

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Financial Statements
September 30, 2012 and 2011

LG Chem, Ltd. and Subsidiaries
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September 30, 2012 and 2011

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Report on Review of Interim Financial Statements

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the "Company"). These financial statements consist of consolidated statement of financial position of LG Chem, Ltd. And its subsidiaries as of September 30, 2012, and the related consolidated statements of income, and comprehensive income for the three-month and nine-month periods ended September 30, 2012 and 2011, and the consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2012 and 2011, 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") 34, 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 34, Interim Financial Reporting.

Other matters

We have audited the consolidated statement of financial position of the Company as of December 31, 2011, 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 8, 2012. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2011, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2011.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean review standards and their application in practice.

Seoul, Korea
November 14, 2012

This review report is effective as of November 14, 2012, 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 interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
September 30, 2012 and December 31, 2011

<i>(in millions of Korean won)</i>	Notes	September 30, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	1,301,961	1,379,379
Trade receivables	3, 5, 7, 33	3,274,047	3,117,239
Other receivables	3, 5, 7, 33	641,593	133,915
Prepaid income taxes		11,760	17,848
Other financial assets	3, 5, 8, 10	1,622	-
Other current assets	15	207,516	132,598
Inventories	11	2,571,966	2,475,233
Total current assets		8,010,465	7,256,212
Non-current assets			
Other receivables	3, 5, 7	40,458	33,657
Other financial assets	3, 5, 8, 9	21,819	5,973
Investments in associates and joint ventures	1, 12, 35	390,755	328,408
Deferred income tax assets		58,006	32,211
Property, plant and equipment	13	8,134,530	7,375,955
Intangible assets	14	221,865	207,172
Other non-current assets	15	42,184	45,966
Total non-current assets		8,909,617	8,029,342
Total assets		16,920,082	15,285,554
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 33	1,801,389	1,503,106
Other payables	3, 5, 33	942,272	950,168
Borrowings	3, 5, 16, 33	1,789,312	1,837,637
Other financial liabilities	3, 5, 8, 10	260	536
Provisions	17	2,042	7,229
Current income tax liabilities		194,908	289,460
Other current liabilities	5, 19	151,378	135,768
Total current liabilities		4,881,561	4,723,904
Non-current liabilities			
Other payables	3, 5	15,824	41,329
Borrowings	3, 5, 16	1,235,494	689,081
Other financial liabilities	3, 5, 8, 10	-	146
Provisions	17	9,040	2,314
Defined benefit liability	18	140,271	60,777
Deferred income tax liabilities		95,441	60,324
Total non-current liabilities		1,496,070	853,971
Total liabilities		6,377,631	5,577,875

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
September 30, 2012 and December 31, 2011

<i>(in millions of Korean won)</i>	Notes	September 30, 2012	December 31, 2011
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		(40,204)	(11,398)
Retained earnings	22	8,933,191	8,053,307
		<u>10,404,560</u>	<u>9,553,482</u>
Non-controlling interests		<u>137,891</u>	<u>154,197</u>
Total equity		<u>10,542,451</u>	<u>9,707,679</u>
Total liabilities and equity		<u>16,920,082</u>	<u>15,285,554</u>

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Income
Three-Month and Nine-Month Periods Ended September 30, 2012 and 2011

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

	Notes	2012		2011	
		Three months	Nine months	Three months	Nine months
Revenue	33, 35	5,833,516	17,582,206	5,885,891	17,076,739
Cost of sales	25, 33	<u>(4,877,198)</u>	<u>(14,995,284)</u>	<u>(4,855,249)</u>	<u>(13,840,206)</u>
Gross profit		956,318	2,586,922	1,030,642	3,236,533
Selling, general and administrative expenses	24, 25, 33	(356,033)	(1,040,647)	(314,195)	(927,895)
Other operating income	5, 27	88,544	252,115	276,874	418,064
Other operating expenses	5, 25 28	<u>(87,568)</u>	<u>(234,699)</u>	<u>(269,000)</u>	<u>(391,686)</u>
Operating profit	35	<u>601,261</u>	<u>1,563,691</u>	<u>724,321</u>	<u>2,335,016</u>
Non-operating income (expenses)					
Financial income	5, 29, 35	27,466	66,725	93,440	154,776
Financial expenses	5, 29, 35	(40,143)	(120,100)	(143,780)	(191,002)
Share of profit of associates and joint ventures	12, 35	3,573	8,993	3,842	9,768
Other non-operating expenses		<u>(7,076)</u>	<u>(13,938)</u>	<u>(10,157)</u>	<u>(13,882)</u>
		<u>(16,180)</u>	<u>(58,320)</u>	<u>(56,655)</u>	<u>(40,340)</u>
Profit before income tax	34, 35	585,081	1,505,371	667,666	2,294,676
Income tax expense	30	<u>(125,768)</u>	<u>(291,350)</u>	<u>(156,041)</u>	<u>(501,996)</u>
Profit for the period		<u>459,313</u>	<u>1,214,021</u>	<u>511,625</u>	<u>1,792,680</u>
Attributable to:					
Owners of the parent		<u>452,652</u>	<u>1,204,636</u>	<u>510,035</u>	<u>1,762,517</u>
Non-controlling interests		<u>6,661</u>	<u>9,385</u>	<u>1,590</u>	<u>30,163</u>
Earnings per share for profit attributable to owners of the parent (in won)	31				
Basic and diluted earnings per ordinary share		6,154	16,378	6,935	23,965
Basic and diluted earnings per preferred share		6,167	16,416	6,947	24,002

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2012 and 2011

(in millions of Korean won)

	Note	2012		2011	
		Three months	Nine months	Three months	Nine months
Profit for the period		459,313	1,214,021	511,625	1,792,680
Other comprehensive income					
Actuarial gain(loss) on defined benefit liability	18	(39,259)	(38,238)	(52)	627
Currency translation differences		(23,514)	(31,983)	106,058	69,316
Cash flow hedges		115	421	853	3,348
Others		(2,433)	(2,088)	5,686	3,604
Income tax effect relating to components of other comprehensive income		8,791	10,449	366	(275)
Other comprehensive income for the period, net of tax		(56,300)	(61,439)	112,911	76,620
Total comprehensive income for the period		403,013	1,152,582	624,536	1,869,300
Attributable to:					
Owners of the parent		399,242	1,146,845	608,632	1,829,615
Non-controlling interests		3,771	5,737	15,904	39,685

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2012 and 2011

(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 (loss)	Retained earnings	Total		
Balance at January 1, 2011	369,500	1,157,772	(15,699)	(62,017)	6,253,917	7,703,473	140,362	7,843,835
Comprehensive income:								
Profit for the period	-	-	-	-	1,762,517	1,762,517	30,163	1,792,680
Actuarial gain on defined benefit liability	18	-	-	-	475	475	-	475
Currency translation differences	-	-	-	60,333	-	60,333	9,522	69,855
Cash flow hedges	-	-	-	2,704	-	2,704	-	2,704
Others, net of tax	-	-	-	3,586	-	3,586	-	3,586
Total comprehensive income	-	-	-	66,623	1,762,992	1,829,615	39,685	1,869,300
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	(25,225)	(319,745)
Others	-	-	-	-	(3,347)	(3,347)	(672)	(4,019)
Total transactions with owners	-	-	-	-	(297,867)	(297,867)	(25,897)	(323,764)
Balance at September 30, 2011	369,500	1,157,772	(15,699)	4,606	7,719,042	9,235,221	154,150	9,389,371
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	18	-	-	-	1,204,636	1,204,636	9,385	1,214,021
Actuarial loss on defined benefit liability	-	-	-	-	(28,985)	(28,985)	-	(28,985)
Currency translation differences	-	-	-	(27,060)	-	(27,060)	(3,648)	(30,708)
Cash flow hedges	-	-	-	319	-	319	-	319
Others, net of tax	-	-	-	(2,065)	-	(2,065)	-	(2,065)
Total comprehensive income	-	-	-	(28,806)	1,175,651	1,146,845	5,737	1,152,582
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	(21,627)	(316,147)
Others	-	-	-	-	(1,247)	(1,247)	(416)	(1,663)
Total transactions with owners	-	-	-	-	(295,767)	(295,767)	(22,043)	(317,810)
Balance at September 30, 2012	369,500	1,157,772	(15,699)	(40,204)	8,933,191	10,404,560	137,891	10,542,451

