

**LG Electronics Inc.**  
**Interim Separate Financial Statements**  
**June 30, 2014 and 2013**

**LG Electronics Inc.**

Index

June 30, 2014 and 2013

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# LG Electronics Inc.

## Interim Separate Statements of Financial Position

June 30, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Note	June 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,30	1,096,434	1,298,349
Financial deposits	4,30	65,000	65,000
Trade receivables	4,5,30	6,497,983	4,697,202
Other financial assets	4,6,30	398,021	433,888
Inventories	7	1,232,285	916,581
Current income tax assets		1,409	2,446
Other current assets		496,741	439,757
		<u>9,787,873</u>	<u>7,853,223</u>
<b>Non-current assets</b>			
Financial deposits	4,30	3,032	4,759
Loans and other receivables	4,30	386,263	410,385
Other financial assets	4,6,30	31,558	31,823
Property, plant and equipment	8	6,198,047	6,045,037
Intangible assets	8	1,050,457	1,085,867
Deferred income tax assets	24	719,980	875,503
Investments in subsidiaries, associates and joint ventures	9	8,042,154	8,006,190
Investment property		2,279	2,979
Other non-current assets		626,799	655,316
		<u>17,060,569</u>	<u>17,117,859</u>
<b>Total assets</b>		<u>26,848,442</u>	<u>24,971,082</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	4,30	5,139,504	4,327,403
Borrowings	4,10,30	826,005	1,391,805
Other payables	4,30	1,608,378	1,798,292
Other financial liabilities	4,6,30	7,470	9,090
Provisions	12	222,599	212,710
Other current liabilities		1,879,699	1,607,031
		<u>9,683,655</u>	<u>9,346,331</u>
<b>Non-current liabilities</b>			
Borrowings	4,10,30	5,807,116	4,550,437
Other financial liabilities	4,6,30	56,458	9,891
Net defined benefit liability	11	581,724	413,825
Provisions	12	792,529	817,778
		<u>7,237,827</u>	<u>5,791,931</u>
<b>Total liabilities</b>		<u>16,921,482</u>	<u>15,138,262</u>
<b>Equity</b>			
Paid-in capital:	13		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	14	5,965,508	5,857,083
Accumulated other comprehensive income	15	1,923	16,208
Other components of equity	16	(32,819)	(32,819)
<b>Total equity</b>		<u>9,926,960</u>	<u>9,832,820</u>
<b>Total liabilities and equity</b>		<u>26,848,442</u>	<u>24,971,082</u>

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

**LG Electronics Inc.**

**Interim Separate Statements of Income**

**Three-Month and Six-Month Periods Ended June 30, 2014 and 2013**

	Note	2014		2013	
		Three months	Six months	Three months	Six months
<i>(in millions of Korean won, except per share amounts)</i>					
<b>Net sales</b>	17	8,024,227	15,359,442	7,431,707	14,329,713
<b>Cost of sales</b>	18	6,319,250	12,302,863	5,777,806	11,345,840
<b>Gross profit</b>		1,704,977	3,056,579	1,653,901	2,983,873
Selling and marketing expenses	18,19	696,609	1,305,540	705,552	1,312,970
Administrative expenses	18,19	134,789	257,417	128,669	268,775
Research and development expenses	18,19	478,192	939,342	536,948	1,015,123
Service costs	18,19	116,683	225,975	147,980	272,570
<b>Operating income</b>		278,704	328,305	134,752	114,435
Financial income	20	25,348	66,187	42,487	98,673
Financial expenses	21	96,749	194,167	101,246	192,271
Other non-operating income	22	416,144	556,154	316,599	597,681
Other non-operating expenses	23	271,335	395,092	319,546	512,393
Profit before income tax		352,112	361,387	73,046	106,125
Income tax expense	24	108,641	190,229	10,908	12,241
<b>Profit for the period</b>		243,471	171,158	62,138	93,884
<b>Earnings per share during the period (in won):</b>	25				
Earnings per share for profit attributable to the common equity holders of the Company		1,351	948	344	519
Earnings per share for profit attributable to the preferred equity holders of the Company		1,363	973	356	544

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

**LG Electronics Inc.****Interim Separate Statements of Comprehensive Income****Three-Month and Six-Month Periods Ended June 30, 2014 and 2013**

<i>(in millions of Korean won)</i>	Note	2014		2013	
		Three months	Six months	Three months	Six months
<b>Profit for the period</b>		243,471	171,158	62,138	93,884
<b>Other comprehensive income(loss), net of tax</b>					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the net defined benefit liability	11	(41,823)	(25,861)	67,142	12,578
Items that will be reclassified subsequently to profit or loss:					
Cash flow hedges	30	(11,651)	(14,169)	(3,446)	(4,193)
Available-for-sale financial assets	6	(509)	(116)	767	3,107
<b>Other comprehensive income(loss) for the period, net of tax</b>		<b>(53,983)</b>	<b>(40,146)</b>	<b>64,463</b>	<b>11,492</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>189,488</b>	<b>131,012</b>	<b>126,601</b>	<b>105,376</b>

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

**LG Electronics Inc.**

**Interim Separate Statements of Changes in Equity**

**Six-Month Periods Ended June 30, 2014 and 2013**

<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total
<b>Balance at January 1, 2013</b>		3,992,348	6,059,062	4,364	(32,819)	10,022,955
<b>Comprehensive income:</b>						
Profit for the period		-	93,884	-	-	93,884
Remeasurements of the net defined benefit liability	11	-	12,578	-	-	12,578
Cash flow hedges	30	-	-	(4,193)	-	(4,193)
Available-for-sale financial assets	6	-	-	3,107	-	3,107
<b>Total comprehensive income</b>		<u>-</u>	<u>106,462</u>	<u>(1,086)</u>	<u>-</u>	<u>105,376</u>
<b>Transactions with equity holders:</b>						
Dividends	14	-	(36,872)	-	-	(36,872)
<b>Total transactions with equity holders</b>		<u>-</u>	<u>(36,872)</u>	<u>-</u>	<u>-</u>	<u>(36,872)</u>
<b>Balance at June 30, 2013</b>		<u>3,992,348</u>	<u>6,128,652</u>	<u>3,278</u>	<u>(32,819)</u>	<u>10,091,459</u>
<b>Balance at January 1, 2014</b>		3,992,348	5,857,083	16,208	(32,819)	9,832,820
<b>Comprehensive income:</b>						
Profit for the period		-	171,158	-	-	171,158
Remeasurements of the net defined benefit liability	11	-	(25,861)	-	-	(25,861)
Cash flow hedges	30	-	-	(14,169)	-	(14,169)
Available-for-sale financial assets	6	-	-	(116)	-	(116)
<b>Total comprehensive income</b>		<u>-</u>	<u>145,297</u>	<u>(14,285)</u>	<u>-</u>	<u>131,012</u>
<b>Transactions with equity holders:</b>						
Dividends	14	-	(36,872)	-	-	(36,872)
<b>Total transactions with equity holders</b>		<u>-</u>	<u>(36,872)</u>	<u>-</u>	<u>-</u>	<u>(36,872)</u>
<b>Balance at June 30, 2014</b>		<u>3,992,348</u>	<u>5,965,508</u>	<u>1,923</u>	<u>(32,819)</u>	<u>9,926,960</u>

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

**LG Electronics Inc.****Interim Separate Statements of Cash Flows****Six-Month Periods Ended June 30, 2014 and 2013**

<i>(in millions of Korean won)</i>	<b>Note</b>	<b>Six-Month Period Ended June 30</b>	
		<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	(145,590)	537,856
Interest received		11,878	13,708
Interest paid		(124,817)	(109,870)
Dividends received		101,094	281,031
Income tax paid		(21,889)	(39,202)
<b>Net cash generated from(used in) operating activities</b>		<u>(179,324)</u>	<u>683,523</u>
<b>Cash flows from investing activities</b>			
Decrease in financial deposits		1,727	4,067
Decrease in loans and other receivables		75,919	108,123
Proceeds from disposal and recovery of other financial assets		-	65,868
Proceeds from disposal of property, plant and equipment		7,463	7,533
Proceeds from disposal of intangible assets		15,724	953
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		3,713	550
Decrease in others		368	32
Increase in financial deposits		-	(5,000)
Increase in loans and other receivables		(48,803)	(96,687)
Acquisition of other financial assets		-	(4,500)
Acquisition of property, plant and equipment		(497,173)	(691,116)
Acquisition of intangible assets		(228,269)	(176,034)
Acquisition of investments in subsidiaries, associates and joint ventures		(39,560)	(60,888)
<b>Net cash used in investing activities</b>		<u>(708,891)</u>	<u>(847,099)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,522,958	580,175
Repayments of borrowings		(799,786)	(709,433)
Dividends paid		(36,872)	(36,872)
<b>Net cash provided by(used in) financing activities</b>		<u>686,300</u>	<u>(166,130)</u>
<b>Net decrease in cash and cash equivalents</b>		(201,915)	(329,706)
Cash and cash equivalents at the beginning of period		1,298,349	1,114,246
<b>Cash and cash equivalents at the end of period</b>		<u>1,096,434</u>	<u>784,540</u>

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

**LG Electronics Inc.**  
**Notes to the Interim Separate Financial Statements**  
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**1. General Information**

LG Electronics Inc.(the Company) was spun-off from LG Electronics Investment Ltd. on April 1, 2002. The Company's shares are listed on the Korea Exchange, and some of its preferred shares, in form of global depositary receipts ("DRs"), are listed on the London Stock Exchange as of the reporting date. The Company is domiciled in Korea at Yeoui-daero, Yeungdeungpo-gu, Seoul.

As of June 30, 2014, LG Corp. owns 33.7% of the Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines and personal computers and of core parts. As of June 30, 2014, the Company operates manufacturing facilities mainly in Pyeongtaek, Changwon and Gumi in the Republic of Korea.

**2. Significant Accounting Policies**

**Basis of Preparation**

The attached statements are the separate financial statements subject to Korean IFRS 1027, 'Separate Financial Statements'. The interim separate financial statements for the six-month period ended June 30, 2014, have been prepared in accordance with Korean IFRS 1034, 'Interim Financial Reporting'. These interim separate financial statements have been prepared in accordance with the Korean IFRS standards and interpretations effective at June 30, 2014.

**Changes in Accounting Policy and Disclosures**

- i. New standards, amendments, and interpretations effective for the financial year beginning January 1, 2014.

The new and amended standards early adopted by the Company during 2013

- Korean IFRS 1032(Amendment): 'Financial Instruments: Presentation'

Amendment to Korean IFRS 1032, 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. The amendments of Korean IFRS 1032 do not have a significant impact on these separate financial statements.



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The new and amended standards and interpretations adopted by the Company during 2014

- Korean IFRS 1036(Amendment): 'Impairment of Assets'

Amendments to Korean IFRS 1036, 'Impairment of Assets', clarify the facts that it shall disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which an impairment loss is recognized or reversed. These amendments also prescribe disclosures in case the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which an impairment loss is recognized or reversed is the fair value less costs to sell. The amendments do not have a significant impact on its separate financial statements.

- Korean IFRS 1039(Amendment): 'Financial Instruments: Recognition and Measurement'

Amendments 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. The amendments do not have a significant impact on these separate financial statements.

- Korean IFRS 2121(Enactment): '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 enactments do not have a significant impact on these separate financial statements.

ii. As of June 30, 2014, there are no new and amended standards effective for the financial period beginning January 1, 2015 and early adopted in this period.

**Application of Accounting Policies**

The significant accounting policies and computation method used in the preparation of these interim separate financial statements are the same as the policies and methods adopted for the preparation of the financial statements for the year ended December 31, 2013, unless otherwise stated in Note 2.

**Income Tax Expense**

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

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**3. Critical Accounting Estimates and Assumptions**

For the interim separate financial statements, the Company's management makes judgments, estimates and assumptions which affect accounting policies and its assets, liabilities, income and cost. 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.

(a) Revenue Recognition

The Company recognizes revenue using the percentage of completion method for the rendering of service such as installation. When using the percentage of completion method, revenue shall be recognized by estimating revenue is recognized in accordance with the progress of the transaction. It is calculated based on potential economic benefits and the estimated cost for the completion of the transaction. The factors for the estimation of revenue may vary.

(b) Impairment of Goodwill

The Company tests goodwill regularly for impairment. The recoverable amounts of cash-generating units have been determined based on fair value after deducting the costs of disposal and value-in-use calculations. These calculations require the use of estimates.

(c) Income Taxes

The Company recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. Where final tax obligation is different from the amount that was initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period when tax obligation is finalized.

(d) Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Provisions

The Company recognizes provisions for product warranties and sales returns based on their historical data.

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(f) Net defined Benefit Liability

The present value of the defined benefit obligation depends on various factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit obligation. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligation. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit obligation are based on current market conditions.

