, research assistance service
SEETEC Co.,Ltd.	50	Korea	December 31		
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. ⁷	100	Brazil	December 31		Sales and trading
CNOOC & LG Petrochemicals Co.,Ltd.	50	China	December 31		ABS manufacturing and sales
KLPE Limited Liability Partnership	50	Kazakhstan	December 31		PE manufacturing and sales
LG Fuel Cell Systems Inc. ⁸	15	USA	December 31		Power fuel cell research

¹ As of June 30, 2013, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

² As of June 30, 2013, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

³ During this period, the Parent Company additionally acquired 9,694 million shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
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⁴ As of June 30, 2013, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

⁵ LGC Petrochemical India Private Limited was established during this period and the Parent Company newly acquired 100% of its shares for ₩300 million.

⁶ Haengboknuri was established during this period and the Parent Company newly acquired 100% of its shares for ₩600 million.

⁷ Classified as an investment in associate and joint ventures due to its small scale.

⁸ During this period, investment into LG Fuel Cell Systems Inc. was reclassified from available-for-sale financial assets to investment in associates as the Parent Company can exercise significant influence resulting from the executive of the Parent Company being appointed as a member of board of directors of LG Fuel Cell Systems Inc. (Note 12).

LG Chem, Ltd. and Subsidiaries
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1.4 Summarized financial information of subsidiaries, associates and joint ventures

Summarized financial information (before elimination of intercompany transactions) of subsidiaries, associates and joint ventures is as follows:

(in millions of Korean won)

	June 30, 2013				
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the period
Consolidated subsidiaries					
Tianjin LG Dagu Chemical Co.,Ltd.	211,260	129,680	81,580	210,921	(5,850)
Ningbo LG Yongxing Chemical Co.,Ltd.	946,384	607,182	339,202	948,983	23,108
LG Chem HK Ltd.	149,746	134,516	15,230	295,886	54
LG Chem America, Inc.	162,780	149,076	13,704	313,415	1,823
LG Chemical India Pvt. Ltd.	32,888	68	32,820	1,094	402
LG Polymers India Pvt. Ltd.	92,144	42,722	49,422	120,728	1,465
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	96,148	51,943	44,205	79,974	2,281
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,311,037	778,901	532,136	807,789	22,023
LG Chem (Taiwan), Ltd.	217,225	142,251	74,974	210,501	15,906
LG Chem Display Materials (Beijing) Co.,Ltd.	24,510	1,233	23,277	6,832	587
Tianjin LG Bohai Chemical Co.,Ltd.	431,364	210,656	220,708	240,711	(64)
LG Chem (China) Investment Co.,Ltd.	129,094	45,758	83,336	15,268	2,454
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	80,574	42,076	38,498	62,242	3,468
LG Chem Europe GmbH	81,822	67,830	13,992	117,955	2,371
LG Chem Poland Sp. z.o.o	41,624	27,534	14,090	32,897	154
LG Chem Michigan Inc.	179,396	141,959	37,437	-	(6,344)
LG Chem Power Inc.	12,894	11,565	1,329	11,384	1,186
Tianjin LG Botian Chemical Co.,Ltd.	77,420	80,258	(2,838)	78,510	650
Ningbo Zhenhai LG Yongxing trading Co.,Ltd.	5,263	3,731	1,532	8,051	81
LGC Petrochemical India Private Limited.	351	8	343	96	57
Haengboknuri	1,261	636	625	432	25
Associates and joint ventures					
LG Vina chemical Co.,Ltd.	25,686	17,291	8,395	37,674	1,414
HL Greenpower Co.,Ltd.	76,834	43,244	33,590	65,634	1,835
LG Holdings (HK) Ltd.	405,114	157,024	248,090	21,922	4,858
TECWIN Co.,Ltd.	48,676	21,708	26,968	-	-
SEETEC Co.,Ltd.	384,184	43,645	340,539	276,997	7,238
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	361	217	144	-	-
CNOOC & LG Petrochemicals Co.,Ltd.	145,644	61,282	84,362	-	(969)
KLPE Limited Liability Partnership	151,311	2,508	148,803	-	(1,215)
LG Fuel Cell Systems Inc.	42,679	7,037	35,642	2,195	(17,960)

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
June 30, 2013 and 2012, and December 31, 2012

(in millions of Korean won)

	December 31, 2012				
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year
Consolidated subsidiaries					
Tianjin LG Dagu Chemical Co.,Ltd.	206,570	125,990	80,580	423,628	(6,292)
Ningbo LG Yongxing Chemical Co.,Ltd.	753,128	426,398	326,730	1,862,728	56,436
LG Chem HK Ltd.	150,860	136,736	14,124	615,340	1,453
LG Chem America, Inc.	124,318	113,329	10,989	576,090	2,233
LG Chemical India Pvt. Ltd.	32,577	117	32,460	1,824	134
LG Polymers India Pvt. Ltd.	89,400	40,331	49,069	214,108	6,545
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	81,606	43,177	38,429	145,145	4,134
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,158,794	706,676	452,118	1,587,822	38,334
LG Chem (Taiwan), Ltd.	153,824	97,504	56,320	308,017	6,777
LG Chem Display Materials (Beijing) Co.,Ltd.	22,583	1,756	20,827	15,885	1,710
Tianjin LG Bohai Chemical Co.,Ltd.	397,646	177,923	219,723	484,948	11,862
LG Chem (China) Investment Co.,Ltd.	86,121	7,130	78,991	32,005	4,067
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	76,712	44,679	32,033	113,645	4,474
LG Chem Europe GmbH	57,335	46,442	10,893	159,585	3,470
LG Chem Poland Sp. z.o.o	30,400	16,392	14,008	32,455	(3,199)
LG Chem Michigan Inc.	163,941	122,925	41,016	-	(8,554)
LG Chem Power Inc.	15,673	15,599	74	21,684	(2,227)
Tianjin LG Botian Chemical Co.,Ltd.	83,719	86,961	(3,242)	162,216	(10,235)
Ningbo Zhenhai LG Yongxing trading Co.,Ltd.	2,356	1,025	1,331	14,272	150
Associates and joint ventures					
LG Vina chemical Co.,Ltd.	26,357	17,169	9,188	80,224	3,271
HL Greenpower Co.,Ltd.	93,676	61,925	31,751	107,647	2,686
LG Holdings (HK) Ltd.	374,780	151,013	223,767	40,267	8,454
TECWIN Co.,Ltd.	51,890	24,790	27,100	99,792	3,780
SEETEC Co.,Ltd.	373,833	40,532	333,301	488,218	12,436
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	361	217	144	1,375	55
CNOOC & LG Petrochemicals Co.,Ltd.	90,572	12,085	78,487	-	(1,260)
KLPE Limited Liability Partnership	141,258	485	140,773	-	(1,792)

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2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The Company's interim consolidated financial statements for the six-month period ended June 30, 2013, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These interim financial statements have been prepared in accordance with Korean IFRS which is effective as of June 30, 2013, or has been early adopted.

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in conformity with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying interim consolidated financial statements.

2.2 Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Company

The Company newly applied the following amended and enacted standards for the annual period beginning on January 1, 2013:

- Amendment to K-IFRS 1001, '*Presentation of Financial Statements*': *Presentation of Items of Other Comprehensive Income or Loss (as amended)*

The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassified to profit or loss subsequently. The Company applies the amendment retroactively and the amendment does not have an impact on total comprehensive income or loss of the Company.

- Amendment to Korean IFRS 1019, *Employee Benefits*

The Amendment requires entities to immediately recognize all actuarial gains and losses incurred in other comprehensive income or loss. All past service costs incurred are immediately recognized in accordance with the change of the plan, and the previous separate calculation of the interest cost and the expected returns on plan assets has been revised to calculate net interest expense(income) by applying the discount rate used in the defined benefit obligation measurement in the net defined benefit liabilities(assets).The Company applies the amendment retroactively and the comparative interim consolidated statements of income and comprehensive income were restated by reflecting adjustments resulting from the retrospective application. There is no material impact of the application of this amendment on the interim consolidated financial statements.