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2012 and 2011

<i>(in millions of Korean won)</i>	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	34	2,125,640	1,956,019
Interest received		18,042	21,469
Interest paid		(74,764)	(64,460)
Dividends received		1,496	1,795
Income taxes paid		(361,660)	(662,839)
Net cash generated from operating activities		<u>1,708,754</u>	<u>1,251,984</u>
Cash flows from investing activities			
Decrease in other receivables		110,615	75,980
Decrease in non-current other receivables		8,745	11,604
Decrease in non-current other financial assets		-	13
Proceeds from disposal of property, plant and equipment		7,464	2,733
Proceeds from disposal of intangible assets		1,956	-
Increase in other receivables		(614,068)	(83,349)
Increase in non-current other receivables		(16,204)	(14,500)
Increase in non-current other financial assets		(15,850)	(1,817)
Acquisition of investments in associates and joint ventures		(56,848)	(40,230)
Acquisition of property, plant and equipment		(1,410,301)	(1,569,509)
Acquisition of intangible assets		(23,761)	(19,972)
Net cash used in investing activities		<u>(2,008,252)</u>	<u>(1,639,047)</u>
Cash flows from financing activities			
Proceeds from borrowings		926,162	669,057
Repayments of borrowings		(380,381)	(187,441)
Dividends paid		(316,147)	(319,745)
Net cash provided by financing activities		<u>229,634</u>	<u>161,871</u>
Net decrease in cash and cash equivalents		(69,864)	(225,192)
Cash and cash equivalents at the beginning of period		1,379,379	1,368,034
Exchange gains (losses) on cash and cash equivalents		(7,554)	18,824
Cash and cash equivalents at the end of period		<u>1,301,961</u>	<u>1,161,666</u>

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2012 and 2011, and December 31, 2011

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 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 the reporting date, the Parent Company has its manufacturing facilities in Yeosu, Cheongju, Ulsan, Naju, Iksan, Daesan, Ochang, 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 September 30, 2012, 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 is also preparing the mass production of 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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2012 and 2011, and December 31, 2011

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 or get ready 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
September 30, 2012 and 2011, and December 31, 2011

1.3 Consolidated subsidiaries, associates and joint ventures

	September 30, 2012			
	Percentage of ownership (%)	Business location	Fiscal year end	Business activities
Consolidated subsidiaries				
Tianjin LG DAGU Chemical Co.,Ltd.	75	China	December 31	PVC manufacturing and sales
Ningbo LG Yongxing Chemical Co.,Ltd. ¹	75	China	December 31	ABS/SBL manufacturing and sales
LG Chem HK Ltd.	100	Hong Kong	December 31	Sales and trading
LG Chem America, Inc.	100	USA	December 31	Sales and trading
LG Chemical India Pvt. Ltd. ²	100	India	December 31	Syntetic resins manufacturing and sales
LG Polymers 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.	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.	56	China	December 31	SBS manufacturing and sales
Ningbo Zhenhai LG Yongxing Trading 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. ³	100	Brazil	December 31	Sales and trading
LG Yongxing International Trading Co.,Ltd. ^{1,3}	90	China	December 31	Sales and trading
CNOOC & LG Petrochemicals Co.,Ltd.	50	China	December 31	ABS manufacturing and sales
"Ammonia Production and Distribution" Limited Liability Partnership	50	Kazakhstan	December 31	PE manufacturing and sales

¹ As of September 30, 2012, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares and 90% of LG Yongxing International Trading Co.,Ltd. shares.

² As of September 30, 2012, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

³ Classified as an investment in associate due to its small scale.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2012 and 2011, and December 31, 2011

1.4 Summarized financial information of subsidiaries, associates and joint ventures

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

(in millions of Korean won)	September 30, 2012			September 30, 2012			
	Assets	Liabilities	Equity	Revenue	Three months Profit(loss) for the period	Revenue	Nine months Profit(loss) for the period
Consolidated subsidiaries							
Tianjin LG DAGU Chemical Co.,Ltd.	202,742	117,368	85,374	100,376	1,024	320,202	(4,266)
Ningbo LG Yongxing Chemical Co.,Ltd.	865,168	540,622	324,546	469,090	21,855	1,415,335	43,839
LG Chem HK Ltd.	144,688	130,079	14,609	149,897	361	470,013	1,314
LG Chem America, Inc.	143,911	132,856	11,055	154,743	383	443,328	1,821
LG Chemical India Pvt. Ltd.	32,803	26	32,777	550	94	1,565	353
LG Polymers India Pvt. Ltd.	95,998	45,412	50,586	54,543	2,221	164,210	4,228
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	86,772	48,716	38,056	40,096	1,089	109,403	2,531
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,102,698	655,229	447,469	473,902	11,621	1,121,904	40,785
LG Chem (Taiwan), Ltd.	151,135	94,111	57,024	79,913	3,453	218,022	5,686
LG Chem Display Materials (Beijing) Co.,Ltd.	22,637	1,378	21,259	4,088	553	12,026	1,463
Tianjin LG Bohai Chemical Co.,Ltd.	395,065	167,765	227,300	111,297	1,988	363,689	13,770
LG Chem (China) Investment Co.,Ltd.	80,547	5,471	75,076	8,814	1,415	25,206	4,883
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	71,469	40,060	31,409	29,329	1,210	80,037	2,828
LG Chem Europe GmbH	50,558	38,928	11,630	36,233	1,379	117,285	3,976
LG Chem Poland Sp. z o.o.	35,359	20,220	15,139	11,677	(329)	23,749	(2,162)
LG Chem Michigan Inc.	173,103	126,557	46,546	-	(2,529)	-	(4,956)
LG Chem Power Inc.	13,061	12,155	906	5,877	(434)	16,399	(1,420)
Tianjin LG BOTIAN Chemical Co.,Ltd.	95,172	98,279	(3,107)	52,373	(246)	128,509	(10,000)
Ningbo Zhenhai LG Yongxing Trading Co.,Ltd.	4,153	2,818	1,335	3,324	57	11,377	112
Associates and Joint ventures							
LG Vina Chemical Co.,Ltd.	22,029	13,042	8,987	41,713	1,634	63,455	2,687
HL Greenpower Co.,Ltd.	82,209	51,688	30,521	46,974	1,005	66,801	1,506
LG Holdings (HK) Ltd.	386,027	157,882	228,145	20,239	2,955	30,083	5,258
TECWIN Co.,Ltd.	58,243	35,516	22,727	-	-	-	-
SEETEC Co.,Ltd.	370,068	39,744	330,324	238,584	6,427	364,859	9,273
LG CHEM BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	190	69	121	-	-	-	-
LG Yongxing International Trading Co., Ltd.	176	11	165	-	-	-	-
CNOOC & LG Petrochemicals Co.,Ltd. "Ammonia Production and Distribution" Limited Liability Partnership	82,936	1,700	81,236	-	(567)	-	(1,079)
110,513	-	110,513	-	-	-	-	-

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2012 and 2011, and December 31, 2011

(in millions of Korean won)	December 31, 2011			September 30, 2011			
	Assets	Liabilities	Equity	Revenue	Three months Profit(loss) for the period	Revenue	Nine months Profit(loss) for the period
Consolidated subsidiaries							
Tianjin LG DAGU Chemical Co.,Ltd.	211,132	119,098	92,034	118,111	(653)	370,199	1,326
Ningbo LG Yongxing Chemical Co.,Ltd.	847,188	486,969	360,219	428,774	4,454	1,384,211	87,523
LG Chem HK Ltd.	111,387	97,657	13,730	143,911	(101)	458,189	557
LG Chem America, Inc.	106,447	96,887	9,560	151,543	508	394,994	1,775
LG Chemical India Pvt. Ltd.	32,533	72	32,461	501	83	1,109	3,121
LG Polymers India Pvt. Ltd.	103,899	55,984	47,915	45,985	590	149,749	5,677
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	82,324	45,698	36,626	33,654	(603)	123,445	3,415
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	914,327	529,565	384,762	345,656	27,775	904,327	64,795
LG Chem (Taiwan), Ltd.	147,635	94,963	52,672	90,716	1,094	322,644	8,053
LG Chem Display Materials (Beijing) Co.,Ltd.	21,469	2,038	19,431	3,991	1,071	11,619	2,550
Tianjin LG Bohai Chemical Co.,Ltd.	410,685	173,645	237,040	113,758	12,857	388,219	48,576
LG Chem (China) Investment Co.,Ltd.	94,865	24,006	70,859	5,492	(367)	16,949	441
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	66,563	37,032	29,531	25,060	943	79,910	1,246
LG Chem Europe GmbH	43,089	35,123	7,966	33,467	317	98,711	3,125
LG Chem Poland Sp. z.o.o	29,494	12,726	16,768	3,615	795	11,556	1,150
LG Chem Michigan Inc.	167,949	114,945	53,004	-	(92)	500	(1,654)
LG Chem Power Inc.	14,766	12,403	2,363	7,069	(469)	13,953	(9,311)
Tianjin LG BOTIAN Chemical Co.,Ltd.	86,557	79,684	6,873	24,995	(5,739)	94,220	(9,067)
Ningbo Zhenhai LG Yongxing Trading Co.,Ltd.	3,709	2,450	1,259	7,620	75	20,124	183
Associates and Joint ventures	23,553	13,778	9,775	22,254	898	61,757	2,789
LG Vina Chemical Co.,Ltd.	46,963	17,936	29,027	17,109	533	41,709	1,022
HL Greenpower Co.,Ltd.	407,284	177,950	229,334	9,174	3,185	25,452	7,137
LG Holdings (HK) Ltd.	58,243	35,516	22,727	-	-	-	-
TECWIN Co.,Ltd.	368,722	47,671	321,051	114,691	3,016	320,780	11,336
SEETEC Co.,Ltd.							
LG CHEM BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	190	69	121	-	-	-	-
LG Yongxing International Trading Co., Ltd.	176	11	165	-	-	-	-
CNOOC & LG Petrochemicals Co.,Ltd. "Ammonia Production and Distribution" Limited Liability Partnership	84,677	1,016	83,661	-	(800)	-	(3,284)
	1	-	1	-	-	-	-

