

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

**Interim Consolidated Financial Statements**

**June 30, 2015 and 2014**

**LG Chem, Ltd. and Subsidiaries**  
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**June 30, 2015 and 2014**

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

(English Translation of a Report Originally Issued in Korean)

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

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

We have reviewed the accompanying interim consolidated financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the interim consolidated statement of financial position of LG Chem, Ltd. and its subsidiaries as of June 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, and interim consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2015 and 2014, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

**Other Matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements in our audit report dated March 5, 2015. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2014, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2014.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

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

Seoul, Korea  
August 12, 2015

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

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

<i>(in millions of Korean won)</i>	Notes	June 30, 2015 (Unaudited)	December 31, 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3, 5, 6	1,197,241	988,016
Trade receivables	3, 5, 7, 32	3,315,860	3,239,283
Other receivables	3, 5, 7, 32	1,042,325	916,796
Prepaid income taxes		1,324	1,421
Other current financial assets	3, 5, 8, 9	-	783
Other current assets	14	225,375	283,373
Inventories	10	2,391,944	2,711,188
Non-current assets held for sale	36	5,961	5,961
Total current assets		8,180,030	8,146,821
<b>Non-current assets</b>			
Other receivables	3, 5, 7	65,004	74,223
Other financial assets	3, 5, 8	3,630	6,153
Investments in associates and joint ventures	1, 11, 34	455,013	489,450
Deferred income tax assets	29	94,116	96,823
Property, plant and equipment	12	9,002,318	8,699,536
Intangible assets	13	467,800	525,020
Other non-current assets	14	78,415	89,620
Total non-current assets		10,166,296	9,980,825
<b>Total assets</b>		18,346,326	18,127,646
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	3, 5, 32	1,229,151	1,337,866
Other payables	3, 5, 32	762,758	901,648
Borrowings	3, 5, 15	2,293,332	2,205,720
Provisions	16	3,946	5,265
Current income tax liabilities	29	211,629	116,107
Other current liabilities	5, 18	312,293	242,443
Total current liabilities		4,813,109	4,809,049
<b>Non-current liabilities</b>			
Other payables	3, 5	17,238	54,645
Borrowings	3, 5, 15	678,971	727,830
Provisions	16	23,215	23,434
Net defined benefit liabilities	17	70,185	86,892
Deferred income tax liabilities	29	116,897	159,944
Other non-current liabilities	18	14,436	-
Total non-current liabilities		920,942	1,052,745
<b>Total liabilities</b>		5,734,051	5,861,794

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

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<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>June 30, 2015 (Unaudited)</b>	<b>December 31, 2014</b>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	1, 20	369,500	369,500
Capital surplus		1,157,772	1,157,772
Other components of equity	22	(15,699)	(15,699)
Accumulated other comprehensive income		(22,542)	(62,233)
Retained earnings	21	10,987,402	10,690,605
		<u>12,476,433</u>	<u>12,139,945</u>
<b>Non-controlling interests</b>		135,842	125,907
<b>Total equity</b>		<u>12,612,275</u>	<u>12,265,852</u>
<b>Total liabilities and equity</b>		<u>18,346,326</u>	<u>18,127,646</u>

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

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

	Notes	2015		2014	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
<b>Revenue</b>	32, 34	5,073,222	9,988,244	5,868,763	11,541,579
<b>Cost of sales</b>	24, 32	<u>(4,047,657)</u>	<u>(8,168,627)</u>	<u>(5,078,851)</u>	<u>(9,989,004)</u>
<b>Gross profit</b>		1,025,565	1,819,617	789,912	1,552,575
Selling, general and administrative expenses	23, 24, 32	<u>(462,124)</u>	<u>(894,374)</u>	<u>(430,278)</u>	<u>(830,846)</u>
<b>Operating profit</b>	34	563,441	925,243	359,634	721,729
Finance income	5, 26	31,350	76,813	26,257	59,550
Finance expenses	5, 26	(38,052)	(94,635)	(45,348)	(92,948)
Share of profit of associates and joint ventures	11	(429)	(1,540)	(1,561)	11,399
Other non-operating income	5, 27	115,794	179,212	123,931	173,107
Other non-operating expenses	5, 28, 36	(179,161)	(268,045)	(172,956)	(228,847)
<b>Profit before income tax</b>	33	492,943	817,048	289,957	643,990
<b>Income tax expense</b>	29	<u>(139,975)</u>	<u>(217,928)</u>	<u>(63,211)</u>	<u>(131,226)</u>
<b>Profit for the period</b>		<u>352,968</u>	<u>599,120</u>	<u>226,746</u>	<u>512,764</u>
Attributable to:					
Owners of the parent		349,445	592,241	227,332	515,436
Non-controlling interests		3,523	6,879	(586)	(2,672)
<b>Earnings per share</b>					
<b>to owners of the parent (in won)</b>	30				
Basic and diluted earnings per ordinary share		4,751	8,051	3,090	7,007
Basic and diluted earnings per preferred share		4,763	8,076	3,103	7,032

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

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

(in millions of Korean won)

	Notes	2015		2014	
		(Unaudited)		(Unaudited)	
		Three months	Six months	Three months	Six months
<b>Profit for the period</b>		352,968	599,120	226,746	512,764
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit or loss:					
Remeasurements of the net defined benefit liability	17	(614)	(1,224)	(1,075)	35
Shares of remeasurement on net defined benefit liability of associates		(23)	4	1	4
Income tax effect relating to components of other comprehensive income		148	296	263	(7)
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences		30,065	40,786	(69,166)	(78,796)
Others		3,081	449	(10,902)	(25,054)
Income tax effect relating to components of other comprehensive income		1,109	1,512	(1)	(523)
<b>Other comprehensive income (loss) for the period, net of tax</b>		33,766	41,823	(80,880)	(104,341)
<b>Total comprehensive income for the period</b>		386,734	640,943	145,866	408,423
<b>Attributable to:</b>					
Owners of the parent		380,957	631,008	152,579	418,462
Non-controlling interests		5,777	9,935	(6,713)	(10,039)

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



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

(in millions of Korean won)

	Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total		
<b>Balance at January 1, 2014</b>		369,500	1,157,772	(15,699)	(87,259)	10,172,632	11,596,946	128,716	11,725,662
<b>Comprehensive income:</b>									
Profit for the period		-	-	-	-	515,436	515,436	(2,672)	512,764
Remeasurements of the net defined benefit liability	17	-	-	-	-	28	28	-	28
Currency translation differences		-	-	-	(71,952)	-	(71,952)	(7,367)	(79,319)
Others		-	-	-	(25,054)	4	(25,050)	-	(25,050)
<b>Total comprehensive income</b>		-	-	-	(97,006)	515,468	418,462	(10,039)	408,423
<b>Transactions with owners:</b>									
Dividends	31	-	-	-	-	(294,520)	(294,520)	(5,309)	(299,829)
Others		-	-	-	-	(109)	(109)	(473)	(582)
<b>Total transactions with owners</b>		-	-	-	-	(294,629)	(294,629)	(5,782)	(300,411)
<b>Balance at June 30, 2014 (Unaudited)</b>		<u>369,500</u>	<u>1,157,772</u>	<u>(15,699)</u>	<u>(184,265)</u>	<u>10,393,471</u>	<u>11,720,779</u>	<u>112,895</u>	<u>11,833,674</u>
<b>Balance at January 1, 2015</b>		369,500	1,157,772	(15,699)	(62,233)	10,690,605	12,139,945	125,907	12,265,852
<b>Comprehensive income:</b>									
Profit for the period		-	-	-	-	592,241	592,241	6,879	599,120
Remeasurements of the net defined benefit liability	17	-	-	-	-	(928)	(928)	-	(928)
Currency translation differences		-	-	-	39,242	-	39,242	3,056	42,298
Others		-	-	-	449	4	453	-	453
<b>Total comprehensive income</b>		-	-	-	39,691	591,317	631,008	9,935	640,943
<b>Transactions with owners:</b>									
Dividends	31	-	-	-	-	(294,520)	(294,520)	-	(294,520)
<b>Total transactions with owners</b>		-	-	-	-	(294,520)	(294,520)	-	(294,520)
<b>Balance at June 30, 2015 (Unaudited)</b>		<u>369,500</u>	<u>1,157,772</u>	<u>(15,699)</u>	<u>(22,542)</u>	<u>10,987,402</u>	<u>12,476,433</u>	<u>135,842</u>	<u>12,612,275</u>

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

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

<i>(in millions of Korean won)</i>	Notes	2015 (Unaudited)	2014 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	1,722,192	1,152,617
Interest received		18,829	20,084
Interest paid		(34,240)	(43,711)
Dividends received		33,500	113
Income taxes paid		(151,407)	(145,276)
<b>Net cash generated from operating activities</b>		<u>1,588,874</u>	<u>983,827</u>
<b>Cash flows from investing activities</b>			
Decrease in other receivables		510,329	352,809
Decrease in non-current other receivables		12,964	84
Proceeds from disposal of available-for-sale financial assets		2,991	-
Proceeds from disposal of property, plant and equipment		2,015	6,030
Proceeds from disposal of intangible assets		2,670	12
Increase in other receivables		(636,289)	(540,980)
Increase in non-current other receivables		(15,755)	(20,847)
Increase in non-current other financial assets		(422)	(51)
Acquisition of investments in associates and joint ventures		(150)	(41,935)
Acquisition of property, plant and equipment		(887,827)	(614,545)
Acquisition of intangible assets		(30,489)	(23,880)
Business combination		-	(136,418)
<b>Net cash used in investing activities</b>		<u>(1,039,963)</u>	<u>(1,019,721)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		248,173	521,190
Repayments of borrowings		(292,358)	(342,532)
Dividends paid		(294,520)	(295,504)
<b>Net cash used in financing activities</b>		<u>(338,705)</u>	<u>(116,846)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		210,206	(152,740)
Cash and cash equivalents at the beginning of period		988,016	1,399,054
Exchange loss on cash and cash equivalents		(981)	(17,567)
<b>Cash and cash equivalents at the end of period</b>		<u>1,197,241</u>	<u>1,228,747</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

### June 30, 2015 and 2014 (Unaudited), and December 31, 2014

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#### 1. General information

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

##### 1.1 The Parent Company

The Parent Company was spun off on April 1, 2001, from LG Chem Investment Ltd. (formerly LG Chemical Ltd.

