

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

September 30, 2013 and 2012

LG Chem, Ltd. and Subsidiaries
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September 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 September 30, 2013, and the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, and the consolidated statements of changes in equity and cash flows for the nine-month periods ended September 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.



Seoul, Korea
November 14, 2013

The report is effective as of November 14, 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
September 30, 2013 and December 31, 2012

<i>(in millions of Korean won)</i>	Notes	Septemebr 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	1,502,133	720,767
Trade receivables	3, 5, 7, 33	3,428,980	3,131,051
Other receivables	3, 5, 7, 33	587,241	772,746
Prepaid income taxes		8,815	7,314
Other financial assets	3, 5, 8, 10	-	2,352
Other current assets	15	201,542	190,778
Inventories	11	2,491,111	2,627,930
Total current assets		8,219,822	7,452,938
Non-current assets			
Other receivables	3, 5, 7	24,383	20,718
Other financial assets	3, 5, 8, 9	5,953	21,811
Investments in associates and joint ventures	1, 12, 35	443,731	405,068
Deferred income tax assets		75,320	57,525
Property, plant and equipment	13	8,541,328	8,348,178
Intangible assets	14	250,108	233,893
Other non-current assets	15	37,645	41,022
Total non-current assets		9,378,468	9,128,215
Total assets		17,598,290	16,581,153
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 33	1,393,899	1,522,395
Other payables	3, 5, 33	840,034	766,231
Borrowings	3, 5, 16	2,087,064	1,751,781
Other financial liabilities	3, 5, 8, 10	-	154
Provisions	17	2,240	1,943
Current income tax liabilities		184,921	142,901
Other current liabilities	5, 19	137,466	152,607
Total current liabilities		4,645,624	4,338,012
Non-current liabilities			
Other payables	3, 5	4,740	15,070
Borrowings	3, 5, 16	1,041,690	1,195,126
Provisions	17	15,804	11,263
Net defined benefit liabilities	18	159,830	105,901
Deferred income tax liabilities		162,935	150,426
Total non-current liabilities		1,384,999	1,477,786
Total liabilities		6,030,623	5,815,798

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

<i>(in millions of Korean won)</i>	Notes	Septemebr 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		(73,044)	(86,977)
Retained earnings	22	9,999,380	9,204,703
		<u>11,437,909</u>	<u>10,629,299</u>
Non-controlling interests		129,758	136,056
Total equity		<u>11,567,667</u>	<u>10,765,355</u>
Total liabilities and equity		<u>17,598,290</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 Nine-Month Periods Ended September 30, 2013 and 2012

	Notes	2013		2012	
		Three months	Nine months	Three months	Nine months
<i>(in millions of Korean won, except per share amounts)</i>					
Revenue	33, 35	5,865,132	17,502,975	5,833,516	17,582,206
Cost of sales	25,33	(4,951,767)	(14,906,098)	(4,877,198)	(14,995,284)
Gross profit		913,365	2,596,877	956,318	2,586,922
Selling, general and administrative expenses	24, 25, 33	(397,115)	(1,170,195)	(355,862)	(1,040,502)
Operating profit	35	516,250	1,426,682	600,456	1,546,420
Finance income	5, 27	72,063	157,143	27,452	66,683
Finance expenses	5, 27	(104,846)	(181,213)	(40,143)	(120,100)
Share of profit of associates and joint ventures	12	2,007	5,566	3,573	8,993
Other non-operating income	5, 28	171,341	300,461	88,387	252,012
Other non-operating expenses	5, 29	(215,808)	(343,309)	(94,644)	(248,637)
Profit before income tax	34	441,007	1,365,330	585,081	1,505,371
Income tax expense	30	(88,674)	(271,593)	(125,768)	(291,350)
Profit for the period		352,333	1,093,737	459,313	1,214,021
Attributable to:					
Owners of the parent		351,790	1,089,231	452,652	1,204,636
Non-controlling interests		543	4,506	6,661	9,385
Earnings per share for profit attributable to owners of the parent (in won)					
31					
Basic and diluted earnings per ordinary share					
for the period		4,783	14,809	6,154	16,378
Basic and diluted earnings per preferred share					
for the period		4,795	14,846	6,167	16,416

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

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

(in millions of Korean won)

	Notes	2013		2012	
		Three months	Nine months	Three months	Nine months
Profit for the period		352,333	1,093,737	459,313	1,214,021
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Actuarial gains(losses) on defined benefit liabilities	18	371	971	(39,259)	(38,238)
Share of actuarial gains and losses on defined benefit liabilities of associates		1	(15)	-	0
Income tax effect relating to components of other comprehensive income	18	(90)	(235)	9,500	9,253
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences		(82,685)	16,696	(23,514)	(31,983)
Cash flow hedges		28	154	115	421
Others		(13,155)	(107)	(2,433)	(2,088)
Income tax effect relating to components of other comprehensive income		(2,372)	290	(709)	1,196
Other comprehensive income for the period, net of tax		(97,902)	17,754	(56,300)	(61,439)
Total comprehensive income for the period		254,431	1,111,491	403,013	1,152,582
Attributable to:					
Owners of the parent		261,885	1,103,884	399,242	1,146,845
Non-controlling interests		(7,454)	7,607	3,771	5,737

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
Nine-Month Periods Ended September 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	-	-	-	-	1,204,636	1,204,636	9,385	1,214,021
Actuarial losses on defined benefit liabilities	18	-	-	-	(28,985)	(28,985)	-	(28,985)
Currency translation differences		-	-	(27,060)	-	(27,060)	(3,648)	(30,708)
Cash flow hedges		-	-	319	-	319	-	319
Others		-	-	(2,065)	-	(2,065)	-	(2,065)
Total comprehensive income		-	-	(28,806)	1,175,651	1,146,845	5,737	1,152,582
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 September 30, 2012	369,500	1,157,772	(15,699)	(40,204)	8,933,191	10,404,560	137,891	10,542,451
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		-	-	-	1,089,231	1,089,231	4,506	1,093,737
Actuarial gains on defined benefit liabilities	18	-	-	-	736	736	-	736
Currency translation differences		-	-	13,903	-	13,903	3,101	17,004
Cash flow hedges		-	-	117	-	117	-	117
Others		-	-	(87)	(16)	(103)	-	(103)
Total comprehensive income		-	-	13,933	1,089,951	1,103,884	7,607	1,111,491
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	(13,653)	(308,173)
Others		-	-	-	(754)	(754)	(252)	(1,006)
Total transactions with owners		-	-	-	(295,274)	(295,274)	(13,905)	(309,179)
Balance at September 30, 2013	369,500	1,157,772	(15,699)	(73,044)	9,999,380	11,437,909	129,758	11,567,667