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2. Summary of significant accounting policies

2. 1 Basis of preparation

The interim consolidated financial statements for the nine-month periods ended September 30, 2012, 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 September 30, 2012.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012, and not early adopted by the Group are as follows:

- 1) Korean IFRS 1113, 'Fair value measurement' (new standard), aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRSs. Korean IFRS1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within the Korean IFRSs. This new standard shall apply to annual periods beginning on or after January 1, 2013.
- 2) Korean IFRS1019, 'Employee Benefits' (amendment). According to the amendments to Korean IFRS1019, Employee Benefits, 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). This amendment shall apply to annual periods beginning on or after January 1, 2013.
- 3) Korean-IFRS 1001, 'Presentation of financial statements' (amendment). K-IFRS 1001 was amended to present the operating income or loss as an amount of sales net of cost of sales, and selling and administrative expenses in the statement of comprehensive income. It also describes that an entity can present operating income or loss to include other profits or losses as reflected in entity-specific measure of its operating performance (under the name 'adjusted operating income or loss' or another if appropriate) in the notes. The effective date of the amendment is December 31, 2012, and the amendment is required to be applied for annual periods ending on or after the effective date, with early adoption permitted.

Further, according to the amendments to K-IFRS 1001, it is required to group items presented in other comprehensive income on the basis of whether potentially reclassify to profit or loss subsequently. This amendment is effective for the Company as of fiscal year starting after July 1, 2012 and earlier application is permitted.

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2. 2 Accounting policies

The significant accounting policies and methods of calculation applied in the preparation of these interim consolidated financial statements are consistent with those of the previous financial year, except as described in the following paragraph.

Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full year.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain exposures.

Risk management is carried out by the Company's finance team under policies approved by the Corporate Management Committee. The finance team identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Corporate Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of surplus liquidity.

(1) Market risk

1) Foreign exchange risk

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

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

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

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

As of September 30, 2012 and December 31, 2011, the Company's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korea won)</i>	September 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
USD	2,153,444	2,291,195	2,003,470	2,357,283
EUR	45,805	58,057	41,212	71,013
GBP	3,220	2,205	6,995	2,055
JPY and others	27,689	175,079	20,913	715,298

As of September 30, 2012 and December 31, 2011, if the Company's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been affected as follows:

<i>(in millions of Korean won)</i>	September 30, 2012		December 31, 2011	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(13,775)	13,775	(35,381)	35,381

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) 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 interest rate swaps.

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 year of a 0.1% shift would be a maximum increase of ₩2,197 million (2011: ₩1,919 million) or decrease of ₩2,197 million (2011: ₩1,919 million), respectively.

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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 September 30, 2012 and December 31, 2011, the maximum credit risk exposures are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012			December 31, 2011		
	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)	5,257,929	(10,363)	5,247,566	4,666,481	(5,072)	4,661,409
Financial assets at fair value through profit or loss	1,622	-	1,622	-	-	-
Total	5,259,551	(10,363)	5,249,188	4,666,481	(5,072)	4,661,409

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 payment guarantees.

The Company has entered into export insurance contracts with Korea Export 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 equivalents, 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 institutions and accordingly, credit risks associated with these financial institutions are limited.

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(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.

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

(in millions of Korean won)

	September 30, 2012			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,843,050	279,056	1,040,039	361
Finance lease liabilities	2,481	2,116	1,700	-
Trade and other payables	2,743,661	16,493	-	-
Total	4,589,192	297,665	1,041,739	361

(in millions of Korean won)

	December 31, 2011			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,860,238	151,473	593,718	590
Finance lease liabilities	2,481	2,481	3,195	-
Trade and other payables	2,453,274	41,329	-	-
Total	4,315,993	195,283	596,913	590

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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)

		September 30, 2012			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
	Hedging				
Net-settled derivative financial liabilities	Net-cash flow	(253)	-	-	-
		(253)	-	-	-
	Trading				
Gross-settled derivative financial liabilities	Inflow	158,226	-	-	-
	Outflow	(156,604)	-	-	-
		1,622	-	-	-
	Total	1,369	-	-	-

(in millions of Korean won)

		December 31, 2011			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
	Hedging				
Net-settled derivative financial liabilities	Net-cash flow	(540)	(147)	-	-
	Total	(540)	(147)	-	-

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

(in millions of Korean won)

		September 30, 2012			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹		118	60,129	461	615

(in millions of Korean won)

		December 31, 2011			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹		150,109	60,121	433	741

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.

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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.

Debt to equity ratio and the gearing ratio as of September 30, 2012 and December 31, 2011, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2012	December 31, 2011
Total borrowings (Note 16) (A)	3,024,806	2,526,718
Less: cash and cash equivalents (B)	(1,301,961)	(1,379,379)
Net debt (C=A+B)	1,722,845	1,147,339
Total liabilities (D)	6,377,631	5,577,875
Total equity (E)	10,542,451	9,707,679
Total capital (F=C+E)	12,265,296	10,855,018
Gearing ratio (C/F)	14.0%	10.6%
Debt to equity ratio (D/E)	60.5%	57.5%

3.3 Fair value estimation

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

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

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The following tables present the Company's financial assets and liabilities that are measured at fair value as of September 30, 2012 and December 31, 2011:

(in millions of Korean won)

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	1,622	-	1,622
Total financial assets	-	1,622	-	1,622
Financial liabilities				
Other current financial liabilities	-	260	-	260
Total financial liabilities	-	260	-	260

(in millions of Korean won)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	-	-	-
Total financial assets	-	-	-	-
Financial liabilities				
Other current financial liabilities	-	536	-	536
Other non-current financial liabilities	-	146	-	146
Total financial liabilities	-	682	-	682

All other non-current financial assets of the Company consist of available-for-sale equity securities and are measured at cost (September 30, 2012: ₩ 21,819 million; December 31, 2011: ₩ 5,973 million) as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These are not included in the analysis above (Note 9). The Company does not have any plans to dispose of these available-for-sale equity securities in the near future.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses various techniques and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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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.

4. Critical accounting estimates and assumptions

When preparing these interim consolidated financial statements, management makes judgement, estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

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5. Financial instruments by category

Categorizations of financial instruments are as follows:

(in millions of Korean won)

Financial assets	September 30, 2012			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
Cash and cash equivalents	1,301,961	-	-	1,301,961
Trade receivables	3,274,047	-	-	3,274,047
Other receivables	641,593	-	-	641,593
Other financial assets	-	1,622	-	1,622
Other non-current receivables	40,458	-	-	40,458
Other non-current financial assets	-	-	21,819	21,819
Total	5,258,059	1,622	21,819	5,281,500

(in millions of Korean won)

Financial liabilities	September 30, 2012		Total
	Hedging derivatives	Liabilities at amortized cost	
Trade payables	-	1,801,389	1,801,389
Other payables	-	942,272	942,272
Borrowings (current)	-	1,789,312	1,789,312
Other financial liabilities	260	-	260
Other current liabilities	-	1,154	1,154
Other non-current payables	-	15,824	15,824
Borrowings (non-current)	-	1,235,494	1,235,494
Total	260	5,785,445	5,785,705

(in millions of Korean won)

Financial assets	December 31, 2011			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
Cash and cash equivalents	1,379,379	-	-	1,379,379
Trade receivables	3,117,239	-	-	3,117,239
Other receivables	133,915	-	-	133,915
Other non-current receivables	33,657	-	-	33,657
Other non-current financial assets	-	-	5,973	5,973
Total	4,664,190	-	5,973	4,670,163

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<i>(in millions of Korean won)</i>	December 31, 2011		
	Hedging derivatives	Liabilities at amortized cost	Total
Financial liabilities			
Trade payables	-	1,503,106	1,503,106
Other payables	-	950,168	950,168
Borrowings (current)	-	1,837,637	1,837,637
Other financial liabilities	536	-	536
Other current liabilities	-	1,143	1,143
Other non-current payables	-	41,329	41,329
Borrowings (non-current)	-	689,081	689,081
Other non-current financial liabilities	146	-	146
Total	682	5,022,464	5,023,146

