

LG Chem, Ltd. and Subsidiaries

Interim Consolidated Financial Statements

September 30, 2014 and 2013

LG Chem, Ltd. and Subsidiaries

Index

September 30, 2014 and 2013

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Interim Consolidated Financial Statements	
Interim Consolidated Statements of Financial Position	3 - 4
Interim Consolidated Statements of Income	5
Interim Consolidated Statements of Comprehensive Income	6
Interim Consolidated Statements of Changes in Equity	7
Interim Consolidated Statements of Cash Flows	8
Notes to the Interim Consolidated Financial Statements	9 - 59



Report on Review of Interim Financial Statements

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of LG Chem, Ltd. and its subsidiaries (collectively referred to as the “Group”). These financial statements consist of the consolidated statement of financial position of LG Chem, Ltd. and its subsidiaries as of June 30, 2014, and the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013, and the statements of changes in equity and cash flows for the nine-month periods ended September 30, 2014 and 2013, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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, 2013, 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 6, 2014. These financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2013, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2013.

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

A handwritten signature in cursive script that reads "Samil PricewaterhouseCoopers". The signature is written in dark ink and is positioned above the printed name and date.

Seoul, Korea
November 13, 2014

The report is effective as of November 13, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
September 30, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Notes	September 30, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	3, 5, 6	1,266,308	1,399,054
Trade receivables	3, 5, 7, 32	3,268,964	3,220,504
Other receivables	3, 5, 7, 32	949,651	640,998
Prepaid income taxes		2,025	2,171
Other current financial assets	3, 5, 8, 9	226	-
Other current assets	14	237,542	204,859
Inventories	10	2,839,051	2,564,031
Non-current assets held for sale	36	5,639	-
Total current assets		8,569,406	8,031,617
Non-current assets			
Other receivables	3, 5, 7	81,899	25,026
Other financial assets	3, 5, 8	6,084	5,952
Investments in associates and joint ventures	1, 11, 34	478,544	447,867
Deferred income tax assets	29	96,841	77,069
Property, plant and equipment	12	8,500,827	8,559,609
Intangible assets	13	496,520	263,093
Other non-current assets	14	31,569	36,231
Total non-current assets		9,692,284	9,414,847
Total assets		18,261,690	17,446,464
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	3, 5, 32	1,529,411	1,268,291
Other payables	3, 5, 32	644,910	743,318
Borrowings	3, 5, 15	2,561,391	2,206,848
Other current financial liabilities	3, 5, 8, 9	798	-
Provisions	16	3,471	2,045
Current income tax liabilities	29	174,551	134,946
Other current liabilities	5, 18	232,924	242,429
Total current liabilities		5,147,456	4,597,877
Non-current liabilities			
Other payables	3, 5	56,215	76,346
Borrowings	3, 5, 15	636,328	803,634
Provisions	16	22,705	17,481
Net defined benefit liabilities	17	173,559	51,911
Deferred income tax liabilities	29	129,535	173,553
Total non-current liabilities		1,018,342	1,122,925
Total liabilities		6,165,798	5,720,802

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
September 30, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Notes	September 30, 2014	December 31, 2013
Equity			
Equity attributable to owners of the parent			
Share capital	1, 20	369,500	369,500
Capital surplus		1,157,772	1,157,772
Other components of equity	22	(15,699)	(15,699)
Accumulated other comprehensive income		(132,066)	(87,259)
Retained earnings	21	10,609,584	10,172,632
		<u>11,989,091</u>	<u>11,596,946</u>
Non-controlling interests		<u>106,801</u>	<u>128,716</u>
Total equity		<u>12,095,892</u>	<u>11,725,662</u>
Total liabilities and equity		<u>18,261,690</u>	<u>17,446,464</u>

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Income
Three-Month and Nine-Month Periods Ended September 30, 2014 and 2013

(in millions of Korean won, except per share amounts)

	Notes	2014		2013	
		Three months	Nine months	Three months	Nine months
Revenue	32, 34	5,663,948	17,205,527	5,865,132	17,502,975
Cost of sales	24, 32	<u>(4,896,640)</u>	<u>(14,885,644)</u>	<u>(4,951,767)</u>	<u>(14,906,098)</u>
Gross profit		767,308	2,319,883	913,365	2,596,877
Selling, general and administrative expenses	23, 24, 32	<u>(409,855)</u>	<u>(1,240,701)</u>	<u>(397,115)</u>	<u>(1,170,195)</u>
Operating profit	34	357,453	1,079,182	516,250	1,426,682
Finance income	5, 26	36,977	90,777	72,063	157,143
Finance expenses	5, 26	(39,467)	(126,666)	(104,846)	(181,213)
Share of profit of associates and joint ventures	11	(6,041)	5,359	2,007	5,566
Other non-operating income	5, 27	124,526	252,069	171,341	300,461
Other non-operating expenses	5, 28, 36	<u>(179,627)</u>	<u>(362,910)</u>	<u>(215,808)</u>	<u>(343,309)</u>
Profit before income tax	33	293,821	937,811	441,007	1,365,330
Income tax expense	29	<u>(61,901)</u>	<u>(193,127)</u>	<u>(88,674)</u>	<u>(271,593)</u>
Profit for the period		<u>231,920</u>	<u>744,684</u>	<u>352,333</u>	<u>1,093,737</u>
Attributable to:					
Owners of the parent		242,352	757,789	351,790	1,089,231
Non-controlling interests		(10,432)	(13,105)	543	4,506
Earnings per share					
to owners of the parent (in won)	30				
Basic and diluted earnings per ordinary share		3,294	10,301	4,783	14,809
Basic and diluted earnings per preferred share		3,307	10,339	4,795	14,846

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2014 and 2013

(in millions of Korean won)

	Notes	2014		2013	
		Three months	Nine months	Three months	Nine months
Profit for the period		231,920	744,684	352,333	1,093,737
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of the net defined benefit liability	17	(34,616)	(34,581)	371	971
Shares of actuarial gains and losses on net defined benefit liability of associates		1	5	1	(15)
Income tax effect relating to components of other comprehensive income		8,376	8,369	(90)	(235)
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences		53,749	(25,047)	(82,685)	16,696
Cash flow hedges		-	-	28	154
Others		9,425	(15,629)	(13,155)	(107)
Income tax effect relating to components of other comprehensive income		(6,636)	(7,159)	(2,372)	290
Other comprehensive income (loss) for the period, net of tax		30,299	(74,042)	(97,902)	17,754
Total comprehensive income for the period		262,219	670,642	254,431	1,111,491
Attributable to:					
Owners of the parent		268,313	686,775	261,885	1,103,884
Non-controlling interests		(6,094)	(16,133)	(7,454)	7,607

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2014 and 2013

(in millions of Korean won)

Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total		
Balance at January 1, 2013	369,500	1,157,772	(15,699)	(86,977)	9,204,703	10,629,299	136,056	10,765,355
Comprehensive income:								
Profit for the period	-	-	-	-	1,089,231	1,089,231	4,506	1,093,737
Remeasurements of the net defined benefit liability	17	-	-	-	736	736	-	736
Currency translation differences	-	-	-	13,903	-	13,903	3,101	17,004
Cash flow hedges	-	-	-	117	-	117	-	117
Others	-	-	-	(87)	(16)	(103)	-	(103)
Total comprehensive income	-	-	-	13,933	1,089,951	1,103,884	7,607	1,111,491
Transactions with owners:								
Dividends	31	-	-	-	(294,520)	(294,520)	(13,653)	(308,173)
Others	-	-	-	-	(754)	(754)	(252)	(1,006)
Total transactions with owners	-	-	-	-	(295,274)	(295,274)	(13,905)	(309,179)
Balance at September 30, 2013	369,500	1,157,772	(15,699)	(73,044)	9,999,380	11,437,909	129,758	11,567,667
Balance at January 1, 2014	369,500	1,157,772	(15,699)	(87,259)	10,172,632	11,596,946	128,716	11,725,662
Comprehensive income:								
Profit for the period	-	-	-	-	757,789	757,789	(13,105)	744,684
Remeasurements of the net defined benefit liability	17	-	-	-	(26,212)	(26,212)	-	(26,212)
Currency translation differences	-	-	-	(29,178)	-	(29,178)	(3,028)	(32,206)
Others	-	-	-	(15,629)	5	(15,624)	-	(15,624)
Total comprehensive income	-	-	-	(44,807)	731,582	686,775	(16,133)	670,642
Transactions with owners:								
Dividends	31	-	-	-	(294,520)	(294,520)	(5,309)	(299,829)
Others	-	-	-	-	(110)	(110)	(473)	(583)
Total transactions with owners	-	-	-	-	(294,630)	(294,630)	(5,782)	(300,412)
Balance at September 30, 2014	369,500	1,157,772	(15,699)	(132,066)	10,609,584	11,989,091	106,801	12,095,892

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

LG Chem, Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2014 and 2013

<i>(in millions of Korean won)</i>	Notes	2014	2013
Cash flows from operating activities			
Cash generated from operations	33	1,829,266	2,037,505
Interest received		33,208	28,684
Interest paid		(64,398)	(65,865)
Dividends received		213	1,407
Income taxes paid		(228,668)	(235,731)
Net cash generated from operating activities		<u>1,569,621</u>	<u>1,766,000</u>
Cash flows from investing activities			
Decrease in other receivables		649,540	1,099,124
Decrease in non-current other receivables		9,599	15,922
Proceeds from disposal of property, plant and equipment		6,944	5,636
Proceeds from disposal of intangible assets		66	383
Increase in other receivables		(1,039,459)	(930,762)
Increase in non-current other receivables		(30,095)	(19,343)
Increase in non-current other financial assets		(51)	(44)
Acquisition of investments in associates and joint ventures		(41,935)	(18,680)
Acquisition of property, plant and equipment		(992,992)	(998,394)
Acquisition of intangible assets		(35,067)	(23,170)
Payment for purchase of NanoH2O Inc.	35	(136,418)	-
Net cash used in investing activities		<u>(1,609,868)</u>	<u>(869,328)</u>
Cash flows from financing activities			
Proceeds from borrowings		556,719	377,303
Repayments of borrowings		(339,430)	(191,693)
Payments of dividends		(299,850)	(308,391)
Net cash used in financing activities		<u>(82,561)</u>	<u>(122,781)</u>
Net increase(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		1,399,054	720,767
Exchange gain (loss) on cash and cash equivalents		(9,938)	7,475
Cash and cash equivalents at the end of period		<u>1,266,308</u>	<u>1,502,133</u>

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013, and December 31, 2013

1. General information

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

1.1 The Parent Company

The Parent Company was spun off on April 1, 2001, from LG Chem Investment Ltd. (formerly LG Chemical Ltd.), to engage in the petrochemicals, industrial materials, and information and electronic materials business.

