

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

March 31, 2013 and 2012

LG Chem, Ltd. and Subsidiaries
Index
March 31, 2013 and 2012

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Interim Consolidated Financial Statements	
Interim Consolidated Statements of Financial Position	3 - 4
Interim Consolidated Statements of Income	5
Interim Consolidated Statements of Comprehensive Income	6
Interim Consolidated Statements of Changes in Equity	7
Interim Consolidated Statements of Cash Flows	8
Notes to the Interim Consolidated Financial Statements	9 - 51



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 March 31, 2013, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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.

The image shows a handwritten signature in black ink that reads "Sam I. Price Waterhouse Coopers". The signature is written in a cursive, flowing style.

Seoul, Korea
May 15, 2013

The report is effective as of May 15, 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
March 31, 2013 and December 31, 2012

<i>(in millions of Korean won)</i>	Notes	March 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	1,556,902	720,767
Trade receivables	3, 5, 7, 33	3,370,217	3,131,051
Other receivables	3, 5, 7, 33	475,613	772,746
Prepaid income taxes		7,637	7,314
Other financial assets	3, 5, 8, 10	30	2,352
Other current assets	15	236,905	190,778
Inventories	11	2,605,095	2,627,930
Total current assets		8,252,399	7,452,938
Non-current assets			
Other receivables	3, 5, 7	19,761	20,718
Other financial assets	3, 5, 8, 9	5,967	21,811
Investments in associates and joint ventures	1, 12, 35	430,225	405,068
Deferred income tax assets		63,921	57,525
Property, plant and equipment	13	8,459,880	8,348,178
Intangible assets	14	238,114	233,893
Other non-current assets	15	40,541	41,022
Total non-current assets		9,258,409	9,128,215
Total assets		17,510,808	16,581,153
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 33	1,699,179	1,522,395
Other payables	3, 5, 33	924,540	766,231
Borrowings	3, 5, 16	1,875,758	1,751,781
Other financial liabilities	3, 5, 8, 10	91	154
Provisions	17	2,471	1,943
Current income tax liabilities		203,364	142,901
Other current liabilities	5, 19	418,253	152,607
Total current liabilities		5,123,656	4,338,012
Non-current liabilities			
Other payables	3,5	4,820	15,070
Borrowings	3,5,16	1,225,845	1,195,126
Provisions	17	13,178	11,263
Defined benefit liability	18	122,671	105,901
Deferred income tax liabilities		151,776	150,426
Total non-current liabilities		1,518,290	1,477,786
Total liabilities		6,641,946	5,815,798

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

<i>(in millions of Korean won)</i>	Notes	March 31, 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		(35,511)	(86,977)
Retained earnings	22	9,250,005	9,204,703
		<u>10,726,067</u>	<u>10,629,299</u>
Non-controlling interests		142,795	136,056
Total equity		<u>10,868,862</u>	<u>10,765,355</u>
Total liabilities and equity		<u>17,510,808</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 Periods Ended March 31, 2013 and 2012

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2013	2012
Revenue	33, 35	5,720,604	5,753,070
Cost of sales	25,33	<u>(4,947,704)</u>	<u>(4,983,320)</u>
Gross profit		772,900	769,750
Selling, general and administrative expenses	24, 25, 33	<u>(363,984)</u>	<u>(322,891)</u>
Operating profit	35	408,916	446,859
Finance income	5, 27, 35	33,782	23,818
Finance expenses	5, 27, 35	(39,243)	(40,251)
Share of profit of associates and joint ventures	12, 35	2,699	3,278
Other non-operating income	5, 28, 35	110,285	88,683
Other non-operating expenses	5, 29, 35	(101,784)	(82,162)
Profit before income tax	34, 35	<u>414,655</u>	<u>440,225</u>
Income tax expense	30	<u>(74,212)</u>	<u>(59,371)</u>
Profit for the period		<u>340,443</u>	<u>380,854</u>
Attributable to:			
Owners of the parent		339,146	375,399
Non-controlling interests		1,297	5,455
Earnings per share for profit attributable			
to owners of the parent (in won)	31		
Basic and diluted earnings per ordinary share			
for profit for the period		4,611	5,104
Basic and diluted earnings per preferred share			
for profit for the period		4,623	5,116

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 Periods Ended March 31, 2013 and 2012

(in millions of Korean won)

	Notes	2013	2012
Profit for the period		340,443	380,854
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gains on defined benefit liability	18	890	351
Income tax effect relating to components of other comprehensive income		(216)	(85)
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences		48,997	(9,996)
Cash flow hedges		73	167
Others		6,643	(339)
Income tax effect relating to components of other comprehensive income		1,196	1,719
Other comprehensive income for the period, net of tax		57,583	(8,183)
Total comprehensive income for the period		398,026	372,671
Attributable to:			
Owners of the parent		391,287	368,884
Non-controlling interests		6,739	3,787

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
Three-Month Periods Ended March 31, 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	-	-	-	-	375,399	375,399	5,455	380,854
Actuarial gains on defined benefit liability	18	-	-	-	266	266	-	266
Currency translation differences	-	-	-	(6,577)	-	(6,577)	(1,668)	(8,245)
Cash flow hedges	-	-	-	126	-	126	-	126
Others	-	-	-	(330)	-	(330)	-	(330)
Total comprehensive income	-	-	-	(6,781)	375,665	368,884	3,787	372,671
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	-	(294,520)
Total transactions with owners	-	-	-	-	(294,520)	(294,520)	-	(294,520)
Balance at March 31, 2012	369,500	1,157,772	(15,699)	(18,179)	8,134,452	9,627,846	157,984	9,785,830
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	-	-	-	-	339,146	339,146	1,297	340,443
Actuarial gains on defined benefit liability	18	-	-	-	674	674	-	674
Currency translation differences	-	-	-	44,790	-	44,790	5,442	50,232
Cash flow hedges	-	-	-	55	-	55	-	55
Others	-	-	-	6,621	1	6,622	-	6,622
Total comprehensive income	-	-	-	51,466	339,821	391,287	6,739	398,026
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	-	(294,520)
Others	-	-	-	-	1	1	-	1
Total transactions with owners	-	-	-	-	(294,519)	(294,519)	-	(294,519)
Balance at March 31, 2013	369,500	1,157,772	(15,699)	(35,511)	9,250,005	10,726,067	142,795	10,868,862

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2013 and 2012

(in millions of Korean won)