Net gains (losses) on financial instruments by category for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Assets at fair value through profit or loss				
Gain(loss) on valuation/disposal	4,007	1,383	(63,907)	(47,069)
Hedging derivatives				
Gain on valuation/disposal	-	-	20,092	13,953
Gain on valuation recognized in other comprehensive expenses	115	421	852	3,348
Interest expense	(168)	(612)	(3,130)	(9,393)
Assets classified as available-for-sale				
Loss on valuation/disposal	-	-	-	(2)
Interest income	-	-	1	4
Gain(loss) on foreign currency translation	-	-	4	(3)
Dividend income	-	157	16	148
Loans and receivables				
Interest income	8,276	20,553	5,835	19,775
Gain(loss) on foreign currency translation	(3,157)	(11,690)	156,696	141,409
Gain(loss) on foreign exchange	(8,151)	(7,636)	40,275	(39,881)
Liabilities at amortized cost				
Interest expense	(25,931)	(76,185)	(19,704)	(56,200)
Gain(loss) on foreign currency translation	845	2,909	(166,675)	(128,502)
Gain(loss) on foreign exchange	(3,212)	(3,009)	(23,292)	49,122

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6. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Bank deposits and cash on hand	321,915	324,364
Financial deposits, others	980,046	1,055,015
Total	<u>1,301,961</u>	<u>1,379,379</u>

As of September 30, 2012, other non-current receivables amounting to ₩40 million are restricted from withdrawal in connection with maintaining checking accounts and duty deposits (December 31, 2011: ₩40 million). As of September 30, 2012, cash and cash equivalents include deposits with banks of ₩ 764 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>	September 30, 2012			December 31, 2011		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current¹						
Trade receivables ¹	3,284,410	(10,363)	3,274,047	3,122,311	(5,072)	3,117,239
Other receivables	641,593	-	641,593	133,915	-	133,915
Non-current						
Other receivables	40,458	-	40,458	33,657	-	33,657
Total	<u>3,966,461</u>	<u>(10,363)</u>	<u>3,956,098</u>	<u>3,289,883</u>	<u>(5,072)</u>	<u>3,284,811</u>

¹ As of the reporting date, trade receivables transferred to financial institutions that are not derecognized in their entirety are as follows (Note 16).

<i>(in millions of Korean won)</i>	Loans and receivables (trade receivables collateralized borrowings)	
	September 30, 2012	December 31, 2011
Carrying amounts of the transferred assets	1,066,677	927,555
Carrying amounts of the related liabilities	(1,066,677)	(927,555)
For those liabilities that have recourse only to the transferred assets:		
Fair value of the transferred assets	1,066,677	927,555
Fair value of the related liabilities	(1,066,677)	(927,555)
Net position	-	-

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Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Current		
Non-trade receivables	112,435	111,466
Loans	361	-
Financial deposits	516,368	12,477
Accrued income	4,833	2,230
Deposits	7,596	7,742
	<u>641,593</u>	<u>133,915</u>
Non-current		
Financial deposits	40	40
Loans	177	705
Deposits	40,241	32,912
	<u>40,458</u>	<u>33,657</u>
Total	<u>682,051</u>	<u>167,572</u>

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

<i>(in millions of Korean won)</i>	September 30, 2012		December 31, 2011	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	2,667,519	652,212	2,626,703	161,585
Past due but not impaired	610,486	29,839	492,196	5,987
Up to 3 months	598,173	28,516	482,580	4,324
3 to 6 months	5,156	402	6,613	243
Over 6 months	7,157	921	3,003	1,420
Impaired receivables	6,405	-	3,412	-
	<u>3,284,410</u>	<u>682,051</u>	<u>3,122,311</u>	<u>167,572</u>

The movements in bad debt allowance for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012				December 31, 2011			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Beginning balance	5,072	-	-	-	7,293	-	-	-
Additions	5,520	-	-	-	130	-	-	-
Reversals	(145)	-	-	-	(2,150)	-	-	-
Write-off	(85)	-	-	-	(202)	-	-	-
Exchange differences	1	-	-	-	1	-	-	-
Ending balance	<u>10,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,072</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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8. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Other financial assets		
Derivatives (Note 10)	1,622	-
Available-for-sale (Note 9)	21,819	5,973
Less: current portion	<u>(1,622)</u>	<u>-</u>
Total	<u>21,819</u>	<u>5,973</u>
Other financial liabilities		
Derivatives (Note 10)	260	682
Less: current portion	<u>(260)</u>	<u>(536)</u>
Total	<u>-</u>	<u>146</u>

9. Financial assets classified as available-for-sale

The movements in financial assets classified as available-for-sale for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Beginning balance	5,973	4,183
Exchange differences	(4)	(12)
Additions	15,850	1,817
Disposals	<u>-</u>	<u>(15)</u>
Ending balance	<u>21,819</u>	<u>5,973</u>

Financial assets classified as available-for-sale consist of listed and 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 loss was recognized for financial assets classified as available-for-sale during the nine-month periods ended September 30, 2012 and 2011.

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10. Derivative financial instruments

Details of derivative financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	260	-	536
Held-for-trading	1,622	-	-	-
	<u>1,622</u>	<u>260</u>	<u>-</u>	<u>536</u>
Non-current				
Cash flow hedges	-	-	-	146

Details of derivative financial contracts are as follows:

September 30, 2012					
Classification	Contractor	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Forward foreign exchange contract	Citi bank and 12 other banks	2012.09.21, various	US\$ 10,000, various	2012.10.04 ~ 2012.12.21, various	₩1,120.25 / US\$1, various
Interest rate swap	HSBC	2006.10.11	₩ 4,000,000	2006.10.11 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 6,000	2007.06.15 ~ 2013.09.05	Received: 3 month Libor Paid: 5.59%
December 31, 2011					
Classification	Contractor	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Interest rate swap	HSBC	2006.10.11	₩ 7,000,000	2006.10.11 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 10,500	2007.06.15 ~ 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 from cash flow hedges.

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11. Inventories

Details of inventories are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012			December 31, 2011		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation Allowance	Carrying amount
Merchandise	93,316	(600)	92,716	89,527	(303)	89,224
Finished products	1,087,759	(6,351)	1,081,408	1,163,744	(10,911)	1,152,833
Semi-finished products	343,386	-	343,386	317,357	-	317,357
Work-in-process	693	-	693	3,508	-	3,508
Raw materials	713,992	(745)	713,247	634,518	(1,178)	633,340
Supplies	77,855	-	77,855	71,598	-	71,598
Materials-in-transit	262,661	-	262,661	207,373	-	207,373
Total	2,579,662	(7,696)	2,571,966	2,487,625	(12,392)	2,475,233

The cost of inventories recognized as expense for the nine-month period ended September 30, 2012, and included in the 'cost of sales' amounted to ₩12,931,642 million (for the nine-month period ended September 30, 2011: ₩12,073,021 million).

12. Investments in associates and joint ventures

Changes in the carrying amounts of investments in associates and joint ventures for the nine-month period ended September 30, 2012, and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012					
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income of associates	Ending balance
LG Vina Chemical Co.,Ltd.	3,911	-	(1,373)	1,200	(144)	3,594
HL Greenpower Co.,Ltd.	14,250	-	-	711	-	14,961
LG Holdings (HK) Ltd.	61,459	-	-	1,367	(1,676)	61,150
TECWIN Co.,Ltd.	4,570	-	(33)	100	-	4,637
SEETEC Co.,Ltd.	147,423	-	-	5,699	-	153,122
LG CHEM BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	-	-	-	-	258
LG Yongxing International Trading Co.,Ltd.	82	-	-	-	(2)	80
CNOOC & LG Petrochemicals Co.,Ltd.	40,969	-	-	(84)	(266)	40,619
"Ammonia Production and Distribution" Limited Liability Partnership ¹	55,486	56,848	-	-	-	112,334
Total	328,408	56,848	(1,406)	8,993	(2,088)	390,755

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	December 31, 2011					
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income of associates	Ending balance
LG Vina Chemical Co.,Ltd.	3,387	-	(1,695)	2,170	49	3,911
HL Greenpower Co.,Ltd.	13,354	-	-	896	-	14,250
LG Holdings (HK) Ltd.	53,731	-	-	4,723	3,005	61,459
TECWIN Co.,Ltd.	3,892	-	(34)	717	(5)	4,570
SEETEC Co.,Ltd.	138,793	-	-	8,684	(54)	147,423
LG CHEM BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	-	-	-	-	258
LG Yongxing International Trading Co.,Ltd.	157	-	-	-	(75)	82
CNOOC & LG Petrochemicals Co.,Ltd.	-	40,230	-	(1,924)	2,663	40,969
“Ammonia Production and Distribution” Limited Liability Partnership ¹	-	55,486	-	-	-	55,486
Total	213,572	95,716	(1,729)	15,266	5,583	328,408

¹ The Company has recognized ₩16,455 million as other payable and ₩10,517 million as non-current other payable as of September 30, 2012, for the unpaid consideration in the acquisition of “Ammonia Production and Distribution” Limited Liability Partnership.