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

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

(in millions of Korean won)

	Notes	2013	2012
Cash flows from operating activities			
Cash generated from operations	34	2,037,505	2,125,640
Interest received		28,684	18,042
Interest paid		(65,865)	(74,764)
Dividends received		1,407	1,496
Income taxes paid		(235,731)	(361,660)
Net cash generated from operating activities		<u>1,766,000</u>	<u>1,708,754</u>
Cash flows from investing activities			
Decrease in other receivables		1,099,124	110,615
Decrease in non-current other receivables		15,922	8,745
Proceeds from disposal of property, plant and equipment		5,636	7,464
Proceeds from disposal of intangible assets		383	1,956
Increase in other receivables		(930,762)	(614,068)
Increase in non-current other receivables		(19,343)	(16,204)
Increase in non-current other financial assets		(44)	(15,850)
Acquisition of investments in associates and joint ventures		(18,680)	(56,848)
Acquisition of property, plant and equipment		(998,394)	(1,410,301)
Acquisition of intangible assets		(23,170)	(23,761)
Net cash used in investing activities		<u>(869,328)</u>	<u>(2,008,252)</u>
Cash flows from financing activities			
Proceeds from borrowings		377,303	926,162
Repayments of borrowings		(191,693)	(380,381)
Payments of dividends		(308,391)	(316,147)
Net cash provided by (used in) financing activities		<u>(122,781)</u>	<u>229,634</u>
Net increase (decrease) in cash and cash equivalents		773,891	(69,864)
Cash and cash equivalents at the beginning of period		720,767	1,379,379
Exchange gains (losses) on cash and cash equivalents		7,475	(7,554)
Cash and cash equivalents at the end of period		<u>1,502,133</u>	<u>1,301,961</u>

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 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 September 30, 2013, the Parent Company is engaged in the petrochemicals, information, and electronic materials and batteries businesses, and its manufacturing facilities are located in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju and Gimcheon.

The share capital of the Company amounts to ₩369,500 million, including preferred share capital of ₩38,144 million. The largest shareholder of the Parent Company is LG Corp., which owns 33.53% of the Parent Company's ordinary shares.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of September 30, 2013, the Parent Company has issued 66,271,100 ordinary shares and 7,628,921 preferred 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, 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.

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

1.3 Consolidated subsidiaries, associates and joint ventures

	September 30, 2013			
	Percentage of ownership (%)	Business location	Fiscal year end	Business activities
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	
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI ⁷	100	Turkey	December 31	Sales and trading
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	
LG Holdings (HK) Ltd.	26	Hong Kong	December 31	Sales and trading 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. ⁸	100	Brazil	December 31	Sales and trading
CNOOC & LG Petrochemicals Co.,Ltd.	50	China	December 31	ABS manufacturing and sales
KLPE Limited Liability Partnership ⁹	50	Kazakhstan	December 31	PE manufacturing and sales
LG Fuel Cell Systems Inc. ¹⁰	15	USA	December 31	Power fuel cell research

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2013 and 2012, and December 31, 2012

² As of September 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 ₩18,243 million shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.

⁴ As of September 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 LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI was established during this period and the Parent Company newly acquired 100% of its shares for ₩174 million.

⁸ Classified as an investment in associate and joint ventures due to its small scale.

⁹ During this period, the Parent Company acquired additional shares of KLPE Limited Liability Partnership, amounting to ₩18,680 million.

¹⁰ 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 the board of directors of LG Fuel Cell Systems Inc. (Note 12).

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

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)

	September 30, 2013				
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the period
Consolidated subsidiaries					
Tianjin LG Dagu Chemical Co.,Ltd.	197,925	120,153	77,772	319,564	(4,739)
Ningbo LG Yongxing Chemical Co.,Ltd.	884,884	560,295	324,589	1,417,700	29,095
LG Chem HK Ltd.	134,432	119,765	14,667	449,400	488
LG Chem America, Inc.	150,788	138,077	12,711	483,341	1,725
LG Chemical India Pvt. Ltd.	32,871	63	32,808	1,475	529
LG Polymers India Pvt. Ltd.	107,786	62,341	45,445	182,100	2,310
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	93,926	50,313	43,613	128,251	4,395
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,300,563	771,338	529,225	1,269,212	40,252
LG Chem (Taiwan), Ltd.	214,798	141,710	73,088	324,217	17,814
LG Chem Display Materials (Beijing) Co.,Ltd.	23,618	1,475	22,143	10,167	863
Tianjin LG Bohai Chemical Co.,Ltd.	366,996	161,340	205,656	358,879	(2,206)
LG Chem (China) Investment Co.,Ltd.	101,369	18,387	82,982	23,693	3,413
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	70,298	33,095	37,203	87,737	4,503
LG Chem Europe GmbH	77,738	63,313	14,425	176,643	3,256
LG Chem Poland Sp. z.o.o	39,398	23,260	16,138	52,765	2,333
LG Chem Michigan Inc.	171,613	140,229	31,384	-	(10,087)
LG Chem Power Inc.	11,579	10,219	1,360	16,560	1,306
Tianjin LG Botian Chemical Co.,Ltd.	75,254	79,088	(3,834)	111,461	(572)
Ningbo Zhenhai LG Yongxing trading Co.,Ltd.	7,198	5,719	1,479	11,845	121
LGC Petrochemical India Private Limited.	380	6	374	288	126
Haengboknuri	1,134	487	647	1,065	47
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI	267	100	167	193	8
Associates and joint ventures					
LG Vina chemical Co.,Ltd.	22,655	14,175	8,480	56,204	2,063
HL Greenpower Co.,Ltd.	82,209	51,688	30,521	95,029	2,437
LG Holdings (HK) Ltd.	376,049	139,679	236,370	33,520	8,242
TECWIN Co.,Ltd.	48,676	21,708	26,968	-	-
SEETEC Co.,Ltd.	390,127	44,571	345,556	419,868	12,256
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	361	217	144	-	-
CNOOC & LG Petrochemicals Co.,Ltd.	168,741	89,995	78,746	-	(1,540)
KLPE Limited Liability Partnership	176,686	3,357	173,329	-	(1,597)
LG Fuel Cell Systems Inc.	27,853	6,231	21,622	3,454	(30,316)

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 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 nine-month period ended September 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 September 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 (Hangul) 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.