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

As of June 30, 2015, the Parent Company has its manufacturing facilities in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of June 30, 2015, the Parent Company has issued 66,271,100 ordinary shares (₩331,356 million) and 7,628,921 preferred shares (₩38,144 million). The largest shareholder of the Parent Company is LG Corp., which owns 33.53% of the Parent Company's ordinary shares. Preferred shareholders have no voting rights but are entitled to receive dividends at a rate 1% more than those paid to ordinary shareholders.

##### 1.2 Business overview

The Group is engaged in Basic materials & Chemicals business, IT & Electronic materials, Energy solution and Advanced materials business.

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

The IT & Electronic material business manufactures and supplies various display materials such as polarizer, LCD glass and PCB materials. As the LCD industry enters the maturity stage, its growth slows down, but the Group expects that demand for polarizers will constantly increase as a result of growth of UHD TV and big screen TV markets. In addition, the Group completed the expansion of two polarizing plate lines in Nanjing, China, in order to proactively respond to the demand in China, the world's largest growing panel market in 2014, and will expand the third line in 2016.

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

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

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

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

June 30, 2015				
	Percentage of ownership (%)	Business location	Fiscal year-end	Business activities
<b>Consolidated subsidiaries</b>				
Tianjin LG DAGU Chemical Co., Ltd.	75	China	December 31	PVC manufacturing and sales
Ningbo LG Yongxing Chemical Co., Ltd. <sup>1</sup>	75	China	December 31	ABS/SBL manufacturing and sales
Ningbo Zhenhai LG Yongxing Trading Co., Ltd. <sup>1</sup>	100	China	December 31	ABS sales
LG Chem HK Ltd.	100	Hong Kong	December 31	Sales and trading
LG Chem America, Inc.	100	USA	December 31	Sales and trading
LG Chemical India Pvt. Ltd. <sup>2</sup>	100	India	December 31	Synthetic resin manufacturing and sales
LG Polymers India Pvt. Ltd. <sup>2</sup>	100	India	December 31	PS manufacturing
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100	China	December 31	EP manufacturing and sales
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. <sup>3</sup>	100	China	December 31	Battery/ Polarizer Manufacturing and sales
LG Chem (Taiwan), Ltd.	100	Taiwan	December 31	Polarizer manufacturing and sales
LG Chem Display Materials (Beijing) Co., Ltd.	100	China	December 31	Polarizer manufacturing
Tianjin LG Bohai Chemical Co., Ltd. <sup>4</sup>	75	China	December 31	VCM, EDC manufacturing and sales
Tianjin LG BOTIAN Chemical Co., Ltd. <sup>4</sup>	56	China	December 31	SBS manufacturing and sales
LG Chem (China) Investment Co., Ltd. <sup>5</sup>	100	China	December 31	China holding company
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	100	China	December 31	ABS/EP manufacturing and sales
LG Chem Europe GmbH	100	Germany	December 31	Sales and trading
LG Chem Poland Sp. z o.o.	100	Poland	December 31	Polarizer manufacturing
LG Chem Michigan Inc.	100	USA	December 31	Automotive battery research and manufacturing
LG Chem Power Inc.	100	USA	December 31	Automotive battery research
LGC Petrochemical India Private Ltd.	100	India	December 31	Synthetic resin manufacturing and sales
Haengboknuri	100	Korea	December 31	Facility management and general cleaning
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	100	Turkey	December 31	Sales and trading
LG Chem Japan Co., Ltd.	100	Japan	December 31	Sales and trading
LG NanoH2O, Inc. <sup>6</sup>	100	USA	December 31	Water purification filter research and manufacturing
NanoH2O Singapore Private Ltd. <sup>6</sup>	100	Singapore	December 31	Water purification filter research and manufacturing
NanoH2O (Jiangsu) Water Processing Technology Co. Ltd. <sup>6</sup>	100	China	December 31	Water purification filter research and manufacturing
LG Chem (Nanjing) New Energy Battery Co., Ltd. <sup>7</sup>	50	China	December 31	Automotive battery manufacturing and sales
LG Chem (Chongqing) Engineering Plastics Co., Ltd. <sup>8</sup>	100	China	December 31	EP manufacturing and sales
<b>Associates</b>				
LG Holdings (HK) Ltd.	26	Hong Kong	December 31	Sales and trading
TECWIN Co., Ltd.	21	Korea	December 31	Environment solution and Construction of chemical plant
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. <sup>9</sup>	100	Brazil	December 31	Sales and trading
LG Chem Malaysia SDN.BHD. <sup>10</sup>	100	Malaysia	December 31	Sales and trading
LG Fuel Cell Systems Inc.	20	USA	December 31	Power fuel cell research

**LG Chem, Ltd. and Subsidiaries**  
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**Joint ventures**

LG VINA Chemical Co., Ltd.	40	Vietnam	December 31	DOP production and sales
HL Greenpower Co., Ltd.	49	Korea	December 31	Battery manufacturing for electric automobile
SEETEC Co., Ltd.	50	Korea	December 31	Plant utility and distribution, research assistance service
CNOOC & LG Petrochemicals Co., Ltd.	50	China	December 31	ABS manufacturing and sales
KLPE Limited Liability Partnership	50	Kazakhstan	December 31	PE manufacturing and sales

<sup>1</sup> As of June 30, 2015, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

<sup>2</sup> As of June 30, 2015, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

<sup>3</sup> During the period, the Parent Company acquired additional shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. for ₩ 16,504 million.

<sup>4</sup> As of June 30, 2015, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

<sup>5</sup> During the period, the Parent Company acquired additional shares of LG Chem (China) Investment Co., Ltd. for ₩ 6,417 million.

<sup>6</sup> During the period, the Parent Company acquired additional shares of NanoH2O, Inc. for ₩ 93,899 million. LG NanoH2O, Inc. owns 100% of NanoH2O Singapore Private Ltd. and NanoH2O (Jiangsu) Water Processing Technology Co. Ltd. shares.

<sup>7</sup> Although the Parent Company owns 50% of the voting rights of LG Chem (Nanjing) New Energy Battery Co., Ltd., the Parent Company is considered to have control over the investee as the Parent Company can exercise the majority voting rights in its decision-making process in accordance with the shareholders' agreement.

<sup>8</sup> LG Chem (Chongqing) Engineering Plastics Co., Ltd. was established during the period, and the Parent Company newly acquired 100% shares of LG Chem (Chongqing) Engineering Plastics Co., Ltd. for ₩ 4,537 million.

<sup>9</sup> Classified as an investment in associate due to its small size.

<sup>10</sup> LG Chem Malaysia SDN.BHD. was established during the period and classified as an investment in associate due to its small size. The Parent Company newly acquired 100% shares of LG Chem Malaysia SDN.BHD. for ₩ 150 million.

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

**1.4 Summarized financial information of subsidiaries, associates and joint ventures**

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

(in millions of Korean won)

	June 30, 2015				
	Assets	Liabilities	Equity	Revenue	Profit (loss)
<b>Consolidated subsidiaries</b>					
Tianjin LG DAGU Chemical Co., Ltd.	194,128	151,257	42,871	188,834	(4,697)
Ningbo LG Yongxing Chemical Co., Ltd.	831,835	354,493	477,342	838,643	68,283
Ningbo Zhenhai LG Yongxing Trading Co., Ltd.	5,963	4,054	1,909	5,095	100
LG Chem HK Ltd.	135,287	118,137	17,150	262,709	744
LG Chem America, Inc.	156,769	142,144	14,625	334,424	38
LG Chemical India Pvt. Ltd.	32,717	59	32,658	56	42
LG Polymers India Pvt. Ltd.	88,108	28,698	59,410	105,478	5,752
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	90,596	31,240	59,356	62,754	3,643
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	1,692,875	950,458	742,417	995,963	42,117
LG Chem (Taiwan), Ltd.	154,937	85,270	69,667	135,035	2,423
LG Chem Display Materials (Beijing) Co., Ltd.	42,769	16,616	26,153	43,518	1,424
Tianjin LG Bohai Chemical Co., Ltd.	333,516	209,881	123,635	205,279	(35,102)
Tianjin LG BOTIAN Chemical Co., Ltd.	59,162	79,403	(20,241)	58,576	579
LG Chem (China) Investment Co., Ltd.	143,358	41,913	101,445	20,373	2,557
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	62,317	18,414	43,903	43,413	2,774
LG Chem Europe GmbH	105,162	90,723	14,439	166,050	242
LG Chem Poland Sp. z o.o.	28,041	11,866	16,175	36,383	798
LG Chem Michigan Inc.	225,138	199,547	25,591	27,887	(964)
LG Chem Power Inc.	8,151	6,194	1,957	16,791	1,582
LGC Petrochemical India Private Ltd.	1,352	319	1,033	1,646	184
Haengboknuri	1,735	671	1,064	2,246	139
LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	2,917	2,107	810	19,089	385
LG Chem Japan Co., Ltd.	2,134	358	1,776	2,178	262
LG NanoH2O, Inc.	22,240	6,331	15,909	4,953	(10,452)
LG Chem (Nanjing) New Energy Battery Co., Ltd.	33,642	1,167	32,475	-	(57)
LG Chem (Chongqing) Engineering Plastics Co., Ltd.	4,540	18	4,522	-	(126)
<b>Associates</b>					
LG Holdings (HK) Ltd.	391,142	120,749	270,393	26,092	9,067
TECWIN Co., Ltd.	41,075	9,422	31,653	-	-
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	115	237	(122)	-	-
LG Chem Malaysia SDN.BHD.	156	-	156	59	8
LG Fuel Cell Systems Inc.	24,323	36,228	(11,905)	625	(19,261)
<b>Joint ventures</b>					
LG VINA Chemical Co., Ltd.	21,781	13,539	8,242	32,273	1,360
HL Greenpower Co., Ltd.	91,873	56,039	35,834	56,145	(457)
SEETEC Co., Ltd.	368,366	51,254	317,112	263,120	12,266
CNOOC & LG Petrochemicals Co., Ltd.	286,789	242,082	44,707	118,989	(12,059)
KLPE Limited Liability Partnership	264,510	2,955	261,555	-	250

**LG Chem, Ltd. and Subsidiaries**  
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December 31, 2014

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

# LG Chem, Ltd. and Subsidiaries

## Notes to the Interim Consolidated Financial Statements

### June 30, 2015 and 2014 (Unaudited), and December 31, 2014

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#### 1.5 Changes in Scope for Consolidation

Subsidiary newly included in the consolidation for the six-month period ended June 30, 2015:

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

#### 2. Summary of significant accounting policies

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

##### 2.1 Basis of preparation

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

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

The Group's interim consolidated financial statements for the six-month period ended June 30, 2015, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These interim consolidated financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as of June 30, 2015.