	Notes	2013	2012
Cash flows from operating activities			
Cash generated from operations	34	842,043	613,944
Interest received		12,294	7,744
Interest paid		(22,537)	(23,094)
Income taxes paid		(17,349)	(17,997)
Net cash generated from operating activities		<u>814,451</u>	<u>580,597</u>
Cash flows from investing activities			
Decrease in other receivables		559,576	25,499
Decrease in non-current other receivables		9,708	2,626
Proceeds from disposal of property, plant and equipment		322	176
Increase in other receivables		(284,419)	(30,841)
Increase in non-current other receivables		-	(5,314)
Increase in non-current other financial assets		(44)	-
Acquisition of property, plant and equipment		(342,265)	(493,936)
Acquisition of intangible assets		(7,361)	(7,734)
Net cash used in investing activities		<u>(64,483)</u>	<u>(509,524)</u>
Cash flows from financing activities			
Proceeds from borrowings		110,418	849,556
Repayments of borrowings		(35,860)	(488,979)
Net cash provided by financing activities		<u>74,558</u>	<u>360,577</u>
Net increase in cash and cash equivalents		824,526	431,650
Cash and cash equivalents at the beginning of period		720,767	1,379,379
Exchange gains on cash and cash equivalents		11,609	2,454
Cash and cash equivalents at the end of period		<u>1,556,902</u>	<u>1,813,483</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

March 31, 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 March 31, 2013, the Parent Company has its manufacturing facilities in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of March 31, 2013, the Parent Company has issued 66,271,100 ordinary shares (₩331,356 million) and 7,628,921 preferred shares (₩38,144 million). The largest shareholder of the Parent Company is LG Corp., which owns 33.53% of the Parent Company's ordinary shares. Preferred shareholders have no voting rights but are entitled to receive dividends at a rate 1% more than those paid to ordinary shareholders.

1.2 Business overview

The Company is engaged in petrochemicals business, information and electronic materials, and batteries business. The petrochemical business includes production of olefin petrochemicals such as ethylene, propylene, butadiene from Naphtha and aromatic petrochemicals such as benzene, xylene, toluene, and production of synthetic resin, synthetic rubber, and synthetic components from olefin and aromatic petrochemicals. This business is regarded as important as it provides primary materials to other industries and bears characteristics of large-volume process industry. The Company's major products are ethylene, polyethylene, propylene, synthetic rubber, polyvinyl chloride (PVC), plasticizer, acrylate, acrylonitrile-butadiene-styrene (ABS), epoxy resin, and others.

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

The batteries business manufactures and supplies batteries ranging from small batteries for portable media devices such as laptop computers, camcorders, mobiles and PDA to battery for electric vehicles and batteries for energy storage system. Currently, the battery division for electronic vehicles is in its position to supply to major domestic/foreign car manufacturing companies. To maintain its dominant position in the North American battery market, the Company is currently constructing new manufacturing facilities in North America which will manufacture batteries for hybrid electric vehicle / electric vehicle.

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

1.3 Consolidated subsidiaries, associates and joint ventures

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

¹ As of March 31, 2013, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

² As of March 31, 2013, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

³ As of March 31, 2013, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

⁴ Classified as an investment in associate and joint ventures due to its small scale.

⁵ 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

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

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).

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)

	March 31, 2013				
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year
Consolidated subsidiaries					
Tianjin LG Dagu Chemical Co.,Ltd.	209,899	128,247	81,652	95,071	(2,243)
Ningbo LG Yongxing Chemical Co.,Ltd.	772,045	422,039	350,006	457,857	9,601
LG Chem HK Ltd.	185,809	170,908	14,901	144,582	225
LG Chem America, Inc.	153,998	141,471	12,527	150,711	1,090
LG Chemical India Pvt. Ltd.	32,843	121	32,722	566	212
LG Polymers India Pvt. Ltd.	99,996	46,725	53,271	61,226	1,882
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	87,462	46,155	41,307	35,795	1,263
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,194,086	709,589	484,497	393,207	8,299
LG Chem (Taiwan), Ltd.	193,424	125,646	67,778	105,309	10,833
LG Chem Display Materials (Beijing) Co.,Ltd.	23,478	1,465	22,013	3,464	318
Tianjin LG Bohai Chemical Co.,Ltd.	404,548	176,312	228,236	122,158	(253)
LG Chem (China) Investment Co.,Ltd.	111,844	31,398	80,446	7,453	540
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	81,255	45,996	35,259	31,919	1,855
LG Chem Europe GmbH	81,283	68,589	12,694	55,620	1,745
LG Chem Poland Sp. z.o.o	29,673	16,431	13,242	11,343	(492)
LG Chem Michigan Inc.	170,709	130,790	39,919	-	(2,602)
LG Chem Power Inc.	15,039	13,892	1,147	6,305	1,047
Tianjin LG Botian Chemical Co.,Ltd.	76,635	79,688	(3,053)	43,743	310
Ningbo Zhenhai LG Yongxing trading Co.,Ltd.	1,951	529	1,422	3,765	37
Associates and joint ventures					
LG Vina chemical Co.,Ltd.	26,151	15,329	10,822	17,972	933
HL Greenpower Co.,Ltd.	89,761	57,560	32,201	31,153	447
LG Holdings (HK) Ltd.	384,702	149,497	235,205	10,665	2,301
TECWIN Co.,Ltd.	48,676	21,708	26,968	-	-
SEETEC Co.,Ltd.	374,711	38,645	336,066	146,259	2,765
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	361	217	144	-	-
CNOOC & LG Petrochemicals Co.,Ltd.	101,874	20,557	81,317	-	(389)
KLPE Limited Liability Partnership	146,468	1,113	145,355	-	(599)
LG Fuel Cell Systems Inc.	52,788	7,585	45,203	1,095	(7,298)

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 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)

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2013 and 2012, and December 31, 2012

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 interim consolidated financial statements for the three-month period ended March 31, 2013, have been prepared in accordance with Korean IFRS 1034, '*Interim Financial Reporting*.' These interim financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective as of March 31, 2013.

2.2 Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Company

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

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*

According to the amendment to Korean IFRS 1001, *Presentation of Financial Statements*, the amendment requires the 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 comparative consolidated statement of the comprehensive income is restated by reflecting adjustments resulting from the retrospective application. There is no impact on its total comprehensive income due to the retrospective application of changes in these accounting policies.

- Amendments to Korean IFRS 1019, *Employee Benefits*

According to the amendments to Korean IFRS 1019, *Employee Benefits*, the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are now changed to calculating net interest expense (income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities (assets). The Company applies the amendment retroactively and the comparative consolidated statement of the income, consolidated statement of the comprehensive income is restated by reflecting adjustments resulting from the retrospective application. This amendment does not have a material impact on its financial statements.