**4. Financial Instruments by Category and Offsetting Financial Assets and Financial Liabilities**

(a) Categorizations of financial instruments as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	1,096,434	-	-	-	1,096,434
Financial deposits	-	68,032	-	-	-	68,032
Trade receivables	-	6,497,983	-	-	-	6,497,983
Loans and other receivables	-	784,284	-	-	-	784,284
Other financial assets	-	-	31,558	-	-	31,558
<b>Total</b>	-	<b>8,446,733</b>	<b>31,558</b>	-	-	<b>8,478,291</b>

<i>(in millions of Korean won)</i>	June 30, 2014				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
Trade payables	-	5,139,504	-	-	5,139,504
Borrowings	-	6,633,121	-	-	6,633,121
Other payables	-	1,608,378	-	-	1,608,378
Other financial liabilities	-	-	63,928	-	63,928
<b>Total</b>	-	<b>13,381,003</b>	<b>63,928</b>	-	<b>13,444,931</b>

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<i>(in millions of Korean won)</i>	December 31, 2013					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	1,298,349	-	-	-	1,298,349
Financial deposits	-	69,759	-	-	-	69,759
Trade receivables	-	4,697,202	-	-	-	4,697,202
Loans and other receivables	-	844,273	-	-	-	844,273
Other financial assets	-	-	31,729	-	94	31,823
<b>Total</b>	-	<b>6,909,583</b>	<b>31,729</b>	-	<b>94</b>	<b>6,941,406</b>

<i>(in millions of Korean won)</i>	December 31, 2013				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
Trade payables	-	4,327,403	-	-	4,327,403
Borrowings	-	5,942,242	-	-	5,942,242
Other payables	-	1,798,292	-	-	1,798,292
Other financial liabilities	-	-	18,981	-	18,981
<b>Total</b>	-	<b>12,067,937</b>	<b>18,981</b>	-	<b>12,086,918</b>

(b) Income and expenses by category of financial instruments for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Interest income	-	15,797	-	-	-	15,797
Exchange differences	-	(218,179)	-	-	-	(218,179)
Bad debts expense	-	(23,052)	-	-	-	(23,052)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	(116)	-	-	(116)
Impairment loss of available-for-sale financial assets	-	-	(17)	-	-	(17)
Dividend income	-	-	299	-	-	299

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<i>(in millions of Korean won)</i>	2014			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(126,919)	-	(126,919)
Exchange differences	-	204,399	-	204,399
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(14,169)	(14,169)

<i>(in millions of Korean won)</i>	2013					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Interest income	-	15,747	-	-	-	15,747
Exchange differences	-	211,398	-	-	-	211,398
Bad debt expense	-	(47,675)	-	-	-	(47,675)
Loss on disposal of trade receivables	-	(1,237)	-	-	-	(1,237)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	3,107	-	-	3,107
Gain on disposal of available-for-sale-financial assets	-	-	5,218	-	-	5,218
Impairment loss of available-for-sale financial assets	-	-	(453)	-	-	(453)
Dividend income	-	-	295	-	-	295

<i>(in millions of Korean won)</i>	2013			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(111,759)	-	(111,759)
Exchange differences	-	(313,295)	-	(313,295)
Loss on derivatives (through profit or loss)	-	-	(4,193)	(4,193)

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(c) Recognized financial instruments that are subject to an enforceable master netting arrangements or similar arrangements, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Trade receivables</b>	<b>Trade payables</b>	<b>Trade receivables</b>	<b>Trade payables</b>
Gross amounts subject to arrangement	102,645	165,103	63,883	84,795
Offset	(102,645)	(102,645)	(63,883)	(63,883)
Net amounts presented	-	62,458	-	20,912
Related amounts not offset	-	-	-	-
Net amount	-	62,458	-	20,912

**5. Trade Receivables**

(a) Carrying amounts of trade receivables, and allowance for doubtful accounts, as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Trade receivables	6,583,544	4,760,190
Less: allowance for doubtful accounts	(85,561)	(62,988)
<b>Carrying amount</b>	<b>6,497,983</b>	<b>4,697,202</b>

(b) The aging analysis as of June 30, 2014 and December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Current	6,054,286	4,391,130
Past due : Up to 6 months	374,093	257,961
Past due : 7 to 12 months	90,871	80,592
Past due : Over one year	51,599	14,556
Defaulted	12,695	15,951
<b>Total</b>	<b>6,583,544</b>	<b>4,760,190</b>

(c) Movements in allowance for doubtful accounts for the six-month periods ended June 30, 2014 and 2013, are as follows

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	62,988	43,652
Addition	22,573	47,679
Write-off	-	-
<b>At June 30</b>	<b>85,561</b>	<b>91,331</b>

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(d) Transferred financial assets that are not derecognized in their entirety are as follows:

Trade receivables transferred to financial institutions are recorded as short-term borrowings as they failed to meet the offsetting requirements as of the end of this reporting period (Note 10).

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Carrying amount of asset<sup>1</sup></b>		
Trade receivables	47,107	19,689
<b>Carrying amount of associated liability<sup>1</sup></b>		
Short-term borrowings	47,107	19,689
<b>Net position<sup>2</sup></b>	<b>-</b>	<b>-</b>

<sup>1</sup> Fair values of the above trade receivables and short-term borrowings are the same as their carrying amounts, respectively.

<sup>2</sup> Net position is the difference of fair value between the above transferred financial asset and the associated liability.

**6. Other Financial Assets and Liabilities**

(a) Details of other financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Other financial assets</b>		
Derivatives	-	94
Available-for-sale	31,558	31,729
<b>Total</b>	<b>31,558</b>	<b>31,823</b>
Current	-	-
Non-current	31,558	31,823
<b>Other financial liabilities</b>		
Derivatives	63,356	18,356
Financial guarantee liability	572	625
<b>Total</b>	<b>63,928</b>	<b>18,981</b>
Current	7,470	9,090
Non-current	56,458	9,891

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(b) Details of derivatives and liabilities as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Current</b>				
Currency swap	-	7,364	-	8,985
<b>Non-current</b>				
Currency swap	-	39,842	94	9,371
Interest rate swap	-	16,150	-	-
<b>Total</b>	<b>-</b>	<b>63,356</b>	<b>94</b>	<b>18,356</b>

The maximum exposure to credit risk as of the reporting date is the carrying amount of derivatives as of the same date.

The details of major derivative contracts as of the reporting date are presented in Note 30.

(c) Assets classified as available-for-sale

i) Changes in available-for-sale financial assets for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>					
	<b>Beginning</b>		<b>Valuation<sup>1</sup> (Other comprehensive income)</b>			<b>Ending</b>
	<b>Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Impairment</b>	<b>Balance</b>	
Listed equity securities	15,114	-	-	(154)	(17)	14,943
Unlisted equity securities	16,615	-	-	-	-	16,615
<b>Total</b>	<b>31,729</b>	<b>-</b>	<b>-</b>	<b>(154)</b>	<b>(17)</b>	<b>31,558</b>

<i>(in millions of Korean won)</i>	<b>2013</b>					
	<b>Beginning</b>		<b>Valuation<sup>1</sup> (Other comprehensive income)</b>			<b>Ending</b>
	<b>Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Impairment</b>	<b>Balance</b>	
Listed equity securities	7,636	-	-	4,098	-	11,734
Unlisted equity securities	24,894	4,500	(8,400)	-	(453)	20,541
<b>Total</b>	<b>32,530</b>	<b>4,500</b>	<b>(8,400)</b>	<b>4,098</b>	<b>(453)</b>	<b>32,275</b>

<sup>1</sup>The loss of ₩17 million (2013: nil) from the accumulated other comprehensive income relating to available-for-sale financial assets has been reclassified to profit and loss during the period.

ii) The listed equity securities among the above available-for-sale financial assets are measured using quoted prices in active markets. However, the unlisted securities are measured at cost as they are mostly in the beginning of their business stages and their fair values cannot be reliably measured.



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- iii) During the reporting period, available-for-sale equity securities amounting to ₩ 4,880 million and ₩ 3,520 million, whose fair value could not be measured reliably and therefore measured at cost, have been derecognized as a result of return and disposal of capital investments, respectively. The Company recognized gain on disposal amounting to ₩ 5,218 million in relation to the derecognition.

**7. Inventories**

Inventories as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	June 30, 2014			December 31, 2013		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Finished products and merchandise	508,195	(16,401)	491,794	400,399	(19,973)	380,426
Half-finished products and work-in-process	127,258	(1,311)	125,947	106,848	(1,243)	105,605
Raw materials and supplies	511,567	(15,643)	495,924	329,491	(16,560)	312,931
Other	146,800	(28,180)	118,620	147,748	(30,129)	117,619
<b>Total</b>	<b>1,293,820</b>	<b>(61,535)</b>	<b>1,232,285</b>	<b>984,486</b>	<b>(67,905)</b>	<b>916,581</b>

The loss on valuation of inventories recognized for the six-month period ended June 30, 2014, amounts to ₩17,661 million (2013: ₩36,156 million).

**8. Property, Plant and Equipment, and Intangible Assets**

Changes in property, plant and equipment for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
<b>At January 1</b>	6,045,037	5,437,210
Acquisitions	458,503	695,836
Disposals and others	(10,166)	(6,368)
Decrease due to business transfer	(255)	(4,103)
Depreciation	(294,637)	(264,370)
Impairment <sup>1</sup>	(435)	(1,343)
<b>At June 30</b>	<b>6,198,047</b>	<b>5,856,862</b>

<sup>1</sup>Recognized by measuring the recoverable amount of individual assets due to various reasons, including disuse.

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Changes in intangible assets for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	1,085,867	962,002
Acquisitions	27,793	44,202
Acquisitions by internal development	105,560	98,643
Transfer-in	42,681	43,055
Disposals and others	(14,881)	(9,818)
Decrease due to business transfer	(1,650)	(645)
Amortization	(191,172)	(160,215)
Impairment <sup>1</sup>	(3,741)	(449)
<b>At June 30</b>	<b>1,050,457</b>	<b>976,775</b>

<sup>1</sup>Recognized by measuring the recoverable amount of individual assets due to various reasons, including disuse.

**9. Investments in Subsidiaries, Associates and Joint Ventures**

(a) Investments in subsidiaries, associates and joint ventures as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>Classification at June 30, 2014</b>	<b>Location</b>	<b>Closing month</b>	<b>Percentage of ownership at June 30, 2014</b>	<b>Carrying amount</b>	
					<b>June 30, 2014</b>	<b>December 31, 2013</b>
LG Display Co., Ltd.	Associate	Korea	December	37.9%	3,480,623	3,480,623
LG Electronics U.S.A., Inc.(LGEUS)	Subsidiary	USA	December	100.0%	955,542	955,542
LG Innotek Co., Ltd.	Subsidiary	Korea	December	40.8%	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	Subsidiary	India	March	100.0%	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Subsidiary	Brazil	December	100.0%	270,631	270,631
LG Electronics Mlawa Sp. z o.o.(LGEMA)	Subsidiary	Poland	December	100.0%	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	Subsidiary	China	December	70.0%	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Subsidiary	Netherlands	December	100.0%	148,551	148,551
Hiplaza Co., Ltd.	Subsidiary	Korea	December	100.0%	136,459	136,459
LG Holdings(HK) Ltd.	Joint venture	Hong Kong	December	49.0%	129,386	129,386
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	Subsidiary	China	December	88.4%	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Subsidiary	Indonesia	December	100.0%	94,118	94,118
Ericsson-LG Co., Ltd.	Associate	Korea	December	25.0%	81,755	81,755
Hitachi-LG Data Storage Inc. (HLDS)	Associate	Japan	March	49.0%	80,602	80,602
LG Electronics Panama, S.A.(LGEPS)	Subsidiary	Panama	December	100.0%	79,222	79,222
LG Electronics Wroclaw Sp.z o.o.(LGEWR)	Subsidiary	Poland	December	100.0%	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Subsidiary	Mexico	December	100.0%	68,721	68,721
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH) <sup>3</sup>	Subsidiary	Vietnam	December	100.0%	68,436	37,698

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<i>(in millions of Korean won)</i>	Classification at June 30, 2014	Location	Closing month	Percentage of ownership at June 30, 2014	Carrying amount	
					June 30, 2014	December 31, 2013
LG Electronics Shenyang Inc.(LGESY)	Subsidiary	China	December	56.3%	66,668	66,668
Hi Entech Co., Ltd.	Subsidiary	Korea	December	100.0%	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Subsidiary	Thailand	December	100.0%	55,578	55,578
Global OLED Technology LLC.	Associate	USA	December	32.7%	53,454	53,454
LG Electronics Australia Pty, Ltd.(LGEAP)	Subsidiary	Australia	December	100.0%	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	Subsidiary	China	December	60.5%	48,624	48,624
LG Fuel Cell Systems Inc. <sup>3</sup>	Associate	USA	December	29.2%	44,051	36,784
LG Electronics RUS, LLC(LGERA)	Subsidiary	Russia	December	100.0%	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	Subsidiary	China	December	45.0%	41,984	41,984
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Joint venture	Turkey	December	50.0%	40,844	40,844
EIC PROPERTIES PTE LTD.	Joint venture	Singapore	December	38.2%	7,881	7,881
LG-Shaker Co., Ltd.(LGESR) <sup>3</sup>	Subsidiary	Saudi	December	51.0%	5,656	4,619
Korea Information Certificate Authority Inc. <sup>1</sup>	Associate	Korea	December	7.5%	1,242	1,242
Innovation Investment Fund <sup>2</sup>	Subsidiary	Korea	December	83.3%	1,054	3,970
PT.LG Electronics Service Indonesia(LGEID) <sup>4</sup>	Subsidiary	Indonesia	December	99.8%	518	-
LG Fund for Enterprises <sup>2</sup>	Joint venture	Korea	December	50.0%	60	740
Others	Subsidiaries				526,739	526,739
<b>Total</b>					<b>8,042,154</b>	<b>8,006,190</b>

<sup>1</sup> Classified as an associate although the percentage of ownership is less than 20% because the Company has significant influence over the investee's board of directors.

<sup>2</sup> Carrying amount decreased due to return of interest in the investment and others during the period.

<sup>3</sup> Participated in capital increase of the investee during the period.

<sup>4</sup> Newly established and acquired during the period.