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- Enactment of Korean IFRS 1110, *Consolidated Financial Statements*

Korean IFRS 1110 explains the principle of control which is the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard sets out further guidance where it is difficult to determine control.

The Company determined there are no changes in consolidation scope due to the adoption of Korean IFRS 1110.

- Enactment of Korean IFRS 1111, *Joint Arrangements*

Korean IFRS 1111, *Joint Arrangements*, reflects the substance of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures.

The Company has no changes in accounting treatments due to the adoption of Korean IFRS 1111.

- Enactment of Korean IFRS 1112, *Disclosures of Interests in Other Entities*

Korean IFRS 1112, *Disclosure of Interests in Other Entities*, provides disclosure requirements for all types of equity investments in other entities including subsidiaries, associates, joint ventures and unconsolidated structured entities. The Company has applied this Standard prospectively in accordance with the provisions of K-IFRS 1112 and there is no material impact of the application of this Standard on the consolidated financial statements.

- Amendment to Korean IFRS 1027, *Separate Financial Statements*

Korean IFRS 1027, *Separate Financial Statements*, contains accounting treatments and requirements for investments in subsidiaries, associates and joint ventures relating only to separate financial statements of the Parent Company. There is no material impact of the application of this Standard on the consolidated financial statements.

- Enactment of Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across K-IFRS. The Company has applied this Standard prospectively in accordance with the provisions of K-IFRS 1113 and there is no material impact of the application of this Standard on the consolidated financial statements.

(2) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013, and not early adopted by the Company are as follows:

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- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, clarifies the facts that: a right of offset must not be contingent on a future event and legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment will be effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this Standard would not have a material impact on the consolidated financial statements.

2.2 Accounting Policies

Significant accounting policies and methods adopted in the preparation of the interim consolidated financial statements are consistent with the accounting policies and method adopted for the annual consolidated financial statements as of and for the year ended December 31, 2012, except for the changes due to the application of amendment and enactments of standards described in Note 2.1. and the one described below.

2.2.1 Income Tax Expense

Income tax expense for the interim period 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 tax rate is applied to the pre-tax income.

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.

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(1) Market risk

1) Foreign exchange risk

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

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

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

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

As of June 30, 2013 and December 31, 2012, the Company's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
USD	2,292,916	2,875,975	1,887,144	2,437,724
EUR	58,371	107,047	48,383	69,940
JPY	8,818	90,580	25,701	148,685
GBP and others	5,745	8,918	1,863	5,155

As of June 30, 2013 and December 31, 2012, if the Company's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been affected as follows:

<i>(in millions of Korean won)</i>	June 30, 2013		December 31, 2012	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(58,306)	58,306	(55,058)	55,058

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.

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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 financial assets held at variable rates. In addition, borrowings issued at fixed rates expose the Company to fair value interest rate risk. As of June 30, 2013 and December 31, 2012, the Company's borrowings at variable rate were denominated in Korean won and foreign currencies.

The Company analyzes 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 ₩2,459 million (2012: ₩2,120 million) or decrease of ₩2,459 million (2012: ₩2,120 million), respectively.

Based on the various scenarios, the Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Company raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

(2) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

As of June 30, 2013 and December 31, 2012, the maximum degrees of credit exposures are as follows :

<i>(in millions of Korean won)</i>	June 30, 2013			December 31, 2012		
	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)
Loans and receivables (excluding cash on hand)	5,799,236	(12,827)	5,786,409	4,653,130	(10,110)	4,643,020
Financial assets at fair value through profit or loss	-	-	-	2,352	-	2,352
Total	5,799,236	(12,827)	5,786,409	4,655,482	(10,110)	4,645,372

In addition, details of financial guarantees provided by the Company are disclosed in Notes 3.1.(3) and 20.

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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 as payment guarantees.

The Company has entered into export insurance contracts with Korea Trade 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 equivalent 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 agencies 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 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 analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

(in millions of Korean won)

	June 30, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,157,917	574,811	674,651	401
Finance lease liabilities	2,481	1,955	-	-
Trade and other payables	2,695,585	4,826	-	-
Total	4,855,983	581,592	674,651	401

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(in millions of Korean won)

	December 31, 2012			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,770,631	496,794	801,771	284
Finance lease liabilities	2,481	3,195	-	-
Trade and other payables	2,288,782	15,652	-	-
Total	4,061,894	515,641	801,771	284

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

(in millions of Korean won)

		June 30, 2013			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Net-settled derivative financial liabilities	Hedging				
	Net-cash flow	(28)	-	-	-
	Subtotal	(28)	-	-	-
	Total	(28)	-	-	-

(in millions of Korean won)

		December 31, 2012			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Net-settled derivative financial liabilities	Hedging				
	Net-cash flow	(154)	-	-	-
	Subtotal	(154)	-	-	-
Gross-settled derivative financial liabilities	Trading				
	Inflow	173,728	-	-	-
	Outflow	(171,376)	-	-	-
	Subtotal	2,352	-	-	-
Total		2,198	-	-	-

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

(in millions of Korean won)

	June 30, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	60,126	138	490	482

(in millions of Korean won)

	December 31, 2012			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	60,121	132	470	571

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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.

The gearing ratio and debt to equity ratio as of June 30, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2013	December 31, 2012
Total borrowings (Note 16) (A)	3,307,238	2,946,907
Less: cash and cash equivalents (B)	<u>(1,584,272)</u>	<u>(720,767)</u>
Net debt (C=A+B)	<u>1,722,966</u>	<u>2,226,140</u>
Total liabilities (D)	6,645,732	5,815,798
Total equity (E)	11,313,234	10,765,355
Total capital (F=C+E)	13,036,200	12,991,495
Gearing ratio (C/F)	13.2%	17.1%
Debt to equity ratio (D/E)	58.7%	54.0%

3.3 Fair value estimation

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

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

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(1) The following tables present the Company's financial assets and liabilities that are measured at fair value as of June 30, 2013 and December 31, 2012:

(in millions of Korean won)

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
Financial assets				
Other current financial assets	-	-	-	-
Total financial assets	-	-	-	-
Financial liabilities				
Other current financial liabilities	-	28	-	28
Total financial liabilities	-	28	-	28

(in millions of Korean won)

	December 31, 2012			Total
	Level 1	Level 2	Level 3	
Financial assets				
Other current financial assets	-	2,352	-	2,352
Total financial assets	-	2,352	-	2,352
Financial liabilities				
Other current financial liabilities	-	154	-	154
Total financial liabilities	-	154	-	154

All other non-current financial assets of the Company consist of available-for-sale equity securities and are measured at cost (June 30, 2013: ₩ 5,963 million; December 31, 2012: ₩ 21,811 million) as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These are not included in the analysis above (Note 9). The Company does not have any plans to dispose of these available-for-sale equity securities in the near future.

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, an entity in the same industry, 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. The financial instruments included in Level 2 are derivative financial instruments. The fair value of derivative financial instruments is determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.

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

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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.

The carrying amount of the trade and other receivables classified as current is reasonable approximated at fair value. Unless the carrying amount of borrowings is not a reasonable approximation of the fair value, in which case information related to the fair value of the borrowings is presented in Note 16.

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.

Significant accounting estimates and assumptions applied in the preparation of these interim consolidated financial statements are consistent with those of the previous financial year, except for the estimates used to determine income tax expense.