In addition, according to Korean IFRS 1019, termination benefits are paid when an employee's employment is terminated by the Company's decision before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for certain benefits. The Company recognizes a liability and expense for termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits and (b) when the Company recognizes costs for a restructuring that is within the scope of Korean IFRS 1037 and involves the payment of termination benefits. In the case of voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Where the benefits fall due more than 12 months after the reporting period, they are

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2013 and 2012, and December 31, 2012

discounted to its present value. This amendment does not have a material impact on its financial statements.

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

Korean IFRS 1110 supersedes Korean IFRS 1027, *Consolidated and Separate Financial Statements*, and SIC-2012, *Consolidation—Special Purpose Entities*.

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.

In accordance with transition of Korean IFRS 1110, when there are changes as of January 1, 2013, the date of initial application, the financial statements for the comparative periods are restated in conformity with the conclusion of Korean IFRS 1110 unless it is impracticable to do so. When there are no changes of consolidation scope, the previous accounting treatments are not adjusted.

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*, aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations that each party to the arrangement has rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and account for the assets, liabilities, revenues and expenses, while parties to the joint venture have rights to the net assets of the arrangement and account for their interest in the joint venture using the equity method.

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. Disclosure impact resulting from the application of this standard was not reflected on these interim financial statements.

- Enactment of Korean IFRS 1027, *Separate Financial Statements*

Amended K-IFRS 1027 by enactment of K-IFRS 1110 is to prescribe the accounting for investments in subsidiaries, associates and joint ventures of Parent Company in the separate financial statements.

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

Korean IFRS 1113, *Fair Value Measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2013 and 2012, and December 31, 2012

measurement and disclosure requirements for use across Korean IFRSs. Korean IFRS 1113 does not extend the use of fair value accounting but provides guidance on how it should be applied when its use is already required or permitted by other standards within the Korean IFRSs. This enactment prospectively applied for annual periods beginning on or after January 1, 2013, and the enactment does not have a material impact on its financial statements.

2.2 Accounting Policies

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

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.

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

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

<i>(in millions of Korean won)</i>	March 31, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
USD	1,999,955	2,642,022	1,887,144	2,437,724
EUR	61,666	109,721	48,383	69,940
GBP	2,843	1,584	1,400	1,244
JPY and others	33,327	108,389	26,164	152,596

As of March 31, 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 year would have been affected as follows:

<i>(in millions of Korean won)</i>	March 31, 2013			December 31, 2012	
	10% Increase	10% Decrease		10% Increase	10% Decrease
USD	(64,207)	64,207		(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 March 31, 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 ₩2,266 million (2012: ₩2,120 million) or decrease of ₩2,266 million (2012: ₩2,120 million), respectively.

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

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

(2) Credit risk

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

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

<i>(in millions of Korean won)</i>	March 31, 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)	5,424,813	(12,332)	5,412,481	4,653,130	(10,110)	4,643,020
Financial assets at fair value through profit or loss	30	-	30	2,352	-	2,352
Total	5,424,843	(12,332)	5,412,511	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.

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

(3) Liquidity risk

Cash flow forecasting is performed by consolidated subsidiaries and aggregated by corporate finance team. Finance team monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions.

The Company's finance team invests surplus cash in interest-bearing current accounts, time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

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

(in millions of Korean won)

	March 31, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,890,348	522,663	796,495	520
Finance lease liabilities	2,481	2,579	-	-
Trade and other payables	2,624,199	4,820	-	-
Total	4,517,028	530,062	796,495	520

(in millions of Korean won)

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

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

(in millions of Korean won)

		March 31, 2013			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Net-settled derivative financial liabilities	Hedging				
	Net-cash flow	(81)	-	-	-
	Subtotal	(81)	-	-	-
Gross-settled derivative financial liabilities	Trading				
	Inflow	22,261	-	-	-
	Outflow	(22,241)	-	-	-
	Subtotal	20	-	-	-
Total		(61)	-	-	-

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

(in millions of Korean won)

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

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

(in millions of Korean won)

		March 31, 2013			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹		60,123	135	480	527

(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.

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

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

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2013	December 31, 2012
Total borrowings (Note 16) (A)	3,101,603	2,946,907
Less: cash and cash equivalents (B)	<u>(1,556,902)</u>	<u>(720,767)</u>
Net debt (C=A+B)	<u>1,544,701</u>	<u>2,226,140</u>
Total liabilities (D)	6,641,946	5,815,798
Total equity (E)	10,868,862	10,765,355
Total capital (F=C+E)	12,413,563	12,991,495
Gearing ratio (C/F)	12.4%	17.1%
Debt to equity ratio (D/E)	61.1%	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:

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

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

<i>(in millions of Korean won)</i>	March 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	30	-	30
Total financial assets	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>
Financial liabilities				
Other current financial liabilities	-	91	-	91
Total financial liabilities	<u>-</u>	<u>91</u>	<u>-</u>	<u>91</u>

<i>(in millions of Korean won)</i>	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	2,352	-	2,352
Total financial assets	<u>-</u>	<u>2,352</u>	<u>-</u>	<u>2,352</u>
Financial liabilities				
Other current financial liabilities	-	154	-	154
Total financial liabilities	<u>-</u>	<u>154</u>	<u>-</u>	<u>154</u>

All other non-current financial assets of the Company consist of available-for-sale equity securities and are measured at cost (March 31, 2013: ₩ 5,967 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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2013 and 2012, and December 31, 2012

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 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 period, except for the estimates used to determine income tax expense.

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

5. Financial instruments by category

Categorizations of financial instruments are as follows:

(in millions of Korean won)

Financial assets	March 31, 2013			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
Cash and cash equivalents	1,556,902	-	-	1,556,902
Trade receivables	3,370,217	-	-	3,370,217
Other receivables	475,613	-	-	475,613
Other current financial assets	-	30	-	30
Other non-current receivables	19,761	-	-	19,761
Other non-current financial assets	-	-	5,967	5,967
Total	5,422,493	30	5,967	5,428,490

(in millions of Korean won)

Financial liabilities	March 31, 2013			
	Liabilities at fair value through profit or loss	Hedging derivatives	Liabilities at amortized cost	Total
Trade payables	-	-	1,699,179	1,699,179
Other payables	-	-	924,540	924,540
Borrowings (current)	-	-	1,875,758	1,875,758
Other financial liabilities	10	81	-	91
Other current liabilities (dividends payable)	-	-	295,644	295,644
Other non-current payables	-	-	4,820	4,820
Borrowings (non-current)	-	-	1,225,845	1,225,845
Total	10	81	6,025,786	6,025,877