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

As of September 30, 2014, the Parent Company has its manufacturing facilities in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of September 30, 2014, the Parent Company has issued 66,271,100 ordinary shares (₩331,356 million) and 7,628,921 preferred shares (₩38,144 million). The largest shareholder of the Parent Company is LG Corp., which owns 33.53% of the Parent Company's ordinary shares. Preferred shareholders have no voting rights but are entitled to receive dividends at a rate 1% more than those paid to ordinary shareholders.

1.2 Business overview

The Group is engaged in petrochemicals business, IT & Electronic materials, and Energy solution business. The petrochemical business includes production of olefin petrochemicals such as ethylene, propylene, butadiene from Naphtha and aromatic petrochemicals such as benzene, xylene, toluene, and production of synthetic resin, synthetic rubber, and synthetic components from olefin and aromatic petrochemicals. This business is regarded as important as it provides primary materials to other industries and bears characteristics of large-volume process industry. The Group's major products are ABS, PC, EP, PE, PP, synthetic rubber, acrylic, plasticizers, SAP, PVC, BPA, a special resin, and others.

The IT & Electronic material business manufactures and supplies various display materials such as polarizer, 3D FPR, sensitized material, PCB materials, ITO film and OLED-related materials. The Group has developed film-type 3D FPR, a core material of FPR-type 3D TV, and began its commercial production since 2011. From 2013, the Group began to produce polarizer-integrated FPR in order to improve customer productivity and lead the market. In addition, the Group completed the expansion of two polarizing plate line in Nanjing, China, in order to proactively respond to the growing panel market in China.

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

1.3 Consolidated subsidiaries, associates and joint ventures

September 30, 2014				
	Percentage of ownership (%)	Business location	Fiscal year-end	Business activities
Consolidated subsidiaries				
Tianjin LG DAGU Chemical Co., Ltd.	75	China	December 31	PVC manufacturing and sales
Ningbo LG Yongxing Chemical Co.,Ltd. ¹	75	China	December 31	ABS/SBL manufacturing and sales
Ningbo Zhenhai LG Yongxing Trading Co., Ltd. ¹	75	China	December 31	ABS sales
LG Chem HK Ltd.	100	Hong Kong	December 31	Sales and trading
LG Chem America, Inc.	100	USA	December 31	Sales and trading
LG Chemical India Pvt. Ltd. ²	100	India	December 31	Service
LG Polymers India Pvt. Ltd. ²	100	India	December 31	PS manufacturing
LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.	100	China	December 31	EP manufacturing and sales
LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. ³	100	China	December 31	Battery/ Polarizer Manufacturing and sales
LG Chem (Taiwan), Ltd.	100	Taiwan	December 31	Polarizer manufacturing and sales
LG Chem Display Materials (Beijing) Co., Ltd.	100	China	December 31	Polarizer manufacturing
Tianjin LG Bohai Chemical Co., Ltd. ⁴	75	China	December 31	VCM, EDC manufacturing and sales
Tianjin LG BOTIAN Chemical Co., Ltd. ⁴	56	China	December 31	SBS manufacturing and sales
LG Chem (China) Investment Co., Ltd. ⁵	100	China	December 31	China holding company
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	100	China	December 31	ABS/EP manufacturing and sales
LG Chem Europe GmbH	100	Germany	December 31	Sales and trading
LG Chem Poland Sp. z o.o.	100	Poland	December 31	Polarizer manufacturing
LG Chem Michigan Inc.	100	USA	December 31	Battery research and manufacturing for automobile
LG Chem Power Inc.	100	USA	December 31	Battery research for automobile
LGC Petrochemical India Private Limited.	100	India	December 31	Service
Haengboknuri	100	Korea	December 31	Facility management and general cleaning
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI	100	Turkey	December 31	Sales and trading
LG Chem Japan Inc. ⁶	100	Japan	December 31	Sales and trading
LG NanoH2O Inc. ⁷	100	USA	December 31	Water purification filter research and manufacturing
Associates				
LG Holdings (HK) Ltd.	26	Hong Kong	December 31	Sales and trading
TECWIN Co., Ltd.	20	Korea	December 31	Environment solution and Construction of chemical plant
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. ⁸	100	Brazil	December 31	Sales and trading
LG Fuel Cell Systems Inc. ⁹	20	USA	December 31	Power fuel cell research
Joint ventures				
LG VINA Chemical Co.,Ltd.	40	Vietnam	December 31	DOP production and sales
HL Greenpower Co.,Ltd.	49	Korea	December 31	Battery manufacturing for electric automobile
SEETEC Co.,Ltd.	50	Korea	December 31	Plant utility and distribution, research assistance service
CNOOC & LG Petrochemicals Co.,Ltd.	50	China	December 31	ABS manufacturing and sales
KLPE Limited Liability Partnership ¹⁰	50	Kazakhstan	December 31	PE manufacturing and sales

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013, and December 31, 2013

¹ As of September 30, 2014, Ningbo LG Yongxing Chemical Co.,Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co.,Ltd. shares.

² As of September 30, 2014, LG Chemical India Pvt. Ltd. owns 100% of LG Polymer India Pvt. Ltd. shares.

³ During the period, the Parent Company acquired additional shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. for ₩ 19,021 million.

⁴ As of September 30, 2014, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

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

⁶ LG Chem Japan Inc. was established during the period and the Parent Company newly acquired 100% of its shares for ₩1,406 million.

⁷ During the period, the Parent Company newly acquired 100% of shares of LG NanoH2O Inc. for ₩151,411 million (Note 35).

⁸ Classified as an investment in associate due to its small size.

⁹ During the period, the Parent Company acquired additional shares of LG Fuel Cell Systems Inc. for ₩ 8,402 million and as a result, the percentage of ownership increased to 20%.

¹⁰ During the period, the Parent Company acquired additional shares of KLPE Limited Liability Partnership for ₩33,533 million.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

1.4 Summarized financial information of subsidiaries, associates and joint ventures

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

(in millions of Korean won)

	September 30, 2014				
	Assets	Liabilities	Equity	Year-to-date Revenue	Year-to-date Profit(loss)
Consolidated subsidiaries					
Tianjin LG DAGU Chemical Co.,Ltd.	174,854	118,978	55,876	285,315	(18,632)
Ningbo LG Yongxing Chemical Co.,Ltd.	721,732	365,032	356,700	1,407,757	54,632
LG Chem HK Ltd.	98,107	82,668	15,439	434,428	861
LG Chem America, Inc.	168,826	155,477	13,349	526,912	746
LG Chemical India Pvt. Ltd.	32,603	30	32,573	460	88
LG Polymers India Pvt. Ltd.	96,406	43,854	52,552	184,798	6,610
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	95,860	45,609	50,251	118,059	6,488
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,559,759	940,837	618,922	1,405,131	60,221
LG Chem (Taiwan), Ltd.	186,247	105,820	80,427	270,557	11,639
LG Chem Display Materials (Beijing) Co.,Ltd.	33,074	10,071	23,003	32,676	1,218
Tianjin LG Bohai Chemical Co.,Ltd.	337,562	172,601	164,961	314,226	(28,334)
LG Chem (China) Investment Co.,Ltd.	164,932	73,914	91,018	25,463	2,709
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	66,368	25,612	40,756	71,705	3,635
LG Chem Europe GmbH	123,742	108,767	14,975	271,090	2,879
LG Chem Poland Sp. z o.o.	31,277	14,311	16,966	57,833	385
LG Chem Michigan Inc.	176,442	151,421	25,021	25,683	(1,233)
LG Chem Power Inc.	6,747	5,547	1,200	19,172	850
Tianjin LG BOTIAN Chemical Co.,Ltd.	61,899	79,160	(17,261)	62,119	(11,302)
Ningbo Zhenhai LG Yongxing Trading Co.,Ltd.	6,663	5,009	1,654	10,596	194
LGC Petrochemical India Private Limited Haengboknuri	857	116	741	1,905	376
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI	1,397	466	931	2,881	251
LG Chem Japan Inc.	6,146	5,681	465	16,763	256
LG Chem Japan Inc.	1,938	317	1,621	2,872	291
LG NanoH2O Inc.	26,913	77,423	(50,510)	2,331	(9,432)
Associates					
LG Holdings (HK) Ltd.	363,323	121,717	241,606	35,260	9,591
TECWIN Co., Ltd.	46,474	16,117	30,357	-	-
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	142	64	78	-	-
LG Fuel Cell Systems Inc.	32,978	4,865	28,113	2,985	(41,589)
Joint ventures					
LG VINA Chemical Co.,Ltd.	24,824	16,503	8,321	51,139	2,056
HL Greenpower Co.,Ltd.	88,730	51,777	36,953	97,752	2,773
SEETEC Co.,Ltd.	407,839	44,759	363,080	435,653	13,845
CNOOC & LG Petrochemicals Co.,Ltd.	278,099	215,995	62,104	76,304	(13,491)
KLPE Limited Liability Partnership	254,100	11,907	242,193	-	10,775

