

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

June 30, 2012 and 2011

LG Chem, Ltd. and Subsidiaries
Index
June 30, 2012 and 2011

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Interim Consolidated Financial Statements	
Interim Consolidated Statements of Financial Position	3 - 4
Interim Consolidated Statements of Income	5
Interim Consolidated Statements of Comprehensive Income	6
Interim Consolidated Statements of Changes in Equity	7
Interim Consolidated Statements of Cash Flows	8
Notes to the Interim Consolidated Financial Statements	9 - 55



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. as of June 30, 2012 , and the related consolidated statements of income, and comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2011, and the consolidated statements of changes in equity and cash flows for the six-month periods ended June 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.

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

Seoul, Korea

August 13, 2012

This review report is effective as of August 13, 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
June 30, 2012 and December 31, 2011

<i>(in millions of Korean won)</i>	Notes	June 30, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	3, 6, 7	931,717	1,379,379
Trade receivables	3, 6, 8, 34	3,302,852	3,117,239
Other receivables	3, 6, 8, 34	144,833	133,915
Prepaid income taxes		18,669	17,848
Other financial assets	3, 6, 9, 11	664	-
Other current assets	16	235,513	132,598
Inventories	12	2,654,330	2,475,233
Total current assets		<u>7,288,578</u>	<u>7,256,212</u>
Non-current assets			
Other receivables	3, 6, 8	38,624	33,657
Other financial assets	3, 6, 9, 10	21,676	5,973
Investments in associates and joint ventures	1, 5, 13	333,002	328,408
Deferred income tax assets		57,435	32,211
Property, plant and equipment	14	7,976,023	7,375,955
Intangible assets	15	212,445	207,172
Other non-current assets	16	44,082	45,966
Total non-current assets		<u>8,683,287</u>	<u>8,029,342</u>
Total assets		<u>15,971,865</u>	<u>15,285,554</u>
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 6, 34	1,749,659	1,503,106
Other payables	3, 6, 34	839,286	950,168
Borrowings	3, 6, 17	1,791,779	1,837,637
Other financial liabilities	3, 6, 9, 11	545	536
Provisions	18	2,316	7,229
Current income tax liabilities		160,304	289,460
Other current liabilities	6, 20	135,273	135,768
Total current liabilities		<u>4,679,162</u>	<u>4,723,904</u>
Non-current liabilities			
Other payables	3, 6	17,418	41,329
Borrowings	3, 6, 17	948,103	689,081
Other financial liabilities	3, 6, 9, 11	58	146
Provisions	18	6,931	2,314
Defined benefit liability	19	87,180	60,777
Deferred income tax liabilities		93,576	60,324
Total non-current liabilities		<u>1,153,266</u>	<u>853,971</u>
Total liabilities		<u>5,832,428</u>	<u>5,577,875</u>

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

<i>(in millions of Korean won)</i>	Notes	June 30, 2012	December 31, 2011
Equity			
Equity attributable to owners of the parent			
Share capital	1, 22	369,500	369,500
Capital surplus		1,157,772	1,157,772
Other components of equity	24	(15,699)	(15,699)
Accumulated other comprehensive income		(16,553)	(11,398)
Retained earnings	23	8,510,297	8,053,307
		<u>10,005,317</u>	<u>9,553,482</u>
Non-controlling interests		<u>134,120</u>	<u>154,197</u>
Total equity		<u>10,139,437</u>	<u>9,707,679</u>
Total liabilities and equity		<u>15,971,865</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 Six-Month Periods Ended June 30, 2012 and 2011

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

	Notes	2012		2011	
		Three months	Six months	Three months	Six months
Revenue	5, 34	5,995,619	11,748,690	5,699,963	11,190,849
Cost of sales	26, 34	(5,134,765)	(10,118,085)	(4,622,718)	(8,984,957)
Gross profit		860,854	1,630,605	1,077,245	2,205,892
Selling, general and administrative expenses	25, 26, 34	(361,783)	(684,640)	(315,900)	(613,700)
Other operating income	6, 28	104,142	173,267	112,280	164,435
Other operating expenses	6, 26, 29	(100,258)	(156,801)	(98,241)	(145,931)
Operating profit	5	502,955	962,431	775,384	1,610,696
Non-operating income (expenses)					
Financial income	5, 6, 30	21,352	40,287	38,689	82,278
Financial expenses	5, 6, 30	(45,617)	(80,985)	(30,143)	(68,165)
Share of profit of associates and joint ventures	5, 13	2,141	5,420	3,367	5,926
Other non-operating expenses		(766)	(6,863)	(1,149)	(3,725)
		(22,890)	(42,141)	10,764	16,314
Profit before income tax	5, 35	480,065	920,290	786,148	1,627,010
Income tax expense	31	(106,212)	(165,583)	(161,681)	(345,955)
Profit for the period		373,853	754,707	624,467	1,281,055
Attributable to:					
Owners of the parent		376,584	751,983	613,975	1,252,482
Non-controlling interests		(2,731)	2,724	10,492	28,573
Earnings per share for profit attributable to owners of the parent (in won)	32				
Basic and diluted earnings per ordinary share		5,120	10,224	8,348	17,030
Basic and diluted earnings per preferred share		5,132	10,249	8,361	17,055

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

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

(in millions of Korean won)

	Notes	2012		2011	
		Three months	Six months	Three months	Six months
Profit for the period		<u>373,853</u>	<u>754,707</u>	<u>624,467</u>	<u>1,281,055</u>
Other comprehensive income					
Actuarial gain(loss) on defined benefit liability	19	670	1,021	414	679
Currency translation differences		1,527	(8,469)	(15,597)	(36,742)
Cash flow hedges		139	306	664	2,496
Others		684	345	(400)	(2,082)
Income tax effect relating to components of other comprehensive income		<u>24</u>	<u>1,658</u>	<u>(354)</u>	<u>(642)</u>
Other comprehensive income for the period, net of tax		<u>3,044</u>	<u>(5,139)</u>	<u>(15,273)</u>	<u>(36,291)</u>
Total comprehensive income for the period		<u>376,897</u>	<u>749,568</u>	<u>609,194</u>	<u>1,244,764</u>
Attributable to:					
Owners of the parent		<u>378,718</u>	<u>747,602</u>	<u>600,462</u>	<u>1,220,983</u>
Non-controlling interests		<u>(1,821)</u>	<u>1,966</u>	<u>8,732</u>	<u>23,781</u>

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Six-Month Periods Ended June 30, 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	-	-	-	-	1,252,482	1,252,482	28,573	1,281,055
Actuarial gain on defined benefit liability	19	-	-	-	509	509	-	509
Currency translation differences	-	-	-	(32,005)	-	(32,005)	(4,792)	(36,797)
Cash flow hedges	-	-	-	2,056	-	2,056	-	2,056
Others, net of tax	-	-	-	(2,059)	-	(2,059)	-	(2,059)
Total comprehensive income	-	-	-	(32,008)	1,252,991	1,220,983	23,781	1,244,764
Transactions with owners:								
Dividends	33	-	-	-	(294,520)	(294,520)	(25,225)	(319,745)
Others	-	-	-	-	(2,683)	(2,683)	(671)	(3,354)
	-	-	-	-	(297,203)	(297,203)	(25,896)	(323,099)
Total transactions with owners	369,500	1,157,772	(15,699)	(94,025)	7,209,705	8,627,253	138,247	8,765,500
Balance at June 30, 2012								
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	19	-	-	-	751,983	751,983	2,724	754,707
Actuarial gain on defined benefit liability	-	-	-	-	774	774	-	774
Currency translation differences	-	-	-	(5,735)	-	(5,735)	(758)	(6,493)
Cash flow hedges	-	-	-	231	-	231	-	231
Others, net of tax	-	-	-	349	-	349	-	349
Total comprehensive income	-	-	-	(5,155)	752,757	747,602	1,966	749,568
Transactions with owners:								
Dividends	33	-	-	-	(294,520)	(294,520)	(21,627)	(316,147)
Others	-	-	-	-	(1,247)	(1,247)	(416)	(1,663)
Total transactions with owners	-	-	-	-	(295,767)	(295,767)	(22,043)	(317,810)
Balance at June 30, 2012	369,500	1,157,772	(15,699)	(16,553)	8,510,297	10,005,317	134,120	10,139,437