##### *(1) New and amended standards adopted by the Group*

The Group newly applied the following amended and enacted standards and interpretations for the annual period beginning on January 1, 2015, and this application does not have a material impact on the financial statements.

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

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

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

##### 2.2 Accounting Policies

Significant accounting policies and methods adopted in the preparation of the interim financial statements are consistent with the accounting policies and methods adopted for the annual financial statements for the year ended December 31, 2014, except for the changes due to the application of amendment and enactments of standards described in Note 2.1 and described below.



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

## **Notes to the Interim Consolidated Financial Statements**

### **June 30, 2015 and 2014 (Unaudited), and December 31, 2014**

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#### 2.2.1 Inventories

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

#### 2.2.2 Income tax expense

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

### **3. Financial risk management**

#### **3.1 Financial risk factors**

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

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

##### (1) Market risk

###### 1) Foreign exchange risk

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

Management has set up a policy to require consolidated companies to manage their foreign exchange risk against their functional currency. The Group manages maximum loss for currency risk exposures within acceptable range by using currency risk management model and hires employees who are exclusively responsible for currency risk management.

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
USD	1,821,041	2,603,091	1,918,095	2,527,236
EUR	97,926	116,221	66,431	106,051
JPY	20,964	121,243	33,347	110,044
GBP and others	13,848	1,830	3,135	2,225

As of June 30, 2015 and December 31, 2014, if the Group's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been affected as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>10% Increase</b>	<b>10% Decrease</b>	<b>10% Increase</b>	<b>10% Decrease</b>
USD	(78,205)	78,205	(60,914)	60,914

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

2) Interest rate risk

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

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

The impact of 1% (100 basis points) higher/lower of interest rate with all other variables held constant on the Group's post-tax profit for the six-month periods ended June 30, 2015 and 2014, and on equity as of June 30, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>Impact on post-tax profit</b>		<b>Impact on equity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Increase	(18,010)	(16,756)	(18,010)	(16,756)
Decrease	18,010	16,756	18,010	16,756

**LG Chem, Ltd. and Subsidiaries**  
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(2) Credit risk

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

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

(in millions of Korean won)

	<b>June 30, 2015</b>		
	<b>Before impairment</b>	<b>Accumulated impairment loss</b>	<b>After impairment (maximum exposure)</b>
Loans and receivables (excluding cash on hand)	5,623,721	(12,725)	5,610,996
Financial assets at fair value through profit or loss	-	-	-
<b>Total</b>	<b>5,623,721</b>	<b>(12,725)</b>	<b>5,610,996</b>

(in millions of Korean won)

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

In addition, details of financial guarantees provided by the Group are disclosed in Notes 3.1.(3) and 19.

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

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

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

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

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(3) Liquidity risk

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>			
	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Borrowings (excluding finance lease liabilities)	2,317,449	621,855	33,548	-
Finance lease liabilities	5,000	5,000	15,000	22,500
Trade and other payables	1,991,909	17,188	50	-
<b>Total</b>	<b>4,314,358</b>	<b>644,043</b>	<b>48,598</b>	<b>22,500</b>

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>			
	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts <sup>1</sup>	971	-	-	-

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

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

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**3.2 Capital risk management**

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

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

The gearing ratio and debt-to-equity ratio as of June 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Total borrowings (Note 15) (A)	2,972,303	2,933,550
Less: cash and cash equivalents (B)	<u>(1,197,241)</u>	<u>(988,016)</u>
Net debt (C=A+B)	<u>1,775,062</u>	<u>1,945,534</u>
Total liabilities (D)	5,734,051	5,861,794
Total equity (E)	12,612,275	12,265,852
Total capital (F=C+E)	14,387,337	14,211,386
Gearing ratio (C/F)	12.3%	13.7%
Debt-to-equity ratio (D/E)	45.5%	47.8%

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**3.3 Fair value estimation**

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

(in millions of Korean won)

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets (current)</b>				
Cash and cash equivalents	1,197,241	1	988,016	1
Financial deposits	914,927	1	780,489	1
Trade receivables	3,315,860	1	3,239,283	1
Other receivables (excluding financial deposits)	127,398	1	136,307	1
Derivative financial instruments	-	-	783	783
<b>Financial assets (non-current)</b>				
Financial deposits	20,191	1	27,236	1
Other non-current receivables (excluding financial deposits)	44,813	1	46,987	1
Other non-current financial assets	3,630	2	6,153	2
<b>Financial liabilities (current)</b>				
Trade and other payables	1,991,909	1	2,239,514	1
Current borrowings (excluding finance lease liabilities)	2,289,577	1	2,205,720	1
Current finance lease liabilities	3,755	1	-	-
Other current liabilities (dividends payable)	1,377	1	1,402	1
<b>Financial liabilities (non-current)</b>				
Non-current borrowings (excluding finance lease liabilities)	641,892	653,550	727,830	740,170
Non-current finance lease liabilities	37,079	37,038	-	-
Other non-current payables	17,238	1	54,645	52,955

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

<sup>2</sup> All other non-current financial assets of the Group consist of available-for-sale equity securities and are measured at cost (June 30, 2015: ₩ 3,630 million; December 31, 2014: ₩ 6,153 million) as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These are not included in the disclosure above (Note 8). The Group does not have any plans to dispose of these available-for-sale equity securities in the near future.

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

1) Derivative financial instruments

The Parent Company determines derivative financial instruments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of derivative financial instruments is determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.

2) Financial liabilities (non-current)

Fair values of financial liabilities(non-current) are based on cash outflows discounted using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and the applied discount rates as of June 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Discount rate	1.69%~2.88%	2.26%~2.68%

(3) Fair value hierarchy

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

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

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of June 30, 2015 and December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets/liabilities that are measured at fair value</b>				
Non-current borrowings				
(excluding finance lease liabilities)	-	653,550	-	653,550
Non-current finance lease liabilities	-	37,038	-	37,038
<i>(in millions of Korean won)</i>	<b>December 31, 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets/liabilities that are measured at fair value</b>				
Derivative financial assets	-	783	-	783
Non-current borrowings (excluding finance lease liabilities)	-	740,170	-	740,170
Other non-current payables	-	52,955	-	52,955

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**4. Critical accounting estimates and assumptions**

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

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

**5. Financial instruments by category**

Categorizations of financial instruments are as follows:

*(in millions of Korean won)*

	<b>June 30, 2015</b>			<b>Total</b>
	<b>Loans and receivables</b>	<b>Assets at fair value through profit or loss</b>	<b>Assets classified as available-for-sale</b>	
<b>Financial assets</b>				
Cash and cash equivalents	1,197,241	-	-	1,197,241
Trade receivables	3,315,860	-	-	3,315,860
Other receivables	1,042,325	-	-	1,042,325
Other non-current receivables	65,004	-	-	65,004
Other non-current financial assets	-	-	3,630	3,630
<b>Total</b>	<b>5,620,430</b>	<b>-</b>	<b>3,630</b>	<b>5,624,060</b>

*(in millions of Korean won)*

	<b>June 30, 2015</b>			<b>Total</b>
	<b>Financial liabilities at fair value through profit or loss</b>	<b>Liabilities at amortized cost</b>	<b>Other liabilities<sup>1</sup></b>	
<b>Financial liabilities</b>				
Trade payables	-	1,229,151	-	1,229,151
Other payables	-	762,758	-	762,758
Borrowings (current)	-	1,205,507	1,087,825	2,293,332
Other current liabilities (dividends payable)	-	1,377	-	1,377
Other non-current payables	-	17,238	-	17,238
Borrowings (non-current)	-	641,892	37,079	678,971
<b>Total</b>	<b>-</b>	<b>3,857,923</b>	<b>1,124,904</b>	<b>4,982,827</b>



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

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

(in millions of Korean won)

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

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

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

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Six months	Three months	Six months
<b>Assets at fair value through profit or loss</b>				
Gain on valuation/ disposal (profit or loss)	(562)	720	1,378	2,395
<b>Derivatives for hedge</b>				
Gain on valuation (other comprehensive income (loss))	-	-	-	-
Interest expense	-	-	-	-
<b>Available-for-sale financial assets</b>				
Gain on disposal	32	32	-	-
Dividend income	-	-	-	-
<b>Loans and receivables</b>				
Interest income	9,479	19,651	10,227	22,281
Gain (loss) on foreign currency translation	42,843	35,860	(36,535)	(35,044)
Loss on foreign exchange	(10,332)	(9,700)	(87,280)	(62,278)
<b>Liabilities at amortized cost</b>				
Interest expense	(13,949)	(28,996)	(20,212)	(39,762)
Gain (loss) on foreign currency translation	(10,650)	(14,171)	21,283	9,772
Gain (loss) on foreign exchange	2,816	(6,768)	18,906	8,107
<b>Other liabilities</b>				
Interest expense	(2,339)	(4,811)	(2,644)	(5,147)
Gain (loss) on foreign currency translation	(24,853)	(23,675)	14,485	15,006
Gain on foreign exchange	6,412	10,169	48,618	35,816