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

	December 31, 2013				
	Assets	Liabilities	Equity	Year-to-date Revenue	Year-to-date Profit(loss)
Consolidated subsidiaries					
Tianjin LG DAGU Chemical Co.,Ltd.	205,089	128,586	76,503	421,332	(5,272)
Ningbo LG Yongxing Chemical Co.,Ltd.	754,027	422,303	331,724	1,884,097	39,298
LG Chem HK Ltd.	151,726	137,091	14,635	605,212	735
LG Chem America, Inc.	134,543	121,895	12,648	622,905	1,904
LG Chemical India Pvt. Ltd.	32,617	131	32,486	1,445	216
LG Polymers India Pvt. Ltd.	101,120	55,099	46,021	238,882	3,234
LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	96,086	51,182	44,904	174,437	6,103
LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	1,379,626	832,963	546,663	1,724,065	50,480
LG Chem (Taiwan), Ltd.	184,398	113,877	70,521	414,542	17,467
LG Chem Display Materials (Beijing) Co.,Ltd.	26,596	4,352	22,244	14,573	1,173
Tianjin LG Bohai Chemical Co.,Ltd.	371,675	172,954	198,721	471,838	(7,246)
LG Chem (China) Investment Co.,Ltd.	180,918	97,844	83,074	32,737	3,695
LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	71,319	33,324	37,995	110,968	5,649
LG Chem Europe GmbH	84,226	70,714	13,512	241,170	2,305
LG Chem Poland Sp. z o.o.	45,239	26,809	18,430	74,309	4,251
LG Chem Michigan Inc.	174,008	147,684	26,324	1,208	(14,581)
LG Chem Power Inc.	9,934	9,553	381	21,333	347
Tianjin LG BOTIAN Chemical Co.,Ltd.	70,250	76,338	(6,088)	138,999	(2,865)
Ningbo Zhenhai LG Yongxing Trading Co.,Ltd.	7,118	5,627	1,491	15,349	147
LGC Petrochemical India Private Limited	371	6	365	451	118
Haengboknuri	1,182	503	679	1,797	79
LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI	622	384	238	964	92
Associates					
LG Holdings (HK) Ltd.	374,511	137,538	236,973	45,192	11,333
TECWIN Co., Ltd.	46,474	16,117	30,357	83,459	3,556
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	142	64	78	1,009	(380)
LG Fuel Cell Systems Inc.	51,610	9,660	41,950	4,946	(30,604)
Joint ventures					
LG VINA Chemical Co.,Ltd.	23,481	14,799	8,682	73,171	2,417
HL Greenpower Co.,Ltd.	64,627	30,452	34,175	127,035	2,430
SEETEC Co.,Ltd.	399,798	50,564	349,234	573,102	16,020
CNOOC & LG Petrochemicals Co.,Ltd.	214,226	136,737	77,489	-	(2,053)
KLPE Limited Liability Partnership	211,167	3,017	208,150	-	(3,123)

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013, and December 31, 2013

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The interim consolidated financial statements for the nine-month period ended September 30, 2014, have been prepared in accordance with Korean IFRS 1034, 'Interim Financial Reporting.' These interim financial statements have been prepared in accordance with the Korean IFRS standards and interpretations issued and effective as of September 30, 2014.

2.2 Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Group

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

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

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

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

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

- Enactment of Korean IFRS 2121, *Levies*

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

LG Chem, Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2014 and 2013, and December 31, 2013

2.2 Accounting Policies

Significant accounting policies and methods adopted in the preparation of the interim financial statements are consistent with the accounting policies and methods adopted for the annual financial statements for the year ended December 31, 2013, except for the changes due to the application of amendment and enactments of standards described in Note 2.1 and described below.

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

3. Financial risk management

3.1 Financial risk factors

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

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

(1) Market risk

1) Foreign exchange risk

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

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

As of September 30, 2014 and December 31, 2013, the Group's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
USD	2,038,844	2,749,697	1,982,900	2,466,188
EUR	56,899	95,168	65,178	93,749
JPY	31,245	136,207	23,922	94,583
GBP and others	5,412	1,595	3,848	3,734

As of September 30, 2014 and December 31, 2013, if the Group's functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been affected as follows:

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	(71,085)	71,085	(48,329)	48,329

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

2) Interest rate risk

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

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

The impact of 1% (100 basis points) higher/lower of interest rate with all other variables held constant on the Group's post-tax profit for the nine-month periods ended September 30, 2014 and 2013, and on equity as of September 30, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	Impact on post-tax profit		Impact on equity	
	2014	2013	2014	2013
Increase	(17,616)	(17,273)	(17,616)	(17,273)
Decrease	17,616	17,273	17,616	17,273

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(2) Credit risk

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

As of September 30, 2014 and December 31, 2013, the maximum degrees of credit exposures are as follows:

(in millions of Korean won)

	September 30, 2014			December 31, 2013		
	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)	Before impairment	Accumulated impairment loss	After impairment (maximum exposure)
Loans and receivables (excluding cash on hand)	5,582,638	(15,879)	5,566,759	5,300,464	(14,951)	5,285,513
Financial assets at fair value through profit or loss	226	-	226	-	-	-
Total	5,582,864	(15,879)	5,566,985	5,300,464	(14,951)	5,285,513

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(3) Liquidity risk

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

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

(in millions of Korean won)

	September 30, 2014			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,598,565	226,127	434,654	117
Finance lease liabilities	1,341	-	-	-
Trade and other payables	2,174,321	48,793	7,422	-
Total	4,774,227	274,920	442,076	117

(in millions of Korean won)

	December 31, 2013			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	2,345,659	485,874	355,533	278
Finance lease liabilities	3,195	-	-	-
Trade and other payables	2,011,609	51,154	25,192	-
Total	4,360,463	537,028	380,725	278

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

(in millions of Korean won)

		September 30, 2014			
		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Gross-settled derivative financial liabilities	Trading				
	Inflow	188,537	-	-	-
	Outflow	(189,109)	-	-	-
	Total	(572)	-	-	-

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

(in millions of Korean won)

	September 30, 2014			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts ¹	141	154	538	243

(in millions of Korean won)

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

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

3.2 Capital risk management

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

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

The gearing ratio and debt-to-equity ratio as of September 30, 2014 and December 31, 2013, are as follows:

(in millions of Korean won, except for ratios)

	September 30, 2014	December 31, 2013
Total borrowings (Note 15) (A)	3,197,719	3,010,482
Less: cash and cash equivalents (B)	(1,266,308)	(1,399,054)
Net debt (C=A+B)	1,931,411	1,611,428
Total liabilities (D)	6,165,798	5,720,802
Total equity (E)	12,095,892	11,725,662
Total capital (F=C+E)	14,027,303	13,337,090
Gearing ratio (C/F)	13.8%	12.1%
Debt-to-equity ratio (D/E)	51.0%	48.8%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

3.3 Fair value estimation

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

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

(1) The following tables present the Group's financial assets and liabilities that are measured at fair value as of September 30, 2014:

(in millions of Korean won)

	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other current financial assets	-	226	-	226
Financial liabilities				
Other current financial liabilities	-	798	-	798

Available-for-sale equity securities included within other financial assets are measured at cost (September 30, 2014: ₩ 6,084 million; December 31, 2013: ₩ 5,952 million) as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These are not included in the analysis above (Note 8).

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

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

Specific valuation techniques used to value financial instruments include:

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

The carrying amount of the trade and other receivables classified as current is reasonable approximated at fair value. Unless the carrying amount of borrowings is not a reasonable approximation of the fair value, in which case information related to the fair value of the borrowings is presented in Note 15.