5. Financial instruments by category

Categorizations of financial instruments are as follows:

(in millions of Korean won)

Financial assets	June 30, 2013		Total
	Loans and receivables	Assets classified as available-for-sale	
Cash and cash equivalents	1,584,272	-	1,584,272
Trade receivables	3,567,080	-	3,567,080
Other receivables	614,471	-	614,471
Other non-current receivables	20,698	-	20,698
Other non-current financial assets	-	5,963	5,963
Total	5,786,521	5,963	5,792,484

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(in millions of Korean won)

Financial liabilities	June 30, 2013		
	Hedging derivatives	Liabilities at amortized cost	Total
Trade payables	-	1,703,716	1,703,716
Other payables	-	991,497	991,497
Borrowings (current)	-	2,112,758	2,112,758
Other financial liabilities	28	-	28
Other current liabilities (dividends payable)	-	14,848	14,848
Other non-current payables	-	4,826	4,826
Borrowings (non-current)	-	1,194,480	1,194,480
Total	28	6,022,125	6,022,153

(in millions of Korean won)

Financial assets	December 31, 2012			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
Cash and cash equivalents	720,767	-	-	720,767
Trade receivables	3,131,051	-	-	3,131,051
Other receivables	772,746	-	-	772,746
Other current financial assets	-	2,352	-	2,352
Other non-current receivables	20,718	-	-	20,718
Other non-current financial assets	-	-	21,811	21,811
Total	4,645,282	2,352	21,811	4,669,445

(in millions of Korean won)

Financial liabilities	December 31, 2012		
	Hedging derivatives	Liabilities at amortized cost	Total
Trade payables	-	1,522,395	1,522,395
Other payables	-	766,231	766,231
Borrowings (current)	-	1,751,781	1,751,781
Other financial liabilities	154	-	154
Other current liabilities (dividends payable)	-	1,115	1,115
Other non-current payables	-	15,070	15,070
Borrowings (non-current)	-	1,195,126	1,195,126
Total	154	5,251,718	5,251,872

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

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Assets at fair value through profit or loss				
Gain(loss) on valuation/disposal	1,197	(2,116)	(1,260)	(2,625)
Hedging derivatives				
Gain on valuation recognized in other comprehensive expenses	53	126	139	306
Interest expense ¹	(61)	(154)	(210)	(444)
Financial assets classified as available-for-sale				
Dividend income	190	190	157	157
Loans and receivables				
Interest income	7,770	16,762	5,039	12,276
Gain(loss) on foreign currency translation	4,839	45,401	(22,063)	(8,534)
Gain on foreign exchange	57,652	92,477	37,220	514
Liabilities at amortized cost				
Interest expense ¹	(20,928)	(44,569)	(26,214)	(50,255)
Gain(loss) on foreign currency translation	(3,837)	(41,880)	8,820	2,066
Gain(loss) on foreign exchange	(38,653)	(62,716)	(37,266)	203

¹ Capitalized interest for qualifying assets is included (Note 27).

6. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Bank deposits and cash on hand	347,640	282,039
Financial deposits, others	1,236,632	438,728
Total	1,584,272	720,767

As of June 30, 2013, other non-current receivables amounting to ₩38 million are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2012: ₩38 million). As of June 30, 2013, cash and cash equivalents include deposits with banks of ₩3,126 million (December 31, 2012: cash and cash equivalents ₩4,079 million) held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

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7. Trade and other receivables

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

<i>(in millions of Korean won)</i>	June 30, 2013			December 31, 2012		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Trade receivables ¹	3,579,907	(12,827)	3,567,080	3,141,161	(10,110)	3,131,051
Other current receivables	614,471	-	614,471	772,746	-	772,746
Other non-current receivables	20,698	-	20,698	20,718	-	20,718
Total	4,215,076	(12,827)	4,202,249	3,934,625	(10,110)	3,924,515

¹ As of June 30, 2013, trade receivables transferred to financial institutions but not fully derecognized are as follows (Note 16):

<i>(in millions of Korean won)</i>	Loans and receivables (trade receivables collateralized borrowings)	
	June 30, 2013	December 31, 2012
Carrying amount of transferred assets	1,145,358	994,295
Carrying amount of related liabilities	(1,145,358)	(994,295)
For those liabilities that have recourse only to the transferred assets:		
Fair value of transferred assets	1,145,358	994,295
Fair value of related liabilities	(1,145,358)	(994,295)
Net position	-	-

Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Current		
Non-trade receivables	98,647	99,107
Financial deposits	487,827	642,616
Accrued income	4,607	7,664
Deposits	23,390	23,359
	614,471	772,746
Non-current		
Financial deposits	38	38
Loans	283	150
Deposits	20,377	20,530
	20,698	20,718
Total	635,169	793,464

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

(in millions of Korean won)

	June 30, 2013		December 31, 2012	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	2,968,326	597,521	2,554,612	787,580
Past due but not impaired				
Up to 3 months	585,749	34,800	556,605	4,973
3 to 6 months	18,637	353	21,322	432
Over 6 months	2,353	2,495	3,294	479
	606,739	37,648	581,221	5,884
Impaired receivables	4,842	-	5,328	-
	3,579,907	635,169	3,141,161	793,464

The movements in bad debt allowance for the six-month period ended June 30, 2013 and for the year ended December 31, 2012, are as follows:

(in millions of Korean won)

	June 30, 2013				December 31, 2012			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Beginning balance	10,110	-	-	-	5,072	-	-	-
Additions	3,251	-	-	-	6,147	-	-	-
Write-off	(397)	-	-	-	(826)	-	-	-
Exchange differences	(137)	-	-	-	(283)	-	-	-
Ending balance	12,827	-	-	-	10,110	-	-	-

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

8. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

(in millions of Korean won)

	June 30, 2013	December 31, 2012
Other financial assets		
Derivatives (Note 10)	-	2,352
Available-for-sale (Note 9)	5,963	21,811
Less: current portion	-	(2,352)
Total	5,963	21,811
Other financial liabilities		
Derivatives (Note 10)	28	154
Less: current portion	(28)	(154)
Total	-	-

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9. Financial assets classified as available-for-sale

The movements in financial assets classified as available-for-sale for the six-month period ended June 30, 2013, and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Beginning balance	21,811	5,973
Exchange differences	2	(12)
Additions	-	15,850
Transfer ¹	(15,850)	-
Ending balance	<u>5,963</u>	<u>21,811</u>

¹ During this period, investments into LG Fuel Cell Systems Inc. was reclassified from available-for-sale financial assets to investment in associates as the Parent Company can exercise significant influence resulting from the executive of the Parent Company being appointed as a member of board of directors of LG Fuel Cell Systems Inc. (Note 12).

Financial assets classified as available-for-sale consist of unlisted equity securities. The unlisted equity securities are measured at cost as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

No impairment losses were recognized for financial assets classified as available-for-sale during the six-month periods ended June 30, 2013 and 2012.

10. Derivative financial instruments

Details of derivative financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	28	-	154
Held-for-trading	-	-	2,352	-
	<u>-</u>	<u>28</u>	<u>2,352</u>	<u>154</u>

Details of derivative financial contracts are as follows:

Classification	Contractor	Contract date	June 30, 2013		
			Contract amount (in thousands)	Contract period	Contract terms
Interest rate swap	HSBC	2006.10.11	₩ 1,000,000	2006.12.28 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 1,500	2007.09.05 ~ 2013.09.05	

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Classification	Contractor	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Forward exchange	BOA and 13 other banks	2012.10.10, others	US\$ 10,000, others	2013.01.03 ~ 2013.02.22, etc	₩ 1119.32, \$, others
Interest rate swap	HSBC	2006.10.11	₩ 3,000,000	2006.12.28 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 4,500	2007.09.05 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%

Trading derivative financial instrument is classified as a current asset or liability. Hedging derivative financial instrument 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.

There was no ineffective portion of cash flow hedges.

