
LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

March 31, 2016 and 2015



LG Chem, Ltd. and Subsidiaries
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March 31, 2016 and 2015

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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 “Group”). These financial statements consist of the interim consolidated statement of financial position of LG Chem, Ltd. and its subsidiaries as of March 31, 2016, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”) 1034, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Korean Standards on Auditing 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 are not presented fairly, in all material respects, in accordance with the Korean IFRS 1034, *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements in our audit report dated March 9, 2016. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2015, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2015.

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.

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

Seoul, Korea
May 13, 2016

The report is effective as of May 13, 2016, 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
March 31, 2016 and December 31, 2015

<i>(in millions of Korean won)</i>	Notes	March 31, 2016 (Unaudited)	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	2,234,599	1,704,918
Trade receivables	3, 5, 7, 32	3,076,577	3,236,622
Other receivables	3, 5, 7, 32	1,111,080	1,163,360
Prepaid income taxes		2,182	1,955
Other current financial assets	3, 5, 8, 9	-	93
Other current assets	14	226,003	203,604
Inventories	10	2,284,731	2,338,553
Non-current assets held for sale	35	9,905	6,500
Total current assets		8,945,077	8,655,605
Non-current assets			
Other receivables	3, 5, 7	132,180	106,484
Other financial assets	3, 5, 8	20,178	15,301
Investments in associates and joint ventures	1, 11, 34	289,538	293,747
Deferred income tax assets	29	99,008	98,459
Property, plant and equipment	12	8,813,959	8,867,209
Intangible assets	13	513,227	501,886
Other non-current assets	14	47,118	40,037
Total non-current assets		9,915,208	9,923,123
Total assets		18,860,285	18,578,728
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 32	1,163,146	1,172,488
Other payables	3, 5, 32	890,971	825,606
Borrowings	3, 5, 15	2,349,663	2,150,778
Provisions	16	14,609	9,605
Current income tax liabilities	29	291,794	338,777
Other current liabilities	5, 18	528,571	301,727
Total current liabilities		5,238,754	4,798,981
Non-current liabilities			
Other payables	3, 5	19,194	1,680
Borrowings	3, 5, 15	312,792	507,928
Provisions	16	30,898	26,907
Net defined benefit liabilities	17	104,772	81,192
Deferred income tax liabilities	29	19,470	30,666
Other non-current liabilities	18	28,056	27,852
Total non-current liabilities		515,182	676,225
Total liabilities		5,753,936	5,475,206

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
March 31, 2016 and December 31, 2015

<i>(in millions of Korean won)</i>	Notes	March 31, 2016 (Unaudited)	December 31, 2015
Equity			
Equity attributable to owners of the parent			
Share capital	1, 20	369,500	369,500
Capital surplus		1,157,772	1,157,772
Other components of equity	22	(15,699)	(15,699)
Accumulated other comprehensive income		(61,101)	(52,608)
Retained earnings	21	11,540,395	11,532,500
		<u>12,990,867</u>	<u>12,991,465</u>
Non-controlling interests		115,482	112,057
Total equity		<u>13,106,349</u>	<u>13,103,522</u>
Total liabilities and equity		<u>18,860,285</u>	<u>18,578,728</u>

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Income
Three-Month Periods Ended March 31, 2016 and 2015

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2016 (Unaudited)	2015 (Unaudited)
Revenue	32, 34	4,874,092	4,915,022
Cost of sales	24, 32	<u>(3,939,719)</u>	<u>(4,120,970)</u>
Gross profit		934,373	794,052
Selling and administrative expenses	23, 24, 32	<u>(476,628)</u>	<u>(432,250)</u>
Operating profit	34	457,745	361,802
Finance income	5, 26	43,322	48,121
Finance expenses	5, 26	(45,379)	(59,241)
Share of loss of associates and joint ventures	11	(2,338)	(1,111)
Other non-operating income	5, 27	170,650	65,859
Other non-operating expenses	5, 28, 35	(200,916)	(91,325)
Profit before income tax	33	423,084	324,105
Income tax expense	29	<u>(84,959)</u>	<u>(77,953)</u>
Profit for the period		<u>338,125</u>	<u>246,152</u>
Attributable to:			
Owners of the parent		339,762	242,796
Non-controlling interests		(1,637)	3,356
Earnings per share			
to owners of the parent (in won)	30		
Basic and diluted earnings per ordinary share		4,619	3,300
Basic and diluted earnings per preferred share		4,632	3,313

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2016 and 2015

<i>(in millions of Korean won)</i>	Notes	2016 (Unaudited)	2015 (Unaudited)
Profit for the period		<u>338,125</u>	<u>246,152</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability	17	(770)	(610)
Shares of remeasurement on net defined benefit liability of associates		2	27
Income tax effect relating to components of other comprehensive income		188	148
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences		(8,550)	10,721
Gain on valuation of available-for-sale financial instruments	8	2,290	-
Shares of other comprehensive income of joint ventures and associates		(1,873)	(2,632)
Income tax effect relating to components of other comprehensive income		<u>(819)</u>	<u>403</u>
Other comprehensive income (loss) for the period, net of tax		<u>(9,532)</u>	<u>8,057</u>
Total comprehensive income for the period		<u>328,593</u>	<u>254,209</u>
Attributable to:			
Owners of the parent		330,689	250,051
Non-controlling interests		(2,096)	4,158

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Three-Month Periods Ended March 31, 2016 and 2015

(in millions of Korean won)

Notes	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings			
Balance at January 1, 2015	369,500	1,157,772	(15,699)	(62,233)	10,690,605	12,139,945	125,907	12,265,852
Comprehensive income:								
Profit for the period	-	-	-	-	242,796	242,796	3,356	246,152
Remeasurements of the net defined benefit liability	17	-	-	-	(462)	(462)	-	(462)
Currency translation differences	-	-	-	10,322	-	10,322	802	11,124
Others	-	-	-	(2,632)	27	(2,605)	-	(2,605)
Total comprehensive income	-	-	-	7,690	242,361	250,051	4,158	254,209
Transactions with owners:								
Dividends	31	-	-	-	(294,520)	(294,520)	-	(294,520)
Total transactions with owners	-	-	-	-	(294,520)	(294,520)	-	(294,520)
Balance at March 31, 2015 (Unaudited)	369,500	1,157,772	(15,699)	(54,543)	10,638,446	12,095,476	130,065	12,225,541
Balance at January 1, 2016	369,500	1,157,772	(15,699)	(52,608)	11,532,500	12,991,465	112,057	13,103,522
Comprehensive income:								
Profit (loss) for the period	-	-	-	-	339,762	339,762	(1,637)	338,125
Remeasurements of the net defined benefit liability	17	-	-	-	(582)	(582)	-	(582)
Currency translation differences	-	-	-	(8,355)	-	(8,355)	(459)	(8,814)
Gain on valuation of available-for-sale financial instruments	-	-	-	1,735	-	1,735	-	1,735
Others	-	-	-	(1,873)	2	(1,871)	-	(1,871)
Total comprehensive income	-	-	-	(8,493)	339,182	330,689	(2,096)	328,593
Transactions with owners:								
Dividends	31	-	-	-	(331,287)	(331,287)	-	(331,287)
Issuance of stock by subsidiaries	-	-	-	-	-	-	5,521	5,521
Total transactions with owners	-	-	-	-	(331,287)	(331,287)	5,521	(325,766)
Balance at March 31, 2016 (Unaudited)	369,500	1,157,772	(15,699)	(61,101)	11,540,395	12,990,867	115,482	13,106,349

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2016 and 2015

<i>(in millions of Korean won)</i>	Notes	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	33	940,454	1,092,772
Interest received		9,205	10,795
Interest paid		(14,863)	(17,057)
Dividends received		-	20,000
Income taxes paid		(144,603)	(62,755)
Net cash generated from operating activities		<u>790,193</u>	<u>1,043,755</u>
Cash flows from investing activities			
Decrease in other receivables		228,196	270,212
Decrease in non-current other receivables		16,130	8,136
Proceeds from disposal of property, plant and equipment		2,759	1,218
Proceeds from disposal of intangible assets		240	2,100
Increase in other receivables		(168,820)	(342,878)
Increase in non-current other receivables		(43,622)	(9,904)
Increase in non-current other financial assets		(2,616)	(171)
Acquisition of property, plant and equipment		(310,517)	(425,339)
Acquisition of intangible assets		(18,118)	(16,251)
Net cash outflow from investing activities		<u>(296,368)</u>	<u>(512,877)</u>
Cash flows from financing activities			
Proceeds from borrowings		64,291	121,068
Capital contribution from non-controlling interest		5,574	-
Repayments of borrowings		(30,170)	(217,832)
Net cash outflow (inflow) from financing activities		<u>39,695</u>	<u>(96,764)</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		1,704,918	988,016
Exchange loss on cash and cash equivalents		(3,839)	(4,530)
Cash and cash equivalents at the end of period		<u>2,234,599</u>	<u>1,417,600</u>

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (Unaudited), and December 31, 2015

1. General information

General information about LG Chem, Ltd. (the "Parent Company") and its subsidiaries (collectively the "Group") 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.).

The Parent Company merged with LG Polycarbonate Ltd. on April 1, 2011.

As of March 31, 2016, the Parent Company has its manufacturing facilities in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of March 31, 2016, 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 Group is engaged in Basic materials & Chemicals business, IT & Electronic materials, Energy solution and Advanced materials business.

The Basic materials & Chemicals business includes production of olefin petrochemicals, such as ethylene, propylene, butadiene from Naphtha, and aromatic petrochemicals such as benzene. It also includes production of synthetic resin, synthetic rubber, and synthetic components from olefin, and aromatic petrochemicals. This business bears characteristics of a large-volume process industry. The Group's major products are ABS, PC, EP, PE, PP, synthetic rubber, acrylic, plasticizers, SAP, PVC, BPA, a special resin, and others.

The Energy solution business manufactures and supplies batteries ranging from mobile batteries for laptop computers, tablet PCs and mobile phones to automotive batteries for electric vehicles. In April 2011, the Group completed the construction of the vehicle battery plant in Ochang, North Chungcheong Province, and supplies batteries to major car manufacturers, such as GM, Hyundai/KIA Motor Company, Renault, Ford, and Volvo.

The IT & Electronic material business manufactures and supplies various display materials such as polarizer and LCD glass, and RO water purification filter, which will be the next growth engine for future. As the LCD industry enters the maturity stage, its growth slows down, but the Group expects that demand for polarizers will constantly increase as a result of growth of UHD TV and big screen TV markets.