4. Critical accounting estimates and assumptions

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

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

5. Financial instruments by category

Categorizations of financial instruments are as follows:

(in millions of Korean won)

Financial assets	September 30, 2014			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available-for-sale	Total
Cash and cash equivalents	1,266,308	-	-	1,266,308
Trade receivables	3,268,964	-	-	3,268,964
Other receivables	949,651	-	-	949,651
Other current financial assets	-	226	-	226
Other non-current receivables	81,899	-	-	81,899
Other non-current financial assets	-	-	6,084	6,084
Total	5,566,822	226	6,084	5,573,132

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

Financial liabilities	September 30, 2014			Total
	Hedging derivatives	Liabilities at amortized cost	Other liabilities ¹	
Trade payables	-	1,529,411	-	1,529,411
Other payables	-	644,910	-	644,910
Borrowings (current)	-	1,513,897	1,047,494	2,561,391
Other current financial liabilities	798	-	-	798
Other current liabilities (dividends payable)	-	1,035	-	1,035
Other non-current payables	-	56,215	-	56,215
Borrowings (non-current)	-	636,328	-	636,328
Total	798	4,381,796	1,047,494	5,430,088

(in millions of Korean won)

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

(in millions of Korean won)

Financial liabilities	December 31, 2013			Total
	Hedging derivatives	Liabilities at amortized cost	Other liabilities ¹	
Trade payables	-	1,268,291	-	1,268,291
Other payables	-	743,318	-	743,318
Borrowings (current)	-	1,269,050	937,798	2,206,848
Other current liabilities (dividends payable)	-	1,071	-	1,071
Other non-current payables	-	76,346	-	76,346
Borrowings (non-current)	-	803,634	-	803,634
Total	-	4,161,710	937,798	5,099,508

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Assets at fair value through profit or loss				
Gain(loss) on valuation/disposal	(544)	1,851	542	(1,575)
Hedging derivatives				
Gain on valuation recognized in other comprehensive expenses	-	-	28	154
Interest expense	-	-	(25)	(179)
Financial assets classified as available-for-sale				
Dividend income	202	202	-	190
Loans and receivables				
Interest income	11,865	34,146	8,748	25,510
Gain(loss) on foreign currency translation	53,294	18,249	(91,508)	(46,107)
Gain(loss) on foreign exchange	3,160	(59,118)	(75,983)	16,494
Liabilities at amortized cost				
Interest expense	(18,462)	(58,223)	(23,929)	(59,371)
Gain(loss) on foreign currency translation	(8,160)	1,611	32,850	17,312
Gain(loss) on foreign exchange	(6,746)	1,361	26,247	12,775
Other liabilities				
Interest expense	(2,542)	(7,689)	1,445	(7,683)
Gain(loss) on foreign currency translation	(34,739)	(19,733)	56,300	29,958
Gain(loss) on foreign exchange	1,431	37,248	19,205	(30,039)

6. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Bank deposits and cash on hand	313,737	341,854
Financial deposits, others	952,571	1,057,200
Total	1,266,308	1,399,054

As of September 30, 2014, other non-current receivables amounting to ₩664 million are restricted from withdrawal in connection with maintaining checking accounts (December 31, 2013: ₩24 million). As of September 30, 2014, cash and cash equivalents include deposits with banks of ₩2,399 million (December 31, 2013: ₩4,167 million) held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

7. Trade and other receivables

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

<i>(in millions of Korean won)</i>	September 30, 2014			December 31, 2013		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables ¹	3,284,843	(15,879)	3,268,964	3,235,455	(14,951)	3,220,504
Other current receivables	949,651	-	949,651	640,998	-	640,998
Other non-current receivables	81,899	-	81,899	25,026	-	25,026
Total	4,316,393	(15,879)	4,300,514	3,901,479	(14,951)	3,886,528

¹ As of September 30, 2014, trade receivables transferred to financial institutions but not fully derecognized are as follows (Note 15):

<i>(in millions of Korean won)</i>	Loans and receivables (trade receivables collateralized borrowings)	
	September 30, 2014	December 31, 2013
Carrying amount of transferred assets	1,046,162	934,724
Carrying amount of related liabilities	(1,046,162)	(934,724)

Details of other receivables are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Current		
Non-trade receivables	104,527	84,856
Financial deposits ¹	820,164	528,926
Accrued income	4,945	3,930
Deposits	20,015	23,286
	949,651	640,998
Non-current		
Financial deposits ¹	33,137	24
Loans	332	298
Deposits	48,430	24,704
	81,899	25,026
Total	1,031,550	666,024

¹ As of September 30, 2014, certificate of deposits included within financial deposits amounting to ₩45,600 million have been pledged as collaterals to SH Corporation in relation to acquisition of LG Science Park land.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

(in millions of Korean won)

	September 30, 2014		December 31, 2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	3,051,651	1,001,262	2,988,575	644,446
Past due but not impaired				
Up to 3 months	211,933	21,943	232,631	18,729
3 to 6 months	8,812	5,329	5,178	1,032
Over 6 months	2,596	3,016	3,500	1,817
	223,341	30,288	241,309	21,578
Impaired receivables	9,851	-	5,571	-
	3,284,843	1,031,550	3,235,455	666,024

The movements in bad debt allowance for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013, are as follows:

(in millions of Korean won)

	September 30, 2014				December 31, 2013			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Beginning balance	14,951	-	-	-	10,110	-	-	-
Additions	2,355	-	-	-	6,453	-	-	-
Write-off	(702)	-	-	-	(868)	-	-	-
Reversals	(658)	-	-	-	-	-	-	-
Exchange differences	(67)	-	-	-	(744)	-	-	-
Ending balance	15,879	-	-	-	14,951	-	-	-

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

8. Other Financial Assets and Other Financial Liabilities

Details of other financial assets and other financial liabilities are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Other financial assets		
Derivatives (Note 9)	226	-
Available-for-sale	6,084	5,952
Less: current portion	<u>(226)</u>	<u>-</u>
	<u>6,084</u>	<u>5,952</u>
Other financial assets		
Derivatives (Note 9)	798	-
Less: current portion	<u>(798)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The movements in financial assets classified as available-for-sale for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Beginning balance	5,952	21,811
Acquisition	131	-
Exchange differences	1	(9)
Transfer ¹	<u>-</u>	<u>(15,850)</u>
Ending balance	6,084	5,952
Less: current portion	<u>-</u>	<u>-</u>
Total	<u>6,084</u>	<u>5,952</u>

¹ During 2013, investments into LG Fuel Cell Systems Inc. was reclassified from available-for-sale financial assets to investment in associates as the Parent Company can exercise significant influence resulting from the executive of the Parent Company being appointed as a member of board of directors of LG Fuel Cell Systems Inc. (Note 11).

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 during the nine-month periods ended September 30, 2014 and 2013.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

9. Derivative financial instruments

Details of derivative financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current				
Held-for-trading	226	798	-	-
	<u>226</u>	<u>798</u>	<u>-</u>	<u>-</u>

Details of derivative financial contracts are as follows:

Classification	September 30, 2014				
	Financial institution	Contract date	Contract amount (in thousands)	Contract due date	Contract terms
Forward exchange	JP Morgan and others	2014.09.19 and others	US \$ 10,000 and others	2014.10.01~2014.10.10	₩ 1044.81: US\$1 and others

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

10. Inventories

Details of inventories are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014			December 31, 2013		
	Original amount	Valuation allowance	Carrying amount	Original amount	Valuation allowance	Carrying amount
Merchandise	72,898	(859)	72,039	67,723	(952)	66,771
Finished products	1,232,719	(31,413)	1,201,306	1,160,004	(40,127)	1,119,877
Semi-finished products	415,173	-	415,173	372,872	-	372,872
Work-in-process	556	-	556	1,151	-	1,151
Raw materials	731,268	(3,747)	727,521	708,986	(2,203)	706,783
Supplies	95,710	-	95,710	90,193	-	90,193
Materials-in-transit	326,746	-	326,746	206,384	-	206,384
Total	<u>2,875,070</u>	<u>(36,019)</u>	<u>2,839,051</u>	<u>2,607,313</u>	<u>(43,282)</u>	<u>2,564,031</u>

During the period, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩12,004,902 million (2013: ₩12,447,109 million).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

11. Investments in associates and joint ventures

Changes in the carrying amount of investments in associates and joint ventures for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013, are as follows:

	September 30, 2014						
	Beginning balance	Acquisitions	Dividends	Share of profit(loss) of associates	Share of other comprehensive income of associates	Others	Ending balance
<i>(in millions of Korean won)</i>							
LG VINA Chemical Co.,Ltd.	3,473	-	(974)	822	7	-	3,328
HL Greenpower Co.,Ltd.	16,746	-	-	1,357	-	5	18,108
LG Holdings (HK) Ltd.	63,445	-	-	2,494	(1,289)	-	64,650
TECWIN Co.,Ltd.	5,955	-	(19)	-	-	-	5,936
SEETEC Co.,Ltd.	164,735	-	-	8,218	-	-	172,953
LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	579	-	-	-	-	-	579
CNOOC & LG Petrochemicals Co.,Ltd.	38,745	-	-	(6,746)	(947)	-	31,052
KLPE Limited Liability Partnership ¹	139,774	33,533	-	5,286	(13,173)	-	165,420
LG Fuel Cell Systems Inc.	14,415	8,402	-	(6,072)	(227)	-	16,518
	<u>447,867</u>	<u>41,935</u>	<u>(993)</u>	<u>5,359</u>	<u>(15,629)</u>	<u>5</u>	<u>478,544</u>

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

¹ During the period, the Group additionally acquired shares of KLPE Limited Liability Partnership for ₩33,533 million and has recognized ₩10,506 million as other payable as of September 30, 2014, for the unpaid consideration in the acquisition of KLPE Limited Liability Partnership.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

12. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013, are as follows:

September 30, 2014											
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Others	Construction -in-progress	Machinery -in-transit	Total
Beginning balance	812,828	1,882,957	572,338	3,996,941	9,438	276,456	91,761	73,082	689,264	154,544	8,559,609
Cost	813,367	2,279,332	935,506	10,040,565	36,701	646,873	253,098	210,204	743,592	154,544	16,113,782
Accumulated depreciation	-	(386,539)	(361,532)	(6,005,703)	(27,161)	(363,365)	(160,238)	(137,122)	-	-	(7,441,660)
Accumulated impairment	(539)	(9,836)	(1,636)	(37,921)	(102)	(7,052)	(1,099)	-	(54,328)	-	(112,513)
Business combination											
(Note 35)	1,105	2,353	-	2,689	-	1,077	403	-	4,003	-	11,630
Acquisitions/ Transfer	6,147	115,452	35,841	508,901	1,681	87,545	18,284	5,697	787,458	80,673	1,647,679
Disposals/ Transfer	-	(817)	(50)	(11,714)	(29)	(5,317)	(997)	-	(648,689)	(107,646)	(775,259)
Exchange differences	(250)	(9,201)	(1,832)	(13,252)	(4)	(651)	(401)	-	(3,393)	-	(28,984)
Depreciation	-	(42,741)	(28,706)	(618,847)	(2,299)	(61,960)	(20,650)	(50,552)	-	-	(825,755)
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)	-	-	-	(5,287)	(36)	(250)	(4)	-	-	-	(5,577)
Ending balance	819,749	1,936,632	568,136	3,820,372	8,672	295,720	87,919	28,227	807,829	127,571	8,500,827
Cost	820,370	2,387,517	968,444	10,393,497	36,588	712,103	264,382	177,438	859,384	127,571	16,747,294
Accumulated depreciation	-	(428,345)	(389,102)	(6,480,771)	(27,779)	(408,131)	(174,696)	(149,211)	-	-	(8,058,035)
Accumulated impairment	(621)	(22,540)	(11,206)	(92,354)	(137)	(8,252)	(1,767)	-	(51,555)	-	(188,432)

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

During the nine-month period ended September 30, 2014, the Group capitalized ₩4,692 million of borrowing costs (2013: ₩19,438 million) to property, plant and equipment.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

The details of property, plant and equipment that have been pledged as collaterals for certain bank loan as of September 30, 2014, and December 31, 2013 are as follows:

(in millions of Korean won)

	September 31, 2014				
	Carrying amount	Collateral value	Related account	Related amount	Mortgagee
Land	3,294	3,844	Borrowings	1,536	Kookmin Bank
Building	9,333	4,943	(Note 15)		

(in millions of Korean won)

	December 31, 2013				
	Carrying amount	Collateral value	Related account	Related amount	Mortgagee
Land	3,294	3,844	Borrowings	1,620	Kookmin Bank
Building	9,539	4,943	(Note 15)		

Depreciation of property, plant and equipment for the three-month and nine-month periods ended September 30, 2014 and 2013, was classified as follows:

(in millions of Korean won)

	2014		2013	
	Three months	Nine months	Three months	Nine months
Cost of sales	264,082	775,474	242,406	710,763
Selling, general and administrative expenses	16,906	50,185	15,078	44,392
Others	14	96	1	114
Total	281,002	825,755	257,485	755,269

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

During 2013, the US battery division for vehicles, managed as a separate cash-generating unit (hereafter 'CGU') in Energy solution business segments, has been tested for impairment due to delayed factory operations resulting from unexpected late orders from customers.

During 2014 and 2013, 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 Petrochemical 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 is mainly related to machinery and equipment used in manufacturing.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

During 2014 and 2013, the amount of impairment loss recognized as other non-operating expenses and key assumptions used for calculation of value in use are as follows:

(in millions of Korean won)

	September 30, 2014		December 31, 2013	
	Chinese PVC division	Separator division	US battery division for vehicles	Separator division
Impaired amount				
Property, plant and equipment	52,496	23,053	25,878	46,363
Intangible assets	192	415	140	3,091
Key assumptions				
Pre-tax discount rate	12.0%	14.4%	13.8%	14.4%
Growth rate for subsequent years after five years	0%	0%	0%	0%

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

(in millions of Korean won)

	September 30, 2014
Property, plant and equipment	6,967
Intangible assets	77
	<u>7,044</u>

13. Intangible assets

Changes in the carrying amount of intangible assets for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013 are, as follows:

(in millions of Korean won)

	September 30, 2014					Total
	Software development costs	Industrial property rights	Goodwill	Memberships	Others	
Beginning balance	45,231	100,770	33,415	51,705	31,972	263,093
Business combination (Note 35)	-	43,716	167,169	-	35	210,920
Acquisitions/ Transfer	18,543	27,026	-	592	6,747	52,908
Disposals/ Transfer	(3,775)	(2)	-	(2,017)	(202)	(5,996)
Exchange differences	(22)	(1,212)	-	(16)	(175)	(1,425)
Amortization	(10,145)	(5,678)	-	-	(6,411)	(22,234)
Impairment	(316)	(274)	-	(61)	(33)	(684)
Transfer to non-current assets held for sale (Note 36)	(61)	-	-	-	(1)	(62)
Ending balance	<u>49,455</u>	<u>164,346</u>	<u>200,584</u>	<u>50,203</u>	<u>31,932</u>	<u>496,520</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

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

Amortization of intangible assets was classified for the three-month and nine-month periods ended September 30, 2014 and 2013, as follows:

(in millions of Korean won)

	2014		2013	
	Three months	Nine months	Three months	Nine months
Cost of sales	1,681	5,419	2,044	5,722
Selling, general and administrative expenses	6,160	16,815	4,008	11,599
Total	7,841	22,234	6,052	17,321

14. Other current and non-current assets

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

(in millions of Korean won)

	September 30, 2014	December 31, 2013
Current		
Prepayments to suppliers	64,626	24,970
Prepaid expenses	19,248	23,619
Prepaid value added tax	97,098	92,310
Others	56,570	63,960
Total	237,542	204,859
Non-current		
Long-term prepaid expenses	31,475	36,133
Other investment assets	94	98
Total	31,569	36,231

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

15. Borrowings

The carrying amount of borrowings is as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Current		
Short-term borrowings	1,869,565	1,719,658
Current maturities of bank loans	390,623	284,392
Current maturities of debentures	299,871	199,724
Current maturities of finance lease liabilities	1,332	3,074
	<u>2,561,391</u>	<u>2,206,848</u>
Non-current		
Bank loans	336,976	404,654
Debentures	299,352	398,980
	<u>636,328</u>	<u>803,634</u>
Total	<u>3,197,719</u>	<u>3,010,482</u>

Details of current borrowings are as follows:

<i>(in millions of Korean won)</i>	Bank	Latest maturity date	Annual interest rate (%) at September 30, 2014	Carrying Amount	
				September 30, 2014	December 31, 2013
Notes discounted ¹	Woori Bank, others	2015.07.22	3Libor + 1.00, various	1,046,162	934,724
Bank loans	Hangseng Bank, others	2015.09.25	3Libor+0.50~2.50, various	823,403	784,934
Total				<u>1,869,565</u>	<u>1,719,658</u>

¹ As of September 30, 2014, trade receivables transferred to financial institutions but not derecognized are accounted for as collateralized borrowing transaction (Note 7).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

Details of non-current borrowings are as follows:

<i>(in millions of Korean won)</i>		September 30, 2014				
		Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current
Won currency borrowings	Kookmin Bank	2.70	2018.07.14	735	114	621
	Kookmin Bank	2.70	2020.03.21	801	71	730
	Korea Development Bank	3.53	2015.07.19	200,000	200,000	-
Foreign currency borrowings	Shanghai Pudong Development Bank	5.76	2015.09.15	850	850	-
	Sumitomo Mitsui Banking Corporation	3Libor+0.85	2017.04.03	21,012	-	21,012
	Standard Chartered Bank	3Libor+2.20	2015.12.14	16,736	4,184	12,552
	Standard Chartered Bank	3Libor+2.20	2016.09.25	18,828	4,184	14,644
	Agricultural Bank of China	5.90	2015.10.15	5,526	-	5,526
	China Merchants Bank	5.76	2015.05.17	850	850	-
	Bank of America	2.00	2015.08.03	20,921	20,921	-
	Bank of America	6Libor+1.50	2014.10.24	31,381	31,381	-
	BTMU	3Libor+1.54	2015.07.20	52,531	52,531	-
	CITI	3Libor+2.00	2017.03.10	19,875	2,092	17,783
	HSBC	3Libor+2.10	2016.01.22	31,381	-	31,381
	HSBC	3Libor+2.10	2016.01.22	41,841	-	41,841
	HSBC	3Libor+2.10	2016.01.22	20,921	-	20,921
	HSBC	3COF	2016.04.08	7,442	-	7,442
	HSBC	3Libor+2.10	2016.08.04	31,381	-	31,381
	HSBC	3Libor+1.65	2016.09.19	41,841	-	41,841
	JP MORGAN	3Libor+1.75	2014.10.17	20,915	20,915	-
	JP MORGAN	3Libor+1.30	2016.11.16	26,265	-	26,265
	Mizuho Banking Corporation	3Libor+0.80	2017.05.27	63,036	-	63,036
	Nova Scotia Bank	3Libor+1.54	2015.07.20	52,530	52,530	-
Total				727,599	390,623	336,976

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

Certain property, plant and equipment have been pledged as collateral for the above non-current borrowings (Note 12).