11. Inventories

Details of inventories are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013			December 31, 2012		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	63,905	(827)	63,078	87,584	(917)	86,667
Finished products	1,149,572	(28,167)	1,121,405	1,136,794	(20,168)	1,116,626
Semi-finished products	333,874	-	333,874	298,794	-	298,794
Work-in-process	475	-	475	363	-	363
Raw materials	715,397	(2,730)	712,667	762,954	(1,300)	761,654
Supplies	84,440	-	84,440	78,517	-	78,517
Materials-in-transit	213,012	-	213,012	285,309	-	285,309
Total	2,560,675	(31,724)	2,528,951	2,650,315	(22,385)	2,627,930

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩8,355,742 million (2012: ₩8,777,818 million).

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12. Investments in associates and joint ventures

Changes in the carrying amount of investments in associates and joint ventures for the six-month period ended June 30, 2013 and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013						Ending balance
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income(expense) of associates	Others	
LG Vina chemical Co.,Ltd	3,675	-	(1,276)	697	262	-	3,358
HL Greenpower Co.,Ltd.	15,557	-	-	899	-	(16)	16,440
LG Holdings (HK) Ltd.	60,012	-	-	1,247	5,077	-	66,336
TECWIN Co.,Ltd.	5,408	-	(35)	(24)	-	-	5,349
SEETEC Co.,Ltd.	155,042	-	-	4,482	-	-	159,524
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	-	-	-	-	-	258
CNOOC & LG Petrochemicals Co.,Ltd.	39,244	-	-	(484)	3,421	-	42,181
KLPE Limited Liability Partnership ¹	125,872	-	-	(510)	4,525	-	129,887
LG Fuel Cell Systems Inc. ²	-	15,850	-	(2,748)	(237)	-	12,865
Total	405,068	15,850	(1,311)	3,559	13,048	(16)	436,198

<i>(in millions of Korean won)</i>	December 31, 2012						Ending balance
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income(expense) of associates	Others	
LG Vina chemical Co.,Ltd	3,911	-	(1,373)	1,434	(297)	-	3,675
HL Greenpower Co.,Ltd.	14,250	-	-	1,289	-	18	15,557
LG Holdings (HK) Ltd.	61,459	-	-	2,198	(3,645)	-	60,012
TECWIN Co.,Ltd.	4,570	13	(33)	858	-	-	5,408
SEETEC Co.,Ltd.	147,423	-	-	7,712	-	(93)	155,042
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	-	-	-	-	-	258
LG Yongxing International Trading Co.,Ltd	82	(82)	-	-	-	-	-
CNOOC & LG Petrochemicals Co.,Ltd.	40,969	-	-	(175)	(1,550)	-	39,244
"KLPE" Limited Liability Partnership	55,486	75,565	-	(896)	(4,283)	-	125,872
Total	328,408	75,496	(1,406)	12,420	(9,775)	(75)	405,068

¹ The Company has recognized ₩11,125 million as other payable as of June 30, 2013, for the unpaid consideration in the acquisition of KLPE Limited Liability Partnership.

² During this period, investments into LG Fuel Cell Systems Inc. was reclassified from available-for-sale financial assets to investment in associates as the Parent Company can exercise significant influence resulting from the executive of the Parent Company being appointed as a member of board of directors of LG Fuel Cell Systems Inc. (Note 9).

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13. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the six-month period ended June 30, 2013 and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	712,238	1,647,499	485,908	3,504,325	10,249	249,746	89,504	88,294	1,340,170	220,245	8,348,178
Cost	712,238	1,981,069	814,135	8,819,666	38,873	570,364	230,923	197,705	1,374,966	220,245	14,960,184
Accumulated depreciation	-	(333,565)	(327,929)	(5,306,272)	(28,624)	(316,586)	(141,309)	(109,411)	-	-	(6,563,696)
Accumulated impairment	-	(5)	(298)	(9,069)	-	(4,032)	(110)	-	(34,796)	-	(48,310)
Acquisitions/ Transfer	20,314	135,998	83,469	694,312	1,326	43,084	10,626	16,421	606,267	88,992	1,700,809
Disposals/ Transfer	-	(12)	(115)	(4,705)	(116)	(4,313)	(79)	-	(918,265)	(80,063)	(1,007,668)
Exchange differences	2,683	24,953	5,868	48,300	40	2,571	1,355	-	21,923	-	107,693
Depreciation	-	(25,468)	(18,010)	(380,089)	(1,497)	(35,399)	(12,734)	(24,587)	-	-	(497,784)
Impairment	-	-	-	(965)	-	(5)	(4)	-	-	-	(974)
Ending balance	735,235	1,782,970	557,120	3,861,178	10,002	255,684	88,668	80,128	1,050,095	229,174	8,650,254
Cost	735,235	2,148,443	906,419	9,622,913	39,854	602,862	243,839	191,441	1,084,891	229,174	15,805,071
Accumulated depreciation	-	(365,468)	(348,990)	(5,754,314)	(29,852)	(343,137)	(155,049)	(111,313)	-	-	(7,108,123)
Accumulated impairment	-	(5)	(309)	(7,421)	-	(4,041)	(122)	-	(34,796)	-	(46,694)

<i>(in millions of Korean won)</i>	December 31, 2012										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	604,869	1,473,258	361,886	2,777,041	12,844	202,042	67,120	115,292	1,455,847	305,756	7,375,955
Cost	604,869	1,765,429	663,417	7,540,031	41,219	473,328	200,374	186,155	1,490,643	305,756	13,271,221
Accumulated depreciation	-	(292,165)	(301,524)	(4,753,396)	(28,375)	(267,254)	(133,153)	(70,863)	-	-	(5,846,730)
Accumulated impairment	-	(6)	(7)	(9,594)	-	(4,032)	(101)	-	(34,796)	-	(48,536)
Acquisitions/ Transfer	107,541	234,527	161,191	1,412,172	2,211	113,595	46,532	20,619	1,603,381	281,623	3,983,392
Disposals/ Transfer	(26)	(429)	(217)	(5,255)	(1,377)	(1,489)	(622)	(250)	(1,702,982)	(367,134)	(2,079,781)
Exchange differences	(146)	(13,965)	(4,003)	(36,250)	(54)	(1,581)	(957)	-	(16,076)	-	(73,032)
Depreciation	-	(45,892)	(30,984)	(643,301)	(3,375)	(62,795)	(22,540)	(47,367)	-	-	(856,254)
Impairment	-	-	(1,965)	(82)	-	(26)	(29)	-	-	-	(2,102)
Ending balance	712,238	1,647,499	485,908	3,504,325	10,249	249,746	89,504	88,294	1,340,170	220,245	8,348,178
Cost	712,238	1,981,069	814,135	8,819,666	38,873	570,364	230,923	197,705	1,374,966	220,245	14,960,184
Accumulated depreciation	-	(333,565)	(327,929)	(5,306,272)	(28,624)	(316,586)	(141,309)	(109,411)	-	-	(6,563,696)
Accumulated impairment	-	(5)	(298)	(9,069)	-	(4,032)	(110)	-	(34,796)	-	(48,310)

During the six-month period ended June 30, 2013, the Company capitalized ₩14,049 million of borrowing costs (2012: ₩13,234 million) to property, plant and equipment.

As of June 30, 2013, 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, 2012: ₩8,787 million).

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

(in millions of Korean won)

	June 30, 2013	December 31, 2012
Carrying amount	3	12
Depreciation	9	29

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

Depreciation of property, plant and equipment for the three-month and six-month periods ended June 30, 2013 and 2012, was classified as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Cost of sales	236,616	468,357	193,570	375,658
Selling, general and administrative expenses	14,706	29,314	12,978	26,621
Others ¹	39	113	117	207
Total	251,361	497,784	206,665	402,486

¹ Amounts capitalized to development costs are included.