Advanced materials business manufactures and supplies display and battery materials for LCD Photoresist, OLED materials, battery materials and others. LCD Photoresist has high global market share based on its differentiated technology. In addition, the Group manufactures OLED, next generation display materials in order to prepare for the post-LCD era.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (Unaudited), and December 31, 2015

1.3 Consolidated subsidiaries, associates and joint ventures

March 31, 2016				
	Percentage of ownership (%)	Business location	Fiscal year-end	Business activities
Consolidated subsidiaries				
Ningbo LG Yongxing Chemical Co., Ltd. ¹	75	China	December 31	ABS/SBL manufacturing and sales
Ningbo Zhenhai LG Yongxing Trade Co., Ltd. ¹	75	China	December 31	ABS 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	Synthetic resin manufacturing and sales
LG Polymers India Pvt. Ltd. ²	100	India	December 31	PS manufacturing
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100	China	December 31	EP manufacturing and sales
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. ³	100	China	December 31	Battery/ Polarizer Manufacturing and sales
LG Chem (Taiwan), Ltd.	100	Taiwan	December 31	Polarizer manufacturing and sales
LG Chem Display Materials (Beijing) Co., Ltd.	100	China	December 31	Polarizer manufacturing
Tianjin LG Bohai Chemical Co., Ltd. ⁴	75	China	December 31	PVC, VCM, EDC manufacturing and sales
Tianjin LG BOTIAN Chemical Co., Ltd. ⁴	56	China	December 31	SBS 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	Automotive battery research and manufacturing
LG Chem Power Inc.	100	USA	December 31	Automotive battery research
LGC Petrochemical India Private Ltd.	100	India	December 31	Synthetic resin manufacturing and sales
Haengboknuri	100	Korea	December 31	Facility management and general cleaning
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	100	Turkey	December 31	Sales and trading
LG Chem Japan Co., Ltd.	100	Japan	December 31	Sales and trading
LG NanoH2O, Inc. ⁵	100	USA	December 31	Water purification filter research and manufacturing
NanoH2O Singapore Private Ltd. ⁵	100	Singapore	December 31	Water purification filter research and manufacturing
NanoH2O (Jiangsu) Water Processing Technology Co. Ltd. ⁵	100	China	December 31	Water purification filter research and manufacturing
Nanjing LG Chem New Energy Battery Co., Ltd. ⁶	50	China	December 31	Automotive battery manufacturing and sales
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	100	China	December 31	EP manufacturing and sales
Associates				
LG Holdings (HK) Ltd.	26	Hong Kong	December 31	Sales and trading
TECWIN Co., Ltd.	21	Korea	December 31	Environment solution and Construction of chemical plant
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA. ⁷	100	Brazil	December 31	Sales and trading
LG Chem Malaysia SDN.BHD. ⁷	100	Malaysia	December 31	Sales and trading
LG Fuel Cell Systems Inc.	20	USA	December 31	Power fuel cell research

LG Chem, Ltd. and Subsidiaries
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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
SEETEC Co., Ltd.	50	Korea	December 31	Plant utility and distribution, research assistance service
CNOOC & LG Petrochemicals Co., Ltd.	50	China	December 31	ABS manufacturing and sales
KLPE Limited Liability Partnership	50	Kazakhstan	December 31	PE manufacturing and sales

¹ As of March 31, 2016, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

² As of March 31, 2016, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

³ During the period, the Parent Company acquired additional shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. for ₩ 12,750 million.

⁴ As of March 31, 2016, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

⁵ As of March 31, 2016, LG NanoH2O, Inc. owns 100% of NanoH2O Singapore Private Ltd. and NanoH2O (Jiangsu) Water Processing Technology Co. Ltd. shares.

⁶ Although the Parent Company owns 50% of the voting rights of LG Chem (Nanjing) New Energy Battery Co., Ltd., the Parent Company is considered to have control over the investee as the Parent Company can exercise the majority voting rights in its decision-making process in accordance with the shareholders' agreement.

⁷ Classified as an investment in associate due to its small size.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
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1.4 Summarized financial information of subsidiaries, associates and joint ventures

Summarized financial information (before elimination of intercompany transactions and adjustments for differences in accounting policies) of subsidiaries, associates and joint ventures is as follows:

(in millions of Korean won)

	March 31, 2016				
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the period
Consolidated subsidiaries					
Ningbo LG Yongxing Chemical Co., Ltd.	631,764	202,867	428,897	346,571	8,396
Ningbo Zhenhai LG Yongxing Trade Co., Ltd.	9,614	7,255	2,359	8,692	204
LG Chem HK Ltd.	101,671	84,247	17,424	121,278	39
LG Chem America, Inc.	151,845	136,248	15,597	154,968	(745)
LG Chemical India Pvt. Ltd.	32,714	50	32,664	-	(9)
LG Polymers India Pvt. Ltd.	91,666	29,945	61,721	54,383	3,441
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	95,235	27,406	67,829	34,237	2,549
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	1,915,615	1,189,749	725,866	496,395	3,561
LG Chem (Taiwan), Ltd.	127,693	57,421	70,272	48,642	1,731
LG Chem Display Materials (Beijing) Co., Ltd.	36,832	9,515	27,317	14,630	826
Tianjin LG Bohai Chemical Co., Ltd.	363,977	278,688	85,289	108,863	(14,218)
Tianjin LG BOTIAN Chemical Co., Ltd.	61,992	69,734	(7,742)	30,721	1,680
LG Chem (China) Investment Co., Ltd.	194,382	88,745	105,637	12,764	1,457
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	59,578	12,119	47,459	22,974	1,701
LG Chem Europe GmbH	138,032	117,081	20,951	98,649	2,302
LG Chem Poland Sp. z o.o.	58,479	27,995	30,484	23,264	1,699
LG Chem Michigan Inc.	214,329	166,920	47,409	53,805	12,406
LG Chem Power Inc.	8,495	4,386	4,109	10,033	1,771
LGC Petrochemical India Private Ltd.	1,637	328	1,309	974	107
Haengboknuri	1,719	631	1,088	1,292	(67)
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	4,547	3,189	1,358	6,409	155
LG Chem Japan Co., Ltd.	2,608	232	2,376	1,304	140
LG NanoH2O, Inc.	19,633	14,223	5,410	5,574	(183)
Nanjing LG Chem New Energy Battery Co., Ltd.	121,859	76,779	45,080	3,300	(1,570)
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	11,843	3,404	8,439	-	(62)
Associates					
LG Holdings (HK) Ltd.	383,636	105,929	277,707	14,009	5,617
TECWIN Co., Ltd.	54,375	20,160	34,215	-	-
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	92	90	2	-	-
LG Chem Malaysia SDN.BHD.	188	25	163	-	-
LG Fuel Cell Systems Inc.	28,826	69,667	(40,841)	979	(9,959)
Joint ventures					
LG VINA Chemical Co., Ltd.	16,536	9,022	7,514	13,566	564
HL Greenpower Co., Ltd.	107,037	74,238	32,799	27,888	(999)
SEETEC Co., Ltd.	370,914	42,156	328,758	120,399	4,799
CNOOC & LG Petrochemicals Co., Ltd.	262,999	243,140	19,859	54,337	(8,853)
KLPE Limited Liability Partnership	188,447	9,749	178,698	-	897

LG Chem, Ltd. and Subsidiaries
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(in millions of Korean won)

	December 31, 2015				
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the year
Consolidated subsidiaries					
Tianjin LG DAGU Chemical Co., Ltd. ¹	-	-	-	270,731	(10,510)
Ningbo LG Yongxing Chemical Co., Ltd.	663,855	241,238	422,617	1,565,866	78,702
Ningbo Zhenhai LG Yongxing Trade Co., Ltd.	7,592	5,421	2,171	20,397	396
LG Chem HK Ltd.	141,299	123,634	17,665	526,785	519
LG Chem America, Inc.	140,912	124,340	16,572	651,564	1,348
LG Chemical India Pvt. Ltd.	32,714	24	32,690	56	75
LG Polymers India Pvt. Ltd.	83,470	24,269	59,201	191,675	5,508
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	99,325	33,686	65,639	143,607	10,930
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	1,806,199	1,093,230	712,969	2,089,196	28,648
LG Chem (Taiwan), Ltd.	128,178	60,282	67,896	254,171	11,375
LG Chem Display Materials (Beijing) Co., Ltd.	38,551	11,920	26,631	78,270	2,278
Tianjin LG Bohai Chemical Co., Ltd.	376,831	277,324	99,507	391,032	(95,576)
Tianjin LG BOTIAN Chemical Co., Ltd.	58,701	68,109	(9,408)	128,770	11,327
LG Chem (China) Investment Co., Ltd.	170,212	65,865	104,347	46,435	5,881
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	60,359	14,347	46,012	89,033	5,709
LG Chem Europe GmbH	121,161	102,859	18,302	338,029	3,924
LG Chem Poland Sp. z o.o.	60,186	31,880	28,306	79,101	973
LG Chem Michigan Inc.	207,006	170,928	36,078	91,710	8,345
LG Chem Power Inc.	9,258	6,811	2,447	34,524	1,998
LGC Petrochemical India Private Ltd.	1,380	159	1,221	3,645	376
Haengboknuri	1,823	669	1,154	4,803	229
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	3,020	1,835	1,185	33,139	834
LG Chem Japan Co., Ltd.	2,450	329	2,121	4,500	499
LG NanoH2O, Inc.	25,184	19,506	5,678	19,730	(21,198)
Nanjing LG Chem New Energy Battery Co., Ltd.	83,282	41,949	41,333	737	(3,541)
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	9,666	1,133	8,533	-	(823)
Associates					
LG Holdings (HK) Ltd.	388,565	114,797	273,768	53,235	15,067
TECWIN Co., Ltd.	54,375	20,160	34,215	63,834	2,725
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	92	90	2	1,515	104
LG Chem Malaysia SDN.BHD.	188	25	163	334	28
LG Fuel Cell Systems Inc.	37,788	69,553	(31,765)	2,388	(38,309)
Joint ventures					
LG VINA Chemical Co., Ltd.	18,172	8,839	9,333	59,739	2,131
HL Greenpower Co., Ltd.	97,772	63,978	33,794	102,388	(2,510)
SEETEC Co., Ltd.	372,616	48,658	323,958	507,701	19,121
CNOOC & LG Petrochemicals Co., Ltd.	287,448	258,875	28,573	221,192	(27,835)
KLPE Limited Liability Partnership	191,947	8,884	183,063	-	51,128

¹ During 2015, Tianjin LG Bohai Chemical Co., Ltd. merged with Tianjin LG DAGU Chemical Co., Ltd. The financial information above was the information before the merger.

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2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

The Group's interim consolidated financial statements for the three-month period ended March 31, 2016, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as of March 31, 2016.

(1) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards and interpretations for the annual period beginning on January 1, 2016, and this application does not have a material impact on the financial statements.