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

Details of debentures are as follows:

(in millions of Korean won)

		September 30, 2014				
	Financial institution	Annual interest rate (%)	Latest maturity date	Total amount	Current	Non-current
Won currency debentures	Woori Security	3.83	2014.12.05	200,000	200,000	-
	Woori Security	4.03	2016.12.05	100,000	-	100,000
	Woori Security	3.96	2015.03.29	100,000	100,000	-
	Woori Security	4.11	2017.03.29	200,000	-	200,000
	Less: discount on debentures			(777)	(129)	(648)
Total				599,223	299,871	299,352

(in millions of Korean won)

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

Details of finance lease liabilities are as follows:

(in millions of Korean won)

		September 30, 2014			
Bank	Annual interest rate (%)	Latest maturity date	Total amount	Current	Non-current
Hyundai Oil Bank	9.00	2014.10.29	1,332	1,332	-

(in millions of Korean won)

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

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value¹	Carrying amount	Fair value¹
Bank loans	336,976	336,935	404,654	401,029
Debentures	299,352	311,943	398,980	392,854
Total	636,328	648,878	803,634	793,883

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

The present value of finance lease liabilities is as follows:

<i>(in millions of Korean won)</i>	September 30, 2014			December 31, 2013		
	Minimum lease payments	Future finance costs	Present value	Minimum lease payments	Future finance costs	Present value
Within 1 year	1,341	9	1,332	3,195	121	3,074

16. Provisions

Changes in the carrying amount of provisions for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014		
	Sales returns¹	Warranty²	Total
Beginning balance	1,532	17,994	19,526
Additions	24,347	5,836	30,183
Used	(22,540)	(993)	(23,533)
Ending balance	3,339	22,837	26,176
Less : current portion	(3,339)	(132)	(3,471)
Total	-	22,705	22,705

<i>(in millions of Korean won)</i>	December 31, 2013		
	Sales returns¹	Warranty²	Total
Beginning balance	1,623	11,583	13,206
Additions	24,219	7,053	31,272
Used	(24,310)	(642)	(24,952)
Ending balance	1,532	17,994	19,526
Less : current portion	(1,532)	(513)	(2,045)
Total	-	17,481	17,481

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

17. Net defined benefit liability

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Present value of obligations ¹	553,620	438,122
Fair value of plan assets	<u>(380,061)</u>	<u>(386,211)</u>
Liability in the statement of financial position	<u>173,559</u>	<u>51,911</u>

¹ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩858 million as of September 30, 2014 (December 31, 2013: ₩883 million).

The amounts recognized in the statements of income for the three-month and nine-month periods ended September 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Current service cost ¹	23,566	64,264	18,791	56,312
Past service cost	24,410	24,410	-	-
Interest cost	<u>1,335</u>	<u>2,350</u>	<u>967</u>	<u>2,900</u>
Total, included in employee benefit expenses	<u>49,311</u>	<u>91,024</u>	<u>19,758</u>	<u>59,212</u>

¹ The above amounts excluded ₩528 million (2013: ₩428 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the nine-month period ended September 30, 2014, amounted to ₩184 million (2013: ₩137 million).

The amounts recognized in the statements of income for the three-month and nine-month periods ended September 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Cost of sales	41,331	71,101	14,394	42,112
Selling, general and administrative expenses	<u>8,098</u>	<u>20,107</u>	<u>5,422</u>	<u>17,237</u>
Total	<u>49,429</u>	<u>91,208</u>	<u>19,816</u>	<u>59,349</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

Changes in the present value of defined benefit obligations for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Beginning balance	438,122	367,567
Transfer in	1,667	1,320
Transfer out	(1,468)	(1,999)
Current service cost	64,792	75,572
Past service cost	24,410	-
Interest expense	13,392	13,307
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	-	(3,562)
Actuarial gains and losses arising from changes in financial assumptions	20,779	(16,595)
Actuarial gains and losses arising from experience adjustments	13,687	22,588
Others	-	21
Exchange differences	(341)	(92)
Payments from plans	(21,420)	(20,005)
Ending balance	<u>553,620</u>	<u>438,122</u>

Changes in the fair value of plan assets for the nine-month period ended September 30, 2014 and for the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Beginning balance	386,211	261,666
Transfer in	352	72
Transfer out	(638)	(46)
Interest income	11,042	9,441
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(115)	(1,138)
Contributions:		
Employers	79	130,000
Payments from plans	(16,870)	(13,176)
Administrative costs	-	(608)
Ending balance	<u>380,061</u>	<u>386,211</u>

The actual return on plan assets for the nine-month period ended September 30, 2014, was ₩10,927 million (2013: ₩8,303 million).

The principal actuarial assumptions used are as follows:

	September 30, 2014	December 31, 2013
Discount rate	3.6%	4.1%
Future salary increase	5.1%	5.1%

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

<i>(in millions of Korean won)</i>	Increase by 1%	Decrease by 1%
Discount rate:		
Increase(decrease) in defined benefit obligations	(61,133)	73,820
Future salary increase:		
Increase(decrease) in defined benefit obligations	72,067	(60,982)

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>	September 30, 2014				December 31, 2013			
	Quoted price	Unquoted price	Total	Compo- sition	Quoted price	Unquoted price	Total	Compo- sition
Insurance contracts with guaranteed yield	380,061	-	380,061	100%	386,211	-	386,211	100%

18. Other current liabilities

Other current liabilities consist of:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Advances from customers	17,567	24,844
Dividends payable	1,035	1,071
Withholding	46,323	41,383
Unearned revenues	14,732	19,528
Others	153,267	155,603
Total	<u>232,924</u>	<u>242,429</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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 September 30, 2014, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.
- (3) As of September 30, 2014, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.
- (4) As of September 30, 2014, the Parent Company and certain overseas subsidiaries have various specific line of credit agreements with several financial institutions, as follows:

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

Classification	The Parent Company		Certain Overseas Subsidiaries				
	KRW	USD	USD	CNY	EUR	INR	PLN
Limit of bank overdraft	64,000	50	155	300	30	645	32
Limit of the letter of credit	64,000	274	45	-	-	175	-
Limit of discount of notes from export	-	1,459	-	-	-	-	-
Limit of guaranteed payments in other foreign currency	-	18	-	-	-	-	-
Limit of loan arrangements	-	-	1,367	2,480	3	2,449	-

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\$ 465 million.

- (5) As of September 30, 2014, the Parent Company has B2B purchase arrangements with several financial institutions amounting to ₩300,000 million.
- (6) As of September 30, 2014, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in six and 34 legal actions involving ₩1,600 million and ₩3,405 million in claims, respectively, and as a defendant in three and one legal actions with ₩1,388 million and ₩93 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.
- (7) As of September 30, 2014, the consumers in U.S. and Canada have filed a class actions against the Parent Company and certain overseas subsidiaries in relation to price fixing of small secondary batteries. However, the ultimate outcome of these cases cannot be determined at the reporting date.
- (8) As of September 30, 2014, the Parent Company has technology license agreements with STYRON EUROPE GmbH and other companies for the production of Polycarbonate products. Further, the Parent Company has entered into manufacture and production technical contracts with Exxon Mobile and others.
- (9) The Parent Company has entered into a license agreement with LG Corp. to use trademarks on the products that the Group manufactures and sells, and on the services the Group provides in relation to its business.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(10) As of September 30, 2014, the Parent Company has a long-term purchase contract for certain raw materials and the supplier has made US\$ 135 million and US\$ 60 million of credit guarantee contract with financial institutions. Further, as of September 30, 2014, the Parent Company has a contract of US\$ 90 million guarantees with financial institutions for advances received from customers.

(11) As of September 30, 2014, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries. The outstanding balance of such guarantees as of September 30, 2014, amounts to US\$ 175 million and EUR 3 million (total equivalent to ₩ 187,718 million) (2013: US\$ 215 million, EUR 3 million and PLN 52 million, total equivalent to ₩250,066 million). Details of guarantees provided as of September 30, 2014 and December 31, 2013, are as follows:

(in millions of Korean won)

Guarantor	Guarantee beneficiary	Guarantee period	Financial institution	September 30, 2014	
				Amount of guarantee	Outstanding loan amount
The Parent Company	LG Chem (Nanjing) Information & Electronics Materials Co., Ltd.	2011.10.24 ~ 2014.10.31	Bank of America	31,381	31,381
	LG Chem Europe GmbH	2014.01.02 ~ 2015.01.02	Shinhan Bank	4,000	-
	LG Chem Michigan, Inc.	2014.05.27 ~ 2017.05.27	Mizuho Bank	63,036	63,036
	"	2014.03.31 ~ 2017.03.31	Sumitomo Mitsui bank	42,024	21,012
	"	2013.11.18 ~ 2016.11.16	JP Morgan	26,265	26,265
	"	2014.08.18 ~ 2015.08.18	Wells Fargo	21,012	21,012
Total				187,718	162,706

(in millions of Korean won)

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

Further, as of September 30, 2014, 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)	September 30, 2014	December 31, 2013
Property, plant and equipment	513,292	317,086

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

20. Equity

Changes in share capital and share premium are as follows:

<i>(in millions of Korean won)</i>	Ordinary shares		Preferred shares		Share premium
	Number of shares	Amount	Number of shares	Amount	
January 1, 2013	66,271,100	331,356	7,628,921	38,144	897,424
December 31, 2013	66,271,100	331,356	7,628,921	38,144	897,424
September 30, 2014	66,271,100	331,356	7,628,921	38,144	897,424

Changes in treasury shares are as follows:

<i>(in millions of Korean won)</i>	Number of shares		Carrying amount	Gain on sale of treasury shares
	Ordinary shares	Preferred shares		
January 1, 2013	359,790	5,519	15,484	13,855
Purchase of treasury shares	2	-	-	-
December 31, 2013	359,792	5,519	15,484	13,855
September 30, 2014	359,792	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>	September 30, 2014	December 31, 2013
Legal reserve ¹	278,057	275,601
Discretionary reserve ²	9,077,851	8,200,700
Retained earnings before appropriation	1,253,676	1,696,331
Total	10,609,584	10,172,632

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

22. Other components of equity

Details of other components of equity are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Treasury shares (Note 20)	(15,484)	(15,484)
Capital transactions within the Group ¹	<u>(215)</u>	<u>(215)</u>
Total	<u>(15,699)</u>	<u>(15,699)</u>

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

23. Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month and nine-month periods ended September 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Wages and salaries	82,362	280,520	82,525	250,858
Pension costs (Note 17)	8,098	20,107	5,422	17,237
Welfare expense	20,039	62,364	18,336	58,925
Travel expense	8,244	25,986	8,712	26,341
Water & utilities	6,646	19,161	5,953	19,008
Packaging expense	1,485	4,307	1,613	4,870
Rental expense	26,867	75,325	23,534	71,219
Commission expense	53,862	165,442	55,590	154,815
Depreciation (Note 12)	16,906	50,185	15,078	44,392
Advertising expense	2,781	11,434	3,889	10,496
Freight expense	109,042	320,977	104,495	310,223
Training expense	3,631	8,867	3,658	9,130
Amortization (Note 13)	6,160	16,815	4,008	11,599
Sample expense	2,876	8,863	2,677	9,560
Others	<u>60,856</u>	<u>170,348</u>	<u>61,625</u>	<u>171,522</u>
Total	<u>409,855</u>	<u>1,240,701</u>	<u>397,115</u>	<u>1,170,195</u>

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

24. Expenses by nature

Expenses that are recorded by function as cost of sales and selling, general and administrative expenses in the statements of income for the three-month and nine-month periods ended September 30, 2014 and 2013, consist of:

(in millions of Korean won)

	2014		2013	
	Three months	Nine months	Three months	Nine months
Changes in inventories	(150,927)	(128,403)	16,106	(277)
Raw materials and consumables used	3,676,330	11,199,441	3,786,639	11,770,769
Purchase of merchandise	371,435	933,864	288,622	676,617
Employee benefit expense (Note 25)	346,021	1,034,068	297,738	910,560
Advertising expense	3,063	12,258	4,210	11,428
Transportation expense	116,230	341,935	111,800	333,088
Service fees	92,066	269,340	86,650	241,427
Depreciation, amortization	288,829	847,893	263,536	772,476
Operating lease payments	15,528	43,673	12,906	38,147
Other expenses	547,920	1,572,276	480,675	1,322,058
Total	5,306,495	16,126,345	5,348,882	16,076,293

25. Employee benefit expense

Details of employee benefit expenses for the three-month and nine-month periods ended September 30, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		2013	
	Three months	Nine months	Three months	Nine months
Wages and salaries	266,524	854,823	250,925	772,341
Pension costs – Defined benefit plan (Note 17)	49,311	91,024	19,758	59,212
Pension costs – Defined contribution plan (Note 17)	118	184	59	137
Others	30,068	88,037	26,996	78,870
Total	346,021	1,034,068	297,738	910,560

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

26. Finance income and expenses

Details of finance income and expenses for the three-month and nine-month periods ended September 30, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		2013	
	Three months	Nine months	Three months	Nine months
Finance income				
Interest income ¹	11,865	34,146	8,748	25,510
Dividend income	202	202	-	190
Gain on foreign exchange	21,492	48,109	51,350	112,851
Gain on foreign currency translation	2,476	3,490	11,367	15,015
Gain on disposal of trading derivatives	783	4,604	598	3,577
Gain on valuation of trading derivatives	159	226	-	-
Total	36,977	90,777	72,063	157,143
Finance expense				
Interest expense ²	19,585	61,220	17,120	47,795
Loss on foreign exchange	12,066	49,883	86,407	123,730
Loss on foreign exchange translations	6,330	12,584	1,263	4,536
Loss on disposal of trading derivatives	688	2,181	56	5,152
Loss on valuation of trading derivatives	798	798	-	-
Total	39,467	126,666	104,846	181,213

¹ Details of interest income are as follows:

(in millions of Korean won)

	2014		2013	
	Three months	Nine months	Three months	Nine months
Bank deposits	11,594	33,023	8,585	25,060
Other loans and receivables	271	1,123	163	450
Total	11,865	34,146	8,748	25,510

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

² Details of interest expense are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Interest on bank overdraft and borrowings	12,467	39,188	12,438	39,827
Interest on finance lease liabilities	26	113	68	252
Interest on debentures	6,144	18,422	6,135	18,401
Other interest expenses	2,367	8,189	3,869	8,753
Capitalized interest for qualifying assets	(1,419)	(4,692)	(5,390)	(19,438)
Total	19,585	61,220	17,120	47,795

27. Other non-operating income

Details of other non-operating income for the three-month and nine-month periods ended September 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Gain on foreign exchange	49,045	186,143	80,269	237,687
Gain on foreign currency translation	68,478	49,600	88,016	48,471
Gain on disposal of property, plant and equipment	272	2,291	379	824
Others	6,731	14,035	2,677	13,479
Total	124,526	252,069	171,341	300,461

28. Other non-operating expenses

Details of other non-operating expenses for the three-month and nine-month periods ended September 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Loss on foreign exchange	60,626	204,878	75,743	227,578
Loss on foreign currency translation	54,229	40,379	100,478	57,787
Loss on disposal of property, plant and equipment	6,780	14,260	2,824	10,317
Loss on disposal of intangible assets	2,067	2,337	95	115
Impairment loss on property, plant and equipment(Note 12)	52,497	82,516	26,355	27,329
Impairment loss on intangible assets(Note 12)	192	684	140	140
Others	3,236	17,856	10,173	20,043
Total	179,627	362,910	215,808	343,309

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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, 2014, is 20.6% (for the nine-month period ended September 30, 2013: 19.9%).

30. Earnings per share

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

Basic earnings per share attributable to the owners of the Parent Company for the three-month and nine-month periods ended September 30, 2014 and 2013, is computed as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares ¹	217,141	678,972	315,234	976,053
Weighted average number of ordinary shares outstanding ²	65,911,308	65,911,308	65,911,310	65,911,310
Basic earnings per ordinary share (in won)	3,294	10,301	4,783	14,809
<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares ¹	25,211	78,817	36,556	113,178
Weighted average number of preferred shares outstanding ²	7,623,402	7,623,402	7,623,402	7,623,402
Basic earnings per preferred share (in won)	3,307	10,339	4,795	14,846

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Profit for the year attributable to owners of the Parent Company	242,352	757,789	351,790	1,089,231
Ordinary shares dividends (A)	65,911	197,734	65,911	197,733
Preferred shares dividends (B)	7,719	23,156	7,719	23,156
Undistributed earnings for the year	168,722	536,899	278,160	868,342
Undistributed earnings available for ordinary shares (C)	151,230	481,238	249,323	778,320
Undistributed earnings available for preferred shares (D)	17,492	55,661	28,837	90,022
Profit for the year attributable to ordinary shares (A+C)	217,141	678,972	315,234	976,053
Profit for the year attributable to preferred shares (B+D)	25,211	78,817	36,556	113,178

² Weighted average numbers of shares are calculated as follows:

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

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

31. Dividends

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

32. Related party transactions

As of September 30, 2014 and December 31, 2013, LG Corp. is an entity exercising significant influence over the Group which owns 33.53% of the Parent Company's ordinary shares.

Details of associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as of September 30, 2014 and December 31, 2013, are as follows, and the details of investments in subsidiaries, associates and joint ventures are described in Note 1.3 :

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

Sales and purchases with related parties for the nine-month periods ended September 30, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Sales and others	Purchase and others		
		Purchase of raw material /merchandise	Acquisition of property, plant and equipment and intangible assets	Others
Entities with significant influence over the Group				
LG Corp.	-	-	-	40,996
Associates and joint ventures				
SEETEC Co., Ltd.	48,339	131,600	10	58,021
TECWIN Co., Ltd.	-	284	1,400	32
HL Greenpower Co., Ltd.	56,177	-	-	-
Others	29	-	-	997
Other related parties				
LG MMA Corporation	97,733	107,608	-	131
SERVEONE and its subsidiaries	18,228	269,949	129,883	65,046
LG CNS Co., Ltd. and its subsidiaries	2,084	2,923	59,824	34,797
Others	225	-	-	7,289
Key management	-	-	-	29,012
Total	222,815	512,364	191,117	236,321

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

	2013			
	Sales and others	Purchase and others		
		Purchase of raw material /merchandise	Acquisition of property, plant and equipment and intangible assets	Others
Entities with significant influence over the Group				
LG Corp.	-	-	-	40,877
Associates and joint ventures				
SEETEC Co., Ltd.	41,944	124,509	25	58,293
TECWIN Co., Ltd.	-	188	3,910	29
HL Greenpower Co., Ltd.	56,956	-	-	515
Others	39	-	-	947
Other related parties				
LG MMA Corporation	100,748	112,268	-	1,668
SERVEONE and its subsidiaries	14,857	303,776	228,227	30,173
LG CNS Co., Ltd. and its subsidiaries	1,336	3,607	37,408	33,005
Others	256	-	-	7,440
Key management	-	-	-	33,595
Total	216,136	544,348	269,570	206,542