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

(in millions of Korean won)

	December 31, 2012			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
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		
	Hedging derivatives	Liabilities at amortized cost	Total
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

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

(in millions of Korean won)

	2013	2012
Assets at fair value through profit or loss		
Loss on valuation/ disposal	(3,313)	(1,366)
Hedging derivatives		
Gain on valuation recognized in other comprehensive expenses	73	167
Interest expense	(93)	(234)
Loans and receivables		
Interest income	8,991	7,237
Gain on foreign currency translation	40,562	13,530
Gain(loss) on foreign exchange	34,825	(36,705)
Liabilities at amortized cost		
Interest expense	(23,641)	(24,041)
Loss on foreign currency translation	(38,043)	(6,754)
Gain(loss) on foreign exchange	(24,062)	37,470

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

6. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Bank deposits and cash on hand	354,467	282,039
Financial deposits, others	1,202,435	438,728
Total	<u>1,556,902</u>	<u>720,767</u>

As of March 31, 2013, other non-current receivables amounting to ₩38 million are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2012: ₩38 million). As of March 31, 2013, cash and cash equivalents include deposits with banks of ₩4,967 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.

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>	March 31, 2013			December 31, 2012		
		Less : allowance for			Less : allowance for	
	Original amount	doubtful accounts	Carrying amount	Original amount	doubtful accounts	Carrying amount
Trade receivables ¹	3,382,549	(12,332)	3,370,217	3,141,161	(10,110)	3,131,051
Other current receivables	475,613	-	475,613	772,746	-	772,746
Other non-current receivables	19,761	-	19,761	20,718	-	20,718
Total	<u>3,877,923</u>	<u>(12,332)</u>	<u>3,865,591</u>	<u>3,934,625</u>	<u>(10,110)</u>	<u>3,924,515</u>

¹ As of March 31, 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)	
	March 31, 2013	December 31, 2012
Carrying amount of transferred assets	1,105,692	994,295
Carrying amount of related liabilities	(1,105,692)	(994,295)
For those liabilities that have recourse only to the transferred assets:		
Fair value of transferred assets	1,105,692	994,295
Fair value of related liabilities	(1,105,692)	(994,295)
Net position	<u>-</u>	<u>-</u>

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

Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Current		
Non-trade receivables	88,758	99,107
Financial deposits	359,242	642,616
Accrued income	4,215	7,664
Deposits	23,398	23,359
	<u>475,613</u>	<u>772,746</u>
Non-current		
Financial deposits	38	38
Loans	221	150
Deposits	19,502	20,530
	<u>19,761</u>	<u>20,718</u>
Total	<u>495,374</u>	<u>793,464</u>

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

<i>(in millions of Korean won)</i>	March 31, 2013		December 31, 2012	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	2,917,525	487,884	2,554,612	787,580
Past due but not impaired	460,176	7,490	581,221	5,884
Up to 3 months	441,496	5,698	556,605	4,973
3 to 6 months	14,815	1,113	21,322	432
Over 6 months	3,865	679	3,294	479
Impaired receivables	4,848	-	5,328	-
	<u>3,382,549</u>	<u>495,374</u>	<u>3,141,161</u>	<u>793,464</u>

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

<i>(in millions of Korean won)</i>	March 31, 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	2,415	-	-	-	6,147	-	-	-
Reversals	-	-	-	-	-	-	-	-
Write-off	(397)	-	-	-	(826)	-	-	-
Exchange differences	204	-	-	-	(283)	-	-	-
Ending balance	<u>12,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,110</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

8. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Other financial assets		
Derivatives (Note 10)	30	2,352
Available-for-sale (Note 9)	5,967	21,811
Less: current portion	(30)	(2,352)
Total	<u>5,967</u>	<u>21,811</u>
Other financial liabilities		
Derivatives (Note 10)	91	154
Less: current portion	(91)	(154)
Total	<u>-</u>	<u>-</u>

9. Financial assets classified as available-for-sale

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

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Beginning balance	21,811	5,973
Exchange differences	6	(12)
Additions	-	15,850
Transfer ¹	(15,850)	-
Ending balance	<u>5,967</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 three-month periods ended March 31, 2013 and 2012.

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

10. Derivative financial instruments

Details of derivative financial assets and liabilities are as follows:

(in millions of Korean won)

	March 31, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	81	-	154
Held-for-trading	30	10	2,352	-
	<u>30</u>	<u>91</u>	<u>2,352</u>	<u>154</u>

Details of derivative financial contracts are as follows:

March 31, 2013					
Classification	Financial institution	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Forward exchange	JP Morgan and 2 other banks	2013.3.27, others	US \$ 10,000, others	2013.04.01 ~ 2013.04.02	₩ 1,111.08: US\$1, others
Interest rate swap	HSBC	2006.10.11	₩ 2,000,000	2006.12.28 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 3,000	2007.09.05 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%
December 31, 2012					
Classification	Financial institution	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Forward exchange	BOA and 13 other banks	2012.10.10, others	US\$ 10,000, others	2013.01.03 ~ 2013.02.22, etc	₩ 1,119.32: US\$1, others
Interest rate swap	HSBC	2006.10.11	₩ 3,000,000	2006.12.28 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 4,500	2007.09.05 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%

Trading derivative financial instrument is classified as a current asset or liability. Hedging derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

There was no ineffective portion of cash flow hedges

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

11. Inventories

Details of inventories are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013			December 31, 2012		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	56,909	(235)	56,674	87,584	(917)	86,667
Finished products	1,191,375	(27,223)	1,164,152	1,136,794	(20,168)	1,116,626
Semi-finished products	344,783	-	344,783	298,794	-	298,794
Work-in-process	783	-	783	363	-	363
Raw materials	737,537	(2,224)	735,313	762,954	(1,300)	761,654
Supplies	82,885	-	82,885	78,517	-	78,517
Materials-in-transit	220,505	-	220,505	285,309	-	285,309
Total	2,634,777	(29,682)	2,605,095	2,650,315	(22,385)	2,627,930

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩4,097,413 million (2012: ₩4,308,816 million).