(b) Changes in investments in subsidiaries, associates and joint ventures for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
<b>Opening net book amount</b>	8,006,190	7,950,178
Acquisitions	39,560	60,888
Disposals and others	(3,596)	(899)
<b>Closing net book amount</b>	<b>8,042,154</b>	<b>8,010,167</b>

(c) The Company recognizes investments in subsidiaries, associates and joint ventures at cost method indications that an impairment loss may have occurred at the end of each reporting period. On the occasion of the indication, the Company estimates the recoverable amount of the asset using various means including the future cash flow method and recognizes the impairment loss immediately as current loss by

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decreasing the book value of the asset if the book value exceeds the recoverable amount. The Company did not recognize the impairment loss relating to investments in subsidiaries, associates and joint ventures during the six-month periods ended June 30, 2014 and 2013.

- (d) The fair value and book value of marketable subsidiaries, associates, and joint ventures securities as of June 30, 2014 and December 31, 2013, are as follows:

<b>June 30, 2014</b>					
	<b>Type</b>	<b>Shares held</b>	<b>Price per share</b>	<b>Fair value</b>	<b>Book value</b>
		<i>(Unit: shares)</i>	<i>(Unit: won)</i>	<i>(in millions of Korean won)</i>	
LG Display Co., Ltd.	Associate	135,625,000	31,800	4,312,875	3,480,623
LG Innotek Co., Ltd. Korea Information Certificate Authority Inc. <sup>1</sup>	Subsidiary   Associate	9,653,181   2,000,000	145,000   4,560	1,399,711   9,120	541,538   1,242

<b>December 31, 2013</b>					
	<b>Type</b>	<b>Shares held</b>	<b>Price per share</b>	<b>Fair value</b>	<b>Book value</b>
		<i>(Unit: shares)</i>	<i>(Unit: won)</i>	<i>(in millions of Korean won)</i>	
LG Display Co., Ltd.	Associate	135,625,000	25,350	3,438,094	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	83,700	807,971	541,538

<sup>1</sup>The above company completed an IPO and KOSDAQ during the six-month period ended June 30, 2014.

**10. Borrowings**

- (a) The carrying amounts of borrowings as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Current</b>		
Short-term borrowings	47,107	19,689
Current portion of long-term borrowings	677,500	957,500
Current portion of debentures	101,398	414,616
<b>Sub-total</b>	<b>826,005</b>	<b>1,391,805</b>
<b>Non-current</b>		
Long-term borrowings	1,381,250	1,195,000
Debentures	4,425,866	3,355,437
<b>Sub-total</b>	<b>5,807,116</b>	<b>4,550,437</b>
<b>Total</b>	<b>6,633,121</b>	<b>5,942,242</b>

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(b) Details of borrowings are as follows:

i) Short-term borrowings as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	Annual interest rate at June 30, 2014	Carrying amount	
		June 30, 2014	December 31, 2013
Borrowings on negotiated trade bills <sup>1</sup>			
Hana Bank and other	3.09 ~ 4.28%	47,107	19,689
<b>Total</b>		<b>47,107</b>	<b>19,689</b>

<sup>1</sup> At the end of the reporting period, borrowings are collateralized by certain trade receivables of the Company (Note 5).

ii) Long-term borrowings as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at June 30, 2014(%)	June 30, 2014		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
Kookmin Bank <sup>1</sup>	2029. 4.30	3M CD+1.14	200,000	-	200,000
Shinhan Bank	2016.10.19	4.37	118,750	47,500	71,250
Shinhan Bank	2017. 2.16	4.60	190,000	-	190,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Hana Bank <sup>1</sup>	2024. 1. 3	3M CD+0.98	200,000	-	200,000
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015. 3.10	5.06	90,000	90,000	-
Korea Finance Corporation	2015. 2.28	4.80	100,000	100,000	-
Korea Finance Corporation	2015. 9.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016. 4.20	4.63	30,000	-	30,000
Korea Finance Corporation	2017. 3.29	4.62	190,000	-	190,000
<b>Total</b>			<b>2,058,750</b>	<b>677,500</b>	<b>1,381,250</b>

<sup>1</sup> The Company entered into an interest rate swap contract to hedge cash flow risk related to floating interest rates fluctuation (Note 30).

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
Nonghyup Bank	2014. 3. 9	4.70	190,000	190,000	-
Shinhan Bank	2016.10.19	4.37	142,500	47,500	95,000
Shinhan Bank	2017. 2.16	4.60	190,000	-	190,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Korea Development Bank	2014. 4. 5	4.45	190,000	190,000	-
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015. 3.10	5.06	90,000	-	90,000
Korea Finance Corporation	2014. 2.28	4.56	90,000	90,000	-
Korea Finance Corporation	2015. 2.28	4.80	100,000	-	100,000
Korea Finance Corporation	2015. 9.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016. 4.20	4.63	30,000	-	30,000
Korea Finance Corporation	2017. 3.29	4.62	190,000	-	190,000
<b>Total</b>			<b>2,152,500</b>	<b>957,500</b>	<b>1,195,000</b>

iii) Debentures as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at June 30, 2014(%)	June 30, 2014			
			Total	Current	Non-current	
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015. 9. 9	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016. 2.16	4.91	60,000	-	60,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016. 5.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016. 6.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016. 8. 5	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds (63 <sup>rd</sup> ) <sup>1</sup>	2014. 8.23	3ML+0.70	101,440	101,440	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016. 9.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12. 2	2.00	244,762	-	244,762
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015. 9.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017. 9.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (67 <sup>th</sup> )	2018. 3.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-1 <sup>st</sup> )	2020. 5.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-2 <sup>nd</sup> )	2020. 5.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-3 <sup>rd</sup> )	2023. 5.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-4 <sup>th</sup> )	2023. 5.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-1 <sup>st</sup> )	2015. 7.31	2.86	110,000	-	110,000

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<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at June 30, 2014(%)	June 30, 2014		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-2 <sup>nd</sup> )	2018. 7.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-3 <sup>rd</sup> )	2020. 7.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds (70 <sup>th</sup> ) <sup>1</sup>	2019. 1.31	3ML+1.60	202,880	-	202,880
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-1st)	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-2nd)	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-3rd)	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, non- guaranteed bonds(72nd) <sup>1</sup>	2017. 6.19	3ML+1.30	202,880	-	202,880
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-1st)	2017. 1.24	3.16	100,000	-	100,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-2nd)	2019. 1.24	3.60	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-3rd)	2021. 1.24	3.95	160,000	-	160,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-4th)	2024. 1.24	4.44	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-1st )	2019. 5.29	3.30	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-2nd )	2021. 5.29	3.52	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-3rd )	2024. 5.29	4.04	210,000	-	210,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-4th )	2029. 5.29	4.44	60,000	-	60,000
Less: discount on debentures				(14,698)	(42)	(14,656)
<b>Total</b>				<b>4,527,264</b>	<b>101,398</b>	<b>4,425,866</b>

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015. 9. 9	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 <sup>st</sup> )	2014. 2.16	4.44	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016. 2.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014. 4.28	3ML+1.00	179,401	179,401	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016. 5.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016. 6.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016. 8. 5	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds (63 <sup>rd</sup> ) <sup>1</sup>	2014. 8.23	3ML+0.70	105,530	105,530	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016. 9.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12. 2	2.00	255,564	-	255,564
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015. 9.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017. 9.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67th)	2018. 3.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1st)	2020. 5.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2nd)	2020. 5.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3rd)	2023. 5.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4th)	2023. 5.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-1st)	2015. 7.31	2.86	110,000	-	110,000

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<i>(in millions of Korean won)</i>		<b>Maturity date</b>	<b>Annual interest rate at December 31, 2013(%)</b>	<b>December 31, 2013</b>		
				<b>Total</b>	<b>Current</b>	<b>Non-current</b>
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-2nd)	2018. 7.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-3rd)	2020. 7.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds(70th) <sup>1</sup>	2019. 1.31	3ML+1.60	211,060	-	211,060
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-1st)	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-2nd)	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-3rd)	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(72nd) <sup>1</sup>	2017. 6.19	3ML+1.30	211,060	-	211,060
<b>Less: discount on debentures</b>				<b>(12,562)</b>	<b>(315)</b>	<b>(12,247)</b>
<b>Total</b>				<b>3,770,053</b>	<b>414,616</b>	<b>3,355,437</b>

<sup>1</sup> The Company entered into a cross-currency swap contract to hedge cash flow risk related to floating interest rates and foreign exchange rates of debentures (Note 30).

Meanwhile, the Company is provided with payment guarantees from Shinhan Bank for principal and interests of the guaranteed private placement bonds(70<sup>th</sup> issue) (Note 27).

(c) Payment schedule of borrowings as of June 30, 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Less than 1 year</b>	<b>Less than 2 years</b>	<b>Less than 5 years</b>	<b>Over 5 years</b>
Short-term borrowings	47,107	47,107	-	-	-
Current portion of long-term borrowings	695,669	695,669	-	-	-
Current portion of debentures	101,677	101,677	-	-	-
Long-term borrowings	1,677,149	60,158	442,720	665,154	509,117
Debentures	5,142,896	156,028	1,238,195	2,358,371	1,390,302
<b>Total</b>	<b>7,664,498</b>	<b>1,060,639</b>	<b>1,680,915</b>	<b>3,023,525</b>	<b>1,899,419</b>

The above cash flows are calculated at nominal value based on the earliest maturity dates, and include cash flows of principal and interests.



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**11. Post-employment Benefits**

**Defined Benefit Plan**

(a) The amounts recognized in the statements of financial position as of June 30, 2014 and December 31, 2013, are determined as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Present value of funded obligations	1,690,659	1,547,342
Fair value of plan assets	(1,108,935)	(1,133,517)
<b>Net defined benefit liability</b>	<b>581,724</b>	<b>413,825</b>

(b) The amounts recognized in the statements of income for the three-month and six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Current service cost	60,028	120,528	56,812	113,624
Net interest expense	4,678	8,888	3,545	7,089
Past service cost	-	20,467	-	-
Managing cost	301	615	302	613
<b>Total</b>	<b>65,007</b>	<b>150,498</b>	<b>60,659</b>	<b>121,326</b>

(c) The line items in which expenses are included for the three-month and six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Manufacturing cost	32,022	76,118	31,219	62,656
Selling and marketing expenses	9,512	20,943	8,419	16,868
Administrative expenses	4,545	9,244	3,706	7,099
Research and development expenses	17,839	41,833	16,397	32,876
Service costs	1,089	2,360	918	1,827
<b>Total</b>	<b>65,007</b>	<b>150,498</b>	<b>60,659</b>	<b>121,326</b>

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(d) Changes in the defined benefit obligations for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	1,547,342	1,365,526
Current service cost	120,528	113,624
Interest expense	30,491	24,597
Past service cost	20,467	-
Remeasurements for:		
- Actuarial gain(loss) arising from changes in financial assumptions	51,271	(17,230)
- Actuarial gain (loss) arising from experience adjustments	(21,432)	-
Benefits paid	(58,008)	(42,587)
Decrease due to business transfer	-	(4,251)
<b>At June 30</b>	<b>1,690,659</b>	<b>1,439,679</b>

(e) Changes in the fair value of plan assets for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	1,133,517	897,928
Interest income	21,603	17,508
Remeasurements for:		
- Return on plan assets	(4,279)	(637)
Employer contributions	-	-
Benefits paid	(41,291)	(24,050)
Decrease due to business transfer	-	(2,939)
Managing cost	(615)	(613)
<b>At June 30</b>	<b>1,108,935</b>	<b>887,197</b>

(f) The principal actuarial assumptions used as of June 30, 2014 and December 31, 2013, are as follows:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Discount rate	3.6%	4.1%
Future salary increase	6.0%	6.0%

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(g) The sensitivity analysis of defined benefit obligation to changes in principal assumptions as of June 30, 2014, and December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>1% increase</b>	<b>1% decrease</b>
Discount rate	(136,412)	157,133
Future salary increase	153,092	(135,782)

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.

(h) Plan assets as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Amount</b>	<b>Composition(%)</b>	<b>Amount</b>	<b>Composition(%)</b>
Securities combined with derivatives (principal and interest protected)	809,098	73.0	793,530	70.0
Time deposits and others	299,837	27.0	339,987	30.0
<b>Total</b>	<b>1,108,935</b>	<b>100.0</b>	<b>1,133,517</b>	<b>100.0</b>

**Defined Contribution Plan**

Recognized expense related to the defined contribution plan for the six-month period ended June 30, 2014, is ₩ 1,695 million (2013: ₩ 1,508 million).

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**12. Provisions**

Changes in provisions during the six-month periods ended June 30, 2014 and 2013, are as follows:

<b>2014</b>					
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	218,968	790	5,458	805,272	1,030,488
Additions	138,740	2,637	-	(25,654)	115,723
Utilizations	(125,730)	(1,758)	(543)	(3,052)	(131,083)
<b>At June 30</b>	<b>231,978</b>	<b>1,669</b>	<b>4,915</b>	<b>776,566</b>	<b>1,015,128</b>
Current	220,930	1,669	-	-	222,599
Non-current	11,048	-	4,915	776,566	792,529

  

<b>2013</b>					
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	199,470	1,103	5,651	746,115	952,339
Additions	192,724	3,385	115	68,450	264,674
Utilizations	(171,864)	(2,495)	(128)	(29,898)	(204,385)
<b>At June 30</b>	<b>220,330</b>	<b>1,993</b>	<b>5,638</b>	<b>784,667</b>	<b>1,012,628</b>
Current	210,537	1,993	-	-	212,530
Non-current	9,793	-	5,638	784,667	800,098

**13. Paid-in Capital**

(a) As of June 30, 2014 and December 31, 2013, the number of shares authorized is 600 million.

