

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

March 31, 2014 and 2013

LG Chem, Ltd. and Subsidiaries
Index
March 31, 2014 and 2013

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Interim Consolidated Financial Statements	
Interim Consolidated Statements of Financial Position	3 - 4
Interim Consolidated Statements of Income	5
Interim Consolidated Statements of Comprehensive Income.....	6
Interim Consolidated Statements of Changes in Equity	7
Interim Consolidated Statements of Cash Flows	8
Notes to the Interim Consolidated Financial Statements	9 - 53



Report on Review of Interim Financial Statements

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated statement of financial position of LG Chem, Ltd. and its subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2014 and 2013, 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 auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements do not present fairly, in all material respects, in accordance with the Korean IFRS 1034, *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated March 6, 2014. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2013, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2013.

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



Seoul, Korea
May 15, 2014

The report is effective as of May 15, 2014, 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, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Notes	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	1,517,401	1,399,054
Trade receivables	3, 5, 7, 33	3,579,088	3,220,504
Other receivables	3, 5, 7, 33	769,043	640,998
Prepaid income taxes		2,160	2,171
Other financial assets	3, 5, 8, 10	520	-
Other current assets	15	217,781	204,859
Inventories	11	2,780,498	2,564,031
Total current assets		8,866,491	8,031,617
Non-current assets			
Other receivables	3, 5, 7	40,611	25,026
Other financial assets	3, 5, 8, 9	5,955	5,952
Investments in associates and joint ventures	1, 12, 35	480,192	447,867
Deferred income tax assets	30	80,329	77,069
Property, plant and equipment	13	8,508,338	8,559,609
Intangible assets	14	271,694	263,093
Other non-current assets	15	34,506	36,231
Total non-current assets		9,421,625	9,414,847
Total assets		18,288,116	17,446,464
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 33	1,373,626	1,268,291
Other payables	3, 5, 33	933,495	838,021
Borrowings	3, 5, 16	2,530,874	2,206,848
Provisions	17	3,956	2,045
Current income tax liabilities	30	167,518	134,946
Other current liabilities	5, 19	450,822	147,726
Total current liabilities		5,460,291	4,597,877
Non-current liabilities			
Other payables	3, 5	65,549	76,346
Borrowings	3, 5, 16	816,605	803,634
Provisions	17	18,907	17,481
Net defined benefit liability	18	70,644	51,911
Deferred income tax liabilities	30	162,421	173,553
Total non-current liabilities		1,134,126	1,122,925
Total liabilities		6,594,417	5,720,802

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
March 31, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Notes	March 31, 2014	December 31, 2013
Equity			
Equity attributable to owners of the parent			
Share capital	1, 21	369,500	369,500
Capital surplus		1,157,772	1,157,772
Other components of equity	23	(15,699)	(15,699)
Accumulated other comprehensive income		(110,325)	(87,259)
Retained earnings	22	10,167,061	10,172,632
		<u>11,568,309</u>	<u>11,596,946</u>
Non-controlling interests		125,390	128,716
Total equity		<u>11,693,699</u>	<u>11,725,662</u>
Total liabilities and equity		<u>18,288,116</u>	<u>17,446,464</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, 2014 and 2013

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2014	2013
Revenue	33, 35	5,672,816	5,720,604
Cost of sales	25, 33	<u>(4,910,153)</u>	<u>(4,947,704)</u>
Gross profit		762,663	772,900
Selling, general and administrative expenses	24, 25, 33	<u>(400,568)</u>	<u>(363,984)</u>
Operating profit	35	362,095	408,916
Finance income	5, 27	36,810	33,782
Finance expenses	5, 27	(51,117)	(39,243)
Share of profit of associates and joint ventures	12	12,960	2,699
Other non-operating income	5, 28	58,343	110,285
Other non-operating expenses	5, 29	(65,058)	(101,784)
Profit before income tax	34	<u>354,033</u>	<u>414,655</u>
Income tax expense	30	<u>(68,015)</u>	<u>(74,212)</u>
Profit for the period		<u>286,018</u>	<u>340,443</u>
Attributable to:			
Owners of the parent		288,104	339,146
Non-controlling interests		(2,086)	1,297
Earnings per share for profit attributable			
to owners of the parent (in won)	31		
Basic and diluted earnings per ordinary share			
for profit for the period		3,917	4,611
Basic and diluted earnings per preferred share			
for profit for the period		3,929	4,623

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, 2014 and 2013

(in millions of Korean won)

	Notes	2014	2013
Profit for the period		<u>286,018</u>	<u>340,443</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability	18	1,110	890
Shares of actuarial loss from associates		3	-
Income tax effect relating to components of other comprehensive income		(268)	(216)
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences		(9,630)	48,997
Cash flow hedges		-	73
Others		(14,152)	6,643
Income tax effect relating to components of other comprehensive income		(524)	1,196
Other comprehensive income (loss) for the period, net of tax		<u>(23,461)</u>	<u>57,583</u>
Total comprehensive income for the period		<u>262,557</u>	<u>398,026</u>
Attributable to:			
Owners of the parent		265,883	391,287
Non-controlling interests		(3,326)	6,739

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, 2014 and 2013

(in millions of Korean won)

Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total		
Balance at January 1, 2013	369,500	1,157,772	(15,699)	(86,977)	9,204,703	10,629,299	136,056	10,765,355
Comprehensive income:								
Profit for the period	-	-	-	-	339,146	339,146	1,297	340,443
Remeasurements of the net defined benefit liability	18	-	-	-	674	674	-	674
Currency translation differences	-	-	-	44,790	-	44,790	5,442	50,232
Cash flow hedges	-	-	-	55	-	55	-	55
Others	-	-	-	6,621	1	6,622	-	6,622
Total comprehensive income	-	-	-	51,466	339,821	391,287	6,739	398,026
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	-	(294,520)
Others	-	-	-	-	1	1	-	1
Total transactions with owners	-	-	-	-	(294,519)	(294,519)	-	(294,519)
Balance at March 31, 2013	369,500	1,157,772	(15,699)	(35,511)	9,250,005	10,726,067	142,795	10,868,862
Balance at January 1, 2014	369,500	1,157,772	(15,699)	(87,259)	10,172,632	11,596,946	128,716	11,725,662
Comprehensive income:								
Profit for the period	-	-	-	-	288,104	288,104	(2,086)	286,018
Remeasurements of the net defined benefit liability	18	-	-	-	842	842	-	842
Currency translation differences	-	-	-	(8,914)	-	(8,914)	(1,240)	(10,154)
Others	-	-	-	(14,152)	3	(14,149)	-	(14,149)
Total comprehensive income	-	-	-	(23,066)	288,949	265,883	(3,326)	262,557
Transactions with owners:								
Dividends	32	-	-	-	(294,520)	(294,520)	-	(294,520)
Total transactions with owners	-	-	-	-	(294,520)	(294,520)	-	(294,520)
Balance at March 31, 2014	369,500	1,157,772	(15,699)	(110,325)	10,167,061	11,568,309	125,390	11,693,699

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, 2014 and 2013

(in millions of Korean won)

	Notes	2014	2013
Cash flows from operating activities			
Cash generated from operations	34	308,060	842,043
Interest received		10,499	12,294
Interest paid		(20,936)	(22,537)
Dividends received		95	-
Income taxes paid		(48,156)	(17,349)
Net cash generated from operating activities		<u>249,562</u>	<u>814,451</u>
Cash flows from investing activities			
Decrease in other receivables		174,649	559,576
Decrease in non-current other receivables		3,633	9,708
Proceeds from disposal of property, plant and equipment		5,552	322
Proceeds from disposal of intangible assets		12	-
Increase in other receivables		(303,523)	(284,419)
Increase in non-current other receivables		(11,320)	-
Increase in non-current other financial assets		-	(44)
Acquisition of investments in associates and joint ventures		(33,533)	-
Acquisition of property, plant and equipment		(277,747)	(342,265)
Acquisition of intangible assets		(11,026)	(7,361)
Net cash used in investing activities		<u>(453,303)</u>	<u>(64,483)</u>
Cash flows from financing activities			
Proceeds from borrowings		414,329	110,418
Repayments of borrowings		(91,968)	(35,860)
Net cash provided by financing activities		<u>322,361</u>	<u>74,558</u>
Net increase in cash and cash equivalents		118,620	824,526
Cash and cash equivalents at the beginning of period		1,399,054	720,767
Exchange gains on cash and cash equivalents		(273)	11,609
Cash and cash equivalents at the end of period		<u>1,517,401</u>	<u>1,556,902</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, 2014 and 2013, and December 31, 2013

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. It completed its registration process on April 3, 2001. The Parent Company's shares have been listed on the Korea Stock Exchange since April 25, 2001.