14. Intangible assets

Changes in the carrying amount of intangible assets for the six-month period ended June 30, 2013 and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013					
	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	42,410	78,610	33,415	51,692	27,766	233,893
Acquisitions/ Transfer	5,691	12,090	-	456	3,657	21,894
Disposals/ Transfer	(1,138)	(20)	-	(301)	-	(1,459)
Exchange differences	115	-	-	46	668	829
Amortization	(5,122)	(2,686)	-	-	(3,461)	(11,269)
Ending balance	41,956	87,994	33,415	51,893	28,630	243,888

<i>(in millions of Korean won)</i>	December 31, 2012					
	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	34,018	61,856	33,415	51,110	26,773	207,172
Acquisitions/ Transfer	24,445	21,040	-	2,582	8,713	56,780
Disposals/ Transfer	(6,825)	(854)	-	(1,968)	(699)	(10,346)
Exchange differences	(70)	-	-	(32)	(585)	(687)
Amortization	(9,158)	(3,432)	-	-	(6,436)	(19,026)
Ending balance	42,410	78,610	33,415	51,692	27,766	233,893

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Amortization of intangible assets was classified for the three-month and six-month periods ended June 30, 2013 and 2012, as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Cost of sales	1,896	3,678	1,519	2,932
Selling, general and administrative expenses	3,854	7,591	2,883	5,660
Total	5,750	11,269	4,402	8,592

15. Other current and non-current assets

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

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Current		
Prepayments to suppliers	54,406	48,552
Prepaid expenses	16,389	21,353
Prepaid value added tax	57,863	69,449
Others	59,760	51,424
Total	188,418	190,778
Non-current		
Long-term prepaid expenses	40,071	40,997
Other investment assets	73	25
Total	40,144	41,022

16. Borrowings

The carrying amount of borrowings is as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Current		
Short-term borrowings	1,995,397	1,666,662
Current maturities of bank loans	115,104	82,959
Current maturities of finance lease liabilities	2,257	2,160
	2,112,758	1,751,781
Non-current		
Bank loans	594,194	594,018
Debentures	598,365	598,034
Finance lease liabilities	1,921	3,074
	1,194,480	1,195,126
Total	3,307,238	2,946,907

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Details of borrowings are as follows:

Current borrowings

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at June 30, 2013	Carrying Amount	
				June 30, 2013	December 31, 2012
Notes discounted ¹	Woori Bank, others	2013.12.22	Libor+1.00, various	1,145,358	994,295
Bank loans	China Bank, others	2013.12.14	Libor+0.50~4.00, various	850,039	672,367
Total				1,995,397	1,666,662

¹ As of June 30, 2013, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Note 7).

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Non-current borrowings

(in millions of Korean won)

		June 30, 2013				
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency borrowings	Kookmin Bank	2.70	2018.07.14	804	49	755
	Kookmin Bank	2.70	2020.03.21	846	32	814
	Korea Development Bank	3.53	2015.07.19	200,000	-	200,000
	BTMU	3CD + 0.60	2013.09.05	2,500	2,500	-
Foreign currency borrowings	Shanghai Pudong Development Bank	5.76	2015.09.15	1,870	-	1,870
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07. 29	22,993	-	22,993
	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2013.09.05	1,725	1,725	-
	Standard Chartered Bank	3Libor + 2.20	2015.12.15	21,949	3,466	18,483
	Agricultural Bank of China	5.90	2015.10.15	10,283	-	10,283
	China Merchants Bank	5.76	2015.05.17	2,805	-	2,805
	ANZ Bank	3Libor + 2.10	2013.07.07	25,993	17,328	8,665
	ANZ Bank	3Libor + 2.80	2013.10.11	5,156	5,156	-
	Bank of America	2.00	2014.07.03	23,105	-	23,105
	Bank of America	6Libor + 1.50	2014.10.24	34,657	-	34,657
	Bank of America	3Libor + 1.68	2014.08.29	46,209	-	46,209
	BTMU	6Libor + 2.60	2016.05.13	23,105	6,932	16,173
	BTMU	3Libor + 1.54	2015.07.20	57,485	-	57,485
	HSBC	6Libor + 0.75	2014.09.19	46,209	-	46,209
	HSBC	6Libor + 2.25	2015.05.25	23,105	-	23,105
	HSBC	3Libor + 0.60	2013.09.05	861	861	-
	Mizuho Banking Corporation	3Libor + 0.60	2013.09.05	1,150	1,150	-
	Mizuho Banking Corporation	3Libor + 0.65	2014.05.31	68,982	68,982	-
	Nordea Bank	1Wibor+1.00	2014.06.30	6,937	6,937	-
	Nova Scotia Bank	3Libor + 1.54	2015.07.20	57,485	-	57,485
JP MORGAN	3Libor + 1.75	2014.07.17	23,098	-	23,098	
	Less: discount on borrowings			(14)	(14)	-
Total				<u>709,298</u>	<u>115,104</u>	<u>594,194</u>

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		December 31, 2012				
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency borrowings	Kookmin Bank	3.00	2018.07.14	819	122	697
	Kookmin Bank	3.00	2020.03.21	850	90	760
	Korea Development Bank	3.53	2015.07.19	200,000	-	200,000
	BTMU	3CD + 0.60	2013.09.05	7,500	7,500	-
Foreign currency borrowings	Shanghai Pudong Development Bank	5.76	2015.09.15	3,008	-	3,008
	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2013.09.05	4,820	4,820	-
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.12	10,711	-	10,711
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.18	6,427	-	6,427
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.29	4,284	-	4,284
	Standard Chartered Bank	4.50	2013.06.10	21,607	21,607	-
	Standard Chartered Bank	3Libor + 2.20	2015.12.15	10,804	-	10,804
	Agricultural Bank of China	5.90	2015.10.15	17,180	-	17,180
	China Minsheng Bank	6Libor + 3.30	2013.01.15	1,200	1,200	-
	China Merchants Bank	6.21	2015.05.17	5,156	-	5,156
	ANZ Bank	3Libor + 2.10	2013.07.07	16,205	8,102	8,103
	ANZ Bank	3Libor + 2.10	2014.07.07	16,205	8,103	8,102
	ANZ Bank	3Libor + 2.80	2013.04.12	4,822	4,822	-
	ANZ Bank	3Libor + 2.80	2013.10.11	4,822	4,822	-
	Bank of America	6Libor + 1.50	2014.10.24	32,411	-	32,411
	Bank of America	3Libor + 1.68	2014.08.29	43,214	-	43,214
	BTMU	6Libor + 2.60	2013.04.26	8,103	8,103	-
	BTMU	6Libor + 2.10	2013.06.21	8,103	8,103	-
	BTMU	3Libor + 1.54	2015.07.20	53,555	-	53,555
	HSBC	3Libor + 0.60	2013.09.05	2,410	2,410	-
	HSBC	3Libor + 0.75	2014.09.19	43,214	-	43,214
	HSBC	3Libor + 2.25	2015.05.25	21,607	-	21,607
	Mizuho Banking Corporation	3Libor + 0.60	2013.09.05	3,213	3,213	-
Mizuho Banking Corporation	3Libor + 0.65	2014.05.31	64,266	-	64,266	
Nordea Bank	1Wibor+1.00	2014.06.30	6,964	-	6,964	
Nova Scotia Bank	3Libor + 1.54	2015.07.20	53,555	-	53,555	
	Less: discount on borrowings			(58)	(58)	-
Total				<u>676,977</u>	<u>82,959</u>	<u>594,018</u>

Certain property, plant and equipment have been pledged as collaterals for the above non-current borrowings (Note 13).