	<b>Par value per share (in won)</b>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
		<b>Number of shares issued</b>	<b>Amount (in millions)</b>	<b>Number of shares issued</b>	<b>Amount (in millions)</b>
Common stock	5,000	163,647,814	818,239	163,647,814	818,239
Preferred stock	5,000	17,185,992	85,930	17,185,992	85,930
<b>Total</b>		<b>180,833,806</b>	<b>904,169</b>	<b>180,833,806</b>	<b>904,169</b>

The preferred shareholders have no voting rights and are entitled to preferred dividends at a rate of one percentage point over that of common shares. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have the same rights on the remaining assets as common shareholders. Repayment and conversion are not applicable to preferred shares.

(b) Share premium balances are ₩3,088,179 million as of June 30, 2014. Share premium includes the following three amounts: (i) the amount of ₩1,876,153 million,

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which is the net book amount of net assets amounting to ₩2,815,707 million taken over upon the split-off on April 1, 2002, less capital stock amounting to ₩783,961 million and capital adjustment amounting to ₩155,593 million; (ii) the amount of ₩331,766 million paid in excess of par value at the issuance of common shares (upon merger with LG IBMPC Co., Ltd.), and the exercise of conversion right and warrants in 2005 and 2006; and (iii) the excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as share premium at the issuance of common shares in 2011.

**14. Retained Earnings**

Retained earnings as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Legal reserve <sup>1</sup>	153,190	149,503
Discretionary reserve <sup>2</sup>	5,666,922	5,872,588
Unappropriated retained earnings (Accumulated deficit) <sup>3</sup>	145,396	(165,008)
<b>Total</b>	<b>5,965,508</b>	<b>5,857,083</b>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company to appropriate, 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 the payment of cash dividends, 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.

<sup>2</sup> The 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. If reserves are reversed, the amount may be distributed in accordance with the terms of related tax laws.

<sup>3</sup> Dividend for the year ended December 31, 2013, ₩36,872 million was approved at the General Shareholders' Meeting held on March 14, 2014 and paid in April 2014, as approved (2013 payments: ₩36,872 million).

**15. Accumulated Other Comprehensive Income(loss)**

Details of accumulated other comprehensive income(loss) as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Cash flow hedge	(8,733)	5,436
Available-for-sale financial assets	10,656	10,772
<b>Total</b>	<b>1,923</b>	<b>16,208</b>

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**16. Other Components of Equity**

Details of other components of equity as of June 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Treasury shares <sup>1</sup>	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
<b>Total</b>	<b>(32,819)</b>	<b>(32,819)</b>

<sup>1</sup> The Company has treasury shares consisting of 763,168 shares (2013: 763,168 shares) of common shares and 4,690 shares (2013: 4,690 shares) of preferred shares at the reporting date. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

**17. Net Sales**

Details of net sales for the three-month and six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Sales of goods	7,843,355	15,023,951	7,266,318	14,031,254
Sales of services	72,838	137,998	61,536	105,957
Royalty income	108,034	197,493	103,853	192,502
<b>Total</b>	<b>8,024,227</b>	<b>15,359,442</b>	<b>7,431,707</b>	<b>14,329,713</b>

**18. Expenses by Nature**

Expenses that are recorded by nature for the three-month and six-month periods ended June 30, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Changes in inventories	(89,117)	(315,704)	21,112	(127,394)
Purchase of raw materials and merchandise	5,443,527	10,744,524	4,865,019	9,757,675
Employee benefits expense	927,358	1,782,642	899,359	1,734,796
Depreciation and amortization	243,035	482,425	214,262	423,581
Advertising expense	125,498	205,878	120,696	222,515
Promotion expense	71,068	112,766	61,140	98,295
Transportation expense	168,347	328,647	170,168	333,430
Commission expense	378,265	733,945	382,847	705,263
Other expenses	477,542	956,014	562,352	1,067,117
<b>Total<sup>1x</sup></b>	<b>7,745,523</b>	<b>15,031,137</b>	<b>7,296,955</b>	<b>14,215,278</b>

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<sup>1</sup> Cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and service costs are included.

**19. General Operating Expenses (Selling and marketing expenses, Administrative expenses, Research and development expenses and Service costs)**

Details of general operating expenses for the three-month and six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Wages and salaries	350,402	658,922	353,563	678,316
Severance benefits	37,867	82,443	30,302	60,333
Welfare expense	56,208	106,217	54,825	102,213
Transportation expense	165,862	320,870	166,574	327,419
Rental expense	38,823	77,787	38,607	76,603
Commission expense	252,834	486,919	261,498	481,445
Depreciation	32,225	64,245	32,408	62,667
Amortization	36,969	76,521	51,298	112,350
Taxes and dues	2,853	6,659	1,911	5,357
Advertising expense	125,498	205,878	120,696	222,515
Promotion expense	71,068	112,766	61,140	98,295
Direct R&D costs	90,851	191,019	131,439	234,613
Direct service costs	73,565	139,267	101,247	183,550
Bad debt expense	5,795	22,573	27,476	47,679
Other	85,453	176,188	86,165	176,083
<b>Total</b>	<b>1,426,273</b>	<b>2,728,274</b>	<b>1,519,149</b>	<b>2,869,438</b>

**20. Financial Income**

Financial income for the three-month and six-month periods ended June 30, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Interest income	6,619	15,797	6,710	15,747
Exchange differences	18,703	49,719	35,776	82,759
Other	26	671	1	167
<b>Total</b>	<b>25,348</b>	<b>66,187</b>	<b>42,487</b>	<b>98,673</b>

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**21. Financial Expenses**

Financial expenses for the three-month and six-month periods ended June 30, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Interest expense	62,776	126,919	55,401	111,759
Exchange differences	33,967	67,241	44,597	79,247
Other	6	7	1,248	1,265
<b>Total</b>	<b>96,749</b>	<b>194,167</b>	<b>101,246</b>	<b>192,271</b>

**22. Other Non-operating Income**

Other non-operating income for the three-month and six-month periods ended June 30, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Dividend income	110,256	137,370	113,071	257,486
Exchange differences	262,810	355,020	194,637	324,292
Gain on disposal of property, plant and equipment	702	1,655	556	1,727
Gain on disposal of intangible assets	24	14,815	2	265
Gain on disposal of available-for-sale financial assets	-	-	5,218	5,218
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	-	-	2,574
Other	42,352	47,294	3,115	6,119
<b>Total</b>	<b>416,144</b>	<b>556,154</b>	<b>316,599</b>	<b>597,681</b>



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**23. Other Non-operating Expenses**

Other non-operating expenses for the three-month and six-month periods ended June 30, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Exchange differences	250,567	351,278	253,713	429,701
Loss on disposal of property, plant and equipment	3,076	4,236	916	1,952
Loss on disposal of intangible assets	7,626	13,972	4,013	9,775
Impairment loss on available-for-sale financial assets	-	17	-	453
Other	10,066	25,589	60,904	70,512
<b>Total</b>	<b>271,335</b>	<b>395,092</b>	<b>319,546</b>	<b>512,393</b>

**24. Income Tax**

In accordance with Local Tax Act, which was amended and announced on January 1, 2014, tax credit carryforwards amounting to ₩ 57,387 million recognized as deferred tax assets recognized at December 31, 2013, was expensed during the reporting period.

**25. Earnings per Share**

The Company has no potential dilutive common shares. Accordingly, basic earnings per share is identical to diluted earnings per share.

(a) Basic earnings per common share for the three-month and six month periods ended June 30, 2014 and 2013, is as follows:

	2014		2013	
	Three months	Six months	Three months	Six months
Profit attributable to common shares (in millions of won) <sup>1</sup>	220,045	154,438	56,015	84,537
Weighted average number of common shares outstanding (unit: shares) <sup>2</sup>	162,884,646	162,884,646	162,884,646	162,884,646
Basic earnings per common share (in won)	1,351	948	344	519

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(b) Basic earnings per preferred share for the three-month and six-month periods ended June 30, 2014 and 2013, is as follows:

	2014		2013	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares (in millions of won) <sup>1</sup>	23,426	16,720	6,123	9,347
Weighted average number of preferred shares outstanding (unit: shares) <sup>2</sup>	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings per preferred share (in won)	1,363	973	356	544

<sup>1</sup> Profit attributable to common and preferred shares for the three-month and six-month periods ended June 30, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
<b>Profit for the period (A)</b>	243,471	171,158	62,138	93,884
Common share dividends (B)	8,144	16,288	8,144	16,288
Preferred share dividends (C)	1,074	2,148	1,074	2,148
<b>Undistributed earnings (D=A-B-C)</b>	234,253	152,722	52,920	75,448
Undistributed earnings available for common shares (E)	211,901	138,150	47,871	68,249
Undistributed earnings available for preferred shares (F)	22,352	14,572	5,049	7,199
<b>Profit attributable to common shares (G=B+E)</b>	220,045	154,438	56,015	84,537
<b>Profit attributable to preferred shares (H=C+F)</b>	23,426	16,720	6,123	9,347

<sup>2</sup> Weighted average numbers of shares for the three-month and six-month periods ended June 30, 2014 and 2013, are calculated as follows:

<i>(unit: shares)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Common shares outstanding	163,647,814	163,647,814	163,647,814	163,647,814
Common treasury shares	(763,168)	(763,168)	(763,168)	(763,168)
Common shares	162,884,646	162,884,646	162,884,646	162,884,646
<b>Weighted average number of common shares outstanding</b>	162,884,646	162,884,646	162,884,646	162,884,646
Preferred shares outstanding	17,185,992	17,185,992	17,185,992	17,185,992
Preferred treasury shares	(4,690)	(4,690)	(4,690)	(4,690)
Preferred shares	17,181,302	17,181,302	17,181,302	17,181,302
<b>Weighted average number of preferred shares outstanding</b>	17,181,302	17,181,302	17,181,302	17,181,302

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**26. Information on Cash Flow**

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operating activities are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Profit for the period	171,158	93,884
Adjustments:		
Interest expense, net	111,122	96,012
Exchange differences, net	(35,080)	104,636
Depreciation	294,637	264,370
Amortization	191,172	160,215
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	1,738	9,735
Provisions for severance benefits	150,498	121,326
Provisions	115,723	264,674
Dividend income	(137,370)	(257,486)
Income tax expense	190,229	12,241
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	(2,574)
Other	67,498	102,890
	<u>950,167</u>	<u>876,039</u>
Changes in operating assets and liabilities:		
Increase in trade receivables	(1,864,239)	(890,414)
Decrease (increase) in loans and other receivables	69,950	(113,920)
Increase in inventories	(333,365)	(163,550)
Increase in other assets	(73,467)	(43,552)
Increase in trade payables	848,686	671,913
Decrease in other payables	(21,126)	(106,166)
Decrease in provisions	(131,083)	(204,385)
Increase in other liabilities	271,155	452,802
Payment of defined benefit liability	(16,717)	(18,537)
Payment of plan assets	(16,709)	(16,258)
	<u>(1,266,915)</u>	<u>(432,067)</u>
<b>Cash generated from (used in) operating activities</b>	<u>(145,590)</u>	<u>537,856</u>

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Significant transactions not affecting cash flows for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Reclassification of construction-in-progress of property, plant and equipment	142,005	425,280
Reclassification of intangible assets in progress	122,055	80,607
Reclassification of long-term prepayment to intangible assets	43,416	43,055
Reclassification of current maturities of borrowings	213,750	805,271
Other payables to acquire property, plant and equipment	21,206	62,906
Other payables to acquire intangible assets	4,016	31,958

The assets and liabilities of the transferred business

**Transfer of Domestic Service Part of Chiller Division**

- i) The Company transferred the domestic service part of chiller division to Hi M Solutek on June 30, 2014.
- ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration <sup>1</sup>	1,905
Assets of the transferred business:	
Property, plant and equipment	255
Intangible assets	1,650
Liabilities of the transferred business: nil	

<sup>1</sup> The amount is recognized as other receivables.

**Transfer of Data Storage Division**

- i) The Company transferred the Data Storage division to Hitachi-LG Data Storage Inc. on March 1, 2013.
- ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration <sup>1</sup>	3,436
Assets of the transferred business:	
Property, plant and equipment	4,103
Intangible assets	645
Liabilities of the transferred business:	
Net defined benefit liabilities	1,312

<sup>1</sup> This total consideration has been collected as of December 31, 2013.

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**27. Contingencies**

(a) At the end of the reporting period, the Company is provided with a performance guarantee of ₩138,935 million (2013: ₩140,606 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts. The Company is also provided with guarantee of principal US\$ 200 million (2013: US\$ 200 million) and interests from Shinhan Bank for the guaranteed bond.

(b) At the end of the reporting period, the Company is contingently liable for guarantees amounting to ₩3,258,016 million (2013: ₩3,146,814 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	<b>Beneficiary</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	635,238	586,625
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	431,120	448,503
LG Electronics Ticaret A.S.(LGETK)	SMBC and others	283,608	277,615
LG Electronics do Brasil Ltda.(LGEBR)	Standard Chartered Bank and others	250,810	200,177
LG Electronics (China) Co., Ltd.(LGECH)	HSBC and others	215,904	213,143
LG Electronics Inc Chile Ltda.(LGECL)	Scotia bank and others	152,270	147,989
LG Electronics Algeria SARL(LGEAS)	HSBC and others	118,195	123,494
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Shinhan Bank and others	109,549	52,605
LG Electronics Morocco S.A.R.L(LGEMC)	Citibank and others	90,755	57,833
LG Electronics Argentina S.A.(LGEAR)	Citibank and others	85,812	107,928
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank and others	79,206	82,362
LG-Shaker Co., Ltd.(LGESR)	BSF and others	73,244	105,007
LG Electronics Vietnam Co., Ltd.(LGEVN)	HSBC and others	69,721	74,260
P.T. LG Electronics Indonesia(LGEIN)	RBS and others	68,472	74,399
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank	66,950	44,323
LG Electronics Peru S.A.(LGEPR)	BBVA and others	65,871	67,436
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	61,395	63,563
LG Electronics Ukraine Inc.(LGEUR)	CAG and others	57,114	68,923
LG Electronics RUS, LLC(LGERA)	Citibank	40,576	42,212
LG Electronics S.A. (Pty) Ltd.(LGESA)	Standardbank and others	37,715	39,919
Other	Citibank and others	264,491	268,498
<b>Total</b>		<b>3,258,016</b>	<b>3,146,814</b>

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The maturities of the above limited guarantees provided by the Company as of the end of the reporting period are as follows:

*(in millions of Korean won)*

<u>Less than 1 year</u>	<u>Less than 2 years</u>	<u>Less than 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
3,007,891	45,310	204,815	-	3,258,016

As of the reporting date, the financial guarantee for performance of guaranteed obligation provided by the Parent Company to external parties other than related parties amounts to USD 16 million (2013: USD 8 million).