- Amendment to Korean IFRS 1001, Presentation of Financial Statements
- Korean IFRS 1011, Construction Contract; Korean IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets; and Interpretation 2115, Arrangements for Property Construction
- Amendment to Korean IFRS 1016, Property, Plant and Equipment, and Korean IFRS 1041, Agriculture and Fishing: Productive Plants
- Amendment to Korean IFRS 1016, Property, Plant and Equipment, and Korean IFRS 1038, Intangible assets: Amortization Based on Revenue
- Korean IFRS 1110, *Consolidated Financial Statements*, Korean IFRS 1028, *Investments in Associates and Joint Ventures*, and Korean IFRS 1112, *Disclosures of Interests in Other Entities: Exemption for consolidation of investee*
- Korean IFRS 1111, *Joint Agreements*
- Annual Improvements to Korean IFRS 2012-2014 Cycle

(2) New standards and interpretations not yet adopted by the Group

- Korean IFRS 1109, *Financial Instruments*
- Korean IFRS 1115, *Revenue from Contracts with Customers*

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2.2 Accounting Policies

Significant accounting policies and methods adopted in the preparation of the interim financial statements are consistent with the accounting policies and methods adopted for the annual financial statements for the year ended December 31, 2015, except for the changes due to the application of amendment and enactments of standards described in Note 2.1 and described below.

2.2.1 Income tax expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

3. Financial risk management

3.1 Financial risk factors

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

Risk management is carried out by the Group'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 Group's operating units. The Corporate Management Committee reviews and approves 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 Group 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. The Group 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 Group 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 Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

As of March 31, 2016 and December 31, 2015, the Group's monetary assets and liabilities

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denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
USD	1,723,540	2,446,360	1,789,793	2,440,000
EUR	102,552	128,602	78,023	127,879
JPY	21,403	108,251	16,686	135,589
GBP and others	29,563	2,756	43,027	1,318

As of March 31, 2016 and December 31, 2015, if the Group's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been affected as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(72,282)	72,282	(65,021)	65,021

The above sensitivity analysis has been performed for monetary assets and liabilities denominated in foreign currencies other than the Group's functional currency at the reporting date.

2) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified as available-for-sale. The Company's investments in equity of other entities that are publicly traded are related to KOSPI index.

The impact of increases/decreases of the listed stock price indices on the Group's equity before tax effects as of March 31, 2016 and December 31, 2015, is as follows. The analysis is based on the assumption that the stock price indices had increased/decreased by 10% with all other variables held constant and all the Company's listed equity securities moved according to the historical correlation with the index.

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	10% Increase	10% Decrease	10% Increase	10% Decrease
KOSPI	1,280	(1,280)	1,067	(1,067)

3) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

The Group adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Group (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

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The impact of 1% (100 basis points) higher/lower of interest rate with all other variables held constant on the Group's post-tax profit for the three-month periods ended March 31, 2016 and 2015, and on equity as of March 31, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	Impact on post-tax profit		Impact on equity	
	2016	2015	2016	2015
Increase	(17,195)	(17,291)	(17,195)	(17,291)
Decrease	17,195	17,291	17,195	17,291

(2) Credit risk

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

As of March 31, 2016 and December 31, 2015, the maximum degrees of credit exposures are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		
	Before allowance	Allowance for doubtful accounts	Book value (maximum exposure)
Loans and receivables (excluding cash on hand)	6,567,266	(12,882)	6,554,384
Financial assets at fair value through profit or loss	-	-	-
Total	6,567,266	(12,882)	6,554,384

<i>(in millions of Korean won)</i>	December 31, 2015		
	Before allowance	Allowance for doubtful accounts	Book value (maximum exposure)
Loans and receivables (excluding cash on hand)	6,224,592	(13,270)	6,211,322
Financial assets at fair value through profit or loss	93	-	93
Total	6,224,685	(13,270)	6,211,415

Details of financial guarantees provided by the Group are disclosed in Note 19.

The Group has established the following policies and procedures to manage credit risks.

To manage credit risks relating to trade receivables, the Group evaluates the credit rating of customers and determines credit limit for each customer based on the information provided by credit rating agencies and other available financial information before commencing business with customers. The credit risks relating to trade receivables are also mitigated by insurance contracts, collaterals as well as payment guarantees.

The Group has entered into export insurance contracts with Korea Trade Insurance Corporation to mitigate credit risks relating to export trade receivables to overseas customers. The Group is also provided with collaterals by customers depending on their credit rating or payment guarantees from the customers' financial institutions as necessary.

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The Group has deposited its cash and cash equivalents, and other long-term deposits in several financial institutions, such as Woori Bank and others. The Group has also entered into derivative contracts with several financial institutions. The Group maintains business relationship with those financial institutions with high credit ratings evaluated by independent credit rating agencies and accordingly, credit risks associated with these financial institutions are limited.

(3) Liquidity risk

Cash flow forecasting is performed by corporate finance team. Finance team monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group'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.

1) The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Cash flows presented below are gross cash flows before discount, and includes cash flows for interests.

(in millions of Korean won)

	March 31, 2016			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,366,738	228,373	54,729	-
Finance lease liabilities	5,000	5,000	15,000	20,000
Trade and other payables	2,054,117	18,862	332	-
Total	4,425,855	252,235	70,061	20,000

(in millions of Korean won)

	December 31, 2015			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,168,916	429,876	51,354	-
Finance lease liabilities	5,000	5,000	15,000	20,000
Trade and other payables	1,998,094	1,680	-	-
Total	4,172,010	436,556	66,354	20,000

2) The Group has no derivatives contracts as of March 31, 2016. The table below analyzes the derivatives into relevant maturity groupings based on the remaining period as of December 31, 2015, to the contractual maturity date.

(in millions of Korean won)

	December 31, 2015			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Gross settled derivatives				
Trading derivatives inflow	23,533	-	-	-
Trading derivative outflow	(23,440)	-	-	-
Total	93	-	-	-

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3) The Group has no financial guarantee contracts as of March 31, 2016 and December 31, 2015.

3.2 Capital risk management

The Group's capital objectives are to safeguard the Group'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 Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio and debt-to-equity ratio as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2016	December 31, 2015
Total borrowings (Note 15) (A)	2,662,455	2,658,706
Less: cash and cash equivalents (B)	<u>(2,234,599)</u>	<u>(1,704,918)</u>
Net debt (C=A+B)	<u>427,856</u>	<u>953,788</u>
Total liabilities (D)	5,753,936	5,475,206
Total equity (E)	<u>13,106,349</u>	<u>13,103,522</u>
Total capital (F=C+E)	<u>13,534,205</u>	<u>14,057,310</u>
Gearing ratio (C/F)	3.2%	6.8%
Debt-to-equity ratio (D/E)	43.9%	41.8%

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3.3 Fair value estimation

(1) Carrying amount and fair value of financial instruments by category as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current)				
Cash and cash equivalents	2,234,599	1	1,704,918	1
Financial deposits	929,047	1	988,628	1
Trade receivables	3,076,577	1	3,236,622	1
Other receivables (excluding financial deposits)	182,033	1	174,732	1
Derivative financial instruments	-	-	93	93
Financial assets (non-current)				
Financial deposits	21,367	1	21,418	1
Other non-current receivables (excluding financial deposits)	110,813	1	85,066	1
Other non-current financial assets (carried at cost)	8,642	2	6,055	2
Other non-current financial assets (carried at fair value)	11,536	11,536	9,246	9,246
Financial liabilities (current)				
Trade and other payables	2,054,117	1	1,998,094	1
Current borrowings (excluding finance lease liabilities)	2,344,740	1	2,145,893	1
Current finance lease liabilities	4,923	1	4,885	1
Other current liabilities (dividends payable)	331,311	1	1,055	1
Financial liabilities (non-current)				
Non-current borrowings (excluding finance lease liabilities)	278,440	1	473,842	479,411
Non-current finance lease liabilities	34,352	36,188	34,086	35,361
Other non-current payables	19,194	1	1,680	1

¹ These financial assets and liabilities are not included in the disclosure above as their carrying amount is a reasonable approximation of the fair value.

² All other non-current financial assets of the Group consist of available-for-sale equity securities and are measured at cost (March 31, 2016: ₩ 8,642 million; December 31, 2015: ₩ 6,055 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 disclosure above (Note 8). The Group does not have any plans to dispose of these available-for-sale equity securities in the near future.

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(2) Fair value for measurement and disclosure are determined based on the following method:

1) Derivative financial instruments

The Group determines derivative financial instruments 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. The fair value of derivative financial instruments is determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.

2) Financial liabilities (non-current)

Fair values of financial liabilities(non-current) are based on cash outflows discounted using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and the applied discount rates as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Discount rate	1.65%~2.36%	1.88%~2.60%

(3) Fair value hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

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

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Other non-current financial assets (carried at fair value)	11,536	-	-	11,536
Non-current finance lease liabilities	-	36,188	-	36,188
<i>(in millions of Korean won)</i>	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Derivative financial instruments	-	93	-	93
Other non-current financial assets (carried at fair value)	9,246	-	-	9,246
Non-current borrowings (excluding finance lease liabilities)	-	479,411	-	479,411
Non-current finance lease liabilities	-	35,361	-	35,361

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4. Critical accounting estimates and assumptions

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

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

5. Financial instruments by category

Categorizations of financial instruments as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

Financial assets	March 31, 2016			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
Cash and cash equivalents	2,234,599	-	-	2,234,599
Trade receivables	3,076,577	-	-	3,076,577
Other receivables	1,111,080	-	-	1,111,080
Other non-current receivables	132,180	-	-	132,180
Other non-current financial assets	-	-	20,178	20,178
Total	6,554,436	-	20,178	6,574,614

(in millions of Korean won)

Financial liabilities	March 31, 2016			Total
	Financial liabilities at fair value through profit or loss	Liabilities at amortized cost	Other liabilities ¹	
Trade payables	-	1,163,146	-	1,163,146
Other payables	-	890,971	-	890,971
Borrowings (current)	-	1,312,784	1,036,879	2,349,663
Other current liabilities (dividends payable)	-	331,311	-	331,311
Other non-current payables	-	19,194	-	19,194
Borrowings (non-current)	-	278,440	34,352	312,792
Total	-	3,995,846	1,071,231	5,067,077

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(in millions of Korean won)

Financial assets	December 31, 2015			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
Cash and cash equivalents	1,704,918	-	-	1,704,918
Trade receivables	3,236,622	-	-	3,236,622
Other receivables	1,163,360	-	-	1,163,360
Other current financial assets	-	93	-	93
Other non-current receivables	106,484	-	-	106,484
Other non-current financial assets	-	-	15,301	15,301
Total	6,211,384	93	15,301	6,226,778

(in millions of Korean won)

Financial liabilities	December 31, 2015			
	Financial liabilities at fair value through profit or loss	Liabilities at amortized cost	Other liabilities ¹	Total
Trade payables	-	1,172,488	-	1,172,488
Other payables	-	825,606	-	825,606
Borrowings (current)	-	1,113,312	1,037,466	2,150,778
Other current liabilities (dividends payable)	-	1,055	-	1,055
Other non-current payables	-	1,680	-	1,680
Borrowings (non-current)	-	473,842	34,086	507,928
Total	-	3,587,983	1,071,552	4,659,535

¹ Other financial liabilities include capital lease liabilities that have been excluded from the scope of 'financial liabilities by category' and financial liabilities related to transferred financial assets that are not qualified for derecognition.

