

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Financial Statements
September 30, 2015 and 2014

LG Chem, Ltd. and Subsidiaries
Index
September 30, 2015 and 2014

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Interim Consolidated Financial Statements	
Interim Consolidated Statements of Financial Position	3 - 4
Interim Consolidated Statements of Income	5
Interim Consolidated Statements of Comprehensive Income	6
Interim Consolidated Statements of Changes in Equity	7
Interim Consolidated Statements of Cash Flows	8
Notes to the Interim Consolidated Financial Statements	9 - 63



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 September 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2015 and 2014, and interim consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2015 and 2014, 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 do not present fairly, in all material respects, in accordance with the Korean IFRS 1034, *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2014, 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 5, 2015. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2014, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2014.

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
November 12, 2015

The report is effective as of November 12, 2015, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
September 30, 2015 and December 31, 2014

<i>(in millions of Korean won)</i>	Notes	September 30, 2015 (Unaudited)	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	1,246,564	988,016
Trade receivables	3, 5, 7, 32	3,237,741	3,239,283
Other receivables	3, 5, 7, 32	1,093,691	916,796
Prepaid income taxes		1,637	1,421
Other current financial assets	3, 5, 8, 9	-	783
Other current assets	14	356,935	283,373
Inventories	10	2,470,848	2,711,188
Non-current assets held for sale	36	6,500	5,961
Total current assets		8,413,916	8,146,821
Non-current assets			
Other receivables	3, 5, 7	77,001	74,223
Other financial assets	3, 5, 8	3,898	6,153
Investments in associates and joint ventures	1, 11, 34	388,910	489,450
Deferred income tax assets	29	106,773	96,823
Property, plant and equipment	12	8,880,686	8,699,536
Intangible assets	13	497,628	525,020
Other non-current assets	14	78,461	89,620
Total non-current assets		10,033,357	9,980,825
Total assets		18,447,273	18,127,646
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 32	1,121,062	1,337,866
Other payables	3, 5, 32	784,611	901,648
Borrowings	3, 5, 15	2,120,998	2,205,720
Other current financial liabilities	3, 5, 8, 9	34	-
Provisions	16	4,127	5,265
Current income tax liabilities	29	215,358	116,107
Other current liabilities	5, 18	337,306	242,443
Total current liabilities		4,583,496	4,809,049
Non-current liabilities			
Other payables	3, 5	30,744	54,645
Borrowings	3, 5, 15	617,002	727,830
Provisions	16	24,610	23,434
Net defined benefit liabilities	17	96,468	86,892
Deferred income tax liabilities	29	93,825	159,944
Other non-current liabilities	18	21,619	-
Total non-current liabilities		884,268	1,052,745
Total liabilities		5,467,764	5,861,794

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
September 30, 2015 and December 31, 2014

<i>(in millions of Korean won)</i>	Notes	September 30, 2015 (Unaudited)	December 31, 2014
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		13,514	(62,233)
Retained earnings	21	11,337,036	10,690,605
		<u>12,862,123</u>	<u>12,139,945</u>
Non-controlling interests		117,386	125,907
Total equity		<u>12,979,509</u>	<u>12,265,852</u>
Total liabilities and equity		<u>18,447,273</u>	<u>18,127,646</u>

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Income
Three-Month and Nine-Month Periods Ended September 30, 2015 and 2014

	Notes	2015		2014	
		(Unaudited)		(Unaudited)	
		Three months	Nine months	Three months	Nine months
Revenue	32, 34	5,177,749	15,165,993	5,663,948	17,205,527
Cost of sales	24, 32	(4,159,918)	(12,328,545)	(4,896,640)	(14,885,644)
Gross profit		1,017,831	2,837,448	767,308	2,319,883
Selling, general and administrative expenses	23, 24, 32	(471,513)	(1,365,887)	(409,855)	(1,240,701)
Operating profit	34	546,318	1,471,561	357,453	1,079,182
Finance income	5, 26	41,265	117,372	36,977	90,777
Finance expenses	5, 26	(80,202)	(174,132)	(39,467)	(126,666)
Share of profit (loss) of associates and joint ventures	11	13,639	12,099	(6,041)	5,359
Other non-operating income	5, 27	161,951	340,400	124,526	252,069
Other non-operating expenses	5, 28, 36	(243,292)	(510,574)	(179,627)	(362,910)
Profit before income tax	33	439,679	1,256,726	293,821	937,811
Income tax expense	29	(97,310)	(315,237)	(61,901)	(193,127)
Profit for the period		342,369	941,489	231,920	744,684
Attributable to:					
Owners of the parent		350,412	942,653	242,352	757,789
Non-controlling interests		(8,043)	(1,164)	(10,432)	(13,105)
Earnings per share					
to owners of the parent (in won)	30				
Basic and diluted earnings per ordinary share		4,764	12,815	3,294	10,301
Basic and diluted earnings per preferred share		4,777	12,853	3,307	10,339

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2015 and 2014

	Notes	2015		2014	
		(Unaudited)		(Unaudited)	
		Three months	Nine months	Three months	Nine months
<i>(in millions of Korean won)</i>					
Profit for the period		342,369	941,489	231,920	744,684
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of the net defined benefit liability	17	49	(1,174)	(34,616)	(34,581)
Shares of remeasurement on net defined benefit liability of associates		-	4	1	5
Income tax effect relating to components of other comprehensive income		(12)	284	8,376	8,369
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences		66,649	107,434	53,749	(25,047)
Others		(28,197)	(27,748)	9,425	(15,629)
Income tax effect relating to components of other comprehensive income		2,344	3,856	(6,636)	(7,159)
Other comprehensive income (loss) for the period, net of tax		40,833	82,656	30,299	(74,042)
Total comprehensive income for the period		383,202	1,024,145	262,219	670,642
Attributable to:					
Owners of the parent		386,506	1,017,514	268,313	686,775
Non-controlling interests		(3,304)	6,631	(6,094)	(16,133)

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2015 and 2014

(in millions of Korean won)

Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total		
Balance at January 1, 2014	369,500	1,157,772	(15,699)	(87,259)	10,172,632	11,596,946	128,716	11,725,662
Comprehensive income:								
Profit (loss) for the period	-	-	-	-	757,789	757,789	(13,105)	744,684
Remeasurements of the net defined benefit liability	17	-	-	-	(26,212)	(26,212)	-	(26,212)
Currency translation differences		-	-	-	(29,178)	(29,178)	(3,028)	(32,206)
Others		-	-	-	(15,629)	5	-	(15,624)
Total comprehensive income		-	-	-	(44,807)	731,582	(16,133)	670,642
Transactions with owners:								
Dividends	31	-	-	-	(294,520)	(294,520)	(5,309)	(299,829)
Others		-	-	-	(110)	(110)	(473)	(583)
Total transactions with owners		-	-	-	(294,630)	(294,630)	(5,782)	(300,412)
Balance at September 30, 2014 (Unaudited)	369,500	1,157,772	(15,699)	(132,066)	10,609,584	11,989,091	106,801	12,095,892
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 (loss) for the period		-	-	-	942,653	942,653	(1,164)	941,489
Remeasurements of the net defined benefit liability	17	-	-	-	(890)	(890)	-	(890)
Currency translation differences		-	-	-	103,495	103,495	7,795	111,290
Others		-	-	-	(27,748)	4	-	(27,744)
Total comprehensive income		-	-	-	75,747	941,767	6,631	1,024,145
Transactions with owners:								
Dividends	31	-	-	-	(294,520)	(294,520)	(14,880)	(309,400)
Others		-	-	-	(816)	(816)	(272)	(1,088)
Total transactions with owners		-	-	-	(295,336)	(295,336)	(15,152)	(310,488)
Balance at September 30, 2015 (Unaudited)	369,500	1,157,772	(15,699)	13,514	11,337,036	12,862,123	117,386	12,979,509

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2015 and 2014

<i>(in millions of Korean won)</i>	Notes	2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	33	2,478,115	1,829,266
Interest received		28,607	33,208
Interest paid		(51,944)	(64,398)
Dividends received		33,500	213
Income taxes paid		(277,262)	(228,668)
Net cash generated from operating activities		<u>2,211,016</u>	<u>1,569,621</u>
Cash flows from investing activities			
Decrease in other receivables		826,195	649,540
Decrease in non-current other receivables		18,288	9,599
Proceeds from disposal of available-for-sale financial assets		2,991	-
Proceeds from disposal of property, plant and equipment		96,796	6,944
Proceeds from disposal of intangible assets		2,350	66
Increase in other receivables		(960,818)	(1,039,459)
Increase in non-current other receivables		(33,738)	(30,095)
Increase in non-current other financial assets		(649)	(51)
Acquisition of investments in associates and joint ventures		(150)	(41,935)
Acquisition of property, plant and equipment		(1,113,290)	(992,992)
Acquisition of intangible assets		(53,642)	(35,067)
Business combination		-	(136,418)
Net cash used in investing activities		<u>(1,215,667)</u>	<u>(1,609,868)</u>
Cash flows from financing activities			
Proceeds from borrowings		118,756	556,719
Repayments of borrowings		(556,116)	(339,430)
Dividends paid		(309,412)	(299,850)
Net cash used in financing activities		<u>(746,772)</u>	<u>(82,561)</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		988,016	1,399,054
Exchange gain (loss) on cash and cash equivalents		9,971	(9,938)
Cash and cash equivalents at the end of period		<u>1,246,564</u>	<u>1,266,308</u>

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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 September 30, 2015, 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 September 30, 2015, 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, and production of synthetic resin, synthetic rubber, and synthetic components from olefin, and aromatic petrochemicals. This business bears characteristics of 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 IT & Electronic material business manufactures and supplies various display materials such as polarizer, LCD glass and PCB materials. 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. In addition, the Group completed the expansion of two polarizing plate lines in Nanjing, China, in order to proactively respond to the demand in China, the world’s largest growing panel market in 2014, and will expand the third line in 2016.