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

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

<i>(in millions of Korean won)</i>	Notes	2012	2011
Cash flows from operating activities			
Cash generated from operations	35	1,011,767	1,073,936
Interest received		13,451	15,426
Interest paid		(51,460)	(42,304)
Dividends received		33	33
Income taxes paid		(286,839)	(428,344)
Net cash generated from operating activities		686,952	618,747
Cash flows from investing activities			
Decrease in other receivables		67,325	44,283
Decrease in non-current other receivables		4,215	9,663
Decrease in non-current other financial assets		-	13
Proceeds from disposal of property, plant and equipment		6,248	2,597
Proceeds from disposal of intangible assets		1,282	-
Increase in other receivables		(74,496)	(52,452)
Increase in non-current other receivables		(9,785)	(11,796)
Increase in non-current other financial assets		(15,709)	(1,817)
Acquisition of investments in associates and joint ventures		(233)	(40,230)
Acquisition of property, plant and equipment		(1,007,050)	(1,084,204)
Acquisition of intangible assets		(14,907)	(13,171)
Net cash used in investing activities		(1,043,110)	(1,147,114)
Cash flows from financing activities			
Proceeds from borrowings		1,479,799	519,037
Repayments of borrowings		(1,278,151)	(49,703)
Dividends paid		(294,520)	(294,520)
Net cash provided by (used in) financing activities		(92,872)	174,814
Net increase in cash and cash equivalents		(449,030)	(353,553)
Cash and cash equivalents at the beginning of period		1,379,379	1,368,034
Exchange gains (losses) on cash and cash equivalents		1,368	(24,511)
Cash and cash equivalents at the end of period		931,717	989,970

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

June 30, 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 Stock Exchange since April 25, 2001.

The Parent Company merged with LG Daesan Petrochemical Ltd. on January 1, 2006, and with LG Petrochemical Co., Ltd. on November 1, 2007. The Parent Company also spun off its Industrial Materials segment to LG Hausys, Ltd. on April 1, 2009, and merged with LG Polycarbonate Ltd on April 1, 2011.

As of the reporting date, the Parent Company has its manufacturing facilities in Yeosu, Cheongju, Ulsan, Naju, Iksan, Daesan, Ochang and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of June 30, 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 is an upstream supplier of raw materials and a large processing industry that produces, mainly using Naphtha, a variety of primary petrochemicals and their derivatives such as ethylene, propylene, butadiene (olefin petrochemicals) and benzene, xylene, toluene, and others (aromatic petrochemicals), as well as synthetic resin, synthetic rubber and synthetic components made from these primary petrochemicals. The Company’s main 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, OECD-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
June 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 notebooks, camcorders, mobiles and PDA to battery for electric vehicles and batteries for energy storage system. Presently, the battery division for electronic vehicles supplies its products to domestic/foreign car manufacturing companies. To maintain its dominant position in the North American battery market, the Company is currently constructing new manufacturing facilities in North America which will manufacture batteries for hybrid electric vehicle / electric vehicle.

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

1.3 Consolidated subsidiaries, associates and joint ventures

Consolidated subsidiaries	June 30, 2012			
	Percentage of ownership (%)	Business location	Fiscal year end	Business activities
Tianjin LG Dagu Chemical Co.,Ltd.	75	China	December 31	PVC Manufacturing and sales
Ningbo LG Yongxing Chemical Co.,Ltd. ¹	75	China	December 31	ABS/SBL Manufacturing and sales
LG Chem HK Ltd.	100	Hong Kong	December 31	Sales and trading
LG Chem America, Inc.	100	USA	December 31	Sales and trading
LG Chemical India Pvt. Ltd. ²	100	India	December 31	Syntetic resins Manufacturing and sales
LG Polymer India Pvt. Ltd. ²	100	India	December 31	PS Manufacturing
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	100	China	December 31	EP Manufacturing and sales
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	100	China	December 31	Battery/ Polarizer Manufacturing and sales
LG Chem (Taiwan), Ltd.	100	Taiwan	December 31	Polarizer Manufacturing and sales
LG Chem Display Materials (Beijing) Co.,Ltd.	100	China	December 31	Polarizer Manufacturing
Tianjin LG Bohai Chemical Co.,Ltd.	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 trade Co.,Ltd. ¹	100	China	December 31	ABS sales
Associates and Joint ventures				
LG Vina chemical Co.,Ltd.	40	Vietnam	December 31	DOP Production and sales
HL Greenpower Co.,Ltd.	49	Korea	December 31	Battery manufacturing for electric automobile
LG Holdings (HK) Ltd.	26	Hong Kong	December 31	Sales and trading
TECWIN Co.,Ltd.	20	Korea	December 31	Environment solution and Construction of chemical plant
SEETEC Co.,Ltd.	50	Korea	December 31	Plant utility and Distribution, research assistance service
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. 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 June 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 June 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
June 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)	June 30, 2012			June 30, 2012			
	Assets	Liabilities	Equity	Revenue	Three months Profit(loss) for the period	Six months Revenue	Six months Profit(loss) for the period
Consolidated subsidiaries							
Tianjin LG Dagu Chemical Co.,Ltd.	219,607	133,361	86,246	113,678	(4,197)	219,826	(5,290)
Ningbo LG Yongxing Chemical Co.,Ltd.	770,820	461,221	309,599	480,128	2,278	946,245	21,984
LG Chem HK Ltd.	174,745	160,044	14,701	160,997	526	320,116	953
LG Chem America, Inc.	151,505	140,489	11,016	154,465	758	288,585	1,438
LG Chemical India Pvt. Ltd.	32,707	72	32,635	509	152	1,015	259
LG Polymer India Pvt. Ltd.	91,013	44,518	46,495	53,637	(335)	109,667	2,007
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	86,868	49,064	37,804	38,424	843	69,307	1,442
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,007,487	567,667	439,820	348,798	11,044	648,002	29,164
LG Chem (Taiwan), Ltd.	142,961	88,759	54,202	64,525	(1,216)	138,109	2,233
LG Chem Display Materials (Beijing) Co.,Ltd.	22,633	1,457	21,176	3,991	497	7,938	910
Tianjin LG Bohai Chemical Co.,Ltd.	427,271	196,988	230,283	129,327	5,874	252,392	11,782
LG Chem (China) Investment Co.,Ltd.	87,329	13,182	74,147	8,850	3,091	16,392	3,468
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	69,836	38,951	30,885	26,408	998	50,708	1,618
LG Chem Europe GmbH	51,209	41,048	10,161	46,220	1,008	81,052	2,597
LG Chem Poland Sp. z o.o	35,962	21,176	14,786	8,296	(1,397)	12,072	(1,833)
LG Chem Michigan Inc.	181,062	130,478	50,584	-	(2,287)	-	(2,427)
LG Chem Power Inc.	14,711	13,338	1,373	5,428	(862)	10,522	(986)
Tianjin LG Botian Chemical Co.,Ltd.	98,948	101,876	(2,928)	36,714	(6,850)	76,136	(9,754)
Ningbo Zhenhai LG Yongxing trade Co.,Ltd.	4,848	3,541	1,307	3,625	34	8,053	55
Associates and Joint ventures							
LG Vina chemical Co.,Ltd.	27,382	18,915	8,467	19,730	795	41,472	1,848
HL Greenpower Co.,Ltd.	60,103	30,075	30,028	22,088	513	41,915	1,014
LG Holdings (HK) Ltd.	399,914	169,699	230,215	10,036	(309)	19,880	1,994
TECWIN Co.,Ltd.	58,243	35,516	22,727	-	-	-	-
SEETEC Co.,Ltd.	372,465	45,868	326,597	116,442	2,700	242,717	5,546
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.	84,834	1,467	83,367	-	(273)	-	(785)
"Ammonia Production and Distribution" Limited Liability Partnership	39,258	-	39,258	-	-	-	-