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Net gains (losses) on financial instruments by category for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Assets at fair value through profit or loss		
Gain (loss) on valuation/ disposal (profit or loss)	(1,501)	1,283
Available-for-sale financial assets		
Gain (loss) on disposal	-	-
Dividend income	-	-
Loans and receivables		
Interest income	11,373	10,172
Gain (loss) on foreign currency translation	(77,715)	(6,983)
Gain (loss) on foreign exchange	36,984	632
Liabilities at amortized cost		
Interest expense	(13,351)	(15,048)
Gain (loss) on foreign currency translation	34,456	(3,523)
Gain (loss) on foreign exchange	(16,887)	(9,584)
Other liabilities		
Interest expense	(2,703)	(2,472)
Gain (loss) on foreign currency translation	37,719	1,178
Gain (loss) on foreign exchange	(24,483)	3,757

6. Cash and cash equivalents

Details of cash and cash equivalents as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Bank deposits and cash on hand	292,525	272,824
Financial deposits, others	1,942,074	1,432,094
Total	<u>2,234,599</u>	<u>1,704,918</u>

As of March 31, 2016, cash and cash equivalents include deposits with banks of ₩ 10,025 million (December 31, 2015: ₩ 8,667 million) held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

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7. Trade and other receivables

Trade and other receivables, net of allowance for doubtful accounts, as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

	March 31, 2016		
	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables ¹	3,089,128	(12,551)	3,076,577
Other current receivables	1,111,411	(331)	1,111,080
Other non-current receivables ²	132,180	-	132,180
Total	4,332,719	(12,882)	4,319,837

(in millions of Korean won)

	December 31, 2015		
	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables ¹	3,249,561	(12,939)	3,236,622
Other current receivables	1,163,691	(331)	1,163,360
Other non-current receivables ²	106,484	-	106,484
Total	4,519,736	(13,270)	4,506,466

¹ As of March 31, 2016 and December 31, 2015, trade receivables transferred to financial institutions but not fully derecognized are as follows (Note 15):

(in millions of Korean won)

	Loans and receivables (trade receivables collateralized borrowings)	
	March 31, 2016	December 31, 2015
Carrying amount of transferred assets	1,031,956	1,032,581
Carrying amount of related liabilities	(1,031,956)	(1,032,581)

² As of March 31, 2016, ₩ 3,267 million in other non-current receivables represents deposits which are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2015: ₩ 3,318 million).

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Details of other receivables as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current		
Non-trade receivables	133,595	127,621
Financial deposits	929,047	988,628
Accrued income	9,910	7,944
Deposits	26,940	26,715
Loans	11,588	12,452
	<u>1,111,080</u>	<u>1,163,360</u>
Non-current		
Non-trade receivables	28,853	29,316
Financial deposits ¹	21,367	21,418
Loans	344	318
Deposits	81,616	55,432
	<u>132,180</u>	<u>106,484</u>
Total	<u>1,243,260</u>	<u>1,269,844</u>

¹ As of March 31, 2016, ₩ 18,100 million is restricted from being withdrawn in relation to large and small and medium-sized companies corporation agreement and others (December 31, 2015: ₩ 18,100 million).

The aging analysis of these trade and other receivables as of March 31, 2016 and December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	<u>3,019,584</u>	<u>1,225,232</u>	<u>3,149,419</u>	<u>1,256,491</u>
Past due but not impaired				
Up to 3 months	49,503	12,379	68,341	5,797
3 to 6 months	3,989	213	9,277	2,869
Over 6 months	2,127	5,767	2,618	5,018
	<u>55,619</u>	<u>18,359</u>	<u>80,236</u>	<u>13,684</u>
Impaired receivables	13,925	-	19,906	-
	<u>3,089,128</u>	<u>1,243,591</u>	<u>3,249,561</u>	<u>1,270,175</u>

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The movements in bad debts allowance for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, are as follows:

(in millions of Korean won)

	March 31, 2016			
	Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current
Beginning balance	12,939	-	331	-
Additions	-	-	-	-
Write-off	-	-	-	-
Reversals	(338)	-	-	-
Exchange differences	(50)	-	-	-
Ending balance	<u>12,551</u>	<u>-</u>	<u>331</u>	<u>-</u>

(in millions of Korean won)

	December 31, 2015			
	Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current
Beginning balance	16,581	-	-	-
Additions	-	-	331	-
Write-off	(777)	-	-	-
Reversals	(2,506)	-	-	-
Exchange differences	(359)	-	-	-
Ending balance	<u>12,939</u>	<u>-</u>	<u>331</u>	<u>-</u>

As of March 31, 2016 and December 31, 2015, the carrying amounts of trade and other receivables approximate their fair values.

8. Other Financial Assets and Liabilities

Details of other financial assets and liabilities as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

	March 31, 2016	December 31, 2015
Other financial assets		
Derivatives (Note 9)	-	93
Available-for-sale financial assets	20,178	15,301
Less: current portion	<u>-</u>	<u>(93)</u>
	<u>20,178</u>	<u>15,301</u>

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The movements in financial assets classified as available-for-sale for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Beginning balance	15,301	6,153
Acquisition / Reclassification	2,620	12,852
Disposal	-	(2,959)
Gain (Loss) on valuation (before income tax effect)	2,290	(780)
Exchange differences	(33)	35
Ending balance	<u>20,178</u>	<u>15,301</u>

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

No impairment losses were recognized for financial assets classified as available-for-sale for the three-month period ended March 31, 2016 and for the year ended December 31, 2015.

9. Derivative financial instruments

Details of derivative financial assets and liabilities as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
	Assets	Liabilities	Assets	Liabilities
Current				
Held-for-trading	-	-	93	-
	<u>-</u>	<u>-</u>	<u>93</u>	<u>-</u>

The Group has no derivative contracts as of March 31, 2016. Details of derivative financial contracts as of December 31, 2015, are as follows:

Classification	Contractor	Contract date	<u>December 31, 2015</u>		
			Contract amount (in thousands)	Contract period	Contract terms
Forward exchange	Two contracts in Woori bank	2015.12.21, others	US\$ 10,000, others	2016.01.04 ~ 2016.01.05	₩1,177.60/ US\$ 1, others

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10. Inventories

Details of inventories as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

	March 31, 2016		
	Original amount	Valuation allowance	Carrying amount
Merchandise	79,216	(1,714)	77,502
Finished products	812,164	(36,617)	775,547
Semi-finished products	446,990	-	446,990
Raw materials	642,647	(4,270)	638,377
Supplies	103,009	-	103,009
Materials-in-transit	243,306	-	243,306
Total	2,327,332	(42,601)	2,284,731

(in millions of Korean won)

	December 31, 2015		
	Original amount	Valuation allowance	Carrying amount
Merchandise	77,133	(1,264)	75,869
Finished products	899,616	(45,135)	854,481
Semi-finished products	416,435	-	416,435
Raw materials	658,564	(4,036)	654,528
Supplies	99,811	-	99,811
Materials-in-transit	237,429	-	237,429
Total	2,388,988	(50,435)	2,338,553

During the period, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 2,881,075 million (2015: ₩ 3,120,339 million).

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11. Investments in associates and joint ventures

Changes in the carrying amount of investments in associates and joint ventures for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, are as follows:

(in millions of Korean won)

March 31, 2016

	Beginning balance	Acquisitions /transfer	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (expense) of associates	Impairment loss	Others	Ending balance
LG VINA Chemical Co., Ltd.	3,742	-	-	225	(953)	-	-	3,014
HL Greenpower Co., Ltd.	16,559	-	-	(489)	-	-	2	16,072
LG Holdings (HK) Ltd.	73,012	-	-	1,460	(436)	-	-	74,036
TECWIN Co., Ltd.	6,535	-	-	679	-	-	-	7,214
SEETEC Co., Ltd.	155,539	-	-	2,842	-	-	-	158,381
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	(576)	-	-	-	3
LG Chem Malaysia SDN.BHD	150	-	-	13	-	-	-	163
CNOOC & LG Petrochemicals Co., Ltd.	14,287	-	-	(4,426)	69	-	-	9,930
KLPE Limited Liability Partnership	20,079	-	-	264	(582)	-	-	19,761
LG Fuel Cell Systems Inc.	3,265	-	-	(2,330)	29	-	-	964
	<u>293,747</u>	<u>-</u>	<u>-</u>	<u>(2,338)</u>	<u>(1,873)</u>	<u>-</u>	<u>2</u>	<u>289,538</u>

(in millions of Korean won)

December 31, 2015

	Beginning balance	Acquisitions /transfer	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (expense) of associates	Impairment loss	Others	Ending balance
LG VINA Chemical Co., Ltd.	3,682	-	(993)	861	192	-	-	3,742
HL Greenpower Co., Ltd.	17,815	-	-	(1,266)	-	-	10	16,559
LG Holdings (HK) Ltd.	68,121	-	-	3,918	973	-	-	73,012
TECWIN Co., Ltd.	6,155	-	-	383	(3)	-	-	6,535
SEETEC Co., Ltd.	177,767	-	(33,500)	11,276	-	-	(4)	155,539
LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	-	579
LG Chem Malaysia SDN.BHD	-	150	-	-	-	-	-	150
CNOOC & LG Petrochemicals Co., Ltd.	27,864	-	-	(13,918)	341	-	-	14,287
KLPE Limited Liability Partnership ¹	175,414	-	-	18,683	(34,089)	(139,929)	-	20,079
LG Fuel Cell Systems Inc.	12,053	-	-	(8,924)	141	-	(5)	3,265
	<u>489,450</u>	<u>150</u>	<u>(34,493)</u>	<u>11,013</u>	<u>(32,445)</u>	<u>(139,929)</u>	<u>1</u>	<u>293,747</u>

¹ During 2015, the Kazakhstan KLPE Limited Liability Partnership, managed as a separate cash-generating unit (hereafter 'CGU') in Basic materials & Chemicals segments, has been tested for impairment because its economic performance is lower than expected. The recoverable amounts of CGU have been determined based on value-in-use calculations.