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.

Advanced materials business manufactures and supplies display and battery materials for LCD Photoresist, OLED materials, battery materials and others. LCD Photoresist has the second-largest worldwide market share based on its outstanding performance. In addition, the Group manufactures OLED, next generation display materials in order to prepare post LCD era.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

1.3 Consolidated subsidiaries, associates and joint ventures

	September 30, 2015			
	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 Trading 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, 5}	75	China	December 31	PVC, VCM, EDC manufacturing and sales
Tianjin LG BOTIAN Chemical Co., Ltd. ⁵	56	China	December 31	SBS manufacturing and sales
LG Chem (China) Investment Co., Ltd. ⁶	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. ⁷	100	USA	December 31	Water purification filter research and manufacturing
NanoH2O Singapore Private Ltd. ⁷	100	Singapore	December 31	Water purification filter research and manufacturing
NanoH2O (Jiangsu) Water Processing Technology Co. Ltd. ⁷	100	China	December 31	Water purification filter research and manufacturing
LG Chem (Nanjing) New Energy Battery Co., Ltd. ⁸	50	China	December 31	Automotive battery manufacturing and sales
LG Chem (Chongqing) Engineering Plastics Co., Ltd. ⁹	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 INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. ¹⁰	100	Brazil	December 31	Sales and trading
LG Chem Malaysia SDN.BHD. ¹¹	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

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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 September 30, 2015, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

² As of September 30, 2015, 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 ₩ 16,504 million.

⁴ During the period, Tianjin LG Bohai Chemical Co., Ltd. merged with Tianjin LG DAGU Chemical Co., Ltd.

⁵ As of September 30, 2015, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

⁶ During the period, the Parent Company acquired additional shares of LG Chem (China) Investment Co., Ltd. for ₩ 6,417 million.

⁷ During the period, the Parent Company acquired additional shares of NanoH2O, Inc. for ₩ 93,899 million. LG NanoH2O, Inc. owns 100% of NanoH2O Singapore Private Ltd. and NanoH2O (Jiangsu) Water Processing Technology Co. Ltd. shares.

⁸ 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.

⁹ LG Chem (Chongqing) Engineering Plastics Co., Ltd. was established during the period, and the Parent Company newly acquired 100% shares of LG Chem (Chongqing) Engineering Plastics Co., Ltd. for ₩ 4,537 million.

¹⁰ Classified as an investment in associate due to its small size.

¹¹ LG Chem Malaysia SDN.BHD. was established during the period and classified as an investment in associate due to its small size. The Parent Company newly acquired 100% shares of LG Chem Malaysia SDN.BHD. for ₩ 150 million.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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)

	September 30, 2015				
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the period
Consolidated subsidiaries					
Tianjin LG DAGU Chemical Co., Ltd. ¹	-	-	-	270,731	(10,510)
Ningbo LG Yongxing Chemical Co., Ltd.	686,179	247,510	438,669	1,228,798	72,009
Ningbo Zhenhai LG Yongxing Trading Co., Ltd.	10,631	8,474	2,157	13,371	269
LG Chem HK Ltd.	131,287	113,545	17,742	399,499	264
LG Chem America, Inc.	200,095	183,436	16,659	516,053	1,127
LG Chemical India Pvt. Ltd.	32,776	61	32,715	56	67
LG Polymers India Pvt. Ltd.	89,954	29,422	60,532	147,529	5,261
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	102,943	37,732	65,211	105,164	7,088
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	1,851,059	1,082,917	768,142	1,528,788	38,583
LG Chem (Taiwan), Ltd.	152,183	77,267	74,916	200,138	8,240
LG Chem Display Materials (Beijing) Co., Ltd.	38,291	11,519	26,772	59,495	1,020
Tianjin LG Bohai Chemical Co., Ltd.	390,932	262,088	128,844	283,405	(72,459)
Tianjin LG BOTIAN Chemical Co., Ltd.	68,914	85,356	(16,442)	97,019	5,083
LG Chem (China) Investment Co., Ltd.	211,144	107,242	103,902	32,265	4,005
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	58,797	11,763	47,034	65,936	4,146
LG Chem Europe GmbH	132,579	112,065	20,514	255,319	5,164
LG Chem Poland Sp. z o.o.	62,027	44,042	17,985	56,872	1,671
LG Chem Michigan Inc.	216,179	187,486	28,693	49,141	527
LG Chem Power Inc.	9,399	7,244	2,155	25,942	1,662
LGC Petrochemical India Private Ltd.	1,536	327	1,209	2,580	331
Haengboknuri	1,751	600	1,151	3,508	226
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	4,410	3,432	978	26,671	650
LG Chem Japan Co., Ltd.	2,265	213	2,052	3,305	381
LG NanoH2O, Inc.	26,944	15,159	11,785	7,983	(15,472)
LG Chem (Nanjing) New Energy Battery Co., Ltd.	39,296	5,350	33,946	139	132
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	4,378	33	4,345	-	(474)
Associates					
LG Holdings (HK) Ltd.	405,584	120,049	285,535	39,807	12,889
TECWIN Co., Ltd.	41,075	9,422	31,653	-	-
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	115	237	(122)	-	-
LG Chem Malaysia SDN.BHD.	156	-	156	59	8
LG Fuel Cell Systems Inc.	33,266	55,046	(21,780)	1,239	(28,019)
Joint ventures					
LG VINA Chemical Co., Ltd.	24,191	14,899	9,292	45,876	1,891
HL Greenpower Co., Ltd.	83,716	49,433	34,283	76,475	(2,009)
SEETEC Co., Ltd.	364,277	42,389	321,888	388,076	17,042
CNOOC & LG Petrochemicals Co., Ltd.	281,998	249,787	32,211	179,505	(25,820)
KLPE Limited Liability Partnership	220,452	512	219,940	-	38,936

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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

(in millions of Korean won)

	December 31, 2014				
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the period
Consolidated subsidiaries					
Tianjin LG DAGU Chemical Co., Ltd.	181,399	134,814	46,585	377,551	(30,177)
Ningbo LG Yongxing Chemical Co., Ltd.	739,541	341,938	397,603	1,870,054	81,306
Ningbo Zhenhai LG Yongxing Trading Co., Ltd.	5,639	3,874	1,765	13,100	239
LG Chem HK Ltd.	100,332	84,306	16,026	547,380	731
LG Chem America, Inc.	175,151	160,887	14,264	704,740	1,035
LG Chemical India Pvt. Ltd.	32,635	39	32,596	470	95
LG Polymers India Pvt. Ltd.	81,160	28,311	52,849	226,436	6,063
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	95,367	41,059	54,308	156,389	8,527
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	1,546,814	882,779	664,035	1,952,241	66,908
LG Chem (Taiwan), Ltd.	145,032	80,991	64,041	335,978	13,769
LG Chem Display Materials (Beijing) Co., Ltd.	34,136	10,028	24,108	47,626	1,402
Tianjin LG Bohai Chemical Co., Ltd.	334,434	178,432	156,002	405,238	(43,707)
Tianjin LG BOTIAN Chemical Co., Ltd.	61,248	81,579	(20,331)	85,156	(13,689)
LG Chem (China) Investment Co., Ltd.	204,239	112,455	91,784	34,739	2,592
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	68,586	25,229	43,357	94,019	4,600
LG Chem Europe GmbH	133,687	118,619	15,068	361,953	2,932
LG Chem Poland Sp. z o.o.	33,062	17,100	15,962	79,568	(298)
LG Chem Michigan Inc.	193,990	167,994	25,996	36,607	(1,409)
LG Chem Power Inc.	6,964	6,634	330	24,185	(74)
LGC Petrochemical India Private Ltd.	1,134	302	832	2,818	456
Haengboknuri	1,442	517	925	3,922	254
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI	8,308	7,833	475	26,847	249
LG Chem Japan Co., Ltd.	2,044	525	1,519	3,854	258
LG NanoH2O, Inc.	20,862	90,487	(69,625)	4,452	(26,187)
LG Chem (Nanjing) New Energy Battery Co., Ltd.	31,780	14	31,766	-	(124)
Associates					
LG Holdings (HK) Ltd.	381,532	126,574	254,958	48,569	13,131
TECWIN Co., Ltd.	41,075	9,422	31,653	46,325	1,379
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	115	237	(122)	1,361	(211)
LG Fuel Cell Systems Inc.	25,518	17,838	7,680	4,258	(62,363)
Joint ventures					
LG VINA Chemical Co., Ltd.	24,392	15,187	9,205	67,887	2,557
HL Greenpower Co., Ltd.	93,757	57,473	36,284	138,121	2,194
SEETEC Co., Ltd.	420,071	48,225	371,846	581,648	57,558
CNOOC & LG Petrochemicals Co., Ltd.	281,457	225,730	55,727	129,141	(22,209)
KLPE Limited Liability Partnership	276,809	13,576	263,233	-	10,108

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014 (Unaudited), and December 31, 2014

1.5 Changes in Scope for Consolidation

Subsidiary newly included in the consolidation for the nine-month period ended September 30, 2015:

Subsidiary	Reason
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	Newly acquired

Subsidiary excluded from the consolidation for the nine-month period ended September 30, 2015:

Subsidiary	Reason
Tianjin LG DAGU Chemical Co., Ltd.	Merged with Tianjin LG Bohai Chemical Co., Ltd.

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 nine-month period ended September 30, 2015, 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 September 30, 2015.

(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, 2015, and this application does not have a material impact on the financial statements.