(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 Korean 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 Korean 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 Korean IFRS. The Company has applied this Standard prospectively in accordance with the provisions of Korean IFRS 1113 and there is no material impact of the application of this standard 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.

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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.

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

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<i>(in millions of Korean won)</i>	September 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
USD	2,846,599	2,391,624	1,887,144	2,437,724
EUR	53,822	88,791	48,383	69,940
JPY	22,353	95,284	25,701	148,685
GBP and others	5,694	3,192	1,863	5,155

As of September 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>	September 30, 2013		December 31, 2012	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	45,498	(45,498)	(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.

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 September 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 ₩2,279 million (2012: ₩2,120 million) or decrease of ₩2,279 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.

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(2) Credit risk

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

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

(in millions of Korean won)

	September 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)	5,556,018	(13,371)	5,542,647	4,653,130	(10,110)	4,643,020
Financial assets at fair value through profit or loss	-	-	-	2,352	-	2,352
Total	5,556,018	(13,371)	5,542,647	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.

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

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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)

	September 30, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,144,718	672,709	414,611	328
Finance lease liabilities	2,115	1,700	-	-
Trade and other payables	<u>2,234,200</u>	<u>4,740</u>	<u>-</u>	<u>-</u>
Total	<u>4,381,033</u>	<u>679,149</u>	<u>414,611</u>	<u>328</u>

(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	<u>2,288,782</u>	<u>15,652</u>	<u>-</u>	<u>-</u>
Total	<u>4,061,894</u>	<u>515,641</u>	<u>801,771</u>	<u>284</u>

- 2) As of September 30, 2013, the Company has no outstanding derivative financial liabilities. The table below analyzes the Company's derivative financial liabilities into relevant maturity groupings based on the remaining period from December 31, 2012, to the contractual maturity date:

(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	<u>(154)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross-settled derivative financial liabilities	Trading				
	Inflow	173,728	-	-	-
	Outflow	<u>(171,376)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Subtotal	<u>2,352</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total	<u>2,198</u>	<u>-</u>	<u>-</u>	<u>-</u>

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- 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)

	September 30, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	60,129	141	499	435

(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

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 September 30, 2013 and December 31, 2012, are as follows:

(in millions of Korean won, except for ratios)

	September 30, 2013	December 31, 2012
Total borrowings (Note 16) (A)	3,128,754	2,946,907
Less: cash and cash equivalents (B)	(1,502,133)	(720,767)
Net debt (C=A+B)	1,626,621	2,226,140
Total liabilities (D)	6,030,623	5,815,798
Total equity (E)	11,567,667	10,765,355
Total capital (F=C+E)	13,194,288	12,991,495
Gearing ratio (C/F)	12.3%	17.1%
Debt to equity ratio (D/E)	52.1%	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:

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- 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 (such as prices) or indirectly (derived from prices).
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) As of September 30, 2013, there are no financial instruments measured at fair value. The following tables present the Company's financial assets and liabilities that are measured at fair value as of December 31, 2012:

(in millions of Korean won)

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
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 (September 30, 2013: ₩5,953 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)

	September 30, 2013		
	Loans and receivables	Assets classified as available-for- sale	Total
Financial assets			
Cash and cash equivalents	1,502,133	-	1,502,133
Trade receivables	3,428,980	-	3,428,980
Other receivables	587,241	-	587,241
Other non-current receivables	24,383	-	24,383
Other non-current financial assets	-	5,953	5,953
Total	5,542,737	5,953	5,548,690

(in millions of Korean won)

	September 30, 2013		
	Hedging derivatives	Liabilities at amortized cost	Total
Financial liabilities			
Trade payables	-	1,393,899	1,393,899
Other payables	-	840,034	840,034
Borrowings (current)	-	2,087,064	2,087,064
Other current liabilities (dividends payable)	-	1,103	1,103
Other non-current payables	-	4,740	4,740
Borrowings (non-current)	-	1,041,690	1,041,690
Total	-	5,368,530	5,368,530

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(in millions of Korean won)

	December 31, 2012			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for- sale	
Financial assets				
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)

	December 31, 2012		Total
	Hedging derivatives	Liabilities at amortized cost	
Financial liabilities			
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	Nine months	Three months	Nine months
Assets at fair value through profit or loss				
Gain (loss) on valuation/disposal	542	(1,575)	4,007	1,383
Hedging derivatives				
Gain on valuation recognized in other comprehensive expenses	28	154	115	421
Interest expense ¹	(25)	(179)	(168)	(612)
Financial assets classified as available-for-sale				
Dividend income	-	190	-	157
Loans and receivables				
Interest income	8,748	25,510	8,276	20,553
Loss on foreign currency translation	(91,508)	(46,107)	(3,157)	(11,690)
Gain(loss) on foreign exchange	(75,983)	16,494	(8,151)	(7,636)
Liabilities at amortized cost				
Interest expense ¹	(36,576)	(67,096)	(25,931)	(76,185)
Gain on foreign currency translation	89,150	47,270	845	2,909
Gain(loss) on foreign exchange	45,452	(17,264)	(3,212)	(3,009)

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>	September 30, 2013	December 31, 2012
Bank deposits and cash on hand	303,019	282,039
Financial deposits, others	1,199,114	438,728
Total	1,502,133	720,767