(c) In December 2012, the European Commission imposed a penalty on the Company for anti-competitive activities among CRT (Cathode Ray Tube) manufacturers as a result of an investigation. The Company recognized such penalty amounting to EUR 491,567 thousand as expected loss. However, the Company appealed against the decision of the European Commission. The ultimate amount of loss resulting from the investigation may differ from the amount of penalty imposed and the amount could be material. The Company is provided with a performance guarantee of EUR 513,688 thousand from Shinhan Bank and others for the above.

In addition, the Company is under investigation and has been named as a defendant in class actions in countries, including the United States, Canada and Brazil, in connection with the alleged anti-competitive activities among CRT manufacturers. There are also a number of other legal actions, disputes, and investigations that remain pending at the end of the reporting period. Details of relevant provisions are not disclosed as such information could affect the outcome of the legal actions and investigations. The management believes that the consequences of those lawsuits would not have material impact on the financial position of the Company.

There are pending lawsuits other than above. However, management does not expect the outcome of the litigation will have a material effect on the Company's financial position.

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**28. Commitments**

(a) At the end of the reporting period, the Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩195,500 million (2013: ₩195,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with Shinhan Bank and 25 other banks amounting to ₩3,284,627 million (2013: ₩4,066,071 million). The Company has corporate electronic settlement services contracts for collection of trade receivables with Hana Bank of up to ₩126,000 million (2013: ₩126,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts with Shinhan Bank and seven other banks for up to ₩840,000 million (2013: ₩895,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Industrial Bank of Korea.

(e) Contractual commitments for the acquisition of assets

The property, plant and equipment, and intangible assets contracted for, but not yet acquired at the end of the reporting period are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Property, plant and equipment	16,185	15,110
Intangible assets	1,309	8,344
<b>Total</b>	<b>17,494</b>	<b>23,454</b>

(f) Operating lease commitments – the Company as lessee

The future aggregate minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>			
	<b>No later than 1 year</b>	<b>Later than 1 year and no later than 5 years</b>	<b>Over 5 years</b>	<b>Total lease payments</b>
Buildings and offices	52,618	75,240	212	128,070
Vehicles	6,301	6,163	-	12,464
Equipment	14,509	11,309	-	25,818
<b>Total</b>	<b>73,428</b>	<b>92,712</b>	<b>212</b>	<b>166,352</b>

Lease payment under operating lease recognized in the statement of income for the six-month period ended June 30, 2014, is ₩45,474 million (2013: ₩42,234 million).

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(g) Operating lease commitments – the Company as lessor

The Company has an operating lease agreement regarding the healthcare rental business that lends water purifiers to customers. The future aggregate lease receipts under operating leases at the end of the reporting period are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014			Total lease receipts
	No later than 1 year	Later than 1 year and no later than 3 years	Over 3 years	
Healthcare rental	87,433	142,292	48,432	278,157

The Company recognized ₩43,718 million (2013: ₩36,483 million) in lease income for the six-month period ended June 30, 2014.

At the end of reporting period, acquisition cost of operating lease assets amounts to ₩78,920 million (2013: ₩73,910 million) and their accumulated depreciation and impairment amounts to ₩35,340 million (2013: ₩29,780 million).

(h) Trademark license commitments

At the end of the reporting period, the Company has various agreements as follows:

Purpose	Related products	Provided by	Used by
Use of license	Mobile	Qualcomm Incorporated and others	LG Electronics Inc.
Provision of license	Home appliance	LG Electronics Inc.	Panasonic Corporation and others

**29. Related Party Transactions**

(a) Subsidiaries as of June 30, 2014 and December 31, 2013, are as follows:

Territory	Location	Subsidiaries	Percentage of ownership	
			June 30, 2014	Dec. 31, 2013
Korea	Korea	Hiplaza Co., Ltd.	100.0%	100.0%
	Korea	Hi Business Logistics Co., Ltd.	100.0%	100.0%
	Korea	Hi Entech Co., Ltd.	100.0%	100.0%
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	51.0%
	Korea	ACE R&A Co., Ltd.	100.0%	100.0%
	Korea	Hi M Solutek	100.0%	100.0%
	Korea	Hi Teleservice Co., Ltd.	100.0%	100.0%
	Korea	LGE Alliance Fund	96.2%	96.2%
	Korea	Innovation Investment Fund	83.3%	83.3%
	Korea	LG Innotek Co., Ltd. <sup>1</sup>	40.8%	47.9%
	Korea	LG Innotek Alliance Fund <sup>1</sup>	40.4%	47.4%



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Territory	Location	Subsidiaries	Percentage of ownership	
			June 30, 2014	Dec. 31, 2013
	Korea	Innowith Co., Ltd. <sup>1</sup>	40.8%	47.9%
	Korea	Hanuri Co., Ltd.	100.0%	100.0%
	Korea	LGE Alliance Fund II	98.7%	98.7%
China	China	Hi Logistics (China) Co., Ltd.	100.0%	100.0%
	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	70.0%
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	100.0%
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	100.0%
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	70.0%
	China	LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.0%	100.0%
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	100.0%
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	100.0%
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	100.0%
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	80.0%
	China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70.0%	70.0%
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	100.0%
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	78.9%
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	80.0%
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	70.0%
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	70.0%
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	70.0%
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	100.0%
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	66.7%
	China	LG Innotek (Yantai) Co., Ltd.(LGITYT) <sup>1</sup>	40.8%	47.9%
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) <sup>1</sup>	40.8%	47.9%
	China	LG Innotek (Fuzhou) Co., Ltd.(LGITFZ) <sup>1</sup>	40.8%	47.9%
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) <sup>1</sup>	40.8%	47.9%
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) <sup>1</sup>	40.8%	47.9%
	China	HiEntech (Tianjin) Co., LTD.	100.0%	100.0%
	China	VENS BEIJING VEHICLE ENGINEERING CO.,LTD	100.0%	100.0%
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	100.0%
	India	LG Electronics India Pvt. Ltd.(LGEIL)	100.0%	100.0%
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	100.0%
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	100.0%

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Territory	Location	Subsidiaries	Percentage of ownership	
			June 30, 2014	Dec. 31, 2013
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	100.0%
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	100.0%
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	100.0%
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	100.0%
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	100.0%
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	100.0%
	India	LG Soft India Private Limited.(LGSi)	100.0%	100.0%
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	100.0%
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.0%	38.0%
	India	Hi Logistics India Private Limited	100.0%	100.0%
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100.0%	100.0%
	Indonesia	PT LG Innotek Indonesia(LGITIN) <sup>1</sup>	40.8%	47.9%
	Taiwan	LG Innotek (Taiwan) Ltd.(LGITTW) <sup>1</sup>	40.8%	47.9%
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	100.0%
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	100.0%
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	-
Europe	Netherlands	Hi Logistics Europe B.V.	100.0%	100.0%
	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	100.0%
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	100.0%
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	100.0%
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	100.0%
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	100.0%
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	100.0%
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	100.0%
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	100.0%
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	100.0%
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	100.0%
	Latvia	LG Electronics Latvia, LLC(LGELA)	100.0%	100.0%
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	100.0%
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	100.0%
	France	LG Electronics Mobilecomm France(LGEMF)	100.0%	100.0%
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	100.0%
	Norway	LG Electronics Norway AS(LGENO)	100.0%	100.0%
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	100.0%
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	100.0%
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	100.0%

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Territory	Location	Subsidiaries	Percentage of ownership		
			June 30, 2014	Dec. 31, 2013	
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	100.0%	
	Poland	LG Electronics Wroclaw Sp.z o.o.(LGEWR)	100.0%	100.0%	
	Poland	LG Innotek Poland Sp z o.o.(LGITPO) <sup>1</sup>	40.8%	47.9%	
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	100.0%	
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	100.0%	
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	100.0%	
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	100.0%	
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	100.0%	
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	100.0%	
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	100.0%	
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	100.0%	
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERs)	100.0%	100.0%	
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	100.0%	
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	100.0%	
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	100.0%	
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	100.0%	
	USA	Zenith Electronics Corporation(Zenith)	100.0%	100.0%	
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	40.8%	47.9%	
	South America	Mexico	HILOGISTICS MEXICO SA DE CV	100.0%	100.0%
		Mexico	HiLogistics Reynosa	100.0%	100.0%
USA		HiLogistics USA	100.0%	100.0%	
Mexico		LG Innotek Mexico SA DE CV(LGITMX) <sup>1</sup>	40.8%	47.9%	
Brazil		LG Armagem Geral Ltda.	100.0%	100.0%	
Argentina		LG Electronics Argentina S.A.(LGEAR)	100.0%	100.0%	
Colombia		LG Electronics Colombia Ltda.(LGEGB)	100.0%	100.0%	
Brazil		LG Electronics do Brasil Ltda.(LGEBR)	100.0%	100.0%	
Honduras		LG Electronics Honduras S.de R.L. <sup>2</sup>	20.0%	20.0%	
Chile		LG Electronics Inc Chile Ltda.(LGECL)	100.0%	100.0%	
Panama		LG Electronics Panama, S.A.(LGEPS)	100.0%	100.0%	
Peru		LG Electronics Peru S.A.(LGEPR)	100.0%	100.0%	
Venezuela		LG Electronics Venezuela S.A.(LGEVZ)	100.0%	100.0%	
Brazil		SOCIO VIP Ltda.	100.0%	100.0%	
Panama		C&S America Solutions	100.0%	100.0%	
Panama		LG Consulting corp.	100.0%	100.0%	
Middle East and Africa		Guatemala	LG Electronics Guatemala S.A.	100.0%	100.0%
	Nigeria	Easytec Global Services Innovation Limited	100.0%	100.0%	
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	100.0%	

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			June 30, 2014	Dec. 31, 2013
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	100.0%
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	100.0%
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	70.0%
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	100.0%
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	100.0%
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	100.0%
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	100.0%
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	100.0%
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	100.0%
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	100.0%
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	100.0%
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	100.0%
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	100.0%
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	100.0%
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	100.0%
	UAE	Hi Logistics Middle East FZE	100.0%	100.0%
Other	Russia	LG Alina Electronics(LGERI)	95.0%	95.0%
	Russia	Hi Logistics RUS Limited Liability Company	100.0%	-
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	100.0%
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	100.0%
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	100.0%

<sup>1</sup> Although the Company holds less than half of the voting rights of LG Innotek Co., Ltd. which is an intermediate parent of its subsidiaries, the Company is deemed to have control over LG Innotek Co., Ltd. and its subsidiaries when considering the size and dispersion of holdings of the other vote holders, and the voting patterns at previous shareholders' meetings.

<sup>2</sup> Control exists as there is a power over more than half of the voting rights by virtue of an agreement with other investors although the Company holds less than half of the voting power.

<sup>3</sup> Although the Company holds less than half of the voting rights, the Group is deemed to have control as the Company has the substantial power to direct the relevant activities and is exposed to variable returns.