- Amendment to Korean IFRS 1019, *Employee Benefits*
- Annual improvements to Korean IFRS 2010-2012 Cycle
- Annual improvements to Korean IFRS 2011-2013 Cycle

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

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2015, and not early adopted would not have a material impact on its financial statements.

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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, 2014, 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 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost method, except for goods in transit which is determined using the specific identification method. The Group changed its inventory valuation method from moving-average method to monthly total-average method in order to evaluate inventory more rationally for certain inventories including raw materials and merchandise for the nine-month period ended September 30, 2015. The purpose of this accounting policy change is to more accurately match income and expense, and to improve the reasonable allocation of periodical profit and loss. We reflected this accounting policy change beginning this fiscal year because it is impossible to reasonably determine the cumulative effect on the financial statements.

2.2.2 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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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 September 30, 2015 and December 31, 2014, the Group's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
USD	1,833,429	2,460,079	1,918,095	2,527,236
EUR	93,300	116,422	66,431	106,051
JPY	7,797	131,327	33,347	110,044
GBP and others	26,537	2,632	3,135	2,225

As of September 30, 2015 and December 31, 2014, 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>	September 30, 2015		December 31, 2014	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(62,665)	62,665	(60,914)	60,914

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) 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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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 nine-month periods ended September 30, 2015 and 2014, and on equity as of September 30, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	Impact on post-tax profit		Impact on equity	
	2015	2014	2015	2014
Increase	(17,949)	(17,616)	(17,949)	(17,616)
Decrease	17,949	17,616	17,949	17,616

(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 September 30, 2015 and December 31, 2014, the maximum degrees of credit exposures are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015		
	Before allowance	Allowance for doubtful accounts	Book value (maximum exposure)
Loans and receivables (excluding cash on hand)	5,660,797	(13,454)	5,647,343
Financial assets at fair value through profit or loss	-	-	-
Total	5,660,797	(13,454)	5,647,343

<i>(in millions of Korean won)</i>	December 31, 2014		
	Before allowance	Allowance for doubtful accounts	Book value (maximum exposure)
Loans and receivables (excluding cash on hand)	5,233,335	(16,581)	5,216,754
Financial assets at fair value through profit or loss	783	-	783
Total	5,234,118	(16,581)	5,217,537

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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)

	September 30, 2015			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,139,573	518,503	72,868	-
Finance lease liabilities	5,000	5,000	15,000	22,500
Trade and other payables	1,905,673	30,694	50	-
Total	4,050,246	554,197	87,918	22,500

(in millions of Korean won)

	December 31, 2014			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,240,804	408,399	342,708	59
Trade and other payables	2,239,514	54,595	50	-
Total	4,480,318	462,994	342,758	59

2) The table below analyzes the derivatives into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

(in millions of Korean won)

	September 30, 2015			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Gross settled derivatives				
Trading derivatives inflow	23,856	-	-	-
Trading derivative outflow	(23,890)	-	-	-
Total	(34)	-	-	-

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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

<i>(in millions of Korean won)</i>	December 31, 2014			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	1,041	-	-	-

¹ The Parent Company and LG Hausys Ltd. have provided the joint guarantee for obligations outstanding as of April 1, 2009, the spin-off date. As of September 30, 2015, LG Hausys Ltd. repaid all relevant payables. The amounts represent the maximum amount of the guarantee as of December 31, 2014, in which the guarantee could be called (Note 19).

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 September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2015	December 31, 2014
Total borrowings (Note 15) (A)	2,738,000	2,933,550
Less: cash and cash equivalents (B)	(1,246,564)	(988,016)
Net debt (C=A+B)	<u>1,491,436</u>	<u>1,945,534</u>
Total liabilities (D)	5,467,764	5,861,794
Total equity (E)	12,979,509	12,265,852
Total capital (F=C+E)	14,470,945	14,211,386
Gearing ratio (C/F)	10.3%	13.7%
Debt-to-equity ratio (D/E)	42.1%	47.8%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

3.3 Fair value estimation

(1) Carrying amount and fair value of financial instruments by category as of September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current)				
Cash and cash equivalents	1,246,564	1	988,016	1
Financial deposits	918,803	1	780,489	1
Trade receivables	3,237,741	1	3,239,283	1
Other receivables (excluding financial deposits)	174,888	1	136,307	1
Derivative financial instruments	-	-	783	783
Financial assets (non-current)				
Financial deposits	20,584	1	27,236	1
Other non-current receivables (excluding financial deposits)	56,417	1	46,987	1
Other non-current financial assets	3,898	2	6,153	2
Financial liabilities (current)				
Trade and other payables	1,905,673	1	2,239,514	1
Current borrowings (excluding finance lease liabilities)	2,116,075	1	2,205,720	1
Current finance lease liabilities	4,923	1	-	-
Derivative financial instruments	34	34	-	-
Other current liabilities (dividends payable)	1,369	1	1,402	1
Financial liabilities (non-current)				
Non-current borrowings (excluding finance lease liabilities)	580,771	591,104	727,830	740,170
Non-current finance lease liabilities	36,231	37,840	-	-
Other non-current payables	30,744	30,228	54,645	52,955

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 (September 30, 2015: ₩ 3,898 million; December 31, 2014: ₩ 6,153 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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

(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 September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Discount rate	1.68%~2.54%	2.26%~2.68%

(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 September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Derivative financial instruments	-	34	-	34
Non-current borrowings (excluding finance lease liabilities)	-	591,104	-	591,104
Non-current finance lease liabilities	-	37,840	-	37,840
Other non-current payables	-	30,228	-	30,228

<i>(in millions of Korean won)</i>	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities that are measured at fair value				
Derivative financial assets	-	783	-	783
Non-current borrowings (excluding finance lease liabilities)	-	740,170	-	740,170
Other non-current payables	-	52,955	-	52,955

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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 September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
Financial assets				
Cash and cash equivalents	1,246,564	-	-	1,246,564
Trade receivables	3,237,741	-	-	3,237,741
Other receivables	1,093,691	-	-	1,093,691
Other non-current receivables	77,001	-	-	77,001
Other non-current financial assets	-	-	3,898	3,898
Total	5,654,997	-	3,898	5,658,895

(in millions of Korean won)

	September 30, 2015			
	Financial liabilities at fair value through profit or loss	Liabilities at amortized cost	Other liabilities¹	Total
Financial liabilities				
Trade payables	-	1,121,062	-	1,121,062
Other payables	-	784,611	-	784,611
Borrowings (current)	-	1,088,001	1,032,997	2,120,998
Other current financial liabilities	34	-	-	34
Other current liabilities (dividends payable)	-	1,369	-	1,369
Other non-current payables	-	30,744	-	30,744
Borrowings (non-current)	-	580,771	36,231	617,002
Total	34	3,606,558	1,069,228	4,675,820

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

(in millions of Korean won)

	December 31, 2014			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for- sale	Total
Financial assets				
Cash and cash equivalents	988,016	-	-	988,016
Trade receivables	3,239,283	-	-	3,239,283
Other receivables	916,796	-	-	916,796
Other current financial assets	-	783	-	783
Other non-current receivables	74,223	-	-	74,223
Other non-current financial assets	-	-	6,153	6,153
Total	5,218,318	783	6,153	5,225,254

(in millions of Korean won)

	December 31, 2014			
	Financial liabilities at fair value through profit or loss	Liabilities at amortized cost	Other liabilities ¹	Total
Financial liabilities				
Trade payables	-	1,337,866	-	1,337,866
Other payables	-	901,648	-	901,648
Borrowings (current)	-	1,220,999	984,721	2,205,720
Other current liabilities (dividends payable)	-	1,042	-	1,042
Other non-current payables	-	54,645	-	54,645
Borrowings (non-current)	-	727,830	-	727,830
Total	-	4,244,030	984,721	5,228,751

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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Net gains (losses) on financial instruments by category for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Assets at fair value through profit or loss				
Gain (loss) on valuation/ disposal (profit or loss)	(2,763)	(2,043)	(544)	1,851
Derivatives for hedge				
Gain on valuation (other comprehensive income)	-	-	-	-
Interest expense	-	-	-	-
Available-for-sale financial assets				
Gain on disposal	-	32	-	-
Dividend income	-	-	202	202
Loans and receivables				
Interest income	8,485	28,136	11,865	34,146
Gain on foreign currency translation	6,814	42,674	53,294	18,249
Gain (loss) on foreign exchange	122,660	112,960	3,160	(59,118)
Liabilities at amortized cost				
Interest expense	(13,514)	(42,510)	(18,462)	(58,223)
Gain (loss) on foreign currency translation	(39,885)	(54,056)	(8,160)	1,611
Gain (loss) on foreign exchange	(63,322)	(70,090)	(6,746)	1,361
Other liabilities				
Interest expense	(2,518)	(7,329)	(2,542)	(7,689)
Loss on foreign currency translation	2,597	(21,078)	(34,739)	(19,733)
Gain (loss) on foreign exchange	(70,444)	(60,275)	1,431	37,248

6. Cash and cash equivalents

Details of cash and cash equivalents as of September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015	December 31, 2014
Bank deposits and cash on hand	327,745	290,451
Financial deposits, others	918,819	697,565
Total	1,246,564	988,016

As of September 30, 2015, cash and cash equivalents include deposits with banks of ₩ 8,114 million (December 31, 2014: ₩ 984 million) held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

7. Trade and other receivables

Trade and other receivables, net of allowance for doubtful accounts, as of September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015		
	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables ¹	3,250,864	(13,123)	3,237,741
Other current receivables	1,094,022	(331)	1,093,691
Other non-current receivables ²	77,001	-	77,001
Total	4,421,887	(13,454)	4,408,433

(in millions of Korean won)

	December 31, 2014		
	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables ¹	3,255,864	(16,581)	3,239,283
Other current receivables	916,796	-	916,796
Other non-current receivables ²	74,223	-	74,223
Total	4,246,883	(16,581)	4,230,302

¹ As of September 30, 2015 and December 31, 2014, 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)	
	September 30, 2015	December 31, 2014
Carrying amount of transferred assets	1,028,074	984,721
Carrying amount of related liabilities	(1,028,074)	(984,721)

² As of September 30, 2015, ₩ 1,671 million in other non-current receivables represents deposits which are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2014: ₩ 671 million).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Details of other receivables as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Current		
Non-trade receivables	138,952	111,874
Financial deposits ¹	918,803	780,489
Accrued income	4,908	5,058
Loans	6,353	-
Deposits	24,675	19,375
	<u>1,093,691</u>	<u>916,796</u>
Non-current		
Non-trade receivables	16	15
Financial deposits ²	20,584	27,236
Loans	295	305
Deposits	56,106	46,667
	<u>77,001</u>	<u>74,223</u>
Total	<u>1,170,692</u>	<u>991,019</u>

¹ As of September 30, 2015, certificates of deposits included within financial deposits amounting to ₩ 31,000 million have been pledged as collateral to SH Corporation in relation to the acquisition of LG Science Park land.