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

As of March 31, 2014, 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, 2014, 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 petrochemicals business, IT & Electronic materials, and Energy solution business. The petrochemical business includes production of olefin petrochemicals such as ethylene, propylene, butadiene from Naphtha and aromatic petrochemicals such as benzene, xylene, toluene, and production of synthetic resin, synthetic rubber, and synthetic components from olefin and aromatic petrochemicals. This business is regarded as important as it provides primary materials to other industries and bears characteristics of large-volume process industry. The 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, sensitized material, PCB materials, ITO film and OLED-related materials. The Group has developed film-type 3D FPR, a core material of FPR-type 3D TV, and began its commercial production since 2011. From 2013, the Group began to produce polarizer-integrated FPR in order to improve customer productivity and lead the market. Further, the Group began commercial production of ITO film, a material used for touch screen, which recently shows a high growth.

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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

1.3 Consolidated subsidiaries, associates and joint ventures

	March 31, 2014			
	Percentage of ownership (%)	Business location	Fiscal year-end	Business activities
Consolidated subsidiaries				
Tianjin LG DAGU Chemical Co., Ltd.	75	China	December 31	PVC manufacturing and sales
Ningbo LG Yongxing Chemical Co.,Ltd. ¹	75	China	December 31	ABS/SBL manufacturing and sales
Ningbo Zhenhai LG Yongxing Trading Co., Ltd. ¹	75	China	December 31	ABS sales
LG Chem HK Ltd.	100	Hong Kong	December 31	Sales and trading
LG Chem America, Inc.	100	USA	December 31	Sales and trading
LG Chemical India Pvt. Ltd. ²	100	India	December 31	Service
LG Polymers India Pvt. Ltd. ²	100	India	December 31	PS manufacturing
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100	China	December 31	EP manufacturing and sales
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	100	China	December 31	Battery/ Polarizer Manufacturing and sales
LG Chem (Taiwan), Ltd.	100	Taiwan	December 31	Polarizer manufacturing and sales
LG Chem Display Materials (Beijing) Co., Ltd.	100	China	December 31	Polarizer manufacturing
Tianjin LG Bohai Chemical Co., Ltd. ³	75	China	December 31	VCM, EDC manufacturing and sales
Tianjin LG BOTIAN Chemical Co., Ltd. ³	56	China	December 31	SBS manufacturing and sales
LG Chem (China) Investment Co., Ltd. ⁴	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 Limited.	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 Inc. ⁵	100	Japan	December 31	Sales and trading
NanoH2O Acquisition Corp. ⁶	100	USA	December 31	Business investment
Associates				
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. ⁷	100	Brazil	December 31	Sales and trading
LG Fuel Cell Systems Inc.	18	USA	December 31	Power fuel cell research
Joint ventures				
LG VINA Chemical Co.,Ltd.	40	Vietnam	December 31	DOP production and sales
HL Greenpower Co.,Ltd.	49	Korea	December 31	Battery manufacturing for electric automobile
SEETEC Co.,Ltd.	50	Korea	December 31	Plant utility and Distribution, research assistance service
CNOOC & LG Petrochemicals Co.,Ltd.	50	China	December 31	ABS manufacturing and sales
KLPE Limited Liability Partnership ⁸	50	Kazakhstan	December 31	PE manufacturing and sales

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

¹ As of March 31, 2014, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

² As of March 31, 2014, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

³ As of March 31, 2014, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

⁴ During the period, the Parent Company acquired additional shares of LG Chem (China) Investment Co.,Ltd. for ₩5,896 million.

⁵ LG Chem Japan Inc. was established during the period and the Parent Company newly acquired 100% of its shares for ₩1,407 million.

⁶ The entity was established during the period (Note 36).

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

⁸ During the period, the Parent Company acquired additional shares of KLPE Limited Liability Partnership for ₩33,533 million.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

1.4 Summarized financial information of subsidiaries, associates and joint ventures

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

(in millions of Korean won)

	March 31, 2014				
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the period
Consolidated subsidiaries					
Tianjin LG DAGU Chemical Co.,Ltd.	189,349	118,373	70,976	91,999	(4,809)
Ningbo LG Yongxing Chemical Co.,Ltd.	817,731	474,969	342,762	462,655	14,701
LG Chem HK Ltd.	136,311	121,181	15,130	127,168	308
LG Chem America, Inc.	175,305	162,309	12,996	168,217	186
LG Chemical India Pvt. Ltd.	32,738	117	32,621	407	86
LG Polymers India Pvt. Ltd.	112,535	61,724	50,811	65,915	2,645
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	97,170	50,849	46,321	37,527	1,908
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,341,616	785,941	555,675	430,026	14,889
LG Chem (Taiwan), Ltd.	188,770	116,213	72,557	83,520	2,613
LG Chem Display Materials (Beijing) Co.,Ltd.	26,018	4,341	21,677	7,464	(346)
Tianjin LG Bohai Chemical Co.,Ltd.	351,886	163,951	187,935	112,821	(8,960)
LG Chem (China) Investment Co.,Ltd.	113,059	23,787	89,272	8,270	599
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	67,867	28,927	38,940	25,222	1,359
LG Chem Europe GmbH	125,195	107,885	17,310	88,166	3,683
LG Chem Poland Sp. z o.o.	42,852	23,004	19,848	21,818	1,356
LG Chem Michigan Inc.	184,454	159,803	24,651	9,049	(2,010)
LG Chem Power Inc.	10,394	8,664	1,730	6,633	1,345
Tianjin LG BOTIAN Chemical Co.,Ltd.	63,941	74,741	(10,800)	15,046	(4,857)
Ningbo Zhenhai LG Yongxing Trading Co.,Ltd.	7,140	5,635	1,505	3,288	30
LGC Petrochemical India Private Limited.	533	113	420	537	37
Haengboknuri	1,188	448	740	924	60
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI	1,320	878	442	1,133	204
LG Chem Japan Inc.	1,699	171	1,528	596	74
NanoH2O Acquisition Corp.	-	-	-	-	-
Associates					
LG Holdings (HK) Ltd.	367,982	130,755	237,227	11,636	2,099
TECWIN Co., Ltd.	45,619	15,778	29,841	83,852	3,040
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	361	217	144	-	-
LG Fuel Cell Systems Inc.	43,762	7,575	36,187	4,946	(6,279)
Joint ventures					
LG VINA Chemical Co.,Ltd.	21,957	15,038	6,919	18,165	563
HL Greenpower Co.,Ltd.	72,550	37,162	35,388	34,833	1,209
SEETEC Co.,Ltd.	395,449	41,098	354,351	150,172	5,116
CNOOC & LG Petrochemicals Co.,Ltd.	245,440	169,406	76,034	-	(670)
KLPE Limited Liability Partnership	239,661	13,704	225,957	-	14,874

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

	December 31, 2013				
	Assets	Liabilities	Equity	Revenue	Profit(loss) for the year
Consolidated subsidiaries					
Tianjin LG DAGU Chemical Co.,Ltd.	205,089	128,586	76,503	421,332	(5,272)
Ningbo LG Yongxing Chemical Co.,Ltd.	754,027	422,303	331,724	1,884,097	39,298
LG Chem HK Ltd.	151,726	137,091	14,635	605,212	735
LG Chem America, Inc.	134,543	121,895	12,648	622,905	1,904
LG Chemical India Pvt. Ltd.	32,617	131	32,486	1,445	216
LG Polymers India Pvt. Ltd.	101,120	55,099	46,021	238,882	3,234
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	96,086	51,182	44,904	174,437	6,103
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,379,626	832,963	546,663	1,724,065	50,480
LG Chem (Taiwan), Ltd.	184,398	113,877	70,521	414,542	17,467
LG Chem Display Materials (Beijing) Co.,Ltd.	26,596	4,352	22,244	14,573	1,173
Tianjin LG Bohai Chemical Co.,Ltd.	371,675	172,954	198,721	471,838	(7,246)
LG Chem (China) Investment Co.,Ltd.	180,918	97,844	83,074	32,737	3,695
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	71,319	33,324	37,995	110,968	5,649
LG Chem Europe GmbH	84,226	70,714	13,512	241,170	2,305
LG Chem Poland Sp. z o.o.	45,239	26,809	18,430	74,309	4,251
LG Chem Michigan Inc.	174,008	147,684	26,324	1,208	(14,581)
LG Chem Power Inc.	9,934	9,553	381	21,333	347
Tianjin LG BOTIAN Chemical Co.,Ltd.	70,250	76,338	(6,088)	138,999	(2,865)
Ningbo Zhenhai LG Yongxing Trading Co.,Ltd.	7,118	5,627	1,491	15,349	147
LGC Petrochemical India Private Limited.	371	6	365	451	118
Haengboknuri	1,182	503	679	1,797	79
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI	622	384	238	964	92
Associates					
LG Holdings (HK) Ltd.	374,511	137,538	236,973	45,192	11,333
TECWIN Co., Ltd.	45,619	15,778	29,841	83,852	3,040
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	142	64	78	892	(336)
LG Fuel Cell Systems Inc.	35,757	9,653	26,104	4,946	(47,068)
Joint ventures					
LG VINA Chemical Co.,Ltd.	25,428	16,746	8,682	73,171	2,417
HL Greenpower Co.,Ltd.	64,627	30,452	34,175	127,035	2,433
SEETEC Co.,Ltd.	399,798	50,563	349,235	573,102	16,020
CNOOC & LG Petrochemicals Co.,Ltd.	214,226	136,737	77,489	-	(2,053)
KLPE Limited Liability Partnership	210,585	42,007	168,578	-	(2,920)

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2014 and 2013, and December 31, 2013

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 interim consolidated financial statements for the three-month period ended March 31, 2014, have been prepared in accordance with Korean IFRS 1034, '*Interim Financial Reporting*.' These interim financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective as of March 31, 2014.