12. Investments in associates and joint ventures

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

<i>(in millions of Korean won)</i>	March 31, 2013						
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income of associates	Others	Ending balance
LG Vina chemical Co.,Ltd	3,675	-	-	505	149	-	4,329
HL Greenpower Co.,Ltd.	15,557	-	-	220	-	1	15,778
LG Holdings (HK) Ltd.	60,012	-	-	582	2,391	-	62,985
TECWIN Co.,Ltd.	5,408	-	(35)	(25)	-	-	5,348
SEETEC Co.,Ltd.	155,042	-	-	1,814	-	-	156,856
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	-	-	-	-	-	258
CNOOC & LG Petrochemicals Co.,Ltd.	39,244	-	-	(195)	1,609	-	40,658
KLPE Limited Liability Partnership ¹	125,872	-	-	(202)	2,493	-	128,163
LG Fuel Cell Systems Inc. ²	-	15,850	-	-	-	-	15,850
Total	405,068	15,850	(35)	2,699	6,642	1	430,225

<i>(in millions of Korean won)</i>	December 31, 2012						
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income 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

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

¹ The Company has recognized ₩27,322 million as other payable as of March 31, 2013, for the unpaid consideration in the acquisition of KLPE Limited Liability Partnership.

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

13. Property, plant and equipment

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

<i>(in millions of Korean won)</i>	March 31, 2013										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	712,238	1,647,499	485,908	3,504,325	10,249	249,746	89,504	88,294	1,340,170	220,245	8,348,178
Cost	712,238	1,981,069	814,135	8,819,666	38,873	570,364	230,923	197,705	1,374,966	220,245	14,960,184
Accumulated depreciation	-	(333,565)	(327,929)	(5,306,272)	(28,624)	(316,586)	(141,309)	(109,411)	-	-	(6,563,696)
Accumulated impairment	-	(5)	(298)	(9,069)	-	(4,032)	(110)	-	(34,796)	-	(48,310)
Acquisitions/ Transfer	20,263	89,968	80,841	562,846	218	20,523	5,491	1,287	266,486	47,063	1,094,986
Disposals/ Transfer	-	(2)	(66)	(977)	(30)	(889)	(26)	-	(715,072)	(69,158)	(786,220)
Exchange differences	2,769	11,390	2,676	22,708	26	1,154	638	-	7,998	-	49,359
Depreciation	-	(12,511)	(8,900)	(187,589)	(713)	(17,563)	(6,302)	(12,845)	-	-	(246,423)
Ending balance	735,270	1,736,344	560,459	3,901,313	9,750	252,971	89,305	76,736	899,582	198,150	8,459,880
Cost	735,270	2,085,387	898,979	9,435,201	38,948	588,485	237,587	177,765	934,377	198,150	15,330,149
Accumulated depreciation	-	(349,038)	(338,220)	(5,524,470)	(29,198)	(331,480)	(148,168)	(101,029)	-	-	(6,821,603)
Accumulated impairment	-	(5)	(300)	(9,418)	-	(4,034)	(114)	-	(34,795)	-	(48,666)

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

During the three-month period ended March 31, 2013, the Company capitalized ₩7,156 million of borrowing costs (2012: ₩5,047 million) to property, plant and equipment.

As of March 31, 2013, certain property, plant and equipment have been pledged as collaterals for certain bank loans for up to a maximum of ₩8,787 million (December 31, 2012: ₩8,787 million).

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

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

(in millions of Korean won)

	March 31, 2013	December 31, 2012
Carrying amount	7	12
Depreciation	5	29

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

Depreciation of property, plant and equipment for the three-month periods ended March 31, 2013 and 2012, was classified as follows:

(in millions of Korean won)	2013	2012
Cost of sales	231,741	182,088
Selling, general and administrative expenses	14,608	13,643
Others ¹	74	90
Total	246,423	195,821

¹ Amounts capitalized to development costs are included.

14. Intangible assets

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

March 31, 2013						
(in millions of Korean won)	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	3,359	5,629	-	23	1,241	10,252
Disposals/ Transfer	(903)	(12)	-	-	-	(915)
Exchange differences	53	-	-	20	330	403
Amortization	(2,518)	(1,300)	-	-	(1,701)	(5,519)
Ending balance	42,401	82,927	33,415	51,735	27,636	238,114

December 31, 2012						
(in millions of Korean won)	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

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

Amortization of intangible assets was classified for the three-month periods ended March 31, 2013 and 2012, as follows:

<i>(in millions of Korean won)</i>	2013	2012
Cost of sales	1,782	1,413
Selling, general and administrative expenses	3,737	2,777
Total	<u>5,519</u>	<u>4,190</u>

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>	March 31, 2013	December 31, 2012
Current		
Prepayments to suppliers	43,364	48,552
Prepaid expenses	20,779	21,353
Prepaid value added tax	71,527	69,449
Others	101,235	51,424
Total	<u>236,905</u>	<u>190,778</u>
Non-current		
Long-term prepaid expenses	40,472	40,997
Other investment assets	69	25
Total	<u>40,541</u>	<u>41,022</u>

16. Borrowings

The carrying amount of borrowings is as follows:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Current		
Short-term borrowings	1,792,949	1,666,662
Current maturities of bank loans	80,601	82,959
Current maturities of finance lease liabilities	2,208	2,160
	<u>1,875,758</u>	<u>1,751,781</u>
Non-current		
Bank loans	625,146	594,018
Debentures	598,198	598,034
Finance lease liabilities	2,501	3,074
	<u>1,225,845</u>	<u>1,195,126</u>
Total	<u>3,101,603</u>	<u>2,946,907</u>

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

Details of borrowings are as follows:

Current borrowings

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at March 31, 2013	Carrying Amount	
				March 31, 2013	December 31, 2012
Notes discounted ¹	Woori Bank, others	2013.08.27	Libor+1.00, various	1,105,692	994,295
Bank loans	China Bank, others	2013.12.14	Libor+0.50~4.00, various	687,257	672,367
Total				1,792,949	1,666,662

¹ As of March 31, 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)

		March 31, 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	808	36	772
	Kookmin Bank	2.70	2020.03.21	849	24	825
	Korea Development Bank	3.53	2015.07.19	200,000	-	200,000
	BTMU	CD + 0.60	2013.09.05	5,000	5,000	-
Foreign currency borrowings	Shanghai Pudong Development Bank	5.76	2015.09.15	1,790	-	1,790
	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2013.09.05	3,336	3,336	-
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.12	11,120	-	11,120
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.18	6,673	-	6,673
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.29	4,447	-	4,447
	Standard Chartered Bank	4.50	2013.06.10	22,436	22,436	-
	Standard Chartered Bank	3Libor + 2.20	2015.12.15	22,436	2,244	20,192
	Agricultural Bank of China	5.90	2015.10.15	13,413	-	13,413
	China Merchants Bank	6.21	2015.05.17	4,474	-	4,474
	ANZ Bank	3Libor + 2.10	2013.07.07	8,414	8,414	-
	ANZ Bank	3Libor + 2.10	2014.01.07	8,414	8,414	-
	ANZ Bank	3Libor + 2.10	2014.07.07	8,414	-	8,414
	ANZ Bank	3Libor + 2.80	2013.04.12	5,007	5,007	-
	ANZ Bank	3Libor + 2.80	2013.10.11	5,007	5,007	-
	Bank of America	3Libor + 1.68	2014.08.29	44,873	-	44,873
Bank of America	6Libor + 1.50	2014.10.24	33,655	-	33,655	
BTMU	3Libor + 1.54	2015.07.20	55,605	-	55,605	
BTMU	6Libor + 2.60	2013.04.26	8,414	8,414	-	
BTMU	6Libor + 2.10	2013.06.21	8,414	8,414	-	
HSBC	3Libor + 0.60	2013.09.05	1,668	1,668	-	

