

**LG Electronics**  
**Consolidated Financial Statements**  
**December 31, 2013 and 2012**

**LG Electronics**

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## Report of Independent Auditors

To the Board of Directors and Shareholders of  
LG Electronics Inc.

We have audited the accompanying consolidated statements of financial position of LG Electronics Inc. and its subsidiaries (collectively the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 37% of the Group's consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and 53% and 54% of the Group's consolidated total sales for the years ended December 31, 2013 and 2012, respectively. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012, in conformity with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

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

A handwritten signature in black ink that reads "Samiel Price Waterhouse Coopers". The signature is written in a cursive, flowing style.

Seoul, Korea  
February 25, 2014

This report is effective as of February 25, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG Electronics**  
**Consolidated Statements of Financial Position**  
**December 31, 2013 and 2012, and January 1, 2012**

<i>(in millions of Korean won)</i>	Note	December 31, 2013	December 31, 2012	January 1, 2012
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,6,42	2,645,270	2,185,000	2,781,069
Financial deposits	5,6,42	67,896	54,000	180,000
Trade receivables	5,7	7,117,402	7,332,761	7,338,759
Loans and other receivables	5,7,42	596,505	498,615	529,510
Other financial assets	5,8,42	17,430	56,486	1,677
Inventories	9	4,838,830	5,074,500	5,321,845
Current income tax assets		116,254	225,659	198,897
Other current assets	10	925,471	864,477	920,882
Assets classified as held for sale	11	-	16,937	6,865
		<u>16,325,058</u>	<u>16,308,435</u>	<u>17,279,504</u>
<b>Non-current assets</b>				
Financial deposits	5,6,42	96,992	121,036	136,108
Loans and other receivables	5,7,42	601,978	603,233	629,703
Other financial assets	5,8,42	55,714	67,001	145,787
Property, plant and equipment	12	10,341,993	9,889,204	9,593,424
Intangible assets	13	1,363,690	1,222,302	1,167,567
Deferred income tax assets	18	1,619,551	1,511,462	1,444,208
Investments in associates and joint ventures	14	4,329,583	4,182,878	4,252,408
Investment property	15	4,923	10,261	10,909
Other non-current assets	10	788,582	850,238	859,520
		<u>19,203,006</u>	<u>18,457,615</u>	<u>18,239,634</u>
<b>Total assets</b>		<u>35,528,064</u>	<u>34,766,050</u>	<u>35,519,138</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables	5,42	5,691,114	5,626,571	5,750,549
Borrowings	5,16,42	3,022,723	2,715,041	3,871,889
Other payables	5,17,42	2,829,686	2,704,522	2,322,897
Other financial liabilities	5,8,42	10,890	321	13,860
Current income tax liabilities		74,131	114,728	85,651
Provisions	20	663,701	644,282	734,848
Other current liabilities	21	2,721,759	2,707,033	2,676,039
Liabilities related to assets held for sale	11	-	1,794	-
		<u>15,014,004</u>	<u>14,514,292</u>	<u>15,455,733</u>
<b>Non-current liabilities</b>				
Borrowings	5,16,42	6,188,306	5,923,346	5,808,491
Other payables	5,17,42	27,670	29,169	20,892
Other financial liabilities	5,8,42	10,663	16,621	378
Deferred income tax liabilities	18	7,651	10,568	15,237
Net defined benefit liability	19	580,919	630,138	483,125
Provisions	20	998,795	932,871	575,632
Other non-current liabilities	21	10,687	3,298	3,238
		<u>7,824,691</u>	<u>7,546,011</u>	<u>6,906,993</u>
<b>Total liabilities</b>		<u>22,838,695</u>	<u>22,060,303</u>	<u>22,362,726</u>
<b>Equity attributable to owners of the Parent Company</b>				
Paid-in capital:	22			
Capital stock		904,169	904,169	904,169
Share premium		3,088,179	3,088,179	3,088,179
Retained earnings	23	8,885,523	8,723,950	8,792,879
Accumulated other comprehensive loss	24	(907,440)	(675,098)	(327,469)
Other components of equity	25	(231,229)	(242,111)	(242,223)
		<u>11,739,202</u>	<u>11,799,089</u>	<u>12,215,535</u>
<b>Non-controlling interest</b>		<u>950,167</u>	<u>906,658</u>	<u>940,877</u>
<b>Total equity</b>		<u>12,689,369</u>	<u>12,705,747</u>	<u>13,156,412</u>
<b>Total liabilities and equity</b>		<u>35,528,064</u>	<u>34,766,050</u>	<u>35,519,138</u>

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

**LG Electronics**  
**Consolidated Statements of Income**  
**Years ended December 31, 2013 and 2012**

<i>(in millions of Korean won, except per share amounts)</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Net sales</b>	27	58,140,376	55,122,623
<b>Cost of sales</b>	28	<u>44,720,669</u>	<u>42,252,184</u>
<b>Gross profit</b>		13,419,707	12,870,439
Selling and marketing expenses	28,29	7,045,671	6,913,971
Administrative expenses	28,29	1,351,797	1,295,119
Research and development expenses	28,29	2,293,373	2,101,989
Service costs	28,29	<u>1,444,197</u>	<u>1,342,637</u>
<b>Operating income</b>		1,284,669	1,216,723
Financial income	31	426,107	464,507
Financial expenses	32	826,761	854,248
Gain from equity method valuation	14	126,000	86,917
Other non-operating income	33	1,191,329	1,373,026
Other non-operating expenses	34	<u>1,624,810</u>	<u>1,738,265</u>
Profit before income tax		576,534	548,660
Income tax expense	35	<u>353,830</u>	<u>445,858</u>
<b>Profit for the year</b>		<u>222,704</u>	<u>102,802</u>
<b>Profit for the year attributable to:</b>			
Equity holders of the Parent Company		176,768	92,382
Non-controlling interest		45,936	10,420
<b>Earnings per share attributable to the equity holders of the Parent Company during the year (in won):</b>	36		
Earnings per share for profit attributable to the common equity holders of the Parent Company		977	508
Earnings per share for profit attributable to the preferred equity holders of the Parent Company		1,027	558

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

**LG Electronics**  
**Consolidated Statements of Comprehensive Income**  
**Years ended December 31, 2013 and 2012**

(in millions of Korean won)

	Note	2013	2012
<b>Profit for the year</b>		222,704	102,802
<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	19	26,482	(111,003)
Share of remeasurements for the net defined benefit liability of associates	14	618	(22,641)
Items that will be reclassified subsequently to profit or loss:			
Other comprehensive income(loss) from associates and joint ventures	14	(25,310)	(43,558)
Cash flow hedges	8	5,773	4,184
Available-for-sale financial assets	8	5,846	(601)
Currency translation differences		(216,718)	(330,864)
<b>Other comprehensive loss for the year, net of tax</b>		(203,309)	(504,483)
<b>Total comprehensive income(loss) for the year, net of tax</b>		19,395	(401,681)
<b>Comprehensive income(loss) for the year, net of tax, attributable to:</b>			
Equity holders of the Parent Company		(33,897)	(379,676)
Non-controlling interest		53,292	(22,005)
<b>Total comprehensive income(loss) for the year, net of tax</b>		19,395	(401,681)

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

**LG Electronics**  
**Consolidated Statements of Changes in Equity**  
**Years ended December 31, 2013 and 2012**

		Attributable to equity holders of the Parent Company							
				Accumulated Other Comprehensive Income(loss)	Other Components of Equity				
		Paid-in Capital	Retained Earnings			Total	Non-controlling Interest	Total Equity	
(in millions of Korean won)	Note								
<b>Balance at January 1, 2012</b>		3,992,348	9,499,534	(326,584)	(271,339)	12,893,959	254,289	13,148,248	
<b>Effect of changes in accounting policies</b>	2	-	(706,655)	(885)	29,116	(678,424)	686,588	8,164	
<b>Restated amount</b>		3,992,348	8,792,879	(327,469)	(242,223)	12,215,535	940,877	13,156,412	
<b>Comprehensive income:</b>									
Profit for the year		-	92,382	-	-	92,382	10,420	102,802	
Remeasurements of the net defined benefit liability	19	-	(101,788)	-	-	(101,788)	(9,215)	(111,003)	
Share of remeasurements for the net defined benefit liability of associates	14	-	(22,641)	-	-	(22,641)	-	(22,641)	
Share of other comprehensive loss of associates and joint ventures	14	-	-	(43,558)	-	(43,558)	-	(43,558)	
Cash flow hedges	8	-	-	4,184	-	4,184	-	4,184	
Available-for-sale financial assets	8	-	-	(671)	-	(671)	70	(601)	
Currency translation differences		-	-	(307,584)	-	(307,584)	(23,280)	(330,864)	
<b>Total comprehensive income</b>		-	(32,047)	(347,629)	-	(379,676)	(22,005)	(401,681)	
<b>Transaction with equity holders:</b>									
Dividends	37	-	(36,872)	-	-	(36,872)	(21,961)	(58,833)	
Changes in ownership interest over subsidiaries		-	-	-	155	155	(155)	-	
Issuance of common shares of subsidiaries		-	-	-	-	-	8,820	8,820	
Conversion rights and stock warrants of subsidiaries exercised		-	-	-	-	-	1,082	1,082	
Others		-	(10)	-	(43)	(53)	-	(53)	
<b>Total transactions with equity holders</b>		-	(36,882)	-	112	(36,770)	(12,214)	(48,984)	
<b>Balance at December 31, 2012</b>		<u>3,992,348</u>	<u>8,723,950</u>	<u>(675,098)</u>	<u>(242,111)</u>	<u>11,799,089</u>	<u>906,658</u>	<u>12,705,747</u>	
<b>Balance at January 1, 2013</b>		<u>3,992,348</u>	<u>8,723,950</u>	<u>(675,098)</u>	<u>(242,111)</u>	<u>11,799,089</u>	<u>906,658</u>	<u>12,705,747</u>	
<b>Comprehensive income:</b>									
Profit for the year		-	176,768	-	-	176,768	45,936	222,704	
Remeasurements of the net defined benefit liability	19	-	21,059	-	-	21,059	5,423	26,482	
Share of remeasurements for the net defined benefit liability of associates	14	-	618	-	-	618	-	618	
Share of other comprehensive loss of associates and joint ventures	14	-	-	(25,310)	-	(25,310)	-	(25,310)	
Cash flow hedges	8	-	-	5,773	-	5,773	-	5,773	
Available-for-sale financial assets	8	-	-	5,820	-	5,820	26	5,846	
Currency translation differences		-	-	(218,625)	-	(218,625)	1,907	(216,718)	
<b>Total comprehensive income</b>		-	198,445	(232,342)	-	(33,897)	53,292	19,395	
<b>Transaction with equity holders:</b>									
Dividends	37	-	(36,872)	-	-	(36,872)	(17,394)	(54,266)	
Issuance of convertible bonds by subsidiary		-	-	-	10,886	10,886	11,861	22,747	
Establishment of subsidiary		-	-	-	-	-	40	40	
Conversion rights of subsidiaries exercised		-	-	-	-	-	15	15	
Changes in ownership interest over subsidiaries		-	-	-	(4)	(4)	6	2	
Return of investments in subsidiary		-	-	-	-	-	(4,311)	(4,311)	
<b>Total transactions with equity holders</b>		-	(36,872)	-	10,882	(25,990)	(9,783)	(35,773)	
<b>Balance at December 31, 2013</b>		<u>3,992,348</u>	<u>8,885,523</u>	<u>(907,440)</u>	<u>(231,229)</u>	<u>11,739,202</u>	<u>950,167</u>	<u>12,689,369</u>	