2.2 Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2014:

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. There is no material impact of the application of this amendment on the consolidated financial statements.

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. There is no material impact of the application of this amendment on the consolidated financial statements.

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). There is no material impact of the application of this interpretation on the consolidated financial statements.

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

March 31, 2014 and 2013, and December 31, 2013

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 method adopted for the annual financial statements for the year ended December 31, 2013, except as changes due to the application of amendment and enactments of standards described in Note 2.1 and described below.

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 provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of surplus liquidity.

(1) Market risk

1) Foreign exchange risk

The 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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

As of March 31, 2014 and December 31, 2013, 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>	March 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
USD	2,137,614	2,789,674	1,982,900	2,466,188
EUR	88,735	121,728	65,178	93,749
JPY	31,116	104,340	23,922	94,583
GBP and others	7,429	6,053	3,848	3,734

As of March 31, 2014 and December 31, 2013, if the Group's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the year would have been affected as follows:

<i>(in millions of Korean won)</i>	March 31, 2014		December 31, 2013	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(65,206)	65,206	(48,329)	48,329

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, 2014 and 2013, and on equity as of March 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	Impact on post-tax profit		Impact on equity	
	2014	2013	2014	2013
Increase	(18,901)	(17,180)	(18,901)	(17,180)
Decrease	18,901	17,180	18,901	17,180

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(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, 2014 and December 31, 2013, the maximum degrees of credit exposures are as follows:

(in millions of Korean won)

	March 31, 2014			December 31, 2013		
	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)	5,921,196	(15,119)	5,906,077	5,300,464	(14,951)	5,285,513
Financial assets at fair value through profit or loss	520	-	520	-	-	-
Total	5,921,716	(15,119)	5,906,597	5,300,464	(14,951)	5,285,513

In addition, details of financial guarantees provided by the Group are disclosed in Notes 3.1.(3) and 20.

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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(3) Liquidity risk

Cash flow forecasting is performed by corporate finance team. Finance team monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions.

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

(in millions of Korean won)

	March 31, 2014			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,575,003	485,763	364,717	226
Finance lease liabilities	2,571	-	-	-
Trade and other payables	2,307,121	52,600	12,949	-
Total	4,884,695	538,363	377,666	226

(in millions of Korean won)

	December 31, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,345,659	485,874	355,533	278
Finance lease liabilities	3,195	-	-	-
Trade and other payables	2,106,478	51,154	25,192	-
Total	4,455,332	537,028	380,725	278

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

(in millions of Korean won)

		March 31, 2014			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Gross-settled derivative financial liabilities	Trading				
	Inflow	64,648	-	-	-
	Outflow	(64,128)	-	-	-
	Total	520	-	-	-

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

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

(in millions of Korean won)

	March 31, 2014			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	135	147	519	341

(in millions of Korean won)

	December 31, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	132	144	509	389

¹ The Parent Company and LG Hausys Ltd. have provided the joint guarantee for obligations outstanding as of April 1, 2009, the spin-off date. The amounts represent the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called (Note 20).

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, 2014 and December 31, 2013, are as follows:

(in millions of Korean won, except for ratios)

	March 31, 2014	December 31, 2013
Total borrowings (Note 16) (A)	3,347,479	3,010,482
Less: cash and cash equivalents (B)	(1,517,401)	(1,399,054)
Net debt (C=A+B)	1,830,078	1,611,428
Total liabilities (D)	6,594,417	5,720,802
Total equity (E)	11,693,699	11,725,662
Total capital (F=C+E)	13,523,777	13,337,090
Gearing ratio (C/F)	13.5%	12.1%
Debt-to-equity ratio (D/E)	56.4%	48.8%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

3.3 Fair value estimation

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

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

(1) The following tables present the Group's financial assets and liabilities that are measured at fair value as of March 31, 2014:

(in millions of Korean won)

	March 31, 2014			Total
	Level 1	Level 2	Level 3	
Financial assets				
Other current financial assets	-	520	-	520
Total financial assets	-	520	-	520

All other non-current financial assets of the Group consist of available-for-sale equity securities and are measured at cost (March 31, 2014: ₩5,955 million; December 31, 2013: ₩5,952 million) as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These are not included in the analysis above (Note 9). The Group does not have any plans to dispose of these available-for-sale equity securities in the near future.

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various techniques and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The financial instruments included in Level 2 are derivative financial instruments. The fair value of derivative financial instruments is determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying amount of the trade and other receivables classified as current is reasonable approximated at fair value. Unless the carrying amount of borrowings is not a reasonable approximation of the fair value, in which case information related to the fair value of the borrowings is presented in Note 16.

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)

Financial assets	March 31, 2014			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
Cash and cash equivalents	1,517,401	-	-	1,517,401
Trade receivables	3,579,088	-	-	3,579,088
Other receivables	769,043	-	-	769,043
Other current financial assets	-	520	-	520
Other non-current receivables	40,611	-	-	40,611
Other non-current financial assets	-	-	5,955	5,955
Total	5,906,143	520	5,955	5,912,618

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

Financial liabilities	March 31, 2014			Total
	Hedging derivatives	Liabilities at amortized cost	Other liabilities	
Trade payables	-	1,373,626	-	1,373,626
Other payables	-	933,495	-	933,495
Borrowings (current)	-	1,406,958	1,123,916	2,530,874
Other current liabilities (dividends payable)	-	295,583	-	295,583
Other non-current payables	-	65,549	-	65,549
Borrowings (non-current)	-	816,605	-	816,605
Total	-	4,891,816	1,123,916	6,015,732

(in millions of Korean won)

Financial assets	December 31, 2013		Total
	Loans and receivables	Assets classified as available-for-sale	
Cash and cash equivalents	1,399,054	-	1,399,054
Trade receivables	3,220,504	-	3,220,504
Other receivables	640,998	-	640,998
Other non-current receivables	25,026	-	25,026
Other non-current financial assets	-	5,952	5,952
Total	5,285,582	5,952	5,291,534

(in millions of Korean won)

Financial liabilities	December 31, 2013			Total
	Hedging derivatives	Liabilities at amortized cost	Other liabilities	
Trade payables	-	1,268,291	-	1,268,291
Other payables	-	838,021	-	838,021
Borrowings (current)	-	1,269,050	937,798	2,206,848
Other current liabilities (dividends payable)	-	1,071	-	1,071
Other non-current payables	-	76,346	-	76,346
Borrowings (non-current)	-	803,634	-	803,634
Total	-	4,256,413	937,798	5,194,211

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

Net gains (losses) on financial instruments by category are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Assets at fair value through profit or loss		
Loss on valuation/ disposal	1,017	(3,313)
Hedging derivatives		
Gain on valuation recognized in other comprehensive expenses	-	73
Interest expense	-	(93)
Loans and receivables		
Interest income	12,053	8,991
Gain on foreign currency translation	1,490	40,562
Gain(loss) on foreign exchange	25,002	34,825
Liabilities at amortized cost		
Interest expense	(22,053)	(23,641)
Loss on foreign currency translation	(10,990)	(38,043)
Gain(loss) on foreign exchange	(23,600)	(24,062)

6. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Bank deposits and cash on hand	329,641	341,854
Financial deposits, others	1,187,760	1,057,200
Total	<u>1,517,401</u>	<u>1,399,054</u>