² As of September 30, 2015, ₩ 18,100 million is restricted from being withdrawn in relation to large and small and medium-sized companies corporation agreement and others.

The aging analysis of these trade and other receivables as of September 30, 2015 and December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2015		December 31, 2014	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	<u>3,172,407</u>	<u>1,156,792</u>	<u>3,115,050</u>	<u>972,297</u>
Past due but not impaired				
Up to 3 months	57,520	6,037	125,642	14,874
3 to 6 months	2,443	4,120	5,202	745
Over 6 months	2,141	4,074	1,136	3,103
	<u>62,104</u>	<u>14,231</u>	<u>131,980</u>	<u>18,722</u>
Impaired receivables	16,353	-	8,834	-
	<u>3,250,864</u>	<u>1,171,023</u>	<u>3,255,864</u>	<u>991,019</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

The movements in bad debts allowance for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015			
	Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current
Beginning balance	16,581	-	-	-
Additions	-	-	331	-
Write-off	(445)	-	-	-
Reversals	(2,944)	-	-	-
Exchange differences	(69)	-	-	-
Ending balance	13,123	-	331	-

(in millions of Korean won)

	December 31, 2014			
	Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current
Beginning balance	14,951	-	-	-
Additions	2,435	-	-	-
Write-off	(971)	-	-	-
Reversals	-	-	-	-
Exchange differences	166	-	-	-
Ending balance	16,581	-	-	-

As of September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015	December 31, 2014
Other financial assets		
Derivatives (Note 9)	-	783
Available-for-sale financial assets	3,898	6,153
Less: current portion	-	(783)
	3,898	6,153
Other financial liabilities		
Derivatives (Note 9)	34	-
Less: current portion	(34)	-
	-	-

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

The movements in financial assets classified as available-for-sale for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Beginning balance	6,153	5,952
Acquisition	653	197
Disposal	(2,959)	-
Exchange differences	51	4
Ending balance	<u>3,898</u>	<u>6,153</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 nine-month periods ended September 30, 2015 and 2014.

9. Derivative financial instruments

Details of derivative financial assets and liabilities as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current				
Held-for-trading	-	34	783	-
	<u>-</u>	<u>34</u>	<u>783</u>	<u>-</u>

Details of derivative financial contracts as of September 30, 2015, are as follows:

Classification	Contractor	Contract date	September 30, 2015		
			Contract amount (in thousands)	Contract period	Contract terms
Forward exchange	JP Morgan and 1 other	2015.09.24, others	US\$ 10,000, others	2015.10.01 ~ 2015.10.02	₩1,192.54/ US\$ 1, others

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

10. Inventories

Details of inventories as of September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015		
	Original amount	Valuation allowance	Carrying amount
Merchandise	94,514	(1,152)	93,362
Finished products	975,434	(44,897)	930,537
Semi-finished products	432,272	-	432,272
Work-in-process	258	-	258
Raw materials	673,582	(5,831)	667,751
Supplies	101,171	-	101,171
Materials-in-transit	245,497	-	245,497
Total	2,522,728	(51,880)	2,470,848

(in millions of Korean won)

	December 31, 2014		
	Original amount	Valuation allowance	Carrying amount
Merchandise	74,386	(1,150)	73,236
Finished products	1,168,497	(41,951)	1,126,546
Semi-finished products	430,141	-	430,141
Work-in-process	832	-	832
Raw materials	731,657	(3,510)	728,147
Supplies	95,163	-	95,163
Materials-in-transit	257,123	-	257,123
Total	2,757,799	(46,611)	2,711,188

During the period, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 9,184,613 million (2014: ₩ 12,004,902 million).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

11. Investments in associates and joint ventures

Changes in the carrying amount of investments in associates and joint ventures for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015							Ending balance
	Beginning balance	Acquisitions /transfer	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (expense) of associates	Impairment loss	Others	
LG VINA Chemical Co., Ltd.	3,682	-	(993)	765	272	-	-	3,726
HL Greenpower Co., Ltd.	17,815	-	-	(1,020)	-	-	4	16,799
LG Holdings (HK) Ltd.	68,121	-	-	3,351	4,599	-	-	76,071
TECWIN Co., Ltd.	6,155	-	-	383	(3)	-	-	6,535
SEETEC Co., Ltd.	177,767	-	(33,500)	9,816	-	-	-	154,083
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	-	579
LG Chem Malaysia SDN.BHD	-	150	-	-	-	-	-	150
CNOOC & LG Petrochemicals Co., Ltd.	27,864	-	-	(12,910)	1,152	-	-	16,106
KLPE Limited Liability Partnership ¹	175,414	-	-	18,313	(34,089)	(50,552)	-	109,086
LG Fuel Cell Systems Inc.	12,053	-	-	(6,599)	321	-	-	5,775
	<u>489,450</u>	<u>150</u>	<u>(34,493)</u>	<u>12,099</u>	<u>(27,748)</u>	<u>(50,552)</u>	<u>4</u>	<u>388,910</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.

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)

	September 30, 2015
	KLPE Limited Liability Partnership
Impaired amount	50,552
Pre-tax discount rate	8.8%
Growth rate for subsequent years after five years	0.0%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

(in millions of Korean won)

	2014						
	Beginning balance	Acquisitions /transfer	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (expense) of associates	Others	Ending balance
LG VINA Chemical Co., Ltd.	3,473	-	(974)	1,022	161	-	3,682
HL Greenpower Co., Ltd.	16,746	-	-	1,109	-	(40)	17,815
LG Holdings (HK) Ltd.	63,445	-	-	3,414	1,262	-	68,121
TECWIN Co., Ltd.	5,955	-	(20)	220	-	-	6,155
SEETEC Co., Ltd.	164,735	-	(17,500)	30,505	-	27	177,767
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	579
CNOOC & LG Petrochemicals Co., Ltd.	38,745	-	-	(11,104)	223	-	27,864
KLPE Limited Liability Partnership	139,774	33,533	-	4,953	(2,846)	-	175,414
LG Fuel Cell Systems Inc.	14,415	8,402	-	(10,552)	(212)	-	12,053
Total	447,867	41,935	(18,494)	19,567	(1,412)	(13)	489,450

12. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 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	50	111,297	69,510	937,796	4,410	127,412	18,778	109,821	1,067,307	66,640	2,513,021
Disposals/ Transfer	(1)	(35,972)	(578)	(116,519)	(343)	(6,673)	(1,908)	-	(1,250,558)	(136,768)	(1,549,320)
Exchange differences	454	23,048	4,334	47,270	13	6,793	1,216	-	11,719	-	94,847
Depreciation	-	(44,765)	(31,692)	(665,977)	(2,627)	(86,269)	(21,968)	(47,923)	-	-	(901,221)
Reversal of impairment	-	7,804	2	11,250	9	469	244	-	10,545	-	30,323
Transfer to non-current assets held for sale (Note 36)	-	-	-	(6,394)	-	(106)	-	-	-	-	(6,500)
Ending balance	911,006	2,026,987	615,446	4,287,061	10,250	350,537	85,576	147,092	432,128	14,603	8,880,686
Cost	912,370	2,542,182	1,054,690	11,680,554	38,768	853,403	283,615	292,201	472,832	14,603	18,145,218
Accumulated depreciation	-	(498,466)	(427,791)	(7,356,081)	(28,387)	(495,653)	(196,488)	(145,109)	-	-	(9,147,975)
Accumulated impairment	(1,364)	(16,729)	(11,453)	(37,412)	(131)	(7,213)	(1,551)	-	(40,704)	-	(116,557)

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

(in millions of Korean won)

	December 31, 2014										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	812,828	1,882,957	572,338	3,996,941	9,438	276,456	91,761	73,082	689,264	154,544	8,559,609
Cost	813,367	2,279,332	935,506	10,040,565	36,701	646,873	253,098	210,204	743,592	154,544	16,113,782
Accumulated depreciation	-	(386,539)	(361,532)	(6,005,703)	(27,161)	(363,365)	(160,238)	(137,122)	-	-	(7,441,660)
Accumulated impairment	(539)	(9,836)	(1,636)	(37,921)	(102)	(7,052)	(1,099)	-	(54,328)	-	(112,513)
Business combination (Note 35)	1,105	2,353	-	2,689	-	1,077	403	-	4,003	-	11,630
Acquisitions/ Transfer	97,246	149,538	49,461	972,941	2,591	126,141	26,620	80,760	1,210,236	110,049	2,825,583
Disposals/ Transfer	(490)	(4,627)	(232)	(18,997)	(34)	(9,773)	(1,496)	-	(1,296,143)	(179,862)	(1,511,654)
Exchange differences	(105)	4,283	192	8,500	7	939	252	-	6,569	-	20,637
Depreciation	-	(57,558)	(38,434)	(837,863)	(3,092)	(84,438)	(27,821)	(68,648)	-	-	(1,117,854)
Impairment	(81)	(11,371)	(9,455)	(39,059)	(79)	(1,180)	(477)	-	(20,814)	-	(82,516)
Transfer to non-current assets held for sale (Note 36)	-	-	-	(5,517)	(43)	(311)	(28)	-	-	-	(5,899)
Ending 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)

During the nine-month period ended September 30, 2015, the Group capitalized ₩ 3,831 million of borrowing costs (2014: ₩ 4,692 million) to property, plant and equipment.