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



**LG Electronics**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2013 and 2012**

<i>(in millions of Korean won)</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	38	2,956,633	2,914,592
Interest received		73,096	87,904
Interest paid		(381,320)	(417,966)
Dividends received		10,732	36,640
Income tax paid		(448,239)	(520,118)
<b>Net cash generated from operating activities</b>		<u>2,210,902</u>	<u>2,101,052</u>
<b>Cash flows from investing activities</b>			
Decrease in financial deposits		36,504	146,699
Decrease in loans and other receivables		244,680	232,197
Proceeds from disposal of other financial assets		99,379	49,630
Proceeds from disposal of property, plant and equipment		62,481	113,209
Proceeds from disposal of intangible assets		9,796	8,410
Proceeds from disposal of and recovery of investments in associates and joint ventures		1,396	216,412
Business transfer	38	29,733	-
Proceeds from disposal of assets held for sale		17,418	7,721
Proceeds from disposal of investment property		5,340	858
Decrease in other assets		1,188	-
Increase in financial deposits		(25,455)	(11,193)
Increase in loans and other receivables		(258,264)	(216,208)
Acquisition of other financial assets		(28,211)	(52,553)
Acquisition of property, plant and equipment		(2,117,161)	(1,770,222)
Acquisition of intangible assets		(408,327)	(354,756)
Acquisition of investments in associates and joint ventures		(57,314)	(26,098)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		(3,822)	(44,585)
Acquisition of other assets		(75)	(870)
<b>Net cash used in investing activities</b>		<u>(2,390,714)</u>	<u>(1,701,349)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,022,901	2,418,594
Issuance of common shares of subsidiaries		40	8,820
Stock warrants exercised		-	372
Repayments of borrowings		(3,297,444)	(3,304,078)
Dividends paid	37	(58,526)	(59,065)
<b>Net cash provided by(used in) financing activities</b>		<u>666,971</u>	<u>(935,357)</u>
<b>Exchange losses on cash and cash equivalents</b>		<u>(26,889)</u>	<u>(60,415)</u>
<b>Net increase(decrease) in cash and cash equivalents</b>		460,270	(596,069)
Cash and cash equivalents at the beginning of year	6	<u>2,185,000</u>	<u>2,781,069</u>
<b>Cash and cash equivalents at the end of year</b>	6	<u>2,645,270</u>	<u>2,185,000</u>

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

# **LG Electronics**

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

### **December 31, 2013 and 2012**

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#### **1. General Information**

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

As of December 31, 2013, LG Corp. owns 33.7% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines and personal computers. As of December 31, 2013, the Group operates six business segments and other supporting segments through the Parent Company and subsidiaries all over the world. The Parent Company as of December 31, 2013, has 138 subsidiaries and its consolidated subsidiaries as of December 31, 2013, are as follows:

**LG Electronics**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2013 and 2012**

(a) Consolidated subsidiaries as of December 31, 2013, are as follows:

Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and Retails of Electronic products	More than half of voting rights
	Korea	Hi Business Logistics Co., Ltd.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and Sales of Air conditioner	More than half of voting rights
	Korea	Hi M Solutek	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing Services	More than half of voting rights
	Korea	LGE Alliance Fund	96.2%	3.8%	96.2%	3.8%	December	Investment	More than half of voting rights
	Korea	Innovation Investment Fund	83.3%	16.7%	83.3%	16.7%	December	Investment	More than half of voting rights
	Korea	LG Innotek Co., Ltd. <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund <sup>1</sup>	47.4%	52.6%	47.4%	52.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Cleaning Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	-	-	December	Cleaning Services	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2013 and 2012**

Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Korea	LGE Alliance Fund II	98.7%	1.3%	-	-	December	Investment	More than half of voting rights
China	China	Hi Logistics (China) Co., Ltd.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2013 and 2012**

Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	100.0%	-	December	Production of Casting	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	33.3%	66.7%	33.3%	December	Production of Heater	More than half of voting rights
	China	LG Innotek (Yantai) Co., Ltd.(LGITYT) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
Asia	China	LG Innotek (Fuzhou) Co., Ltd.(LGITFZ) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Sales of Electronic materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	100.0%	-	-	-	December	Water engineering	More than half of voting rights
	China	VENS BEIJING VEHICLE ENGINEERING CO.,LTD	100.0%	-	-	-	December	Automotive engineering	More than half of voting rights
	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	India	LG Electronics India Pvt. Ltd.(LGEIL) <sup>4</sup>	100.0%	-	100.0%	-	March	Production and Sales of Electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights	
Taiwan	LG Electronics Taiwan	100.0%	-	100.0%	-	December	Sales of	More than half of	

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
		Taipei Co., Ltd.(LGETT)						Electronic products	voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) <sup>4</sup>	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	India	Hi Logistics India Private Limited <sup>4</sup>	100.0%	-	100.0%	-	March	Services of Logistics	More than half of voting rights
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Indonesia	PT LG Innotek Indonesia(LGITIN) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Ltd.(LGITTW) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Sales of Electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	-	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	-	-	December	Production of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
Europe	Netherlands	Hi Logistics Europe B.V.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia, LLC(LGELV)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights



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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	France	LG Electronics Mobilecomm France(LGEMF)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Norway	LG Electronics Norway AS(LGENO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Poland	LG Innotek Poland Sp z o.o.(LGITPO) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Production and Sales of Electronic metarials	De-facto control
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Receivable Funding LLC	100.0%	-	100.0%	-	December	Special Purpose Company	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	47.9%	52.1%	47.9%	52.1%	December	Sales of Electronic products	De-facto control
	Mexico	HILOGISTICS MEXICO SA DE CV	100.0%	-	-	-	December	Services of Logistics	More than half of voting rights
	Mexico	HiLogistics Reynosa	100.0%	-	-	-	December	Services of Logistics	More than half of voting rights
	USA	HiLogistics USA	100.0%	-	-	-	December	Services of Logistics	More than half of voting rights
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) <sup>1</sup>	47.9%	52.1%	-	-	December	Production and Sales of Automotive materials	De-facto control
South America	Brazil	LG Armagem Geral Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Honduras	LG Electronics Honduras S.de R.L. <sup>2</sup>	20.0%	80.0%	20.0%	80.0%	December	Sales of Electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	SOCIO VIP Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	C&S America Solutions	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
Middle East and Africa	Nigeria	Easytec Global Services Innovation Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and Services of Electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2013		2012		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR) <sup>2</sup>	49.0%	51.0%	49.0%	51.0%	December	Production of Electronic products	De-facto control
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	Hi Logistics Middle East FZE	100.0%	-	-	-	December	Services of Logistics	More than half of voting rights
Other	Russia	LG Alina Electronics(LGERI)	95.0%	5.0%	95.0%	5.0%	December	Services	More than half of voting rights
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

<sup>1</sup> Although the Parent Company holds less than half of the voting rights of LG Innotek Co., Ltd. which is an intermediate parent of its subsidiaries, the Parent Company is deemed to have control over LG Innotek Co., Ltd. when considering the size and dispersion of holdings of the other vote holders and the voting patterns at previous shareholders' meetings (Note 3).

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

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

<sup>4</sup> In the preparation of consolidated financial statements, the financial statements for the year ended December 31, 2013, were used for those subsidiaries with different fiscal year ends.