**LG Electronics Inc.**  
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(b) The related parties of the Company, other than subsidiaries, as of the end of reporting period are as follows:

Classification	Name		Note
	June 30, 2014	December 31, 2013	
Significantly influencing the Group	LG Corp.	LG Corp.	-
Associates	LG Display Co., Ltd., and subsidiaries	LG Display Co., Ltd., and subsidiaries	-
	LG Display Co., Ltd.	LG Display Co., Ltd.	-
	LG Display Germany GmbH	LG Display Germany GmbH	-
	LG Display Shanghai Co.,Ltd.	LG Display Shanghai Co.,Ltd.	-
	LG Display Yantai Co.,Ltd.	LG Display Yantai Co.,Ltd.	-
	LG Display America,Inc.	LG Display America,Inc.	-
	LG Display Japan Co., Ltd.	LG Display Japan Co., Ltd.	-
	LG Display Taiwan Co., Ltd.	LG Display Taiwan Co., Ltd.	-
	LG Display Nanjing Co., Ltd.	LG Display Nanjing Co., Ltd.	-
	LG Display Poland Sp. zo.o.	LG Display Poland Sp. zo.o.	-
	LG Display Guangzhou Co., Ltd	LG Display Guangzhou Co., Ltd	-
	LG Display Shenzhen Co., Ltd.	LG Display Shenzhen Co., Ltd.	-
	LG Display Singapore Pte. Ltd.	LG Display Singapore Pte. Ltd.	-
	LG Display U.S.A Inc	LG Display U.S.A Inc	-
	L&T Display Technology (Xiamen) Limited	L&T Display Technology (Xiamen) Limited	-
	L&T Display Technology (Fujian) Limited	L&T Display Technology (Fujian) Limited	-
	-	LUCOM Display Technology (Kunshan) Limited	-
	LG Display Reynosa S.A. de C.V.	LG Display Reynosa S.A. de C.V.	-
	Nanumnuri Co., Ltd.	Nanumnuri Co., Ltd.	-
	LG Display (China) Co., Ltd.	LG Display (China) Co., Ltd.	-
	Unified Innovative Technology, LLC	-	-
	Ericsson-LG Co., Ltd., and subs	Ericsson-LG Co., Ltd., and subs	-
	Ericsson-LG Co., Ltd.	Ericsson-LG Co., Ltd.	-
	LN Srithai Com Co., Ltd.	LN Srithai Com Co., Ltd.	-
	-	Nexer Inc.	-
	Ericsson-LG Europe B.V.	Ericsson-LG Europe B.V.	-
	Ericsson-LG Canada Inc.	Ericsson-LG Canada Inc.	-
	Novera Optics Inc.	Novera Optics Inc.	-
	Ericsson-LG Enterprise Co., Ltd.	Ericsson-LG Enterprise Co., Ltd.	-
	Hitachi LG Data Storage Inc.(HLDS), and subs	Hitachi LG Data Storage Inc.(HLDS), and subs	-
	Hitachi-LG Data Storage Inc. (HLDS)	Hitachi-LG Data Storage Inc. (HLDS)	-
	Hitachi-LG Data Storage Korea,Inc.	Hitachi-LG Data Storage Korea,Inc.	-
	Hitachi-LG Data Storage(Huizhou),Ltd.	Hitachi-LG Data Storage(Huizhou),Ltd.	-

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Classification	Name		Note
	June 30, 2014	December 31, 2013	
Associates	Hitachi Electronic Products (Malaysia) Sdn. Bhd.	Hitachi Electronic Products (Malaysia) Sdn. Bhd.	-
	LG Fuel Cell Systems Inc., and others	LG Fuel Cell Systems Inc., and others	-
	LG Fuel Cell Systems Inc.	LG Fuel Cell Systems Inc.	-
	LG Fuel Cell Systems Korea Inc.	LG Fuel Cell Systems Korea Inc.	-
	Korea Information Certificate Authority Inc.	Korea Information Certificate Authority Inc.	-
	Global OLED Technology LLC	Global OLED Technology LLC	-
	SKT Vietnam PTE., Ltd.	SKT Vietnam PTE., Ltd.	-
Joint ventures	One-Red, LLC	One-Red, LLC	-
	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-
	LG Holdings(HK) Ltd. and subs	LG Holdings(HK) Ltd. and subs	-
	LG Holdings(HK) Ltd.	LG Holdings(HK) Ltd.	-
	Beijing LG Building Development Company	Beijing LG Building Development Company	-
	EIC PROPERTIES PTE, LTD.	EIC PROPERTIES PTE, LTD.	-
	LG Fund for Enterprises	LG Fund for Enterprises	-
Other related parties	LG-MRI, LLC	-	-
	LG CNS Co., Ltd., and subs	LG CNS Co., Ltd., and subs	LG Corp.'s subsidiary
	LG CNS Co., Ltd.	LG CNS Co., Ltd.	-
	LG N-Sys Inc.	LG N-Sys Inc.	-
	BNE PARTNERS, Inc.	BNE PARTNERS, Inc.	-
	Ucess Partners Co.,Ltd.	Ucess Partners Co.,Ltd.	-
	KOREA ELECOM Ltd.	KOREA ELECOM Ltd.	-
	Ever On Co., Ltd.	Ever On Co., Ltd.	-
	LG System Philippines Inc.	LG System Philippines Inc.	-
	LG CNS China Inc.	LG CNS China Inc.	-
	LG CNS Europe B.V	LG CNS Europe B.V	-
	LG CNS Japan Co., Ltd.	LG CNS Japan Co., Ltd.	-
	LG CNS America Inc.	LG CNS America Inc.	-
	LG CNS India Pvt. Ltd.	LG CNS India Pvt. Ltd.	-
	PT LG CNS Indonesia	PT LG CNS Indonesia	-
	Entrue Brasil Servicos de T.I. Ltda.	Entrue Brasil Servicos de T.I. Ltda.	-
	LG CNS Shenyang Inc.	LG CNS Shenyang Inc.	-
	LG CNS Tianjin Inc.	LG CNS Tianjin Inc.	-
	SBI-LG Systems Co., Ltd.	SBI-LG Systems Co., Ltd.	-
	LG CNS Colombia S.A.S	LG CNS Colombia S.A.S	-
	Ucess Philippines, Inc.	Ucess Philippines, Inc.	-
	Oneseen Skytech Co., Ltd.	Oneseen Skytech Co., Ltd.	-
	LG CNS Malaysia Sdn. Bhd.	LG CNS Malaysia Sdn. Bhd.	-
LG CNS Saudi Arabia LLC	LG CNS Saudi Arabia LLC	-	

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Classification	Name		Note
	June 30, 2014	December 31, 2013	
Other related parties	TXCNS Healthcare, LLC	TXCNS Healthcare, LLC	-
	LG CNS GB Ltd.	LG CNS GB Ltd.	-
	LG CNS Smart Green Co.,Ltd.	LG CNS Smart Green Co.,Ltd.	-
	LLC LG CNS RUS	LLC LG CNS RUS	-
	-	LG CNS UK Limited	-
	-	LG N-Sys China, Inc	-
	Collain Healthcare, LLC	-	-
	SERVEONE Co., Ltd., and subs	SERVEONE Co., Ltd., and subs	LG Corp.'s subsidiary
	SERVEONE Co., Ltd.	SERVEONE Co., Ltd.	-
	LG-TOYO Engineering	LG-TOYO Engineering	-
	Konjiam Yewon	Konjiam Yewon	-
	Serveone(Nanjing).Co.,LTD	Serveone(Nanjing).Co.,LTD	-
	Serveone Construction Co.,Ltd.	Serveone Construction Co.,Ltd.	-
	LG Siltron Incorporated and subs	LG Siltron Incorporated and subs	LG Corp.'s subsidiary
	LG Siltron Incorporated	LG Siltron Incorporated	-
	LG Siltron America, Inc.	LG Siltron America, Inc.	-
	LG Siltron JAPAN Inc.	LG Siltron JAPAN Inc.	-
	LUSEM CO., LTD.	LUSEM CO., LTD.	LG Corp.'s subsidiary
	LG Management Development Institute	LG Management Development Institute	LG Corp.'s subsidiary
	LG SPORTS Ltd.	LG SPORTS Ltd.	LG Corp.'s subsidiary
	LG Solar Energy Inc.	LG Solar Energy Inc.	LG Corp.'s subsidiary
	LG Holdings Japan Co. ,Ltd.	-	LG Corp.'s subsidiary
	LG MMA Ltd.	LG MMA Ltd.	LG Corp.'s joint venture

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(c) Major transactions and balances

i) Major transactions for the six-month periods ended June 30, 2014 and 2013, are as follows:

		2014					
		(in millions of Korean won)					
Classification	Name	Sales <sup>1</sup>	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	335	-	-	70,194	-	70,194
Subsidiaries	LG Innotek Co., Ltd.	16,078	534,244	-	4,905	-	539,149
	LG Electronics do Brasil Ltda.	755,044	2,293	-	-	-	2,293
	LG Electronics U.S.A., Inc.	1,107,885	1,121	-	12,016	237	13,374
	Zenith Electronics Corporation	20,652	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	63,144	-	-	-	-	-
	LG Electronics RUS, LLC	320,551	126	-	-	31	157
	LG Electronics (China) Co. Ltd.	4,846	-	-	119	-	119
	LG Electronics Tianjin Appliances Co., Ltd.	21,090	25,866	-	-	-	25,866
	LG Electronics Mobilecomm U.S.A., Inc.	1,416,072	-	-	33	226	259
	LG Electronics India Pvt. Ltd.	137,624	484	-	-	-	484
	Inspur LG Digital Mobile Communications Co., Ltd.	930,157	25,397	-	4,447	54	29,898
	LG Electronics Mlawa Sp. z o.o	149,051	423	-	-	-	423
	LG Electronics Reynosa S.A. DE C.V.	259,889	808	-	-	-	808
	P.T. LG Electronics Indonesia	117,534	74,906	-	-	16	74,922
	LG Electronics Nanjing Display Co., Ltd.	154,779	182,131	-	3	-	182,134
	LG Electronics Wroclaw Sp.z.o.o	106,319	67,499	-	-	-	67,499
	Hiplaza Co., Ltd	563,942	19	-	6,447	-	6,466
	LG Electronics Mexico S.A. DE C.V.	145,345	-	-	-	55	55
	NanJing LG-Panda Appliances Co., Ltd.	29,771	10,377	-	-	-	10,377
	Taizhou LG Electronics Refrigeration Co., Ltd.	44,753	6,062	-	-	-	6,062
	LG Electronics Monterrey	56,594	3,271	-	-	-	3,271



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2014

Classification	Name	Sales <sup>1</sup>	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
	Mexico S.A.de C.V.						
	Others	3,983,957	131,103	-	246,617	879	378,599
	<b>Subtotal</b>	<b>10,405,077</b>	<b>1,066,130</b>	<b>-</b>	<b>274,587</b>	<b>1,498</b>	<b>1,342,215</b>
Associates	LG Display Co., Ltd. and subs	151,436	1,044,101	-	7,388	-	1,051,489
	Ericsson-LG Co., Ltd. and subs	3,775	2,941	-	-	-	2,941
	Hitachi-LG Data Storage Inc. and subs	293	39	-	-	-	39
	LG FUEL CELL SYSTEM Inc. and subs	9	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	20	-	20
	<b>Subtotal</b>	<b>155,513</b>	<b>1,047,081</b>	<b>-</b>	<b>7,408</b>	<b>-</b>	<b>1,054,489</b>
Other related parties	LG CNS Co., Ltd., and subs	14,465	25,455	-	155,986	-	181,441
	SERVEONE Co., Ltd., and subs	10,588	396,037	-	59,313	1,000	456,350
	LG Siltron Incorporated	426	427	-	-	-	427
	LUSEM CO., LTD.	13	11,840	-	388	-	12,228
	LG Management Development Institute	9	72	-	9,934	-	10,006
	LG SPORTS Ltd.	15	-	-	6,850	-	6,850
	<b>Subtotal</b>	<b>25,516</b>	<b>433,831</b>	<b>-</b>	<b>232,471</b>	<b>1,000</b>	<b>667,302</b>
	<b>Total</b>	<b>10,586,441</b>	<b>2,547,042</b>	<b>-</b>	<b>584,660</b>	<b>2,498</b>	<b>3,134,200</b>

**LG Electronics Inc.**  
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2013

Classification	Name	Sales <sup>1</sup>	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	655	-	-	68,690	-	68,690
Subsidiaries	LG Innotek Co., Ltd.	10,445	511,487	-	4,356	-	515,843
	LG Electronics do Brasil Ltda.	743,125	5,772	-	-	-	5,772
	LG Electronics U.S.A., Inc.	1,212,876	1,493	-	14,853	351	16,697
	Zenith Electronics Corporation	9,798	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	66,805	-	-	-	-	-
	LG Electronics RUS, LLC	292,121	232	-	1	42	275
	LG Electronics (China) Co. Ltd.	3,098	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	16,293	18,910	-	-	-	18,910
	LG Electronics Mobilecomm U.S.A., Inc.	1,486,117	-	-	491	302	793
	LG Electronics India Pvt. Ltd.	84,538	213	-	-	-	213
	Inspur LG Digital Mobile Communications Co., Ltd.	698,315	14,654	-	-	42	14,696
	LG Electronics Mlawa Sp. z o.o	114,328	217	-	-	-	217
	LG Electronics Reynosa S.A. DE C.V.	286,749	1,122	-	-	-	1,122
	P.T. LG Electronics Indonesia	118,184	60,136	-	-	78	60,214
	LG Electronics Nanjing Display Co., Ltd.	114,637	163,058	-	-	-	163,058
	LG Electronics Wroclaw Sp.z.o.o	106,561	84	-	-	-	84
	Hiplaza Co., Ltd	533,441	35	-	8,823	-	8,858
	LG Electronics Mexico S.A. DE C.V.	168,786	-	-	-	171	171
	NanJing LG-Panda Appliances Co., Ltd.	13,751	4,574	-	-	-	4,574
	Taizhou LG Electronics Refrigeration Co., Ltd.	21,774	2,541	4	-	-	2,545
	LG Electronics Monterrey Mexico S.A.de C.V.	25,816	-	-	-	-	-
	Others	3,420,971	232,529	-	83,731	868	317,128
	<b>Subtotal</b>	<b>9,548,529</b>	<b>1,017,057</b>	<b>4</b>	<b>112,255</b>	<b>1,854</b>	<b>1,131,170</b>

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2013

Classification	Name	Sales <sup>1</sup>	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Associates	LG Display Co., Ltd. and subs	133,764	1,034,905	-	4,249	-	1,039,154
	Ericsson-LG Co., Ltd. and subs	11,809	3,174	-	-	-	3,174
	Hitachi-LG Data Storage Inc. and subs	6,227	3,939	-	-	-	3,939
	LG Fuel Cell Systems Inc. and subs	25	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	1	-	1
	<b>Subtotal</b>	<b>151,825</b>	<b>1,042,018</b>	<b>-</b>	<b>4,250</b>	<b>-</b>	<b>1,046,268</b>
Other related parties	LG CNS Co., Ltd., and subs	13,472	51,436	11,239	91,025	-	153,700
	SERVEONE Co., Ltd., and subs	6,776	392,853	-	53,245	-	446,098
	LG Siltron Incorporated	2,612	6,485	-	-	-	6,485
	LUSEM CO., LTD.	1	12,284	-	-	-	12,284
	LG Management Development Institute	17	10	-	11,966	-	11,976
	LG SPORTS Ltd.	10	-	-	4,919	-	4,919
	<b>Subtotal</b>	<b>22,888</b>	<b>463,068</b>	<b>11,239</b>	<b>161,155</b>	<b>-</b>	<b>635,462</b>
	<b>Total</b>	<b>9,723,897</b>	<b>2,522,143</b>	<b>11,243</b>	<b>346,350</b>	<b>1,854</b>	<b>2,881,590</b>

<sup>1</sup> Including disposal of property, plant, and equipment, and others.