The details of property, plant and equipment that have been pledged as collateral for certain bank loan outstanding as of December 31, 2014, but was redeemed in 2015, are as follows:

(in millions of Korean won)

	December 31, 2014				
	Carrying amount	Collateral value	Related account	Related amount	Mortgagee
Land	3,294	3,844	Borrowings	1,498	Kookmin Bank
Building	9,264	4,943	(Note 15)		

Depreciation of property, plant and equipment for the three-month and nine-month periods ended September 30, 2015 and 2014, was classified as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Cost of sales	286,856	846,063	264,082	775,474
Selling, general and administrative expenses	18,458	54,871	16,906	50,185
Others	41	287	14	96
Total	305,355	901,221	281,002	825,755

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Details of machinery classified as a finance lease as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Cost- capitalized finance leases	42,669	-
Accumulated depreciation	<u>(3,200)</u>	<u>-</u>
Net book value	<u>39,469</u>	<u>-</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, 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.

During 2014, the separator division, managed as a CGU in IT & Electronic Materials segments, has been tested for impairment because its sales volume was lower than expected.

During 2014, Chinese PVC division, managed as a CGU of the Basic materials & Chemicals business segment, was tested for impairment due to its deteriorating performance in earnings as a result of a significant price drop of the PVC products.

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 nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014	
	US battery division for vehicles	Chinese PVC division	Separator division
Impaired (reversed) amount			
Property, plant and equipment	(23,802)	52,496	23,053
Intangible assets	(99)	192	415
Key assumptions			
Pre-tax discount rate	13.8%	12.0%	14.4%
Growth rate for subsequent years after five years	0%	0%	0%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

The Group decided to dispose of certain non-current assets during 2015 and 2014. The differences between the fair value and book value were recognized as impairment losses (reversal of impairment losses) (Note 36). The amounts classified as other non-operating expenses are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
(Reversal of) Impairment loss on property, plant and equipment	(5,520)	6,967
Impairment loss on intangible assets	-	77
	<u>(5,520)</u>	<u>7,044</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

13. Intangible assets

Changes in the carrying amount of intangible assets for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014 are, as follows:

(in millions of Korean won)

	September 30, 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	23,142	28,518	-	2,405	19,155	73,220
Disposals/ Transfer	(6,830)	(2)	-	(2,669)	(1)	(9,502)
Exchange differences	(411)	4,064	9,558	40	341	13,592
Amortization	(12,413)	(9,606)	-	-	(7,417)	(29,436)
Impairment	-	-	(75,365)	-	-	(75,365)
Reversal of impairment	97	-	-	-	2	99
Ending balance	59,596	196,574	145,714	50,000	45,744	497,628

(in millions of Korean won)

	December 31, 2014					
	Software development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	45,231	100,770	33,415	51,705	31,972	263,093
Business combination (Note 35)	-	43,716	167,169	-	35	210,920
Acquisitions/ Transfer	31,830	36,994	-	592	10,639	80,055
Disposals/ Transfer	(6,721)	(60)	-	(2,017)	(202)	(9,000)
Exchange differences	109	2,187	10,937	5	63	13,301
Amortization	(14,061)	(9,733)	-	-	(8,809)	(32,603)
Impairment	(316)	(274)	-	(61)	(33)	(684)
Transfer to non-current assets held for sale (Note 36)	(61)	-	-	-	(1)	(62)
Ending balance	56,011	173,600	211,521	50,224	33,664	525,020

Amortization of intangible assets was classified for the three-month and nine-month periods ended September 30, 2015 and 2014, as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Cost of sales	2,731	8,035	1,681	5,419
Selling, general and administrative expenses	7,661	21,401	6,160	16,815
Total	10,392	29,436	7,841	22,234

Research and development costs recognized as expenses for the nine-month period ended September 30, 2015, amount to ₩ 434,818 million (2014: ₩ 371,509 million).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Goodwill is allocated to the Group's CGUs identified according to operating segment. The carrying amounts of allocated goodwill by CGUs as of September 30, 2015, are as follows:

(in millions of Korean won)

CGUs	Carrying amount
Goodwill arising on the acquisition of LG Petrochemical Co., Ltd.	
NCC	2,468
ABS	927
PO	900
PVC	755
Acrylic	682
Plasticizer	587
BPA	518
Others	1,356
	<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>112,299</u>
Total	<u><u>145,714</u></u>

During 2015, the US water purification division, managed as a separate CGU in Information & Electronic Materials 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. These calculations use 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 is measured by applying the pre-tax discount rates reflecting specific risks relating to the relevant operating segments. The carrying value exceeding its recoverable amount is all attributed to goodwill.

During 2015 and 2014, 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%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

14. Other current and non-current assets

Details of other current and non-current assets as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Current		
Prepayments to suppliers	102,610	55,327
Prepaid expenses	113,522	19,096
Prepaid value added tax	91,216	102,222
Others	49,587	106,728
Total	<u>356,935</u>	<u>283,373</u>
Non-current		
Long-term prepaid expenses	31,473	30,982
Others	46,988	58,638
Total	<u>78,461</u>	<u>89,620</u>

15. Borrowings

The carrying amounts of borrowings as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Current		
Short-term borrowings	1,942,324	1,749,702
Current maturities of bank loans	173,751	356,054
Current maturities of debentures	-	99,964
Finance lease liabilities	4,923	-
	<u>2,120,998</u>	<u>2,205,720</u>
Non-current		
Bank loans	281,155	428,412
Debentures	299,616	299,418
Finance lease liabilities	36,231	-
	<u>617,002</u>	<u>727,830</u>
Total	<u>2,738,000</u>	<u>2,933,550</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Details of current borrowings as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at September 30, 2015	Carrying Amount	
				September 30, 2015	December 31, 2014
Notes discounted ¹	Woori Bank, others	2016.03.17	Libor + 0.56, various	1,028,074	984,721
Bank loans	Hangseng Bank, others	2016.09.20	Libor+0.50~2.00, various	914,250	764,981
Total				1,942,324	1,749,702

¹ As of September 30, 2015, 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 September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	Bank	September 30, 2015				
		Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Foreign currency borrowings	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2017.04.03	23,890	-	23,890
	Standard Chartered Bank	3Libor + 2.20	2015.12.14	14,369	14,369	-
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	16,763	16,763	-
	Bank of America	6Libor + 1.60	2017.10.24	35,922	-	35,922
	Bank of America	3Libor + 1.50	2018.08.13	35,922	-	35,922
	CITI	6Libor + 2.00	2017.03.10	20,356	2,395	17,961
	HSBC	3COF	2016.04.08	8,518	8,518	-
	HSBC	3Libor + 2.10	2016.08.04	35,922	35,922	-
	HSBC	3Libor + 1.45	2016.09.19	47,895	47,895	-
	HSBC	3Libor + 1.45	2016.11.11	47,895	-	47,895
	HSBC	3Libor + 2.10	2016.01.22	23,948	23,948	-
	JP Morgan	3Libor + 1.75	2016.07.15	23,941	23,941	-
	Mizuho Banking Corporation	3Libor + 0.75	2017.05.27	71,670	-	71,670
	Mizuho Banking Corporation	3Libor + 1.02	2017.04.16	47,895	-	47,895
	Total			454,906	173,751	281,155

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

<i>(in millions of Korean won)</i>	December 31, 2014					
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current	Non-current
Won currency borrowings	Kookmin Bank	2.70	2018.07.14	711	127	584
	Kookmin Bank	2.70	2020.03.21	787	79	708
	Korea Development Bank	3.53	2015.07.19	200,000	200,000	-
Foreign currency borrowings	Shanghai Pudong Development Bank	5.40	2015.09.15	884	884	-
	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2017.04.03	21,984	-	21,984
	Standard Chartered Bank	3Libor + 2.20	2015.12.14	15,147	15,147	-
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	19,475	4,328	15,147
	Agricultural Bank of China	5.54	2015.10.15	1,768	1,768	-
	Bank of America	2.00	2015.08.03	21,637	21,637	-
	Bank of America	6Libor + 1.60	2017.10.24	32,457	-	32,457
	BTMU	3Libor + 1.54	2015.07.20	54,960	54,960	-
	CITI	6Libor + 2.00	2017.03.10	20,556	2,164	18,392
	HSBC	3COF	2016.04.08	7,697	-	7,697
	HSBC	3Libor + 2.10	2016.08.04	32,457	-	32,457
	HSBC	3Libor + 1.45	2016.09.19	43,276	-	43,276
	HSBC	3Libor + 2.10	2016.01.22	32,456	-	32,456
	HSBC	3Libor + 2.10	2016.01.22	43,276	-	43,276
	HSBC	3Libor + 1.45	2016.11.11	43,276	-	43,276
	HSBC	3Libor + 2.10	2016.01.22	21,638	-	21,638
	JP Morgan	3Libor + 1.75	2016.07.15	21,632	-	21,632
JP Morgan	3Libor + 1.30	2016.11.16	27,480	-	27,480	
Mizuho Banking Corporation	3Libor + 0.75	2017.05.27	65,952	-	65,952	
Nova Scotia Bank	3Libor + 1.54	2015.07.20	54,960	54,960	-	
Total			784,466	356,054	428,412	