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(b) Financial information of major subsidiaries as of and for the years ended December 31, 2013 and 2012, is as follows (Before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>2013</b>					
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Net Income (loss)</b>	<b>Total Comprehensive Income(loss)</b>
LG Innotek Co., Ltd.	4,260,285	3,039,627	1,220,658	5,504,038	(50,039)	(40,379)
LG Electronics U.S.A., Inc.(LGEUS)	1,825,282	1,555,954	269,328	6,275,216	(4,062)	(4,352)
LG Electronics do Brasil Ltda.(LGEBR)	1,679,815	1,305,953	373,862	3,719,208	86,343	71,051
LG Electronics European Shared Service Center B.V.(LGESC)	1,071,932	1,045,305	26,627	205,404	1,889	2,027
Zenith Electronics Corporation(Zenith)	995,877	35,986	959,891	163,317	40,492	43,499
LG Electronics RUS, LLC(LGERA)	963,916	537,408	426,508	3,031,663	154,554	151,572
LG Electronics (China) Co. Ltd.(LGECH)	694,585	671,465	23,120	1,380,704	3,102	3,273
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	566,860	311,851	255,009	1,172,981	11,637	12,942
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	581,012	504,592	76,420	3,989,706	5,544	6,564
LG Electronics Reynosa S.A. DE C.V.(LGERES)	392,973	154,526	238,447	2,092,114	(912)	476
LG Electronics Nanjing Display Co., Ltd.(LGEND)	505,656	332,843	172,813	1,583,925	31,854	31,130
P.T. LG Electronics Indonesia(LGEIN)	480,206	268,369	211,837	1,936,990	595	6,648
LG Electronics India Pvt. Ltd.(LGEIL)	456,472	227,511	228,961	2,115,131	106,430	106,356
LG Electronics Mlawa Sp. z o.o(LGEMA)	540,236	236,240	303,996	1,312,606	13,952	15,463
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	448,362	371,472	76,890	2,221,596	(1,026)	(989)
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	500,773	329,144	171,629	1,752,411	17,644	18,076
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	404,019	282,849	121,170	1,115,592	25,048	25,178
Hiplaza Co., Ltd.	434,154	292,415	141,739	1,466,810	3,336	(2,834)
LG Electronics Mexico S.A. DE C.V.(LGEMS)	409,158	336,857	72,301	1,389,792	7,548	6,468
LG Electronics Thailand Co.Ltd.(LGETH)	339,752	188,898	150,854	1,139,891	31,621	28,085
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	398,895	356,658	42,237	627,340	4,707	4,760

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<i>(in millions of Korean won)</i>	2012					
	Assets	Liabilities	Equity	Sales	Net Income (loss)	Total Comprehensive Income(loss)
LG Innotek Co., Ltd.	4,668,318	3,430,042	1,238,276	5,071,753	(41,027)	(58,596)
LG Electronics U.S.A., Inc.(LGEUS)	1,882,404	1,604,377	278,027	6,325,208	20,915	20,958
LG Electronics do Brasil Ltda.(LGEBR)	1,330,108	971,404	358,704	2,903,464	60,709	56,550
LG Electronics European Shared Service Center B.V.(LGESC)	1,095,692	1,071,664	24,028	169,424	3,219	3,112
Zenith Electronics Corporation(Zenith)	973,707	39,427	934,280	157,465	89,577	81,979
LG Electronics RUS, LLC(LGERA)	1,063,036	643,253	419,783	2,788,072	167,646	168,044
LG Electronics (China) Co. Ltd.(LGECH)	636,428	616,983	19,445	1,117,127	(6,083)	(5,568)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	647,211	362,324	284,887	1,354,652	30,120	27,240
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	411,997	340,570	71,427	3,616,910	5,456	4,056
LG Electronics Reynosa S.A. DE C.V.(LGERES)	526,829	281,719	245,110	2,883,813	46,195	37,507
LG Electronics Nanjing Display Co., Ltd.(LGEND)	423,710	279,980	143,730	1,067,297	5,439	1,935
P.T. LG Electronics Indonesia(LGEIN)	545,659	334,843	210,816	2,072,207	37,233	29,898
LG Electronics India Pvt. Ltd.(LGEIL)	564,329	218,670	345,659	2,418,867	114,458	112,081
LG Electronics Mlawa Sp. z o.o.(LGEMA)	563,481	276,155	287,326	1,501,397	8,003	9,034
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	418,758	341,217	77,541	1,552,961	19,043	18,392
LG Electronics Wroclaw Sp.z.o.o.(LGEWR)	518,020	365,612	152,408	1,715,662	18,234	20,536
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	391,388	288,848	102,540	776,827	13,428	11,840
Hiplaza Co., Ltd.	398,974	254,400	144,574	1,303,515	2,010	1,333
LG Electronics Mexico S.A. DE C.V.(LGEMS)	456,972	391,074	65,898	1,132,451	(47,468)	(45,980)
LG Electronics Thailand Co.Ltd.(LGETH)	350,146	215,993	134,153	1,089,885	11,908	11,742
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	358,914	320,062	38,852	610,005	7,399	7,471



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(c) Information of non-controlling interests of subsidiaries and subsidiaries with material non-controlling interests

i) Subsidiaries held at less than 100% of interest

Subsidiaries	Location	Controlling interest	Non-controlling interest
LG Innotek Co., Ltd. and its subsidiaries <sup>1</sup>	Korea	47.9%	52.1%
LG Hitachi Water Solution Co., Ltd.	Korea	51.0%	49.0%
LGE Alliance Fund	Korea	96.2%	3.8%
LGE Alliance Fund II	Korea	98.7%	1.3%
Innovation Investment Fund	Korea	83.3%	16.7%
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	70.0%	30.0%
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	China	70.0%	30.0%
LG Electronics Huizhou Ltd.(LGEHZ)	China	80.0%	20.0%
LG Electronics Nanjing Display Co., Ltd.(LGEND)	China	70.0%	30.0%
LG Electronics Shenyang Inc.(LGESY)	China	78.9%	21.1%
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	80.0%	20.0%
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	70.0%	30.0%
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	70.0%	30.0%
Shanghai LG Electronics Co., Ltd.(LGESH)	China	70.0%	30.0%
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	China	66.7%	33.3%
LG Electronics Pasig Inc.	Philippines	38.0%	62.0%
LG Electronics Honduras S.de R.L.	Honduras	20.0%	80.0%
LG Electronics Algeria SARL(LGEAS)	Algeria	70.0%	30.0%
LG-Shaker Co., Ltd.(LGESR)	Saudi Arabia	49.0%	51.0%
LG Alina Electronics(LGERI)	Russia	95.0%	5.0%
P.T. LG Electronics Indonesia(LGEIN) <sup>2</sup>	Indonesia	100.0%	0.0%

<sup>1</sup> Above location of LG Innotek Co., Ltd. and its subsidiaries represents the location of head office only.

<sup>2</sup> The Group disposed of four shares out of 51,920 total issued shares of P.T. LG Electronics Indonesia(LGEIN) held by LG Electronics Inc., resulting in an increase in non-controlling interest of 0.01%.

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ii) Non-controlling interest portion of subsidiaries' financial position and financial performance

Accumulated non-controlling interest as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
LG Innotek Co., Ltd. and its subsidiaries	685,127	659,171
LG Electronics Nanjing Display Co., Ltd.(LGEND)	50,643	42,251
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	48,877	53,910
LG-Shaker Co., Ltd.(LGESR)	37,174	27,529
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	32,982	27,272
LG Electronics Shenyang Inc.(LGESY)	23,725	19,603
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	22,017	21,507
LG Electronics Huizhou Ltd.(LGEHZ)	17,690	18,228
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	13,195	11,909
Shanghai LG Electronics Co., Ltd.(LGESH)	8,016	7,503
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	8,011	7,281
LG Hitachi Water Solution Co., Ltd.	5,329	6,664
Innovation Investment Fund	1,914	6,120
LGE Alliance Fund	298	386
LG Alina Electronics(LGERI)	112	767
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	81	116
LGE Alliance Fund II	41	-
P.T. LG Electronics Indonesia(LGEIN)	16	-
Triveni Digital Inc.	-	169
LG Electronics Pasig Inc.	(2,358)	(2,317)
LG Electronics Algeria SARL(LGEAS)	(2,723)	(1,411)
<b>Total</b>	<b>950,167</b>	<b>906,658</b>

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Profit(loss) attributed to non-controlling interest for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
LG Innotek Co., Ltd. and its subsidiaries	8,794	(13,602)
LG Electronics Nanjing Display Co., Ltd.(LGEND)	8,980	769
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	3,287	3,706
LG-Shaker Co., Ltd.(LGESR)	10,551	7,622
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	7,656	2,402
LG Electronics Shenyang Inc.(LGESY)	4,048	531
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	361	3,951
LG Electronics Huizhou Ltd.(LGEHZ)	2,467	3,167
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	1,135	1,259
Shanghai LG Electronics Co., Ltd.(LGESH)	996	566
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	1,006	1,194
LG Hitachi Water Solution Co., Ltd.	(1,799)	(2,100)
Innovation Investment Fund	(69)	1,289
LGE Alliance Fund	(1)	(16)
LG Alina Electronics(LGERI)	4	(27)
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	(38)	61
LGE Alliance Fund II	-	-
P.T. LG Electronics Indonesia(LGEIN)	-	-
Triveni Digital Inc.	-	(16)
LG Electronics Pasig Inc.	(20)	(24)
LG Electronics Algeria SARL(LGEAS)	(1,422)	(312)
<b>Total</b>	<b>45,936</b>	<b>10,420</b>

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Dividends paid to non-controlling interest for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	-	2,029
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	380	216
LG Electronics Huizhou Ltd.(LGEHZ)	3,397	2,499
LG Electronics Nanjing Display Co., Ltd.(LGEND)	890	684
LG Electronics Shenyang Inc.(LGESY)	-	12,410
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	9,274	3,596
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	2,262	-
Shanghai LG Electronics Co., Ltd.(LGESH)	557	527
LG Alina Electronics(LGERI)	634	-
<b>Total</b>	<b>17,394</b>	<b>21,961</b>

iii) Summarized consolidated statements of financial position of subsidiaries with material non-controlling interest, is as follows (before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Current assets	2,006,841	2,073,033
Non-current assets	2,574,430	2,813,252
<b>Total assets</b>	<b>4,581,271</b>	<b>4,886,285</b>
Current liabilities	1,629,364	2,009,225
Non-current liabilities	1,635,007	1,608,753
<b>Total liabilities</b>	<b>3,264,371</b>	<b>3,617,978</b>
Equity of the owners of LG Innotek Co., Ltd.	1,316,898	1,268,253
Non-controlling interest	2	54
<b>Total equity</b>	<b>1,316,900</b>	<b>1,268,307</b>

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iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the years ended December 31, 2013 and 2012, is as follows (before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Net sales	6,211,516	5,315,958
Profit(loss) for the year	15,542	(24,943)
Other comprehensive income(loss), net of tax	10,342	(32,672)
Total comprehensive income(loss), net of tax	25,884	(57,615)

v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interest for the years ended December 31, 2013 and 2012, is as follows (before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Cash flows from operating activities	435,573	380,563
Cash flows from investing activities	(404,953)	(382,583)
Cash flows from financing activities	16,384	(78,985)
Exchange gains(losses) on cash and cash equivalents	(202)	(1,789)
Net increase(decrease) in cash and cash equivalents	46,802	(82,794)
Cash and cash equivalents at the beginning of year	352,808	435,602
Cash and cash equivalents at the end of year	399,610	352,808

(d) Significant restrictions on its subsidiaries

i) The significant restrictions on the use of assets and on the settlement of liabilities by the Group are as follows:

Cash and other short-term financial instruments held by subsidiaries in Egypt, Algeria, Russia, Kazakhstan and Uzbekistan are subject to currency regulations of each relevant country. Accordingly, there are transfer limits on their cash and short-term financial instruments from these countries.