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

	HSBC	3Libor + 1.20	2014.09.19	44,873	-	44,873
	HSBC	3Libor + 2.25	2015.05.25	22,436	-	22,436
	Mizuho Banking Corporation	3Libor + 0.60	2013.09.05	2,224	2,224	-
	Mizuho Banking Corporation	3Libor + 0.65	2014.05.31	66,726	-	66,726
	Nordea Bank	1Wibor+1.00	2014.06.30	6,823	-	6,823
	Nova Scotia Bank	3Libor + 1.54	2015.07.20	55,605	-	55,605
	JP MORGAN	3Libor + 1.75	2014.07.17	22,430	-	22,430
	Less: discount on borrowings			(37)	(37)	-
Total				<u>705,747</u>	<u>80,601</u>	<u>625,146</u>

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

(in millions of Korean won)

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

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

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

Debentures

(in millions of Korean won)

		March 31, 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			(1,802)	-	(1,802)
Total				598,198	-	598,198

(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)

		March 31, 2013			
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	4,709	2,208	2,501

(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.

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

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

(in millions of Korean won)

	March 31, 2013		December 31, 2012	
	Carrying amount	Fair value ¹	Carrying amount	Fair value ¹
Bank loans	625,146	623,297	594,018	590,654
Debentures	598,198	621,624	598,034	616,213
Finance lease liabilities	2,501	2,471	3,074	3,031
Total	1,225,845	1,247,392	1,195,126	1,209,898

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

The present value of finance lease liabilities is as follows:

(in millions of Korean won)

	March 31, 2013			December 31, 2012		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	2,481	273	2,208	2,481	321	2,160
1 to 5 years	2,579	78	2,501	3,195	121	3,074

17. Provisions

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

(in millions of Korean won)

	March 31, 2013		
	Sales returns ¹	Warranty ²	Total
Beginning balance	1,623	11,583	13,206
Additions	6,047	2,179	8,226
Used amount	(5,644)	(139)	(5,783)
Reversals	-	-	-
Ending balance	2,026	13,623	15,649
Less : current portion	(2,026)	(445)	(2,471)
Total	-	13,178	13,178

(in millions of Korean won)

	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.

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

- 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. Defined benefit liability

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

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Present value of obligations ¹	384,008	367,567
Fair value of plan assets	(261,337)	(261,666)
Liability in the statement of financial position	<u>122,671</u>	<u>105,901</u>

- ¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩928 million as of March 31, 2013 (December 31, 2012: ₩945 million).

The amounts recognized in the statements of income for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Current service cost ¹	18,665	12,965
Interest cost	3,327	3,023
Expected return on plan assets	(2,360)	(1,869)
Total, included in employee benefit expenses	<u>19,632</u>	<u>14,119</u>

- ¹ The above amounts excluded ₩157 million (2012: ₩313 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the three-month period ended March 31, 2013, amounted to ₩16 million (2012: ₩2 million).

The amounts recognized in the statement of income for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Cost of sales	14,088	9,546
Selling, general and administrative expenses	5,560	4,575
Total	<u>19,648</u>	<u>14,121</u>

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

Actuarial gains and losses recognized as other comprehensive income for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Actuarial gains before tax	890	351
Income tax effect	(216)	(85)
Actuarial gains after tax	<u>674</u>	<u>266</u>

As of March 31, 2013, ₩111,217 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 three-month period ended March 31, 2013 and for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Beginning balance	367,567	253,396
Transfer in	463	2,019
Current service cost	18,822	52,970
Interest expense	3,327	12,093
Actuarial losses(before tax)	-	62,304
Benefits paid	(6,522)	(15,550)
Exchange differences	351	335
Ending balance	<u>384,008</u>	<u>367,567</u>

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

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Beginning balance	261,666	192,619
Transfer in	-	-
Expected return on plan assets	2,360	7,475
Actuarial gains (before tax)	890	67
Employer contributions	-	70,000
Benefits paid	(3,579)	(8,495)
Ending balance	<u>261,337</u>	<u>261,666</u>

The actual return on plan assets for the three-month period ended March 31, 2013, was ₩3,250 million (2012: ₩7,542 million).

The principal actuarial assumptions used are as follows:

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

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

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	(37,223)	44,249
Salary increase		
Increase(decrease) of defined benefit obligations	43,104	(37,050)

Plan assets consist of:

<i>(in millions of Korean won)</i>	March 31, 2013		December 31, 2012	
	Amount	Proportion	Amount	Proportion
Equity instruments	51,857	20%	36,128	14%
Time deposits	88,475	34%	88,858	34%
Insurance contracts with guaranteed yield	121,005	46%	136,680	52%
Total	261,337	100%	261,666	100%

19. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Advances from customers	16,122	37,457
Dividends payable	295,644	1,115
Withholding	30,366	44,968
Unearned revenues	10,299	12,248
Others	65,822	56,819
Total	418,253	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 March 31, 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 March 31, 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 March 31, 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.

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

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

Classification	The Company		Certain Overseas Subsidiaries				
	KRW	USD	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	104,000	50	105	210	15	685	32
Limit of the letter of credit	64,000	247	5	-	-	675	-
Limit of discount of notes from export	-	1,514	-	-	-	-	-
Limit of loan arrangements	-	-	1,271	3,694	3	1,895	20
Limit of guaranteed payments in other foreign currency	-	5	-	-	-	-	-

(5) As of March 31, 2013, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩270,000 million.

(6) As of March 31, 2013, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in two and 27 legal actions involving ₩200 million and ₩3,060 million in claims, respectively, and as a defendant in seven and one legal actions with ₩1,828 million and ₩53 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.