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

(in millions of Korean won)	December 31, 2011			June 30, 2011			
	Assets	Liabilities	Equity	Three months		Six months	
				Revenue	Profit(loss) for the period	Revenue	Profit(loss) for the period
Consolidated subsidiaries							
Tianjin LG Dagu Chemical Co.,Ltd.	211,132	119,098	92,034	121,355	(213)	252,088	1,979
Ningbo LG Yongxing Chemical Co.,Ltd.	847,188	486,969	360,219	473,656	25,067	955,437	83,069
LG Chem HK Ltd.	111,387	97,657	13,730	160,707	356	314,278	658
LG Chem America, Inc.	106,447	96,887	9,560	137,555	837	243,451	1,267
LG Chemical India Pvt. Ltd.	32,533	72	32,461	325	3,046	608	3,038
LG Polymer India Pvt. Ltd.	103,899	55,984	47,915	49,124	2,164	103,764	5,087
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	82,324	45,698	36,626	40,497	806	89,791	4,018
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	914,327	529,565	384,762	312,998	22,644	558,671	37,020
LG Chem (Taiwan), Ltd.	147,635	94,963	52,672	121,350	(901)	231,928	6,959
LG Chem Display Materials (Beijing) Co.,Ltd.	21,469	2,038	19,431	4,248	1,015	7,628	1,479
Tianjin LG Bohai Chemical Co.,Ltd.	410,685	173,645	237,040	140,001	24,002	274,461	35,719
LG Chem (China) Investment Co.,Ltd.	94,865	24,006	70,859	5,842	612	11,457	808
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	66,563	37,032	29,531	28,182	(1,030)	54,850	303
LG Chem Europe GmbH	43,089	35,123	7,966	30,077	370	65,244	2,808
LG Chem Poland Sp. z.o.o	29,494	12,726	16,768	3,909	(11)	7,941	355
LG Chem Michigan Inc.	167,949	114,945	53,004	-	(139)	500	(1,562)
LG Chem Power Inc.	14,766	12,403	2,363	3,649	(4,141)	6,884	(8,842)
Tianjin LG Botian Chemical Co.,Ltd.	86,557	79,684	6,873	26,932	(4,007)	69,225	(3,328)
Ningbo Zhenhai LG Yongxing trade Co.,Ltd.	3,709	2,450	1,259	6,066	52	12,504	108
Associates and Joint ventures							
LG Vina chemical Co.,Ltd.	23,553	13,778	9,775	19,746	876	39,503	1,891
HL Greenpower Co.,Ltd.	46,963	17,936	29,027	16,569	959	24,600	489
LG Holdings (HK) Ltd.	407,284	177,950	229,334	8,215	2,225	16,278	3,952
TECWIN Co.,Ltd.	58,243	35,516	22,727	-	-	-	-
SEETEC Co.,Ltd.	368,722	47,671	321,051	104,707	4,098	206,089	8,320
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	190	69	121	-	-	-	-
LG Yongxing International Trading Co., Ltd.	176	11	165	-	(915)	-	(2,484)
CNOOC & LG Petrochemicals Co.,Ltd.	84,677	1,016	83,661	-	-	-	-
“Ammonia Production and Distribution” Limited Liability Partnership	1	-	1	-	-	-	-

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

2. Summary of significant accounting policies

2. 1 Basis of preparation

The interim consolidated financial statements for the six-month periods ended June 30, 2012 and 2011, 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 June 30, 2012.

2. 2 Accounting policies

The significant accounting policies and methods of calculation applied in the preparation of six interim consolidated financial statements are consistent with those of the previous financial year, except as described in the following paragraph and Note 2.3 below.

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.

2. 3 Changes in accounting policy and disclosures

A New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2012.

- 1) Korean IFRS 1107, 'Financial instruments: Disclosures' (amendment). The amendment requires an entity to disclose, for each class of transferred financial assets that are not derecognized in their entirety, the nature and carrying amounts of the transferred assets, the nature of the risks and rewards of ownership to which the entity is exposed. Also, the amendment requires an entity to disclose additional information on the risk and impact associated with the transferred assets when an entity derecognizes transferred financial assets in their entirety but has continuing involvement in them. An entity applied those amendments for annual periods beginning on or after July 1, 2011.
- B New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2012, but not currently relevant to the Company (although they may affect the accounting for future transactions and events).**
 - 1) Korean IFRS, 1012 'Income taxes' (amendment). The amendment introduces a rebuttable presumption that the carrying amount of the investment property measured using the fair value model will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. The amendment applies to annual periods beginning on or after January 1, 2012.

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

- 2) Korean IFRS 1101, 'Hyperinflation and removal of fixed dates for first-time adopters' (amendment). As an exception to retrospective application requirements, this amendment to Korean IFRS 1101 allows a prospective application of derecognition of financial assets for transactions occurring on or after the date of transition to Korean IFRS, instead of fixed date (January 1, 2004). Accordingly, entities are not required to restate and recognize those assets or liabilities that were derecognized as a result of a transaction that occurred before the dated of transition to Korean IFRS. This amendment applies to annual periods beginning on or after July 1, 2011.
- C New standards amendments and interpretations issued but not effective for the financial years beginning on or after January 1, 2012, and not early adopted by the Company.
- 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 IFRS 1113 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 Korean IFRSs. This new standard shall apply to annual periods beginning on or after January 1, 2013.
- 2) Korean IFRS 1019,' Employee benefits' (amendment). According to the amendment to Korean IFRS 1019, 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, was amended to require the other comprehensive income / expenses items to be presented into two groups on the basis of whether they are potentially reclassified to profit or loss subsequently. An entity shall apply those amendments for annual periods beginning on or after July 1, 2012. Earlier application is permitted.