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ii) The nature and limitation of the protective rights of non-controlling interest which may restrict the use of assets and settlement of liabilities by the Group are as follows:

<b>Subsidiaries</b>	<b>The nature and limitation of the protective rights for non-controlling interest</b>
LG Hitachi Water Solution Co., Ltd.	For the following special resolutions of the board of directors, consents from directors who were appointed by non-controlling interest holder are required. <ul style="list-style-type: none"> <li>- Acquisitions and disposals of assets over ₩1,000 million not included in the business plan</li> <li>- Borrowings and issues of debentures over ₩1,000 million not included in the business plan</li> <li>- Expenditures over ₩1,000 million not included in the business plan</li> <li>- Initial agreement, amendment and termination of significant contracts over ₩1,000 million</li> </ul>
LG-Shaker Co., Ltd.(LGESR)	Unanimous approval is required for the confirmation of financial statements and dividend declaration.

(e) Interest over consolidated structured entity and its relevant risks

LG Receivable Funding LLC, a subsidiary, is the special purpose entity that has been established for asset securitization based on trade receivables. The Group performs asset securitization within the limit of agreement assuming that certain conditions are met in accordance with the relevant contract. These conditions include maintaining certain financial ratios (interest coverage ratio, degree of leverage) and securitizing trade receivables against customers whose credit ratings are higher than a specific level (BBB- from Standard & Poors or Baa3 from Moody's).

(f) Changes in the Parent Company's interest in the subsidiaries

Changes in the Parent Company's interest in the subsidiaries without loss of control for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
LG Innotek Co., Ltd. and its subsidiaries		
Decrease in the Parent Company's interest by exercise of conversion rights (A)	1	155
Consideration received from non-controlling interest (B)	-	-
<b>Changes in the Parent Company's ownership interest (A+B)</b>	<b>1</b>	<b>155</b>
P.T. LG Electronics Indonesia(LGEIN)		
Decrease in the Parent Company's interest by disposal of shares (A)	(6)	-
Consideration received from non-controlling interest (B)	1	-
<b>Changes in the Parent Company's ownership interest (A+B)</b>	<b>(5)</b>	<b>-</b>

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(g) Subsidiaries newly included in scope of the preparation of consolidated financial statements for the year ended December 31, 2013, are:

<b>Subsidiaries</b>	<b>Reasons</b>	<b>Country</b>	<b>Percentage of ownership</b>	<b>Closing month</b>	<b>Major Business</b>
Hanuri Co., Ltd.	Newly established	Korea	100%	December	Cleaning Services
HILOGISTICS MEXICO SA DE CV	Newly established	Mexico	100%	December	Logistics
HiEntech (Tianjin) Co., LTD.	Newly established	China	100%	December	Water Engineering
V-ENS Co., Ltd. <sup>1</sup>	Acquisition of shares	Korea	100%	December	Automotive Engineering
V-ENS (M) Sdn. Bhd.	Acquisition of shares	Malaysia	100%	December	Automotive Engineering
VENS BEIJING VEHICLE ENGINEERING CO.,LTD	Acquisition of shares	China	100%	December	Automotive Engineering
HiLogistics Reynosa	Newly established	Mexico	100%	December	Logistics
HiLogistics USA	Newly established	USA	100%	December	Logistics
LG Innotek Mexico SA DE CV(LGITMX)	Newly established	Mexico	47.9%	December	Production and sales
Hi Logistics Middle East FZE	Newly established	UAE	100%	December	Logistics
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Newly established	Vietnam	100%	December	Production
LGE Alliance Fund II	Newly established	Korea	98.7%	December	Investment

<sup>1</sup> During the current year, the Parent Company merged with V-ENS Co., Ltd.

(h) Subsidiaries excluded from the consolidation during the year are:

<b>Subsidiaries</b>	<b>Reasons</b>	<b>Country</b>
V-ENS Co., Ltd.	Merger	Korea
Triveni Digital Inc.	Disposal of shares	USA
KTB Technology Fund	Liquidation	Korea
LG Electronics RUS-Marketing, LLC(LGERM)	Liquidation	Russia

(i) Gain or loss resulted from loss of control over subsidiaries for the year ended December 31, 2013, is:

<i>(in millions of Korean won)</i>	<b>Reason</b>	<b>Percentage of ownership</b>	<b>Fair value</b>	<b>Book value</b>	<b>Gain on disposal</b>	<b>Related line item</b>
Triveni Digital Inc.	Disposal of shares	89%	3,571	1,587	1,984	Other non-operating income
KTB Technology Fund	Liquidation	100%	559	5,549	(4,990)	Other non-operating expense

The exclusion of V-ENS Co., Ltd. from the consolidation is not caused by the loss of control, but by its merger with the Parent Company. No gain or loss occurred from losing control over LG Electronics RUS-Marketing, LLC (LGERM) which was liquidated during the year.

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#### **2. Significant Accounting Policies**

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

Certain reclassifications have been made to the December 31, 2012 consolidated financial statements to conform to the December 31, 2013 financial statement presentation. These reclassifications have no effect on net loss or net asset amount for the prior year.

#### **Basis of Preparation**

The Group's consolidated financial statements are prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### **Changes in Accounting Policy and Disclosures**

- i. New standards, amendments, and interpretations effective for the financial year beginning January 1, 2013.

The new and amended standards early adopted by the Group during 2012

- Amendment to Korean IFRS 1001, 'Presentation of Financial Statements': Presentation of other comprehensive income(loss)

The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Group early adopted the amendment during the previous year.

The new and amended standards adopted by the Group from the financial year, 2013

- Korean IFRS 1019(Amendment): 'Employee Benefits'

According to the amendments to Korean IFRS 1019, 'Employee Benefits', the use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are changed to



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calculating net interest expense(income) by applying the discount rate used in measuring the defined benefit obligation in net defined benefit liabilities(assets) measurement.

The Group retrospectively applied the calculation method of employee benefits in accordance with the above amendments. The comparative statements of income and comprehensive income for the year ended December 31, 2012, were restated by reflecting the adjustments resulting from the retrospective application. The amendments of Korean IFRS 1019 did not have an impact on the statement of financial position as of December 31, 2012.

According to the amendments above, the Group shall recognize a liability and expense for termination benefits at the earlier of the following dates; (a) when the Group can no longer withdraw the offer of benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of Korean IFRS 1037, 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. The amendments of Korean IFRS 1019 did not have a material impact on these consolidated financial statements.

- Korean IFRS 1027(Amendment): 'Separate Financial Statements'

Korean IFRS 1027, Separate Financial Statements, contains accounting treatments and requirements for investments in subsidiaries, associates and joint ventures relating only to separate financial statements of the Parent Company. The amendments of Korean IFRS 1027 do not have an impact on these consolidated financial statements.

- Korean IFRS 1028(Amendment): 'Investments in associates and joint ventures'

According to the amendments, the accounting for joint ventures is integrated into this standard and the application of the equity method is set out in this standard. The scope exception for venture capital organizations, or mutual funds, unit trusts and similar entities has been eliminated and has been characterized as a measurement exemption from using the equity method. The disclosure requirements are specified in Korean IFRS 1112, 'Disclosure of Interests in Other Entities'. The amendments of Korean IFRS 1028 did not have an impact on these consolidated financial statements.

- Korean IFRS 1107(Amendment): 'Financial Instruments: Disclosure'

According to the amendments to Korean IFRS 1107, 'Financial Instruments: Disclosure', the Group is required to disclose quantitative and qualitative information in order for the users of the financial statements to evaluate their effect or potential effect on financial statements for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. The effect of this amendment is disclosed in Note 5.

- Korean IFRS 1110(Enactment): 'Consolidated Financial Statement'

Korean IFRS 1110 supersedes Korean IFRS 1027, 'Consolidated and Separate Financial

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Statements', and Korean IFRS 2012, 'Consolidation: Special Purpose Entities'.

Korean IFRS 1110 explains the principle of control which is the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard sets out further guidance where it is difficult to determine control.

Prior to the application of the above enactment, LG Innotek Co., Ltd., an intermediate parent company, was classified as an associate. Although the Parent Company has less than half of the voting ownership interest in LG Innotek Co., Ltd., the Parent 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. As a result, the Group classified LG Innotek Co., Ltd. and its subsidiaries as its subsidiaries.

Accordingly, the comparative financial statements of the Group were retrospectively adjusted and restated as if those have been subsidiaries from the date when the Group obtained control over the entities.

- Korean IFRS 1111(Enactment): 'Joint Arrangements'

Korean IFRS 1111, 'Joint Arrangements', aims to reflect the substance of joint arrangements by focusing on the contractual rights and obligations by the parties arising from the arrangement rather than its legal form. Joint arrangements are classified as either joint operations or joint ventures. A joint operation is when joint operators have rights to the assets and obligations for the liabilities, and accounts for the assets, liabilities, revenues and expenses, while parties to the joint venture who have rights to the net assets of the arrangement, account for their interest in the joint venture using the equity method. The application of this amendment does not have an impact on these consolidated financial statements.

- Korean IFRS 1112(Enactment): 'Disclosures of Interests in Other Entities'

Korean IFRS 1112, 'Disclosures of Interests in Other Entities', provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, a joint arrangement, an associate, a consolidated structured entity and an unconsolidated structured entity. According to the above enactment of standard, part of disclosures of interests in other entities are changed and disclosed in Notes 1 and 14 to the consolidated financial statements.

- Korean IFRS 1113(Enactment): 'Fair Value Measurement'

Korean IFRS 1113, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRS. Korean IFRS 1113

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does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within Korean IFRS. This amendment was effective for the year beginning January 1, 2013, and the enactment of Korean IFRS 1113 does not have a material impact on these consolidated financial statements.

