

# **LG Chem, Ltd. and Subsidiaries**

**Interim Consolidated Financial Statements**

**March 31, 2015 and 2014**

**LG Chem, Ltd. and Subsidiaries**  
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**March 31, 2015 and 2014**

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## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

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

### ***Reviewed Financial Statements***

We have reviewed the accompanying interim consolidated financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated statement of financial position of LG Chem, Ltd. and its subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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. Accordingly, this report is for use by those who are informed about Korean review standards and their application in practice.

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

Seoul, Korea

May 14, 2015

The report is effective as of May 14, 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**  
**March 31, 2015 and December 31, 2014**

<i>(in millions of Korean won)</i>	Notes	March 31, 2015 (Unaudited)	December 31, 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3, 5, 6	1,417,600	988,016
Trade receivables	3, 5, 7, 32	3,143,224	3,239,283
Other receivables	3, 5, 7, 32	1,013,151	916,796
Prepaid income taxes		1,352	1,421
Other current financial assets	3, 5, 8, 9	-	783
Other current assets	14	210,769	283,373
Inventories	10	2,300,071	2,711,188
Non-current assets held for sale	36	5,961	5,961
Total current assets		8,092,128	8,146,821
<b>Non-current assets</b>			
Other receivables	3, 5, 7	64,767	74,223
Other financial assets	3, 5, 8	6,327	6,153
Investments in associates and joint ventures	1, 11, 34	465,736	489,450
Deferred income tax assets	29	99,185	96,823
Property, plant and equipment	12	8,796,031	8,699,536
Intangible assets	13	534,634	525,020
Other non-current assets	14	88,755	89,620
Total non-current assets		10,055,435	9,980,825
<b>Total assets</b>		<b>18,147,563</b>	<b>18,127,646</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	3, 5, 32	1,158,242	1,337,866
Other payables	3, 5, 32	894,340	901,648
Borrowings	3, 5, 15	2,225,358	2,205,720
Provisions	16	4,146	5,265
Current income tax liabilities	29	175,694	116,107
Other current liabilities	5, 18	533,836	242,443
Total current liabilities		4,991,616	4,809,049
<b>Non-current liabilities</b>			
Other payables	3, 5	41,136	54,645
Borrowings	3, 5, 15	623,024	727,830
Provisions	16	22,055	23,434
Net defined benefit liabilities	17	105,717	86,892
Deferred income tax liabilities	29	131,286	159,944
Other non-current liabilities	18	7,188	-
Total non-current liabilities		930,406	1,052,745
<b>Total liabilities</b>		<b>5,922,022</b>	<b>5,861,794</b>

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

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<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>March 31, 2015 (Unaudited)</b>	<b>December 31, 2014</b>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
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		(54,543)	(62,233)
Retained earnings	21	10,638,446	10,690,605
		<u>12,095,476</u>	<u>12,139,945</u>
<b>Non-controlling interests</b>		130,065	125,907
<b>Total equity</b>		<u>12,225,541</u>	<u>12,265,852</u>
<b>Total liabilities and equity</b>		<u>18,147,563</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 Periods Ended March 31, 2015 and 2014**

<i>(in millions of Korean won, except per share amounts)</i>	<b>Notes</b>	<b>2015 (Unaudited)</b>	<b>2014 (Unaudited)</b>
<b>Revenue</b>	32, 34	4,915,022	5,672,816
<b>Cost of sales</b>	24, 32	<u>(4,120,970)</u>	<u>(4,910,153)</u>
<b>Gross profit</b>		794,052	762,663
Selling, general and administrative expenses	23, 24, 32	<u>(432,250)</u>	<u>(400,568)</u>
<b>Operating profit</b>	34	361,802	362,095
Finance income	5, 26	48,121	36,810
Finance expenses	5, 26	(59,241)	(51,117)
Share of profit of associates and joint ventures	11	(1,111)	12,960
Other non-operating income	5, 27	65,859	58,343
Other non-operating expenses	5, 28	(91,325)	(65,058)
<b>Profit before income tax</b>	33	324,105	354,033
<b>Income tax expense</b>	29	<u>(77,953)</u>	<u>(68,015)</u>
<b>Profit for the period</b>		<u>246,152</u>	<u>286,018</u>
Attributable to:			
Owners of the parent		242,796	288,104
Non-controlling interests		3,356	(2,086)
<b>Earnings per share</b>			
<b>to owners of the parent (in won)</b>	30		
Basic and diluted earnings per ordinary share		3,300	3,917
Basic and diluted earnings per preferred share		3,313	3,929

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

**LG Chem, Ltd. and Subsidiaries**  
**Interim Consolidated Statements of Comprehensive Income**  
**Three-Month Periods Ended March 31, 2015 and 2014**

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<i>(in millions of Korean won)</i>	Notes	2015 (Unaudited)	2014 (Unaudited)
<b>Profit for the period</b>		246,152	286,018
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability	17	(610)	1,110
Shares of actuarial gains and losses on net defined benefit liability of associates		27	3
Income tax effect relating to components of other comprehensive income		148	(268)
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences		10,721	(9,630)
Others		(2,632)	(14,152)
Income tax effect relating to components of other comprehensive income		403	(524)
<b>Other comprehensive income (loss) for the period, net of tax</b>		8,057	(23,461)
<b>Total comprehensive income for the period</b>		254,209	262,557
<b>Attributable to:</b>			
Owners of the parent		250,051	265,883
Non-controlling interests		4,158	(3,326)

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



**LG Chem, Ltd. and Subsidiaries**  
**Interim Consolidated Statements of Changes in Equity**  
**Three-Month Periods Ended March 31, 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		
<b>Balance at January 1, 2014</b>		369,500	1,157,772	(15,699)	(87,259)	10,172,632	11,596,946	128,716	11,725,662
<b>Comprehensive income:</b>									
Profit for the period		-	-	-	-	288,104	288,104	(2,086)	286,018
Remeasurements of the net defined benefit liability	17	-	-	-	-	842	842	-	842
Currency translation differences		-	-	-	(8,914)	-	(8,914)	(1,240)	(10,154)
Others		-	-	-	(14,152)	3	(14,149)	-	(14,149)
<b>Total comprehensive income</b>		-	-	-	(23,066)	288,949	265,883	(3,326)	262,557
<b>Transactions with owners:</b>									
Dividends	31	-	-	-	-	(294,520)	(294,520)	-	(294,520)
<b>Total transactions with owners</b>		-	-	-	-	(294,520)	(294,520)	-	(294,520)
<b>Balance at March 31, 2014 (Unaudited)</b>		369,500	1,157,772	(15,699)	(110,325)	10,167,061	11,568,309	125,390	11,693,699
<b>Balance at January 1, 2015</b>		369,500	1,157,772	(15,699)	(62,233)	10,690,605	12,139,945	125,907	12,265,852
<b>Comprehensive income:</b>									
Profit for the period		-	-	-	-	242,796	242,796	3,356	246,152
Remeasurements of the net defined benefit liability	17	-	-	-	-	(462)	(462)	-	(462)
Currency translation differences		-	-	-	10,322	-	10,322	802	11,124
Others		-	-	-	(2,632)	27	(2,605)	-	(2,605)
<b>Total comprehensive income</b>		-	-	-	7,690	242,361	250,051	4,158	254,209
<b>Transactions with owners:</b>									
Dividends	31	-	-	-	-	(294,520)	(294,520)	-	(294,520)
<b>Total transactions with owners</b>		-	-	-	-	(294,520)	(294,520)	-	(294,520)
<b>Balance at March 31, 2015 (Unaudited)</b>		369,500	1,157,772	(15,699)	(54,543)	10,638,446	12,095,476	130,065	12,225,541

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

**LG Chem, Ltd. and Subsidiaries**  
**Interim Consolidated Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2015 and 2014**