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13. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the nine-month periods ended September 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 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	88,757	187,561	144,907	754,793	1,108	70,672	30,494	16,272	1,169,961	227,803	2,692,328
Disposals/ Transfer	(26)	(425)	(168)	(2,680)	(1,376)	(488)	(502)	(244)	(1,101,263)	(173,877)	(1,281,049)
Exchange differences	27	(6,255)	(1,761)	(17,199)	(24)	(677)	(384)	-	(6,379)	-	(32,652)
Depreciation	-	(33,992)	(22,698)	(461,338)	(2,525)	(45,373)	(16,483)	(35,541)	-	-	(617,950)
Impairment	-	-	(1,964)	(82)	-	(26)	(30)	-	-	-	(2,102)
Ending balance	693,627	1,620,147	480,202	3,050,535	10,027	226,150	80,215	95,779	1,518,166	359,682	8,134,530
Cost	693,627	1,944,141	801,296	8,224,786	38,142	535,748	218,529	199,811	1,552,962	359,682	14,568,724
Accumulated depreciation	-	(323,989)	(320,787)	(5,164,905)	(28,115)	(305,564)	(138,201)	(104,032)	-	-	(6,385,593)
Accumulated impairment	-	(5)	(307)	(9,346)	-	(4,034)	(113)	-	(34,796)	-	(48,601)

<i>(in millions of Korean won)</i>	December 31, 2011										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	443,411	1,212,290	353,777	2,529,794	8,454	145,096	57,894	61,651	890,720	168,953	5,872,040
Cost	443,411	1,475,425	632,000	6,928,120	34,440	374,325	179,962	94,668	925,516	168,953	11,256,820
Accumulated depreciation	-	(258,901)	(278,216)	(4,372,096)	(25,986)	(225,197)	(121,967)	(33,017)	-	-	(5,315,380)
Accumulated impairment	-	(4,234)	(7)	(26,230)	-	(4,032)	(101)	-	(34,796)	-	(69,400)
Acquisitions/ Transfer	162,175	293,245	32,780	781,560	8,464	109,902	28,221	93,889	1,891,465	282,656	3,684,357
Disposals/ Transfer	-	(1,010)	(99)	(4,916)	(238)	(2,610)	(353)	-	(1,340,674)	(145,854)	(1,495,754)
Exchange differences	(717)	8,165	3,255	31,264	-	326	473	-	14,336	1	57,103
Depreciation	-	(39,432)	(27,827)	(560,661)	(3,836)	(50,672)	(19,115)	(40,248)	-	-	(741,791)
Ending 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)

For the nine-month period ended September 30, 2012, the Company capitalized ₩21,720 million of borrowing costs (for the year ended December 31, 2011: ₩22,555 million) to property, plant and equipment.

As of September 30, 2012, 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, 2011: ₩8,787 million).

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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:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Carrying amount	16	41
Depreciation	25	2,182

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

Depreciation of property, plant and equipment for the three-month and nine-month periods ended September 30, 2012 and 2011, was classified as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Cost of sales	201,097	576,755	170,172	512,332
Selling, general and administrative expenses	14,257	40,878	12,473	35,581
Others ¹	111	317	139	789
Total	215,465	617,950	182,784	548,702

¹ Amounts capitalized as development costs are included.

14. Intangible assets

Changes in the carrying amount of intangible assets for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012					
	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	34,018	61,856	33,415	51,110	26,773	207,172
Acquisitions/ Transfer	15,283	14,894	-	2,582	5,209	37,968
Disposals/ Transfer	(5,631)	(838)	-	(1,975)	(694)	(9,138)
Exchange differences	(32)	-	-	(13)	(295)	(340)
Amortization	(6,694)	(2,309)	-	-	(4,794)	(13,797)
Ending balance	36,944	73,603	33,415	51,704	26,199	221,865

<i>(in millions of Korean won)</i>	December 31, 2011					
	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	25,798	55,708	33,415	49,243	15,951	180,115
Acquisitions/ Transfer	15,608	8,915	-	1,842	15,763	42,128
Disposals/ Transfer	-	(8)	-	-	(2)	(10)
Exchange differences	45	(228)	-	25	778	620
Amortization	(7,433)	(2,531)	-	-	(5,717)	(15,681)
Ending balance	34,018	61,856	33,415	51,110	26,773	207,172

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Amortization of intangible assets for the three-month and nine-month periods ended September 30, 2012 and 2011, was classified as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Cost of sales	1,540	4,472	1,261	3,490
Selling, general and administrative expenses	3,665	9,325	2,892	8,072
Total	5,205	13,797	4,153	11,562

15. Other current and non-current assets

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

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Current		
Prepayments to suppliers	79,644	40,353
Prepaid expenses	25,343	21,869
Prepaid value added tax	55,465	56,061
Others	47,064	14,315
Total	207,516	132,598
Non-current		
Long-term prepaid expenses	42,158	45,939
Other investment assets	26	27
Total	42,184	45,966

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16. Borrowings

The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Current		
Short-term borrowings	1,654,318	1,451,823
Current maturities of bank loans	132,880	233,914
Current maturities of debentures	-	149,922
Current maturities of finance lease liabilities	2,114	1,978
	<u>1,789,312</u>	<u>1,837,637</u>
Non-current		
Bank loans	633,998	385,122
Debentures	597,870	298,725
Finance lease liabilities	3,626	5,234
	<u>1,235,494</u>	<u>689,081</u>
Total	<u>3,024,806</u>	<u>2,526,718</u>

Details of borrowings are as follows:

Current borrowings

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at September 30, 2012	Carrying Amount	
				September 30, 2012	December 31, 2011
Notes discounted ¹	Korea Exchange Bank, others	2013.01.05	3Libor+1.00, various	1,066,677	927,555
Bank loans	China Bank, others	2012.12.14	3Libor+0.50~4.00, various	587,641	524,268
Total				<u>1,654,318</u>	<u>1,451,823</u>

¹ As of September 30, 2012, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transactions (Note 7).

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Non-current borrowings

		September 30, 2012				
		Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities
<i>(in millions of Korean won)</i>						
Won currency borrowings	Kookmin Bank	3.00	2018.07.14	848	120	728
	Kookmin Bank	3.00	2020.03.21	871	87	784
	Korea Development Bank	3.53	2015.07.19	200,000	-	200,000
	BTMU	3CD+0.60	2013.09.05	10,000	10,000	-
Foreign currency borrowings	Shanghai Pudong Development Bank	7.00	2015.09.15	3,106	-	3,106
	Sumitomo Mitsui Banking Corporation	3Libor+0.60	2013.09.05	6,712	6,712	-
	Sumitomo Mitsui Banking Corporation	3Libor+0.85	2014.07.29	22,372	-	22,372
	Standard Chartered Bank	5.00	2013.06.10	22,509	22,509	-
	Woori Bank	6Libor+2.00	2012.12.11	22,509	22,509	-
	Agricultural Bank of China	7.00	2015.10.15	17,749	-	17,749
	China Minsheng Bank	6Libor+3.3	2013.01.15	2,501	2,501	-
	China Merchants Bank	7.00	2015.05.17	7,100	-	7,100
	ANZ Bank	3Libor+2.10	2013.10.11	33,764	16,882	16,882
	ANZ Bank	3Libor+2.80	2013.10.11	15,070	10,047	5,023
	Bank of America	3Libor+1.87	2014.10.24	33,764	-	33,764
	Bank of America	3Libor+1.68	2014.08.29	45,019	-	45,019
	Bank of America	3Libor+1.65	2013.11.18	27,965	-	27,965
	BTMU	3Libor+1.54	2015.07.20	55,930	-	55,930
	BTMU	6Libor+2.60	2013.04.26	16,882	16,882	-
	BTMU	6Libor+2.60	2013.06.21	16,882	16,882	-
	HSBC	3Libor+0.60	2013.09.05	3,356	3,356	-
	HSBC	3Libor+1.20	2014.09.19	45,018	-	45,018
	HSBC	3Libor+2.25	2015.05.25	22,509	-	22,509
	Mizuho Banking Corporation	3Libor+0.60	2013.09.05	4,474	4,474	-
Mizuho Banking Corporation	3Libor+0.65	2014.05.31	67,116	-	67,116	
Nordea Bank	1Wibor+1.00	2014.06.30	7,003	-	7,003	
Nova Scotia Bank	3Libor+1.54	2015.07.20	55,930	-	55,930	
	Less: discount on borrowings		(81)	(81)		
Total			<u>766,878</u>	<u>132,880</u>	<u>633,998</u>	