Details of debentures as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015					
	Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current	Non-current
Won currency debentures	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	4.11	2017.03.29	200,000	-	200,000
Less: discount on debentures				(384)	-	(384)
Total				299,616	-	299,616

<i>(in millions of Korean won)</i>	December 31, 2014					
	Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current	Non-current
Won currency debentures	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	3.96	2015.03.29	100,000	100,000	-
	Woori Security	4.11	2017.03.29	200,000	-	200,000
Less: discount on debentures				(618)	(36)	(582)
Total				399,382	99,964	299,418

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Details of finance lease liabilities as of September 30, 2015, are as follows:

Leaser	September 30, 2015				
	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	3.12	2024.12.31	41,454	4,923	36,231

The present value of finance lease liabilities as of September 30, 2015 and December 31, 2014, is as follows:

	September 30, 2015			December 31, 2014		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	5,000	77	4,923	-	-	-
1 to 5 years	20,000	1,763	18,237	-	-	-
Over 5 years	22,500	4,506	17,994	-	-	-

16. Provisions

Changes in the carrying amount of provisions for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

	September 30, 2015		
	Sales returns ¹	Warranty ²	Total
Beginning balance	3,917	24,782	28,699
Additions	23,161	2,120	25,281
Used	(23,343)	(1,900)	(25,243)
Ending balance	3,735	25,002	28,737
Less : current portion	(3,735)	(392)	(4,127)
Total	-	24,610	24,610

	December 31, 2014		
	Sales returns ¹	Warranty ²	Total
Beginning balance	1,532	17,994	19,526
Additions	33,027	8,332	41,359
Used amount	(30,642)	(1,544)	(32,186)
Ending balance	3,917	24,782	28,699
Less : current portion	(3,917)	(1,348)	(5,265)
Total	-	23,434	23,434

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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

17. Net defined benefit liability

The amounts recognized in the statements of financial position as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Present value of retirement benefit obligations ¹	675,728	605,712
Fair value of plan assets	<u>(579,260)</u>	<u>(518,820)</u>
Liability in the statement of financial position	<u>96,468</u>	<u>86,892</u>

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩ 818 million as of September 30, 2015 (December 31, 2014: ₩ 847 million).

The amounts recognized in the statements of income for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Nine months	Three months	Nine months
Current service cost ¹	25,358	76,083	23,566	64,264
Past service cost	-	-	24,410	24,410
Interest cost	<u>671</u>	<u>2,012</u>	<u>1,335</u>	<u>2,350</u>
Total, included in employee benefit expenses	<u>26,029</u>	<u>78,095</u>	<u>49,311</u>	<u>91,024</u>

¹ The above amounts excluded ₩ 506 million (2014: ₩ 528 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the nine-month period ended September 30, 2015, amounted to ₩ 258 million (2014: ₩ 184 million).

The amounts recognized in the statements of income for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Nine months	Three months	Nine months
Cost of sales	20,206	55,728	41,331	71,101
Selling, general and administrative expenses	<u>5,938</u>	<u>22,625</u>	<u>8,098</u>	<u>20,107</u>
Total	<u>26,144</u>	<u>78,353</u>	<u>49,429</u>	<u>91,208</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Changes in the present value of defined benefit obligations for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Beginning balance	605,712	438,122
Transfer in	3,061	1,918
Transfer out	(2,317)	(1,468)
Current service cost	76,589	88,323
Past service cost	-	24,410
Interest expense	14,028	18,075
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	-	1,160
Actuarial gains and losses arising from changes in financial assumptions	-	59,097
Actuarial gains and losses arising from experience adjustments	-	11,485
Others	-	267
Exchange differences	543	(351)
Payments from plans	(21,888)	(35,326)
Ending balance	<u>675,728</u>	<u>605,712</u>

Changes in the fair value of plan assets for the nine-month period ended September 30, 2015 and for the year ended December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Beginning balance	518,820	386,211
Transfer in	-	352
Transfer out	-	(638)
Interest income	12,016	14,390
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(1,174)	(946)
Contributions:		
Employers	60,150	145,238
Payments from plans	(10,552)	(25,044)
Administrative costs	-	(743)
Ending balance	<u>579,260</u>	<u>518,820</u>

The actual return on plan assets for the nine-month period ended September 30, 2015, was ₩ 10,842 million (for the year ended December 31, 2014: ₩ 13,444 million).

The principal actuarial assumptions used as of September 30, 2015 and December 31, 2014, are as follows:

	September 30, 2015	December 31, 2014
Discount rate	3.1%	3.1%
Future salary increase	5.1%	5.1%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

The sensitivity analysis for changes in key actuarial assumptions as of September 30, 2015, is as follows:

<i>(in millions of Korean won)</i>	Increase by 1%	Decrease by 1%
Discount rate:		
Increase (decrease) in defined benefit obligations	(70,344)	84,185
Future salary increase:		
Increase (decrease) in defined benefit obligations	81,734	(69,830)

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 September 30, 2015 and December 31, 2014, consist of:

<i>(in millions of Korean won)</i>	September 30, 2015				December 31, 2014			
	Quoted price	Unquoted price	Total	Compo- sition	Quoted price	Unquoted price	Total	Compo- sition
Insurance contracts with guaranteed yield	579,260	-	579,260	100%	518,820	-	518,820	100%

18. Other current and non-current liabilities

Details of other current and non-current liabilities as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Current		
Advances from customers	57,221	19,164
Dividends payable	1,369	1,042
Withholding	45,364	28,476
Unearned revenues	10,234	13,793
Non-trade payables	64,776	122,253
Accrued expenses	158,342	57,219
Others	-	496
Total	<u>337,306</u>	<u>242,443</u>
Non-current		
Long-term accrued expenses	<u>21,619</u>	<u>-</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

19. Commitments and contingencies

(1) As of September 30, 2015, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.

(2) As of September 30, 2015, 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 September 30, 2015, 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	INR	PLN
Limit of bank overdraft	64,100	50	200	300	20	-	32
Limit of the letter of credit	90,200	393	205	-	-	-	-
Limit of discount of notes from export	-	1,472	-	-	-	-	-
Limit of guaranteed payments in other foreign currency	-	190	-	-	-	-	-
Limit of loan arrangements	-	-	1,201	330	13	3,269	-

The Group also entered into credit line agreements with other financial institutions relating to trade finance and import/export amounting to ₩ 270,000 million and US\$ 70 million.

(4) As of September 30, 2015, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩ 390,000 million.

(5) As of September 30, 2015, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in eight and 29 legal actions, respectively, involving ₩ 4,087 million and ₩ 4,768 million in claims, respectively, and as a defendant in nine legal actions with ₩6,792 million and one case with ₩ 99 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.

(6) As of September 30, 2015, the consumers in U.S. and Canada have filed a class actions against the Parent Company and certain overseas subsidiaries in relation to price fixing of small secondary batteries. However, the ultimate outcome of these cases cannot be determined at the reporting date.

(7) As of September 30, 2015, 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 September 30, 2015, the Parent Company has two long-term purchase contracts for certain raw materials for which the suppliers have made US\$ 152 million and US\$ 96 million separate in credit guarantee contracts with financial institutions. Further, as of September 30,

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

2015, the Parent Company has contracts of US\$ 2.6 million and EUR 940,000 in guarantees with financial institutions in regard to warranty for certain products, and the Parent Company has a contract of US\$ 87 million in guarantees with financial institutions for the advances received from customers.

(10) As of September 30, 2015, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries. The outstanding balance of such guarantees as of September 30, 2015, amounts to US\$ 150 million and EUR 3 million (total equivalent to ₩ 183,207 million) (December 31, 2014: US\$ 175 million and EUR 3 million, total equivalent to ₩196,370 million). Details of guarantees provided as of September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	September 30, 2015		December 31, 2014	
				Amount of guarantee	Outstanding loan amount	Amount of guarantee	Outstanding loan amount
	LG Chem Europe GmbH	2015.01.02 ~ 2016.01.02	Shinhan Bank	4,032	-	4,010	-
	LG Chem Michigan, Inc.	2014.05.27 ~ 2017.05.27	Mizuho Bank	71,670	71,670	65,952	65,952
The Parent Company	"	2014.03.31 ~ 2017.03.31	SMBC	23,890	23,890	21,984	21,984
	"	2015.04.01 ~ 2016.03.31	SMBC	23,890	12,542	21,984	-
	"	2013.11.12 ~ 2015.02.16	JP Morgan	-	-	27,480	27,480
	"	2015.08.18 ~ 2016.08.18	Wells Fargo	23,890	23,890	21,984	21,984
	LG NanoH2O, Inc.	2015.10.01 ~ 2016.09.30	Citibank	35,835	10,751	32,976	7,694
Total				183,207	142,743	196,370	145,094

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

Further, as of September 30, 2015, 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:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Property, plant and equipment	274,308	478,304

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

20. Equity

Changes in share capital and share premium for the nine-month period ended September 30, 2015 and the year ended December 31, 2014, 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, 2014	66,271,100	331,356	7,628,921	38,144	897,424
December 31, 2014	66,271,100	331,356	7,628,921	38,144	897,424
September 30, 2015	66,271,100	331,356	7,628,921	38,144	897,424