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During 2015, the amount of impairment loss recognized as other non-operating expenses and key assumptions used for calculation of value in use are as follows:

(in millions of Korean won)

December 31, 2015
KLPE Limited Liability Partnership

Impaired amount	139,929
Pre-tax discount rate	8.8%
Growth rate for subsequent years after five years	0.0%

12. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, are as follows:

(in millions of Korean won)

	March 31, 2016										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	910,241	2,010,009	606,497	4,228,274	9,524	349,835	82,541	135,437	524,314	10,537	8,867,209
Cost	912,108	2,539,113	1,053,036	11,705,377	38,599	863,085	282,407	281,556	565,061	10,537	18,250,879
Accumulated depreciation	-	(505,157)	(434,206)	(7,437,847)	(28,933)	(504,276)	(198,119)	(146,119)	-	-	(9,254,657)
Accumulated impairment	(1,867)	(23,947)	(12,333)	(39,256)	(142)	(8,974)	(1,747)	-	(40,747)	-	(129,013)
Acquisitions/ Transfer	-	38,475	20,164	237,876	267	37,349	10,290	4,253	277,801	7,913	634,388
Disposals/ Transfer	(192)	(4,926)	(69)	(1,922)	(10)	(1,485)	(136)	-	(346,234)	(7,921)	(362,895)
Exchange differences	(48)	(1,910)	(147)	(37,549)	(12)	(527)	(229)	-	30,811	-	(9,611)
Depreciation	-	(15,471)	(11,062)	(229,804)	(887)	(30,166)	(7,523)	(15,598)	-	-	(310,511)
Impairment	-	-	-	(995)	-	(57)	(164)	-	-	-	(1,216)
Transfer to non-current assets held for sale (Note 35)	-	-	-	(2,784)	-	(162)	(459)	-	-	-	(3,405)
Ending balance	910,001	2,026,177	615,383	4,193,096	8,882	354,787	84,320	124,092	486,692	10,529	8,813,959
Cost	911,868	2,569,709	1,072,612	11,880,423	38,765	893,061	287,774	284,259	527,357	10,529	18,476,357
Accumulated depreciation	-	(519,689)	(444,936)	(7,648,187)	(29,742)	(529,296)	(201,710)	(160,167)	-	-	(9,533,727)
Accumulated impairment	(1,867)	(23,843)	(12,293)	(39,140)	(141)	(8,978)	(1,744)	-	(40,665)	-	(128,671)

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	December 31, 2015										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	910,503	1,965,575	573,870	4,079,635	8,788	308,911	89,214	85,194	593,115	84,731	8,699,536
Cost	911,867	2,436,140	978,989	10,880,815	36,885	737,092	269,026	251,722	643,843	84,731	17,231,110
Accumulated depreciation	-	(446,856)	(393,474)	(6,707,065)	(27,958)	(419,906)	(178,020)	(166,528)	-	-	(8,339,807)
Accumulated impairment	(1,364)	(23,709)	(11,645)	(94,115)	(139)	(8,275)	(1,792)	-	(50,728)	-	(191,767)
Acquisitions/ Transfer	49	151,299	77,079	1,188,477	4,696	180,650	26,105	113,412	1,492,527	84,262	3,318,556
Disposals/ Transfer	(1)	(51,839)	(1,057)	(145,462)	(442)	(22,908)	(3,747)	-	(1,575,993)	(158,456)	(1,959,905)
Exchange differences	193	5,191	614	5,705	14	1,205	278	-	4,324	-	17,524
Depreciation	-	(60,175)	(42,635)	(900,488)	(3,528)	(116,268)	(29,335)	(63,169)	-	-	(1,215,598)
Impairment	(503)	(7,846)	(1,376)	(4,449)	(13)	(2,118)	(218)	-	(204)	-	(16,727)
Reversal of impairment	-	7,804	2	11,250	9	469	244	-	10,545	-	30,323
Transfer to non-current assets held for sale (Note 35)	-	-	-	(6,394)	-	(106)	-	-	-	-	(6,500)
Ending balance	910,241	2,010,009	606,497	4,228,274	9,524	349,835	82,541	135,437	524,314	10,537	8,867,209
Cost	912,108	2,539,113	1,053,036	11,705,377	38,599	863,085	282,407	281,556	565,061	10,537	18,250,879
Accumulated depreciation	-	(505,157)	(434,206)	(7,437,847)	(28,933)	(504,276)	(198,119)	(146,119)	-	-	(9,254,657)
Accumulated impairment	(1,867)	(23,947)	(12,333)	(39,256)	(142)	(8,974)	(1,747)	-	(40,747)	-	(129,013)

During the three-month period ended March 31, 2016, the Group capitalized ₩ 2,050 million of borrowing costs (2015: ₩ 908 million) to property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 1.78% (2015: 2.03%).

Depreciation of property, plant and equipment for the three-month periods ended March 31, 2016 and 2015, was classified as follows:

(in millions of Korean won)	2016	2015
Cost of sales	290,284	280,318
Selling and administrative expenses	20,101	18,189
Others	126	121
Total	310,511	298,628

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Details of machinery classified as a finance lease as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Cost- capitalized finance leases	42,669	42,669
Accumulated depreciation	<u>(5,334)</u>	<u>(4,267)</u>
Net book value	<u>37,335</u>	<u>38,402</u>

The Group has entered into non-cancellable finance lease contracts with lease term of ten years in regard to machineries, and the contract includes an agreement that the ownership of the assets is transferred by the end of the lease term.

The Group reviews annually whether there is any indication that an asset may be impaired.

During 2015, LED Encap division, managed as separate CGU in advanced Materials segments, was tested for impairment due to significant price drop of products.

During 2015, the US battery division for vehicles, managed as a separate CGU in Energy solution business segments, has been tested for reversal of impairment because the Group expects that future economic performance will significantly exceed the past expectation. The recoverable amount of the CGU is calculated on a basis of the value in use.

The recoverable amount of the CGU is calculated on a basis of the value in use and impairment (reversal) is mainly related to machinery and equipment used in manufacturing.

The amount of impairment loss (reversal) recognized as other non-operating expenses (income) and key assumptions used for calculation of value in use for the year ended December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	2015	
	LED Encap	US battery division for vehicles (U.S.)
Impaired (reversed) amount		
Property, plant and equipment	16,727	(24,803)
Intangible assets	1,093	(99)
Key assumptions		
Pre-tax discount rate	11.7%	13.8%
Growth rate for subsequent years exceeding five years	0%	0%

The Group decided to dispose of certain non-current assets during 2016 and 2015. The differences between the fair value and book value were recognized as impairment losses (reversal of impairment losses) (Note 35).

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13. Intangible assets

Changes in the carrying amount of intangible assets for the three-month period ended March 31, 2016 and for the year ended December 31, 2015 are, as follows:

(in millions of Korean won)

	March 31, 2016					
	Software development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	61,670	200,779	143,599	49,642	46,196	501,886
Acquisitions/ Transfer	11,250	12,620	-	1,695	2,838	28,403
Disposals/ Transfer	(2,750)	-	-	(520)	(2)	(3,272)
Exchange differences	(48)	(540)	(1,740)	(1)	(27)	(2,356)
Amortization	(4,720)	(3,626)	-	-	(3,088)	(11,434)
Ending balance	65,402	209,233	141,859	50,816	45,917	513,227

(in millions of Korean won)

	December 31, 2015					
	Software development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	56,011	173,600	211,521	50,224	33,664	525,020
Acquisitions/ Transfer	32,244	41,861	-	2,405	23,017	99,527
Disposals/ Transfer	(9,416)	(3,434)	-	(2,996)	(32)	(15,878)
Exchange differences	73	2,858	7,443	9	91	10,474
Amortization	(17,283)	(13,121)	-	-	(10,494)	(40,898)
Impairment	(56)	(985)	(75,365)	-	(52)	(76,458)
Reversal of impairment	97	-	-	-	2	99
Ending balance	61,670	200,779	143,599	49,642	46,196	501,886

Amortization of intangible assets was classified for the three-month periods ended March 31, 2016 and 2015, as follows:

(in millions of Korean won)

	2016	2015
Cost of sales	2,639	2,685
Selling and administrative expenses	8,795	6,593
Total	11,434	9,278

Research and development costs recognized as expenses for the three-month period ended March 31, 2016, amount to ₩ 152,523 million (2015: ₩ 131,609 million).

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Goodwill is allocated to the Group's CGUs identified according to operating segment. The carrying amounts of allocated goodwill by CGUs as of March 31, 2016, are as follows:

(in millions of Korean won)

CGUs	Carrying amount
Goodwill arising on the acquisition of LG Petrochemical Co., Ltd.	
NCC	2,361
ABS	1,250
PO	1,063
PVC	759
Acrylic	653
Plasticizer	143
BPA	125
Others	1,839
	<u>8,193</u>
Goodwill arising on the acquisition of SAP business	
Acrylic	<u>25,222</u>
Goodwill arising on the acquisition of LG NanoH2O, Inc.	
Water purification	<u>108,444</u>
Total	<u><u>141,859</u></u>

During 2015, the US water purification division, managed as a separate CGU in Information & Electronic Materials segments, was tested for impairment because its economic performance was lower than expected. The recoverable amounts of CGU were determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Value-in-use was measured by applying the pre-tax discount rates reflecting specific risks relating to the relevant operating segments. The carrying value exceeding its recoverable amount was all attributed to goodwill.

During 2015, the amount of impairment loss recognized as other non-operating expenses and key assumptions used for calculation of value in use are as follows:

<i>(in millions of Korean won)</i>	Acquisition of LG Petrochemical Co., Ltd.	Acquisition of SAP business	Acquisition of LG NanoH2O, Inc.
Impaired amount	-	-	75,365
Key assumptions			
Pre-tax discount rate	11.7%	11.7%	9.3%
Growth rate for subsequent years after five years	0%	0%	0.5%

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14. Other current and non-current assets

Details of other current and non-current assets as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current		
Prepayments to suppliers	119,269	96,914
Prepaid expenses	22,731	20,839
Prepaid value added tax	70,464	70,015
Others	13,539	15,836
Total	<u>226,003</u>	<u>203,604</u>
Non-current		
Long-term prepaid expenses	36,198	29,118
Others	10,920	10,919
Total	<u>47,118</u>	<u>40,037</u>

15. Borrowings

The carrying amounts of borrowings as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current		
Short-term borrowings	1,847,488	1,839,678
Current maturities of bank loans	197,500	206,304
Current maturities of debentures	299,752	99,911
Finance lease liabilities	4,923	4,885
	<u>2,349,663</u>	<u>2,150,778</u>
Non-current		
Bank loans	278,440	274,069
Debentures	-	199,773
Finance lease liabilities	34,352	34,086
	<u>312,792</u>	<u>507,928</u>
Total	<u>2,662,455</u>	<u>2,658,706</u>

Details of current borrowings as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at March 31, 2016	Carrying Amount	
				March 31, 2016	December 31, 2015
Notes discounted ¹	Woori Bank, others	2016.09.27	Libor + 0.56, various	1,031,956	1,032,581
Bank loans	China Bank, others	2017.03.31	Libor+0.50~1.50, various	815,532	807,097
Total				<u>1,847,488</u>	<u>1,839,678</u>

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¹ As of March 31, 2016, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Note 7).