<i>(in millions of Korean won)</i>	Notes	2015 (Unaudited)	2014 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	1,092,772	308,060
Interest received		10,795	10,499
Interest paid		(17,057)	(20,936)
Dividends received		20,000	95
Income taxes paid		(62,755)	(48,156)
<b>Net cash generated from operating activities</b>		<u>1,043,755</u>	<u>249,562</u>
<b>Cash flows from investing activities</b>			
Decrease in other receivables		270,212	174,649
Decrease in non-current other receivables		8,136	3,633
Proceeds from disposal of property, plant and equipment		1,218	5,552
Proceeds from disposal of intangible assets		2,100	12
Increase in other receivables		(342,878)	(303,523)
Increase in non-current other receivables		(9,904)	(11,320)
Increase in non-current other financial assets		(171)	-
Acquisition of investments in associates and joint ventures		-	(33,533)
Acquisition of property, plant and equipment		(425,339)	(277,747)
Acquisition of intangible assets		(16,251)	(11,026)
<b>Net cash used in investing activities</b>		<u>(512,877)</u>	<u>(453,303)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		121,068	414,329
Repayments of borrowings		(217,832)	(91,968)
<b>Net cash provided by (used in) financing activities</b>		<u>(96,764)</u>	<u>322,361</u>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of period		988,016	1,399,054
Exchange loss on cash and cash equivalents		(4,530)	(273)
<b>Cash and cash equivalents at the end of period</b>		<u>1,417,600</u>	<u>1,517,401</u>

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

# LG Chem, Ltd. and Subsidiaries

## Notes to the Interim Consolidated Financial Statements

### March 31, 2015 and 2014 (Unaudited), and December 31, 2014

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#### 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.), to engage in the petrochemicals, industrial materials, and information and electronic materials business.

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

As of March 31, 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 March 31, 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, xylene, toluene, 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, 3D FPR, LCD glass, PCB materials and OLED light. 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 small batteries for laptop computers and mobiles to 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 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**  
**March 31, 2015 and 2014 (Unaudited), and December 31, 2014**

**1.3 Consolidated subsidiaries, associates and joint ventures**

	March 31, 2015			
	Percentage of ownership (%)	Business location	Fiscal year-end	Business activities
<b>Consolidated subsidiaries</b>				
Tianjin LG DAGU Chemical Co., Ltd.	75	China	December 31	PVC manufacturing and sales
Ningbo LG Yongxing Chemical Co., Ltd. <sup>1</sup>	75	China	December 31	ABS/SBL manufacturing and sales
Ningbo Zhenhai LG Yongxing Trading Co., Ltd. <sup>1</sup>	100	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. <sup>2</sup>	100	India	December 31	Service
LG Polymers India Pvt. Ltd. <sup>2</sup>	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. <sup>3</sup>	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. <sup>4</sup>	75	China	December 31	VCM, EDC manufacturing and sales
Tianjin LG BOTIAN Chemical Co., Ltd. <sup>4</sup>	56	China	December 31	SBS manufacturing and sales
LG Chem (China) Investment Co., Ltd.	100	China	December 31	China holding company
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	100	China	December 31	ABS/EP manufacturing and sales
LG Chem Europe GmbH	100	Germany	December 31	Sales and trading
LG Chem Poland Sp. z o.o.	100	Poland	December 31	Polarizer manufacturing
LG Chem Michigan Inc.	100	USA	December 31	Battery research and manufacturing for automobile
LG Chem Power Inc.	100	USA	December 31	Battery research for automobile
LGC Petrochemical India Private Ltd.	100	India	December 31	Service
Haengboknuri	100	Korea	December 31	Facility management and general cleaning
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI	100	Turkey	December 31	Sales and trading
LG Chem Japan Co., Ltd.	100	Japan	December 31	Sales and trading
LG NanoH2O Inc. <sup>5</sup>	100	USA	December 31	Water purification filter research and manufacturing
NanoH2O Singapore Private Ltd. <sup>5</sup>	100	Singapore	December 31	Water purification filter research and manufacturing
NanoH2O (Jiangsu) Water Processing Technology Co. Ltd. <sup>5</sup>	100	China	December 31	Water purification filter research and manufacturing
LG Chem (Nanjing) New Energy Battery Co., Ltd. <sup>6</sup>	50	China	December 31	Battery manufacturing and sales
<b>Associates</b>				
LG Holdings (HK) Ltd.	26	Hong Kong	December 31	Sales and trading
TECWIN Co., Ltd.	20	Korea	December 31	Environment solution and Construction of chemical plant
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. <sup>7</sup>	100	Brazil	December 31	Sales and trading
LG Fuel Cell Systems Inc.	20	USA	December 31	Power fuel cell research
<b>Joint ventures</b>				
LG VINA Chemical Co., Ltd.	40	Vietnam	December 31	DOP production and sales

**LG Chem, Ltd. and Subsidiaries**  
**Notes to the Interim Consolidated Financial Statements**  
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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

<sup>1</sup> As of March 31, 2015, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

<sup>2</sup> As of March 31, 2015, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

<sup>3</sup> During the period, the Parent Company acquired additional shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. for ₩ 7,313 million.

<sup>4</sup> As of March 31, 2015, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> Classified as an investment in associate due to its small size.

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

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

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Revenue</b>	<b>Profit (loss)</b>
<b>Consolidated subsidiaries</b>					
Tianjin LG DAGU Chemical Co.,Ltd.	180,185	137,303	42,882	95,873	(3,939)
Ningbo LG Yongxing Chemical Co.,Ltd.	793,609	351,959	441,650	403,012	41,008
Ningbo Zhenhai LG Yongxing Trading Co.,Ltd.	3,890	2,107	1,783	655	7
LG Chem HK Ltd.	114,991	98,457	16,534	116,111	422
LG Chem America, Inc.	172,867	159,262	13,605	173,900	(737)
LG Chemical India Pvt. Ltd.	32,709	59	32,650	56	31
LG Polymers India Pvt. Ltd.	87,607	32,647	54,960	55,215	1,268
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	93,220	37,203	56,017	30,799	1,343
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,602,051	902,571	699,480	495,479	21,981
LG Chem (Taiwan), Ltd.	154,583	87,670	66,913	64,837	1,672
LG Chem Display Materials (Beijing) Co.,Ltd.	37,173	12,562	24,611	18,608	344
Tianjin LG Bohai Chemical Co.,Ltd.	325,154	187,390	137,764	98,028	(18,994)
Tianjin LG BOTIAN Chemical Co.,Ltd.	60,928	82,418	(21,490)	24,239	(1,008)
LG Chem (China) Investment Co.,Ltd.	131,421	39,291	92,130	9,379	190
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	66,184	21,237	44,947	22,236	1,294
LG Chem Europe GmbH	104,375	91,458	12,917	86,064	(610)
LG Chem Poland Sp. z o.o.	30,640	16,414	14,226	19,330	(724)
LG Chem Michigan Inc.	200,411	174,290	26,121	13,099	(5)
LG Chem Power Inc.	7,049	5,765	1,284	8,202	950
LGC Petrochemical India Private Ltd.	1,215	315	900	796	51
Haengboknuri	1,512	511	1,001	1,099	76
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	3,588	3,061	527	13,098	94
LG Chem Japan Inc.	1,879	226	1,653	1,087	134
LG NanoH2O Co., Ltd.	26,507	5,486	21,021	2,191	(5,105)
LG Chem (Nanjing) New Energy Battery Co., Ltd.	32,113	3	32,110	-	135
<b>Associates</b>					
LG Holdings (HK) Ltd.	380,914	119,646	261,268	13,147	4,623
TECWIN Co., Ltd.	41,075	9,422	31,653	-	-
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	115	237	(122)	-	-
LG Fuel Cell Systems Inc.	28,659	30,550	(1,891)	326	(9,548)
<b>Joint ventures</b>					
LG VINA Chemical Co.,Ltd.	23,275	13,461	9,814	16,057	567
HL Greenpower Co.,Ltd.	96,654	60,361	36,293	28,796	6
SEETEC Co.,Ltd.	378,975	40,756	338,219	134,606	6,373
CNOOC & LG Petrochemicals Co.,Ltd.	292,328	242,934	49,394	53,422	(6,632)
KLPE Limited Liability Partnership	274,843	15,456	259,387	-	1,111

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December 31, 2014

	Assets	Liabilities	Equity	Revenue	Profit (loss)
<b>Consolidated subsidiaries</b>					
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 SANAVI 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)
<b>Associates</b>					
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)
<b>Joint ventures</b>					
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

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## 2. Summary of significant accounting policies

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

### 2.1 Basis of preparation

The 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 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 consolidated financial statements.