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Debentures

(in millions of Korean won)

		June 30, 2013				
	Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency debentures	Woori Security	3.83	2014.12.05	200,000	-	200,000
	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	3.96	2015.03.29	100,000	-	100,000
	Woori Security	4.11	2017.03.29	200,000	-	200,000
	Less: discount on debentures			(1,635)	-	(1,635)
Total				598,365	-	598,365

(in millions of Korean won)

		December 31, 2012				
	Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency debentures	Woori Security	3.83	2014.12.05	200,000	-	200,000
	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	3.96	2015.03.29	100,000	-	100,000
	Woori Security	4.11	2017.03.29	200,000	-	200,000
	Less: discount on debentures			(1,966)	-	(1,966)
Total				598,034	-	598,034

Finance lease liabilities

(in millions of Korean won)

		June 30, 2013			
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	4,178	2,257	1,921

(in millions of Korean won)

		December 31, 2012			
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	5,234	2,160	3,074

The finance lease liabilities are liabilities associated with sales and leaseback arrangements of property, plant and equipment of the MTBE factory (Note 13).

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

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

	June 30, 2013		December 31, 2012	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Bank loans	594,194	597,471	594,018	590,654
Debentures	598,365	612,692	598,034	616,213
Finance lease liabilities	1,921	1,872	3,074	3,031
Total	1,194,480	1,212,035	1,195,126	1,209,898

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

The present value of finance lease liabilities is as follows:

	June 30, 2013			December 31, 2012		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	2,481	224	2,257	2,481	321	2,160
1 to 5 years	1,955	34	1,921	3,195	121	3,074

17. Provisions

Changes in the carrying amount of provisions for the six-month period ended June 30, 2013 and for the year ended December 31, 2012, are as follows:

	June 30, 2013		
	Sales returns ¹	Warranty ²	Total
Beginning balance	1,623	11,583	13,206
Additions	10,365	3,616	13,981
Used amount	(10,557)	(310)	(10,867)
Ending balance	1,431	14,889	16,320
Less : current portion	(1,431)	(438)	(1,869)
Total	-	14,451	14,451

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<i>(in millions of Korean won)</i>	December 31, 2012		
	Sales returns ¹	Warranty ²	Total
Beginning balance	2,800	6,743	9,543
Additions	6,648	9,394	16,042
Used amount	(7,825)	(509)	(8,334)
Reversals	-	(4,045)	(4,045)
Ending balance	1,623	11,583	13,206
Less : current portion	(1,623)	(320)	(1,943)
Total	-	11,263	11,263

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. Further, the Company purchased insurance policies to meet such obligations.

18. Net defined benefit liability

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

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Present value of obligations ¹	400,403	367,567
Fair value of plan assets	(259,118)	(261,666)
Liability in the statement of financial position	141,285	105,901

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩905 million as of June 30, 2013 (December 31, 2012: ₩945 million).

The amounts recognized in the statements of income for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Current service cost ¹	18,857	37,521	12,856	25,821
Interest cost	967	1,933	1,155	2,309
Total, included in employee benefit expenses	19,824	39,454	14,011	28,130

¹ The above amounts excluded ₩288 million (2012: ₩665 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the six-month period ended June 30, 2013, amounted to ₩78 million (2012: ₩5 million).

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The amounts recognized in the statement of income for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six Months
Cost of sales	13,630	27,717	9,111	18,657
Selling, general and administrative expenses	6,256	11,815	4,903	9,478
Total	19,886	39,532	14,014	28,135

Actuarial gains and losses recognized as other comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Actuarial gains(losses) before tax	(290)	600	670	1,021
Income tax effect	71	(145)	(162)	(247)
Actuarial gains(losses) after tax	<u>(219)</u>	<u>455</u>	<u>508</u>	<u>774</u>

As of June 30, 2013, ₩111,437 million (December 31, 2012: ₩111,892 million) of accumulated actuarial losses are included in other comprehensive income.

Changes in the carrying amount of defined benefit obligations for the six-month period ended June 30, 2013 and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Beginning balance	367,567	253,396
Transfer in	598	2,019
Current service cost	37,809	52,970
Interest expense	6,653	12,093
Actuarial losses(before tax)	-	62,304
Benefits paid	(12,534)	(15,550)
Exchange differences	310	335
Ending balance	<u>400,403</u>	<u>367,567</u>

Changes in the fair value of plan assets for the six-month period ended June 30, 2013 and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Beginning balance	261,666	192,619
Interest income	4,720	7,475
Actuarial gains (before tax)	600	67
Employer contributions	-	70,000
Benefits paid	(7,868)	(8,495)
Ending balance	<u>259,118</u>	<u>261,666</u>

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The actual return on plan assets for the six-month period ended June 30, 2013, was ₩5,320 million (2012:₩7,542 million).

The principal actuarial assumptions used are as follows:

	June 30, 2013	December 31, 2012
Discount rate	3.7%	3.7%
Future salary increase	5.1%	5.1%

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	(38,809)	46,134
Salary increase		
Increase(decrease) of defined benefit obligations	44,940	(38,628)

Plan assets consist of:

<i>(in millions of Korean won)</i>	June 30, 2013		December 31, 2012	
	Amount	Proportion	Amount	Proportion
Equity instruments	51,763	20%	36,128	14%
Time deposits	88,305	34%	88,858	34%
Insurance contracts with guaranteed yield	119,050	46%	136,680	52%
Total	259,118	100%	261,666	100%

19. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Advances from customers	17,313	37,457
Dividends payable	14,848	1,115
Withholding	48,362	44,968
Unearned revenues	10,532	12,248
Others	47,425	56,819
Total	138,480	152,607

20. Commitments and contingencies

(1) The Parent Company and the newly established company, LG Hausys Ltd., are jointly liable for the obligations outstanding as of April 1, 2009, the spin-off date.

(2) As of June 30, 2013 and December 31, 2012, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.

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(3) As of June 30, 2013, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.

(4) As of June 30, 2013, the Parent Company and certain overseas subsidiaries have various specific line of credit agreements with several financial institutions, as follows: The Company also entered into credit line agreements with other financial institutions relating to trade finance and import/export amounting to ₩200,000 million and US\$ 410 million.

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

Classification	The Parent Company		Certain Overseas Subsidiaries				
	KRW	USD	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	74,000	50	125	210	15	685	32
Limit of the letter of credit	64,000	227	135	-	-	675	-
Limit of discount of notes from export	-	1,484	-	-	-	-	-
Limit of loan arrangements	-	-	1,155	4,130	3	1,895	20
Limit of guaranteed payments in other foreign currency	-	95	-	-	-	-	-

(5) As of June 30, 2013, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩270,000 million.

(6) As of June 30, 2013, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in five and 32 legal actions involving ₩301 million and ₩2,872 million in claims, respectively, and as a defendant in seven and three legal actions with ₩2,389 million and ₩54 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.

(7) As of June 30, 2013, the consumers in U.S and Canada have filed a class action lawsuit against the Parent Company and certain overseas subsidiaries in relation to price fixing of small secondary batteries. However, the ultimate outcome of these cases cannot be determined at the reporting date.

(8) As of June 30, 2013, the Parent Company has technology license agreements with STYRON EUROPE GmbH and other companies for the production of Polycarbonate products. Further, the Parent Company has entered into manufacture and production technical contracts with Exxon Mobile and others.

(9) The Parent Company has entered into a license agreement with LG Corp. to use trademarks on the products that the Parent Company manufactures and sells, and on the services the Parent Company provides in relation to its business.

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(10) As of June 30, 2013, the Company has long-term purchase contracts for certain raw materials from a supplier, who has credit guarantee contracts amounting to US\$ 117 million and US\$ 40 million with HSBC and Standard Chartered Bank, respectively. Further, as of June 30, 2013, the Parent Company has a contract of US\$ 60 million and US\$ 10 million guarantees with financial institutions in regard to a delivery contract for certain products and a purchase contract for certain raw materials, respectively.