Balances of receivables and payables arising from sales and purchases of goods and services as of September 30, 2014 and December 31, 2013, are as follows:

(in millions of Korean won)

	September 30, 2014			
	Receivables			
	Trade receivables and others	Loan receivables	Other receivables	Total
Entities with significant influence over the Group				
LG Corp.	-	-	7,488	7,488
Associates and joint ventures				
HL Greenpower Co., Ltd.	13,325	-	-	13,325
Others	27	-	-	27
Other related parties				
LG MMA Corporation	13,021	-	390	13,411
SERVEONE and its subsidiaries	3,309	-	25,893	29,202
LG CNS Co., Ltd. and its subsidiaries	2,329	-	-	2,329
Others	13	-	3,712	3,725
Total	32,024	-	37,483	69,507

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

	September 30, 2014			
	Payables			
	Trade payables	Borrowings	Other payables	Total
Entities with significant influence over the Group				
LG Corp.	-	-	-	-
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	20,885	20,885
TECWIN Co., Ltd.	-	-	278	278
HL Greenpower Co., Ltd.	-	-	18	18
Others	-	-	-	-
Other related parties				
LG MMA Corporation	12,512	-	-	12,512
SERVEONE and its subsidiaries	1,162	-	135,487	136,649
LG CNS Co., Ltd. and its subsidiaries	35	-	26,126	26,161
Others	-	-	745	745
Key management	-	-	42,342	42,342
Total	13,709	-	225,881	239,590

(in millions of Korean won)

	December 31, 2013			
	Receivables			
	Trade receivables and others	Loan receivables	Other receivables	Total
Entities with significant influence over the Group				
LG Corp.	-	-	6,935	6,935
Associates and joint ventures				
HL Greenpower Co., Ltd.	11,440	-	-	11,440
Others	22	-	-	22
Other related parties				
LG MMA Corporation	14,864	-	428	15,292
SERVEONE and its subsidiaries	2,395	-	25,857	28,252
LG CNS Co., Ltd. and its subsidiaries	2,755	-	-	2,755
Others	51	-	3,724	3,775
Total	31,527	-	36,944	68,471

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(in millions of Korean won)

	December 31, 2013			
	Payables			
	Trade payables	Borrowings	Other payables	Total
Entities with significant influence over the Group				
LG Corp.	-	-	64	64
Associates and joint ventures				
SEETEC Co., Ltd.	-	-	21,135	21,135
TECWIN Co., Ltd.	-	-	1,719	1,719
HL Greenpower Co., Ltd.	-	-	89	89
Others	-	-	56	56
Other related parties				
LG MMA Corporation	12,607	-	117	12,724
SERVEONE and its subsidiaries	1,218	-	173,397	174,615
LG CNS Co., Ltd. and its subsidiaries	200	-	29,350	29,550
Others	-	-	674	674
Key management	-	-	45,447	45,447
Total	14,025	-	272,048	286,073

Fund transactions with related parties for the nine-month periods ended September 30, 2014 and 2013, are as follows:

(in millions of Korean won)

	Equity contributions in cash	
	2014	2013
Associates and joint ventures		
LG Fuel Cell Systems Inc.	8,402	-
KLPE Limited Liability Partnership	33,533	18,680
Total	41,935	18,680

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

Compensation for key management of the Group for the nine-month periods ended September 30, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014	2013
Wages and salaries	27,336	31,928
Pension costs	<u>1,676</u>	<u>1,667</u>
Total	<u>29,012</u>	<u>33,595</u>

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

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

33. Cash generated from operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the nine-month periods ended September 30, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit before income tax	937,811	1,365,330
Adjustments for:		
Depreciation	825,659	755,155
Amortization	22,234	17,321
Pension costs	91,024	59,212
Finance income	(89,680)	(92,596)
Financial expenses	115,919	115,648
Foreign exchange differences	(33,588)	24,487
Gain on disposal of property, plant and equipment	(2,291)	(824)
Gain on disposal of intangible assets	(16)	(21)
Loss on disposal of property, plant and equipment	14,260	10,317
Loss on disposal of intangible assets	2,337	115
Impairment loss on property, plant and equipment	82,516	27,329
Impairment loss on intangible assets	684	140
Other expenses (income)	(3,586)	23,412
Inventories	(290,509)	116,169
Trade receivables	(43,903)	(343,966)
Other receivables	(1,003)	11,368
Settlement of derivatives	2,422	777
Trade payables	279,774	(128,828)
Other payables	(32,956)	113,761
Defined benefit liabilities	(4,143)	(4,920)
Other cash flows from operations	(43,699)	(31,881)
Cash generated from operations	<u>1,829,266</u>	<u>2,037,505</u>

The principal non-cash transactions for the nine-month periods ended September 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Transfer of construction-in-progress	648,689	1,294,981
Transfer of machinery-in-transit	107,646	106,698
Reclassification of long-term borrowings into current maturities	490,585	208,888
Transfer to non-current assets held for sale	5,639	-
Gain on valuation of derivatives recognized as other comprehensive income	-	154

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

34. Segment information

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

Segment	Products or services	Major customers
Petrochemicals	PE, PVC, VCM, Alcohol, Plasticizer, ABS/PS, EPS, MBS, SBL, EP, Ethylene, Propylene, BPA and others	LG International Corp., LG Electronics Inc., Daewoo Electronics Inc., National Plastic Co. Ltd., Youl Chon Chemical Co. Ltd., OCI Company Co. Ltd., Mitsui & Co. Ltd., and others
IT & Electronic materials	Polarizers, 3D FPR and others	LG Display Co., BOE, AUO, and others
Energy solutions	Portable batteries, batteries for vehicles, Electricity storage batteries and others	Hewlett-Packard Co., General Motors Corp., and others
Common and others	General management, sales and R&D	

(2) The segment information on revenue and profit and loss for the nine-month periods ended September 30, 2014 and 2013, is as follows:

(in millions of Korean won)

	2014				Total
	Petrochemicals	IT & Electronic Materials	Energy solutions	Common and others³	
Total segment revenue	13,282,803	2,096,880	2,086,215	7,515	17,473,413
Inter-segment revenue	141,041	120,593	1,068	5,184	267,886
Revenue from external customers ¹	13,141,762	1,976,287	2,085,147	2,331	17,205,527
Operating profit (loss) ²	905,526	115,898	67,442	(9,684)	1,079,182

(in millions of Korean won)

	2013				Total
	Petrochemicals	IT & Electronic Materials	Energy solutions	Common and others³	
Total segment revenue	13,314,482	2,428,435	1,917,670	2,197	17,662,784
Inter-segment revenue	55,269	102,335	8	2,197	159,809
Revenue from external customers ¹	13,259,213	2,326,100	1,917,662	-	17,502,975
Operating profit (loss) ²	1,070,265	318,297	38,465	(345)	1,426,682

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

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

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

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

(3) The segment information on assets and liabilities as of September 30, 2014 and December 31, 2013, is as follows:

(in millions of Korean won)

	September 30, 2014				Total
	Petrochemicals	IT & Electronic Materials	Energy solutions	Common and others ³	
Total assets for the segment ¹	8,783,382	3,056,024	3,271,890	3,150,394	18,261,690
Investments in associates and joint ventures	200,380	-	18,108	260,056	478,544
Total liabilities for the segment ¹	2,603,852	613,467	1,516,437	1,432,042	6,165,798

(in millions of Korean won)

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

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

(4) The external sales by geographical segments from continuing operations for the nine-month periods ended September 30, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014	2013
Korea ¹	7,126,607	7,414,443
China	7,424,562	7,671,640
South East Asia	1,098,080	1,041,602
America	1,465,293	1,347,560
Europe	1,170,373	912,981
Others	2,282,656	2,358,652
Eliminations	(3,362,044)	(3,243,903)
Total	17,205,527	17,502,975

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

(5) There is no external customer attributing to more than 10% of total revenue for the nine-month periods ended September 30, 2014 and 2013.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

35. Business combination

(1) During the period, the Group acquired 100% interest in LG 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.

(2) Goodwill amounting to ₩167,169 million arising from the business combination is due to 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.

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

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

(4) During the business combination process, the Parent Company provided USD 70,000 thousand as working capital loans and LG NanoH2O Inc. recognized the corresponding amount as borrowings.

(5) The fair value of trade and other(non-current) receivables is ₩8,229 million and includes trade receivables with a fair value of ₩790 million. The gross contractual amount for trade and other(non-current) receivables due is ₩8,229 million, which are expected to be collected during the normal course of the business.

(6) The Group has entered into performance incentive agreements with certain employees of LG NanoH2O. In order to guarantee the agreements, the Group has entered into an escrow agreement with a financial institution and deposited other non-current receivables of USD 6,369 thousand.

(7) The revenue and loss included in the consolidated statement of income since the acquisition date, contributed by LG NanoH2O Inc. were ₩2,331 million and ₩9,432 million, respectively.

(8) Had LG NanoH2O Inc. been consolidated from January 1, 2014, the consolidated statement of income would show revenue of ₩3,491 million and loss of ₩49,333 million.

LG Chem, Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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 2014.

Details of assets of disposal group classified as held-for-sale as of September 30, 2014, are as follows:

<i>(in millions of Korean won)</i>	Amount
Assets of disposal group	
Property, plant and equipment	5,577
Intangible assets	<u>62</u>
Total	<u><u>5,639</u></u>

(2) 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.