As of September 30, 2013, other non-current receivables amounting to ₩24 million are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2012: ₩38 million). As of September 30, 2013, cash and cash equivalents include deposits with banks of ₩4,231 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>	September 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	3,442,352	(13,372)	3,428,980	3,141,161	(10,110)	3,131,051
Other current receivables	587,241	-	587,241	772,746	-	772,746
Other non-current receivables	24,383	-	24,383	20,718	-	20,718
Total	4,053,976	(13,372)	4,040,604	3,934,625	(10,110)	3,924,515

¹ As of September 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)	
	September 30, 2013	December 31, 2012
Carrying amount of transferred assets	980,264	994,295
Carrying amount of related liabilities	(980,264)	(994,295)
For those liabilities that have recourse only to the transferred assets:		
Fair value of transferred assets	980,264	994,295
Fair value of related liabilities	(980,264)	(994,295)
Net position	-	-

Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Current		
Non-trade receivables	87,058	99,107
Financial deposits	473,103	642,616
Accrued income	3,754	7,664
Deposits	23,326	23,359
	587,241	772,746
Non-current		
Financial deposits	24	38
Loans	337	150
Deposits	24,022	20,530
	24,383	20,718
Total	611,624	793,464

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

<i>(in millions of Korean won)</i>	September 30, 2013		December 31, 2012	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	<u>3,164,222</u>	<u>598,939</u>	<u>2,879,061</u>	<u>787,580</u>
Past due but not impaired				
Up to 3 months	266,399	7,353	239,804	4,973
3 to 6 months	3,811	2,849	13,673	432
Over 6 months	<u>2,041</u>	<u>2,483</u>	<u>3,295</u>	<u>479</u>
	<u>272,251</u>	<u>12,685</u>	<u>256,772</u>	<u>5,884</u>
Impaired receivables	<u>5,879</u>	<u>-</u>	<u>5,328</u>	<u>-</u>
	<u>3,442,352</u>	<u>611,624</u>	<u>3,141,161</u>	<u>793,464</u>

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

<i>(in millions of Korean won)</i>	September 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	4,355	-	-	-	6,147	-	-	-
Write-off	(397)	-	-	-	(826)	-	-	-
Exchange differences	(696)	-	-	-	(283)	-	-	-
Ending balance	<u>13,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,110</u>	<u>-</u>	<u>-</u>	<u>-</u>

As of September 30, 2013 and December 31, 2012, 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:

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Other financial assets		
Derivatives (Note 10)	-	2,352
Available-for-sale (Note 9)	5,953	21,811
Less: current portion	-	(2,352)
Total	<u>5,953</u>	<u>21,811</u>
Other financial liabilities		
Derivatives (Note 10)	-	154
Less: current portion	-	(154)
Total	<u>-</u>	<u>-</u>

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9. Financial assets classified as available-for-sale

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

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Beginning balance	21,811	5,973
Exchange differences	(8)	(12)
Additions	-	15,850
Transfer ¹	(15,850)	-
Ending balance	<u>5,953</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 nine-month periods ended September 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>	<u>September 30, 2013</u>		<u>December 31, 2012</u>	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	-	-	154
Held-for-trading	-	-	2,352	-
	<u>-</u>	<u>-</u>	<u>2,352</u>	<u>154</u>

As of September 30, 2013, the Company has no outstanding derivative financial contracts.

Details of derivative financial contracts as of December 31, 2012, are as follows:

Classification	Contractor	Contract date	December 31, 2012		
			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%

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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:

(in millions of Korean won)

	September 30, 2013			December 31, 2012		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	71,240	(885)	70,355	87,584	(917)	86,667
Finished products	1,109,316	(36,852)	1,072,464	1,136,794	(20,168)	1,116,626
Semi-finished products	359,524	-	359,524	298,794	-	298,794
Work-in-process	382	-	382	363	-	363
Raw materials	733,302	(2,535)	730,767	762,954	(1,300)	761,654
Supplies	87,276	-	87,276	78,517	-	78,517
Materials-in-transit	170,343	-	170,343	285,309	-	285,309
Total	2,531,383	(40,272)	2,491,111	2,650,315	(22,385)	2,627,930

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩12,447,109 million (2012: ₩12,931,642 million).

12. Investments in associates and joint ventures

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

(in millions of Korean won)

	September 30, 2013						
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income(expense) of associates	Others	Ending balance
LG Vina chemical Co., Ltd	3,675	-	(1,277)	956	37	-	3,391
HL Greenpower Co., Ltd.	15,557	-	-	1,195	-	(15)	16,737
LG Holdings (HK) Ltd.	60,012	-	-	2,127	1,150	-	63,289
TECWIN Co., Ltd.	5,408	-	(35)	(25)	-	-	5,348
SEETEC Co., Ltd.	155,042	-	-	7,423	-	-	162,465
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	-	-	-	-	-	258
CNOOC & LG Petrochemicals Co., Ltd.	39,244	-	-	(770)	899	-	39,373
KLPE Limited Liability Partnership ¹	125,872	18,680	-	(701)	(1,702)	1	142,150
LG Fuel Cell Systems Inc. ²	-	15,850	-	(4,639)	(491)	-	10,720
Total	405,068	34,530	(1,312)	5,566	(107)	(14)	443,731

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	December 31, 2012						
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income(expense) of associates	Others	Ending balance
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 ¹	55,486	75,565	-	(896)	(4,283)	-	125,872
Total	328,408	75,496	(1,406)	12,420	(9,775)	(75)	405,068

¹ During the nine-month period ended September 30, 2013, the Company acquired additional shares of KLPE Limited Liability Partnership amounting to ₩18,680 million. Further, the Company recognized the unpaid portion of the purchase as other payable amounting to ₩10,489 million.

² During the current period, investments into LG Fuel Cell Systems Inc. were 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).