As of March 31, 2014, other non-current receivables amounting to ₩24 million are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2013: ₩24 million). As of March 31, 2014, cash and cash equivalents include deposits with banks of ₩2,514 million (December 31, 2013: ₩4,167 million) held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

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>	March 31, 2014			December 31, 2013		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables ¹	3,594,207	(15,119)	3,579,088	3,235,455	(14,951)	3,220,504
Other current receivables	769,043	-	769,043	640,998	-	640,998
Other non-current receivables	40,611	-	40,611	25,026	-	25,026
Total	4,403,861	(15,119)	4,388,742	3,901,479	(14,951)	3,886,528

¹ As of March 31, 2014, trade receivables transferred to financial institutions but not fully derecognized are as follows (Note 16):

<i>(in millions of Korean won)</i>	Loans and receivables (trade receivables collateralized borrowings)	
	March 31, 2014	December 31, 2013
Carrying amount of transferred assets	1,121,415	934,724
Carrying amount of related liabilities	(1,121,415)	(934,724)

Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Current		
Non-trade receivables	90,647	84,856
Financial deposits	657,525	528,926
Accrued income	5,447	3,930
Deposits	15,424	23,286
	<u>769,043</u>	<u>640,998</u>
Non-current		
Financial deposits	24	24
Loans	405	298
Deposits	40,182	24,704
	<u>40,611</u>	<u>25,026</u>
Total	<u>809,654</u>	<u>666,024</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

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

(in millions of Korean won)

	March 31, 2014		December 31, 2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	3,349,250	798,751	2,988,575	644,446
Past due but not impaired				
Up to 3 months	231,500	8,855	232,631	18,729
3 to 6 months	3,826	594	5,178	1,032
Over 6 months	2,617	1,454	3,500	1,817
	237,943	10,903	241,309	21,578
Impaired receivables	7,014	-	5,571	-
	3,594,207	809,654	3,235,455	666,024

The movements in bad debt allowance for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, are as follows:

(in millions of Korean won)

	March 31, 2014				December 31, 2013			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Beginning balance	14,951	-	-	-	10,110	-	-	-
Additions	375	-	-	-	6,453	-	-	-
Write-off	-	-	-	-	(868)	-	-	-
Reversals	(419)	-	-	-	-	-	-	-
Exchange differences	212	-	-	-	(744)	-	-	-
Ending balance	15,119	-	-	-	14,951	-	-	-

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

8. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

(in millions of Korean won)

	March 31, 2014	December 31, 2013
Other financial assets		
Derivatives (Note 10)	520	-
Available-for-sale (Note 9)	5,955	5,952
Less: current portion	(520)	-
Total	5,955	5,952

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

9. Financial assets classified as available-for-sale

The movements in financial assets classified as available-for-sale for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Beginning balance	5,952	21,811
Exchange differences	3	(9)
Transfer ¹	-	(15,850)
Ending balance	<u>5,955</u>	<u>5,952</u>

¹ During 2013, investments into LG Fuel Cell Systems Inc. was reclassified from available-for-sale financial assets to investment in associates as the Parent Company can exercise significant influence resulting from the executive of the Parent Company being appointed as a member of board of directors of LG Fuel Cell Systems Inc. (Note 12).

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

No impairment losses were recognized for financial assets classified as available-for-sale during the three-month periods ended March 31, 2014 and 2013.

10. Derivative financial instruments

Details of derivative financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current				
Held-for-trading	<u>520</u>	-	-	-
	<u>520</u>	-	-	-

Details of derivative financial contracts are as follows:

Classification	March 31, 2014				
	Financial institution	Contract date	Contract amount (in thousands)	Contract period	Contract terms
Forward exchange	JP Morgan and 6 other banks	2014.03.24, others	US \$ 10,000, others	2014.04.02~2014.04.25	₩ 1,069.20: US\$1, others

Trading derivative financial instrument is classified as a current asset or liability.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

11. Inventories

Details of inventories are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014			December 31, 2013		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	75,936	(1,081)	74,855	67,723	(952)	66,771
Finished products	1,244,937	(31,686)	1,213,251	1,160,004	(40,127)	1,119,877
Semi-finished products	398,289	-	398,289	372,872	-	372,872
Work-in-process	370	-	370	1,151	-	1,151
Raw materials	739,144	(2,978)	736,166	708,986	(2,203)	706,783
Supplies	92,202	-	92,202	90,193	-	90,193
Materials-in-transit	265,365	-	265,365	206,384	-	206,384
Total	2,816,243	(35,745)	2,780,498	2,607,313	(43,282)	2,564,031

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩3,976,057 million (2013: ₩4,097,413 million).

12. 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, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014						
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income of associates	Others	Ending balance
LG VINA Chemical Co.,Ltd.	3,473	-	-	225	(930)	-	2,768
HL Greenpower Co.,Ltd.	16,746	-	-	592	-	3	17,341
LG Holdings (HK) Ltd.	63,445	-	-	546	(480)	-	63,511
TECWIN Co.,Ltd.	5,955	-	(19)	-	-	-	5,936
SEETEC Co.,Ltd.	164,735	-	-	2,990	-	-	167,725
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	579
CNOOC & LG Petrochemicals Co.,Ltd.	38,745	-	-	(336)	(392)	-	38,017
KLPE Limited Liability Partnership ¹	139,774	33,533	-	7,335	(12,280)	-	168,362
LG Fuel Cell Systems Inc.	14,415	-	-	1,608	(70)	-	15,953
	447,867	33,533	(19)	12,960	(14,152)	3	480,192

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(in millions of Korean won)	December 31, 2013							Ending balance
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income of associates	Others		
LG VINA Chemical Co.,Ltd.	3,675	-	(1,276)	1,098	(24)	-	3,473	
HL Greenpower Co.,Ltd.	15,557	-	-	1,193	-	(4)	16,746	
LG Holdings (HK) Ltd.	60,012	-	-	2,931	502	-	63,445	
TECWIN Co.,Ltd.	5,408	-	(35)	582	-	-	5,955	
SEETEC Co.,Ltd.	155,042	-	-	9,736	-	(43)	164,735	
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	258	321	-	-	-	-	579	
CNOOC & LG Petrochemicals Co.,Ltd.	39,244	-	-	(1,027)	528	-	38,745	
KLPE Limited Liability Partnership	125,872	18,680	-	(1,363)	(3,415)	-	139,774	
LG Fuel Cell Systems Inc.	-	22,269	-	(7,762)	(98)	6	14,415	
	<u>405,068</u>	<u>41,270</u>	<u>(1,311)</u>	<u>5,388</u>	<u>(2,507)</u>	<u>(41)</u>	<u>447,867</u>	

¹ During the period, the Group additionally acquired shares of KLPE Limited Liability Partnership for ₩33,533 million and has recognized ₩10,688 million as other payable as of March 31, 2014, for the unpaid consideration in the acquisition of KLPE Limited Liability Partnership.

13. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, are as follows:

(in millions of Korean won)	March 31, 2014										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction in-progress	Machinery in-transit	Total
Beginning balance	812,828	1,882,957	572,338	3,996,941	9,438	276,456	91,761	73,082	689,264	154,544	8,559,609
Cost	813,367	2,279,332	935,506	10,040,565	36,701	646,873	253,098	210,204	743,592	154,544	16,113,782
Accumulated depreciation	-	(386,539)	(361,532)	(6,005,703)	(27,161)	(363,365)	(160,238)	(137,122)	-	-	(7,441,660)
Accumulated impairment	(539)	(9,836)	(1,636)	(37,921)	(102)	(7,052)	(1,099)	-	(54,328)	-	(112,513)
Acquisitions/ Transfer	5,871	63,660	22,298	169,275	340	24,270	4,501	492	206,181	24,771	521,659
Disposals/ Transfer	-	-	(1)	(7,671)	(17)	(1,941)	(76)	-	(261,632)	(21,117)	(292,455)
Exchange differences	119	(2,673)	(670)	(5,404)	3	(272)	(98)	-	(408)	-	(9,403)
Depreciation	-	(14,127)	(9,581)	(202,662)	(744)	(19,825)	(6,721)	(17,412)	-	-	(271,072)
Impairment	-	-	-	-	-	-	-	-	-	-	-
Ending balance	<u>818,818</u>	<u>1,929,817</u>	<u>584,384</u>	<u>3,950,479</u>	<u>9,020</u>	<u>278,688</u>	<u>89,367</u>	<u>56,162</u>	<u>633,405</u>	<u>158,198</u>	<u>8,508,338</u>
Cost	819,358	2,339,590	956,723	10,104,993	36,429	661,964	255,684	210,698	687,813	158,198	16,231,450
Accumulated depreciation	-	(399,758)	(370,702)	(6,116,576)	(27,306)	(376,221)	(165,235)	(154,536)	-	-	(7,610,334)
Accumulated impairment	(540)	(10,015)	(1,637)	(37,938)	(103)	(7,055)	(1,082)	-	(54,408)	-	(112,778)