**6. Cash and cash equivalents**

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	June 30, 2015	December 31, 2014
Bank deposits and cash on hand	319,233	290,451
Financial deposits, others	878,008	697,565
<b>Total</b>	<b>1,197,241</b>	<b>988,016</b>

As of June 30, 2015, cash and cash equivalents include deposits with banks of ₩ 3,533 million (December 31, 2014: ₩ 984 million) held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

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**7. Trade and other receivables**

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

*(in millions of Korean won)*

	<b>June 30, 2015</b>		
	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>
Trade receivables <sup>1</sup>	3,328,585	(12,725)	3,315,860
Other current receivables	1,042,325	-	1,042,325
Other non-current receivables <sup>2</sup>	65,004	-	65,004
<b>Total</b>	<b>4,435,914</b>	<b>(12,725)</b>	<b>4,423,189</b>

*(in millions of Korean won)*

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

<sup>1</sup> As of June 30, 2015, trade receivables transferred to financial institutions but not fully derecognized are as follows (Note 15):

	<b>Loans and receivables (trade receivables collateralized borrowings)</b>	
	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Carrying amount of transferred assets	1,084,070	984,721
Carrying amount of related liabilities	(1,084,070)	(984,721)

<sup>2</sup> As of June 30, 2015, ₩ 1,315 million in other non-current receivables represents deposits which are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2014: ₩ 671 million).

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Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>		
Non-trade receivables	98,770	111,874
Financial deposits <sup>1</sup>	914,927	780,489
Accrued income	5,439	5,058
Deposits	23,189	19,375
	<u>1,042,325</u>	<u>916,796</u>
<b>Non-current</b>		
Non-trade receivables	15	15
Financial deposits <sup>2</sup>	20,191	27,236
Loans	224	305
Deposits	44,574	46,667
	<u>65,004</u>	<u>74,223</u>
<b>Total</b>	<u>1,107,329</u>	<u>991,019</u>

<sup>1</sup> As of June 30, 2015, certificate of deposits included within financial deposits amounting to ₩ 31,000 million have been pledged as collaterals to SH Corporation in relation to the acquisition of LG Science Park land.

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Trade receivables</b>	<b>Other receivables</b>
<b>Receivables not past due</b>	<u>3,164,124</u>	<u>1,074,530</u>	<u>3,115,050</u>	<u>972,297</u>
<b>Past due but not impaired</b>				
Up to 3 months	146,202	25,351	125,642	14,874
3 to 6 months	2,994	1,228	5,202	745
Over 6 months	1,004	6,220	1,136	3,103
	<u>150,200</u>	<u>32,799</u>	<u>131,980</u>	<u>18,722</u>
<b>Impaired receivables</b>	14,261	-	8,834	-
	<u>3,328,585</u>	<u>1,107,329</u>	<u>3,255,864</u>	<u>991,019</u>

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

(in millions of Korean won)

	June 30, 2015			
	Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current
<b>Beginning balance</b>	16,581	-	-	-
Additions	-	-	-	-
Write-off	(445)	-	-	-
Reversals	(3,092)	-	-	-
Exchange differences	(319)	-	-	-
<b>Ending balance</b>	<u>12,725</u>	<u>-</u>	<u>-</u>	<u>-</u>

(in millions of Korean won)

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

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

**8. Other Financial Assets**

Details of other financial assets are as follows:

(in millions of Korean won)

	June 30, 2015	December 31, 2014
<b>Other financial assets</b>		
Derivatives (Note 9)	-	783
Available-for-sale financial assets	3,630	6,153
Less: current portion	-	(783)
	<u>3,630</u>	<u>6,153</u>

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Beginning balance</b>	6,153	5,952
Acquisition	426	197
Disposal	(2,959)	-
Exchange differences	10	4
<b>Ending balance</b>	<u>3,630</u>	<u>6,153</u>

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

No impairment losses were recognized for financial assets classified as available-for-sale for the six-month period ended June 30, 2015 and for the year ended December 31, 2014.

**9. Derivative financial instruments**

Details of derivative financial assets and liabilities are as follows:

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

The Group has no derivative contracts as of June 30, 2015.

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**10. Inventories**

Details of inventories are as follows:

*(in millions of Korean won)*

	<b>June 30, 2015</b>		
	<b>Original amount</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Merchandise	78,539	(1,570)	76,969
Finished products	918,989	(30,855)	888,134
Semi-finished products	410,003	-	410,003
Work-in-process	419	-	419
Raw materials	697,122	(4,553)	692,569
Supplies	99,419	-	99,419
Materials-in-transit	224,431	-	224,431
<b>Total</b>	<b>2,428,922</b>	<b>(36,978)</b>	<b>2,391,944</b>

*(in millions of Korean won)*

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

During the period, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 6,134,100 million (2014: ₩ 8,108,064 million).

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

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

	June 30, 2015						
	Beginning balance	Acquisitions /transfer	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (expense) of associates	Others	Ending balance
<i>(in millions of Korean won)</i>							
LG VINA Chemical Co., Ltd.	3,682	-	-	552	(929)	-	3,305
HL Greenpower Co., Ltd.	17,815	-	-	(260)	-	4	17,559
LG Holdings (HK) Ltd.	68,121	-	-	2,357	1,656	-	72,134
TECWIN Co., Ltd.	6,155	-	-	384	(3)	-	6,536
SEETEC Co., Ltd.	177,767	-	(33,500)	6,996	-	-	151,263
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	579
LG Chem Malaysia SDN.BHD	-	150	-	-	-	-	150
CNOOC & LG Petrochemicals Co., Ltd.	27,864	-	-	(6,029)	519	-	22,354
KLPE Limited Liability Partnership	175,414	-	-	(1,030)	(738)	-	173,646
LG Fuel Cell Systems Inc.	12,053	-	-	(4,510)	(56)	-	7,487
	<u>489,450</u>	<u>150</u>	<u>(33,500)</u>	<u>(1,540)</u>	<u>449</u>	<u>4</u>	<u>455,013</u>
<i>(in millions of Korean won)</i>							
	2014						
	Beginning balance	Acquisitions /transfer	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (expense) of associates	Others	Ending balance
LG Vina chemical Co., Ltd.	3,473	-	(974)	1,022	161	-	3,682
HL Greenpower Co., Ltd.	16,746	-	-	1,109	-	(40)	17,815
LG Holdings (HK) Ltd.	63,445	-	-	3,414	1,262	-	68,121
TECWIN Co., Ltd.	5,955	-	(20)	220	-	-	6,155
SEETEC Co., Ltd.	164,735	-	(17,500)	30,505	-	27	177,767
LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	579
CNOOC & LG Petrochemicals Co., Ltd.	38,745	-	-	(11,104)	223	-	27,864
KLPE Limited Liability Partnership	139,774	33,533	-	4,953	(2,846)	-	175,414
LG Fuel Cell Systems Inc.	14,415	8,402	-	(10,552)	(212)	-	12,053
<b>Total</b>	<u>447,867</u>	<u>41,935</u>	<u>(18,494)</u>	<u>19,567</u>	<u>(1,412)</u>	<u>(13)</u>	<u>489,450</u>



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**12. Property, plant and equipment**