The Group's interim financial statements for the three-month period ended March 31, 2015, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These interim financial statements have been prepared in accordance with Korean IFRS which is effective or has been early adopted as of March 31, 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.

### 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.



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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 three-month period ended March 31, 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 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.

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As of March 31, 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>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
USD	1,611,315	2,536,981	1,918,095	2,527,236
EUR	69,691	98,768	66,431	106,051
JPY	31,792	117,233	33,347	110,044
GBP and others	3,879	2,152	3,135	2,225

As of March 31, 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>	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
USD	(92,567)	92,567	(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.

The impact of 1% (100 basis points) higher/lower of interest rate with all other variables held constant on the Group's post-tax profit for the three-month periods ended March 31, 2015 and 2014, and on equity as of March 31, 2015 and December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>Impact on post-tax profit</b>		<b>Impact on equity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Increase	(17,291)	(17,107)	(17,291)	(17,107)
Decrease	17,291	17,107	17,291	17,107

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(2) Credit risk

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

As of March 31, 2015 and December 31, 2014, the maximum degrees of credit exposures are as follows:

(in millions of Korean won)

	March 31, 2015			December 31, 2014		
	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)
Loans and receivables (excluding cash on hand)	5,647,606	(14,438)	5,633,168	5,233,335	(16,581)	5,216,754
Financial assets at fair value through profit or loss	-	-	-	783	-	783
<b>Total</b>	<b>5,647,606</b>	<b>(14,438)</b>	<b>5,633,168</b>	<b>5,234,118</b>	<b>(16,581)</b>	<b>5,217,537</b>

In addition, 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.

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.

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(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)

	<b>March 31, 2015</b>			
	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Borrowings (excluding finance lease liabilities)	2,249,568	516,911	123,870	-
Trade and other payables	2,052,582	41,086	50	-
<b>Total</b>	<b>4,302,150</b>	<b>557,997</b>	<b>123,920</b>	<b>-</b>

(in millions of Korean won)

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

- 2) 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.

(in millions of Korean won)

	<b>March 31, 2015</b>			
	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts <sup>1</sup>	1,007	-	-	-

(in millions of Korean won)

	<b>December 31, 2014</b>			
	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts <sup>1</sup>	1,041	-	-	-

<sup>1</sup> The Parent Company and LG Hausys Ltd. have provided the joint guarantee for obligations outstanding as of April 1, 2009, the spin-off date. The amounts represent the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called (Note 19).

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**3.2 Capital risk management**

The Group's capital objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio and debt-to-equity ratio as of March 31, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Total borrowings (Note 15) (A)	2,848,382	2,933,550
Less: cash and cash equivalents (B)	<u>(1,417,600)</u>	<u>(988,016)</u>
Net debt (C=A+B)	<u>1,430,782</u>	<u>1,945,534</u>
Total liabilities (D)	5,922,022	5,861,794
Total equity (E)	12,225,541	12,265,852
Total capital (F=C+E)	13,656,323	14,211,386
Gearing ratio (C/F)	10.5%	13.7%
Debt-to-equity ratio (D/E)	48.4%	47.8%

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**3.3 Fair value estimation**

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

(in millions of Korean won)

	March 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (current)				
Cash and cash equivalents	1,417,600	1	988,016	1
Financial deposits	861,662	1	780,489	1
Trade receivables	3,143,224	1	3,239,283	1
Other receivables (excluding financial deposits)	151,489	1	136,306	1
Derivative financial instruments	-	-	783	783
Financial assets (non-current)				
Financial deposits	19,890	1	27,236	1
Other non-current receivables (excluding financial deposits)	44,877	1	46,987	1
Other non-current financial assets	6,327	2	6,153	2
Financial liabilities (current)				
Trade and other payables	2,052,582	1	2,239,514	1
Borrowings (current)	2,225,358	1	2,205,720	1
Other current liabilities (dividends payable)	295,581	1	1,042	1
Financial liabilities (non-current)				
Borrowings (non-current)	623,024	636,327	727,830	740,170
Other non-current payables	41,136	40,161	54,645	52,955

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

<sup>2</sup> All other non-current financial assets of the Group consist of available-for-sale equity securities and are measured at cost (March 31, 2015: ₩ 6,327 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.

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

1) Derivative financial instruments

The Parent Company 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

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period with the resulting value discounted back to present value.

2) Financial liabilities (non-current)

Fair values of financial liabilities(non-current) are based on cash outflows discounted using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and the applied discount rates as of March 31, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Discount rate	1.82%~1.85%	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 March 31, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets/liabilities that are measured at fair value				
Derivative financial assets	-	-	-	-
Borrowings (non-current)	-	636,327	-	636,327
Other non-current payables	-	40,161	-	40,161

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

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**4. Critical accounting estimates and assumptions**

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

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

**5. Financial instruments by category**

Categorizations of financial instruments are as follows:

*(in millions of Korean won)*

	March 31, 2015			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	
<b>Financial assets</b>				
Cash and cash equivalents	1,417,600	-	-	1,417,600
Trade receivables	3,143,224	-	-	3,143,224
Other receivables	1,013,151	-	-	1,013,151
Other non-current receivables	64,767	-	-	64,767
Other non-current financial assets	-	-	6,327	6,327
<b>Total</b>	<b>5,638,742</b>	<b>-</b>	<b>6,327</b>	<b>5,645,069</b>

*(in millions of Korean won)*

	March 31, 2015			Total
	Financial liabilities at fair value through profit or loss	Liabilities at amortized cost	Other liabilities <sup>1</sup>	
<b>Financial liabilities</b>				
Trade payables	-	1,158,242	-	1,158,242
Other payables	-	894,340	-	894,340
Borrowings (current)	-	1,205,429	1,019,929	2,225,358
Other current liabilities (dividends payable)	-	295,581	-	295,581
Other non-current payables	-	41,136	-	41,136
Borrowings (non-current)	-	623,024	-	623,024
<b>Total</b>	<b>-</b>	<b>4,217,752</b>	<b>1,019,929</b>	<b>5,237,681</b>



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(in millions of Korean won)

Financial assets	December 31, 2014			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
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
<b>Total</b>	<b>5,218,318</b>	<b>783</b>	<b>6,153</b>	<b>5,225,254</b>

(in millions of Korean won)

Financial liabilities	December 31, 2014			
	Financial liabilities at fair value through profit or loss	Liabilities at amortized cost	Other liabilities <sup>1</sup>	Total
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
<b>Total</b>	<b>-</b>	<b>4,244,030</b>	<b>984,721</b>	<b>5,228,751</b>

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

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Net gains (losses) on financial instruments by category for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>Assets at fair value through profit or loss</b>		
Gain on valuation/ disposal	1,283	1,017
<b>Loans and receivables</b>		
Interest income	10,172	12,053
Gain (loss) on foreign currency translation	(6,983)	1,490
Gain on foreign exchange	632	25,002
<b>Liabilities at amortized cost</b>		
Interest expense	(15,048)	(19,550)
Loss on foreign currency translation	(3,523)	(11,513)
Loss on foreign exchange	(9,584)	(10,796)
<b>Other liabilities</b>		
Interest expense	(2,472)	(2,503)
Gain on foreign currency translation	1,178	523
Gain (loss) on foreign exchange	3,757	(12,804)