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

<i>(in millions of Korean won)</i>	December 31, 2013										
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery- in-transit	Total
Beginning balance	712,238	1,647,499	485,908	3,504,325	10,249	249,746	89,504	88,294	1,340,170	220,245	8,348,178
Cost	712,238	1,981,069	814,135	8,819,666	38,873	570,364	230,923	197,705	1,374,966	220,245	14,960,184
Accumulated depreciation	-	(333,565)	(327,929)	(5,306,272)	(28,624)	(316,586)	(141,309)	(109,411)	-	-	(6,563,696)
Accumulated impairment	-	(5)	(298)	(9,069)	-	(4,032)	(110)	-	(34,796)	-	(48,310)
Acquisitions/ Transfer	101,028	300,111	126,162	1,321,344	3,267	114,160	30,173	35,184	1,241,315	141,012	3,413,756
Disposals/ Transfer	-	(450)	(2,016)	(12,850)	(951)	(10,551)	(904)	-	(1,881,596)	(206,713)	(2,116,031)
Exchange differences	(370)	(1,314)	591	152	(8)	(336)	(33)	-	10,117	-	8,799
Depreciation	-	(53,078)	(36,693)	(778,823)	(3,011)	(73,488)	(25,912)	(50,396)	-	-	(1,021,401)
Impairment	(68)	(9,811)	(1,614)	(37,207)	(108)	(3,075)	(1,067)	-	(20,742)	-	(73,692)
Ending balance	812,828	1,882,957	572,338	3,996,941	9,438	276,456	91,761	73,082	689,264	154,544	8,559,609
Cost	813,367	2,279,332	935,506	10,040,565	36,701	646,873	253,098	210,204	743,592	154,544	16,113,782
Accumulated depreciation	-	(386,539)	(361,532)	(6,005,703)	(27,161)	(363,365)	(160,238)	(137,122)	-	-	(7,441,660)
Accumulated impairment	(539)	(9,836)	(1,636)	(37,921)	(102)	(7,052)	(1,099)	-	(54,328)	-	(112,513)

During the three-month period ended March 31, 2014, the Group capitalized ₩1,897 million of borrowing costs (2013: ₩7,156 million) to property, plant and equipment.

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

<i>(in millions of Korean won)</i>	March 31, 2014				
	Carrying amount	Collateral value	Related account	Related amount	Mortgagee
Land	3,294	3,844	Borrowings	1,597	Kookmin Bank
Building	9,470	4,943	(Note 16)		
<i>(in millions of Korean won)</i>	December 31, 2013				
	Carrying amount	Collateral value	Related account	Related amount	Mortgagee
Land	3,294	3,844	Borrowings	1,620	Kookmin Bank
Building	9,539	4,943	(Note 16)		

Depreciation of property, plant and equipment for the three-month periods ended March 31, 2014 and 2013, was classified as follows:

<i>(in millions of Korean won)</i>	2014	2013
Cost of sales	254,727	231,741
Selling, general and administrative expenses	16,303	14,608
Others	42	74
Total	271,072	246,423

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

During 2013, the US battery division for vehicles, managed as a separate cash-generating unit (hereafter 'CGU') in Energy solution business segments, has been tested for impairment due to delayed factory operations resulting from unexpected late orders from customers. The recoverable amount of the CGU is calculated on a basis of the value in use and mainly relate to machinery and equipment used in manufacturing.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

During 2013, the separator division, managed as a separate cash-generating unit (hereafter 'CGU') in IT & Electronic Materials segments, has been tested for impairment because the sales volume was lower than expected. The recoverable amount of the CGU is calculated on a basis of the value in use and mainly relate to machinery and equipment used in manufacturing.

During 2013, 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>	US battery division for vehicles	Separator division
Impaired amount		
Property, plant and equipment	25,878	46,363
Intangible assets	140	3,091
Key assumptions		
Pre-tax discount rate	13.8%	14.4%
Growth rate for subsequent years after five years	0%	0%

14. Intangible assets

Changes in the carrying amount of intangible assets for the three-month period ended March 31, 2014 and for the year ended December 31, 2013 are, as follows:

<i>(in millions of Korean won)</i>	March 31, 2014					
	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	45,231	100,770	33,415	51,705	31,972	263,093
Acquisitions/ Transfer	6,474	8,140	-	590	1,898	17,102
Disposals/ Transfer	(1,410)	(1)	-	(18)	(17)	(1,446)
Exchange differences	(15)	1	-	(7)	(53)	(74)
Amortization	(3,184)	(1,754)	-	-	(2,043)	(6,981)
Ending balance	47,096	107,156	33,415	52,270	31,757	271,694

<i>(in millions of Korean won)</i>	December 31, 2013					
	Development costs	Industrial property rights	Goodwill	Memberships	Others	Total
Beginning balance	42,410	78,610	33,415	51,692	27,766	233,893
Acquisitions/ Transfer	23,159	30,638	-	514	11,532	65,843
Disposals/ Transfer	(9,022)	(22)	-	(362)	(61)	(9,467)
Exchange differences	(33)	1	-	(5)	107	70
Amortization	(11,035)	(5,785)	-	-	(7,195)	(24,015)
Impairment	(248)	(2,672)	-	(134)	(177)	(3,231)
Ending balance	45,231	100,770	33,415	51,705	31,972	263,093

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

Amortization of intangible assets was classified for the three-month periods ended March 31, 2014 and 2013, as follows:

<i>(in millions of Korean won)</i>	2014	2013
Cost of sales	2,010	1,782
Selling, general and administrative expenses	4,971	3,737
Total	<u>6,981</u>	<u>5,519</u>

15. Other current and non-current assets

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

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Current		
Prepayments to suppliers	26,582	24,970
Prepaid expenses	25,000	23,619
Prepaid value added tax	100,559	92,310
Others	65,640	63,960
Total	<u>217,781</u>	<u>204,859</u>
Non-current		
Long-term prepaid expenses	34,406	36,133
Other investment assets	100	98
Total	<u>34,506</u>	<u>36,231</u>

16. Borrowings

The carrying amount of borrowings is as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Current		
Short-term borrowings	1,947,172	1,719,658
Current maturities of bank loans	281,550	284,392
Current maturities of debentures	299,651	199,724
Current maturities of finance lease liabilities	2,501	3,074
	<u>2,530,874</u>	<u>2,206,848</u>
Non-current		
Bank loans	517,380	404,654
Debentures	299,225	398,980
	<u>816,605</u>	<u>803,634</u>
Total	<u>3,347,479</u>	<u>3,010,482</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

Details of current borrowings are as follows:

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at March 31, 2014	Carrying Amount	
				March 31, 2014	December 31, 2013
Notes discounted ¹	Woori Bank, others	2014.07.04	3Libor+1.00, various	1,121,415	934,724
Bank loans	Hangseng Bank, others	2015.03.17	3Libor+0.50~2.50, various	825,757	784,934
Total				1,947,172	1,719,658

¹ As of March 31, 2014, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Note 7).

Details of non-current borrowings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014					
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Won currency borrowings	Kookmin Bank	2.70	2018.07.14	772	87	685
	Kookmin Bank	2.70	2020.03.21	825	55	770
	Korea Development Bank	3.53	2015.07.19	200,000	-	200,000
Foreign currency borrowings	Shanghai Pudong Development Bank	5.76	2015.09.15	1,723	-	1,723
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.29	21,376	21,376	-
	Standard Chartered Bank	3Libor + 2.20	2015.12.14	19,080	4,240	14,840
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	20,140	3,180	16,960
	Agricultural Bank of China	5.90	2015.10.15	9,477	-	9,477
	China Merchants Bank	5.76	2015.05.17	2,585	-	2,585
	ANZ Bank	3Libor + 2.10	2014.07.07	7,950	7,950	-
	Bank of America	2.00	2014.07.03	21,200	21,200	-
	Bank of America	2.00	2014.08.08	6,015	6,015	-
	Bank of America	6Libor + 1.50	2014.10.24	31,800	31,800	-
	Bank of America	3Libor + 1.68	2014.08.29	42,400	42,400	-
	BTMU	3Libor + 2.00	2016.05.13	18,020	6,360	11,660
	BTMU	3Libor + 1.54	2015.07.20	53,440	-	53,440
	CITI	6Libor + 2.00	2017.03.10	10,600	2,120	8,480
	HSBC	6Libor + 0.75	2014.09.19	42,400	42,400	-
	HSBC	6Libor + 2.25	2015.05.25	21,200	-	21,200
	HSBC	3Libor + 2.10	2016.01.22	31,800	-	31,800
	HSBC	3Libor + 2.10	2016.01.22	42,400	-	42,400
	HSBC	3Libor + 2.10	2016.01.22	21,200	-	21,200
	JP MORGAN	3Libor + 1.75	2014.07.17	21,194	21,194	-
	JP MORGAN	3Libor + 1.30	2016.11.16	26,720	-	26,720
	Mizuho Banking Corporation	3Libor + 0.65	2014.05.31	64,128	64,128	-
	Nordea Bank	1Wibor + 1.00	2014.06.30	7,045	7,045	-
	Nova Scotia Bank	3Libor + 1.54	2015.07.20	53,440	-	53,440
Total				798,930	281,550	517,380