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

<i>(in millions of Korean won)</i>											
<b>June 30, 2015</b>											
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>	<b>Vehicles</b>	<b>Tools</b>	<b>Equipment</b>	<b>Others</b>	<b>Construction -in-progress</b>	<b>Machinery -in-transit</b>	<b>Total</b>
<b>Beginning balance</b>	910,503	1,965,575	573,870	4,079,635	8,788	308,911	89,214	85,194	593,115	84,731	8,699,536
Cost	911,867	2,436,140	978,989	10,880,815	36,885	737,092	269,026	251,722	643,843	84,731	17,231,110
Accumulated depreciation	-	(446,856)	(393,474)	(6,707,065)	(27,958)	(419,906)	(178,020)	(166,528)	-	-	(8,339,807)
Accumulated impairment	(1,364)	(23,709)	(11,645)	(94,115)	(139)	(8,275)	(1,792)	-	(50,728)	-	(191,767)
Acquisitions/ Transfer	49	62,237	39,352	380,188	3,023	96,481	12,239	92,829	821,243	57,716	1,565,357
Disposals/ Transfer	(1)	(1,190)	(565)	(37,806)	(126)	(2,745)	(263)	-	(630,234)	(50,135)	(723,065)
Exchange differences	21	8,267	1,496	14,308	5	2,379	412	-	4,666	-	31,554
Depreciation	-	(29,560)	(20,941)	(439,628)	(1,735)	(57,147)	(14,566)	(32,289)	-	-	(595,866)
Reversal of impairment	-	7,804	2	5,820	9	378	244	-	10,545	-	24,802
<b>Ending balance</b>	<b>910,572</b>	<b>2,013,133</b>	<b>593,214</b>	<b>4,002,517</b>	<b>9,964</b>	<b>348,257</b>	<b>87,280</b>	<b>145,734</b>	<b>799,335</b>	<b>92,312</b>	<b>9,002,318</b>
Cost	911,936	2,508,020	1,020,252	11,208,335	38,966	827,790	277,732	275,209	839,750	92,312	18,000,302
Accumulated depreciation	-	(478,622)	(415,183)	(7,116,762)	(28,872)	(471,584)	(188,892)	(129,475)	-	-	(8,829,390)
Accumulated impairment	(1,364)	(16,265)	(11,855)	(89,056)	(130)	(7,949)	(1,560)	-	(40,415)	-	(168,594)
<i>(in millions of Korean won)</i>											
<b>December 31, 2014</b>											
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>	<b>Vehicles</b>	<b>Tools</b>	<b>Equipment</b>	<b>Others</b>	<b>Construction -in-progress</b>	<b>Machinery -in-transit</b>	<b>Total</b>
<b>Beginning balance</b>	812,828	1,882,957	572,338	3,996,941	9,438	276,456	91,761	73,082	689,264	154,544	8,559,609
Cost	813,367	2,279,332	935,506	10,040,565	36,701	646,873	253,098	210,204	743,592	154,544	16,113,782
Accumulated depreciation	-	(386,539)	(361,532)	(6,005,703)	(27,161)	(363,365)	(160,238)	(137,122)	-	-	(7,441,660)
Accumulated impairment	(539)	(9,836)	(1,636)	(37,921)	(102)	(7,052)	(1,099)	-	(54,328)	-	(112,513)
Business combination (Note 35)	1,105	2,353	-	2,689	-	1,077	403	-	4,003	-	11,630
Acquisitions/ Transfer	97,246	149,538	49,461	972,941	2,591	126,141	26,620	80,760	1,210,236	110,049	2,825,583
Disposals/ Transfer	(490)	(4,627)	(232)	(18,997)	(34)	(9,773)	(1,496)	-	(1,296,143)	(179,862)	(1,511,654)
Exchange differences	(105)	4,283	192	8,500	7	939	252	-	6,569	-	20,637
Depreciation	-	(57,558)	(38,434)	(837,863)	(3,092)	(84,438)	(27,821)	(68,648)	-	-	(1,117,854)
Impairment	(81)	(11,371)	(9,455)	(39,059)	(79)	(1,180)	(477)	-	(20,814)	-	(82,516)
Transfer to non-current assets held for sale (Note 36)	-	-	-	(5,517)	(43)	(311)	(28)	-	-	-	(5,899)
<b>Ending balance</b>	<b>910,503</b>	<b>1,965,575</b>	<b>573,870</b>	<b>4,079,635</b>	<b>8,788</b>	<b>308,911</b>	<b>89,214</b>	<b>85,194</b>	<b>593,115</b>	<b>84,731</b>	<b>8,699,536</b>
Cost	911,867	2,436,140	978,989	10,880,815	36,885	737,092	269,026	251,722	643,843	84,731	17,231,110
Accumulated depreciation	-	(446,856)	(393,474)	(6,707,065)	(27,958)	(419,906)	(178,020)	(166,528)	-	-	(8,339,807)
Accumulated impairment	(1,364)	(23,709)	(11,645)	(94,115)	(139)	(8,275)	(1,792)	-	(50,728)	-	(191,767)

During the six-month period ended June 30, 2015, the Group capitalized ₩ 2,300 million of borrowing costs (2014: ₩ 3,273 million) to property, plant and equipment.

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

<i>(in millions of Korean won)</i>		<b>2014</b>				
	<b>Carrying amount</b>	<b>Collateral value</b>	<b>Related account</b>	<b>Related amount</b>	<b>Mortgagee</b>	
Land	3,294	3,844	Borrowings	1,498	Kookmin Bank	
Building	9,264	4,943	(Note 15)			

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

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Six months	Three months	Six months
Cost of sales	278,889	559,207	256,665	511,392
Selling, general and administrative expenses	18,224	36,413	16,976	33,279
Others	125	246	40	82
<b>Total</b>	<b>297,238</b>	<b>595,866</b>	<b>273,681</b>	<b>544,753</b>

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

<i>(in millions of Korean won)</i>	June 30, 2015	December 31, 2014
Cost- capitalized finance leases	42,669	-
Accumulated depreciation	(2,134)	-
Net book value	<u>40,535</u>	<u>-</u>

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

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

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

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

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

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

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The amount of impairment loss (reversal) recognized as other non-operating expenses (income) and key assumptions used for calculation of value in use for the six-month period ended June 30, 2015 and for the year ended December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2015	December 31, 2014	
	US battery division for vehicles	Chinese PVC division	Separator division
<b>Impaired (reversed) amount</b>			
Property, plant and equipment	(24,802)	52,496	23,053
Intangible assets	(99)	192	415
<b>Key assumptions</b>			
Pre-tax discount rate	13.8%	12.0%	14.4%
Growth rate for subsequent years after five years	0%	0%	0%

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

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

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**13. Intangible assets**

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

(in millions of Korean won)

	<b>June 30, 2015</b>					
	<b>Software development costs</b>	<b>Industrial property rights</b>	<b>Goodwill</b>	<b>Memberships</b>	<b>Others</b>	<b>Total</b>
<b>Beginning balance</b>	56,011	173,600	211,521	50,224	33,664	525,020
Acquisitions/ Transfer	15,934	19,639	-	2,405	3,750	41,728
Disposals/ Transfer	(6,556)	(1)	-	(2,669)	(1)	(9,227)
Exchange differences	68	1,426	2,940	21	134	4,589
Amortization	(8,133)	(6,196)	-	-	(4,715)	(19,044)
Impairment	-	-	(75,365)	-	-	(75,365)
Reversal of impairment	97	-	-	-	2	99
<b>Ending balance</b>	<b>57,421</b>	<b>188,468</b>	<b>139,096</b>	<b>49,981</b>	<b>32,834</b>	<b>467,800</b>

(in millions of Korean won)

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

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

(in millions of Korean won)

	<b>2015</b>		<b>2014</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Cost of sales	2,619	5,304	1,728	3,738
Selling, general and administrative expenses	7,147	13,740	5,684	10,655
<b>Total</b>	<b>9,766</b>	<b>19,044</b>	<b>7,412</b>	<b>14,393</b>

Research and development costs recognized as expenses for the six-month period ended June 30, 2015, amount to ₩ 276,014 million (2014: ₩ 247,633 million).

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

*(in millions of Korean won)*

CGUs	Carrying amount
<b>Goodwill arising on the acquisition of LG Petrochemical Co., Ltd.</b>	
NCC	2,468
ABS	927
PO	900
PVC	755
Acrylic	682
Plasticizer	587
BPA	518
Others	1,356
	<u>8,193</u>
<b>Goodwill arising on the acquisition of SAP business</b>	
Acrylic	<u>25,222</u>
<b>Goodwill arising on the acquisition of LG NanoH2O, Inc.</b>	
Water purification	<u>105,681</u>
<b>Total</b>	<u><u>139,096</u></u>

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

During 2015 and 2014, the amount of impairment loss recognized as other non-operating expenses and key assumptions used for calculation of value in use are as follows:

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

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>		
Prepayments to suppliers	72,915	55,327
Prepaid expenses	24,419	19,096
Prepaid value added tax	82,960	102,222
Others	45,081	106,728
<b>Total</b>	<u>225,375</u>	<u>283,373</u>
<b>Non-current</b>		
Long-term prepaid expenses	30,337	30,982
Others	48,078	58,638
<b>Total</b>	<u>78,415</u>	<u>89,620</u>

**15. Borrowings**

The carrying amount of borrowings is as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>		
Short-term borrowings	1,905,078	1,749,702
Current maturities of bank loans	384,499	356,054
Current maturities of debentures	-	99,964
Finance lease liabilities	3,755	-
	<u>2,293,332</u>	<u>2,205,720</u>
<b>Non-current</b>		
Bank loans	342,343	428,412
Debentures	299,549	299,418
Finance lease liabilities	37,079	-
	<u>678,971</u>	<u>727,830</u>
<b>Total</b>	<u>2,972,303</u>	<u>2,933,550</u>

Details of current borrowings are as follows:

<i>(in millions of Korean won)</i>	<b>Bank</b>	<b>Latest maturity date</b>	<b>Annual interest rate (%) at June 30, 2015</b>	<b>Carrying Amount</b>	
				<b>June 30, 2015</b>	<b>December 31, 2014</b>
Notes discounted <sup>1</sup>	Woori Bank, others	2015.12.27	Libor + 0.73, various	1,084,070	984,721
Bank loans	Hangseng Bank, others	2016.04.08	Libor+0.60~2.2, various	821,008	764,981
<b>Total</b>				<u>1,905,078</u>	<u>1,749,702</u>

<sup>1</sup> As of June 30, 2015, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Note 7).