**6. Cash and cash equivalents**

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Bank deposits and cash on hand	287,395	290,451
Financial deposits, others	1,130,205	697,565
<b>Total</b>	<u>1,417,600</u>	<u>988,016</u>

As of March 31, 2015, cash and cash equivalents include deposits with banks of ₩1,604 million (December 31, 2014: ₩984 million) held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

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**7. Trade and other receivables**

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

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>			<b>December 31, 2014</b>		
	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>
Trade receivables <sup>1</sup>	3,157,662	(14,438)	3,143,224	3,255,864	(16,581)	3,239,283
Other current receivables	1,013,151	-	1,013,151	916,796	-	916,796
Other non-current receivables <sup>2</sup>	64,767	-	64,767	74,223	-	74,223
<b>Total</b>	<b>4,235,580</b>	<b>(14,438)</b>	<b>4,221,142</b>	<b>4,246,883</b>	<b>(16,581)</b>	<b>4,230,302</b>

<sup>1</sup> As of March 31, 2015, trade receivables transferred to financial institutions but not fully derecognized are as follows (Note 15):

<i>(in millions of Korean won)</i>	<b>Loans and receivables (trade receivables collateralized borrowings)</b>	
	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Carrying amount of transferred assets	1,019,929	984,721
Carrying amount of related liabilities	(1,019,929)	(984,721)

<sup>2</sup> As of March 31, 2015, ₩ 1,223 million in other non-current receivables represents deposits which are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2014: ₩ 671 million).

Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>		
Non-trade receivables	118,788	111,874
Financial deposits <sup>1</sup>	861,662	780,489
Accrued income	5,151	5,058
Loans	5,420	-
Deposits	22,130	19,375
	<u>1,013,151</u>	<u>916,796</u>
<b>Non-current</b>		
Non-trade receivables	15	15
Financial deposits <sup>1</sup>	19,890	27,236
Loans	253	305
Deposits	44,609	46,667
	<u>64,767</u>	<u>74,223</u>
<b>Total</b>	<u>1,077,918</u>	<u>991,019</u>

<sup>1</sup> As of March 31, 2015, certificate of deposits included within financial deposits amounting to ₩ 42,800 million have been pledged as collaterals to SH Corporation in relation to the acquisition of LG Science Park land. In addition, ₩ 18,100 million is restricted from being

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withdrawn in relation to large and small and medium-sized companies corporation agreement and others.

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

(in millions of Korean won)

	March 31, 2015		December 31, 2014	
	Trade receivables	Other receivables	Trade receivables	Other receivables
<b>Receivables not past due</b>	2,970,515	1,058,557	3,115,050	972,297
<b>Past due but not impaired</b>				
Up to 3 months	169,381	15,284	125,642	14,874
3 to 6 months	6,079	1,168	5,202	745
Over 6 months	2,385	2,909	1,136	3,103
	177,845	19,361	131,980	18,722
<b>Impaired receivables</b>	9,302	-	8,834	-
	3,157,662	1,077,918	3,255,864	991,019

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

(in millions of Korean won)

	March 31, 2015				December 31, 2014			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
<b>Beginning balance</b>	16,581	-	-	-	14,951	-	-	-
Additions	-	-	-	-	2,435	-	-	-
Write-off	-	-	-	-	(971)	-	-	-
Reversals	(2,313)	-	-	-	-	-	-	-
Exchange differences	170	-	-	-	166	-	-	-
<b>Ending balance</b>	14,438	-	-	-	16,581	-	-	-

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

## 8. Other Financial Assets

Details of other financial assets are as follows:

(in millions of Korean won)

	March 31, 2015	December 31, 2014
<b>Other financial assets</b>		
Derivatives (Note 9)	-	783
Available-for-sale	6,327	6,153
Less: current portion	-	(783)
	6,327	6,153

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

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Beginning balance</b>	6,153	5,952
Acquisition	171	197
Exchange differences	<u>3</u>	<u>4</u>
<b>Ending balance</b>	6,327	6,153
Less: current portion	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>6,327</u></u>	<u><u>6,153</u></u>

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

No impairment losses were recognized for financial assets classified as available-for-sale for the three-month period ended March 31, 2015 and for the year ended December 31, 2014.

**9. Derivative financial instruments**

Details of derivative financial assets and liabilities are as follows:

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

The Group has no derivative contracts as of March 31, 2015.

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**10. Inventories**

Details of inventories are as follows:

<i>(in millions of Korean won)</i>	March 31, 2015			December 31, 2014		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	72,197	(925)	71,272	74,386	(1,150)	73,236
Finished products	919,978	(30,553)	889,425	1,168,497	(41,951)	1,126,546
Semi-finished products	402,905	-	402,905	430,141	-	430,141
Work-in-process	297	-	297	832	-	832
Raw materials	604,217	(3,463)	600,754	731,657	(3,510)	728,147
Supplies	101,929	-	101,929	95,163	-	95,163
Materials-in-transit	233,489	-	233,489	257,123	-	257,123
<b>Total</b>	<b>2,335,012</b>	<b>(34,941)</b>	<b>2,300,071</b>	<b>2,757,799</b>	<b>(46,611)</b>	<b>2,711,188</b>

During the period, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 3,120,339 million (2014: ₩ 3,976,057 million).

**11. Investments in associates and joint ventures**

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

<i>(in millions of Korean won)</i>	March 31, 2015						
	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.	3,682	-	-	232	20	-	3,934
HL Greenpower Co.,Ltd.	17,815	-	-	(33)	-	29	17,811
LG Holdings (HK) Ltd.	68,121	-	-	1,202	438	-	69,761
TECWIN Co.,Ltd.	6,155	-	-	23	-	-	6,178
SEETEC Co.,Ltd.	177,767	-	(20,000)	3,618	-	-	161,385
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	579
CNOOC & LG Petrochemicals Co.,Ltd.	27,864	-	-	(3,316)	149	-	24,697
KLPE Limited Liability Partnership	175,414	-	-	(599)	(3,068)	-	171,747
LG Fuel Cell Systems Inc.	12,053	-	-	(2,238)	(171)	-	9,644
	<b>489,450</b>	<b>-</b>	<b>(20,000)</b>	<b>(1,111)</b>	<b>(2,632)</b>	<b>29</b>	<b>465,736</b>

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	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 <sup>1</sup>	139,774	33,533	-	4,953	(2,846)	-	175,414
LG Fuel Cell Systems Inc.	14,415	8,402	-	(10,552)	(212)	-	12,053
<b>Total</b>	<b>447,867</b>	<b>41,935</b>	<b>(18,494)</b>	<b>19,567</b>	<b>(1,412)</b>	<b>(13)</b>	<b>489,450</b>

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**12. Property, plant and equipment**

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

March 31, 2015											
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
<b>Beginning balance</b>	910,503	1,965,575	573,870	4,079,635	8,788	308,911	89,214	85,194	593,115	84,731	8,699,536
Cost	911,867	2,436,140	978,989	10,880,815	36,885	737,092	269,026	251,722	643,843	84,731	17,231,110
Accumulated depreciation	-	(446,856)	(393,474)	(6,707,065)	(27,958)	(419,906)	(178,020)	(166,528)	-	-	(8,339,807)
Accumulated impairment	(1,364)	(23,709)	(11,645)	(94,115)	(139)	(8,275)	(1,792)	-	(50,728)	-	(191,767)
Acquisitions/ Transfer	49	36,661	4,465	145,527	2,664	66,258	7,311	9,909	369,793	35,776	678,413
Disposals/ Transfer	-	(224)	-	(16,717)	(118)	(1,322)	(133)	-	(250,431)	(21,078)	(290,023)
Exchange differences	(105)	1,525	387	4,851	-	(1,320)	59	-	1,336	-	6,733
Depreciation	-	(14,592)	(9,688)	(220,055)	(856)	(29,107)	(7,286)	(17,044)	-	-	(298,628)
<b>Ending balance</b>	<b>910,447</b>	<b>1,988,945</b>	<b>569,034</b>	<b>3,993,241</b>	<b>10,478</b>	<b>343,420</b>	<b>89,165</b>	<b>78,059</b>	<b>713,813</b>	<b>99,429</b>	<b>8,796,031</b>
Cost	911,811	2,474,628	984,229	10,989,336	38,650	805,092	273,885	261,632	764,619	99,429	17,603,311
Accumulated depreciation	-	(461,857)	(403,491)	(6,901,823)	(28,033)	(453,345)	(182,925)	(183,573)	-	-	(8,615,047)
Accumulated impairment	(1,364)	(23,826)	(11,704)	(94,272)	(139)	(8,327)	(1,795)	-	(50,806)	-	(192,233)