- Annual improvements to Korean IFRS

Korean IFRS 1001, 'Presentation of Financial Statements'

Korean IFRS 1016, 'Property, Plant and Equipment'

Korean IFRS 1032, 'Financial Instruments: Presentation'

Korean IFRS 1034, 'Interim Financial Reporting'

According to the annual improvement in Korean IFRS 1001, 'Presentation of Financial Statements', notes to the opening statement of financial position as at the beginning of the preceding year are not presented when the enactments or amendments of the standards are retrospectively applied and have material effect. Other annual improvements to Korean IFRS do not have a material impact on these consolidated financial statements.

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

The new and amended standards and interpretations early adopted by the Group for the financial year, 2013.

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

Amendments to Korean IFRS 1032, 'Financial instruments: Presentation', clarify the facts that the right of offset cannot be contingent on a future event and shall be legally enforceable under any circumstances, and if an entity can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement, the entity will meet the offsetting presentation criterion. The Group has early adopted the amendments. The amendments of Korean IFRS 1032 do not have a material impact on these consolidated financial statements.

New standards, amendments and interpretations issued and will be effective for the financial year beginning January 1, 2014, and not early adopted by the Group are as follows:

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

Amendments to Korean IFRS 1036, 'Impairment of Assets', clarify the facts that it shall disclose the recoverable up to the extent of the impairment loss recognized or reversed for an individual asset(including goodwill) or a cash-generating unit. And these amendments also prescribe disclosure in case the recoverable amount of an individual recognizing or reversing for an asset(including goodwill) or a cash-generating unit is the fair value less costs of disposal. The amendments are not expected to have a material impact on these

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consolidated financial statements.

- Amendment to Korean IFRS 1039, '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 are not expected to have an impact on these consolidated financial statements.

- Enactment of Korean IFRS 2121, 'Levies'

Korean IFRS 2121, Levies, are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). The enactments are not expected to have a material impact on its consolidated financial statements.

- The effects of enactments and amendments on the standards on comparative consolidated financial statements

- i) The consolidated statements of financial position as of January 1 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2012</b>		
	<b>Before restatement</b>	<b>Effect of changes<sup>1</sup></b>	<b>After restatement</b>
<b>Total assets</b>	32,658,457	2,860,681	35,519,138
Current assets	15,779,456	1,500,048	17,279,504
Non-current assets	16,879,001	1,360,633	18,239,634
<b>Total liabilities</b>	19,510,209	2,852,517	22,362,726
Current liabilities	14,214,522	1,241,211	15,455,733
Non-current liabilities	5,295,687	1,611,306	6,906,993
<b>Total equity</b>	13,148,248	8,164	13,156,412
Equity of the owners of the Parent Company	12,893,959	(678,424)	12,215,535
Non-controlling interest	254,289	686,588	940,877

<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>		
	<b>Before restatement</b>	<b>Effect of changes<sup>1</sup></b>	<b>After restatement</b>
<b>Total assets</b>	31,457,386	3,308,664	34,766,050
Current assets	14,551,246	1,757,189	16,308,435
Non-current assets	16,906,140	1,551,475	18,457,615
<b>Total liabilities</b>	18,753,169	3,307,134	22,060,303
Current liabilities	12,815,912	1,698,380	14,514,292
Non-current liabilities	5,937,257	1,608,754	7,546,011
<b>Total equity</b>	12,704,217	1,530	12,705,747

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Equity of the owners of the Parent Company	12,454,412	(655,323)	11,799,089
Non-controlling interest	249,805	656,853	906,658

<sup>1</sup> Above changes are effects resulting from applying Korean IFRS 1110. There is no effect of the application of Korean IFRS 1019 on the consolidated statements of financial position.

ii) The consolidated statement of comprehensive income for the year ended December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	Effect of changes			After restatement
	Before restatement	Korean IFRS 1019	Korean IFRS 1110	
Net sales	50,959,978	-	4,162,645	55,122,623
Gross profit	12,307,063	1,767	561,610	12,870,439
Operating income	1,135,981	3,561	77,181	1,216,723
Profit before income tax	524,067	3,561	21,032	548,660
Profit for the year	90,821	2,699	9,282	102,802
Profit for the year attributable to:				
Equity holders of the Parent Company	66,774	2,667	22,941	92,382
Non-controlling interest	24,047	32	(13,659)	10,420
Other comprehensive loss, net of tax	(484,768)	(2,699)	(17,016)	(504,483)
Other comprehensive income(loss), net of tax, attributable to:				
Equity holders of the Parent Company	(469,396)	(2,667)	5	(472,058)
Non-controlling interest	(15,372)	(32)	(17,021)	(32,425)
Total comprehensive income(loss), net of tax	(393,947)	-	(7,734)	(401,681)
Total comprehensive income(loss, net of tax, attributable to:				
Equity holders of the Parent Company	(402,622)	-	22,946	(379,676)
Non-controlling interest	8,675	-	(30,680)	(22,005)
Earnings per share attributable to the equity holders of the Parent Company during the year (in won):				
Earnings per share for profit attributable to the common equity holders of the Parent Company	366	15	127	508
Earnings per share for profit attributable to the preferred equity holders of the Parent Company	416	15	127	558

iii) The consolidated statements of changes in equity as of January 1 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	January 1, 2012		
	Before restatement	Effect of changes <sup>1</sup>	After restatement
Attributable to equity holders of the Parent Company	12,893,959	(678,424)	12,215,535
Paid-in capital	3,992,348	-	3,992,348
Retained earnings	9,499,534	(706,655)	8,792,879
Accumulated other	(326,584)	(885)	(327,469)

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comprehensive loss			
Other components of equity	(271,339)	29,116	(242,223)
Non-controlling interest	254,289	686,588	940,877

<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>		
	<b>Before restatement</b>	<b>Effect of changes<sup>1</sup></b>	<b>After restatement</b>
Attributable to equity holders of the Parent Company	12,454,412	(655,323)	11,799,089
Paid-in capital	3,992,348	-	3,992,348
Retained earnings	9,407,667	(683,717)	8,723,950
Accumulated other comprehensive loss	(674,221)	(877)	(675,098)
Other components of equity	(271,382)	29,271	(242,111)
Non-controlling interest	249,805	656,853	906,658

<sup>1</sup> Above changes are effects resulting from applying Korean IFRS 1110. There is no effect of the application of Korean IFRS 1019 on the consolidated statements of changes in equity.

iv) The consolidated statement of cash flows for the year ended December 31, 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>Before restatement</b>	<b>Effect of changes<sup>1</sup></b>	<b>After restatement</b>
Cash flows from operating activities	1,722,244	378,808	2,101,052
Cash flows from investing activities	(1,320,515)	(380,834)	(1,701,349)
Cash flows from financing activities	(856,372)	(78,985)	(935,357)
Exchange losses on cash and cash equivalents	(58,632)	(1,783)	(60,415)
Net increase in cash and cash equivalents	(513,275)	(82,794)	(596,069)
Cash and cash equivalents at the beginning of year	2,345,465	435,604	2,781,069
Cash and cash equivalents at the end of year	1,832,190	352,810	2,185,000

<sup>1</sup> Above changes are effects resulting from applying Korean IFRS 1110. There is no effect of the application of Korean IFRS 1019 on consolidated statement of cash flows.

# LG Electronics

## Notes to the Consolidated Financial Statements

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#### Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, Consolidated Financial Statements.

##### *(a) Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In transactions with non-controlling interests, which do not result in loss of control, the Group recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

If the Group loses control of a subsidiary, any investment continuously retained in the subsidiary is re-measured at its fair value at the date when control is lost and any resulting differences are recognized in profit or loss.

##### *(b) Associates*

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

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Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss (Note 14).

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statements of income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the consolidated statements of income.

#### *(c) Joint Arrangements*

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

#### *(d) Transactions with non-controlling interests*

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the Group. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposal of non-controlling interests are also recognized in other components of equity.

#### *(e) Business Combinations*

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred in a business combination includes fair values of the assets and liabilities from arrangements for contingent payments. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group measures non-controlling interests in



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the acquiree that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, on a case by case basis, at the proportionate share of the acquiree's identifiable net assets or fair value. All other components of non-controlling interests are measured at fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

In case of business combination achieved in stages, previously held equity interest in the acquiree is re-measured to fair value and a gain or loss is recognized in the consolidated statements of income.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquire over the net identifiable assets at the date of acquisition is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of income.

#### **Segment Reporting**

Operating segments are established on the basis of business divisions whose internal reporting is provided to the chief operating decision-maker who is the chief executive officer (Note 4).

#### **Foreign Currency Translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in 'Korean won', which is the Parent Company's functional and the Group's presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at each reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income, except qualifying cash flow hedges which are recognized in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are reported in 'financial income and expenses' in the consolidated statements of income. All other foreign exchange gains and losses are reported in 'other non-operating income and

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expenses' in the consolidated statements of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognized in the consolidated statements of income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are recognized in other comprehensive income.

#### **(c) Group companies**

The results and financial position of all Group companies whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate as of the reporting date;
- Income and expenses are translated at monthly average exchange rates; and
- All resulting exchange differences are recognized in other comprehensive income.

When the Parent Company ceases to control the subsidiary, exchange differences that were recorded in equity are recognized in the consolidated statements of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits at banks, and other short-term highly liquid investments with original maturities of three months or less.

#### **Financial Instruments**

##### *Classification*

The Group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments, and other financial liabilities at amortized cost, derivatives for hedging purpose, and financial guarantee liabilities. The classification depends on the purpose for which the financial instruments were acquired and the nature of the instruments. Management determines the classification of financial instruments at initial

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recognition.

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives that are not designated as hedges and financial instruments having embedded derivatives are also included in this category. Financial assets and liabilities at fair value through profit or loss of the Group are categorized in 'other financial assets' and 'other financial liabilities' on the consolidated statements of financial position.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'financial deposits', 'trade receivables' and 'loans and other receivables'.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are classified as 'other financial assets' in the consolidated statements of financial position. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months after the end of the reporting period, which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in 'other financial assets' as non-current assets unless their maturities are less than 12 months or management intends to dispose of them within 12 months of the end of the reporting period.