Changes in treasury shares for the nine-month period ended September 30, 2015 and the year ended December 31, 2014, 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, 2014	359,792	5,519	15,484	13,855
Purchase of treasury shares	3	-	-	-
December 31, 2014	359,795	5,519	15,484	13,855
September 30, 2015	359,795	5,519	15,484	13,855

21. Retained earnings

Details of retained earnings as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Legal reserve ¹	288,527	286,864
Discretionary reserve ²	9,551,785	9,077,851
Retained earnings before appropriation	1,496,724	1,325,890
Total	11,337,036	10,690,605

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 Group 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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

22. Other components of equity

Details of other components of equity as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2015	December 31, 2014
Treasury shares (Note 20)	(15,484)	(15,484)
Capital transactions within the Group ¹	(215)	(215)
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 and nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Nine months	Three months	Nine months
Wages and salaries	125,228	355,701	82,362	280,520
Pension costs (Note 17)	5,938	22,625	8,098	20,107
Welfare expense	26,579	77,380	20,039	62,364
Travel expense	10,168	28,113	8,244	25,986
Water & utilities	6,708	19,898	6,646	19,161
Packaging expense	1,530	4,832	1,485	4,307
Rental expense	24,936	70,456	26,867	75,325
Commission expense	62,051	176,902	53,862	165,442
Depreciation (Note 12)	18,458	54,871	16,906	50,185
Advertising expense	3,683	11,485	2,781	11,434
Freight expense	106,859	330,184	109,042	320,977
Training expense	3,350	8,835	3,631	8,867
Amortization (Note 13)	7,661	21,401	6,160	16,815
Sample expense	5,331	14,379	2,876	8,863
Development costs	22,800	59,556	22,829	60,024
Others	40,233	109,269	38,027	110,324
Total	<u>471,513</u>	<u>1,365,887</u>	<u>409,855</u>	<u>1,240,701</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

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 and nine-month periods ended September 30, 2015 and 2014, consist of:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Changes in inventories	(80,904)	174,326	(150,927)	(128,403)
Raw materials and consumables used	2,801,566	8,076,448	3,676,330	11,199,441
Purchase of merchandise	329,851	933,839	371,435	933,864
Employee benefit expense (Note 25)	429,102	1,232,722	346,021	1,034,068
Advertising expense	3,996	12,361	3,063	12,258
Transportation expense	114,027	351,229	116,230	341,935
Service fees	103,885	289,451	92,066	269,340
Depreciation, amortization	315,706	930,370	288,829	847,893
Operating lease payments	18,503	50,464	15,528	43,673
Other expenses	595,699	1,643,222	547,920	1,572,276
Total	4,631,431	13,694,432	5,306,495	16,126,345

25. Employee benefit expense

Details of employee benefit expenses for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Wages and salaries	359,128	1,027,538	266,524	854,823
Pension costs – Defined benefit plan (Note 17)	26,029	78,095	49,311	91,024
Pension costs – Defined contribution plan (Note 17)	115	258	118	184
Others	43,830	126,831	30,068	88,037
Total	429,102	1,232,722	346,021	1,034,068

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

26. Finance income and expenses

Details of finance income and expenses for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Finance income				
Interest income ¹	8,485	28,136	11,865	34,146
Dividend income	-	-	202	202
Gain on foreign exchange	26,525	79,390	21,492	48,109
Gain on foreign currency translation	3,121	4,497	2,476	3,490
Gain on disposal of available-for-sale securities	-	32	-	-
Gain on disposal of trading derivatives	3,134	5,317	783	4,604
Gain on valuation of trading derivatives	-	-	159	226
Total	41,265	117,372	36,977	90,777
Finance expense				
Interest expense ²	14,501	46,008	19,585	61,220
Loss on foreign exchange	31,302	83,967	12,066	49,883
Loss on foreign exchange translations	28,502	36,797	6,330	12,584
Loss on disposal of trading derivatives	5,863	7,326	688	2,181
Loss on valuation of trading derivatives	34	34	798	798
Total	80,202	174,132	39,467	126,666

¹ Details of interest income for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Bank deposits	7,265	25,741	11,594	33,023
Other loans and receivables	1,220	2,395	271	1,123
Total	8,485	28,136	11,865	34,146

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

² Details of interest expense for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Interest on bank overdraft and borrowings	12,091	37,027	12,467	39,188
Interest on finance lease liabilities	320	986	26	113
Interest on debentures	3,130	10,390	6,144	18,422
Other interest expenses	491	1,436	2,367	8,189
Capitalized interest for qualifying assets	(1,531)	(3,831)	(1,419)	(4,692)
Total	14,501	46,008	19,585	61,220

27. Other non-operating income

Details of other non-operating income for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Gain on foreign exchange	137,347	238,045	49,045	186,143
Gain on foreign currency translation	5,798	46,964	68,478	49,600
Gain on disposal of property, plant and equipment	7,065	8,024	272	2,291
Reversal of impairment loss on property, plant and equipment (Note 12)	5,520	30,323	-	-
Reversal of impairment loss on intangible assets (Note 13)	-	99	-	-
Others	6,221	16,945	6,731	14,035
Total	161,951	340,400	124,526	252,069

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

28. Other non-operating expenses

Details of other non-operating expenses for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Loss on foreign exchange	143,676	250,873	60,626	204,878
Loss on foreign currency translation	10,891	47,124	54,229	40,379
Loss on disposal of property, plant and equipment	27,486	68,804	6,780	14,260
Loss on disposal of intangible assets	1	321	2,067	2,337
Impairment loss on property, plant and equipment (Note 12)	-	-	52,497	82,516
Impairment loss on intangible assets (Note 13)	-	75,365	192	684
Impairment loss on investments in joint ventures (Note 11)	50,552	50,552	-	-
Others	10,686	17,535	3,236	17,856
Total	243,292	510,574	179,627	362,910

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 year ending December 31, 2015, is 23.2% (for the nine-month period ended September 30, 2014: 19.2%).

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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Basic earnings per share attributable to the owners of the Parent Company for the three-month and nine-month periods ended September 30, 2015 and 2014, is computed as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares ¹	313,998	844,671	217,141	678,972
Weighted average number of ordinary shares outstanding ²	65,911,305	65,911,305	65,911,308	65,911,308
Basic earnings per ordinary share (in won)	4,764	12,815	3,294	10,301

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares ¹	36,414	97,982	25,211	78,817
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402	7,623,402	7,623,402
Basic earnings per preferred share (in won)	4,777	12,853	3,307	10,339

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

<i>(in millions of Korean won)</i>	2015	
	Three months	Nine months
Profit for the period attributable to owners of the Parent Company	350,412	942,653
Ordinary shares dividends (A)	65,911	197,734
Preferred shares dividends (B)	7,719	23,156
Undistributed earnings for the period	276,782	721,763
Undistributed earnings available for ordinary shares (C)	248,087	646,937
Undistributed earnings available for preferred shares (D)	28,695	74,826
Profit for the period attributable to ordinary shares (A+C)	313,998	844,671
Profit for the period attributable to preferred shares (B+D)	36,414	97,982

<i>(in millions of Korean won)</i>	2014	
	Three months	Nine months
Profit for the period attributable to owners of the Parent Company	242,352	757,789
Ordinary shares dividends (A)	65,911	197,734
Preferred shares dividends (B)	7,719	23,156
Undistributed earnings for the period	168,722	536,899
Undistributed earnings available for ordinary shares (C)	151,230	481,238
Undistributed earnings available for preferred shares (D)	17,492	55,661
Profit for the period attributable to ordinary shares (A+C)	217,141	678,972
Profit for the period attributable to preferred shares (B+D)	25,211	78,817

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

² Weighted average numbers of shares are calculated as follows:

<i>(in shares)</i>	2015	2014
Ordinary shares outstanding	66,271,100	66,271,100
Ordinary treasury shares	(359,795)	(359,792)
Weighted average number of ordinary shares outstanding	<u>65,911,305</u>	<u>65,911,308</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 ₩294,520 million (2014: ₩294,520 million) of dividends for the year ended December 31, 2014, was paid to the shareholders of the Parent Company in April 2015.

32. Related party transactions

As of September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014, are as follows:

Related parties	Related parties' subsidiaries (Domestic)	Related parties' subsidiaries (foreign)	Details
SERVEONE	LG-TOYO Engineering Co., Ltd.	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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Sales and purchases with related parties for the nine-month periods ended September 30, 2015 and 2014, are as follows:

(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.	-	-	-	37,549
Associates and joint ventures				
SEETEC Co., Ltd.	19,024	100,475	205	60,896
TECWIN Co., Ltd.	-	51	2,009	14
HL Greenpower Co., Ltd.	40,957	-	-	-
Others	453	-	-	1,147
Other related parties				
LG MMA Corporation	70,111	102,303	-	2,466
SERVEONE and its subsidiaries	14,051	297,544	232,059	70,641
LG CNS Co., Ltd. and its subsidiaries	8,146	15,030	44,047	40,278
Others	17	-	-	7,761
Key management	-	-	-	46,759
Total	152,759	515,403	278,320	267,511

(in millions of Korean won)

	2014			
	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.	-	-	-	40,996
Associates and joint ventures				
SEETEC Co., Ltd.	48,339	131,600	10	58,021
TECWIN Co., Ltd.	-	284	1,400	32
HL Greenpower Co., Ltd.	56,177	-	-	-
Others	29	-	-	997
Other related parties				
LG MMA Corporation	97,733	107,608	-	131
SERVEONE and its subsidiaries	18,228	269,949	129,883	65,046
LG CNS Co., Ltd. and its subsidiaries	2,084	2,923	59,824	34,797
Others	225	-	-	7,289
Key management	-	-	-	29,012
Total	222,815	512,364	191,117	236,321