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

3. Financial risk management

3.1 Financial risk factors

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

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

(1) Market risk

1) Foreign exchange risk

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

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

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

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

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

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

(in millions of Korea won)	June 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
USD	2,470,336	2,231,456	2,003,470	2,357,283
EUR	46,351	63,011	41,212	71,013
GBP	1,656	1,118	6,995	2,055
JPY and others	31,782	149,582	20,913	715,298

As of June 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:

(in millions of Korea won)	June 30, 2012		December 31, 2011	
	10% Increase	10%	10% Increase	10%
USD	23,888	(23,888)	(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) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by interest rate swaps. In addition, borrowings issued at fixed rates expose the Company to fair value interest rate risk. As of June 30, 2012 and December 31, 2011, the Company's borrowings at variable rate were denominated in Korean won and foreign currencies.

The Company analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit for the year of a 0.1% shift would be a maximum increase of ₩2,111 million (2011: ₩1,919 million) or decrease of ₩2,111 million (2011: ₩1,919 million), respectively.

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

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

(2) Credit risk

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

As of June 30, 2012 and December 31, 2011, the maximum degrees of credit exposures are as follows:

(in millions of Korean won)	June 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)	4,421,446	(8,371)	4,413,075	4,666,481	(5,072)	4,661,409
Financial assets at fair value through profit or loss	664	-	664	-	-	-
Total	4,422,110	(8,371)	4,413,739	4,666,481	(5,072)	4,661,409

Details of financial guarantees provided by the Company are disclosed in Notes 3.1.(3) and 21.

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.

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

(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)

	June 30, 2012			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	1,831,862	122,189	901,778	438
Finance lease liabilities	2,481	2,481	1,955	-
Trade and other payables	2,588,945	17,418	-	-
Total	4,423,288	142,088	903,733	438

(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

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

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)

(in millions of Korean won)			June 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		(348)	(25)	-	-
			(348)	(25)	-	-
Gross-settled derivative financial liabilities	Trading					
		Inflow	104,278	-	-	-
	Outflow		(103,842)	-	-	-
			436	-	-	-
	Total		88	(25)	-	

(in millions of Korean won)

		December 31, 2011			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Net-settled derivative financial liabilities	Hedging				
	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)

		June 30, 2012			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	115	60,126	452	658	

(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.

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

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 June 30, 2012 and December 31, 2011, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2012	December 31, 2011
Total borrowings (Note 17) (A)	2,739,882	2,526,718
Less: cash and cash equivalents (B)	(931,717)	(1,379,379)
Net debt (C=A+B)	1,808,165	1,147,339
Total liabilities (D)	5,832,428	5,577,875
Total equity (E)	10,139,437	9,707,679
Total capital (F=C+E)	11,947,602	10,855,018
Gearing ratio (C/F)	15.1%	10.6%
Debt to equity ratio (D/E)	57.5%	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).

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

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

(in millions of Korean won)

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	664	-	664
Total financial assets	-	664	-	664
Financial liabilities				
Other current financial liabilities	-	545	-	545
Other non-current financial liabilities	-	58	-	58
Total financial liabilities	-	603	-	603

(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 (June 30, 2012: ₩ 21,676 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 10). 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.

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

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 the 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.

5. 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	Nokia Corp., Apple Inc., Hewlett Packard Co., General Motors Corp., M and others
Common and others	General management, sales and R&D.	

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

The segment information on revenue and profit and loss for the six-month periods ended June 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	9,012,626	1,625,458	1,239,565	10,259	11,887,908
Inter-segment revenue ¹	30,782	97,428	749	10,259	139,218
Revenue from external customers ²	8,981,844	1,528,030	1,238,816	-	11,748,690
Operating profit (loss) ³	712,539	206,323	44,136	(567)	962,431
Financial income ²	32,958	6,278	2,545	(1,494)	40,287
Financial expenses	63,170	9,084	9,051	(320)	80,985
Depreciation and amortization	219,083	79,819	111,854	115	410,871
Share of the profit of associates and joint ventures	4,192	645	583	-	5,420
Profit (loss) before tax	718,380	193,153	10,507	(1,750)	920,290

<i>(in millions of Korean won)</i>	2011				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others⁴	Total
Total segment revenue	8,604,653	1,697,935	1,028,778	448	11,331,814
Inter-segment revenue ¹	29,483	111,034	-	448	140,965
Revenue from external customers ²	8,575,170	1,586,901	1,028,778	-	11,190,849
Operating profit (loss) ³	1,377,465	208,006	27,088	(1,863)	1,610,696
Financial income ²	66,581	13,251	7,927	(5,461)	82,298
Financial expenses	50,455	10,723	7,729	(742)	68,165
Depreciation and amortization	209,234	80,745	82,157	541	372,677
Share of the profit of associates and joint ventures	4,115	1,447	325	39	5,926
Profit (loss) before tax	1,418,587	205,868	9,264	(6,709)	1,627,010

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.

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

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

(in millions of Korean won)	June 30, 2012				
	Petro - chemicals	Information & Electronic Materials	Batteries	Common and others	Total
Total assets for the segment ¹	8,501,642	2,458,336	3,156,047	1,855,840	15,971,865
Investments in associates and joint ventures	94,197	-	14,210	224,595	333,002
Total liabilities for the segment ¹	3,149,275	475,574	1,105,935	1,101,644	5,832,428

(in millions of Korean won)	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

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 six-month periods ended June 30, 2012 and 2011, are as follows:

(in millions of Korean won)	2012	2011
Korea ¹	4,937,830	5,066,947
China	4,833,438	4,922,164
South East Asia	896,260	646,224
America	904,456	710,725
Western Europe	482,308	357,906
Others	1,517,213	1,361,221
Eliminations	(1,822,815)	(1,874,338)
Total	11,748,690	11,190,849

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 six-month periods ended June 30, 2012 and 2011.

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

6. Financial instruments by category

Categorizations of financial instruments are as follows:

(in millions of Korean won)

June 30, 2012				
Financial assets	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
Cash and cash equivalents	931,717	-	-	931,717
Trade receivables	3,302,852	-	-	3,302,852
Other receivables	144,833	-	-	144,833
Other financial assets	-	664	-	664
Other non-current receivables	38,624	-	-	38,624
Other non-current financial assets	-	-	21,676	21,676
Total	4,418,026	664	21,676	4,440,366

(in millions of Korean won)

June 30, 2012				
Financial assets	Liabilities at fair value through profit or loss	Hedging derivatives	Liabilities at amortized cost	Total
Trade payables	-	-	1,749,659	1,749,659
Other payables	-	-	839,286	839,286
Borrowings (current)	-	-	1,791,779	1,791,779
Other financial liabilities	227	318	-	545
Other current Liabilities	-	-	2,660	2,660
Other non-current payables	-	-	17,418	17,418
Borrowings (non-current)	-	-	948,103	948,103
Other non-current financial liabilities	-	58	-	58
Total	227	376	5,348,905	5,349,508

(in millions of Korean won)

December 31, 2011				
Financial assets	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
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

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

<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 six-month periods ended June 30, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Assets at fair value through profit or loss				
Gain(loss) on valuation/ disposal	(1,260)	(2,625)	10,435	16,838
Hedging derivatives				
Loss on valuation/ disposal	-	-	380	(6,139)
Gain on valuation recognized in other comprehensive expenses	139	306	664	2,496
Interest expense	(210)	(444)	(3,084)	(6,149)
Assets classified as available-for-sale				
Loss on valuation/ disposal	-	-	(1)	(2)
Interest income	-	-	1	1
Dividend income	157	157	132	132
Loans and receivables				
Interest income	5,039	12,276	6,182	13,942
Gain(loss) on foreign currency translation	(22,063)	(8,534)	9,439	(14,475)
Loss on foreign exchange	37,220	514	(62,764)	(84,301)
Liabilities at amortized cost				
Interest expense	(26,214)	(50,255)	(17,192)	(36,610)
Gain(loss) on foreign currency translation	8,820	2,066	(2,274)	37,353
Gain on foreign exchange	(37,266)	203	56,055	76,559