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(in millions of Korean won)		December 31, 2013				
		Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities
Won currency borrowings	Kookmin Bank	2.70	2018.07.14	786	75	711
	Kookmin Bank	2.70	2020.03.21	834	47	787
	Korea Development Bank	3.53	2015.07.19	200,000	-	200,000
Foreign currency borrowings	Shanghai Pudong Development Bank	5.76	2015.09.15	1,742	-	1,742
	Sumitomo Mitsui Banking Corporation	3Libor + 0.85	2014.07.29	21,106	21,106	-
	Standard Chartered Bank	3Libor + 2.20	2015.12.14	19,105	4,246	14,859
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	10,614	1,061	9,553
	Agricultural Bank of China	5.90	2015.10.15	9,574	-	9,574
	China Merchants Bank	5.76	2015.05.17	2,611	-	2,611
	ANZ Bank	3Libor + 2.10	2014.07.07	15,921	15,921	-
	Bank of America	2.00	2014.07.03	21,228	21,228	-
	Bank of America	2.00	2014.08.08	6,023	6,023	-
	Bank of America	6Libor + 1.50	2014.10.24	31,842	31,842	-
	Bank of America	3Libor + 1.68	2014.08.29	42,457	42,457	-
	BTMU	3Libor + 1.54	2015.07.20	52,765	-	52,765
	BTMU	3Libor + 2.00	2016.05.13	18,044	6,368	11,676
	HSBC	3Libor + 0.75	2014.09.19	42,456	42,456	-
	HSBC	3Libor + 2.25	2015.05.25	21,228	-	21,228
	JP MORGAN	3Libor + 1.75	2014.07.17	21,222	21,222	-
	JP MORGAN	3Libor + 1.30	2016.11.16	26,383	-	26,383
Mizuho Banking Corporation	3Libor + 0.65	2014.05.31	63,318	63,318	-	
Nordea Bank	1Wibor + 1.00	2014.06.30	7,022	7,022	-	
Nova Scotia Bank	3Libor + 1.54	2015.07.20	52,765	-	52,765	
Total				689,046	284,392	404,654

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

Details of debentures are as follows:

(in millions of Korean won)

March 31, 2014						
	Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term
Won currency debentures	Woori Security	3.83	2014.12.05	200,000	200,000	-
	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	3.96	2015.03.29	100,000	100,000	-
	Woori Security	4.11	2017.03.29	200,000	-	200,000
	Less: discount on debentures			(1,124)	(349)	(775)
Total				598,876	299,651	299,225

(in millions of Korean won)

December 31, 2013						
	Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term
Won currency debentures	Woori Security	3.83	2014.12.05	200,000	200,000	-
	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	3.96	2015.03.29	100,000	-	100,000
	Woori Security	4.11	2017.03.29	200,000	-	200,000
	Less: discount on debentures			(1,296)	(276)	(1,020)
Total				598,704	199,724	398,980

Details of finance lease liabilities are as follows:

(in millions of Korean won)

March 31, 2014					
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term
Hyundai Oil Bank	9.00	2014.10.29	2,501	2,501	-

(in millions of Korean won)

December 31, 2013					
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term
Hyundai Oil Bank	9.00	2014.10.29	3,074	3,074	-

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

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

<i>(in millions of Korean won)</i>	March 31, 2014		December 31, 2013	
	Carrying amount	Fair value¹	Carrying amount	Fair value¹
Bank loans	517,380	513,381	404,654	401,029
Debentures	299,225	296,321	398,980	392,854
Finance lease liabilities	-	-	-	-
Total	816,605	809,702	803,634	793,883

¹ Fair values are based on cash flows discounted using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and borrowing rate quoted by People's Bank of China and others.

The present value of finance lease liabilities is as follows:

<i>(in millions of Korean won)</i>	March 31, 2014			December 31, 2013		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	2,579	78	2,501	3,195	121	3,074

17. Provisions

Changes in the carrying amount of provisions for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014		
	Sales returns¹	Warranty²	Total
Beginning balance	1,532	17,994	19,526
Additions	6,848	1,599	8,447
Used	(4,563)	(547)	(5,110)
Ending balance	3,817	19,046	22,863
Less : current portion	(3,817)	(139)	(3,956)
Total	-	18,907	18,907

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

<i>(in millions of Korean won)</i>	December 31, 2013		
	Sales returns ¹	Warranty ²	Total
Beginning balance	1,623	11,583	13,206
Additions	24,219	7,053	31,272
Used	<u>(24,310)</u>	<u>(642)</u>	<u>(24,952)</u>
Ending balance	1,532	17,994	19,526
Less : current portion	<u>(1,532)</u>	<u>(513)</u>	<u>(2,045)</u>
Total	<u>-</u>	<u>17,481</u>	<u>17,481</u>

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

² Warranty provisions have been accrued for the estimated warranty service costs to be incurred based on the terms of warranty and historical experience. Further, the Group purchased insurance policies to meet such obligations.

18. Net defined benefit liability

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

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Present value of obligations ¹	457,589	438,122
Fair value of plan assets	<u>(386,945)</u>	<u>(386,211)</u>
Liability in the statement of financial position	<u>70,644</u>	<u>51,911</u>

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩877 million as of March 31, 2014 (December 31, 2013: ₩883 million).

The amounts recognized in the statements of income for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Current service cost ¹	20,373	18,665
Interest cost	4,355	3,327
Expected return on plan assets	<u>(3,847)</u>	<u>(2,360)</u>
Total, included in employee benefit expenses	<u>20,881</u>	<u>19,632</u>

¹ The above amounts excluded ₩130 million (2013: ₩157 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, 2014, amounted to ₩25 million (2013: ₩16 million).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

The amounts recognized in the statements of income for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Cost of sales	14,848	14,088
Selling, general and administrative expenses	6,058	5,560
Total	<u>20,906</u>	<u>19,648</u>

Changes in the present value of defined benefit obligations for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Beginning balance	438,122	367,567
Transfer in	841	1,320
Transfer out	(1,245)	(1,999)
Current service cost	20,503	75,572
Interest expense	4,355	13,307
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	-	(3,562)
Actuarial gains and losses arising from changes in financial assumptions	-	(16,595)
Actuarial gains and losses arising from experience adjustments	-	22,588
Others	-	21
Exchange differences	97	(92)
Payments from plans	(5,084)	(20,005)
Ending balance	<u>457,589</u>	<u>438,122</u>

Changes in the fair value of plan assets for the three-month period ended March 31, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Beginning balance	386,211	261,666
Transfer in	352	72
Transfer out	(638)	(46)
Interest income	3,847	9,441
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	1,110	(1,138)
Contributions:		
Employers	-	130,000
Payments from plans	(3,937)	(13,176)
Administrative costs	-	(608)
Ending balance	<u>386,945</u>	<u>386,211</u>

The actual return on plan assets for the three-month period ended March 31, 2014, was ₩4,957 million (2013: ₩8,303 million).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

The principal actuarial assumptions used are as follows:

	March 31, 2014	December 31, 2013
Discount rate	4.1%	4.1%
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>	Increase by 1%	Decrease by 1%
Discount rate:		
Increase(decrease) in defined benefit obligations	(42,499)	50,164
Future salary increase:		
Increase(decrease) in defined benefit obligations	49,195	(42,539)

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

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

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

Plan assets consist of:

<i>(in millions of Korean won)</i>	March 31, 2014				December 31, 2013			
	Quoted price	Unquoted price	Total	Compo-sition	Quoted price	Unquoted price	Total	Compo-sition
Insurance contracts with guaranteed yield	386,945	-	386,945	100%	386,211	-	386,211	100%

19. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Advances from customers	27,983	24,844
Dividends payable	295,583	1,071
Withholding	22,635	41,383
Unearned revenues	16,812	19,528
Others	87,809	60,900
Total	450,822	147,726

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

20. 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, 2014, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.
- (3) As of March 31, 2014, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.
- (4) As of March 31, 2014, 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	125	495	30	685	32
Limit of the letter of credit	64,000	207	45	-	-	675	-
Limit of discount of notes from export	-	1,459	-	-	-	-	-
Limit of guaranteed payments in other foreign currency	-	85	-	-	-	-	-
Limit of loan arrangements	-	-	1,331	2,430	3	1,895	20

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\$ 575 million.