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		December 31, 2011				
(in millions of Korean won)	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency borrowings	Kookmin Bank	3.00	2018.07.14	931	112	819
	Kookmin Bank	3.00	2020.03.21	932	82	850
	BTMU	3CD+0.60	2013.09.05	17,500	10,000	7,500
Foreign currency borrowings	Shanghai Pudong Development Bank	6.65	2015.06.20	4,209	-	4,209
	Sumitomo Mitsui Banking Corporation	3Libor+0.60	2013.09.05	12,110	6,920	5,190
	Sumitomo Mitsui Banking Corporation	3Libor+0.85	2014.07.29	23,066	-	23,066
	Standard Chartered Bank	4.50	2013.06.10	23,000	-	23,000
	Woori Bank	6Libor+1.50	2012.12.11	23,000	23,000	-
	China Construction Bank	6Libor+1.40~2.50	2012.06.08	23,000	23,000	-
	China Construction Bank	6Libor+3.00	2013.01.17	23,000	-	23,000
	Bank of Communications	3Libor+1.50	2012.04.30	21,850	21,850	-
	Agricultural Bank of China	6.80	2015.10.15	23,726	-	23,726
	China Minsheng Bank	6Libor+3.30	2013.01.15	6,389	5,111	1,278
	Bank of China	6Libor+1.20	2012.03.01	33,430	33,430	-
	China Merchants Bank	6.65	2015.05.17	9,125	-	9,125
	Korea Development Bank	3Libor+0.36	2012.01.10	57,665	57,665	-
	ANZ Bank	3Libor+2.80	2013.10.11	20,530	10,265	10,265
	ANZ Bank	3Libor+2.10	2014.07.07	34,499	-	34,499
	Bank of America	3Libor+1.65	2013.11.18	28,833	-	28,833
	Bank of America	3Libor+1.68	2014.08.29	45,999	-	45,999
	Bank of America	3Libor+1.87	2014.10.24	34,499	-	34,499
	BTMU	6Libor+2.60	2013.06.21	25,874	17,249	8,625
	BTMU	6Libor+2.60	2013.04.26	25,874	17,249	8,625
	HSBC	6Libor+0.60	2013.09.05	6,055	3,460	2,595
	HSBC	3Libor+1.20	2014.09.19	45,999	-	45,999
	Mizuho Banking Corporation	3Libor+0.65	2014.05.31	34,599	-	34,599
Mizuho Banking Corporation	3Libor+0.60	2013.09.05	8,073	4,613	3,460	
Nordea Bank	1Wibor+1.00	2014.06.30	5,418	-	5,418	
	Less: discount on borrowings			(149)	(92)	(57)
Total				619,036	233,914	385,122

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

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Debentures

(in millions of Korean won)

		September 30, 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				(2,130)	-	(2,130)
Total					597,870	-	597,870

(in millions of Korean won)

		December 31, 2011					
		Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency debentures	Woori Security		4.85	2012.04.29	150,000	150,000	-
	Woori Security		3.83	2014.12.05	200,000	-	200,000
	Woori Security		4.03	2016.12.05	100,000	-	100,000
	Less: discount on debentures				(1,353)	(78)	(1,275)
Total					448,647	149,922	298,725

Finance lease liabilities

(in millions of Korean won)

		September 30, 2012				
Lessor	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts	
Hyundai Oil Bank	9.00	2014.10.29	5,740	2,114	3,626	

(in millions of Korean won)

		December 31, 2011				
Lessor	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts	
Hyundai Oil Bank	9.00	2014.10.29	7,212	1,978	5,234	

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2012		December 31, 2011	
	Carrying amount	Fair value¹	Carrying amount	Fair value¹
Bank loans	633,998	630,576	385,122	385,838
Debentures	597,870	617,283	298,725	300,675
Finance lease liabilities	3,626	3,466	5,234	5,052
Total	1,235,494	1,251,325	689,081	691,565

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:

<i>(in millions of Korean won)</i>	September 30, 2012			December 31, 2011		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	2,481	367	2,114	2,481	503	1,978
1 to 5 years	3,816	190	3,626	5,676	442	5,234

17. Provisions

Changes in the carrying amount of provisions for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012		
	Sales returns¹	Warranty²	Total
Beginning balance	2,800	6,743	9,543
Additions	4,323	6,879	11,202
Decrease	(5,362)	(254)	(5,616)
Reversals	-	(4,047)	(4,047)
Ending balance	1,761	9,321	11,082
Less : current portion	(1,761)	(281)	(2,042)
Total	-	9,040	9,040

<i>(in millions of Korean won)</i>	December 31, 2011		
	Sales returns¹	Warranty²	Total
Beginning balance	2,822	2,127	4,949
Additions	8,678	9,003	17,681
Decrease	(8,700)	(4,387)	(13,087)
Reversals	-	-	-
Ending balance	2,800	6,743	9,543
Less : current portion	(2,800)	(4,429)	(7,229)
Total	-	2,314	2,314

¹ Sales return provisions have been accrued for the estimated sales return determined based on historical experience.

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²Warranty 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>	September 30, 2012	December 31, 2011
Present value of obligations ¹	332,873	253,396
Fair value of plan assets	(192,602)	(192,619)
Liability in the statement of financial position	140,271	60,777

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩964 million as of September 30, 2012 (December 31, 2011: ₩979 million).

The amounts recognized in the statements of income for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Current service cost ¹	13,031	38,852	10,893	32,205
Interest cost	3,023	9,069	2,279	6,576
Expected return on plan assets	(1,869)	(5,606)	(1,792)	(5,166)
Total, included in employee benefit expenses	14,185	42,315	11,380	33,615

¹ The above amounts exclude ₩992 million (September 30, 2011: ₩418 million) of expenses capitalized as construction in progress and development costs.

Severance costs recognized for defined contribution plan for nine-month period ended September 30, 2012, amounted to ₩53 million (for the nine-month period ended September 30, 2011: nil).

The amounts recognized in the statements of income for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Cost of sales	9,828	28,485	7,801	22,885
Selling, general and administrative expenses	4,405	13,883	3,579	10,730
Total	14,233	42,368	11,380	33,615

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Actuarial gains and losses recognized as other comprehensive income for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Actuarial gains(losses) before tax	(39,259)	(38,238)	(52)	627
Income tax effect	9,500	9,253	17	(152)
Actuarial gains(losses) after tax	<u>(29,759)</u>	<u>(28,985)</u>	<u>(35)</u>	<u>475</u>

As of September 30, 2012, ₩93,701 million (December 31, 2011: ₩64,717 million) of accumulated actuarial losses are included in other comprehensive income.

Changes in the carrying amount of defined benefit obligations for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Beginning balance	253,396	162,363
Transfer in	1,903	886
Current service cost	39,844	42,727
Interest expense	9,069	8,629
Actuarial gains (before tax)	39,511	53,926
Benefits paid	(10,992)	(15,437)
Exchange differences	142	302
Ending balance	<u>332,873</u>	<u>253,396</u>

Changes in the fair value of plan assets for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Beginning balance	192,619	154,227
Transfer in	-	430
Expected return on plan assets	5,606	6,764
Actuarial gains (before tax)	1,273	385
Employer contributions	-	40,000
Benefits paid	(6,896)	(9,187)
Ending balance	<u>192,602</u>	<u>192,619</u>

The actual return on plan assets for the nine-month period ended September 30, 2012, was ₩6,879 million (for the year ended December 31, 2011: ₩7,149 million).

The principal actuarial assumptions used are as follows:

	September 30, 2012	December 31, 2011
Discount rate	3.7%	4.9%
Expected return on plan assets	3.9%	3.9%
Future salary increase	4.8%	4.8%

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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	(33,609)	40,056

Plan assets consist of:

<i>(in millions of Korean won)</i>	September 30, 2012		December 31, 2011	
	Amount	Proportion	Amount	Proportion
Equity instruments	36,154	19%	35,973	19%
Time deposits	66,653	34%	66,377	34%
Insurance contracts with guaranteed yield	89,795	47%	90,269	47%
Total	192,602	100%	192,619	100%

The amounts of experience adjustments on the defined benefit obligations and the plan assets are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Present value of defined benefit obligations	332,873	253,396	162,363	219,256
Fair value of plan assets	(192,602)	(192,619)	(154,227)	(164,867)
Deficit in the plan	140,271	60,777	8,136	54,389
Experience adjustments on plan liabilities	-	(25,232)	(20,393)	(4,674)
Experience adjustments on plan assets	1,273	385	(1,002)	2,068

19. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Advances from customers	29,768	21,718
Dividends payable	1,154	1,143
Withholding	43,821	44,993
Unearned revenues	12,072	12,398
Others	64,563	55,516
Total	151,378	135,768

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20. Commitments and contingencies

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.

As of September 30, 2012 and December 31, 2011, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.

As of September 30, 2012, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.

As of September 30, 2012, the Parent Company and certain overseas subsidiaries have various specific and comprehensive line of credit agreements with several financial institutions, as follows: The Company also entered into credit line agreements relating to trade finance and import/export.

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

Classification	The Parent Company		Certain Overseas subsidiaries				
	KRW	USD	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	100,000	50	125	210	11	435	32
Limit of the letter of credit	224,200	511	15	-	-	675	-
Limit of discount of notes from export	-	1,754	-	-	-	-	-
Limit of loan arrangements	-	-	1,139	4,061	3	1,865	20

As of September 30, 2012, the Parent Company has B2B purchase arrangements with several financial institutions.