(e) Financial liabilities measured at amortized cost

In this case the transferred asset continues to be recognized and a financial liability is measured as the consideration received. Financial liabilities measured at amortized cost are included in non-current liabilities, except for maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

(f) Other

Derivatives for hedging purpose and financial guarantee liabilities are grouped in 'Other'.

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

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#### *Recognition and Measurement*

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the consolidated statements of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the consolidated statements of income within 'other non-operating income and expenses' in the period in which they arise. However, gains or losses on settlement of derivatives relative to borrowings are presented in 'financial income and expenses'. The Group recognizes a dividend from financial assets at fair value through profit or loss in the consolidated statements of income when its right to receive the dividend is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are reported in the consolidated statements of income as 'other non-operating income and expenses'.

Interest on available-for-sale securities and held-to-maturity financial assets are calculated using the effective interest method and is recognized in the consolidated statements of income as part of 'financial income'. Dividends on available-for-sale equity instruments are recognized in the consolidated statements of income as part of 'other non-operating income' when the Group's right to receive payments is established.

#### *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### *Derecognition*

Financial assets are derecognized when the contractual rights to receive cash from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership or when the risk and rewards of ownership of transferred assets have not been substantially retained or transferred and the Company has

## **LG Electronics**

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

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not retained control over these assets.

Accounts receivable discounted and collaterals on factoring transactions such as accounts receivable and others that do not qualify for the requirement above are not derecognized because the Group retains substantially all the risks and rewards due to recourse conditions in case of debtors' default on obligations and others. Financial liabilities associated with such transactions are categorized in 'borrowings' on the consolidated statements of financial position.

#### **Impairment of Financial Assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

#### **(a) Loans and receivables and held-to-maturity investments**

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of income.

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Impairment of assets measured at amortized cost is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable. In case of financial assets with variable interest rates, impairment losses are recognized with current effective interest rates in accordance with the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized directly in the consolidated statements of income.

#### **(b) Assets classified as available-for-sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statements of income. Impairment losses recognized in the consolidated statements of income on equity instruments are not reversed through the consolidated statements of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statements of income.

#### **Derivative Financial Instruments**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss that does not meet the conditions for hedge accounting is recognized in 'other non-operating income and expenses' or 'financial income and expenses' according to the nature of transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of income within 'other non-operating income and expenses' or 'financial income and expenses'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statements of income within 'other non-operating income and expenses' or 'financial income and expenses'.

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#### **Trade Receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value, less allowance for doubtful debts.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method, except for inventories in-transit which is determined using the specific identification method. The cost of finished goods and work-in-process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The Group periodically reviews a possibility of the significant changes in net realizable value of inventories from disuse, decrease in market value and obsolescence and recognizes as 'Allowances for Valuation of Inventories'. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

#### **Non-current assets classified as Held for Sale (Group classified as held for sale) and Discontinued Operations**

Non-current assets (or disposal groups) are classified as 'assets and liabilities as held for sale' (or 'groups classified as held for sale') when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount or fair value less costs to sell.

When a component of the Group representing a separate major line of business or geographical area of operation has been disposed of, or is subject to a sale plan involving loss of control of a subsidiary, the Group discloses in the consolidated statements of income the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation. The net cash flows attributable to the operating, investing and financing activities of discontinued operations presented in the notes to the consolidated financial statements.

#### **Property, Plant and Equipment**

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditures directly attribute to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are

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charged to the consolidated statements of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Buildings	20 - 40 years
Structures	20 - 40 years
Machinery	5 - 10 years
Tools	1 - 5 years
Equipment	5 years
Other	3 - 5 years

The assets' depreciation method, residual values, and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other non-operating income and expenses' in the consolidated statements of income.

#### **Borrowing Costs**

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose of obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

#### **Government Grants**

Grants from a government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognized in the consolidated statements of income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are presented as a deduction of related assets and are credited to depreciation over the expected lives of the related assets.

#### **Intangible Assets**

(a) Goodwill



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Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net identifiable assets at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

#### **(b) Industrial property rights**

Industrial property rights are shown at historical cost. Industrial property rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of industrial property rights over their estimated useful lives of five to ten years.

#### **(c) Development costs**

Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future benefits are capitalized as intangible assets. Amortization of development costs based on the straight-line method over their estimated useful lives of one to five years begins at the commencement of the commercial production of the related products or use of the related technology.

#### **(d) Membership**

Membership rights are regarded as intangible assets with an indefinite useful life and are not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. All membership rights are tested annually for impairment and stated at cost less accumulated impairment.

#### **(e) Other intangible assets**

Other intangible assets such as software which meet the definition of an intangible asset are amortized using the straight-line method over their estimated useful lives.

### **Research and Development Costs**

Costs associated with research are recognized as an expense as incurred. Costs that are identifiable, controllable and directly attributable to development projects are recognized as intangible assets when all the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;

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- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs which are stated as intangible assets are amortized using the straight-line method over their estimated useful lives when the assets are available for use and are tested at least annually for impairment.

#### **Investment Property**

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at its cost less any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of income during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using the straight-line method over their estimated useful lives.

The depreciation method, the residual value and the useful life of an asset are reviewed at least at each financial year end and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

#### **Impairment of Non-Financial Assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested at least annually for impairment. At each reporting date, assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as 'Other non-operating expenses' for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The value in use is measured by determining the estimated pre-tax cash flows based on past performance and its expectations of market development and applying the pre-tax discount rates reflecting specific risks relating to the relevant operating segments. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that

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suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### **Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of income over the period of the borrowings using the effective interest method. The Group classifies the liability as current as long as it does not have an unconditional right to defer its settlement for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### **Financial Guarantee Contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'other financial liabilities':

- The amount determined in accordance with Korean IFRS 1037, 'Provisions, Contingent Liabilities and Contingent Assets'; or
- The initial amount, less accumulated amortization recognized in accordance with Korean IFRS 1018, '*Revenue*'.

#### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. The Group recognizes a warranty provision, a sales return provision, a provision for restoration, and a provision for litigation.

A warranty provision is accrued for the estimated costs of future warranty claims based on

## **LG Electronics**

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

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historical experience. Sales return provision is for the estimated sales returns based on historical results. Where the Group, as a tenant, is required to restore its leased assets to their original state at the end of the lease-term, the Group recognizes the present value of the estimated cost of restoration as a provision for restoration. When there is a probability that an outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognized as a provision for litigation in the consolidated financial statements.

#### **Current and Deferred Income Tax**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statements of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor tax profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis.

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#### Employee Benefits

##### *(a) Defined benefit liability*

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group operates both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For the defined contribution plan, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when an employee has rendered service. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statements of financial position in respect of the net defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit liability is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

##### *(b) Share-based payments*

The Group operates cash-settled, share-based compensation plans, under which the Group receives services from employees as consideration for the payments of the difference between market price of the stock and exercise price. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense in the consolidated statements of income over the vesting period.

The total amount to be expensed is determined by reference to the fair value of the options granted considering the impact of any service and performance vesting conditions and non-

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

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vesting condition. Until the liability is settled, the Group shall remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in profit or loss for the year.

#### *(c) Other long-term employee benefits*

Some Group companies provide other long-term employee benefits to their employees. The entitlement to these benefits is usually conditional on the employee working more than ten years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes past service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These benefits are calculated annually by independent qualified actuaries.

#### *(d) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits or when the entity recognizes costs for a restructuring.

### **Share Capital**

Common shares and preferred shares without mandatory dividends or the obligation to be repaid are classified as equity.

Where Parent or any subsidiaries purchase the Parent Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such treasury shares are subsequently reissued, any consideration received is included in equity attributable to the Parent Company's equity holders.

### **Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### *(a) Sales of goods*

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The Group manufactures and sells mobile communication, display, multimedia, home electronics products and their related core parts. Sales of goods are recognized when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. The Group recognizes provisions for product warranties and sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically.

#### *(b) Sales of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with such a transaction is recognized by reference to the percentage of completion of the services. Any changes in expected revenue, cost or the amount of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue or cost which is recognized in the statement of income in the period in which the management recognizes the changes in circumstances.

#### *(c) Royalty income*

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

#### *(d) Other income*

Income from rental, lease and others is recognized in income on a straight-line basis over the period of the contract

#### *(e) Interest income*

Interest income is recognized using the effective interest method. When receivables are impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

#### *(f) Dividend income*

Dividend income is recognized when the right to receive payment is established.

## **Leases**

## **LG Electronics**

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

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A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

#### *(a) Lessees*

The Group classifies leases that do not transfer substantially all the risks and rewards of ownership incidental to ownership of assets as operating leases. Payments made under operating leases are charged to the consolidated statements of income on a straight-line basis over the period of the lease.

The Group classifies leases that transfer substantially all the risks and rewards of ownership incidental to ownership of assets as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

#### *(b) Lessors*

The Group classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset at inception of the lease as a finance lease. A lease other than a finance lease is classified as an operating lease.

Lease income from operating lease is recognized on a straight-line basis over the lease term. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

#### **Dividend Distribution**

A dividend liability is recognized in the consolidated financial statements when the dividends are approved by the shareholders.

#### **Earnings(loss) per Share**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of shares issued excluding shares purchased by the Parent Company and held as treasury shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for common shares and preferred shares.



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

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#### **3. Critical Accounting Estimates and Judgments**

The estimates and judgments are reviewed on an ongoing basis and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Critical Accounting Estimates and Assumptions**

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting date are addressed below.

##### *(a) Revenue Recognition*

The Group 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 services performed to date as a percentage of total services to be performed. The factors for the estimation of revenue may vary.

##### *(b) Impairment of Goodwill*

The Group tests goodwill regularly for impairment in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on net fair value and value-in-use calculations. These calculations require the use of estimates.

##### *(c) Income Taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

##### *(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 Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of

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each reporting period.

*(e) Provisions*

The Group recognizes provisions for product warranties, sales return and litigation in accordance with the accounting policy stated in Note 2 as of the reporting date. The amounts are estimated based on historical data.