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ii) Major balances as of June 30, 2014 and December 31, 2013, are as follows:

(in millions of Korean won)

		June 30, 2014							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	22,862	22,862	-	-	2,019	2,019
Subsidiaries	LG Innotek Co., Ltd.	11,028	-	1,416	12,444	303,325	-	571	303,896
	LG Electronics do Brasil Ltda.	676,818	-	87	676,905	1,816	-	590	2,406
	LG Electronics U.S.A., Inc.	198,674	-	64	198,738	-	-	12,254	12,254
	Zenith Electronics Corporation	-	-	3,248	3,248	-	-	-	-
	LG Electronics European Shared Service Center B.V.	30,187	-	-	30,187	-	-	4	4
	LG Electronics RUS, LLC	292,560	-	29,891	322,451	248	-	1,045	1,293
	LG Electronics (China) Co. Ltd.	330	-	156	486	102	-	55	157
	LG Electronics Tianjin Appliances Co., Ltd.	7,708	-	1,202	8,910	40,301	-	17	40,318
	LG Electronics Mobilecomm U.S.A., Inc.	191,388	-	-	191,388	-	-	8	8
	LG Electronics India Pvt. Ltd.	28,985	-	9,879	38,864	633	-	73	706
	Inspur LG Digital Mobile Communications Co., Ltd.	281,949	-	149	282,098	429,327	-	989	430,316
	LG Electronics Mlawa Sp. z o.o	37,323	-	15	37,338	176,888	-	20	176,908
	LG Electronics Reynosa S.A. DE C.V.	39,082	-	2,427	41,509	117,563	-	373	117,936
	P.T. LG Electronics Indonesia	74,074	-	1,119	75,193	172,646	-	3	172,649
	LG Electronics Nanjing Display Co., Ltd.	48,903	-	29,818	78,721	80,852	-	3	80,855
	LG Electronics Wroclaw Sp.z.o.o	46,096	-	55	46,151	152,494	-	72	152,566
	Hiplaza Co., Ltd	128,804	-	15,343	144,147	-	-	7,888	7,888

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June 30, 2014

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Mexico S.A. DE C.V.	227,798	-	79	227,877	-	-	71	71
	NanJing LG-Panda Appliances Co., Ltd.	13,943	-	7,535	21,478	66,033	-	-	66,033
	Taizhou LG Electronics Refrigeration Co., Ltd.	20,150	-	3,187	23,337	43,709	-	-	43,709
	LG Electronics Monterrey Mexico S.A.de C.V.	28,945	-	342	29,287	96,637	-	-	96,637
	Others	2,571,214	-	60,066	2,631,280	442,591	-	65,064	507,655
	<b>Subtotal</b>	<b>4,955,959</b>	<b>-</b>	<b>166,078</b>	<b>5,122,037</b>	<b>2,125,165</b>	<b>-</b>	<b>89,100</b>	<b>2,214,265</b>
Associates	LG Display Co., Ltd. and subs	129,664	-	5,091	134,755	312,648	-	13	312,661
	Ericsson-LG Co., Ltd. and subs	-	-	38	38	903	-	-	903
	Hitachi-LG Data Storage Inc. and subs	26	-	53	79	29	-	28	57
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	21	21
	LG FUEL CELL SYSTEM Inc. and subs	-	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>129,690</b>	<b>-</b>	<b>5,182</b>	<b>134,872</b>	<b>313,580</b>	<b>-</b>	<b>62</b>	<b>313,642</b>
Other related parties	LG CNS Co., Ltd., and subs	5,169	-	45	5,214	26,708	-	59,302	86,010
	SERVEONE Co., Ltd., and subs	7,791	-	54,241	62,032	179,229	-	37,642	216,871
	LG Siltron Incorporated and subs	408	-	-	408	465	-	-	465
	LUSEM CO., LTD.	-	-	-	-	4,270	-	156	4,426
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,135	1,135
	LG SPORTS Ltd.	-	-	-	-	309	-	513	822
	<b>Subtotal</b>	<b>13,368</b>	<b>-</b>	<b>69,946</b>	<b>83,314</b>	<b>210,981</b>	<b>-</b>	<b>98,748</b>	<b>309,729</b>
	<b>Total</b>	<b>5,099,017</b>	<b>-</b>	<b>264,068</b>	<b>5,363,085</b>	<b>2,649,726</b>	<b>-</b>	<b>189,929</b>	<b>2,839,655</b>

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(in millions of Korean won)

December 31, 2013

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	22,045	22,045	-	-	7,093	7,093
Subsidiaries	LG Innotek Co., Ltd.	13,693	-	2,193	15,886	275,190	-	1,248	276,438
	LG Electronics do Brasil Ltda.	545,480	-	4,190	549,670	1,224	-	1,857	3,081
	LG Electronics U.S.A., Inc.	195,738	-	3	195,741	-	-	12,209	12,209
	Zenith Electronics Corporation	-	-	370	370	-	-	1,659	1,659
	LG Electronics European Shared Service Center B.V.	27,568	-	5,297	32,865	-	-	47	47
	LG Electronics RUS, LLC	240,666	-	26,937	267,603	219	-	122	341
	LG Electronics (China) Co. Ltd.	406	-	638	1,044	106	-	79	185
	LG Electronics Tianjin Appliances Co., Ltd.	7,113	-	599	7,712	40,591	-	25	40,616
	LG Electronics Mobilecomm U.S.A., Inc.	245,198	-	-	245,198	-	-	7,105	7,105
	LG Electronics India Pvt. Ltd.	21,993	-	7,908	29,901	487	-	82	569
	Inspur LG Digital Mobile Communications Co., Ltd.	140,364	-	333	140,697	214,199	-	793	214,992
	LG Electronics Mlawa Sp. z o.o	38,419	-	-	38,419	273,664	-	331	273,995
	LG Electronics Reynosa S.A. DE C.V.	31,271	-	2,897	34,168	48,725	-	35	48,760
	P.T. LG Electronics Indonesia	64,382	-	694	65,076	161,245	-	65	161,310
	LG Electronics Nanjing Display Co., Ltd.	64,668	-	1,620	66,288	93,882	-	104	93,986
	LG Electronics Wroclaw Sp.z.o.o	46,184	-	31	46,215	236,793	-	759	237,552
	Hiplaza Co., Ltd	76,555	-	16,011	92,566	14	-	7,888	7,902
	LG Electronics Mexico S.A.DE C.V.	94,030	-	-	94,030	-	-	68	68

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Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	NanJing LG-Panda Appliances Co., Ltd.	5,354	-	1,355	6,709	42,504	-	797	43,301
	Taizhou LG Electronics Refrigeration Co., Ltd.	10,608	-	6,266	16,874	27,276	-	686	27,962
	LG Electronics Monterrey Mexico S.A.de C.V.	14,841	-	151	14,992	145,227	-	-	145,227
	Others	1,943,383	-	38,729	1,982,112	334,069	-	59,857	393,926
	<b>Subtotal</b>	<b>3,827,914</b>	<b>-</b>	<b>116,222</b>	<b>3,944,136</b>	<b>1,895,415</b>	<b>-</b>	<b>95,816</b>	<b>1,991,231</b>
Associates	LG Display Co., Ltd. and subs	51,070	-	23,014	74,084	278,120	-	44	278,164
	Ericsson-LG Co., Ltd. and subs	27	-	45	72	2,222	-	150	2,372
	Hitachi-LG Data Storage Inc. and subs	39	-	584	623	-	-	77	77
	<b>Subtotal</b>	<b>51,136</b>	<b>-</b>	<b>23,643</b>	<b>74,779</b>	<b>280,342</b>	<b>-</b>	<b>271</b>	<b>280,613</b>
Other related parties	LG CNS Co., Ltd., and subs	7,292	-	39	7,331	19,676	-	190,296	209,972
	SERVEONE Co., Ltd., and subs	1,297	-	54,213	55,510	174,903	-	48,527	223,430
	LG Siltron Incorporated	1,837	-	-	1,837	-	-	1,356	1,356
	LUSEM CO., LTD.	-	-	-	-	4,194	-	6	4,200
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,289	1,289
	LG SPORTS Ltd.	-	-	-	-	121	-	132	253
	<b>Subtotal</b>	<b>10,426</b>	<b>-</b>	<b>69,912</b>	<b>80,338</b>	<b>198,894</b>	<b>-</b>	<b>241,606</b>	<b>440,500</b>
	<b>Total</b>	<b>3,889,476</b>	<b>-</b>	<b>231,822</b>	<b>4,121,298</b>	<b>2,374,651</b>	<b>-</b>	<b>344,786</b>	<b>2,719,437</b>

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iii) Major capital transactions for the six-month periods ended June 30, 2014 and 2013 are as follows:

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Classification	Name	Dividend Income	Cash investment (Recovery)	Disposal of shares	2014		Financing borrowing transaction	
					Loan	Repayment	Borrowing	Repayment
Subsidiaries	LG Electronics India (PVT.) Ltd	68,692	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	9,755	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	5,958	-	-	-	-	-	-
	NanJing LG Panda Appliances Co., Ltd.	5,430	-	-	-	-	-	-
	Nanjing LG-Toutru Color Display System Co., Ltd.	28,422	-	-	-	-	-	-
	LG Electronics Nature (Hangzhou) Recording Media Co., Ltd.	578	-	-	-	-	-	-
	Shanghai LG Electronics Co., Ltd.	1,176	-	-	-	-	-	-
	LG Electronics Vietnam Haiphong Co Ltd.	-	30,738	-	-	-	-	-
	Innovation Investment Fund	-	(2,916)	-	-	-	-	-
	<b>Subtotal</b>	<b>120,011</b>	<b>27,822</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Associates	Ericsson-LG Co., Ltd.	17,000	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	LG Fuel Cell System Inc.	-	7,267	-	-	-	-	-
	<b>Subtotal</b>	<b>17,060</b>	<b>7,267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Joint ventures	LG Fund for Enterprises	-	(680)	-	-	-	-	-
	<b>Total</b>	<b>137,071</b>	<b>34,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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Classification	Name	Dividend Income	Cash investment (Recovery)	Disposal of shares	2013		Financing borrowing	
					Financing loan transaction		Financing borrowing transaction	
					Loan	Repayment	Borrowing	Repayment
Subsidiaries	LG Electronics RUS, LLC	116,569	-	-	-	-	-	-
	LG Electronics India Pvt. Ltd.	67,633	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	17,812	-	-	-	-	-	-
	TAIZHOU LG ELECTRONICS REFRIGERATION CO., LTD	12,203	-	-	-	-	-	-
	LG Alina Electronics	12,100	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	7,625	-	-	-	-	-	-
	Hi Business Logistics Co., Ltd.	5,000	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	3,764	-	-	-	-	-	-
	Hi Logistics (China) Co., Ltd.	1,078	-	-	-	-	-	-
	LG Electronics Nanjing Display Co., Ltd.	1,335	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	887	-	-	-	-	-	-
	Shanghai LG Electronics Co., Ltd.	837	-	-	-	-	-	-
	Triveni Digital Inc.	98	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	116,715	-
	<b>Subtotal</b>	<b>246,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,715</b>	<b>-</b>
Associates	Ericsson-LG Co., Ltd.	10,250	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.	-	43,500	-	-	-	-	-
	<b>Subtotal</b>	<b>10,250</b>	<b>43,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other related parties	LG CNS Co., Ltd. <sup>1</sup>	-	17,000	-	-	-	-	-
	<b>Total</b>	<b>257,191</b>	<b>60,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,715</b>	<b>-</b>

<sup>1</sup>The Company acquired 100% of V-ENS Co., Ltd.'s ordinary shares from LG CNS Co., Ltd. in May 2013 (Note 31).

iv) The details of the transfer of business between the Company and related parties are provided in Note 26.

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- (d) The compensation paid or payable to key management of the Company for the six-month periods ended June 30, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Wages and salaries	5,943	5,072
Severance benefits	1,488	749
<b>Total</b>	<b>7,431</b>	<b>5,821</b>

Key management refers to the directors who have significant control and responsibilities on the Company's business plans, operations and control.

- (e) The payment guarantees for related parties at the end of the reporting period are presented in Note 27.
- (f) There is no collateral provided by the Company for the funding sources of related parties at the end of the reporting period.
- (g) The Company has not recognized any allowance for trade receivables from related parties at the end of the reporting period..

### **30. Risk Management**

#### **Financial Risk Management**

The Company's financial risk management ("FRM") policy supports each business division to achieve excellent performance solidly and continuously against market risk, credit risk and liquidity risk. In addition, FRM helps the Company to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

While cooperating with other divisions, the finance team of the Company mainly implements FRM. This involves setting-up risk management policies and recognizing, evaluating and hedging risks from a global point of view.

The Company mitigates the adverse effects from financial risk by periodically monitoring the risk and updating FRM policy each year.

The information of the carrying amount of in each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 4 and Note 10, respectively.

#### **(a) Market risk**

##### **i) Foreign exchange risk**

Due to its multinational business operations, the Company is mainly exposed to foreign

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exchange risk on the US Dollar, Euro, Brazilian Real, Russian Ruble and Japanese Yen.