As of September 30, 2012, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in two and 29 legal actions involving ₩400 million and ₩7,465 million in claims, respectively, and as a defendant in five and two legal actions with ₩1,488 million and ₩170 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.

As of September 30, 2012, the Parent Company has technology license agreements with STYRON EUROPE GmbH and other companies for the production of Polycarbonate products. Further, the Parent Company has entered into manufacture and production technical contracts with Exxon Mobile and others.

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.

As of September 30, 2012, the Parent Company has a long-term purchase contract for certain raw materials and was provided with US\$ 115 million of guarantee for this contract. Further, as of September 30, 2012, the Parent Company provided US\$ 3 million of guarantee in regard to a delivery contract for certain products.

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As of the reporting date, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of September 30, 2012, amounts to US\$ 245 million, EUR 3 million and PLN 52 million (total equivalent to ₩297,196 million) (2011: US\$ 214 million, EUR 3 million and PLN 52 million, total equivalent to ₩268,650 million). Details of guarantees provided as of September 30, 2012 and December 31, 2011, are as follows:

(in millions of Korean won)

		September 30, 2012			
Guarantor	Guarantee beneficiary	Financial institution	Amount of guarantee	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	HSBC	67,527	67,527	
	"	Bank of America	33,764	33,764	
	LG Chem Poland Sp. z o.o.	Nordea Bank	18,208	9,678	
	LG Chem Europe GmbH	Shinhan Bank	4,314	-	
	LG Chem Michigan Inc.	Bank of America	27,965	27,965	
	"	Mizuho Bank	67,116	67,116	
	"	SMBC	44,744	30,202	
	"	JP Morgan	22,372	-	
	LG Chem Power Inc.	Comerica Bank	11,186	-	
	Total			297,196	236,252

(in millions of Korean won)

		December 31, 2011			
Guarantor	Guarantee beneficiary	Financial institution	Amount of guarantee	Outstanding loan amount	
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	Bank of China	33,430	33,430	
	"	HSBC	45,999	45,999	
	"	Bank of America	34,499	34,499	
	LG Chem Poland Sp. z o.o.	Nordea Bank	17,610	9,836	
	LG Chem Europe GmbH	Shinhan Bank	4,482	-	
	LG Chem Michigan Inc.	Bank of America	28,833	28,833	
	"	Mizuho Bank	69,198	34,599	
	"	SMBC	23,066	23,066	
	LG Chem Power Inc.	Comerica Bank	11,533	-	
	Total			268,650	210,262

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

(in millions of Korean won)

	September 30, 2012	December 31, 2011
Property, plant and equipment	1,161,473	1,182,391

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21. Equity

Changes in share capital and share premium are as follows:

<i>(in millions of Korean won)</i>	Ordinary shares		Preferred shares		Share premium
	Number of shares	Amount	Number of shares	Amount	
January 1, 2011	66,271,100	331,356	7,628,921	38,144	897,424
December 31, 2011	66,271,100	331,356	7,628,921	38,144	897,424
September 30, 2012	66,271,100	331,356	7,628,921	38,144	897,424

Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	Number of shares		Carrying amount	Gain on sale of treasury shares
	Ordinary shares	Preferred shares		
January 1, 2011	359,781	5,519	15,484	13,855
Purchase of treasury shares	3	-	-	-
December 31, 2011	359,784	5,519	15,484	13,855
September 30, 2012	359,784	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>	September 30, 2012	December 31, 2011
Legal reserve ¹	253,966	212,843
Discretionary reserve ²	7,107,800	5,444,028
Unappropriated retained earnings	1,571,425	2,396,436
Total	8,933,191	8,053,307

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

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

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23. Other components of equity

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	September 30, 2012	December 31, 2011
Treasury shares (Note 21)	(15,484)	(15,484)
Capital transactions within the Company ¹	(215)	(215)
Total	<u>(15,699)</u>	<u>(15,699)</u>

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

24. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	<u>Three months</u>	<u>Nine months</u>	<u>Three months</u>	<u>Nine months</u>
Wages and salaries	72,531	209,467	64,304	188,892
Pension costs (Note 18)	4,405	13,883	3,579	10,730
Welfare expense	15,316	48,733	13,165	42,393
Travel expense	7,411	21,599	5,311	17,168
Water & utilities	5,556	16,025	4,783	13,493
Packaging expense	1,311	3,514	1,200	3,442
Rental expense	22,475	68,300	22,579	72,048
Commission expense	46,684	142,567	47,272	133,595
Depreciation (Note 13)	14,257	40,878	12,473	35,581
Advertising expense	3,982	15,949	1,843	7,301
Freight expense	100,501	279,300	85,304	248,828
Training expense	3,190	8,639	2,887	8,512
Amortization (Note 14)	3,665	9,325	2,892	8,072
Sample expense	3,644	9,691	1,939	5,975
Others	51,105	152,777	44,664	131,865
Total	<u>356,033</u>	<u>1,040,647</u>	<u>314,195</u>	<u>927,895</u>

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25. Expenses by nature

Expenses that are recorded by function as cost of sales, selling, general and administrative expenses and other operating expenses in the statements of income for the three-month and nine-month periods ended September 30, 2012 and 2011, consist of:

(in millions of Korean won)

	2012		2011	
	Three months	Nine months	Three months	Nine months
Changes in inventories	90,064	44,719	(32,313)	(182,528)
Raw materials and consumables used	3,924,691	12,298,462	4,026,655	11,600,704
Purchase of merchandise	139,069	588,461	267,594	654,845
Employee benefit expense (Note 26)	259,036	758,765	227,779	654,069
Advertising expense	4,298	16,741	2,069	7,929
Transportation expense	106,687	298,967	91,602	266,767
Service fees	71,555	213,480	71,061	201,467
Depreciation, amortization and impairment	220,559	633,532	186,798	559,475
Operating lease payments	11,941	34,673	11,281	31,781
Other expenses	492,899	1,382,830	585,918	1,365,278
Total	5,320,799	16,270,630	5,438,444	15,159,787

26. Employee benefit expense

(in millions of Korean won)

	2012		2011	
	Three months	Nine months	Three months	Nine months
Wages and salaries	222,671	649,255	198,102	567,442
Pension costs – Defined benefit plan (Note 18)	14,185	42,315	11,380	33,615
Pension costs – Defined contribution plan (Note 18)	48	53	-	-
Others	22,132	67,142	18,297	53,012
Total	259,036	758,765	227,779	654,069

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27. Other operating income

Details of other operating income for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Foreign exchange gain	65,806	203,969	113,748	232,450
Gain on foreign currency translation	12,369	22,453	155,866	148,125
Gain on disposal of property, plant and equipment	260	4,869	68	1,865
Gain on disposal of intangible assets	57	57	-	-
Others	10,052	20,767	7,192	35,624
Total	88,544	252,115	276,874	418,064

28. Other operating expenses

Detail of other operating expenses for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Foreign exchange loss	68,427	197,380	124,124	247,464
Loss on foreign currency translation	16,061	28,035	142,891	137,397
Loss on disposal of property, plant and equipment	1,560	3,607	1,092	2,610
Loss on disposal of intangible assets	406	1,027	-	8
Impairment loss of property, plant and equipment	-	2,102	-	-
Others	1,114	2,548	893	4,207
Total	87,568	234,699	269,000	391,686

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29. Financial income and expense

Details of financial income and expense for the three-month and nine-month periods ended September 30, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012		2011	
	Three months	Nine months	Three months	Nine months
Financial income				
Interest income ¹	8,276	20,553	5,836	19,779
Dividend income	-	157	16	148
Foreign exchange gain	11,139	35,560	51,164	74,073
Gain on foreign currency translation	3,967	3,862	10,675	24,872
Gain on settlement of trading derivatives	2,885	4,929	5,657	21,620
Gain on valuation of trading derivatives	1,185	1,622	-	331
Gain on valuation of hedge derivatives	-	-	20,092	13,953
Others	14	42	-	-
Total	27,466	66,725	93,440	154,776
Financial expense				
Interest expense ²	17,612	55,077	16,786	49,466
Foreign exchange loss	19,881	52,794	23,805	49,818
Loss on foreign exchange translations	2,587	7,061	33,625	22,696
Loss on settlement of trading derivatives	63	5,168	45,920	46,389
Loss on valuation of trading derivatives	-	-	23,644	22,631
Others	-	-	-	2
Total	40,143	120,100	143,780	191,002

¹ Details of interest income are as follows:

(in millions of Korean won)

	2012		2011	
	Three months	Nine months	Three months	Nine months
Bank deposits	8,155	19,825	5,490	19,100
Financial assets classified as available-for-sale	-	-	1	4
Other loans and receivables	121	728	345	675
Total	8,276	20,553	5,836	19,779

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² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Interest on bank overdraft and borrowings	16,419	45,886	5,500	37,290
Interest on finance lease liabilities	115	388	336	512
Interest on debentures	6,130	17,799	1,914	5,732
Other interest expenses	3,435	12,724	15,084	22,059
Capitalized interest for qualifying assets	(8,487)	(21,720)	(6,048)	(16,127)
Total	17,612	55,077	16,786	49,466

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, 2012, is 19.4% (for the nine-month period ended September 30, 2011: 21.9%).