- (5) As of March 31, 2014, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩300,000 million.
- (6) As of March 31, 2014, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in six and 34 legal actions involving ₩960 million and ₩3,150 million in claims, respectively, and as a defendant in five and two legal actions with ₩1,996 million and ₩153 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.
- (7) As of March 31, 2014, 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, 2014, 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.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(10) As of March 31, 2014, the Parent Company has a long-term purchase contract for certain raw materials and the supplier has made US\$ 135 million and US\$ 60 million of credit guarantee contract with financial institutions. Further, as of March 31, 2014, the Parent Company has a contract of US\$ 10 million guarantees with financial institutions in regard to a delivery commitment for certain products and the Parent Company has a contract of US\$ 90 million guarantees with financial institutions for advances received from customers.

(11) As of March 31, 2014, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of March 31, 2014, amounts to US\$ 235 million, EUR 3 million and PLN 20 million (total equivalent to ₩261,829 million) (2013: US\$ 215 million, EUR 3 million and PLN 52 million, total equivalent to ₩250,066 million). Details of guarantees provided as of March 31, 2014 and December 31, 2013, are as follows:

(in millions of Korean won)

				March 31, 2014	
Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	2011.08.29 ~ 2015.06.17	HSBC	63,600	63,600
	"	2011.10.24 ~ 2014.10.31	Bank of America	31,800	31,800
	LG Chem Poland Sp. z o.o.	2009.08.26 ~ 2014.06.30	Nordea Bank	7,045	7,045
	LG Chem Europe GmbH	2014.01.02 ~ 2015.01.02	Shinhan Bank	4,408	-
	LG Chem Michigan, Inc.	2011.04.07 ~ 2014.05.31	Mizuho Bank	64,128	64,128
	"	2014.03.31 ~ 2017.03.31	Sumitomo Mitsui bank	42,752	21,376
	"	2013.06.29 ~ 2016.11.16	JP Morgan	48,096	48,096
Total				261,829	236,045

(in millions of Korean won)

				December 31, 2013	
Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	2011.08.29 ~ 2015.06.17	HSBC	63,684	63,684
	"	2011.10.24 ~ 2014.10.31	Bank of America	31,842	31,842
	LG Chem Poland Sp. z o.o.	2009.08.26 ~ 2014.06.30	Nordea Bank	18,258	8,206
	LG Chem Europe GmbH	2013.01.02 ~ 2014.01.02	Shinhan Bank	4,369	-
	LG Chem Michigan, Inc.	2011.04.07 ~ 2014.05.31	Mizuho Bank	63,318	63,318
	"	2011.04.07 ~ 2014.04.07	Sumitomo Mitsui bank	21,106	21,106
	"	2013.06.29 ~ 2016.11.16	JP Morgan	47,489	47,489
Total				250,066	235,645

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

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Property, plant and equipment	495,474	317,086

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

21. Equity

Changes in share capital and share premium are as follows:

<i>(in millions of Korean won)</i>	Ordinary shares		Preferred shares		Share premium
	Number of shares	Amount	Number of shares	Amount	
January 1, 2013	66,271,100	331,356	7,628,921	38,144	897,424
December 31, 2013	66,271,100	331,356	7,628,921	38,144	897,424
March 31, 2014	66,271,100	331,356	7,628,921	38,144	897,424

Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	Number of shares		Carrying amount	Gain on sale of treasury shares
	Ordinary shares	Preferred shares		
January 1, 2013	359,790	5,519	15,484	13,855
Purchase of treasury shares	2	-	-	-
December 31, 2013	359,792	5,519	15,484	13,855
March 31, 2014	359,792	5,519	15,484	13,855

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

22. Retained earnings

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Legal reserve ¹	277,250	275,601
Discretionary reserve ²	9,077,851	8,200,700
Retained earnings before appropriation	811,960	1,696,331
Total	10,167,061	10,172,632

¹ 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.

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

23. Other components of equity

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Treasury shares (Note 21)	(15,484)	(15,484)
Capital transactions within the Group ¹	(215)	(215)
Total	<u>(15,699)</u>	<u>(15,699)</u>

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

24. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Wages and salaries	93,836	77,951
Pension costs (Note 18)	6,058	5,560
Welfare expense	19,827	18,374
Travel expense	8,395	7,960
Water & utilities	6,765	6,626
Packaging expense	1,394	1,513
Rental expense	23,133	23,108
Commission expense	53,237	46,569
Depreciation (Note 13)	16,303	14,608
Advertising expense	3,898	2,706
Freight expense	104,094	99,702
Training expense	2,403	2,617
Amortization (Note 14)	4,971	3,737
Sample expense	2,926	2,179
Others	53,328	50,774
Total	<u>400,568</u>	<u>363,984</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

25. 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, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Changes in inventories	(126,094)	(63,942)
Raw materials and consumables used	3,855,723	4,004,453
Purchase of merchandise	246,428	156,902
Employee benefit expense (Note 26)	357,049	290,957
Advertising expense	4,157	2,913
Transportation expense	110,873	106,988
Service fees	84,645	72,468
Depreciation, amortization and impairment	278,011	251,868
Operating lease payments	13,348	12,376
Other expenses	<u>486,581</u>	<u>476,705</u>
Total	<u>5,310,721</u>	<u>5,311,688</u>

26. Employee benefit expense

Details of employee benefit expenses for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Wages and salaries	308,069	247,973
Pension costs – Defined benefit plan (Note 18)	20,881	19,632
Pension costs – Defined contribution plan (Note 18)	25	16
Others	<u>28,074</u>	<u>23,336</u>
Total	<u>357,049</u>	<u>290,957</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

27. Finance income and expenses

Details of finance income and expenses for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Finance income		
Interest income ¹	12,053	8,991
Foreign exchange gain	19,219	19,948
Gain on foreign currency translation	3,067	3,551
Gain on settlement of trading derivatives	1,951	1,262
Gain on valuation of trading derivatives	520	30
Total	<u>36,810</u>	<u>33,782</u>
Finance expenses		
Interest expense ²	20,156	16,578
Foreign exchange loss	19,826	12,757
Loss on foreign currency translation	9,681	5,303
Loss on settlement of trading derivatives	1,454	4,595
Loss on valuation of trading derivatives	-	10
Total	<u>51,117</u>	<u>39,243</u>

¹ Details of interest income are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Bank deposits	11,544	8,835
Other loans and receivables	509	156
Total	<u>12,053</u>	<u>8,991</u>

² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Interest on bank overdraft and borrowings	13,334	13,757
Interest on finance lease liabilities	43	91
Interest on debentures	6,139	6,132
Other interest expenses	2,537	3,754
Capitalized interest for qualifying assets	(1,897)	(7,156)
Total	<u>20,156</u>	<u>16,578</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

28. Other non-operating income

Details of other non-operating income for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Foreign exchange gain	43,595	65,699
Gain on foreign currency translation	10,016	38,079
Gain on disposal of property, plant and equipment	1,805	44
Others	<u>2,927</u>	<u>6,463</u>
Total	<u>58,343</u>	<u>110,285</u>

29. Other non-operating expenses

Details of other non-operating expenses for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Foreign exchange loss	41,586	62,127
Loss on foreign currency translation	12,902	33,808
Loss on disposal of property, plant and equipment	5,964	1,731
Loss on disposal of intangible assets	270	12
Donations	2,929	-
Others	<u>1,407</u>	<u>4,106</u>
Total	<u>65,058</u>	<u>101,784</u>

30. Income Taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ending December 31, 2014, is 19.2% (for the three-month period ended March 31, 2013: 17.9%).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

31. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent Company by the weighted average number of shares in issue excluding shares purchased by the Parent Company and held as treasury shares. As of the reporting date, the Parent Company has no potential ordinary shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the 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, 2014 and 2013, is computed as follows:

<i>(in millions of Korean won, except per share)</i>	2014	2013
Profit attributable to ordinary shares ¹	258,150	303,901
Weighted average number of ordinary shares outstanding ²	65,911,308	65,911,310
Basic earnings per ordinary share <i>(in won)</i>	3,917	4,611
 <i>(in millions of Korean won)</i>	 2014	 2013
Profit attributable to preferred shares ¹	29,954	35,245
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402
Basic earnings per preferred share <i>(in won)</i>	3,929	4,623