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

7. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Bank deposits and cash on hand	344,417	324,364
Financial deposits, others	587,300	1,055,015
Total	931,717	1,379,379

As of June 30, 2012, non-current other receivables amounting to ₩1,926 million are restricted from withdrawal in connection with maintaining checking accounts and duty deposits (December 31, 2011: ₩40 million). As of June 30, 2012, cash and cash equivalents include deposits with banks of ₩ 4,749 million held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

8. Trade and other receivables

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

<i>(in millions of Korean won)</i>	June 30, 2012			December 31, 2011		
		Less :			Less :	
	Original amount	allowance for doubtful accounts	Carrying amount	Original amount	allowance for doubtful accounts	Carrying amount
Current¹						
Trade receivables ¹	3,311,223	(8,371)	3,302,852	3,122,311	(5,072)	3,117,239
Other receivables	144,833	-	144,833	133,915	-	133,915
Non-current						
Other receivables	38,624	-	38,624	33,657	-	33,657
Total	3,494,680	(8,371)	3,486,309	3,289,883	(5,072)	3,284,811

¹ As of the reporting date, trade receivables transferred to financial institutions that are not derecognized in their entirety are as follows (Note 17).

<i>(in millions of Korean won)</i>	Loans and receivables (trade receivables collateralized borrowings)	
	June 30, 2012	December 31, 2011
Carrying amounts of the transferred assets	1,077,015	927,555
Carrying amounts of the related liabilities	(1,077,015)	(927,555)
For those liabilities that have recourse only to the transferred assets:		
Fair value of the transferred assets	1,077,015	927,555
Fair value of the related liabilities	(1,077,015)	(927,555)
Net position	-	-

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

Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Current		
Non-trade receivables	116,772	111,466
Financial deposits	20,022	12,477
Accrued income	372	2,230
Deposits	7,667	7,742
	<u>144,833</u>	<u>133,915</u>
Non-current		
Financial deposits	1,926	40
Loans	158	705
Deposits	36,540	32,912
	<u>38,624</u>	<u>33,657</u>
Total	<u>183,457</u>	<u>167,572</u>

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

<i>(in millions of Korean won)</i>	June 30, 2012		December 31, 2011	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	2,753,625	170,955	2,626,703	161,585
Past due but not impaired	552,535	12,502	492,196	5,987
Up to 3 months	532,908	10,515	482,580	4,324
3 to 6 months	14,137	680	6,613	243
Over 6 months	5,490	1,307	3,003	1,420
Impaired receivables	5,063	-	3,412	-
	<u>3,311,223</u>	<u>183,457</u>	<u>3,122,311</u>	<u>167,572</u>

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

<i>(in millions of Korean won)</i>	June 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	3,477	-	-	-	130	-	-	-
Reversals	-	-	-	-	(2,150)	-	-	-
Write-off	(85)	-	-	-	(202)	-	-	-
Exchange differences	(93)	-	-	-	1	-	-	-
Ending balance	<u>8,371</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.

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

9. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Other financial assets		
Derivatives (Note 11)	664	-
Available-for-sale (Note 10)	21,676	5,973
Less: current portion	(664)	-
Total	<u>21,676</u>	<u>5,973</u>
Other financial liabilities		
Derivatives (Note 11)	603	682
Less: current portion	(545)	(536)
Total	<u>58</u>	<u>146</u>

10. Financial assets classified as available-for-sale

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

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Beginning balance	5,973	4,183
Exchange differences	(6)	(12)
Additions	15,709	1,817
Disposals	-	(15)
Ending balance	<u>21,676</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 six-month periods ended June 30, 2012 and 2011.

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

11. Derivative financial instruments

Details of derivative financial assets and liabilities are as follows:

(in millions of Korean won)	June 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	318	-	536
Held-for-trading	664	227	-	-
	<u>664</u>	<u>545</u>	<u>-</u>	<u>536</u>
Non-current				
Cash flow hedges		58		146

Details of derivative financial contracts are as follows:

June 30, 2012					
Classification	Contractor	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Forward foreign exchange contract Interest rate swap	Korea exchange bank and 9 other banks	2012.06.25, various	US\$ 10,000, various	2012.08.08 ~ 2012.09.24, various	₩1,168.00 / US\$1, various
	HSBC	2006.10.11	₩ 5,000,000	2006.10.11 ~ 2013.09.05	Received: 3 month CD, Paid: 4.61%
	HSBC	2007.06.15	US\$ 7,500	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 ineffectiveness to be recorded from cash flow hedges

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

12. Inventories

Details of inventories are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012			December 31, 2011		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation Allowance	Carrying amount
Merchandise	94,358	(129)	94,229	89,527	(303)	89,224
Finished products	1,188,167	(26,842)	1,161,325	1,163,744	(10,911)	1,152,833
Semi-finished products	350,043	-	350,043	317,357	-	317,357
Work-in-process	2,670	-	2,670	3,508	-	3,508
Raw materials	730,214	(1,022)	729,192	634,518	(1,178)	633,340
Supplies	79,123	-	79,123	71,598	-	71,598
Materials-in-transit	237,748	-	237,748	207,373	-	207,373
Total	2,682,323	(27,993)	2,654,330	2,487,625	(12,392)	2,475,233

The cost of inventories recognized as expense for the six-month period ended June 30, 2012, and included in the 'cost of sales' amounted to ₩8,777,818 million (for the six-month period ended June 30, 2011: ₩7,811,086 million).

13. Investments in associates and joint ventures

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

<i>(in millions of Korean won)</i>	June 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	-	(1,371)	865	(18)	3,387
HL Greenpower Co.,Ltd.	14,250	-	-	470	-	14,720
LG Holdings (HK) Ltd.	61,459	-	-	518	(289)	61,688
TECWIN Co.,Ltd.	4,570	-	(33)	100	-	4,637
SEETEC Co.,Ltd.	147,423	-	-	3,404	-	150,827
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	-	-	-	-	258
LG Yongxing International Trading Co.,Ltd	82	-	-	-	-	82
CNOOC & LG Petrochemicals Co.,Ltd.	40,969	-	-	63	652	41,684
"Ammonia Production and Distribution" Limited Liability Partnership	55,486	233	-	-	-	55,719
Total	328,408	233	(1,404)	5,420	345	333,002

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

	December 31, 2011					
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income of associates	Ending balance
(in millions of Korean won)						
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 ₩16,807 million as other payable and ₩10,778 million as non-current other payable as of June 30, 2012, for the unpaid consideration in the acquisition of "Ammonia Production and Distribution" Limited Liability Partnership.