13. Property, plant and equipment

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

	September 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	26,159	205,691	93,089	889,614	1,669	77,814	18,284	25,499	913,819	118,911	2,370,549
Disposals/ Transfer	-	(28)	(115)	(7,940)	(129)	(6,753)	(184)	-	(1,294,981)	(106,698)	(1,416,828)
Exchange differences	(367)	2,275	1,385	6,629	(3)	83	179	-	11,844	-	22,025
Depreciation	-	(38,939)	(27,246)	(576,121)	(2,249)	(54,123)	(19,306)	(37,285)	-	-	(755,269)
Impairment	-	(7,920)	(2)	(4,770)	(13)	(257)	(342)	-	(14,023)	-	(27,327)
Ending balance	738,030	1,808,578	553,019	3,811,737	9,524	266,510	88,135	76,508	956,829	232,458	8,541,328
Cost	738,030	2,190,062	909,060	9,677,526	39,832	622,654	246,436	200,519	1,005,498	232,458	15,862,075
Accumulated depreciation	-	(373,644)	(355,745)	(5,860,679)	(30,295)	(351,910)	(157,909)	(124,011)	-	-	(7,254,193)
Accumulated impairment	-	(7,840)	(296)	(5,110)	(13)	(4,234)	(392)	-	(48,669)	-	(66,554)

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December 31, 2012

(in millions of Korean won)	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	<u>712,238</u>	<u>1,647,499</u>	<u>485,908</u>	<u>3,504,325</u>	<u>10,249</u>	<u>249,746</u>	<u>89,504</u>	<u>88,294</u>	<u>1,340,170</u>	<u>220,245</u>	<u>8,348,178</u>
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 nine-month period ended September 30, 2013, the Company capitalized ₩19,438 million of borrowing costs (2012: ₩21,720 million) to property, plant and equipment.

As of September 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).

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

(in millions of Korean won)	2013		2012	
	Three months	Nine months	Three months	Nine months
Cost of sales	242,406	710,763	201,097	576,755
Selling, general and administrative expenses	15,078	44,392	14,257	40,878
Others ¹	1	114	111	317
Total	<u>257,485</u>	<u>755,269</u>	<u>215,465</u>	<u>617,950</u>

¹ Amounts capitalized to development costs are included.

The Company performs impairment test for property, plant and equipment annually. The battery division for vehicles in the United States, managed as a separate cash-generating unit (hereafter 'CGU') in battery business segments, has been tested for impairment due to delayed factory operations resulting from unexpected late orders from customers. The Company recognized impairment loss of ₩26,018 million as other non-operating expenses in relation to the corresponding CGU for this period. The amount of the impairment loss recognized for property, plant and equipment, and intangible assets amounted to ₩25,878 million and ₩140 million, respectively, and mainly relate to machinery and equipment used in manufacturing. The recoverable amount of the CGU is calculated on a basis of the value in use and key assumptions used for calculation of value in use are as follows:

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Key assumptions

September 30, 2013

Pre-tax discount rate	13.8%
Growth rate for subsequent years after four years	0.0%

14. Intangible assets

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

(in millions of Korean won)

September 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	10,524	18,716	-	514	5,359	35,113
Disposals/ Transfer	(1,240)	(20)	-	(362)	1	(1,621)
Exchange differences	(6)	-	-	5	185	184
Amortization	(7,869)	(4,168)	-	-	(5,284)	(17,321)
Impairment	(137)	-	-	-	(3)	(140)
Ending balance	43,682	93,138	33,415	51,849	28,024	250,108

(in millions of Korean won)

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

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

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Cost of sales	2,044	5,722	1,540	4,472
Selling, general and administrative expenses	4,008	11,599	3,665	9,325
Total	6,052	17,321	5,205	13,797

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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>	September 30, 2013	December 31, 2012
Current		
Prepayments to suppliers	66,388	48,552
Prepaid expenses	25,290	21,353
Prepaid value added tax	62,665	69,449
Others	47,199	51,424
Total	<u>201,542</u>	<u>190,778</u>
Non-current		
Long-term prepaid expenses	37,575	40,997
Other investment assets	70	25
Total	<u>37,645</u>	<u>41,022</u>

16. Borrowings

The carrying amount of borrowings is as follows:

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Current		
Short-term borrowings	1,819,742	1,666,662
Current maturities of bank loans	265,388	82,959
Current maturities of finance lease liabilities	1,934	2,160
	<u>2,087,064</u>	<u>1,751,781</u>
Non-current		
Bank loans	441,466	594,018
Debentures	598,532	598,034
Finance lease liabilities	1,692	3,074
	<u>1,041,690</u>	<u>1,195,126</u>
Total	<u>3,128,754</u>	<u>2,946,907</u>

Details of borrowings are as follows:

Current borrowings

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at September 30, 2013	Carrying Amount	
				September 30, 2013	December 31, 2012
Notes discounted ¹	Woori Bank, others	2014.07.04	Libor+1.00, various	980,264	994,295
Bank loans	China Bank, others	2014.09.19	Libor+0.50~2.50, various	839,478	672,367
Total				<u>1,819,742</u>	<u>1,666,662</u>

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

Non-current borrowings

(in millions of Korean won)

		September 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	796	62	734
	Kookmin Bank	2.70	2020.03.21	841	39	802
Foreign currency borrowings	Korea Development Bank	3.53	2015.07.19	200,000	-	200,000
	Shanghai Pudong Development Bank	5.76	2015.09.15	1,758	-	1,758
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07. 29	21,512	21,512	-
	Standard Chartered Bank	3Libor + 2.20	2015.12.15	20,530	3,242	17,288
	Standard Chartered Bank	3Libor + 2.20	2016.09.26	10,805	540	10,265
	Agricultural Bank of China	5.90	2015.10.15	9,666	-	9,666
	China Merchants Bank	5.76	2015.05.17	2,636	-	2,636
	ANZ Bank	3Libor + 2.10	2014.07.07	16,208	16,208	-
	ANZ Bank	3Libor + 2.80	2013.10.11	4,823	4,823	-
	Bank of America	2.00	2014.07.03	21,610	21,610	-
	Bank of America	2.00	2014.08.08	6,130	6,130	-
	Bank of America	6Libor + 1.50	2014.10.24	32,416	-	32,416
	Bank of America	3Libor + 1.68	2014.08.29	43,220	43,220	-
	Bank of America	3Libor + 1.65	2013.11.18	26,890	26,890	-
	BTMU	3Libor + 2.00	2016.05.13	21,610	6,483	15,127
	BTMU	3Libor + 1.54	2015.07.20	53,780	-	53,780
	HSBC	6Libor + 0.75	2014.09.19	43,220	43,220	-
HSBC	6Libor + 2.25	2015.05.25	21,610	-	21,610	
Mizuho Banking Corporation	3Libor + 0.65	2014.05.31	64,536	64,536	-	
Nordea Bank	1Wibor+1.00	2014.06.30	6,873	6,873	-	
Nova Scotia Bank	3Libor + 1.54	2015.07.20	53,780	-	53,780	
JP MORGAN	3Libor + 1.75	2014.10.17	21,604	-	21,604	
Total				<u>706,854</u>	<u>265,388</u>	<u>441,466</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
Foreign currency borrowings	BTMU	3CD + 0.60	2013.09.05	7,500	7,500	-
	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)