(11) As of June 30, 2013, the Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of June 30, 2013, amounts to US\$ 215 million, EUR 3 million and PLN 52 million (total equivalent to ₩270,216 million) (December 31, 2012: US\$ 235 million, EUR 3 million and PLN 52 million, total equivalent to ₩274,898 million). Details of guarantees provided as of June 30, 2013 and December 31, 2012, are as follows:

(in millions of Korean won)

		June 30, 2013			
Guarantor	Guarantee beneficiary	Financial institution	Amount of guarantee	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	HSBC	69,314	69,314	
	"	Bank of America	34,657	34,657	
	LG Chem Poland Sp. z o.o.	Nordea Bank	18,037	14,509	
	LG Chem Europe GmbH	Shinhan Bank	4,495	-	
	LG Chem Michigan, Inc.	Bank of America	28,743	28,743	
	"	Mizuho Bank	68,982	68,982	
	"	SMBC	22,994	22,994	
	"	JP Morgan	22,994	19,545	
	Total			<u>270,216</u>	<u>258,744</u>

(in millions of Korean won)

		December 31, 2012			
Guarantor	Guarantee beneficiary	Financial institution	Amount of guarantee	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	HSBC	64,821	64,821	
	"	Bank of America	32,411	32,411	
	LG Chem Poland Sp. z o.o.	Nordea Bank	18,107	9,325	
	LG Chem Europe GmbH	Shinhan Bank	4,249	-	
	LG Chem Michigan, Inc.	Bank of America	26,778	26,778	
	"	Mizuho Bank	64,266	64,266	
	"	SMBC	42,844	28,920	
	"	JP Morgan	21,422	-	
	Total			<u>274,898</u>	<u>226,521</u>

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

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Property, plant and equipment	964,178	1,066,350

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21. Equity

Changes in share capital and share premium are as follows:

<i>(in millions of Korean won)</i>	Ordinary shares		Preferred shares		Share premium
	Number of shares	Amount	Number of shares	Amount	
January 1, 2012	66,271,100	331,356	7,628,921	38,144	897,424
December 31, 2012	66,271,100	331,356	7,628,921	38,144	897,424
June 30, 2013	66,271,100	331,356	7,628,921	38,144	897,424

Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	Number of shares		Carrying amount	Gain on sale of treasury shares
	Ordinary shares	Preferred shares		
January 1, 2012	359,784	5,519	15,484	13,855
Purchase of treasury shares	6	-	-	-
December 31, 2012	359,790	5,519	15,484	13,855
Purchase of treasury shares	-	-	-	-
June 30, 2013	359,790	5,519	15,484	13,855

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

22. Retained earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Legal reserve ¹	268,423	260,113
Discretionary reserve ²	8,200,700	7,107,800
Unappropriated retained earnings	1,178,184	1,836,790
Total	9,647,307	9,204,703

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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23. Other components of equity

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	June 30, 2013	December 31, 2012
Treasury shares (Note 21)	(15,484)	(15,484)
Capital transactions within the Company ¹	(215)	(215)
Total	<u>(15,699)</u>	<u>(15,699)</u>

¹ Includes gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries net of deferred taxes.

24. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Wages and salaries	90,382	168,333	72,000	136,936
Pension costs (Note 18)	6,256	11,815	4,903	9,478
Welfare expense	22,215	40,588	18,130	33,417
Travel expense	9,669	17,629	7,816	14,188
Water & utilities	6,430	13,055	4,709	10,469
Packaging expense	1,745	3,258	1,101	2,203
Rental expense	24,577	47,685	24,169	45,825
Commission expense	52,656	99,225	49,371	95,883
Depreciation (Note 13)	14,706	29,314	12,978	26,621
Advertising expense	3,901	6,607	9,284	11,967
Freight expense	106,026	205,728	93,186	178,799
Training expense	2,856	5,472	3,539	5,449
Amortization (Note 14)	3,854	7,591	2,883	5,660
Sample expense	4,703	6,882	3,164	6,047
Others	59,118	109,896	54,515	101,698
Total	<u>409,094</u>	<u>773,078</u>	<u>361,748</u>	<u>684,640</u>

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25. Expenses by nature

Expenses that are recorded by function as cost of sales and selling, general and administrative expenses in the statements of income for the three-month and six-month periods ended June 30, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Changes in inventories	47,561	(16,383)	(23,022)	(45,345)
Raw materials and consumables used	3,979,675	7,984,130	4,249,087	8,373,771
Purchase of merchandise	231,093	387,995	242,937	449,392
Employee benefit expense (Note 26)	321,865	612,822	263,596	499,729
Advertising expense	4,305	7,218	9,589	12,443
Transportation expense	114,300	221,288	99,924	192,280
Service fees	82,309	154,777	73,593	141,925
Depreciation, amortization and impairment	257,072	508,940	210,950	410,871
Operating lease payments	12,865	25,241	12,047	22,732
Other expenses	364,676	841,381	357,812	744,927
Total	5,415,721	10,727,409	5,496,513	10,802,725

26. Employee benefit expense

Employee benefit expenses for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Wages and salaries	273,443	521,416	223,938	426,584
Pension costs – Defined benefit plan (Note 18)	19,824	39,454	14,011	28,130
Pension costs – Defined contribution plan (Note 18)	62	78	3	5
Others	28,536	51,874	25,644	45,010
Total	321,865	612,822	263,596	499,729

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27. Finance income and expense

Details of finance income and expense for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		2012	
	Three months	Six months	Three months	Six months
Finance income				
Interest income ¹	7,770	16,762	5,039	12,276
Dividend income	190	190	157	157
Foreign exchange gain	41,553	61,501	13,321	24,421
Gain on foreign currency translation	8,960	12,345	214	695
Gain on settlement of trading derivatives	1,688	2,980	1,116	2,044
Gain on valuation of trading derivatives	-	-	1,479	664
Total	60,161	93,778	21,326	40,257
Finance expense				
Interest expense ²	14,096	30,674	18,237	37,465
Foreign exchange loss	24,565	37,323	15,655	32,913
Loss on foreign exchange translations	6,832	11,969	7,870	5,274
Loss on settlement of trading derivatives	491	5,096	3,855	5,106
Loss on valuation of trading derivatives	-	-	-	227
Total	45,984	85,062	45,617	80,985

¹ Details of interest income are as follows:

(in millions of Korean won)

	2013		2012	
	Three months	Six months	Three months	Six months
Bank deposits	7,640	16,475	4,703	11,670
Other loans and receivables	130	287	336	606
Total	7,770	16,762	5,039	12,276

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² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Interest on bank overdraft and borrowings	13,078	26,835	14,935	29,466
Interest on finance lease liabilities	93	184	136	273
Interest on debentures	6,134	12,266	6,713	11,669
Other interest expenses	1,684	5,438	4,640	9,291
Capitalized interest for qualifying assets	(6,893)	(14,049)	(8,187)	(13,234)
Total	14,096	30,674	18,237	37,465

28. Other non-operating income

Details of other non-operating income for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Foreign exchange gain	91,719	157,418	74,797	138,163
Gain on foreign currency translation	13,960	48,573	18,055	19,718
Gain on disposal of property, plant and equipment	401	445	4,608	4,609
Others	4,610	10,799	6,673	10,807
Total	110,690	217,235	104,133	173,297

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29. Other non-operating expenses

Detail of other non-operating expense for the three-month and six-month periods ended June 30, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		2012	
	Three months	Six months	Three months	Six months
Foreign exchange loss	89,708	151,835	72,509	128,954
Loss on foreign currency translation	15,086	45,428	23,642	21,607
Loss on disposal of property, plant and equipment	5,761	7,492	1,315	2,047
Loss on disposal of intangible assets	8	20	59	621
Impairment loss on property, plant and equipment	974	974	2,138	2,138
Others	6,040	9,872	1,361	8,297
Total	117,577	215,621	101,024	163,664

30. 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, 2013, is 19.8% (for the six-month period ended June 30, 2012: 18.0%).

31. 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.