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Details of non-current borrowings are as follows:

<i>(in millions of Korean won)</i>	June 30, 2015					
	Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
<b>Won currency borrowings</b>	Korea Development Bank	3.53	2015.07.19	200,000	200,000	-
<b>Foreign currency borrowings</b>	Sumitomo Mitsui Banking Corporation	3Libor + 0.60	2017.04.03	22,482	-	22,482
	Standard Chartered Bank	3Libor + 2.20	2015.12.14	13,285	13,285	-
	Standard Chartered Bank	3Libor + 2.20	2016.09.25	17,713	4,428	13,285
	Bank of America	2.00	2015.08.03	22,142	22,142	-
	Bank of America	6Libor + 1.60	2017.10.24	33,213	-	33,213
	BTMU	3Libor + 1.54	2015.07.20	56,205	56,205	-
	CITI	6Libor + 2.00	2017.03.10	19,930	2,215	17,715
	HSBC	3COF	2016.04.08	7,876	7,876	-
	HSBC	3Libor + 2.10	2016.08.04	33,214	-	33,214
	HSBC	3Libor + 1.45	2016.09.19	44,284	-	44,284
	HSBC	3Libor + 1.45	2016.11.11	44,284	-	44,284
	HSBC	3Libor + 2.10	2016.01.22	22,143	22,143	-
	JP Morgan	3Libor + 1.75	2016.07.15	22,136	-	22,136
	Mizuho Banking Corporation	3Libor + 0.75	2017.05.27	67,446	-	67,446
	Mizuho Banking Corporation	3Libor + 1.02	2017.04.16	44,284	-	44,284
	Nova Scotia Bank	3Libor + 1.54	2015.07.20	56,205	56,205	-
<b>Total</b>				<b>726,842</b>	<b>384,499</b>	<b>342,343</b>

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

Details of debentures are as follows:

<i>(in millions of Korean won)</i>		June 30, 2015				
		Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current
Won currency debentures	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	4.11	2017.03.29	200,000	-	200,000
Less: discount on debentures				(451)	-	(451)
<b>Total</b>				<b>299,549</b>	<b>-</b>	<b>299,549</b>



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(in millions of Korean won)

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

Details of finance lease liabilities are as follows:

(in millions of Korean won)

		June 30, 2015			
Leaser	Annual interest rate (%)	Latest maturity date	Total amount	Current maturities	Long-term debts
Hyundai Oil Bank	3.12	2024.12.31	40,834	3,755	37,079

The present value of finance lease liabilities is as follows:

(in millions of Korean won)

	June 30, 2015			December 31, 2014		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	5,000	1,245	3,755	-	-	-
1 to 5 years	20,000	1,371	18,629	-	-	-
Over 5 years	22,500	4,050	18,450	-	-	-

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**16. Provisions**

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

*(in millions of Korean won)*

	<b>June 30, 2015</b>		
	<b>Sales returns <sup>1</sup></b>	<b>Warranty <sup>2</sup></b>	<b>Total</b>
<b>Beginning balance</b>	3,917	24,782	28,699
Additions	15,491	394	15,885
Used	(15,788)	(1,635)	(17,423)
<b>Ending balance</b>	3,620	23,541	27,161
Less : current portion	(3,620)	(326)	(3,946)
<b>Total</b>	-	23,215	23,215

*(in millions of Korean won)*

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

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

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

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**17. Net defined benefit liability**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Present value of retirement benefit obligations <sup>1</sup>	649,438	605,712
Fair value of plan assets	<u>(579,253)</u>	<u>(518,820)</u>
<b>Liability in the statement of financial position</b>	<b><u>70,185</u></b>	<b><u>86,892</u></b>

<sup>1</sup> The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩ 824 million as of June 30, 2015 (December 31, 2014: ₩ 847 million).

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

<i>(in millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Current service cost <sup>1</sup>	25,323	50,725	20,325	40,698
Interest cost	<u>670</u>	<u>1,341</u>	<u>507</u>	<u>1,015</u>
<b>Total, included in employee benefit expenses</b>	<b><u>25,993</u></b>	<b><u>52,066</u></b>	<b><u>20,832</u></b>	<b><u>41,713</u></b>

<sup>1</sup> The above amounts excluded ₩ 315 million (2014: ₩ 339 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the six-month period ended June 30, 2015, amounted to ₩ 143 million (2014: ₩ 66 million).

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

<i>(in millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Cost of sales	18,153	35,522	14,922	29,770
Selling, general and administrative expenses	<u>7,904</u>	<u>16,687</u>	<u>5,951</u>	<u>12,009</u>
<b>Total</b>	<b><u>26,057</u></b>	<b><u>52,209</u></b>	<b><u>20,873</u></b>	<b><u>41,779</u></b>

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Beginning balance</b>	605,712	438,122
Transfer in	429	1,918
Transfer out	(1,821)	(1,468)
Current service cost	51,040	88,323
Past service cost	-	24,410
Interest expense	9,352	18,075
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	-	1,160
Actuarial gains and losses arising from changes in financial assumptions	-	59,097
Actuarial gains and losses arising from experience adjustments	-	11,485
Others	-	267
Exchange differences	370	(351)
Payments from plans	(15,644)	(35,326)
<b>Ending balance</b>	<u>649,438</u>	<u>605,712</u>

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Beginning balance</b>	518,820	386,211
Transfer in	-	352
Transfer out	-	(638)
Interest income	8,011	14,390
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(1,224)	(946)
Contributions:		
Employers	60,000	145,238
Payments from plans	(6,354)	(25,044)
Administrative costs	-	(743)
<b>Ending balance</b>	<u>579,253</u>	<u>518,820</u>

The actual return on plan assets for the six-month period ended June 30, 2015, was ₩ 6,787 million (for the year ended December 31, 2014: ₩ 13,444 million).

The principal actuarial assumptions used are as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Discount rate	3.1%	3.1%
Future salary increase	5.1%	5.1%

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

<i>(in millions of Korean won)</i>	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Discount rate:		
Increase (decrease) in defined benefit obligations	(67,627)	80,933
Future salary increase:		
Increase (decrease) in defined benefit obligations	78,577	(67,133)

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>	<b>June 30, 2015</b>				<b>December 31, 2014</b>			
	<b>Quoted price</b>	<b>Unquoted price</b>	<b>Total</b>	<b>Compo- sition</b>	<b>Quoted price</b>	<b>Unquoted price</b>	<b>Total</b>	<b>Compo- sition</b>
Insurance contracts with guaranteed yield	579,253	-	579,253	100%	518,820	-	518,820	100%

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Current</b>		
Advances from customers	16,346	19,164
Dividends payable	1,377	1,042
Withholding	44,164	28,476
Unearned revenues	40,565	13,793
Non-trade payables	59,283	122,253
Accrued expenses	150,558	57,219
Others	-	496
<b>Total</b>	<u>312,293</u>	<u>242,443</u>
<b>Non-current</b>		
Long-term accrued expenses	<u>14,436</u>	<u>-</u>

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**19. Commitments and contingencies**

- (1) The Parent Company and the newly established company, LG Hausys Ltd., are jointly liable for the obligations outstanding as of April 1, 2009, the spin-off date.
- (2) As of June 30, 2015, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.
- (3) As of June 30, 2015, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.
- (4) As of June 30, 2015, the Parent Company and certain overseas subsidiaries have various specific line of credit agreements with several financial institutions, as follows:

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

Classification	The Parent Company		Certain Overseas Subsidiaries				
	KRW	USD	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	64,000	50	180	300	20	-	32
Limit of the letter of credit	64,000	372	117	-	-	-	-
Limit of discount of notes from export	-	1,315	-	-	-	-	-
Limit of guaranteed payments in other foreign currency	-	109	-	-	-	-	-
Limit of loan arrangements	-	-	1,404	330	13	3,269	-

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

- (5) As of June 30, 2015, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩ 290,000 million.
- (6) As of June 30, 2015, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in five and 27 legal actions, respectively, involving ₩ 3,422 million and ₩ 4,530 million in claims, respectively, and as a defendant in six legal actions with ₩3,918 million and one case with ₩ 96 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.
- (7) As of June 30, 2015, the consumers in U.S. and Canada have filed a class actions against the Parent Company and certain overseas subsidiaries in relation to price fixing of small secondary batteries. However, the ultimate outcome of these cases cannot be determined at the reporting date.
- (8) As of June 30, 2015, the Parent Company has technology license agreements with STYRON EUROPE GmbH and other companies for the production of Polycarbonate products. Further, the Parent Company has entered into manufacture and production technical contracts with Exxon Mobile and others.
- (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.

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(10) As of June 30, 2015, the Parent Company has two long-term purchase contracts for certain raw materials for which the suppliers have made US\$ 152 million and US\$ 96 million separate in credit guarantee contracts with financial institutions. Further, as of June 30, 2015, the Parent Company has contracts of US\$ 2.1 million and EUR 420,000 in guarantees with financial institutions in regard to warranty for certain products, and the Parent Company has a contract of US\$ 89 million in guarantees with financial institutions for the advances received from customers.

(11) As of June 30, 2015, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries. The outstanding balance of such guarantees as of June 30, 2015, amounts to US\$ 150 million and EUR 3 million (total equivalent to ₩ 172,397 million) (December 31, 2014: US\$ 175 million and EUR 3 million, total equivalent to ₩196,370 million). Details of guarantees provided as of June 30, 2015 and December 31, 2014, are as follows:

(in millions of Korean won)

Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	June 30, 2015	
				Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem Europe GmbH	2015.01.02 ~ 2016.01.02	Shinhan Bank	3,782	-
	LG Chem Michigan, Inc.	2014.05.27 ~ 2017.05.27	Mizuho Bank	67,446	67,446
	"	2014.03.31 ~ 2017.03.31	SMBC	22,482	22,482
	"	2014.03.31 ~ 2016.03.31	SMBC	22,482	11,803
	"	2014.08.18 ~ 2015.08.18	Wells Fargo	22,482	22,482
	LG NanoH2O, Inc.	2014.10.01 ~ 2015.09.30	Citibank	33,723	2,248
	<b>Total</b>			<b>172,397</b>	<b>126,461</b>

(in millions of Korean won)

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

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

Further, as of June 30, 2015, the Group provided no financial guarantee to its associates in relation to their borrowings.