		September 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			(1,468)	-	(1,468)
Total				598,532	-	598,532

(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)

		September 30, 2013			
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	3,626	1,934	1,692

(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).

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

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

<i>(in millions of Korean won)</i>	September 30, 2013		December 31, 2012	
	Carrying amount	Fair value¹	Carrying amount	Fair value¹
Bank loans	441,466	437,954	594,018	590,654
Debentures	598,532	613,242	598,034	616,213
Finance lease liabilities	1,692	1,641	3,074	3,031
Total	1,041,690	1,052,837	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 the borrowing rate quoted by the People's Bank of China and others.

The present value of finance lease liabilities is as follows:

<i>(in millions of Korean won)</i>	September 30, 2013			December 31, 2012		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	2,115	181	1,934	2,481	321	2,160
1 to 5 years	1,700	8	1,692	3,195	121	3,074

17. Provisions

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

<i>(in millions of Korean won)</i>	September 30, 2013		
	Sales returns¹	Warranty²	Total
Beginning balance	1,623	11,583	13,206
Additions	17,847	5,177	23,024
Used amount	(17,671)	(515)	(18,186)
Ending balance	1,799	16,245	18,044
Less : current portion	(1,799)	(441)	(2,240)
Total	-	15,804	15,804

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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 liabilities

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

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Present value of obligations ¹	419,515	367,567
Fair value of plan assets	(259,685)	(261,666)
Liability in the statement of financial position	159,830	105,901

¹ The present value of defined benefit obligations is net of existing contributions to the National Pension Plan of ₩898 million as of September 30, 2013 (December 31, 2012: ₩945 million).

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

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Nine months	Three months	Nine months
Current service cost ¹	18,791	56,312	13,031	38,852
Interest cost	967	2,900	1,154	3,463
Total, included in employee benefit expenses	19,758	59,212	14,185	42,315

¹ The above amounts excluded ₩428 million (2012: ₩992 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the nine-month period ended September 30, 2013, amounted to ₩137 million (2012: ₩53 million).

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

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Nine months	Three months	Nine Months
Cost of sales	14,394	42,112	9,828	28,485
Selling, general and administrative expenses	5,422	17,237	4,405	13,883
Total	19,816	59,349	14,233	42,368

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

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Nine months	Three months	Nine months
Actuarial gains (losses) before tax	371	971	(39,259)	(38,238)
Income tax effect	(90)	(235)	9,500	9,253
Actuarial gains (losses) after tax	281	736	(29,759)	(28,985)

As of September 30, 2013, ₩111,156 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 nine-month period ended September 30, 2013 and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Beginning balance	367,567	253,396
Transfer in	905	2,019
Current service cost	56,740	52,970
Interest expense	9,980	12,093
Actuarial losses(before tax)	-	62,304
Benefits paid	(15,857)	(15,550)
Exchange differences	180	335
Ending balance	419,515	367,567

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

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Beginning balance	261,666	192,619
Interest income	7,080	7,475
Actuarial gains (before tax)	971	67
Employer contributions	-	70,000
Benefits paid	(10,032)	(8,495)
Ending balance	<u>259,685</u>	<u>261,666</u>

The actual return on plan assets for the nine-month period ended September 30, 2013, was ₩8,051 million (2012:₩7,542 million).

The principal actuarial assumptions used are as follows:

	September 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	(40,673)	48,350
Salary increase Increase(decrease) of defined benefit obligations	47,099	(40,484)

Plan assets consist of:

<i>(in millions of Korean won)</i>	September 30, 2013		December 31, 2012	
	Amount	Proportion	Amount	Proportion
Equity instruments	51,841	20%	36,128	14%
Time deposits	88,413	34%	88,858	34%
Insurance contracts with guaranteed yield	119,431	46%	136,680	52%
Total	<u>259,685</u>	<u>100%</u>	<u>261,666</u>	<u>100%</u>

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19. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Advances from customers	27,140	37,457
Dividends payable	1,103	1,115
Withholding	34,344	44,968
Unearned revenues	12,846	12,248
Others	62,033	56,819
Total	137,466	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 September 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.
- (3) As of September 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 September 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	685	32	210	15
Limit of the letter of credit	64,000	227	180	675	-	-	-
Limit of discount of notes from export	-	1,484	-	-	-	-	-
Limit of loan arrangements	-	-	1,154	1,895	20	4,330	3
Limit of guaranteed payments in other foreign currency	-	95	-	-	-	-	-

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

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- (6) As of September 30, 2013, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in seven and 32 legal actions involving ₩757 million and ₩2,588 million in claims, respectively, and as a defendant in seven and two legal actions with ₩2,489 million and ₩54 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.
- (7) As of September 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 September 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.
- (10) As of September 30, 2013, the Company has long-term purchase contracts for certain raw materials from a supplier, who has credit guarantee contracts amounting to US\$ 125 million and US\$ 50 million with financial institutions. Further, as of September 30, 2013, the Parent Company has a contract of US\$ 10 million guarantees with financial institutions in regard to a delivery contract for certain products.
- (11) As of September 30, 2013, the Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of September 30, 2013, amounts to US\$ 215 million, EUR 3 million and PLN 52 million (total equivalent to ₩253,919 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 September 30, 2013 and December 31, 2012, are as follows:

(in millions of Korean won)

Guarantor	Guarantee beneficiary	September 30, 2013			
		Financial institution	Amount of guarantee	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	HSBC	64,830	64,830	
	"	Bank of America	32,415	32,415	
	LG Chem Poland Sp. z o.o.	Nordea Bank	17,870	11,038	
	LG Chem Europe GmbH	Shinhan Bank	4,354	-	
	LG Chem Michigan, Inc.	Bank of America	26,890	26,890	
	"	Mizuho Bank	64,536	64,536	
	"	SMBC	21,512	21,512	
	"	JP Morgan	21,512	21,512	
	Total			253,919	242,733

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Guarantor	Guarantee beneficiary	December 31, 2012		
		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		274,898	226,521

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

(in millions of Korean won)

	September 30, 2013	December 31, 2012
Property, plant and equipment	959,309	1,066,350

21. Equity

Changes in share capital and share premium are as follows:

(in millions of Korean won)

	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
September 30, 2013	66,271,100	331,356	7,628,921	38,144	897,424

Changes in treasury shares are as follows:

(in millions of Korean won)

	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
September 30, 2013	359,790	5,519	15,484	13,855

The Company intends to sell its treasury shares, considering the overall market condition.

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22. Retained earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	September 30, 2013	December 31, 2012
Legal reserve ¹	268,423	260,113
Discretionary reserve ²	8,200,700	7,107,800
Unappropriated retained earnings	<u>1,530,257</u>	<u>1,836,790</u>
Total	<u>9,999,380</u>	<u>9,204,703</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate an amount equal to a minimum of 10% of its cash dividends as a legal reserve until such reserve equals 50% of its paid-in capital. This reserve is not available for the payment of cash dividends, but may be transferred to common stock or used to reduce accumulated deficit, if any.

² Pursuant to the Special Tax Treatment Control Law, the Company is required to appropriate, as a reserve for business rationalization, a portion of retained earnings equal to tax reductions arising from investment and other tax credits. This reserve may be distributed as dividends after reversal.

23. Other components of equity

Details of other components of equity are as follows:

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

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24. Selling, general and administrative expenses

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

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Wages and salaries	82,525	250,858	72,531	209,467
Pension costs (Note 18)	5,422	17,237	4,405	13,883
Welfare expense	18,336	58,925	15,316	48,733
Travel expense	8,712	26,341	7,411	21,599
Water & utilities	5,953	19,008	5,556	16,025
Packaging expense	1,613	4,870	1,311	3,514
Rental expense	23,534	71,219	22,475	68,300
Commission expense	55,590	154,815	46,684	142,567
Depreciation (Note 13)	15,078	44,392	14,257	40,878
Advertising expense	3,889	10,496	3,982	15,949
Freight expense	104,495	310,223	100,501	279,300
Training expense	3,658	9,130	3,190	8,639
Amortization (Note 14)	4,008	11,599	3,665	9,325
Sample expense	2,677	9,560	3,644	9,691
Others	61,625	171,522	50,934	152,632
Total	397,115	1,170,195	355,862	1,040,502

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 nine-month periods ended September 30, 2013 and 2012, consist of:

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Changes in inventories	16,106	(277)	90,064	44,719
Raw materials and consumables used	3,786,639	11,770,769	3,924,691	12,298,462
Purchase of merchandise	288,622	676,617	139,069	588,461
Employee benefit expense (Note 26)	297,738	910,560	259,036	758,765
Advertising expense	4,210	11,428	4,298	16,741
Transportation expense	111,800	333,088	106,687	298,967
Service fees	86,650	241,427	71,555	213,480
Depreciation, amortization and impairment	263,536	772,476	220,559	631,430
Operating lease payments	12,906	38,147	11,941	34,673
Other expenses	480,675	1,322,058	405,160	1,150,088
Total	5,348,882	16,076,293	5,233,060	16,035,786

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26. Employee benefit expense

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

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Wages and salaries	250,925	772,341	222,671	649,255
Pension costs – Defined benefit plan (Note 18)	19,758	59,212	14,185	42,315
Pension costs – Defined contribution plan (Note 18)	59	137	48	53
Others	26,996	78,870	22,132	67,142
Total	297,738	910,560	259,036	758,765

27. Finance income and expense

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

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Finance income				
Interest income ¹	8,748	25,510	8,276	20,553
Dividend income	-	190	-	157
Foreign exchange gain	51,350	112,851	11,139	35,560
Gain on foreign currency translation	11,367	15,015	3,967	3,862
Gain on settlement of trading derivatives	598	3,577	2,885	4,929
Gain on valuation of trading derivatives	-	-	1,185	1,622
Total	72,063	157,143	27,452	66,683
Finance expense				
Interest expense ²	17,120	47,795	17,612	55,077
Foreign exchange loss	86,407	123,730	19,881	52,794
Loss on foreign exchange translations	1,263	4,536	2,587	7,061
Loss on settlement of trading derivatives	56	5,152	63	5,168
Total	104,846	181,213	40,143	120,100

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¹ Details of interest income are as follows:

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Bank deposits	8,585	25,060	8,155	19,825
Other loans and receivables	163	450	121	728
Total	8,748	25,510	8,276	20,553

² Details of interest expense are as follows:

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Interest on bank overdraft and borrowings	12,167	39,002	16,419	45,886
Interest on finance lease liabilities	68	252	115	388
Interest on debentures	6,135	18,401	6,130	17,799
Other interest expenses	4,139	9,578	3,435	12,724
Capitalized interest for qualifying assets	(5,389)	(19,438)	(8,487)	(21,720)
Total	17,120	47,795	17,612	55,077

28. Other non-operating income

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

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Foreign exchange gain	80,269	237,687	65,806	203,969
Gain on foreign currency translation	88,016	48,471	12,369	22,453
Gain on disposal of property, plant and equipment	379	824	260	4,869
Gain on disposal of intangible assets	-	21	57	57
Others	2,677	13,458	9,895	20,664
Total	171,341	300,461	88,387	252,012

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29. Other non-operating expenses

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

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Foreign exchange loss	75,743	227,578	68,427	197,380
Loss on foreign currency translation	100,478	57,787	16,061	28,035
Loss on disposal of property, plant and equipment	2,824	10,317	1,560	3,607
Loss on disposal of intangible assets	95	115	406	1,027
Impairment loss on property, plant and equipment	26,355	27,329	-	2,102
Others	10,313	20,183	8,190	16,486
Total	215,808	343,309	94,644	248,637

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 19.9% (for the nine-month period ended September 30, 2012: 19.4%).