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

<i>(in millions of Korean won)</i>	2014	2013
Profit for the year attributable to owners of the Parent Company	288,104	339,146
Ordinary shares dividends (A)	65,911	65,911
Preferred shares dividends (B)	7,719	7,719
Undistributed earnings for the year	214,474	265,516
Undistributed earnings available for ordinary shares (C)	192,239	237,990
Undistributed earnings available for preferred shares (D)	22,235	27,526
Profit for the year attributable to ordinary shares (A+C)	258,150	303,901
Profit for the year attributable to preferred shares (B+D)	29,954	35,245

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

² Weighted average numbers of shares are calculated as follows:

	2014	2013
Ordinary shares outstanding	66,271,100	66,271,100
Ordinary treasury shares	<u>(359,792)</u>	<u>(359,790)</u>
Weighted average number of ordinary shares outstanding	<u>65,911,308</u>	<u>65,911,310</u>
Preferred shares outstanding	7,628,921	7,628,921
Preferred treasury shares	<u>(5,519)</u>	<u>(5,519)</u>
Weighted average number of preferred shares outstanding	<u>7,623,402</u>	<u>7,623,402</u>

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

32. Dividends

The ₩294,520 million (2013: ₩294,520 million) of dividends for the year ended December 31, 2013, was paid to the shareholders of the Parent Company in April 2014.

33. Related party transactions

As of March 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, are as follows, and the details of investments in subsidiaries, associates and joint ventures are described in Note 1.3.

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

Sales and purchases with related parties for the three-month periods ended March 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Sales and others	Purchase and others		
		Purchase of raw material /merchandise	Acquisition of property, plant and equipment	Others
Entities 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
Total	87,216	171,620	50,031	80,671

(in millions of Korean won)

	2013			
	Sales and others	Purchase and others		
		Purchase of raw material /merchandise	Acquisition of property, plant and equipment	Others
Entities with significant influence over the Group				
LG Corp.	-	-	-	13,222
Associates and joint ventures				
SEETEC Co., Ltd.	19,342	45,360	2	19,385
TECWIN Co., Ltd.	35	22	792	29
HL Greenpower Co., Ltd.	18,646	-	-	-
Others	6	-	-	291
Other related parties				
LG MMA Corporation	37,291	41,988	-	760
SERVEONE and its subsidiaries	5,211	89,087	53,719	17,264
LG CNS Co., Ltd. and its subsidiaries	327	895	9,748	10,176
Others	127	-	-	2,460
Key management	-	-	-	10,045
Total	80,985	177,352	64,261	73,632

Balances of receivables and payables arising from sales and purchases of goods and services as

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

of March 31, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014		December 31, 2013	
	Receivable and others	Payable and others	Receivable and others	Payable and others
Entities with significant influence over the Group				
LG Corp.	7,580	88,939	6,935	64
Associates and joint ventures				
SEETEC Co., Ltd.	-	17,113	-	21,135
TECWIN Co., Ltd.	18	734	-	1,719
HL Greenpower Co., Ltd.	15,178	-	11,440	89
Others	29	-	22	56
Other related parties				
LG MMA Corporation	11,437	12,187	15,292	12,724
SERVEONE and its subsidiaries	30,000	169,738	28,252	174,615
LG CNS Co., Ltd. and its subsidiaries	9,137	37,355	2,755	29,550
Others	3,747	341	3,775	674
Key management	-	44,055	-	45,447
Total	77,126	370,462	68,471	286,073

Fund transaction with a related party for the three-month periods ended March 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	Equity contributions in cash	
	2014	2013
Joint venture		
KLPE Limited Liability Partnership	33,533	-

Compensation for key management of the Group for the three-month periods ended March 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014	2013
Wages and salaries	8,788	9,479
Pension costs	597	566
Total	9,385	10,045

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 20.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

34. Cash generated from operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the three-month periods ended March 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit before income tax	354,033	414,655
Adjustments for:		
Depreciation	271,030	246,349
Amortization	6,981	5,519
Pension costs	20,881	19,632
Finance income	(27,160)	(51,728)
Financial expenses	43,407	60,265
Foreign exchange differences	13,422	16,734
Gain on disposal of property, plant and equipment	(1,805)	(44)
Loss on disposal of property, plant and equipment	5,964	1,731
Loss on disposal of intangible assets	270	12
Other expenses	(16,825)	3,774
Inventories	(210,491)	52,471
Trade receivables	(363,906)	(163,231)
Other receivables	(6,465)	(14,758)
Settlement of derivatives	496	(982)
Trade payables	107,347	134,896
Other payables	142,804	184,120
Defined benefit liabilities	(1,265)	(2,480)
Other cash flows from operations	(30,658)	(64,892)
Cash generated from operations	<u>308,060</u>	<u>842,043</u>

The principal non-cash transactions for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Transfer of construction-in-progress	261,632	715,072
Transfer of machinery-in-transit	21,117	69,158
Reclassification of long-term borrowings into current maturities	102,998	16,967
Gain on valuation of derivatives recognized as other comprehensive income	-	73

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

35. Segment information

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

Segment	Products or services	Major customers
Petrochemicals	ABS, PC, EP, PE, PP, Acrylic, Alcohol, SAP, PVC, Synthetic rubber, Specialty 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., BOE, AUO, and others
Energy solutions	Portable batteries, batteries for vehicles, Electricity storage batteries and others	Hewlett-Packard Co., General Motors Corp., and others
Common and others	General management, sales and R&D	

(2) The segment information on revenue and profit and loss for the three-month periods ended March 31, 2014 and 2013, is as follows:

(in millions of Korean won)

	2014				Total
	Petro - Chemicals	IT & Electronic Materials	Energy solutions	Common and others ⁴	
Total segment revenue	4,414,705	670,264	681,233	1,178	5,767,380
Inter-segment revenue ¹	50,788	41,872	726	1,178	94,564
Revenue from external customers ²	4,363,917	628,392	680,507	-	5,672,816
Operating profit (loss) ³	308,020	37,023	17,447	(395)	362,095

(in millions of Korean won)

	2013				Total
	Petro - Chemicals	IT & Electronic Materials	Energy solutions	Common and others ⁴	
Total segment revenue	4,352,662	827,339	591,670	283	5,771,954
Inter-segment revenue ¹	18,018	33,048	1	283	51,350
Revenue from external customers ²	4,334,644	794,291	591,669	-	5,720,604
Operating profit (loss) ³	323,830	97,390	(11,998)	(306)	408,916

¹ Sales between segments are carried out at arm's length.

² Revenue from external customers consists of sales of goods. Interest income and dividend income are included in finance income.

³ Management assesses the performance of the operating segments based on a measure of operating profit of segment.

⁴ Common and other segments include operating segments not qualifying as a reportable segment, supporting divisions as well as R&D divisions.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

(3) The segment information on assets and liabilities as of March 31, 2014 and December 31, 2013, is as follows:

(in millions of Korean won)

	March 31, 2014				
	Petro - Chemicals	IT & Electronic Materials	Energy solutions	Common and others	Total
Total assets for the segment ¹	9,035,020	3,130,033	3,128,738	2,994,325	18,288,116
Investments in associates and joint ventures	209,727	-	17,340	253,125	480,192
Total liabilities for the segment ¹	2,736,734	613,434	1,393,637	1,850,612	6,594,417

(in millions of Korean won)

	December 31, 2013				
	Petro - Chemicals	IT & Electronic Materials	Energy solutions	Common and others	Total
Total assets for the segment ¹	8,812,651	2,953,818	3,111,555	2,568,440	17,446,464
Investments in associates and joint ventures	182,571	-	16,746	248,550	447,867
Total liabilities for the segment ¹	2,542,105	574,215	1,304,868	1,299,614	5,720,802

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

(4) The external sales by geographical segments from continuing operations for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Korea ¹	2,379,295	2,448,957
China	2,385,395	2,482,023
South East Asia	381,844	344,360
America	492,552	435,903
Western Europe	381,547	300,412
Others	757,756	761,818
Eliminations	<u>(1,105,573)</u>	<u>(1,052,869)</u>
Total	<u>5,672,816</u>	<u>5,720,604</u>

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

(5) There is no external customer attributing to more than 10% of total revenue for the three-month periods ended March 31, 2014 and 2013.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
March 31, 2014 and 2013, and December 31, 2013

36. Event after the reporting period

The Group has a plan to promote water purification filter business as a next-generation growth engine. On March 14, 2014, the Group entered into an agreement to purchase 100% interest in NanoH2O, Inc., which produces filters for fresh seawater located in the United States, to secure the core technology of water purification filter business. As of March 31, 2014, the acquisition has not been completed.