Details of non-current borrowings as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>		March 31, 2016				
		Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities
Foreign currency borrowings	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2017.04.03	23,070	-	23,070
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	13,777	13,777	-
	Standard Chartered Bank	3Libor + 1.00	2017.11.20	51,278	5,128	46,150
	Agricultural Bank of China	3Libor + 0.80	2020.06.29	28,013	2,813	25,200
	Bank of America	6Libor + 1.60	2017.10.24	34,443	-	34,443
	Bank of America	3Libor + 1.50	2018.08.13	34,443	-	34,443
	CITI	6Libor + 2.00	2017.03.10	18,369	18,369	-
	HSBC	3COF	2016.04.08	8,167	8,167	-
	HSBC	3Libor + 2.10	2016.08.04	34,443	34,443	-
	HSBC	3Libor + 1.45	2016.09.19	45,924	45,924	-
	HSBC	3Libor + 1.45	2016.11.11	45,924	45,924	-
	JP Morgan	3Libor + 1.75	2016.07.15	22,955	22,955	-
	Mizuho Banking Corporation	3Libor + 1.02	2017.04.16	45,924	-	45,924
	Mizuho Banking Corporation	3Libor + 0.75	2017.05.27	69,210	-	69,210
	Total			475,940	197,500	278,440

<i>(in millions of Korean won)</i>		December 31, 2015				
		Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities
Foreign currency borrowings	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2017.04.03	23,440	-	23,440
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	16,226	16,226	-
	Standard Chartered Bank	3Libor + 1.00	2017.11.20	28,364	2,836	25,528
	Agricultural Bank of China	3Libor + 0.80	2019.12.28	24,338	2,839	21,499
	Bank of America	6Libor + 1.60	2017.10.24	34,769	-	34,769
	Bank of America	3Libor + 1.50	2018.08.13	34,769	-	34,769
	CITI	6Libor + 2.00	2017.03.10	19,703	2,318	17,385
	HSBC	3Libor + 2.10	2016.01.22	23,180	23,180	-
	HSBC	3COF	2016.04.08	8,245	8,245	-
	HSBC	3Libor + 2.10	2016.08.04	34,769	34,769	-
	HSBC	3Libor + 1.45	2016.09.19	46,359	46,359	-
	HSBC	3Libor + 1.45	2016.11.11	46,359	46,359	-
	JP Morgan	3Libor + 1.75	2016.07.15	23,173	23,173	-
	Mizuho Banking Corporation	3Libor + 1.02	2017.04.16	46,359	-	46,359
	Mizuho Banking Corporation	3Libor + 0.75	2017.05.27	70,320	-	70,320
Total			480,373	206,304	274,069	

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Details of debentures as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

		March 31, 2016					
		Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current	Non-current
Won currency debentures	Woori Security, others		4.03	2016.12.05	100,000	100,000	-
	Woori Security, others		4.11	2017.03.29	200,000	200,000	-
Less: discount on debentures					(248)	(248)	-
Total					299,752	299,752	-

(in millions of Korean won)

		December 31, 2015					
		Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current	Non-current
Won currency debentures	Woori Security, others		4.03	2016.12.05	100,000	100,000	-
	Woori Security, others		4.11	2017.03.29	200,000	-	200,000
Less: discount on debentures					(316)	(89)	(227)
Total					299,684	99,911	199,773

Details of finance lease liabilities as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

		March 31, 2016				
Leaser	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts	
Hyundai Oil Bank	3.12	2024.12.31	39,275	4,923	34,352	

(in millions of Korean won)

		December 31, 2015				
Leaser	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts	
Hyundai Oil Bank	3.12	2024.12.31	38,971	4,885	34,086	

The present value of finance lease liabilities as of March 31, 2016 and December 31, 2015, is as follows:

(in millions of Korean won)

	March 31, 2016			December 31, 2015		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	5,000	77	4,923	5,000	115	4,885
1 to 5 years	20,000	1,762	18,238	20,000	1,903	18,097
Over 5 years	20,000	3,886	16,114	20,000	4,011	15,989

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16. Provisions

Changes in the carrying amount of provisions for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, are as follows:

(in millions of Korean won)

	March 31, 2016			
	Sales returns ¹	Warranty ²	Greenhouse gas emission ³	Total
Beginning balance	5,214	27,578	3,720	36,512
Additions	5,563	7,311	5,221	18,095
Used	(6,000)	(3,100)	-	(9,100)
Ending balance	4,777	31,789	8,941	45,507
Less : current portion	(4,777)	(891)	(8,941)	(14,609)
Total	-	30,898	-	30,898

(in millions of Korean won)

	December 31, 2015			
	Sales returns ¹	Warranty ²	Greenhouse gas emission ³	Total
Beginning balance	3,917	24,782	-	28,699
Additions	42,411	5,785	3,720	51,916
Used	(41,114)	(2,989)	-	(44,103)
Ending balance	5,214	27,578	3,720	36,512
Less : current portion	(5,214)	(671)	(3,720)	(9,605)
Total	-	26,907	-	26,907

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

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

³ Greenhouse gas emission provisions have been accrued for estimated expenditures to be obligated for any excess emission.

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17. Net defined benefit liability

The amounts recognized in the statements of financial position as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Present value of defined benefit obligations ¹	740,151	717,770
Fair value of plan assets	<u>(635,379)</u>	<u>(636,578)</u>
Liability in the statement of financial position	<u>104,772</u>	<u>81,192</u>

¹ The present value of defined benefit obligations is net of existing contributions to the National Pension Plan of ₩ 794 million as of March 31, 2016 (December 31, 2015: ₩ 802 million).

The amounts recognized in the statements of income for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Current service cost	28,700	25,402
Interest cost	<u>546</u>	<u>671</u>
Total, included in employee benefit expenses	<u>29,246</u>	<u>26,073</u>

Severance costs recognized for defined contribution plan for the three-month period ended March 31, 2016, amounted to ₩ 109 million (2015: ₩ 79 million).

The amounts recognized in the statements of income for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Cost of sales	20,628	17,369
Selling and administrative expenses	<u>8,727</u>	<u>8,783</u>
Total	<u>29,355</u>	<u>26,152</u>

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Changes in the present value of defined benefit obligations for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Beginning balance	717,770	605,712
Transfer in	5,453	7,620
Transfer out	(4,410)	(5,132)
Current service cost	28,673	102,133
Interest expense	4,867	18,704
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	-	371
Actuarial gains and losses arising from changes in financial assumptions	-	30,875
Actuarial gains and losses arising from experience adjustments	-	(12,108)
Others	-	412
Exchange differences	169	283
Payments from plans	(12,371)	(31,100)
Ending balance	<u>740,151</u>	<u>717,770</u>

Changes in the fair value of plan assets for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Beginning balance	636,578	518,820
Transfer in	1,384	642
Transfer out	(2,560)	(260)
Interest income	4,321	16,022
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(770)	(1,239)
Contributions:		
Employers	97	120,151
Payments from plans	(3,671)	(15,295)
Administrative costs	-	(2,263)
Ending balance	<u>635,379</u>	<u>636,578</u>

The actual return on plan assets for the three-month period ended March 31, 2016, was ₩ 3,551 million (for the year ended December 31, 2015: ₩ 14,783 million).

The principal actuarial assumptions used as of March 31, 2016 and December 31, 2015, are as follows:

	March 31, 2016	December 31, 2015
Discount rate	2.8%	2.8%
Future salary increase	5.1%	5.1%

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The sensitivity analysis for changes in key actuarial assumptions as of March 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	Increase by 1%	Decrease by 1%
Discount rate:		
Increase (decrease) in defined benefit obligations	(74,532)	89,124
Future salary increase:		
Increase (decrease) in defined benefit obligations	86,174	(73,731)

A decrease in corporate bond yields may lead most significantly to an increase in defined benefit liabilities.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets as of March 31, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	March 31, 2016				December 31, 2015			
	Quoted price	Unquoted price	Total	Compo- sition	Quoted price	Unquoted price	Total	Compo- sition
Insurance contracts with guaranteed yield	635,379	-	635,379	100%	636,578	-	636,578	100%

18. Other current and non-current liabilities

Details of other current and non-current liabilities as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current		
Advances from customers	49,309	49,793
Dividends payable	331,311	1,055
Withholding	43,540	17,270
Unearned revenues	5,959	6,889
Non-trade payables	6,384	175,040
Accrued expenses	92,068	51,680
Total	<u>528,571</u>	<u>301,727</u>
Non-current		
Long-term accrued expenses	<u>28,056</u>	<u>27,852</u>

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19. Commitments and contingencies

- (1) As of March 31, 2016, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.
- (2) As of March 31, 2016, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.
- (3) As of March 31, 2016, the Parent Company and certain overseas subsidiaries have various specific line of credit agreements with several financial institutions, as follows:

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

Classification	The Parent Company		Certain Overseas Subsidiaries		
	KRW	USD	USD	CNY	EUR
Limit of bank overdraft	53,100	50	130	300	-
Limit of the letter of credit	35,000	384	52	-	-
Limit of discount of notes from export	-	1,531	-	-	-
Limit of guaranteed payments in other foreign currency	-	191	-	-	-
Limit of loan arrangements	-	-	1,699	2,250	30

The Group also entered into credit line agreements with other financial institutions relating to trade finance and import/export amounting to ₩ 20,000 million and US\$ 180 million.

- (4) As of March 31, 2016, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩ 360,000 million.
- (5) As of March 31, 2016, the consumers in U.S., Canada and Israel have filed three class actions and the customers have filed four separate actions against the Parent Company and certain overseas subsidiaries in relation to price fixing of mobile batteries. However, the ultimate outcome of these cases cannot be determined at the reporting date.
- (6) In addition, as of March 31, 2016, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in 10 and 28 legal actions, respectively, involving ₩ 4,713 million and ₩ 6,826 million in claims. They respectively have been named as a defendant in five legal actions with ₩ 5,032 million and one case with ₩ 95 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.
- (7) As of March 31, 2016, the Parent Company has technology license agreements with STYRON EUROPE GmbH and other companies for the production of Polycarbonate products. Further, the Parent Company has entered into manufacture and production technical contracts with Exxon Mobile and others.
- (8) The Parent Company has entered into a license agreement with LG Corp. to use trademarks on the products that the Group manufactures and sells, and on the services the Group provides in relation to its business.
- (9) As of March 31, 2016, the Parent Company has contracts of US\$ 2 million and EUR 11 million in guarantees with financial institutions in regard to warranty for certain products, and the Parent Company has a contract of US\$ 68 million in guarantees with financial institutions for the advances received from customers.