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Balances of receivables and payables arising from sales and purchases of goods and services as of September 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

	September 30, 2015			
	Receivables			
	Trade receivables and others	Loan receivables	Other receivables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	10,493	10,493
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	-	-
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	10,961	-	-	10,961
Others	-	-	352	352
Other related parties				
LG MMA Corporation	9,392	-	379	9,771
SERVEONE and its subsidiaries	1,966	-	26,193	28,159
LG CNS Co., Ltd. and its subsidiaries	3,172	-	-	3,172
Others	-	-	3,712	3,712
Key management	-	-	-	-
Total	25,491	-	41,129	66,620

(in millions of Korean won)

	September 30, 2015			
	Payables			
	Trade payables	Borrowings	Other payables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	-	-
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	18,499	18,499
TECWIN Co., Ltd.	-	-	35	35
HL Greenpower Co., Ltd.	-	-	29	29
Others	-	-	55	55
Other related parties				
LG MMA Corporation	12,193	-	-	12,193
SERVEONE and its subsidiaries	1,624	-	167,323	168,947
LG CNS Co., Ltd. and its subsidiaries	925	-	35,956	36,881
Others	-	-	933	933
Key management	-	-	55,878	55,878
Total	14,742	-	278,708	293,450

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

(in millions of Korean won)

	December 31, 2014			
	Receivables			
	Trade receivables and others	Loan receivables	Other receivables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	8,167	8,167
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	-	-
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	18,402	-	-	18,402
Others	-	-	15	15
Other related parties				
LG MMA Corporation	8,398	-	422	8,820
SERVEONE and its subsidiaries	2,872	-	25,903	28,775
LG CNS Co., Ltd. and its subsidiaries	3,435	-	-	3,435
Others	-	-	3,724	3,724
Key management	-	-	-	-
Total	33,107	-	38,231	71,338

(in millions of Korean won)

	December 31, 2014			
	Payables			
	Trade payables	Borrowings	Other payables	Total
Entity with significant influence over the Group				
LG Corp.	-	-	7	7
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	24,310	24,310
TECWIN Co., Ltd.	-	-	886	886
HL Greenpower Co., Ltd.	-	-	-	-
Others	-	-	-	-
Other related parties				
LG MMA Corporation	10,377	-	-	10,377
SERVEONE and its subsidiaries	1,130	-	179,168	180,298
LG CNS Co., Ltd. and its subsidiaries	175	-	31,055	31,230
Others	-	-	344	344
Key management	-	-	45,751	45,751
Total	11,682	-	281,521	293,203

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

Fund transactions with related parties for the nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014
	Equity contributions in cash	Loan	Equity contributions in cash
Associates and joint ventures			
LG Fuel Cell Systems Inc.	-	5,012	8,402
KLPE Limited Liability Partnership	-	-	33,533
LG Chem Malaysia SDN.BHD.	150	-	-
Total	150	5,012	41,935

Dividends received from related parties for the nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Associates and joint ventures		
SEETEC Co., Ltd.	33,500	-
LG VINA Chemical Co., Ltd.	993	974
TECWIN Co., Ltd.	-	18
Total	34,493	992

Compensation for key management of the Group for the nine-month periods ended September 30, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015	2014
Wages and salaries	44,674	27,336
Pension costs	2,085	1,676
Total	46,759	29,012

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 in current and prior period.

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

33. Cash generated from operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the nine-month periods ended September 30, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Profit before income tax	1,256,726	937,811
Adjustments for:		
Depreciation	900,934	825,659
Amortization	29,436	22,234
Pension costs	78,095	91,024
Finance income	(86,017)	(89,680)
Financial expenses	137,286	115,919
Foreign exchange differences	74,341	(33,588)
Gain on disposal of property, plant and equipment	(8,024)	(2,291)
Gain on disposal of intangible assets	-	(16)
Loss on disposal of property, plant and equipment	68,804	14,260
Loss on disposal of intangible assets	321	2,337
Impairment loss on property, plant and equipment	-	82,516
Impairment loss on intangible assets	75,365	684
Reversal of impairment loss on property, plant and equipment	(30,323)	-
Reversal of impairment loss on intangible assets	(99)	-
Impairment loss on investments in joint ventures	50,552	-
Other income	(3,948)	(3,586)
Inventories	250,293	(290,509)
Trade receivables	127,653	(43,903)
Other receivables	43,040	(1,003)
Settlement of derivatives	(1,226)	2,422
Trade payables	(261,623)	279,774
Other payables	(85,482)	(32,956)
Net defined benefit liabilities	(70,742)	(4,143)
Other cash flows from operations	(67,247)	(43,699)
Cash generated from operations	<u>2,478,115</u>	<u>1,829,266</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

The principal non-cash transactions for the nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Transfer of construction-in-progress	1,250,558	648,689
Transfer of machinery-in-transit	136,768	107,646
Reclassification of long-term borrowings into current maturities	242,482	490,585
Reclassification of non-current asset held for sale	6,500	5,639
Acquisition of financial lease assets	42,669	-

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 ¹	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	

¹ The Group renamed its Petrochemicals business segment as Basic materials & Chemicals, and reclassified part of former IT & Electronic materials business segment into Advanced materials business segment. The comparative information was restated by reflecting such changes.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

The segment information on revenue and profit and loss for the nine-month periods ended September 30, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015					
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others ³	Total
Total segment revenue	11,200,741	1,715,366	2,165,681	338,136	4,603	15,424,527
Inter-segment revenue	126,754	12,946	2,257	111,974	4,603	258,534
Revenue from external customers ¹	11,073,987	1,702,420	2,163,424	226,162	-	15,165,993
Operating profit (loss) ²	1,394,982	85,150	(28,333)	19,970	(208)	1,471,561

<i>(in millions of Korean won)</i>	2014					
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others ³	Total
Total segment revenue	13,282,803	1,755,675	2,086,215	343,536	5,184	17,473,413
Inter-segment revenue	141,041	5,396	1,068	115,197	5,184	267,886
Revenue from external customers ¹	13,141,762	1,750,279	2,085,147	228,339	-	17,205,527
Operating profit (loss) ²	905,526	74,416	67,442	32,050	(252)	1,079,182

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 September 30, 2015 and December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2015					
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others	Total
Total assets for the segment ¹	8,444,796	2,920,394	3,785,766	355,571	2,940,746	18,447,273
Investments in associates and joint ventures	129,647	-	16,799	-	242,464	388,910
Total liabilities for the segment ¹	2,530,298	790,066	1,655,478	78,241	413,681	5,467,764

<i>(in millions of Korean won)</i>	December 31, 2014					
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others	Total
Total assets for the segment ¹	8,900,235	2,710,160	3,365,403	321,403	2,830,445	18,127,646
Investments in associates and joint ventures	207,539	-	17,815	-	264,096	489,450
Total liabilities for the segment ¹	2,616,982	546,207	1,467,896	49,212	1,181,497	5,861,794

¹ Assets and liabilities are measured in a manner consistent with those in the financial

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

statements and allocated on the basis of segment operation.

The external sales and non-current assets by geographical segments from continuing operations for the nine-month periods ended September 30, 2015 and 2014, and as of September 30, 2015 and December 31, 2014, are as follows:

*(in millions of
Korean won)*

	Sales		Non-current assets¹	
	2015	2014	September 30, 2015	December 31, 2014
Korea ²	4,888,358	6,098,691	7,830,017	7,672,556
China	5,074,183	5,125,468	1,245,304	1,118,318
South East Asia	3,054,333	3,689,308	28,560	27,565
America	858,763	922,214	249,103	379,795
Western Europe	1,071,827	1,046,558	25,330	26,322
Others	218,529	323,288	-	-
Total	15,165,993	17,205,527	9,378,314	9,224,556

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 nine-month periods ended September 30, 2015 and 2014.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

35. Business combination

During 2014, the Group acquired 100% interest in LG NanoH2O, Inc. (formerly NanoH2O, Inc.), which produces water purification filter and is located in the United States. As a result of the merger, the Group expects revenue growth through market diversification, which includes entering into new industrial markets.

Goodwill amounting to ₩ 167,169 million arising from the business combination is due to the acquisition of LG NanoH2O, Inc.'s pre-existing customer base and the revenue growth generated by combining the operations of the Group and LG NanoH2O, Inc.

The following table summarizes the consideration paid for LG NanoH2O, Inc., the fair value of assets acquired and liabilities assumed at the acquisition date:

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	151,411
	<u>151,411</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	14,993
Property, plant and equipment	11,630
Intangible assets	43,751
Inventories	2,243
Trade and other (non-current) receivables	8,229
Trade and other (non-current) payables	(5,608)
Borrowings	(72,219)
Deferred income tax liabilities	(18,777)
Total identifiable net assets	<u>(15,758)</u>
Goodwill	167,169
Total	<u>151,411</u>

The fair value of trade and other receivables is equal to the gross contractual amount.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

36. Non-current assets held for sale

The Group decided to sell certain non-current assets related to the separator division with the approval of the management on September 25, 2015. The related assets were reclassified as non-current assets held for sale. The disposal is expected to be completed by the first half of 2016.

Details of assets of disposal group classified as held-for-sale as of September 30, 2015, are as follows:

<i>(in millions of Korean won)</i>	Amount
Assets of disposal group	
Property, plant and equipment	6,500
Intangible assets	-
Total	<u>6,500</u>

Assets of the disposal group were measured at fair value immediately before the initial classification of the assets as held for sale; the related reversal of impairment loss amounting ₩ 5,520 million was recognized as other non-operating income during 2015.

37. Event after the reporting period

The Group will transfer its OLED lighting business to LG Display Co., Ltd., as approved by the Board of Directors on October 16, 2015.