The purpose of foreign exchange risk management is to provide the foundation of a stable business operation by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

The Company's foreign exchange risk management is implemented under its own foreign exchange policy through which the Company can minimize the exposure to foreign exchange risk by preferentially making equal amount of foreign exchange assets and liabilities from general operating activities. And the Company continuously considers efficient foreign exchange risk hedges against its remaining exposure with derivative financial instruments and scrutinizes changes in foreign exchange exposure and the results of hedging activities on a monthly basis. Speculative foreign exchange trading is prohibited in principle.

As of June 30, 2014 and December 31, 2013, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on income(loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(89,901)	89,901	(108,794)	108,794
EUR/KRW	42,603	(42,603)	41,408	(41,408)
Other <sup>1</sup> /KRW	93,795	(93,795)	83,108	(83,108)

<sup>1</sup> Other currency includes Brazilian Real, Russian Ruble and Japanese Yen.

The above sensitivity analysis is done with foreign currency denominated assets and liabilities which are not in the Company's functional currency.

ii) Interest rate risk

The Company is exposed to interest rate risk through changes in interest-bearing liabilities or assets. The risk mainly arises from financial borrowings and financial deposits with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in improving corporate value by minimizing fluctuations in income caused by fluctuations in interest rates and minimizing net interest expense.

Though the Group is exposed to interest rate risk from financial deposits and borrowings held with variable interest rates. The Group periodically establishes countermeasures by the monitoring trends of internal and external interest rates, and minimizes the risk of net interest expense by properly operating short-term borrowings with variable interest rates and deposits.

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At the end of the reporting period, if interest rates fluctuate by 1% without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014		June 30, 2013	
	1% increase	1% decrease	1% increase	1% decrease
Interest expense	13	(13)	1,293	(1,293)
Interest income	5,482	(5,482)	3,923	(3,923)

iii) Details of major derivatives contracts are as follows:

The Company entered into the cross-currency swap contracts to hedge cash flow risks related to the floating interest rates and foreign exchange rates of debentures.

June 30, 2014	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
USD/KRW CRS	Morgan Stanley and others	USD100	USD/KRW 1,083.4	3ML +70bp	2.64 ~ 2.65%	2011.8.22	2014.8.23
	Shinhan Bank	USD200	USD/KRW 1,113.6	3ML +160bp	3.22%	2013.7.11	2019.1.31
	BNP PARIBAS and others	USD200	USD/KRW 1,052.1	3ML +130bp	3.42%	2013.11.28	2017.6.19
CHF/KRW CRS	UBS and others	CHF215	CHF/KRW 1,213.6	2.00%	3.64 ~ 3.74%	2012.7.6	2016.12.2

The Company entered into the interest rate swap contracts to hedge cash flow risks related to the floating interest rates of debentures.

June 30, 2014	Contractor	Contracted amount (in millions of Korean won)	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
KRW interest rate swap	Hana Bank	200,000	3M CD+98bp	4.53%	2014. 1. 3	2024. 1. 3
	Kookmin Bank	200,000	3M CD+114bp	4.52%	2014. 4.29	2029.4.30

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩49,072 million in 2014 (2013: gain on valuation amounting to ₩14,530 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Company reclassified ₩34,903 million to loss from equity in 2014 and ₩18,723 million to gain in 2013 and the loss on valuation amounting to ₩14,169 million in 2014 (2013: loss on valuation amounting to ₩4,193 million) after applying the tax effect, is recognized in other comprehensive income(loss).

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iv) Price risk

The Company is exposed to price risk through securities owned by the Company classified as available-for-sale financial assets on the separate financial statements.

The listed securities owned by the Company are traded in the open market, and related to KOSDAQ and NASDAQ Indices.

The effect of price index's fluctuation related to the listed securities on the equity (before applying the tax effect) is set out in the below table. The analysis is performed in respect of 30% increase/decrease of price index under the assumption that other variations are consistent and the listed securities owned by the Company have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	30% increase	30% decrease	30% increase	30% decrease
KOSPI	-	-	1	(1)
KOSDAQ	3,378	(3,378)	3,095	(3,095)
NASDAQ	1,228	(1,228)	1,213	(1,213)

The valuation and the reclassified amounts of the cash flow hedging derivative and the available-for-sale financial asset related to the market risk above are presented in Note 6 and Note 30, respectively.

(b) Credit risk

The Company operates a consistent Global Credit / TR (trade receivables) policy to manage credit risk exposure.

In regard to receivables, the Company operates an integrated receivable insurance program with the Korea Trade Insurance Corporation (K-SURE) and Seoul Guarantee Insurance (Coface). In an effort to minimize receivable credit risk, the Company applies the credit rating of the counterparty when determining the insurance coverage. In addition, the Company performs stringent credit risk managements based on credit valuation criteria for receivables without insurance coverage or collateral.

(c) Liquidity risk

The Company forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively. The Company assigns experts in four RTCs to manage liquidity risk in overseas subsidiaries efficiently.

The Company maintains adequate amount of cash and committed credit facilities in Shinhan

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Bank, Woori Bank and Kookmin Bank to cope with potential financial distress.

In addition, the Company is able to source funds any time in the domestic and international financial markets because it has good investment credit grades from Korea Investors Service, Korea Ratings and NICE Information Service of AA0-Stable, and Standard & Poors and Moody's of BBB- Stable and Baa3, respectively as of June 30, 2014.

Cash flow information on maturity of borrowings and limit on financial guarantee are presented in Note 10 and Note 27, respectively.

**Capital Risk Management**

The Company's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Company monitors financial ratios, such as liability to equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

Debt-to-equity ratio and net borrowing ratio are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Liabilities (A)	16,921,482	15,138,262
Equity (B)	9,926,960	9,832,820
Cash and cash equivalents and current financial deposits (C)	1,161,434	1,363,349
Borrowings (D)	6,633,121	5,942,242
Debt-to-equity ratio (A/B)	170%	154%
Net borrowings ratio (D-C)/B	55%	47%

**Fair Value Estimation**

(a) The carrying amount and fair values of the Company's financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Current financial asset items</b>				
[Assets at amortized cost]				
Loans and receivables				
- Cash and cash equivalents	1,096,434	1	1,298,349	1
- Financial deposits	65,000	1	65,000	1
- Trade receivables	6,497,983	1	4,697,202	1
- Loans and other receivables	398,021	1	433,888	1
<b>Non-current financial asset items</b>				
[Assets at fair value]				
Derivatives for hedging purposes				
- Other financial assets	-	-	94	94

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<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets				
- Other financial assets	14,943	14,943	15,114	15,114
[Assets at amortized cost]				
Loans and receivables				
- Financial deposits	3,032	3,032	4,759	4,759
- Loans and other receivables	386,263	362,155	410,385	381,492
[Assets at cost]				
Available-for-sale financial assets				
- Other financial assets	16,615	<sup>2</sup>	16,615	<sup>2</sup>
<b>Total financial assets</b>	<b>8,478,291</b>		<b>6,941,406</b>	

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Current financial liability items</b>				
[Liabilities at fair value]				
Derivatives for hedging purposes				
- Other financial liabilities	7,364	7,364	8,985	8,985
[Liabilities at amortized cost]				
- Trade payables	5,139,504	<sup>1</sup>	4,327,403	<sup>1</sup>
- Borrowings	826,005	<sup>1</sup>	1,391,805	<sup>1</sup>
- Other payables	1,608,378	<sup>1</sup>	1,798,292	<sup>1</sup>
[Other liabilities]				
- Other financial liabilities	106	<sup>3</sup>	105	<sup>3</sup>
<b>Non-current financial liability items</b>				
[Liabilities at fair value]				
Derivatives for hedging purposes				
- Other financial liabilities	55,992	55,992	9,371	9,371
[Liabilities at amortized cost]				
- Borrowings	5,807,116	5,908,083	4,550,437	4,603,279
[Other liabilities]				
- Other financial liabilities	466	<sup>3</sup>	520	<sup>3</sup>
<b>Total financial liabilities</b>	<b>13,444,931</b>		<b>12,086,918</b>	

<sup>1</sup> Excluded from disclosure as the carrying amount is the rational approximate for fair value.

<sup>2</sup> Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

<sup>3</sup> Measured at the higher of the amount determined in accordance with Korean IFRS 1037, 'Provisions, Contingent Liabilities and Contingent Assets', and the amount initially recognized less cumulative amortization recognized in accordance with Korean IFRS 1018, 'Revenue'.

No significant changes in the business environment and economic environment that affect the

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fair value of financial assets and financial liabilities occurred during the reporting period.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement is to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The Company measures fair value using valuation techniques that maximize the use of market information and minimizes the use of unobservable inputs.

Financial instruments measured at fair value are categorized within the fair value hierarchy, and the defined levels are as follows:

- Level 1: Financial instruments measured at the quoted price in an active market for identical assets or liabilities are included in 'level 1'. Assets or liabilities categorized within level 1' include financial instruments such as marketable equity securities traded in Korea Exchange.

- Level 2: When financial instruments are measured by using a valuation technique, if all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'. Assets or liabilities categorized within 'level 2' include financial instruments such as derivative financial instruments.

- Level 3: When financial instruments are measured by using a valuation technique, if one or more of the significant inputs are unobservable market data, the instrument is included in 'level 3'. Assets or liabilities categorized within 'level 3' include financial instruments such as debt securities.

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 within 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 Company is the current bid price. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily equity investments classified as available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses various valuation 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 measure



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the fair value of an instrument are observable, the instrument is included in 'level 2'.

If one or more of the significant inputs are not based on observable market data, the instrument is included in 'level 3'. Financial instrument included 'level 3' uses other method including discounting cash flow method and others.

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as of as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,943	-	-	14,943
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	-	63,356	-	63,356

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	15,114	-	-	15,114
Derivatives for hedging purposes	-	94	-	94
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	-	18,356	-	18,356

The above fair value amounts are recurring fair value measurements.

In case of investments in equity instruments that do not have a quoted market price in an active market and their fair value cannot be measured reliably, they are measured at cost and not included in the above fair value measurement hierarchy.

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① Valuation technique and inputs for fair value measurements categorized within level 2

Valuation technique and inputs for fair value measurements categorized within level 2 as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2014	December 31, 2013		
<b>Assets</b>				
Other financial assets				
Derivatives for hedging purposes	-	94	Discounted cash flow	Discount rate and exchange rate
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	63,356	18,356	Discounted cash flow	Discount rate and exchange rate

② Fair value measurements categorized within level 3

No financial instruments measured at fair value are categorized within level 3.

iii) Financial instruments not measured at fair value but for which the fair value is disclosed

Financial instruments not measured at fair value but for which the fair value is disclosed as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current financial deposits	-	-	3,032	3,032
Non-current other receivables	-	-	362,155	362,155
<b>Liabilities</b>				
Non-current borrowings	-	-	5,908,083	5,908,083

<i>(in millions of Korean won)</i>	December 31, 2013			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current financial deposits	-	-	4,759	4,759
Non-current other receivables	-	-	381,492	381,492
<b>Liabilities</b>				
Non-current borrowings	-	-	4,603,279	4,603,279

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- ① Valuation technique and inputs for fair value measurements categorized within level 2

As of June 30, 2014, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within level 2.

- ② Disclosure in relation to fair value measurements categorized within level 3

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within level 3 as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013		Valuation techniques	Inputs	Significant but Unobservable Inputs	Range of Significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
<b>Assets</b>								
Non-current financial deposits	3,032	3,032	4,759	4,759	Discounted cash flow	Discount rate	Discount rate	0.1% ~ 1.6%
Non-current other receivables	386,263	362,155	410,385	381,492	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.6% ~ 4.8%
<b>Liabilities</b>								
Non-current borrowings	5,807,116	5,908,083	4,550,437	4,603,279	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.8% ~ 4.6%

**31. Business Combination**

- i) The Company's future strategy for its business includes smart car and electric car parts business leveraging the existing capabilities in IT, consumer electronics and components. The Company intends to accelerate the growth of the electric car parts business in the future and increase the value of the business that the Company is fostering by merging with V-ENS Co., Ltd., which has the strength in vehicle design and vehicle verification. On May 1, 2013, the Company acquired all common shares of V-ENS Co., Ltd. from its related party, LG CNS Co., Ltd., for the total consideration of ₩17,028 million.
- ii) The Company merged with V-ENS Co., Ltd. on July 1, 2013, based on the resolution of board of directors dated April 24, 2013. It was a merger with exchange ratio of 1 to 0 without issuance of new stock. As it falls under both to a small scale merger (for the Company) and a simplicity merger (for V-ENS Co., Ltd.), the approval of the general meeting of shareholders was replaced by a resolution of the board of directors dated May 23, 2013.

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- iii) The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration (Investments in subsidiaries)	17,028
Recognized amounts of identifiable assets acquired and liabilities assumed <sup>1</sup>	
Current assets	
Cash and cash equivalents	5,304
Trade receivables	45,388
Loans and other receivables	48
Current tax assets	33
Other current assets	1,875
Non-current assets	
Financial deposit	3
Loans and other receivables	4,393
Property, plant and equipment	8,629
Intangible assets	6,078
Investments in subsidiaries, associates and joint ventures	3,895
Other non-current assets	497
Current liabilities	
Trade payables	(12,823)
Other payables	(9,926)
Provisions	(257)
Other current liabilities	(34,356)
Non-current liabilities	
Net defined benefit liability	(579)
<b>Total identifiable net assets</b>	<b>18,202</b>
<b>Retained earnings</b>	<b>1,174</b>

<sup>1</sup> Since the merger is parent-subsidary merger, the Company recognized the amounts of assets acquired and liabilities assumed as the carrying amounts recognized on the consolidated financial statements at the merger date.

- iv) The acquisition-related costs amounting to ₩293 million were all expensed as incurred during the year ended December 31, 2013.
- v) The above fair value of trade receivables and other receivables are the same as the contractual amounts in gross.