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(10) As of March 31, 2016, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries. The outstanding balance of such guarantees as of March 31, 2016, amounts to US\$ 150 million (total equivalent to ₩ 173,025 million) (December 31, 2015: US\$ 150 million and EUR 3 million, total equivalent to ₩179,642 million). Details of guarantees provided as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	March 31, 2016		December 31, 2015	
				Amount of guarantee	Outstanding loan amount	Amount of guarantee	Outstanding loan amount
	LG Chem Europe GmbH	2015.01.02 ~ 2016.01.02	Shinhan Bank	-	-	3,842	-
	LG Chem Michigan, Inc.	2014.03.31 ~ 2017.03.31	SMBC	23,070	23,070	23,440	23,440
The Parent	"	2015.04.01 ~ 2016.03.31	SMBC	23,070	-	23,440	-
Company	"	2014.05.27 ~ 2017.05.27	Mizuho Bank	69,210	69,210	70,320	70,320
	"	2015.08.18 ~ 2016.08.18	Wells Fargo	23,070	23,070	23,440	23,440
	LG NanoH2O, Inc.	2015.10.01 ~ 2016.09.30	Citibank	34,605	10,382	35,160	12,892
	Total			173,025	125,732	179,642	130,092

In addition, the Parent Company provides Letters of Comfort (LOC) in relation to certain borrowings of subsidiaries.

Further, as of March 31, 2016, the Group provided no financial guarantee to its associates in relation to their borrowings.

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

(in millions of Korean won)

	March 31, 2016	December 31, 2015
Property, plant and equipment	384,109	297,362

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20. Equity

Changes in share capital and share premium for the three-month period ended March 31, 2016 and the year ended December 31, 2015, are as follows:

(in millions of Korean won and in shares)

	Ordinary shares		Preferred shares		Share premium
	Number of shares	Amount	Number of shares	Amount	
January 1, 2015	66,271,100	331,356	7,628,921	38,144	897,424
December 31, 2015	66,271,100	331,356	7,628,921	38,144	897,424
March 31, 2016	66,271,100	331,356	7,628,921	38,144	897,424

Changes in treasury shares for the three-month period ended March 31, 2016 and the year ended December 31, 2015, 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, 2015	359,795	5,519	15,484	13,855
December 31, 2015	359,795	5,519	15,484	13,855
March 31, 2016	359,795	5,519	15,484	13,855

21. Retained earnings

Details of retained earnings as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Legal reserve ¹	296,178	296,178
Discretionary reserve ²	10,408,789	9,551,785
Retained earnings before appropriation	835,428	1,684,537
Total	11,540,395	11,532,500

¹ The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

² The Parent Company separately accumulates a discretionary reserve for research and human resource development through appropriation of retained earnings, which has been included as deductible expense for the corporate income tax return according to the Special Tax Treatment Law. The reserve could be reversed in accordance with the terms of related tax laws.

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22. Other components of equity

Details of other components of equity as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Treasury shares (Note 20)	(15,484)	(15,484)
Capital transactions within the Group ¹	<u>(215)</u>	<u>(215)</u>
Total	<u>(15,699)</u>	<u>(15,699)</u>

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

23. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Wages and salaries	128,043	111,997
Pension costs (Note 17)	8,727	8,783
Welfare expense	24,608	22,771
Travel expense	9,352	8,283
Water & utilities	8,762	7,379
Packaging expense	1,709	1,617
Rental expense	19,824	22,063
Commission expense	64,493	53,435
Depreciation (Note 12)	20,101	18,189
Advertising expense	4,063	4,073
Freight expense	108,424	114,093
Training expense	2,653	2,161
Amortization (Note 13)	8,795	6,593
Sample expense	4,124	4,276
Development costs	21,348	16,699
Others	<u>41,602</u>	<u>29,838</u>
Total	<u>476,628</u>	<u>432,250</u>

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24. Expenses by nature

Expenses that are recorded by function as cost of sales, and selling, general and administrative expenses in the statements of income for the three-month periods ended March 31, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016	2015
Changes in inventories	46,746	266,855
Raw materials and consumables used	2,583,807	2,565,908
Purchase of merchandise	250,522	287,576
Employee benefit expense (Note 25)	429,856	436,650
Advertising expense	4,235	4,281
Transportation expense	116,918	121,023
Service fees	102,145	86,549
Depreciation, amortization	321,819	307,785
Operating lease payments	18,005	15,856
Other expenses	542,294	460,737
Total	<u>4,416,347</u>	<u>4,553,220</u>

25. Employee benefit expense

Details of employee benefit expenses for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Wages and salaries	363,132	370,484
Pension costs – Defined benefit plan (Note 17)	29,246	26,073
Pension costs – Defined contribution plan (Note 17)	109	79
Others	37,369	40,014
Total	<u>429,856</u>	<u>436,650</u>

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26. Finance income and expenses

Details of finance income and expenses for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Finance income		
Interest income ¹	11,373	10,172
Gain on foreign exchange	20,429	34,833
Gain on foreign currency translation	9,880	1,680
Gain on disposal of trading derivatives	1,640	1,436
Total	43,322	48,121
Finance expense		
Interest expense ²	14,004	16,612
Loss on foreign exchange	23,724	33,590
Loss on foreign currency translations	4,510	8,886
Loss on disposal of trading derivatives	3,141	153
Total	45,379	59,241

¹ Details of interest income for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Bank deposits	10,433	9,448
Other loans and receivables	940	724
Total	11,373	10,172

² Details of interest expense for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Interest on bank overdraft and borrowings	12,167	12,424
Interest on finance lease liabilities	304	-
Interest on debentures	3,131	4,132
Other interest expenses	452	964
Capitalized interest for qualifying assets	(2,050)	(908)
Total	14,004	16,612

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27. Other non-operating income

Details of other non-operating income for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Gain on foreign exchange	94,195	45,263
Gain on foreign currency translation	65,523	15,291
Gain on disposal of property, plant and equipment	1,048	458
Others	9,884	4,847
Total	<u>170,650</u>	<u>65,859</u>

28. Other non-operating expenses

Details of other non-operating expenses for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Loss on foreign exchange	95,286	51,701
Loss on foreign currency translation	76,433	17,413
Loss on disposal of property, plant and equipment	7,044	17,754
Loss on disposal of intangible assets	154	124
Impairment loss on property, plant and equipment (Note 12)	1,216	-
Others	20,783	4,333
Total	<u>200,916</u>	<u>91,325</u>

29. 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 three-month period ended March 31, 2016, is 19.4% (for the period ended March 31, 2015: 21.9%).

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30. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent Company by the weighted average number of shares in issue excluding shares purchased by the Parent Company and held as treasury shares. As of the reporting date, the Parent Company has no potential ordinary shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

Basic earnings per share attributable to the owners of the Parent Company for the three-month periods ended March 31, 2016 and 2015, is computed as follows:

<i>(in millions of Korean won)</i>	2016	2015
Profit attributable to ordinary shares ¹	304,454	217,539
Weighted average number of ordinary shares outstanding ²	65,911,305	65,911,305
Basic earnings per ordinary share (in won)	4,619	3,300

<i>(in millions of Korean won)</i>	2016	2015
Profit attributable to preferred shares ¹	35,308	25,257
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402
Basic earnings per preferred share (in won)	4,632	3,313

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

<i>(in millions of Korean won)</i>	2016	2015
Profit for the period attributable to owners of the Parent Company	339,762	242,796
Ordinary shares dividends (A)	74,150	65,911
Preferred shares dividends (B)	8,672	7,719
Undistributed earnings for the period	256,940	169,166
Undistributed earnings available for ordinary shares (C)	230,304	151,628
Undistributed earnings available for preferred shares (D)	26,636	17,538
Profit for the period attributable to ordinary shares (A+C)	304,454	217,539
Profit for the period attributable to preferred shares (B+D)	35,308	25,257

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² Weighted average numbers of shares are calculated as follows:

<i>(in shares)</i>	2016	2015
Ordinary shares outstanding	66,271,100	66,271,100
Ordinary treasury shares	(359,795)	(359,795)
Weighted average number of ordinary shares outstanding	<u>65,911,305</u>	<u>65,911,305</u>
Preferred shares outstanding	7,628,921	7,628,921
Preferred treasury shares	(5,519)	(5,519)
Weighted average number of preferred shares outstanding	<u>7,623,402</u>	<u>7,623,402</u>

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

31. Dividends

The ₩331,287 million (2015: ₩294,520 million) of dividends for the year ended December 31, 2015, was paid to the shareholders of the Parent Company in April 2016.

32. Related party transactions

As of March 31, 2016 and December 31, 2015, LG Corp. is an entity exercising significant influence over the Group as it owns 33.53% of the Parent Company's ordinary shares.

Details of other related parties that have sales and other transactions with the Group or have receivables and payables balances, other than consolidated subsidiaries, associates and joint ventures (Note 1.3), as of March 31, 2016 and December 31, 2015, are as follows:

Related parties	Related parties' subsidiaries (Domestic)	Related parties' subsidiaries (foreign)	Details
SERVEONE	-	Serveone(Nanjing) Co., LTD. and others	Subsidiary of LG Corp.
LG CNS Co., Ltd.	LG N-Sys Inc., BNE PARTNERS Inc., Ever ON Co., Ltd.	LG CNS China Inc. and others	Subsidiary of LG Corp.
LG Siltron Incorporated	-	-	Subsidiary of LG Corp.
LG Management Development Institute	-	-	Subsidiary of LG Corp.
LG SPORTS Ltd.	-	-	Subsidiary of LG Corp.
LG MMA Corporation	-	-	Joint venture of LG Corp.