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

(in millions of Korean won)

	June 30, 2015	December 31, 2014
Property, plant and equipment	303,873	478,304

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**20. Equity**

Changes in share capital and share premium are as follows:

*(in millions of Korean won and in shares)*

	Ordinary shares		Preferred shares		Share premium
	Number of shares	Amount	Number of shares	Amount	
January 1, 2014	66,271,100	331,356	7,628,921	38,144	897,424
December 31, 2014	66,271,100	331,356	7,628,921	38,144	897,424
June 30, 2015	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, 2014	359,792	5,519	15,484	13,855
Purchase of treasury shares	3	-	-	-
December 31, 2014	359,795	5,519	15,484	13,855
June 30, 2015	359,795	5,519	15,484	13,855

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

**21. Retained earnings**

Details of retained earnings are as follows:

<i>(in millions of Korean won)</i>	June 30, 2015	December 31, 2014
Legal reserve <sup>1</sup>	286,895	286,864
Discretionary reserve <sup>2</sup>	9,551,785	9,077,851
Retained earnings before appropriation	1,148,722	1,325,890
<b>Total</b>	<b>10,987,402</b>	<b>10,690,605</b>

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

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



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**22. Other components of equity**

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Treasury shares (Note 20)	(15,484)	(15,484)
Capital transactions within the Group <sup>1</sup>	(215)	(215)
<b>Total</b>	<u>(15,699)</u>	<u>(15,699)</u>

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

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

Selling, general and administrative expenses for the three-month and six-month periods ended June 30, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Wages and salaries	118,476	230,473	104,321	198,157
Pension costs (Note 17)	7,904	16,687	5,951	12,009
Welfare expense	28,030	50,801	22,498	42,325
Travel expense	9,662	17,945	9,347	17,742
Water & utilities	5,811	13,190	5,751	12,516
Packaging expense	1,685	3,302	1,427	2,821
Rental expense	23,457	45,520	25,325	48,458
Commission expense	61,416	114,851	58,342	111,580
Depreciation (Note 12)	18,224	36,413	16,976	33,279
Advertising expense	3,730	7,803	4,755	8,652
Freight expense	109,232	223,325	107,841	211,935
Training expense	3,325	5,486	2,832	5,236
Amortization (Note 13)	7,147	13,740	5,684	10,655
Sample expense	4,773	9,049	3,060	5,987
Development costs	20,057	36,756	19,541	37,195
Others	39,195	69,033	36,627	72,299
<b>Total</b>	<u>462,124</u>	<u>894,374</u>	<u>430,278</u>	<u>830,846</u>

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**24. Expenses by nature**

Expenses that are recorded by function as cost of sales, and selling, general and administrative expenses in the statements of income for the three-month and six-month periods ended June 30, 2015 and 2014, consist of:

*(in millions of Korean won)*

	2015		2014	
	Three months	Six months	Three months	Six months
Changes in inventories	(11,625)	255,230	148,618	22,524
Raw materials and consumables used	2,708,974	5,274,882	3,667,388	7,523,111
Purchase of merchandise	316,412	603,988	316,001	562,429
Employee benefit expense (Note 25)	366,970	803,620	330,998	688,047
Advertising expense	4,084	8,365	5,038	9,195
Transportation expense	116,179	237,202	114,832	225,705
Service fees	99,017	185,566	92,629	177,274
Depreciation, amortization	306,879	614,664	281,053	559,064
Operating lease payments	16,105	31,961	14,797	28,145
Other expenses	586,786	1,047,523	537,775	1,024,356
<b>Total</b>	<b>4,509,781</b>	<b>9,063,001</b>	<b>5,509,129</b>	<b>10,819,850</b>

**25. Employee benefit expense**

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

*(in millions of Korean won)*

	2015		2014	
	Three months	Six months	Three months	Six months
Wages and salaries	297,926	668,410	280,230	588,299
Pension costs – Defined benefit plan (Note 17)	25,993	52,066	20,832	41,713
Pension costs – Defined contribution plan (Note 17)	64	143	41	66
Others	42,987	83,001	29,895	57,969
<b>Total</b>	<b>366,970</b>	<b>803,620</b>	<b>330,998</b>	<b>688,047</b>

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**26. Finance income and expenses**

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

*(in millions of Korean won)*

	2015		2014	
	Three months	Six months	Three months	Six months
<b>Finance income</b>				
Interest income <sup>1</sup>	9,479	19,651	10,227	22,281
Gain on foreign exchange	18,032	52,865	7,399	26,616
Gain on foreign currency translation	3,059	2,081	6,761	6,764
Gain on disposal of available-for-sale securities	32	32	-	-
Gain on disposal of trading derivatives	748	2,184	1,870	3,821
Gain on valuation of trading derivatives	-	-	-	68
<b>Total</b>	<b>31,350</b>	<b>76,813</b>	<b>26,257</b>	<b>59,550</b>
<b>Finance expense</b>				
Interest expense <sup>2</sup>	14,896	31,507	21,480	41,636
Loss on foreign exchange	19,075	52,665	17,992	37,817
Loss on foreign exchange translations	2,771	8,999	5,384	12,001
Loss on disposal of trading derivatives	1,310	1,464	40	1,494
Loss on valuation of trading derivatives	-	-	452	-
<b>Total</b>	<b>38,052</b>	<b>94,635</b>	<b>45,348</b>	<b>92,948</b>

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

*(in millions of Korean won)*

	2015		2014	
	Three months	Six months	Three months	Six months
Bank deposits	9,028	18,476	9,878	21,423
Other loans and receivables	451	1,175	349	858
<b>Total</b>	<b>9,479</b>	<b>19,651</b>	<b>10,227</b>	<b>22,281</b>

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

<i>(in millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Interest on bank overdraft and borrowings	10,777	23,201	12,490	25,824
Interest on finance lease liabilities	666	666	44	87
Interest on debentures	3,128	7,260	6,139	12,278
Other interest expenses	1,717	2,680	4,183	6,720
Capitalized interest for qualifying assets	<u>(1,392)</u>	<u>(2,300)</u>	<u>(1,376)</u>	<u>(3,273)</u>
<b>Total</b>	<b><u>14,896</u></b>	<b><u>31,507</u></b>	<b><u>21,480</u></b>	<b><u>41,636</u></b>

**27. Other non-operating income**

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

<i>(in millions of Korean won)</i>	<b>2015</b>		<b>2014</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Gain on foreign exchange	55,435	100,698	93,503	137,098
Gain on foreign currency translation	29,077	41,929	25,835	26,684
Gain on disposal of property, plant and equipment	502	959	214	2,019
Reversal of impairment loss on property, plant and equipment (Note 12)	24,802	24,802	-	-
Reversal of impairment loss on intangible assets (Note 13)	99	99	-	-
Others	<u>5,879</u>	<u>10,725</u>	<u>4,379</u>	<u>7,306</u>
<b>Total</b>	<b><u>115,794</u></b>	<b><u>179,212</u></b>	<b><u>123,931</u></b>	<b><u>173,107</u></b>

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**28. Other non-operating expenses**

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

*(in millions of Korean won)*

	2015		2014	
	Three months	Six months	Three months	Six months
Foreign exchange loss	55,496	107,197	102,666	144,252
Loss on foreign currency translation	22,025	36,997	27,979	31,713
Loss on disposal of property, plant and equipment	23,565	41,318	1,516	7,480
Loss on disposal of intangible assets	196	320	-	270
Impairment loss on property, plant and equipment (Note 12)	-	-	30,020	30,020
Impairment loss on intangible assets (Note 13)	75,365	75,365	492	492
Others	2,514	6,848	10,283	14,620
<b>Total</b>	<b>179,161</b>	<b>268,045</b>	<b>172,956</b>	<b>228,847</b>

**29. Income Taxes**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ending December 31, 2015, is 25.1% (for the six-month period ended June 30, 2014: 19.2%).

**30. Earnings per share**

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

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

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares <sup>1</sup>	313,131	530,673	203,679	461,829
Weighted average number of ordinary shares outstanding <sup>2</sup>	65,911,305	65,911,305	65,911,308	65,911,308
Basic earnings per ordinary share (in won)	4,751	8,051	3,090	7,007

<i>(in millions of Korean won)</i>	2015		2014	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares <sup>1</sup>	36,314	61,568	23,653	53,607
Weighted average number of preferred shares outstanding <sup>2</sup>	7,623,402	7,623,402	7,623,402	7,623,402
Basic earnings per preferred share (in won)	4,763	8,076	3,103	7,032

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

<i>(in millions of Korean won)</i>	2015	
	Three months	Six months
<b>Profit for the period attributable to owners of the Parent Company</b>	349,445	592,241
Ordinary shares dividends (A)	65,911	131,823
Preferred shares dividends (B)	7,719	15,437
<b>Undistributed earnings for the period</b>	275,815	444,981
Undistributed earnings available for ordinary shares (C)	247,220	398,850
Undistributed earnings available for preferred shares (D)	28,595	46,131
<b>Profit for the period attributable to ordinary shares (A+C)</b>	313,131	530,673
<b>Profit for the period attributable to preferred shares (B+D)</b>	36,314	61,568

<i>(in millions of Korean won)</i>	2014	
	Three months	Six months
<b>Profit for the period attributable to owners of the Parent Company</b>	227,332	515,436
Ordinary shares dividends (A)	65,911	131,823
Preferred shares dividends (B)	7,719	15,437
<b>Undistributed earnings for the period</b>	153,702	368,176
Undistributed earnings available for ordinary shares (C)	137,768	330,006
Undistributed earnings available for preferred shares (D)	15,934	38,170
<b>Profit for the period attributable to ordinary shares (A+C)</b>	203,679	461,829
<b>Profit for the period attributable to preferred shares (B+D)</b>	23,653	53,607

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

<i>(in shares)</i>	<b>2015</b>	<b>2014</b>
Ordinary shares outstanding	66,271,100	66,271,100
Ordinary treasury shares	(359,795)	(359,792)
<b>Weighted average number of ordinary shares outstanding</b>	<u>65,911,305</u>	<u>65,911,308</u>
Preferred shares outstanding	7,628,921	7,628,921
Preferred treasury shares	(5,519)	(5,519)
<b>Weighted average number of preferred shares outstanding</b>	<u>7,623,402</u>	<u>7,623,402</u>

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

### 31. Dividends

The ₩294,520 million (2014: ₩294,520 million) of dividends for the year ended December 31, 2014, was paid to the shareholders of the Parent Company in April 2015.

### 32. Related party transactions

As of June 30, 2015 and December 31, 2014, LG Corp. is an entity exercising significant influence over the Group which owns 33.53% of the Parent Company's ordinary shares.