(7) As of March 31, 2013, the Parent Company and certain overseas subsidiaries have been investigated by U.S. Department of Justice in relation to price fixing of small secondary batteries. However, this case would not have a material effect on its consolidated financial statements. In addition, the consumers of U.S and Canada have filed a class action lawsuit to the Parent Company and certain overseas subsidiaries in relation to above investigation. However, the ultimate outcome of these cases cannot be determined at the reporting date.

(8) As of March 31, 2013, the Parent Company has technology license agreements with STYRON EUROPE GmbH and other companies for the production of Polycarbonate products. Further, the 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 Company manufactures and sells, and on the services the Company provides in relation to its business.

(10) As of March 31, 2013, the Parent Company has a long-term purchase contract for certain raw materials and the supplier has made US\$ 119 million and US\$ 30 million of credit guarantee contract with financial institutions. Further, as of March 31, 2013, the Parent Company has a contract of US\$ 3 million guarantees with financial institutions in regard to a delivery contract for certain products and a purchase contract for certain raw materials, respectively.

(11) As of March 31, 2013, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of March 31, 2013, amounts to US\$ 235 million, EUR 3 million and PLN 52 million (total equivalent to ₩284,235 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 March 31, 2013 and December 31, 2012, are as follows:

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

(in millions of Korean won)

		March 31, 2013		
Guarantor	Guarantee beneficiary	Financial institution	Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	HSBC	67,309	67,309
	"	Bank of America	33,655	33,655
	LG Chem Poland Sp. z o.o.	Nordea Bank	17,740	7,952
	LG Chem Europe GmbH	Shinhan Bank	4,276	-
	LG Chem Michigan, Inc.	Bank of America	27,803	27,803
	"	Mizuho Bank	66,726	66,726
	"	SMBC	44,484	30,027
	"	JP Morgan	22,242	5,561
	Total		284,235	239,033

(in millions of Korean won)

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

	March 31, 2013	December 31, 2012
Property, plant and equipment	1,031,041	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
March 31, 2013	66,271,100	331,356	7,628,921	38,144	897,424

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

Changes in treasury shares are as follows:

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

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

22. Retained earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2013	December 31, 2012
Legal reserve ¹	265,835	260,113
Discretionary reserve ²	8,200,700	7,107,800
Unappropriated retained earnings	783,470	1,836,790
Total	9,250,005	9,204,703

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

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

23. Other components of equity

Details of other components of equity are as follows:

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

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

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

24. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Wages and salaries	77,951	64,936
Pension costs (Note 18)	5,560	4,575
Welfare expense	18,374	15,287
Travel expense	7,960	6,371
Water & utilities	6,626	5,760
Packaging expense	1,513	1,102
Rental expense	23,108	21,656
Commission expense	46,569	46,512
Depreciation (Note 13)	14,608	13,643
Advertising expense	2,706	2,683
Freight expense	99,702	85,613
Training expense	2,617	1,910
Amortization (Note 14)	3,737	2,777
Sample expense	2,179	2,883
Others	50,774	47,183
Total	<u>363,984</u>	<u>322,891</u>

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 periods ended March 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	2013	2012
Changes in inventories	(63,942)	(22,324)
Raw materials and consumables used	4,004,453	4,124,685
Purchase of merchandise	156,902	206,455
Employee benefit expense (Note 26)	290,957	236,133
Advertising expense	2,913	2,854
Transportation expense	106,988	92,356
Service fees	72,468	68,332
Depreciation, amortization and impairment	251,868	199,921
Operating lease payments	12,376	10,685
Other expenses	476,705	387,114
Total	<u>5,311,688</u>	<u>5,306,211</u>

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

26. Employee benefit expense

<i>(in millions of Korean won)</i>	2013	2012
Wages and salaries	247,973	202,646
Pension costs – Defined benefit plan (Note 18)	19,632	14,119
Pension costs – Defined contribution plan (Note 18)	16	2
Others	23,336	19,366
Total	290,957	236,133

27. Finance income and expense

Details of finance income and expense for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Finance income		
Interest income ¹	8,991	7,237
Foreign exchange gain	19,948	11,101
Gain on foreign currency translation	3,551	4,540
Gain on settlement of trading derivatives	1,262	927
Gain on valuation of trading derivatives	30	10
Others	-	3
Total	33,782	23,818
Financial expense		
Interest expense ²	16,578	19,228
Foreign exchange loss	12,757	17,258
Loss on foreign exchange translations	5,303	1,462
Loss on settlement of trading derivatives	4,595	1,251
Loss on valuation of trading derivatives	10	1,052
Total	39,243	40,251

¹ Details of interest income are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Bank deposits	8,835	6,967
Other loans and receivables	156	270
Total	8,991	7,237

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

² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Interest on bank overdraft and borrowings	13,757	14,530
Interest on finance lease liabilities	91	136
Interest on debentures	6,132	4,957
Other interest expenses	3,754	4,652
Capitalized interest for qualifying assets	<u>(7,156)</u>	<u>(5,047)</u>
Total	<u>16,578</u>	<u>19,228</u>

28. Other non-operating income

Details of other non-operating income for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Foreign exchange gain	65,699	63,366
Gain on foreign currency translation	38,079	21,188
Gain on disposal of property, plant and equipment	44	1
Others	6,463	4,128
Total	<u>110,285</u>	<u>88,683</u>

29. Other non-operating expenses

Detail of other non-operating expense for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Foreign exchange loss	62,127	56,444
Loss on foreign currency translation	33,808	17,490
Loss on disposal of property, plant and equipment	1,731	731
Loss on disposal of intangible assets	12	562
Others	4,106	6,935
Total	<u>101,784</u>	<u>82,162</u>

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 17.9% (for the three-month period ended March 31, 2012: 13.5%).

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

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 periods ended March 31, 2013 and 2012, is computed as follows:

<i>(in millions of Korean won)</i>	2013	2012
Profit attributable to ordinary shares ¹	303,901	336,396
Weighted average number of ordinary shares outstanding ²	65,911,310	65,911,316
Basic earnings per ordinary share (in won)	4,611	5,104
<i>(in millions of Korean won)</i>	2013	2012
Profit attributable to preferred shares ¹	35,245	39,003
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402
Basic earnings per preferred share (in won)	4,623	5,116

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

<i>(in millions of Korean won)</i>	2013	2012
Profit for the period attributable to owners of the Parent Company	339,146	375,399
Ordinary shares dividends (A)	65,911	65,911
Preferred shares dividends (B)	7,719	7,718
Undistributed earnings for the period	265,516	301,770
Undistributed earnings available for ordinary shares (C)	237,990	270,485
Undistributed earnings available for preferred shares (D)	27,526	31,285
Profit for the period attributable to ordinary shares (A+C)	303,901	336,396
Profit for the period attributable to preferred shares (B+D)	35,245	39,003

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

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

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.