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 nine-month periods ended September 30, 2013 and 2012, is computed as follows:

(in millions of Korean won)

	2013		2012	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares ¹	315,234	976,054	405,640	1,079,494
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)	4,783	14,809	6,154	16,378

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<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares ¹	36,556	113,178	47,012	125,142
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)	4,795	14,846	6,167	16,416

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

<i>(in millions of Korean won)</i>	2013		2012	
	Three months	Nine months	Three months	Nine months
Profit for the period attributable to owners of the Parent Company	351,790	1,089,231	452,652	1,204,636
Ordinary shares dividends (A)	65,911	197,733	65,911	197,734
Preferred shares dividends (B)	7,719	23,156	7,719	23,156
Undistributed earnings for the period	278,160	868,342	379,022	983,746
Undistributed earnings available for ordinary shares (C)	249,323	778,320	339,729	881,760
Undistributed earnings available for preferred shares (D)	28,837	90,022	39,293	101,986
Profit for the period attributable to ordinary shares (A+C)	315,234	976,053	405,640	1,079,494
Profit for the period attributable to preferred shares (B+D)	36,556	113,178	47,012	125,142

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	65,911,310	65,911,316
Preferred shares outstanding	7,628,921	7,628,921
Preferred treasury shares	(5,519)	(5,519)
Weighted average number of preferred shares outstanding	7,623,402	7,623,402

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 nine-month periods ended September 30, 2013 and 2012, and the related account balances as of September 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	-	40,877	-	41,064
Associates and joint ventures	100,250	188,416	86,236	139,959
Key management	-	33,595	-	31,596
Others ²	16,449	643,625	20,189	697,669
Total	116,699	906,513	106,425	910,288

(in millions of Korean won)

	September 30, 2013		December 31, 2012	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	7,074	-	6,948	1,456
Associates and joint ventures	18,998	24,211	29,609	22,334
Key management	-	44,952	-	48,781
Others ²	31,931	195,876	36,963	194,727
Total	58,003	265,039	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 nine-month periods ended September 30, 2013 and 2012, consists of:

(in millions of Korean won)

	2013	2012
Wages and salaries	31,928	30,554
Pension costs	1,667	1,042
Total	33,595	31,596

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 nine-month periods ended September 30, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Profit before income tax	1,365,330	1,505,371
Adjustments for:		
Depreciation	755,155	617,633
Amortization	17,321	13,797
Pension costs	59,212	42,315
Finance income	(92,596)	(54,243)
Finance expense	115,648	94,219
Foreign exchange differences	24,487	(13,833)
Gain on disposal of property, plant and equipment	(824)	(4,869)
Loss on disposal of property, plant and equipment	10,317	3,607
Impairment loss on property, plant and equipment	27,329	2,102
Gain on disposal of intangible assets	(21)	(57)
Loss on disposal of intangible assets	115	1,027
Impairment loss on intangible assets	140	-
Other expenses	23,412	(985)
Inventories	116,169	(103,713)
Trade receivables	(343,966)	(212,568)
Other receivables	11,368	(39,129)
Settlement of derivatives	777	(239)
Trade payables	(128,828)	326,860
Other payables	113,761	(12,691)
Defined benefit obligation	(4,920)	(2,309)
Other cash flows from operations	(31,881)	(36,655)
Cash generated from operations	<u>2,037,505</u>	<u>2,125,640</u>

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

<i>(in millions of Korean won)</i>	2013	2012
Transfer of construction-in-progress	1,294,981	1,101,150
Transfer of machinery-in-transit	106,698	173,877
Reclassification of long-term borrowings into current maturities	208,888	124,441
Gain on valuation of derivatives recognized as other comprehensive income	154	421

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., Dongbu Daewoo Electronics Corp., 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., 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 nine-month periods ended September 30, 2013 and 2012, is as follows:

(in millions of Korean won)

	2013				Total
	Petro - Chemicals	Information & Electronic Materials	Batteries	Common and others⁴	
Total segment revenue	13,314,482	2,428,435	1,917,670	2,197	17,662,784
Inter-segment revenue ¹	55,269	102,335	8	2,197	159,809
Revenue from external customers ²	13,259,213	2,326,100	1,917,662	-	17,502,975
Operating profit (loss) ³	1,070,265	318,297	38,465	(345)	1,426,682

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(in millions of Korean won)

	2012				Total
	Petro - Chemicals	Information & Electronic Materials	Batteries	Common and others⁴	
Total segment revenue	13,378,857	2,548,571	1,851,010	10,453	17,788,891
Inter-segment revenue ¹	47,463	147,862	907	10,453	206,685
Revenue from external customers ²	13,331,394	2,400,709	1,850,103	-	17,582,206
Operating profit ⁴ (loss) ³	1,142,292	350,762	53,598	(232)	1,546,420

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.

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

(in millions of Korean won)

	September 30, 2013				Total
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	
Total assets for the segment ¹	8,916,714	2,956,232	3,177,891	2,547,453	17,598,290
Investments in associates and joint ventures	184,915	-	16,737	242,079	443,731
Total liabilities for the segment ¹	2,867,906	587,466	1,141,202	1,434,049	6,030,623

(in millions of Korean won)

	December 31, 2012				Total
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	
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.

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

<i>(in millions of Korean won)</i>	2013	2012
Korea ¹	7,414,443	7,528,456
China	7,671,640	7,376,381
South East Asia	1,041,602	1,296,018
America	1,347,560	1,343,186
Europe	912,981	674,378
Others	2,358,652	2,275,718
Eliminations	<u>(3,243,903)</u>	<u>(2,911,931)</u>
Total	<u>17,502,975</u>	<u>17,582,206</u>

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

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