  

December 31, 2014											
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery- in-transit	Total
<b>Beginning balance</b>	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 Transfer to non-current assets held for sale (Note 36)	(81)	(11,371)	(9,455)	(39,059)	(79)	(1,180)	(477)	-	(20,814)	-	(82,516)
	-	-	-	(5,517)	(43)	(311)	(28)	-	-	-	(5,899)
<b>Ending balance</b>	<b>910,503</b>	<b>1,965,575</b>	<b>573,870</b>	<b>4,079,635</b>	<b>8,788</b>	<b>308,911</b>	<b>89,214</b>	<b>85,194</b>	<b>593,115</b>	<b>84,731</b>	<b>8,699,536</b>
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 three-month period ended March 31, 2015, the Group capitalized ₩ 908 million of borrowing costs (2014: ₩ 1,897 million) to property, plant and equipment.

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

<i>(in millions of Korean won)</i>	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)		



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Depreciation of property, plant and equipment for the three-month periods ended March 31, 2015 and 2014, was classified as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Cost of sales	280,318	254,727
Selling, general and administrative expenses	18,189	16,303
Others	121	42
<b>Total</b>	<u>298,628</u>	<u>271,072</u>

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

During 2014, the separator division, managed as a cash-generating unit 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 cash-generating unit 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 cash-generating unit is calculated on a basis of the value in use and impairment is mainly related to machinery and equipment used in manufacturing.

During 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>	<b>2014</b>	
	<b>Chinese PVC division</b>	<b>Separator division</b>
<b>Impaired amount</b>		
Property, plant and equipment	52,496	23,053
Intangible assets	192	415
<b>Key assumptions</b>		
Pre-tax discount rate	12.0%	14.4%
Growth rate for subsequent years after five years	0%	0%

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

<i>(in millions of Korean won)</i>	<b>2014</b>
Property, plant and equipment	6,967
Intangible assets	77
	<u>7,044</u>

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**13. Intangible assets**

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

(in millions of Korean won)

	March 31, 2015					
	Software development costs	Industrial property rights	Goodwill	Memberships	Others	Total
<b>Beginning balance</b>	56,011	173,600	211,521	50,224	33,664	525,020
Acquisitions/ Transfer	8,026	10,474	-	2,352	1,944	22,796
Disposals/ Transfer	(2,862)	-	-	(2,224)	-	(5,086)
Exchange differences	16	182	940	6	38	1,182
Amortization	(3,959)	(2,967)	-	-	(2,352)	(9,278)
<b>Ending balance</b>	<b>57,232</b>	<b>181,289</b>	<b>212,461</b>	<b>50,358</b>	<b>33,294</b>	<b>534,634</b>

(in millions of Korean won)

	December 31, 2014					
	Software development costs	Industrial property rights	Goodwill	Memberships	Others	Total
<b>Beginning balance</b>	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)
<b>Ending balance</b>	<b>56,011</b>	<b>173,600</b>	<b>211,521</b>	<b>50,224</b>	<b>33,664</b>	<b>525,020</b>

Amortization of intangible assets was classified for the three-month periods ended March 31, 2015 and 2014, as follows:

(in millions of Korean won)

	2015	2014
Cost of sales	2,685	2,010
Selling, general and administrative expenses	6,593	4,971
<b>Total</b>	<b>9,278</b>	<b>6,981</b>

Research and development costs recognized as expenses for the three-month period ended March 31, 2015, amount to ₩131,609 million (2014: ₩121,759 million).

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**14. Other current and non-current assets**

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

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>		
Prepayments to suppliers	56,419	55,327
Prepaid expenses	21,431	19,096
Prepaid value added tax	88,943	102,222
Others	43,976	106,728
<b>Total</b>	<u>210,769</u>	<u>283,373</u>
<b>Non-current</b>		
Long-term prepaid expenses	30,124	30,982
Others	58,631	58,638
<b>Total</b>	<u>88,755</u>	<u>89,620</u>

**15. Borrowings**

The carrying amount of borrowings is as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>		
Short-term borrowings	1,791,944	1,749,702
Current maturities of bank loans	433,414	356,054
Current maturities of debentures	-	99,964
	<u>2,225,358</u>	<u>2,205,720</u>
<b>Non-current</b>		
Bank loans	323,541	428,412
Debentures	299,483	299,418
	<u>623,024</u>	<u>727,830</u>
<b>Total</b>	<u>2,848,382</u>	<u>2,933,550</u>

Details of current borrowings are as follows:

<i>(in millions of Korean won)</i>	<b>Bank</b>	<b>Latest maturity date</b>	<b>Annual interest rate (%) at March 31, 2015</b>	<b>Carrying Amount</b>	
				<b>March 31, 2015</b>	<b>December 31, 2014</b>
Notes discounted <sup>1</sup>	Woori Bank, others	2015.09.17	Libor + 0.73, various	1,019,929	984,721
Bank loans	Hangseng Bank, others	2016.03.31	Libor+0.60~2.2, various	<u>772,015</u>	<u>764,981</u>
<b>Total</b>				<u>1,791,944</u>	<u>1,749,702</u>

<sup>1</sup> As of March 31, 2015, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Note 7).

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Details of non-current borrowings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2015					
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
<b>Won currency borrowings</b>	Korea Development Bank	3.53	2015.07.19	200,000	200,000	-
<b>Foreign currency borrowings</b>	Shanghai Pudong Development Bank	5.40	2015.09.15	890	890	-
	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2017.04.03	22,100	-	22,100
	Standard Chartered Bank	3Libor + 2.20	2015.12.14	15,304	15,304	-
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	17,491	4,373	13,118
	Agricultural Bank of China	5.54	2015.10.15	1,780	1,780	-
	Bank of America	2.00	2015.08.03	21,862	21,862	-
	Bank of America	6Libor + 1.60	2017.10.24	32,794	-	32,794
	BTMU	3Libor + 1.54	2015.07.20	55,250	55,250	-
	CITI	6Libor + 2.00	2017.03.10	19,676	2,186	17,490
	HSBC	3COF	2016.04.08	7,777	-	7,777
	HSBC	3Libor + 2.10	2016.08.04	32,794	-	32,794
	HSBC	3Libor + 1.45	2016.09.19	43,725	-	43,725
	HSBC	3Libor + 2.10	2016.01.22	32,794	32,794	-
	HSBC	3Libor + 2.10	2016.01.22	43,725	43,725	-
	HSBC	3Libor + 1.45	2016.11.11	43,725	-	43,725
	HSBC	3Libor + 2.10	2016.04.01	21,862	-	21,862
	JP Morgan	3Libor + 1.75	2016.07.15	21,856	-	21,856
	Mizuho Banking Corporation	3Libor + 0.75	2017.05.27	66,300	-	66,300
	Nova Scotia Bank	3Libor + 1.54	2015.07.20	55,250	55,250	-
<b>Total</b>				<b>756,955</b>	<b>433,414</b>	<b>323,541</b>

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<i>(in millions of Korean won)</i>	December 31, 2014					
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
<b>Won currency borrowings</b>	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	-
<b>Foreign currency borrowings</b>	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	-	
<b>Total</b>			<b>784,466</b>	<b>356,054</b>	<b>428,412</b>	

Details of debentures are as follows:

<i>(in millions of Korean won)</i>	March 31, 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			(517)		(517)
<b>Total</b>			<b>299,483</b>	<b>-</b>	<b>299,483</b>	

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(in millions of Korean won)

		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)
<b>Total</b>				<b>399,382</b>	<b>99,964</b>	<b>299,418</b>

**16. Provisions**

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

(in millions of Korean won)

	March 31, 2015		
	Sales returns <sup>1</sup>	Warranty <sup>2</sup>	Total
<b>Beginning balance</b>	3,917	24,782	28,699
Additions	6,010	(1,005)	5,005
Used	(6,102)	(1,401)	(7,503)
<b>Ending balance</b>	3,825	22,376	26,201
Less : current portion	(3,825)	(321)	(4,146)
<b>Total</b>	-	22,055	22,055

(in millions of Korean won)

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

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

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

**17. Net defined benefit liability**

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

(in millions of Korean won)

	March 31, 2015	December 31, 2014
Present value of obligations <sup>1</sup>	626,324	605,712
Fair value of plan assets	(520,607)	(518,820)
<b>Liability in the statement of financial position</b>	<b>105,717</b>	<b>86,892</b>

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<sup>1</sup> The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩ 833 million as of March 31, 2015 (December 31, 2014: ₩ 847 million).

The amounts recognized in the statements of income for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Current service cost <sup>1</sup>	25,402	20,373
Interest cost	671	508
<b>Total, included in employee benefit expenses</b>	<u>26,073</u>	<u>20,881</u>

<sup>1</sup> The above amounts excluded ₩ 134 million (2014: ₩ 130 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the three-month period ended March 31, 2015, amounted to ₩ 79 million (2014: ₩ 25 million).

The amounts recognized in the statements of income for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Cost of sales	17,369	14,848
Selling, general and administrative expenses	8,783	6,058
<b>Total</b>	<u>26,152</u>	<u>20,906</u>

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

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Beginning balance</b>	605,712	438,122
Transfer in	272	1,918
Transfer out	(1,788)	(1,468)
Current service cost	25,536	88,323
Past service cost	-	24,410
Interest expense	4,676	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	281	(351)
Payments from plans	(8,365)	(35,326)
<b>Ending balance</b>	<u>626,324</u>	<u>605,712</u>

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

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Beginning balance</b>	518,820	386,211
Transfer in	-	352
Transfer out	(221)	(638)
Interest income	4,005	14,390
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(610)	(946)
Contributions:		
Employers	-	145,238
Payments from plans	(1,387)	(25,044)
Administrative costs	-	(743)
<b>Ending balance</b>	<u>520,607</u>	<u>518,820</u>

The actual return on plan assets for the three-month period ended March 31, 2015, was ₩ 3,395 million (for the year ended December 31, 2014: ₩ 13,444 million).

The principal actuarial assumptions used are as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Discount rate	3.1%	3.1%
Future salary increase	5.1%	5.1%

The sensitivity analysis for changes in key actuarial assumptions is as follows:

<i>(in millions of Korean won)</i>	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Discount rate:		
Increase (decrease) in defined benefit obligations	(65,230)	78,064
Future salary increase:		
Increase (decrease) in defined benefit obligations	75,792	(64,753)

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.



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Plan assets consist of:

<i>(in millions of Korean won)</i>	March 31, 2015				December 31, 2014			
	Quoted price	Unquoted price	Total	Composition	Quoted price	Unquoted price	Total	Composition
Insurance contracts with guaranteed yield	520,607	-	520,607	100%	518,820	-	518,820	100%

**18. Other current and non-current liabilities**

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

<i>(in millions of Korean won)</i>	March 31, 2015	December 31, 2014
<b>Current</b>		
Advances from customers	17,764	19,164
Dividends payable	295,581	1,042
Withholding	40,331	28,476
Unearned revenues	40,555	13,793
Non-trade payables	51,578	122,253
Accrued expenses	87,505	57,219
Others	522	496
<b>Total</b>	<u>533,836</u>	<u>242,443</u>
<b>Non-current</b>		
Long-term accrued expenses	<u>7,188</u>	<u>-</u>

**19. Commitments and contingencies**

- (1) The Parent Company and the newly established company, LG Hausys Ltd., are jointly liable for the obligations outstanding as of April 1, 2009, the spin-off date.
- (2) As of March 31, 2015, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.
- (3) As of March 31, 2015, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.

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- (4) As of March 31, 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	64,000	50	180	300	30	595	32
Limit of the letter of credit	64,000	374	87	-	-	-	-
Limit of discount of notes from export	-	1,314	-	-	-	-	-
Limit of guaranteed payments in other foreign currency	-	109	-	-	-	-	-
Limit of loan arrangements	-	-	1,289	2,465	3	2,674	-

The Group also entered into credit line agreements with other financial institutions relating to trade finance and import/export amounting to ₩ 220,000 million and US\$ 455 million.

- (5) As of March 31, 2015, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩ 290,000 million.
- (6) As of March 31, 2015, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in five and 25 legal actions, respectively, involving ₩ 1,780 million and ₩ 4,286 million in claims, respectively, and as a defendant in six legal actions with ₩ 4,920 million and one case with ₩ 96 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.
- (7) As of March 31, 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.
- (8) As of March 31, 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.
- (9) 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.
- (10) As of March 31, 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\$ 60 million separate in credit guarantee contracts with financial institutions. Further, as of March 31, 2015, the Parent Company has contracts of US\$ 2.1 million and EUR 420,000 in guarantees with financial institutions in regard to warranty for certain products, and the Parent Company has a contract of US\$ 90 million in guarantees with financial institutions for the advances received from customers.
- (11) As of March 31, 2015, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries. The outstanding balance of such guarantees as of March 31, 2015, amounts to US\$ 150 million and EUR 3 million (total equivalent to ₩ 169,340 million)

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(2014: US\$ 175 million and EUR 3 million, total equivalent to ₩196,370 million). Details of guarantees provided as of March 31, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	March 31, 2015	
				Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem Europe GmbH	2015.01.02 ~ 2016.01.02	Shinhan Bank	3,590	-
	LG Chem Michigan, Inc.	2014.05.27 ~ 2017.05.27	Mizuho Bank	66,300	66,300
	"	2014.03.31 ~ 2017.03.31	SMBC	22,100	22,100
	"	2014.03.31 ~ 2016.03.31	SMBC	22,100	5,525
	"	2013.11.12 ~ 2015.02.16	JP Morgan	-	-
	"	2014.08.18 ~ 2015.08.18	Wells Fargo	22,100	22,100
	LG NanoH2O, Inc.	2014.10.01 ~ 2015.09.30	Citibank	33,150	2,210
<b>Total</b>				<b>169,340</b>	<b>118,235</b>

(in millions of Korean won)

Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	December 31, 2014	
				Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem Europe GmbH	2015.01.02 ~ 2016.01.02	Shinhan Bank	4,010	-
	LG Chem Michigan, Inc.	2014.05.27 ~ 2017.05.27	Mizuho Bank	65,952	65,952
	"	2014.03.31 ~ 2017.03.31	SMBC	21,984	21,984
	"	2014.03.31 ~ 2016.03.31	SMBC	21,984	-
	"	2013.11.12 ~ 2015.02.16	JP Morgan	27,480	27,480
	"	2014.08.18 ~ 2015.08.18	Wells Fargo	21,984	21,984
	LG NanoH2O, Inc.	2014.10.01 ~ 2015.09.30	Citibank	32,976	7,694
<b>Total</b>				<b>196,370</b>	<b>145,094</b>

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

Further, as of March 31, 2015, the Group provided no financial guarantee to its associates in relation to their borrowings.