*(f) Net Defined Benefit Liability*

The present value of the defined benefit liability 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 liability. The Group 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 liability. In determining the appropriate discount rate, the Group 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 liability are based on current market conditions. Additional information is disclosed in Note 19.

**Significant Judgment on Accounting Policies Adopted by the Group**

In order to determine the Group's de-facto control, the Group considers the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders and additional facts and circumstances including voting patterns at previous shareholders' meetings.

**4. Segment Information**

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. The main products of each business division are as follows and the comparative information is presented in conformity with the same classification in the current year.

<b>Divisions</b>	<b>Products</b>
Home Entertainment (HE)	TV, Monitors, PCs, Security devices, Audio, Video and others
Mobile Communications (MC)	Mobile communications
Home Appliance (HA)	Refrigerators, Washing machines, Microwaves, Vacuum cleaners, Healthcare products and others
Air Conditioning & Energy Solution (AE)	Residential air conditioners, Commercial air conditioners and others
LG Innotek Co.,Ltd. and its subsidiaries(Innotek)	LED, Display & Network, Substrate & Material, Optics Solution, Auto & Motor and others

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Other Vehicle components, Compressor, Motor, Lighting, Solar and others

(a) The segment information for sales and operating income(loss) for the years ended December 31, 2013 and 2012, is as follows:

		<b>2013</b>							
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments <sup>2</sup>	Inter-segment transactions <sup>3</sup>	Total	
Sales	21,151,952	12,969,743	11,800,968	4,642,920	6,211,516	3,954,224	(2,590,947)	58,140,376	
External sales	21,139,180	12,969,696	11,796,884	4,639,684	4,853,900	2,741,032	-	58,140,376	
Internal sales	12,772	47	4,084	3,236	1,357,616	1,213,192	(2,590,947)	-	
Operating income(losses) <sup>4</sup>	404,872	70,872	415,558	279,512	136,150	(22,295)	-	1,284,669	
Depreciation and amortization	503,124	295,432	303,423	88,562	529,536	208,088	-	1,928,165	

  

		<b>2012<sup>1</sup></b>							
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments <sup>2</sup>	Inter-segment transactions <sup>3</sup>	Total	
Sales	22,331,305	10,077,450	11,220,881	4,298,843	5,315,958	3,942,770	(2,064,584)	55,122,623	
External sales	22,328,112	10,077,253	11,215,083	4,294,804	4,191,579	3,015,792	-	55,122,623	
Internal sales	3,193	197	5,798	4,039	1,124,379	926,978	(2,064,584)	-	
Operating income(losses) <sup>4</sup>	467,591	59,345	529,082	184,791	77,325	(101,411)	-	1,216,723	
Depreciation and amortization	452,275	303,786	283,596	81,453	471,482	189,595	-	1,782,187	

<sup>1</sup> The segment information for the year ended December 31, 2012, has been restated based on the division classification at the end of reporting year.

<sup>2</sup> Other segments include operating segments not qualifying as reportable segments, supporting and R&D divisions.

<sup>3</sup> Accounting of sales between segments are treated at arm's length.

<sup>4</sup> Non-operating income(loss) is not separately disclosed as the Chief Operating Decision Maker does not review them by segments.

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(b) The segment information for assets and liabilities is as follows:

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Home Entertainment	13,680,065	12,001,477	13,631,039	11,470,982
Mobile Communications	7,352,268	5,267,930	6,775,991	4,347,672
Home Appliance	7,659,088	5,536,689	7,120,864	4,993,641
Air Conditioning & Energy Solution	3,019,068	1,788,588	2,750,496	1,678,183
LG Innotek Co., Ltd. and its subsidiaries	4,581,271	3,264,371	4,886,285	3,617,978
<b>Sub-total<sup>1</sup></b>	<b>36,291,760</b>	<b>27,859,055</b>	<b>35,164,675</b>	<b>26,108,456</b>
Other segments and inter-segment elimination	(763,696)	(5,020,360)	(398,625)	(4,048,153)
<b>Total</b>	<b>35,528,064</b>	<b>22,838,695</b>	<b>34,766,050</b>	<b>22,060,303</b>

<sup>1</sup> The amounts of assets and liabilities of each segment are before inter-segment elimination and common assets and liabilities are allocated based on the operations of the segments.

(c) External sales by geographic areas for the years ended December 31, 2013 and 2012, and non-current assets by geographic areas are as follows:

<i>(in millions of Korean won)</i>	External sales		Non-current assets <sup>1</sup>	
	2013	2012	December 31, 2013	December 31, 2012
Korea	14,449,456	13,561,858	9,291,312	8,802,546
North America	11,409,405	11,102,400	136,387	135,758
Europe	6,448,855	5,611,911	276,472	268,881
Central & South America	7,852,251	6,763,815	441,083	428,613
Middle Asia & Africa	4,438,945	4,104,625	93,241	78,722
Asia	3,698,168	4,184,963	259,404	199,555
India	2,018,778	2,254,300	130,862	143,066
China	3,971,854	3,895,641	890,774	876,974
Commonwealth of Independent States	3,852,664	3,643,110	191,071	187,652
<b>Total</b>	<b>58,140,376</b>	<b>55,122,623</b>	<b>11,710,606</b>	<b>11,121,767</b>

<sup>1</sup> Non-current asset consists of property, plant and equipment, intangible assets and investment property.

(d) There is no external customer representing more than 10% of total sales for the years ended December 31, 2013 and 2012.

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

(a) Categorizations of financial instruments as of December 31, 2013 and 2012 are as follows:

	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	
<i>(in millions of Korean won)</i>						
Cash and cash equivalents	-	2,645,270	-	-	-	2,645,270
Financial deposits	-	164,888	-	-	-	164,888
Trade receivables	-	7,117,402	-	-	-	7,117,402
Loans and other receivables	-	1,198,483	-	-	-	1,198,483
Other financial assets	16,080	-	53,075	2,576	1,413	73,144
<b>Total</b>	<b>16,080</b>	<b>11,126,043</b>	<b>53,075</b>	<b>2,576</b>	<b>1,413</b>	<b>11,199,187</b>

	December 31, 2013				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
<i>(in millions of Korean won)</i>					
Trade payables	-	5,691,114	-	-	5,691,114
Borrowings	-	9,211,029	-	-	9,211,029
Other payables	-	2,857,356	-	-	2,857,356
Other financial liabilities	1,457	-	20,096	-	21,553
<b>Total</b>	<b>1,457</b>	<b>17,759,499</b>	<b>20,096</b>	<b>-</b>	<b>17,781,052</b>

	December 31, 2012					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
<i>(in millions of Korean won)</i>						
Cash and cash equivalents	-	2,185,000	-	-	-	2,185,000
Financial deposits	-	175,036	-	-	-	175,036
Trade receivables	-	7,332,761	-	-	-	7,332,761
Loans and other receivables	-	1,101,848	-	-	-	1,101,848
Other financial assets	10,380	-	54,599	58,508	-	123,487
<b>Total</b>	<b>10,380</b>	<b>10,794,645</b>	<b>54,599</b>	<b>58,508</b>	<b>-</b>	<b>10,918,132</b>

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December 31, 2012

<i>(in millions of Korean won)</i>	Liabilities at	Liabilities	Other	Total
	fair value through	carried at		
	profit or loss	amortized cost		
Trade payables	-	5,626,571	-	5,626,571
Borrowings	-	8,638,387	-	8,638,387
Other payables	-	2,733,691	-	2,733,691
Other financial liabilities	3,053	-	13,889	16,942
<b>Total</b>	<b>3,053</b>	<b>16,998,649</b>	<b>13,889</b>	<b>17,015,591</b>

(b) Income and expenses by category of financial instruments for the years ended December 31, 2013 and 2012, are as follows:

2013

<i>(in millions of Korean won)</i>	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	
Interest income	-	90,051	-	80	-	90,131
Exchange differences	-	(343,109)	-	-	-	(343,109)
Reversal of allowance for bad debt	-	3,300	-	-	-	3,300
Loss on disposal of trade receivables	-	(26,484)	-	-	-	(26,484)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	5,846	-	-	5,846
Gain on disposal of available-for-sale financial assets	-	-	7,616	-	-	7,616
Impairment loss of available-for-sale financial assets	-	-	(6,095)	-	-	(6,095)
Dividend income	-	-	324	-	-	324
Gain on derivatives (through profit or loss)	32,678	-	-	-	-	32,678
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	544	544

2013

<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	-	(413,340)	-	(413,340)
Exchange differences	-	(4,341)	-	(4,341)
Loss on derivatives (through profit or loss)	(18,717)	-	-	(18,717)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	5,229	5,229

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<i>(in millions of Korean won)</i>	2012					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Interest income	-	104,746	-	4,773	-	109,519
Exchange differences	-	(424,793)	-	(4,110)	-	(428,903)
Bad debt expense	-	(84,879)	-	-	-	(84,879)
Loss on disposal of trade receivables	-	(29,614)	-	-	-	(29,614)
Gain on valuation of available- for-sale financial assets, net of tax (through other comprehensive income)	-	-	(601)	-	-	(601)
Gain on disposal of available- for-sale financial assets	-	-	10,452	-	-	10,452
Impairment loss of available- for-sale financial assets	-	-	(8,408)	-	-	(8,408)
Dividend income	-	-	291	-	-	291
Gain on derivatives (through profit or loss)	37,056	-	-	-	-	37,056

<i>(in millions of Korean won)</i>	2012			Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Derivatives for hedging purposes	
Interest expenses	-	(431,526)	-	(431,526)
Exchange differences	-	391,568	-	391,568
Loss on derivatives (through profit or loss)	(32,556)	-	-	(32,556)
Gain on derivatives , net of tax (through other comprehensive income)	-	-	4,148	4,148

(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>	December 31, 2013		December 31, 2012	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Gross amounts subject to arrangement	268,264	485,690	233,188	363,973
Offset	(247,931)	(247,931)	(217,885)	(217,885)
Net amounts presented	20,333	237,759	15,303	146,088
Related amounts not offset	-	-	-	-
Net amount	20,333	237,759	15,303	146,088

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**6. Cash and Cash Equivalents, and Financial Deposits**

(a) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position are equal to the cash and cash equivalents in consolidated statements of cash flows.