Basic earnings per share attributable to the owners of the Parent Company for the three-month and six-month periods ended June 30, 2013 and 2012, is computed as follows:

(in millions of Korean won)

	2013		2012	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares ¹	356,918	660,819	337,458	673,853
Weighted average number of ordinary shares outstanding ²	65,911,310	65,911,310	65,911,316	65,911,316
Basic earnings per ordinary share (in won)	5,415	10,026	5,120	10,224

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<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares ¹	41,377	76,622	39,126	78,130
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402	7,623,402	7,623,402
Basic earnings per preferred share (in won)	5,428	10,051	5,132	10,249

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

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Six months	Three months	Six months
Profit for the period attributable to owners of the Parent Company	398,295	737,441	376,584	751,983
Ordinary shares dividends (A)	65,911	131,823	65,911	131,823
Preferred shares dividends (B)	7,719	15,437	7,719	15,437
Undistributed earnings for the period	324,665	590,181	302,954	604,723
Undistributed earnings available for ordinary shares (C)	291,007	528,996	271,547	542,030
Undistributed earnings available for preferred shares (D)	33,658	61,185	31,407	62,693
Profit for the period attributable to ordinary shares (A+C)	356,918	660,819	337,458	673,853
Profit for the period attributable to preferred shares (B+D)	41,377	76,622	39,126	78,130

² Weighted average numbers of shares are calculated as follows:

	2013	2012
Ordinary shares outstanding	66,271,100	66,271,100
Ordinary treasury shares	(359,790)	(359,784)
Weighted average number of ordinary shares outstanding	<u>65,911,310</u>	<u>65,911,316</u>
Preferred shares outstanding	7,628,921	7,628,921
Preferred treasury shares	(5,519)	(5,519)
Weighted average number of preferred shares outstanding	<u>7,623,402</u>	<u>7,623,402</u>

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.

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32. Dividends

The ₩294,520 million (2012: ₩294,520 million) of dividends for the year ended December 31, 2012, was paid to the shareholders of the Parent Company in April 2013.

33. Related party transactions

Significant transactions, which occurred in the ordinary course of business with related parties for the six-month periods ended June 30, 2013 and 2012, and the related account balances as of June 30, 2013 and December 31, 2012, are summarized as follows:

(in millions of Korean won)

	2013		2012	
	Sales	Purchases	Sales	Purchases
Entities with significant influence over the Company ¹	-	27,284	-	27,462
Associates and joint ventures	69,251	125,581	59,267	95,492
Key management	-	23,456	-	21,242
Others ²	11,185	425,181	12,609	488,353
Total	80,436	601,502	71,876	632,549

(in millions of Korean won)

	June 30, 2013		December 31, 2012	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	6,935	1,035	6,948	1,456
Associates and joint ventures	17,666	25,109	29,609	22,334
Key management	-	42,544	-	48,781
Others ²	33,130	259,024	36,963	194,727
Total	57,731	327,712	73,520	267,298

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

² Includes LG Corp.'s subsidiaries.

Compensation for key management of the Company for the six-month periods ended June 30, 2013 and 2012, consists of:

(in millions of Korean won)

	2013	2012
Wages and salaries	22,379	19,692
Pension costs	1,077	1,550
Total	23,456	21,242

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

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The receivables from related parties are mainly from sales transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

Details of the guarantees provided by the Company for related parties at the reporting date are disclosed in Note 20.

34. Cash generated from operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the six-month periods ended June 30, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Profit before income tax	924,323	920,290
Adjustments for:		
Depreciation	497,671	402,279
Amortization	11,269	8,592
Pension costs	39,454	28,130
Finance income	(80,694)	(31,741)
Finance expense	93,412	69,016
Foreign exchange differences	46,799	9,745
Gain on disposal of property, plant and equipment	(445)	(4,609)
Loss on disposal of property, plant and equipment	7,492	2,047
Impairment loss on property, plant and equipment	974	2,138
Gain on disposal of intangible assets	(21)	-
Loss on disposal of intangible assets	20	621
Other expenses	12,680	11,305
Inventories	124,269	(192,856)
Trade receivables	(302,469)	(198,865)
Other receivables	(6,027)	(156,427)
Settlement of derivatives	235	(3,062)
Trade payables	93,798	249,521
Other payables	195,929	(70,167)
Defined benefit liability	(4,068)	(1,413)
Other cash flows from operations	7,234	(32,777)
Cash generated from operations	<u>1,661,835</u>	<u>1,011,767</u>

The principal non-cash transactions for the six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Transfer of construction-in-progress	918,265	795,567
Transfer of machinery-in-transit	80,063	124,390
Reclassification of long-term borrowings into current maturities	107,808	68,812
Gain on valuation of derivatives recognized as other comprehensive income	126	306

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35. Segment information

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

Segment	Products or services	Major customers
Petrochemicals	ABS, PC, EP, PE, PP, Acrylic, Alcohol, SAP, PVC, Synthetic rubber, Specialty resin, BPA, Ethylene, Propylene and others	LG International Corp., LG Electronics Inc., Daewoo Electronics Inc., National Plastic Co. Ltd., Youl Chon Chemical Co. Ltd., OCI Company Co. Ltd., Mitsui & Co. Ltd., and others
Information & Electronic Materials	Polarizers, 3D FPR and others	LG Display Co., LG Electronics Inc., BOE, AUO and others
Batteries	Portable batteries, batteries for vehicles and batteries for energy storage system	Hewlett-Packard Co., GM Korea and others
Common and others	General management, sales and R&D	

(2) The segment information on revenue and profit and loss for the six-month periods ended June 30, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013				
	Petro - Chemicals	Information & Electronic Materials	Batteries	Common and others ⁴	Total
Total segment revenue	8,888,733	1,640,563	1,210,140	1,082	11,740,518
Inter-segment revenue ¹	34,191	67,401	1	1,082	102,675
Revenue from external customers ²	8,854,542	1,573,162	1,210,139	-	11,637,843
Operating profit (loss) ³	690,691	215,844	4,185	(286)	910,434

<i>(in millions of Korean won)</i>	2012				
	Petro - Chemicals	Information & Electronic Materials	Batteries	Common and others ⁴	Total
Total segment revenue	9,012,626	1,625,458	1,239,565	10,259	11,887,908
Inter-segment revenue ¹	30,782	97,428	749	10,259	139,218
Revenue from external customers ²	8,981,844	1,528,030	1,238,816	-	11,748,690
Operating profit ³	705,944	200,810	39,204	7	945,965

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

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

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

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

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(3) The segment information on assets and liabilities as of June 30, 2013 and December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2013				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	Total
Total assets for the segment ¹	9,154,502	2,913,746	3,246,871	2,643,847	17,958,966
Investments in associates and joint ventures	168,253	-	14,210	253,735	436,198
Total liabilities for the segment ¹	3,326,062	620,325	1,196,740	1,502,605	6,645,732
	December 31, 2012				
<i>(in millions of Korean won)</i>	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	Total
Total assets for the segment ¹	8,569,342	2,790,309	3,082,677	2,138,825	16,581,153
Investments in associates and joint ventures	169,529	-	14,210	221,329	405,068
Total liabilities for the segment ¹	2,678,198	597,202	1,102,513	1,437,885	5,815,798

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

(4) The external sales by geographical segments from continuing operations for the six-month periods ended June 30, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Korea ¹	4,966,124	4,937,830
China	5,034,606	4,833,438
South East Asia	700,164	896,260
America	879,743	904,456
Europe	611,706	482,308
Others	1,583,224	1,517,213
Eliminations	<u>(2,137,724)</u>	<u>(1,822,815)</u>
Total	<u>11,637,843</u>	<u>11,748,690</u>

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

(5) There is no external customer attributing to more than 10% of total revenue for the six-month periods ended June 30, 2013 and 2012.