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

14. Property, plant and equipment

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

(in millions of Korean won)	June 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	88,507	119,048	125,340	539,426	828	40,891	12,342	8,493	842,488	157,112	1,934,475
Disposals/ Transfer	(26)	(425)	(164)	(917)	(1,364)	(319)	(355)	-	(795,680)	(124,390)	(923,640)
Exchange differences	(179)	(1,770)	(277)	(4,298)	(13)	(116)	(71)	-	581	-	(6,143)
Depreciation	-	(22,268)	(14,536)	(300,840)	(1,786)	(29,618)	(10,338)	(23,100)	-	-	(402,486)
Impairment	-	-	(1,965)	(86)	-	(53)	(34)	-	-	-	(2,138)
Ending balance	693,171	1,567,843	470,284	3,010,326	10,509	212,827	68,664	100,685	1,503,236	338,478	7,976,023
Cost	693,171	1,881,508	787,705	8,049,665	38,188	507,796	204,240	194,645	1,538,032	338,478	14,233,428
Accumulated depreciation	-	(313,660)	(315,482)	(5,029,711)	(27,679)	(290,883)	(135,439)	(93,960)	-	-	(6,206,814)
Accumulated impairment	-	(5)	(1,939)	(9,628)	-	(4,086)	(137)	-	(34,796)	-	(50,591)

(in millions of Korean won)	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 six-month period ended June 30, 2012, the Company capitalized ₩13,234 million of borrowing costs (for the year ended December 31, 2011: ₩22,555 million) to property, plant and equipment.

As of June 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).

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

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>	June 30, 2012	December 31, 2011
Carrying amount	21	41
Depreciation	20	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 six-month periods ended June 30, 2012 and 2011, was classified as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Cost of sales	193,570	375,658	174,998	342,160
Selling, general and administrative expenses	12,978	26,621	12,180	23,108
Others ¹	117	207	604	650
Total	206,665	402,486	187,782	365,918

¹ Amounts capitalized as development costs are included.

15. Intangible assets

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

June 30, 2012						
<i>(in millions of Korean won)</i>	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	6,750	9,687	-	1,994	1,863	20,294
Disposals/ Transfer	(3,751)	(574)	-	(1,315)	(693)	(6,333)
Exchange differences	(9)	-	-	-	(87)	(96)
Amortization	(4,051)	(1,476)	-	-	(3,065)	(8,592)
Ending balance	32,957	69,493	33,415	51,789	24,791	212,445

December 31, 2011						
<i>(in millions of Korean won)</i>	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

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

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

	2012		2011	
	Three months	Six months	Three months	Six months
(in millions of Korean won)				
Cost of sales	1,519	2,932	1,142	2,229
Selling, general and administrative expenses	2,883	5,660	2,616	5,180
Total	4,402	8,592	3,758	7,409

16. Other current and non-current assets

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

	June 30, 2012	December 31, 2011
(in millions of Korean won)		
Current		
Prepayments to suppliers	58,277	40,353
Prepaid expenses	17,336	21,869
Prepaid value added tax	72,226	56,061
Others	87,674	14,315
Total	235,513	132,598
Non-current		
Long-term prepaid expenses	44,055	45,939
Other investment assets	27	27
Total	44,082	45,966

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

17. Borrowings

The carrying amount of borrowings are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Current		
Short-term borrowings	1,661,566	1,451,823
Current maturities of bank loans	128,146	233,914
Current maturities of debentures	-	149,922
Current maturities of finance lease liabilities	2,067	1,978
	<u>1,791,779</u>	<u>1,837,637</u>
Non-current		
Bank loans	346,218	385,122
Debentures	597,707	298,725
Finance lease liabilities	4,178	5,234
	<u>948,103</u>	<u>689,081</u>
Total	<u>2,739,882</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 June 30, 2012	Carrying Amount	
				June 30, 2012	December 31, 2011
Notes discounted ¹	Korea Exchange				
	Bank, others	2013.01.05	Libor+1.00, various	1,077,015	927,555
Bank loans	China Bank, others	2012.12.14	Libor+0.50~4.00, various	584,551	524,268
Total				<u>1,661,566</u>	<u>1,451,823</u>

¹ As of June 30, 2012, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transactions (Note 8).

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

Non-current borrowings

		June 30, 2012				
(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	2020.03.21	892	86	806
	Kookmin Bank	3.00	2018.07.14	876	117	759
	BTMU	3CD+0.60	2013.09.05	12,500	10,000	2,500
Foreign currency borrowings	Shanghai Pudong Development Bank	6.90	2015.09.15	3,176	-	3,176
	Sumitomo Mitsui Banking Corporation	3Libor+0.60	2013.09.05	8,654	6,923	1,731
	Sumitomo Mitsui Banking Corporation	3Libor+0.85	2014.07.29	23,076	-	23,076
	Standard Chartered Bank	4.50	2013.06.10	22,958	22,958	-
	Woori Bank	6Libor+2.00	2012.12.11	22,958	22,958	-
	Agricultural Bank of China	7.05	2015.10.15	19,964	-	19,964
	China Minsheng Bank	6Libor+3.30	2013.01.15	3,826	3,826	-
	China Merchants Bank	6.90	2015.05.17	7,260	-	7,260
	ANZ Bank	3Libor+2.80	2013.10.11	15,370	10,247	5,123
	ANZ Bank	3Libor+2.10	2014.07.07	34,437	8,609	25,828
	Bank of America	3Libor+1.65	2013.11.18	28,845	-	28,845
	Bank of America	3Libor+1.68	2014.08.29	45,916	-	45,916
	Bank of America	3Libor+1.87	2014.10.24	34,437	-	34,437
	BTMU	6Libor+2.60	2013.06.21	17,219	17,219	-
	BTMU	6Libor+2.60	2013.04.26	17,219	17,219	-
	HSBC	6Libor+0.60	2013.09.05	4,327	3,461	866
	HSBC	3Libor+1.20	2014.09.19	68,874	-	68,874
	Mizuho Banking Corporation	3Libor+0.65	2014.05.31	69,228	-	69,228
	Mizuho Banking Corporation	3Libor+0.60	2013.09.05	5,769	4,615	1,154
	Nordea Bank	1Wibor+1.00	2014.06.30	6,687	-	6,687
	Less: discount on borrowings			(104)	(92)	(12)
Total				474,364	128,146	346,218

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

(in millions of Korean won)	December 31, 2011					
	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 14).

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

Debentures

(in millions of Korean won)

		June 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			(2,293)	-	(2,293)
Total				597,707	-	597,707

(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)

		June 30, 2012			
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	9.00	2014.10.29	6,245	2,067	4,178

(in millions of Korean won)

		December 31, 2011			
Bank	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 14).

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

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

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

<i>(in millions of Korean won)</i>	June 30, 2012		December 31, 2011	
	Carrying amount	Fair value¹	Carrying amount	Fair value¹
Bank loans	346,218	346,127	385,122	385,838
Debentures	597,707	606,498	298,725	300,675
Finance lease liabilities	4,178	3,946	5,234	5,052
Total	948,103	956,571	689,081	691,565

¹ Fair values are based on cash flows discounted using Korean won currency note yield (AA+) in the same credit grade with the Company, 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>	June 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	414	2,067	2,481	503	1,978
1 to 5 years	4,436	258	4,178	5,676	442	5,234

18. Provisions

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

<i>(in millions of Korean won)</i>	June 30, 2012		
	Sales returns¹	Warranty²	Total
Beginning balance	2,800	6,743	9,543
Additions	1,287	4,614	5,901
Decrease	(2,045)	(105)	(2,150)
Reversals	-	(4,047)	(4,047)
Ending balance	2,042	7,205	9,247
Less : current portion	(2,042)	(274)	(2,316)
Total	-	6,931	6,931

<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.