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Sales and purchases with related parties for the three-month periods ended March 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016			
	Sales and others	Purchase and others		
		Purchase of raw material /merchandise	Acquisition of property, plant and equipment and intangible assets	Others
Entity with significant influence over the Group				
LG Corp.	-	-	-	11,681
Associates and joint ventures				
SEETEC Co., Ltd.	3,869	26,011	-	19,826
TECWIN Co., Ltd.	-	22	55	-
HL Greenpower Co., Ltd.	14,536	-	-	-
Others	273	-	-	572
Other related parties				
LG MMA Corporation	22,284	26,391	-	990
SERVEONE and its subsidiaries	4,430	101,103	33,218	23,018
LG CNS Co., Ltd. and its subsidiaries	3,138	840	13,729	14,922
Others	-	-	-	2,874
Key management	-	-	-	10,851
Total	48,530	154,367	47,002	84,734

(in millions of Korean won)

	2015			
	Sales and others	Purchase and others		
		Purchase of raw material /merchandise	Acquisition of property, plant and equipment and intangible assets	Others
Entity with significant influence over the Group				
LG Corp.	-	-	-	12,148
Associates and joint ventures				
SEETEC Co., Ltd.	8,061	38,630	-	18,976
TECWIN Co., Ltd.	-	-	1,329	-
HL Greenpower Co., Ltd.	14,842	-	-	-
Others	8	-	-	344
Other related parties				
LG MMA Corporation	21,746	33,765	-	811
SERVEONE and its subsidiaries	4,921	97,936	100,397	22,201
LG CNS Co., Ltd. and its subsidiaries	2,100	291	9,707	12,012
Others	17	-	-	2,663
Key management	-	-	-	15,704
Total	51,695	170,622	111,433	84,859

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Balances of receivables and payables arising from sales and purchases of goods and services as of March 31, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)

	March 31, 2016			
	Receivables			
	Trade receivables and others	Loans receivable	Other receivables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	12,473	12,473
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	-	-
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	18,513	-	-	18,513
LG Fuel Cell Systems Inc.	-	9,701	-	9,701
Others	-	-	500	500
Other related parties				
LG MMA Corporation	8,733	-	457	9,190
SERVEONE and its subsidiaries	1,995	-	26,199	28,194
LG CNS Co., Ltd. and its subsidiaries	9,715	-	283	9,998
Others	-	-	3,712	3,712
Key management	-	-	-	-
Total	38,956	9,701	43,624	92,281

(in millions of Korean won)

	March 31, 2016			
	Payables			
	Trade payables	Borrowings	Other payables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	-	-
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	18,455	18,455
TECWIN Co., Ltd.	19	-	-	19
HL Greenpower Co., Ltd.	-	-	-	-
LG Fuel Cell Systems Inc.	-	-	-	-
Others	-	-	50	50
Other related parties				
LG MMA Corporation	9,473	-	9	9,482
SERVEONE and its subsidiaries	1,391	-	145,346	146,737
LG CNS Co., Ltd. and its subsidiaries	161	-	27,768	27,929
Others	-	-	265	265
Key management	-	-	49,243	49,243
Total	11,044	-	241,136	252,180

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	December 31, 2015			
	Receivables			
	Trade receivables and others	Loans receivable	Other receivables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	11,463	11,463
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	-	-
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	12,833	-	-	12,833
LG Fuel Cell Systems Inc.	-	9,857	-	9,857
Others	-	-	451	451
Other related parties				
LG MMA Corporation	7,801	-	410	8,211
SERVEONE and its subsidiaries	1,929	-	26,199	28,128
LG CNS Co., Ltd. and its subsidiaries	10,228	-	-	10,228
Others	-	-	3,722	3,722
Key management	-	-	-	-
Total	32,791	9,857	42,245	84,893

(in millions of Korean won)

	December 31, 2015			
	Payables			
	Trade payables	Borrowings	Other payables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	-	-
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	20,725	20,725
TECWIN Co., Ltd.	-	-	215	215
HL Greenpower Co., Ltd.	-	-	5	5
LG Fuel Cell Systems Inc.	-	-	-	-
Others	-	-	60	60
Other related parties				
LG MMA Corporation	8,310	-	-	8,310
SERVEONE and its subsidiaries	1,332	-	149,785	151,117
LG CNS Co., Ltd. and its subsidiaries	1,176	-	30,577	31,753
Others	-	-	296	296
Key management	-	-	59,234	59,234
Total	10,818	-	260,897	271,715

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The Group has no fund transactions with related parties for the three-month periods ended March 31, 2016 and 2015.

Dividends received from a related party for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Joint venture		
SEETEC Co., Ltd.	-	20,000
Total	<u>-</u>	<u>20,000</u>

The Group has paid no dividends to related parties during the three-month periods ended March 31, 2016 and 2015.

Compensation for key management of the Group for the three-month periods ended March 31, 2016 and 2015, consists of:

<i>(in millions of Korean won)</i>	2016	2015
Wages and salaries	10,066	13,561
Pension costs	785	2,143
Total	<u>10,851</u>	<u>15,704</u>

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

There are no provisions held against receivables from related parties and thus, no bad debts expense has been recognized during the current and prior periods.

Details of the guarantees provided by the Parent Company for related parties at the reporting date are disclosed in Note 19.

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33. Cash generated from operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the three-month periods ended March 31, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	2016	2015
Profit before income tax	423,084	324,105
Adjustments for:		
Depreciation	310,385	298,507
Amortization	11,434	9,278
Pension costs	29,246	26,073
Finance income	(88,217)	(28,291)
Financial expenses	98,823	44,261
Foreign exchange differences	24,555	(3,426)
Gain on disposal of property, plant and equipment	(1,048)	(458)
Loss on disposal of property, plant and equipment	7,044	17,754
Loss on disposal of intangible assets	154	124
Impairment loss on property, plant and equipment	1,216	-
Other income	1,942	(11,851)
Inventories	53,203	411,503
Trade receivables	89,109	97,368
Other receivables	(7,585)	(6,408)
Other current assets	(22,533)	59,746
Settlement of derivatives	(1,408)	2,066
Trade payables	9,703	(149,906)
Other payables	86,739	(19,797)
Other current liabilities	(84,094)	31,566
Net defined benefit liabilities	(6,578)	(8,273)
Other cash flows from operations	5,280	(1,169)
Cash generated from operations	<u>940,454</u>	<u>1,092,772</u>

The principal non-cash transactions for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Transfer of construction-in-progress	346,234	250,431
Transfer of machinery-in-transit	7,921	21,078
Reclassification of long-term borrowings into current maturities	216,994	82,382
Reclassification of non-current asset held for sale	3,405	-

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34. Segment information

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

Segment	Products or services	Major customers
Basic materials & Chemicals	ABS, PC, EP, PE, PP, Acrylic, Alcohol, SAP, PVC, Synthetic rubber, Special resin, BPA, Ethylene, Propylene and others	LG International Corp., LG Electronics Inc., DongbuDaewoo Electronics Inc., National Plastic Co. Ltd., Youl Chon Chemical Co. Ltd., OCI Company Co. Ltd., Mitsubishi Corp. and others
IT & Electronic materials	Polarizers, 3D FPR and others	LG Display Co., Ltd. BOE, AUO, and others
Energy solutions	Portable batteries, automotive batteries, Electricity storage batteries and others	Hewlett-Packard Co., General Motors Corp., and others
Advanced materials	LCD Photoresist, OLED materials, Battery materials and others	LG Display Co., Ltd. Samsung Display Co., Ltd.
Common and others	General management, sales and R&D	

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The segment information on revenue and profit and loss for the three-month periods ended March 31, 2016 and 2015, is as follows:

(in millions of Korean won)

	2016					Total
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others ³	
Total segment revenue	3,511,969	515,191	814,381	111,991	1,723	4,955,255
Inter-segment revenue	40,045	3,853	84	35,458	1,723	81,163
Revenue from external customers ¹	3,471,924	511,338	814,297	76,533	-	4,874,092
Operating profit (loss) ²	466,228	(16,691)	(333)	8,679	(138)	457,745

(in millions of Korean won)

	2015					Total
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others ³	
Total segment revenue	3,607,947	572,185	706,566	103,436	1,196	4,991,330
Inter-segment revenue	43,673	3,952	466	27,021	1,196	76,308
Revenue from external customers ¹	3,564,274	568,233	706,100	76,415	-	4,915,022
Operating profit (loss) ²	321,392	31,975	3,856	4,676	(97)	361,802

¹ Revenue from external customers consists of sales of goods. Interest income and dividend income are included in finance income.

² Management assesses the performance of the operating segments based on a measure of operating profit of segment.

³ Common and other segments include operating segments not qualifying as a reportable segment, supporting divisions as well as R&D divisions.

The segment information on assets and liabilities as of March 31, 2016 and December 31, 2015, is as follows:

(in millions of Korean won)

	March 31, 2016					Total
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others	
Total assets for the segment ¹	8,322,820	3,046,658	4,137,056	392,711	2,961,040	18,860,285
Investments in associates and joint ventures	32,873	-	16,070	-	240,595	289,538
Total liabilities for the segment ¹	2,797,732	904,384	1,575,343	76,353	400,124	5,753,936

(in millions of Korean won)

	December 31, 2015					Total
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others	
Total assets for the segment ¹	8,094,328	2,835,033	3,796,738	339,254	3,513,375	18,578,728
Investments in associates and joint ventures	38,837	-	16,559	-	238,351	293,747
Total liabilities for the segment ¹	2,516,170	803,266	1,707,676	84,845	363,249	5,475,206

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

The external sales and non-current assets by geographical segments from continuing operations for the three-month periods ended March 31, 2016 and 2015, and as of March 31, 2016 and December 31, 2015, are as follows:

*(in millions of
Korean won)*

	Sales		Non-current assets¹	
	2016	2015	2016	2015
Korea ²	1,482,738	1,603,400	7,651,977	7,767,917
China	1,590,752	1,633,385	1,383,175	1,306,950
Asia	965,566	987,251	28,417	28,250
America	305,059	284,288	239,798	242,132
Europe	463,275	343,269	23,819	23,846
Others	66,702	63,429	-	-
Total	4,874,092	4,915,022	9,327,186	9,369,095

¹ Represents aggregate amount of property, plant and equipment, and intangible assets.

² Domestic sales include the exports made through local letters of credit.

There is no external customer attributing to more than 10% of total revenue for the three-month periods ended March 31, 2016 and 2015.

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35. Non-current assets held for sale

The Group decided to dispose of certain non-current assets related to the separator division with the approval of the management on September 25, 2015. The Group also decided to dispose of the electrolyte division with the approval of the management on February 29, 2016. The related assets were reclassified as non-current assets held for sale. The disposal is expected to be completed in 2016.

Details of assets of disposal group classified as held-for-sale as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015
	Separator	Electrolyte	Separator
Assets of disposal group			
Property, plant and equipment	6,500	3,405	6,500

Assets of the disposal group were measured at fair value immediately before the initial classification of the assets as held for sale and the the related reversal of impairment loss(gain) amounting is as follows:

<i>(in millions of Korean won)</i>	2016	2015
Reversal of impairment loss (gain) on property, plant and equipment	1,216	(5,520)

36. Event after the reporting period

On April 15, 2016, the Parent Company acquired 100% ownership of Farm Hannong Co., Ltd. (formerly Dongbu Farm Hannong Co., Ltd.) for ₩ 424,500 million. The Parent Company decided to infuse additional capital of ₩ 300,000 million into Farm Hannong Co., Ltd., as approved by the Board of Directors on April 20, 2016.