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

(in millions of Korean won)

	March 31, 2015	December 31, 2014
Property, plant and equipment	373,249	478,304

**20. Equity**

Changes in share capital and share premium 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
March 31, 2015	66,271,100	331,356	7,628,921	38,144	897,424

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Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	<b>Number of shares</b>		<b>Carrying amount</b>	<b>Gain on sale of treasury shares</b>
	<b>Ordinary shares</b>	<b>Preferred shares</b>		
January 1, 2014	359,792	5,519	15,484	13,855
Purchase of treasury shares	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2014	<u>359,795</u>	<u>5,519</u>	<u>15,484</u>	<u>13,855</u>
March 31, 2015	<u>359,795</u>	<u>5,519</u>	<u>15,484</u>	<u>13,855</u>

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

**21. Retained earnings**

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Legal reserve <sup>1</sup>	286,864	286,864
Discretionary reserve <sup>2</sup>	9,551,785	9,077,851
Retained earnings before appropriation	<u>799,797</u>	<u>1,325,890</u>
<b>Total</b>	<u>10,638,446</u>	<u>10,690,605</u>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company 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.

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

**22. Other components of equity**

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Treasury shares (Note 20)	(15,484)	(15,484)
Capital transactions within the Group <sup>1</sup>	<u>(215)</u>	<u>(215)</u>
<b>Total</b>	<u>(15,699)</u>	<u>(15,699)</u>

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

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**23. Selling, general and administrative expenses**

Selling, general and administrative expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Wages and salaries	111,997	93,836
Pension costs (Note 17)	8,783	6,058
Welfare expense	22,771	19,827
Travel expense	8,283	8,395
Water & utilities	7,379	6,765
Packaging expense	1,617	1,394
Rental expense	22,063	23,133
Commission expense	53,435	53,237
Depreciation (Note 12)	18,189	16,303
Advertising expense	4,073	3,898
Freight expense	114,093	104,094
Training expense	2,161	2,403
Amortization (Note 13)	6,593	4,971
Sample expense	4,276	2,926
Development costs	16,699	17,654
Others	29,838	35,674
<b>Total</b>	<u>432,250</u>	<u>400,568</u>

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**24. Expenses by nature**

Expenses that are recorded by function as cost of sales, and selling, general and administrative expenses in the statements of income for the three-month periods ended March 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Changes in inventories	266,855	(126,094)
Raw materials and consumables used	2,565,908	3,855,723
Purchase of merchandise	287,576	246,428
Employee benefit expense (Note 25)	436,650	357,049
Advertising expense	4,281	4,157
Transportation expense	121,023	110,873
Service fees	86,549	84,645
Depreciation, amortization	307,785	278,011
Operating lease payments	15,856	13,348
Other expenses	460,737	486,581
<b>Total</b>	<u>4,553,220</u>	<u>5,310,721</u>

**25. Employee benefit expense**

Details of employee benefit expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Wages and salaries	370,484	308,069
Pension costs – Defined benefit plan (Note 17)	26,073	20,881
Pension costs – Defined contribution plan (Note 17)	79	25
Others	40,014	28,074
<b>Total</b>	<u>436,650</u>	<u>357,049</u>

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**26. Finance income and expenses**

Details of finance income and expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>Finance income</b>		
Interest income <sup>1</sup>	10,172	12,053
Gain on foreign exchange	34,833	19,219
Gain on foreign currency translation	1,680	3,067
Gain on disposal of trading derivatives	1,436	1,951
Gain on valuation of trading derivatives	-	520
<b>Total</b>	<u>48,121</u>	<u>36,810</u>
<b>Finance expense</b>		
Interest expense <sup>2</sup>	16,612	20,156
Loss on foreign exchange	33,590	19,826
Loss on foreign exchange translations	8,886	9,681
Loss on disposal of trading derivatives	153	1,454
<b>Total</b>	<u>59,241</u>	<u>51,117</u>

<sup>1</sup> Details of interest income are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Bank deposits	9,448	11,544
Other loans and receivables	724	509
<b>Total</b>	<u>10,172</u>	<u>12,053</u>

<sup>2</sup> Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Interest on bank overdraft and borrowings	12,424	13,334
Interest on finance lease liabilities	-	43
Interest on debentures	4,132	6,139
Other interest expenses	964	2,537
Capitalized interest for qualifying assets	(908)	(1,897)
<b>Total</b>	<u>16,612</u>	<u>20,156</u>

**27. Other non-operating income**

Details of other non-operating income for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Gain on foreign exchange	45,263	43,595
Gain on foreign currency translation	15,291	10,016
Gain on disposal of property, plant and equipment	458	1,805
Others	4,847	2,927
<b>Total</b>	<u>65,859</u>	<u>58,343</u>

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**28. Other non-operating expenses**

Details of other non-operating expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Foreign exchange loss	51,701	41,586
Loss on foreign currency translation	17,413	12,902
Loss on disposal of property, plant and equipment	17,754	5,964
Loss on disposal of intangible assets	124	270
Donations	3,631	2,929
Others	702	1,407
<b>Total</b>	<u>91,325</u>	<u>65,058</u>

**29. Income Taxes**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ending December 31, 2015, is 21.9% (for the three-month period ended March 31, 2014: 18.2%).

**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.

Basic earnings per share attributable to the owners of the Parent Company for the three-month periods ended March 31, 2015 and 2014, is computed as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Profit attributable to ordinary shares <sup>1</sup>	217,539	258,150
Weighted average number of ordinary shares outstanding <sup>2</sup>	65,911,305	65,911,308
Basic earnings per ordinary share (in won)	3,300	3,917
 <i>(in millions of Korean won)</i>	 <b>2015</b>	 <b>2014</b>
Profit attributable to preferred shares <sup>1</sup>	25,257	29,954
Weighted average number of preferred shares outstanding <sup>2</sup>	7,623,402	7,623,402
Basic earnings per preferred share (in won)	3,313	3,929

<sup>1</sup> Profit attributable to ordinary and preferred shares are as follows:



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<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>Profit for the year attributable to owners of the Parent Company</b>	242,796	288,104
Ordinary shares dividends (A)	65,911	65,911
Preferred shares dividends (B)	7,719	7,719
<b>Undistributed earnings for the year</b>	169,166	214,474
Undistributed earnings available for ordinary shares (C)	151,628	192,239
Undistributed earnings available for preferred shares (D)	17,538	22,235
<b>Profit for the year attributable to ordinary shares (A+C)</b>	217,539	258,150
<b>Profit for the year attributable to preferred shares (B+D)</b>	25,257	29,954

<sup>2</sup> Weighted average numbers of shares are calculated as follows:

<i>(in shares)</i>	<b>2015</b>	<b>2014</b>
Ordinary shares outstanding	66,271,100	66,271,100
Ordinary treasury shares	(359,795)	(359,792)
<b>Weighted average number of ordinary shares outstanding</b>	<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)
<b>Weighted average number of preferred shares outstanding</b>	<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.

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**32. Related party transactions**

As of March 31, 2015 and December 31, 2014, LG Corp. is an entity exercising significant influence over the Group which owns 33.53% of the Parent Company's ordinary shares.