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 earnings per share for ordinary shares and preferred shares.

Basic earnings per share attributable to the owners of the Parent Company for the three-month and nine-month periods ended September 30, 2012 and 2011, is computed as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares ¹	405,640	1,079,494	457,074	1,579,539
Weighted average number of ordinary shares outstanding ²	65,911,316	65,911,316	65,911,319	65,911,319
Basic earnings per ordinary share (in won)	6,154	16,378	6,935	23,965

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares ¹	47,012	125,142	52,961	182,978
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402	7,623,402	7,623,402
Basic earnings per preferred share (in won)	6,167	16,416	6,947	24,002

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Nine months	Three months	Nine months
Profit for the year attributable to owners of the parent company	452,652	1,204,636	510,035	1,762,517
Ordinary shares dividends (A)	65,911	197,734	65,911	197,734
Preferred shares dividends (B)	7,719	23,156	7,718	23,156
Undistributed earnings for the period	379,022	983,746	436,406	1,541,627
Undistributed earnings available for ordinary shares (C)	339,729	881,760	391,163	1,381,805
Undistributed earnings available for preferred shares (D)	39,293	101,986	45,243	159,822
Profit for the period attributable to ordinary shares (A+C)	405,640	1,079,494	457,074	1,579,539
Profit for the period attributable to preferred shares (B+D)	47,012	125,142	52,961	182,978

² Weighted average numbers of shares are calculated as follows:

	2012	2011
Ordinary shares outstanding	66,271,100	66,271,100
Ordinary treasury shares	(359,784)	(359,781)
Weighted average number of ordinary shares outstanding	65,911,316	65,911,319
Preferred shares outstanding	7,628,921	7,628,921
Preferred treasury shares	(5,519)	(5,519)
Weighted average number of preferred shares outstanding	7,623,402	7,623,402

There were no dilutive potential outstanding ordinary shares at the reporting date. Accordingly, diluted earnings per share for profit attributable to owners of the Parent Company is identical to basic earnings per share.

32. Dividends

The ₩294,520 million (2011: ₩294,520 million) of dividends for the year ended December 31, 2011, was paid to the shareholders of the Parent.

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33. Related party transactions

Significant transactions, which occurred in the ordinary course of business with related parties for the nine-month periods ended September 30, 2012 and 2011, and the related account balances as of September 30, 2012 and December 31, 2011, are summarized as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Sales	Purchases	Sales	Purchases
Entities with significant influence over the Company ¹	-	41,064	-	34,955
Associates and joint ventures	86,236	139,959	48,681	144,223
Key management	-	31,596	-	40,566
Others ²	20,189	697,669	16,357	602,938
Total	106,425	910,288	65,038	822,682

<i>(in millions of Korean won)</i>	September 30, 2012		December 31, 2011	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	6,995	2,108	6,432	5,284
Associates and joint ventures	22,638	21,755	23,604	28,345
Key management	-	45,045	-	65,201
Others ²	34,523	239,723	32,607	164,223
Total	64,156	308,631	62,643	263,053

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 nine-month periods ended September 30, 2012 and 2011, consists of:

<i>(in millions of Korean won)</i>	2012	2011
Wages and salaries	30,554	28,320
Pension costs	1,042	1,982
Other long-term employee benefits	-	10,264
Total	31,596	40,566

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

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.

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34. Cash generated from operations

Reconciliation between operating profit and net cash inflow from operating activities for the nine-month periods ended September 30, 2012 and 2011, is as follows:

<i>(in millions of Korean won)</i>	2012	2011
Profit before income tax	1,505,371	2,294,676
Adjustments for:		
Depreciation	617,633	547,913
Amortization	13,797	11,562
Pension costs	42,315	33,615
Financial income	(54,243)	(228,828)
Financial expense	94,219	278,581
Foreign exchange differences	(13,833)	(44,309)
Gain on disposal of property, plant and equipment	(4,869)	(1,865)
Loss on disposal of property, plant and equipment	3,607	2,610
Impairment loss of property, plant and equipment	2,102	-
Gain on disposal of intangible assets	(57)	-
Loss on disposal of intangible assets	1,027	8
Other expenses	(985)	(5,900)
Inventories	(103,713)	(344,016)
Trade receivables	(212,568)	(634,429)
Other receivables	(39,129)	(42,986)
Settlement of derivatives	(239)	(22,575)
Trade payables	326,860	30,217
Other payables	(12,691)	167,128
Defined benefit liability, net	(2,309)	(3,641)
Other cash flows from operations	(36,655)	(81,742)
Cash generated from operations	<u>2,125,640</u>	<u>1,956,019</u>

The principal non-cash transactions for the nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Transfer of construction-in-progress	1,101,150	1,012,348
Transfer of machinery-in-transit	173,877	105,451
Reclassification of long term borrowings into current maturities	124,441	352,469
Gain on valuation of derivatives recognized as other comprehensive income	421	3,348

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35. Segment Information

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

Segment	Products or services	Major customers
Petrochemicals	PE, PVC, VCM, Alcohol, Plasticizers, ABS/PS, EPS, MBS, SBL, EP, Ethylene, Propylene, BPA and others	LG International Corp., LG Electronics Inc., Daewoo Electronics Corp., National Plastic Co.,Ltd, Youl Chon Chemical, Ltd., OCI, MITSUBISHI Corporation. and others
Information & Electronic Materials	Polarizers, 3D FPR and others	LG Display Co., Ltd., BOE Co, Ltd., AU Optronics Corp. and others
Batteries	Small battery, medium and large sized battery and others	Hewlett Packard Co., General Motors Corp. and others
Common and others	General management, sales and R&D	

The segment information on revenue and profit and loss for the nine-month periods ended September 30, 2012 and 2011, is as follows:

<i>(in millions of Korean won)</i>	2012				
	Petro - Chemicals	Information & Electronic Materials	Batteries	Common and others⁴	Total
Total segment revenue	13,378,857	2,548,571	1,851,010	10,453	17,788,891
Inter-segment revenue ¹	47,463	147,862	907	10,453	206,685
Revenue from external customers ²	13,331,394	2,400,709	1,850,103	-	17,582,206
Operating profit (loss) ³	1,150,622	354,058	60,150	(1,139)	1,563,691
Financial income ²	54,184	10,252	3,691	(1,402)	66,725
Financial expenses	92,910	13,635	14,119	(564)	120,100
Depreciation and amortization	334,347	134,340	162,025	718	631,430
Share of the profit of associates and joint ventures	6,931	1,149	913	-	8,993
Profit (loss) before tax	1,159,413	334,751	13,194	(1,987)	1,505,371

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<i>(in millions of Korean won)</i>	2011				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others ⁴	Total
Total segment revenue	13,174,679	2,497,886	1,604,849	808	17,278,222
Inter-segment revenue ¹	43,182	157,493	-	808	201,483
Revenue from external customers ²	13,131,497	2,340,393	1,604,849	-	17,076,739
Operating profit (loss) ³	1,970,132	300,479	67,245	(2,840)	2,335,016
Financial income ²	122,524	23,074	14,555	(5,377)	154,776
Financial expenses	145,380	33,015	13,585	(978)	191,002
Depreciation and amortization	313,201	119,518	126,142	614	559,475
Share of the profit of associates and joint ventures	7,089	2,000	639	40	9,768
Profit (loss) before tax	1,984,000	280,880	37,249	(7,453)	2,294,676

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 financial 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.

The segment information on assets and liabilities as of September 30, 2012 and December 31, 2011, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2012				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	Total
Total assets for the segment ¹	8,539,563	2,544,152	3,151,208	2,685,159	16,920,082
Investments in associates and joint ventures	150,811	-	14,210	225,734	390,755
Total liabilities for the segment ¹	3,192,022	565,053	1,122,907	1,497,649	6,377,631

<i>(in millions of Korean won)</i>	December 31, 2011				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	Total
Total assets for the segment ¹	7,792,664	2,287,111	2,867,562	2,338,217	15,285,554
Investments in associates and joint ventures	95,334	-	14,210	218,864	328,408
Total liabilities for the segment ¹	2,833,012	419,535	1,133,791	1,191,537	5,577,875

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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.

The external sales by geographical segments from continuing operations for the nine-month periods ended September 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Korea ¹	7,528,456	7,416,281
China	7,376,381	7,349,060
South East Asia	1,296,018	1,079,542
America	1,343,186	1,175,632
Western Europe	674,378	536,680
Others	2,275,718	2,167,583
Eliminations	(2,911,931)	(2,648,039)
Total	<u>17,582,206</u>	<u>17,076,739</u>

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

There is no external customer contributing more than 10% of total revenue for the nine-month periods ended September 30, 2012 and 2011.