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

² Warranty provisions have been accrued for the estimated warranty service costs to be incurred based on the terms of warranty and historical experience.

19. Defined benefit liability

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

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Present value of obligations ¹	279,257	253,396
Fair value of plan assets	(192,077)	(192,619)
Liability in the statement of financial position	87,180	60,777

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩967 million as of June 30, 2012 (December 31, 2011: ₩979 million).

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Current service cost ¹	12,856	25,821	10,556	21,312
Interest cost	3,023	6,046	2,166	4,297
Expected return on plan assets	(1,868)	(3,737)	(1,695)	(3,373)
Total, included in employee benefit expenses	14,011	28,130	11,027	22,236

¹ The above amounts exclude ₩665 million (June 30, 2011: ₩280 million) of expenses capitalized as construction in progress and development costs.

Severance costs recognized for defined contribution plan for six-month period ended June 30, 2012, amounted to ₩5 million (for the six-month period ended June 31, 2011: nil).

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Cost of sales	9,111	18,657	7,490	15,085
Selling, general and administrative expenses	4,903	9,478	3,537	7,151
Total	14,014	28,135	11,027	22,236

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

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Actuarial losses before tax	670	1,021	414	679
Income tax effect	(162)	(247)	(105)	(170)
Actuarial losses after tax	<u>508</u>	<u>774</u>	<u>309</u>	<u>509</u>

As of June 30, 2012, ₩63,942 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 six-month period ended June 30, 2012 and for the year ended December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Beginning balance	253,396	162,363
Transfer in	1,771	886
Current service cost	26,486	42,727
Interest expense	6,046	8,629
Actuarial losses(before tax)	-	53,926
Benefits paid	(8,484)	(15,437)
Exchange differences	42	302
Ending balance	<u>279,257</u>	<u>253,396</u>

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

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Beginning balance	192,619	154,227
Transfer in	-	430
Expected return on plan assets	3,737	6,764
Actuarial gains/(losses) (before tax)	1,021	385
Employer contributions	-	40,000
Benefits paid	(5,300)	(9,187)
Ending balance	<u>192,077</u>	<u>192,619</u>

The actual return on plan assets for the six-month period ended June 30, 2012, was ₩4,758 million (for the year ended December 31, 2011: ₩7,149 million).

The principal actuarial assumptions used are as follows:

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

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

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	(28,191)	33,599

Plan assets consist of:

<i>(in millions of Korean won)</i>	June 30, 2012		December 31, 2011	
	Amount	Proportion	Amount	Proportion
Equity instruments	36,090	19%	35,973	19%
Time deposits	66,547	35%	66,377	34%
Insurance contracts with guaranteed yield	89,440	46%	90,269	47%
Total	192,077	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>	June 30, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Present value of defined benefit obligations	279,257	253,396	162,363	219,256
Fair value of plan assets	(192,077)	(192,619)	(154,227)	(164,867)
Deficit in the plan	87,180	60,777	8,136	54,389
Experience adjustments on plan liabilities	-	(25,232)	(20,393)	(4,674)
Experience adjustments on plan assets	1,021	385	(1,002)	2,068

20. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Advances from customers	19,384	21,718
Dividends payable	2,660	1,143
Withholding	42,008	44,993
Unearned revenues	11,895	12,398
Others	59,326	55,516
Total	135,273	135,768

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

21. Commitments and contingencies

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

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

As of June 30, 2012, the Company has various specific and comprehensive line of credit agreements with several financial institutions, as follows:

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

Classification	KRW	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	100,000	115	210	11	435	32
Limit of the letter of credit	224,200	597	-	-	675	-
Limit of discount of notes from export	-	1,551	-	-	-	-
Limit of loan arrangements	-	1,092	4,121	3	1,865	20

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

As of June 30, 2012, the Company has been named as a plaintiff in 21 legal actions involving ₩3,040 million in claims and as a defendant in 16 legal actions with ₩3,427 million in claims. The ultimate outcome of these cases cannot be determined at this time.

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

The 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 June 30, 2012, the Company has a long-term purchase contract for certain raw materials and was provided with US\$ 99 million of guarantee for this contract. Further, as of June 30, 2012, the Company provided US\$ 3 million of guarantee in regard to a delivery contract for certain products.

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

As of the reporting date, the Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of June 30, 2012, amounts to US\$ 245 million, EUR 3 million and PLN 52 million (total equivalent to ₩303,841 million) (2011: US\$ 214 million, EUR 3 million and PLN 52 million, total equivalent to ₩268,650 million). Details of guarantees provided as of June 30, 2012 and December 31, 2011, are as follows:

(in millions of Korean won)

Guarantor	Guarantee beneficiary	June 30, 2012		
		Financial institution	Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	HSBC	68,874	68,874
	"	Bank of America	34,437	34,437
	LG Chem Poland Sp. z o.o.	Nordea Bank	17,386	10,012
	LG Chem Europe GmbH	Shinhan Bank	4,305	-
	LG Chem Michigan Inc.	Bank of America	28,845	28,845
	"	Mizuho Bank	69,228	69,228
	"	SMBC	46,152	23,076
		JP Morgan	23,076	-
	LG Chem Power Inc.	Comerica Bank	11,538	-
	Total		303,841	234,472

(in millions of Korean won)

Guarantor	Guarantee beneficiary	December 31, 2011		
		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
		JP Morgan	-	-
	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:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Property, plant and equipment	753,597	1,182,391

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

22. 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
June 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
June 30, 2012	359,784	5,519	15,484	13,855

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

23. Retained earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Legal reserve ¹	253,966	212,843
Discretionary reserve ²	7,107,800	5,444,028
Unappropriated retained earnings	1,148,531	2,396,436
Total	8,510,297	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.

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

24. Other components of equity

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	June 30, 2012	December 31, 2011
Treasury shares (Note 22)	(15,484)	(15,484)
Capital transactions within the Company ¹	(215)	(215)
Total	(15,699)	(15,699)

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

25. Selling, general and administrative expenses

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Wages and salaries	72,000	136,936	62,824	124,587
Pension costs (Note 19)	4,903	9,478	3,537	7,151
Welfare expense	18,130	33,417	16,376	29,229
Travel expense	7,816	14,188	6,391	11,858
Water & utilities	4,709	10,469	4,110	8,710
Packaging expense	1,101	2,203	1,138	2,243
Rental expense	24,169	45,825	24,775	49,469
Commission expense	49,371	95,883	45,905	86,322
Depreciation (Note 14)	12,978	26,621	12,180	23,108
Advertising expense	9,284	11,967	2,888	5,458
Freight expense	93,186	178,799	81,443	163,524
Training expense	3,539	5,449	3,249	5,625
Amortization (Note 15)	2,883	5,660	2,616	5,180
Sample expense	3,164	6,047	1,963	4,036
Others	54,550	101,698	46,505	87,200
Total	361,783	684,640	315,900	613,700

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

26. Expenses by nature

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

(in millions of Korean won)

	2012		2011	
	Three months	Six months	Three months	Six months
Changes in inventories	(23,022)	(45,345)	(130,279)	(150,214)
Raw materials and consumables used	4,249,087	8,373,771	3,991,271	7,574,049
Purchase of merchandise	242,937	449,392	198,180	387,251
Employee benefit expense (Note 27)	263,596	499,729	221,404	426,291
Advertising expense	9,589	12,443	3,190	5,860
Transportation expense	99,924	192,280	87,307	175,165
Service fees	73,593	141,925	70,260	130,406
Depreciation, amortization and impairment	210,950	410,871	190,936	372,677
Operating lease payments	12,047	22,732	9,470	20,500
Other expenses	458,105	901,728	395,120	802,603
Total	5,596,806	10,959,526	5,036,859	9,744,588