Details of associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as of March 31, 2015 and December 31, 2014, are as follows, and the details of investments in subsidiaries, associates and joint ventures are described in Note 1.3:

<b>Related parties</b>	<b>Related parties' subsidiaries (Domestic)</b>	<b>Related parties' subsidiaries (foreign)</b>	<b>Details</b>
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

Sales and purchases with related parties for the three-month periods ended March 31, 2015 and 2014, are as follows:

*(in millions of Korean won)*

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

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	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.	-	-	-	13,185
Associates and joint ventures				
SEETEC Co., Ltd.	21,544	42,750	-	19,923
TECWIN Co., Ltd.	18	75	591	23
HL Greenpower Co., Ltd.	19,853	-	-	-
Others	7	-	-	288
Other related parties				
LG MMA Corporation	32,243	35,604	-	579
SERVEONE and its subsidiaries	5,570	92,399	30,042	23,388
LG CNS Co., Ltd. and its subsidiaries	7,845	792	19,398	11,203
Others	136	-	-	2,697
Key management	-	-	-	9,385
<b>Total</b>	<b>87,216</b>	<b>171,620</b>	<b>50,031</b>	<b>80,671</b>

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

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	<b>March 31, 2015</b>			
	<b>Receivables</b>			
	<b>Trade receivables and others</b>	<b>Loan receivables</b>	<b>Other receivables</b>	<b>Total</b>
Entity with significant influence over the Group				
LG Corp.	-	-	9,785	9,785
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	-	-
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	20,531	-	-	20,531
Others	-	-	22	22
Other related parties				
LG MMA Corporation	6,155	-	425	6,580
SERVEONE and its subsidiaries	2,487	-	25,923	28,410
LG CNS Co., Ltd. and its subsidiaries	3,929	-	-	3,929
Others	-	-	3,712	3,712
Key management	-	-	-	-
<b>Total</b>	<b>33,102</b>	<b>-</b>	<b>39,867</b>	<b>72,969</b>

(in millions of Korean won)

	<b>March 31, 2015</b>			
	<b>Payables</b>			
	<b>Trade payables</b>	<b>Borrowings</b>	<b>Other payables</b>	<b>Total</b>
Entity with significant influence over the Group				
LG Corp.	-	-	88,877	88,877
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	19,444	19,444
TECWIN Co., Ltd.	-	-	1,455	1,455
HL Greenpower Co., Ltd.	-	-	64	64
Others	-	-	-	-
Other related parties				
LG MMA Corporation	10,643	-	-	10,643
SERVEONE and its subsidiaries	1,331	-	244,140	245,471
LG CNS Co., Ltd. and its subsidiaries	149	-	22,670	22,819
Others	-	-	358	358
Key management	-	-	41,410	41,410
<b>Total</b>	<b>12,123</b>	<b>-</b>	<b>418,418</b>	<b>430,541</b>

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	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	-	-	-	-
<b>Total</b>	<b>33,107</b>	<b>-</b>	<b>38,231</b>	<b>71,338</b>

(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
<b>Total</b>	<b>11,682</b>	<b>-</b>	<b>281,521</b>	<b>293,203</b>

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Fund transactions with related parties for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>Equity contributions in cash</b>	
	<b>2015</b>	<b>2014</b>
<b>Associates and joint ventures</b>		
KLPE Limited Liability Partnership	-	33,533
<b>Total</b>	<b>-</b>	<b>33,533</b>

Compensation for key management of the Group for the three-month periods ended March 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Wages and salaries	13,561	8,788
Pension costs	2,143	597
<b>Total</b>	<b>15,704</b>	<b>9,385</b>

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.

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**33. Cash generated from operations**

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the three-month periods ended March 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>Profit before income tax</b>	324,105	354,033
<b>Adjustments for:</b>		
Depreciation	298,507	271,030
Amortization	9,278	6,981
Pension costs	26,073	20,881
Finance income	(28,291)	(27,160)
Financial expenses	44,261	43,407
Foreign exchange differences	(3,426)	13,422
Gain on disposal of property, plant and equipment	(458)	(1,805)
Loss on disposal of property, plant and equipment	17,754	5,964
Loss on disposal of intangible assets	124	270
Other expenses (income)	(11,851)	(16,825)
Inventories	411,503	(210,491)
Trade receivables	97,368	(363,906)
Other receivables	59,167	(6,465)
Settlement of derivatives	2,066	496
Trade payables	(149,906)	107,347
Other payables	(44,253)	142,804
Defined benefit liabilities	(8,273)	(1,265)
Other cash flows from operations	49,024	(30,658)
<b>Cash generated from operations</b>	<u>1,092,772</u>	<u>308,060</u>

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The principal non-cash transactions for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Transfer of construction-in-progress	250,431	261,632
Transfer of machinery-in-transit	21,078	21,117
Reclassification of long-term borrowings into current maturities	82,382	102,998

**34. Segment information**

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

<b>Segment</b>	<b>Products or services</b>	<b>Major customers</b>
Basic materials& Chemicals	ABS, PC, PE, PP, Acrylic, Alcohol, SAP, PVX, Synthetic rubber, Special resin, BPA, Ethylene, Propylene and others	LG International Corp., LG Electronics Inc., Daewoo Electronics Inc., National Plastic Co. Ltd., Youl Chon Chemical Co. Ltd., OCI Company Co. Ltd., Mitsui & Co. Ltd., and others
IT & Electronic materials	Polarizers, 3D FPR and others	LG Display Co., Ltd. BOE, AUO, and others
Energy solutions	Portable batteries, batteries for vehicles, Electricity storage batteries and others	Hewlett-Packard Co., General Motors Corp., and others
Advanced materials <sup>1</sup>	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	

<sup>1</sup> 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.



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The segment information on revenue and profit and loss for the three-month periods ended March 31, 2015 and 2014, is as follows:

(in millions of Korean won)

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

(in millions of Korean won)

	2014					Total
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others <sup>3</sup>	
Total segment revenue	4,414,705	550,672	681,233	119,592	1,178	5,767,380
Inter-segment revenue	50,788	1,979	726	39,893	1,178	94,564
Revenue from external customers <sup>1</sup>	4,363,917	548,693	680,507	79,699	-	5,672,816
Operating profit (loss) <sup>2</sup>	308,020	25,236	17,447	11,788	(396)	362,095

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

<sup>2</sup> Management assesses the performance of the operating segments based on a measure of operating profit of segment.

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

The segment information on assets and liabilities as of March 31, 2015 and December 31, 2014, is as follows:

(in millions of Korean won)

	March 31, 2015					Total
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others <sup>3</sup>	
Total assets for the segment <sup>1</sup>	8,467,673	2,832,498	3,377,332	272,533	3,197,527	18,147,563
Investments in associates and joint ventures	200,957	-	17,811	-	246,968	465,736
Total liabilities for the segment <sup>1</sup>	2,301,983	615,790	1,475,333	65,230	1,463,686	5,922,022

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(in millions of Korean won)

	<b>December 31, 2014</b>					<b>Total</b>
	<b>Basic materials &amp; Chemicals</b>	<b>IT &amp; Electronic materials</b>	<b>Energy solutions</b>	<b>Advanced materials</b>	<b>Common and others<sup>3</sup></b>	
Total assets for the segment <sup>1</sup>	8,900,235	2,627,018	3,365,403	404,545	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 <sup>1</sup>	2,616,982	545,570	1,467,896	49,849	1,181,497	5,861,794

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

The external sales by geographical segments from continuing operations for the three-month periods ended March 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	<b>Sales</b>		<b>Non-current assets<sup>1</sup></b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Korea <sup>2</sup>	1,603,400	2,030,358	7,583,122	7,672,556
China	1,633,385	1,664,412	1,134,882	1,118,318
South East Asia	987,251	1,219,829	28,040	27,565
America	284,288	308,092	560,447	379,795
Western Europe	343,269	342,032	24,174	26,322
Others	63,429	108,093	-	-
<b>Total</b>	<b>4,915,022</b>	<b>5,672,816</b>	<b>9,330,665</b>	<b>9,224,556</b>

<sup>1</sup> Represents aggregate amount of property, plant and equipment, and intangible assets.

<sup>2</sup> Domestic sales include the exports made through local letters of credit.

There is no external customer attributing to more than 10% of total revenue for the three-month periods ended March 31, 2015 and 2014.

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**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>	<b>Amount</b>
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
<b>Total</b>	<u><b>151,411</b></u>

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

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**36. Non-current assets held for sale**

The Group decided to sell certain property, plant and equipment, and intangible assets related to the toner division with the approval of the management on June 25, 2014. The related assets were reclassified as non-current assets held for sale. The disposal is expected to be completed by the second quarter of 2015.

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

<i>(in millions of Korean won)</i>	<b>Amount</b>
<b>Assets of disposal group</b>	
Property, plant and equipment	5,899
Intangible assets	<u>62</u>
<b>Total</b>	<u><u>5,961</u></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 impairment loss amounting ₩ 7,044 million was recognized as other non-operating expenses during 2014.