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 in April 2013.

33. Related party transactions

Significant transactions, which occurred in the ordinary course of business with related parties for the three-month periods ended March 31, 2013 and 2012, and the related account balances as of March 31, 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	-	13,222	-	12,564
Associates and joint ventures	38,166	66,018	25,412	49,275
Key management	-	10,045	-	7,090
Others ²	5,665	183,349	6,437	216,600
Total	43,831	272,634	31,849	285,529

(in millions of Korean won)

	March 31, 2013		December 31, 2012	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	7,135	91,326	6,948	1,456
Associates and joint ventures	29,317	29,746	29,609	22,334
Key management	-	37,821	-	48,781
Others ²	32,949	204,245	36,963	194,727
Total	69,401	363,138	73,520	267,298

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

² Includes LG Corp.'s subsidiaries.

Compensation for key management of the Company for the three-month periods ended March 31, 2013 and 2012, consists of:

(in millions of Korean won)

	2013	2012
Wages and salaries	9,479	6,424
Pension costs	566	666
Total	10,045	7,090

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

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

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 three-month periods ended March 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Profit before income tax	414,655	440,225
Adjustments for:		
Depreciation	246,349	195,731
Amortization	5,519	4,190
Pension costs	19,632	14,119
Finance income	(51,728)	(30,540)
Finance expense	60,265	40,473
Foreign exchange differences	16,734	(17,190)
Gain on disposal of property, plant and equipment	(44)	(1)
Loss on disposal of property, plant and equipment	1,731	731
Loss on disposal of intangible assets	12	562
Other expenses	3,774	(4,469)
Inventories	52,471	(144,027)
Trade receivables	(163,231)	(171,050)
Other receivables	(14,758)	(56,003)
Settlement of derivatives	(982)	(323)
Trade payables	134,896	369,288
Other payables	184,120	(41,550)
Defined benefit liability	(2,480)	296
Other cash flows from operations	(64,892)	13,482
Cash generated from operations	<u>842,043</u>	<u>613,944</u>

The principal non-cash transactions for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Transfer of construction-in-progress	715,072	335,781
Transfer of machinery-in-transit	69,158	57,259
Reclassification of long-term borrowings into current maturities	16,967	65,868
Gain on valuation of derivatives recognized as other comprehensive income	73	167

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

35. Segment information

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

Segment	Products or services	Major customers
Petrochemicals	ABS, PC, EP, PE, PP, Acrylic, Alcohol, SAP, PVC, Synthetic rubber, Specialty resin, BPA, Ethylene, Propylene and others	LG International Corp., LG Electronics Inc., Daewoo Electronics Inc., National Plastic Co. Ltd., Youl Chon Chemical Co. Ltd., OCI Company Co. Ltd., Mitsui & Co. Ltd., and others
Information & Electronic Materials	Polarizers, 3D FPR and others	LG Display Co., LG Electronics Inc., and others
Batteries	Portable batteries, batteries for vehicles and batteries for energy storage system	LG Electronics Inc., Nokia Corp., Apple Inc., 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 three-month periods ended March 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013				
	Petro - Chemicals	Information & Electronic Materials	Batteries	Common and others ⁴	Total
Total segment revenue	4,352,662	827,339	591,670	283	5,771,954
Inter-segment revenue ¹	18,018	33,048	1	283	51,350
Revenue from external customers ²	4,334,644	794,291	591,669	-	5,720,604
Operating profit (loss) ³	323,830	97,390	(11,998)	(306)	408,916
Finance income ²	25,334	5,157	3,076	215	33,782
Financial expenses	28,437	5,788	5,095	(77)	39,243
Depreciation and amortization	123,898	62,035	65,878	57	251,868
Share of the profit of associate and joint ventures	1,919	409	371	-	2,699
Other non-operating income	51,546	31,262	27,794	(317)	110,285
Other non-operating expenses	54,328	19,912	27,535	9	101,784
Profit (loss) before tax	333,680	103,541	(22,225)	(341)	414,655

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

<i>(in millions of Korean won)</i>	2012				
	Petro - Chemicals	Information & Electronic Materials	Batteries	Common and others ⁴	Total
Total segment revenue	4,491,277	761,068	562,390	9,974	5,824,709
Inter-segment revenue ¹	15,316	45,958	391	9,974	71,639
Revenue from external customers ²	4,475,961	715,110	561,999	-	5,753,070
Operating profit (loss) ³	365,717	69,398	11,620	124	446,859
Finance income ²	18,862	3,466	1,376	114	23,818
Financial expenses	31,158	4,972	4,261	(140)	40,251
Depreciation and amortization	107,325	38,199	54,340	57	199,921
Share of the profit of associate and joint ventures	2,630	372	276	-	3,278
Other non-operating income	42,730	21,427	24,721	(195)	88,683
Other non-operating expenses	44,505	14,550	23,020	87	82,162
Profit (loss) before tax	374,238	70,614	(4,739)	112	440,225

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 March 31, 2013 and December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2013				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	Total
Total assets for the segment ¹	8,937,729	2,919,129	3,122,122	2,531,828	17,510,808
Investments in associates and joint ventures	169,529	-	14,210	246,486	430,225
Total liabilities for the segment ¹	3,096,584	609,733	1,095,148	1,840,481	6,641,946

<i>(in millions of Korean won)</i>	December 31, 2012				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	Total
Total assets for the segment ¹	8,569,342	2,790,309	3,082,677	2,138,825	16,581,153
Investments in associates and joint ventures	169,529	-	14,210	221,329	405,068
Total liabilities for the segment ¹	2,678,198	597,202	1,102,513	1,437,885	5,815,798

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

¹ Assets and liabilities are measured in a manner consistent with those in the financial statements and allocated on the basis of segment operation. In addition, due to the changes in the allocation method of corporate assets and liabilities, and the structure of internal organization in a manner that causes the composition of the reportable segments to change, the corresponding information for the prior year has been restated to reflect those changes.

(4) The external sales by geographical segments from continuing operations for the three-month periods ended March 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Korea ¹	2,448,957	2,384,566
China	2,482,023	2,432,449
South East Asia	344,360	428,375
America	435,903	400,509
Western Europe	300,412	223,595
Others	761,818	753,523
Eliminations	<u>(1,052,869)</u>	<u>(869,947)</u>
Total	<u>5,720,604</u>	<u>5,753,070</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 three-month periods ended March 31, 2013 and 2012.