Details of associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as of June 30, 2015 and December 31, 2014, are as follows, and the details of investments in subsidiaries, associates and joint ventures are described in Note 1.3:

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

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

(in millions of Korean won)

	<b>2015</b>			
	<b>Sales and others</b>	<b>Purchase and others</b>		
		<b>Purchase of raw material /merchandise</b>	<b>Acquisition of property, plant and equipment and intangible assets</b>	<b>Others</b>
Entity with significant influence over the Group				
LG Corp.	-	-	-	24,509
Associates and joint ventures				
SEETEC Co., Ltd.	17,127	73,571	205	39,072
TECWIN Co., Ltd.	-	38	1,796	-
HL Greenpower Co., Ltd.	30,224	-	-	-
Others	273	-	-	654
Other related parties				
LG MMA Corporation	43,508	67,258	-	1,674
SERVEONE and its subsidiaries	9,525	198,401	167,135	47,915
LG CNS Co., Ltd. and its subsidiaries	6,969	1,552	26,221	26,479
Others	17	-	-	5,187
Key management	-	-	-	28,533
<b>Total</b>	<b>107,643</b>	<b>340,820</b>	<b>195,357</b>	<b>174,023</b>

(in millions of Korean won)

	<b>2014</b>			
	<b>Sales and others</b>	<b>Purchase and others</b>		
		<b>Purchase of raw material /merchandise</b>	<b>Acquisition of property, plant and equipment and intangible assets</b>	<b>Others</b>
Entity with significant influence over the Group				
LG Corp.	-	-	-	27,350
Associates and joint ventures				
SEETEC Co., Ltd.	36,556	84,482	10	39,071
TECWIN Co., Ltd.	-	78	941	32
HL Greenpower Co., Ltd.	40,958	-	-	-
Others	26	-	-	607
Other related parties				
LG MMA Corporation	68,154	71,731	-	1,631
SERVEONE and its subsidiaries	11,659	178,017	70,353	42,528
LG CNS Co., Ltd. and its subsidiaries	10,989	1,850	41,804	21,902
Others	190	-	-	4,651
Key management	-	-	-	23,865
<b>Total</b>	<b>168,532</b>	<b>336,158</b>	<b>113,108</b>	<b>161,637</b>



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

(in millions of Korean won)

	<b>June 30, 2015</b>			
	<b>Receivables</b>			
	<b>Trade receivables and others</b>	<b>Loan receivables</b>	<b>Other receivables</b>	<b>Total</b>
Entity with significant influence over the Group				
LG Corp.	-	-	9,905	9,905
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	-	-
TECWIN Co., Ltd.	-	-	-	-
HL Greenpower Co., Ltd.	14,891	-	-	14,891
Others	-	-	287	287
Other related parties				
LG MMA Corporation	7,364	-	459	7,823
SERVEONE and its subsidiaries	2,033	-	25,911	27,944
LG CNS Co., Ltd. and its subsidiaries	6,664	-	-	6,664
Others	-	-	3,712	3,712
Key management	-	-	-	-
<b>Total</b>	<b>30,952</b>	<b>-</b>	<b>40,274</b>	<b>71,226</b>

(in millions of Korean won)

	<b>June 30, 2015</b>			
	<b>Payables</b>			
	<b>Trade payables</b>	<b>Borrowings</b>	<b>Other payables</b>	<b>Total</b>
Entity with significant influence over the Group				
LG Corp.	-	-	-	-
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	19,680	19,680
TECWIN Co., Ltd.	-	-	12	12
HL Greenpower Co., Ltd.	-	-	64	64
Others	-	-	-	-
Other related parties				
LG MMA Corporation	10,898	-	-	10,898
SERVEONE and its subsidiaries	1,734	-	170,186	171,920
LG CNS Co., Ltd. and its subsidiaries	1,918	-	23,390	25,308
Others	-	-	279	279
Key management	-	-	48,735	48,735
<b>Total</b>	<b>14,550</b>	<b>-</b>	<b>262,346</b>	<b>276,896</b>

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

(in millions of Korean won)

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

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

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

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

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Wages and salaries	27,194	22,771
Pension costs	1,339	1,094
<b>Total</b>	<b>28,533</b>	<b>23,865</b>

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

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

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

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**33. Cash generated from operations**

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

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
<b>Profit before income tax</b>	817,048	643,990
<b>Adjustments for:</b>		
Depreciation	595,620	544,671
Amortization	19,044	14,393
Pension costs	52,066	41,713
Finance income	(65,268)	(59,289)
Financial expenses	79,040	87,249
Foreign exchange differences	(9,178)	(33,562)
Gain on disposal of property, plant and equipment	(959)	(2,019)
Loss on disposal of property, plant and equipment	41,318	7,480
Loss on disposal of intangible assets	320	270
Impairment loss on property, plant and equipment	-	30,020
Impairment loss on intangible assets	75,365	492
Reversal of impairment loss on property, plant and equipment	(24,802)	-
Reversal of impairment loss on intangible assets	(99)	-
Other income	(10,234)	(15,933)
Inventories	346,212	(9,596)
Trade receivables	(6,053)	(253,271)
Other receivables	74,924	(453)
Settlement of derivatives	1,502	2,327
Trade payables	(129,216)	130,130
Other payables	(107,755)	21,859
Net defined benefit liabilities	(70,682)	(2,852)
Other cash flows from operations	43,979	4,998
<b>Cash generated from operations</b>	<u>1,722,192</u>	<u>1,152,617</u>

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

<i>(in millions of Korean won)</i>	<b>2015</b>	<b>2014</b>
Transfer of construction-in-progress	630,234	429,777
Transfer of machinery-in-transit	50,135	69,138
Reclassification of long-term borrowings into current maturities	117,989	260,272
Reclassification of non-current asset held for sale	-	5,639
Acquisition of financial lease assets	42,669	-

**34. Segment information**

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

<b>Segment</b>	<b>Products or services</b>	<b>Major customers</b>
Basic materials& Chemicals	ABS, PC, EP, PE, PP, Acrylic, Alcohol, SAP, PVC, Synthetic rubber, Special resin, BPA, Ethylene, Propylene and others	LG International Corp., LG Electronics Inc., DongbuDaewoo Electronics Inc., National Plastic Co. Ltd., Youl Chon Chemical Co. Ltd., OCI Company Co. Ltd., Mitsubishi Corp. and others
IT & Electronic materials	Polarizers, 3D FPR and others	LG Display Co., Ltd. BOE, AUO, and others
Energy solutions	Portable batteries, automotive batteries, Electricity storage batteries and others	Hewlett-Packard Co., General Motors Corp., and others
Advanced materials <sup>1</sup>	LCD Photoresist, OLED materials, Battery materials and others	LG Display Co., Ltd. Samsung Display Co., Ltd.
Common and others	General management, sales and R&D	

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

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

<i>(in millions of Korean won)</i>	<b>2015</b>					<b>Total</b>
	<b>Basic materials &amp; Chemicals</b>	<b>IT &amp; Electronic materials</b>	<b>Energy solutions</b>	<b>Advanced materials</b>	<b>Common and others<sup>3</sup></b>	
Total segment revenue	7,409,167	1,126,724	1,396,803	216,467	2,878	10,152,039
Inter-segment revenue	84,917	8,155	1,475	66,370	2,878	163,795
Revenue from external customers <sup>1</sup>	7,324,250	1,118,569	1,395,328	150,097	-	9,988,244
Operating profit (loss) <sup>2</sup>	910,570	45,446	(38,562)	8,002	(213)	925,243

  

<i>(in millions of Korean won)</i>	<b>2014</b>					<b>Total</b>
	<b>Basic materials &amp; Chemicals</b>	<b>IT &amp; Electronic materials</b>	<b>Energy solutions</b>	<b>Advanced materials</b>	<b>Common and others<sup>3</sup></b>	
Total segment revenue	8,930,893	1,149,550	1,405,366	237,067	3,061	11,725,937
Inter-segment revenue	95,534	3,020	1,241	81,502	3,061	184,358
Revenue from external customers <sup>1</sup>	8,835,359	1,146,530	1,404,125	155,565	-	11,541,579
Operating profit (loss) <sup>2</sup>	598,914	56,707	42,354	24,034	(280)	721,729

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

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

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

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The segment information on assets and liabilities as of June 30, 2015 and December 31, 2014, is as follows:

(in millions of Korean won)

	June 30, 2015					Total
	Basic materials & Chemicals	IT & Electronic materials	Energy solutions	Advanced materials	Common and others	
Total assets for the segment <sup>1</sup>	8,781,874	2,765,532	3,526,086	274,744	2,998,090	18,346,326
Investments in associates and joint ventures	200,034	-	17,559	-	237,420	455,013
Total liabilities for the segment <sup>1</sup>	2,367,225	687,321	1,514,878	70,215	1,094,412	5,734,051

(in millions of Korean won)

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

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

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

(in millions of Korean won)

	Sales		Non-current assets <sup>1</sup>	
	2015	2014	June 30, 2015	December 31, 2014
Korea <sup>2</sup>	3,254,932	4,131,450	7,891,362	7,672,556
China	3,352,356	3,376,786	1,176,030	1,118,318
South East Asia	2,003,988	2,466,754	28,649	27,565
America	552,157	649,166	349,671	379,795
Western Europe	682,873	698,102	24,406	26,322
Others	141,938	219,321	-	-
<b>Total</b>	<b>9,988,244</b>	<b>11,541,579</b>	<b>9,470,118</b>	<b>9,224,556</b>

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

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

There is no external customer attributing to more than 10% of total revenue for the six-month periods ended June 30, 2015 and 2014.

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**35. Business combination**

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

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

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

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

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



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

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

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

<i>(in millions of Korean won)</i>	<b>Amount</b>
<b>Assets of disposal group</b>	
Property, plant and equipment	5,899
Intangible assets	<u>62</u>
<b>Total</b>	<u><u>5,961</u></u>

Assets of the disposal group were measured at fair value immediately before the initial classification of the assets as held for sale; the related impairment loss amounting ₩ 7,044 million was recognized as other non-operating expenses during 2014.