27. Employee benefit expense

(in millions of Korean won)

	2012		2011	
	Three months	Six months	Three months	Six months
Wages and salaries	223,938	426,584	192,424	369,340
Pension costs – Defined benefit plan (Note 19)	14,011	28,130	11,027	22,236
Pension costs – Defined contribution plan (Note 19)	3	5	-	-
Others	25,644	45,010	17,953	34,715
Total	263,596	499,729	221,404	426,291

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

28. Other operating income

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Foreign exchange gain	74,797	138,163	74,817	118,702
Gain on foreign currency translation	18,055	19,718	13,591	15,501
Gain on disposal of property, plant and equipment	4,608	4,609	193	1,797
Others	6,682	10,777	23,679	28,435
Total	104,142	173,267	112,280	164,435

29. Other operating expenses

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Foreign exchange loss	72,509	128,954	77,863	123,340
Loss on foreign currency translation	23,642	21,607	16,362	17,748
Loss on disposal of property, plant and equipment	1,315	2,047	1,280	1,518
Impairment loss of property, plant and equipment	59	621	8	8
Loss on disposal of intangible assets	2,138	2,138	-	-
Others	595	1,434	2,728	3,317
Total	100,258	156,801	98,241	145,931

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

30. Financial income and expense

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

(in millions of Korean won)

	2012		2011	
	Three months	Six months	Three months	Six months
Financial income				
Interest income ¹	5,039	12,276	6,183	13,943
Dividend income	157	157	132	132
Foreign exchange gain	13,321	24,421	9,163	22,909
Gain on foreign currency translation	214	695	10,988	27,987
Gain on settlement of trading derivatives	1,116	2,044	11,834	15,963
Gain on valuation of trading derivatives	1,479	664	-	1,344
Gain on valuation of hedge derivatives	-	-	380	-
Others	26	30	9	-
Total	21,352	40,287	38,689	82,278
Financial expense				
Interest expense ²	18,237	37,465	14,865	32,680
Foreign exchange loss	15,655	32,913	12,826	26,013
Loss on foreign exchange translations	7,870	5,274	1,052	2,862
Loss on settlement of trading derivatives	3,855	5,106	92	469
Loss on valuation of trading derivatives	-	227	1,307	-
Loss on settlement of hedging derivatives	-	-	-	6,139
Others	-	-	1	2
Total	45,617	80,985	30,143	68,165

¹ Details of interest income are as follows:

(in millions of Korean won)

	2012		2011	
	Three months	Six months	Three months	Six months
Bank deposits	4,703	11,670	5,965	13,609
Financial assets classified as available-for-sale	-	-	1	1
Other loans and receivables	336	606	217	333
Total	5,039	12,276	6,183	13,943

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

² Details of interest expense are as follows:

(in millions of Korean won)	2012		2011	
	Three months	Six months	Three months	Six months
Interest on bank overdraft and borrowings	14,935	29,466	14,636	31,791
Interest on finance lease liabilities	136	273	-	176
Interest on debentures	6,713	11,669	1,910	3,818
Other interest expenses	4,640	9,291	3,730	6,974
Capitalized interest for qualifying assets	(8,187)	(13,234)	(5,411)	(10,079)
Total	18,237	37,465	14,865	32,680

31. 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 18.0% (for the six-month period ended June 30, 2011: 21.3%).

32. 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 six-month periods ended June 30, 2012 and 2011, is computed as follows:

(in millions of Korean won)	2012		2011	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares ¹	337,458	673,853	550,238	1,122,465
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)	5,120	10,224	8,348	17,030

(in millions of Korean won)	2012		2011	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares ¹	39,126	78,130	63,737	130,017
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402	7,623,402	7,623,402
Basic earnings per preferred share (in won)	5,132	10,249	8,361	17,055

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

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

<i>(in millions of Korean won)</i>	2012		2011	
	Three months	Six months	Three months	Six months
Profit for the year attributable to owners of the parent company	376,584	751,983	613,975	1,252,482
Ordinary shares dividends (A)	65,911	131,823	65,911	131,823
Preferred shares dividends (B)	7,719	15,437	7,718	15,437
Undistributed earnings for the period	302,954	604,723	540,346	1,105,222
Undistributed earnings available for ordinary shares (C)	271,547	542,030	484,327	990,642
Undistributed earnings available for preferred shares (D)	31,407	62,693	56,019	114,580
Profit for the period attributable to ordinary shares (A+C)	337,458	673,853	550,238	1,122,465
Profit for the period attributable to preferred shares (B+D)	39,126	78,130	63,737	130,017

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.

33. 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 Company in April 2012.

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

34. Related party transactions

Significant transactions, which occurred in the ordinary course of business with related parties for the six-month periods ended June 30, 2012 and 2011, and the related account balances as of June 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	-	27,462	-	23,954
Associates and joint ventures	59,267	95,492	27,282	96,129
Key management	-	21,242	-	26,381
Others ²	12,609	488,353	10,935	381,918
Total	71,876	632,549	38,217	528,382

<i>(in millions of Korean won)</i>	June 30, 2012		December 31, 2011	
	Receivables	Payables	Receivables	Payables
Entities with significant influence over the Company ¹	6,995	1,982	6,432	5,284
Associates and joint ventures	22,657	24,525	23,604	28,345
Key management	-	28,401	-	65,201
Others ²	32,693	195,181	32,607	164,223
Total	62,345	250,089	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 six-month periods ended June 30, 2012 and 2011, consists of:

<i>(in millions of Korean won)</i>	2012	2011
Wages and salaries	19,692	18,208
Pension costs	1,550	1,330
Other long-term employee benefits	-	6,843
Total	21,242	26,381

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 21.

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

35. Cash generated from operations

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

<i>(in millions of Korean won)</i>	2012	2011
Profit before income tax	920,290	1,627,010
Adjustments for:		
Depreciation	402,279	365,268
Amortization	8,592	7,409
Pension costs	28,130	22,236
Financial income	(31,741)	(74,871)
Financial expense	69,016	59,899
Foreign exchange differences	9,745	(44,651)
Gain on disposal of property, plant and equipment	(4,609)	(1,797)
Loss on disposal of property, plant and equipment	2,047	1,518
Impairment loss of property, plant and equipment	2,138	-
Loss on disposal of intangible assets	621	8
Other expenses	11,305	(1,327)
Inventories	(192,856)	(464,691)
Trade receivables	(198,865)	(696,618)
Other receivables	(156,427)	(41,429)
Settlement of derivatives	(3,062)	17,688
Trade payables	249,521	276,591
Other payables	(70,167)	81,058
Defined benefit liability	(1,413)	(2,837)
Other cash flows from operations	(32,777)	(56,528)
Cash generated from operations	1,011,767	1,073,936

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

<i>(in millions of Korean won)</i>	2012	2011
Transfer of construction-in-progress	795,567	603,176
Transfer of machinery-in-transit	124,390	63,708
Reclassification of current maturities of borrowings	68,812	340,404
Gain on valuation of derivatives recognized as other comprehensive income	306	2,496