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Cash on hand	4,640	4,507
Bank deposits	2,640,630	2,180,493
<b>Total</b>	<b>2,645,270</b>	<b>2,185,000</b>

(b) Financial deposits

The financial deposits restricted in use are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Current</b>		
Fund for business cooperation	65,000	50,000
<b>Non-current</b>		
Deposit for drawing a bill	73,249	87,096
National project	4,717	14,282
Deposit for customs and warehouse	832	809
Deposit for checking account	85	82
Others	1,373	927
<b>Sub-Total</b>	<b>80,256</b>	<b>103,196</b>
<b>Total</b>	<b>145,256</b>	<b>153,196</b>

**7. Trade Receivables, and Loans and Other Receivables**

(a) Trade receivables, and loans and other receivables, net of allowance for doubtful accounts, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>			<b>December 31, 2012</b>		
	<b>Original amount</b>	<b>Less : allowance for doubtful accounts</b>	<b>Carrying amount</b>	<b>Original amount</b>	<b>Less : allowance for doubtful accounts</b>	<b>Carrying amount</b>
<b>Current</b>						
Trade receivables	7,231,763	(114,361)	7,117,402	7,471,179	(138,418)	7,332,761
Loans and other receivables	616,943	(20,438)	596,505	518,109	(19,494)	498,615
<b>Non-Current</b>						
Loans and other receivables	602,049	(71)	601,978	603,337	(104)	603,233



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(b) Details of loans and other receivables are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Current</b>		
Loans	13,736	24,086
Non-trade receivables	337,185	323,288
Accrued income	239,265	143,088
Deposits	6,319	8,153
<b>Sub-Total</b>	<b>596,505</b>	<b>498,615</b>
<b>Non-Current</b>		
Loans	170,664	163,391
Non-trade receivables	22,664	20,772
Deposits	408,650	419,070
<b>Sub-Total</b>	<b>601,978</b>	<b>603,233</b>
<b>Total</b>	<b>1,198,483</b>	<b>1,101,848</b>

(c) The aging analysis of these trade receivables and loans and other receivables as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>					
	<b>Current</b>	<b>Overdue</b>			<b>Defaulted</b>	<b>Total</b>
		<b>Up to 6 months</b>	<b>7 to 12 months</b>	<b>Over one year</b>		
Trade receivables	6,560,428	501,327	40,113	19,761	110,134	7,231,763
Loans and other receivables						
Current	567,195	25,684	405	3,698	19,961	616,943
Non-current	599,475	2,548	26	-	-	602,049

  

<i>(in millions of Korean won)</i>	<b>December 31, 2012</b>					
	<b>Current</b>	<b>Overdue</b>			<b>Defaulted</b>	<b>Total</b>
		<b>Up to 6 months</b>	<b>7 to 12 months</b>	<b>Over one year</b>		
Trade receivables	6,496,531	755,749	71,286	31,594	116,019	7,471,179
Loans and other receivables						
Current	460,398	24,536	11,286	4,405	17,484	518,109
Non-current	583,246	16,970	1,285	1,808	28	603,337

(d) The allowance for doubtful accounts is recognized based on aging analysis and historical experience.

(e) Defaulted receivables which are uncertain to be collected due to reasons including debtors' insolvency are classified into composition receivables and other defaulted receivables. In case of receivables from a debtor under court receivership or composition, its carrying amount is measured at the present value of estimated future cash flows based on

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repayment schedule. All other defaulted receivables are measured based on the class and the amount of provided collateral.

(f) Movements in allowance for doubtful accounts for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>				
	<b>At Jan. 1</b>	<b>Addition (reversal)</b>	<b>Write-off</b>	<b>Other</b>	<b>At Dec. 31</b>
Trade receivables	138,418	(6,227)	(18,169)	339	114,361
Loans and other receivables					
Current	19,494	2,931	(1,040)	(947)	20,438
Non-current	104	(4)	(24)	(5)	71

<i>(in millions of Korean won)</i>	<b>2012</b>				
	<b>At Jan. 1</b>	<b>Addition (reversal)</b>	<b>Write-off</b>	<b>Other</b>	<b>At Dec. 31</b>
Trade receivables	111,995	78,704	(44,763)	(7,518)	138,418
Loans and other receivables					
Current	69,445	6,501	(54,540)	(1,912)	19,494
Non-current	613	(326)	(2)	(181)	104

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The bad debt expenses of trade receivables have been included in 'selling and marketing expenses' in the consolidated statements of income and the bad debt expenses of other receivables have been included in 'other non-operating expenses'.

Amounts charged to the allowance account are generally reversed when reasons for allowance are resolved, or written off when there is no expectation of recovering additional cash.

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

Trade receivables have been discounted through collateralized borrowing agreements with banks in 2013 and 2012. In case the customers default, the Group has an obligation to pay the related amounts to the bank. As a result, this transaction has been accounted for as a collateralized borrowing (Note 16).

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The Group also performs asset securitization by issuing commercial papers through special purpose entities based on trade receivables.

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Discounted receivables	Securitized receivables	Discounted receivables	Securitized receivables
<b>Carrying amount of asset<sup>1</sup></b>				
Trade receivables	26,322	527,574	120,630	1,287,241
<b>Carrying amount of associated liability<sup>1</sup></b>				
Short-term borrowings	(26,322)	-	(120,630)	(247,844)
<b>Net position<sup>2</sup></b>	<b>-</b>	<b>527,574</b>	<b>-</b>	<b>1,039,397</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.

**8. Other Financial Assets and Liabilities**

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

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
<b>Other financial assets</b>		
Derivatives	17,493	10,380
Available-for-sale	53,075	54,599
Held-to-maturity	2,576	58,508
<b>Total</b>	<b>73,144</b>	<b>123,487</b>
Current	17,430	56,486
Non-current	55,714	67,001
<b>Other financial liabilities</b>		
Derivatives	20,928	16,942
Financial guarantee liability	625	-
<b>Total</b>	<b>21,553</b>	<b>16,942</b>
Current	10,890	321
Non-current	10,663	16,621

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(b) Derivatives financial instruments

i) Details of derivatives and liabilities are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Currency Forward	1,116	580	554	321
Currency Swap	16,283	10,204	-	-
<b>Sub-total</b>	<b>17,399</b>	<b>10,784</b>	<b>554</b>	<b>321</b>
<b>Non- current</b>				
Currency Swap	94	10,144	9,826	16,621
<b>Sub-total</b>	<b>94</b>	<b>10,144</b>	<b>9,826</b>	<b>16,621</b>
<b>Total</b>	<b>17,493</b>	<b>20,928</b>	<b>10,380</b>	<b>16,942</b>

The maximum exposure to credit risk as of the reporting date is the fair value of derivatives as of the same date.

ii) Details of major derivatives contracts are as follows:

- Cross currency swap

***Hedging purposes***

The Group entered into cross-currency swap contracts of up to USD670 million with Shinhan Bank and others, and up to CHF215 million with Union Bank of Switzerland and others, and up to USD112 million with JP Morgan and others, to hedge cash flow risks related to floating interest rates and foreign exchange rates of debentures.

December 31, 2013	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
USD/KRW CRS	BTMU and others	USD170	USD/KRW 1,079.9	3ML +100bp	4.2%	2011.4.27	2014.4.28
	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
	DBS 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
USD/BRL CRS	Standard	USD17.25	USD/BRL 2.3188	1.5671%	9.73%	2013.8.9	2014.8.15
	Chartered Bank	USD25	USD/BRL 2.2170	1.7349%	10.90%	2013.10.23	2014.10.27

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	USD20	USD/BRL 2.3490	1.7000%	10.65%	2013.11.26	2014.12.16
	USD15	USD/BRL 2.4245	1.9648%	10.50%	2013.12.20	2015.1.6
JP Morgan	USD20	USD/BRL 2.3950	1.6100%	10.65%	2013.12.3	2014.12.19
CITIBANK	USD15	USD/BRL 2.3867	1.6170%	10.50%	2013.12.20	2015.1.6

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 ₩13,182 million in 2013 (2012: loss on valuation amounting to ₩25,836 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Group reclassified ₩18,955 million to loss from equity in 2013 and ₩30,020 million to loss in 2012 and the gain on valuation amounting to ₩5,773 million in 2013 (2012: gain on valuation amounting to ₩4,184 million) after applying the tax effect, is recognized in other comprehensive income(loss).

***Recognition in profit or loss***

The Group entered into cross-currency swap contracts amounting to USD135 million with Standard Chartered Bank. At the end of the reporting period, the swap contracts are evaluated at fair value and the gain on valuation amounting to ₩10,599 million (2012: ₩5,320 million) is recognized and the loss on these transactions of cross-currency swap amounting to ₩179 million (2012: ₩523 million) is also recognized in the consolidated statements of income.

December 31, 2013	Contactor	Contracted amount (in millions)	Contracted currency rate	Interest received (USD)	Interest paid (BRL)	Contract date	Expiration date
		USD30	USD/BRL 1.8620	3.00%	105% CDI	2011.12.16	2014.1.3
		USD20	USD/BRL 2.0412	2.64%	113.5% CDI	2012.6.20	2014.6.13
USD/BRL CRS	Standard Chartered Bank	USD20	USD/BRL 2.0470	2.64%	113.5% CDI	2012.6.20	2014.6.25
		USD20	USD/BRL 2.0500	2.64%	113.5% CDI	2012.6.20	2014.7.3
		USD15	USD/BRL 2.0580	2.64%	113.5% CDI	2012.6.20	2014.7.15
USD/MXN CRS	HSBC	USD30	USD/MXN 13.40	LIBOR + 110bp	TIIE + 6bp	2012.7.27	2014.7.30

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- Currency forward

The Group entered into the currency forward contracts to hedge the risk related to foreign exchange rate. The details of currency forward contracts as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>Purchase amount</b>	<b>Selling amount</b>	<b>Loss on valuation</b>	<b>Gain on transaction</b>
Currency forward	131,942	132,469	(80)	1,880

(c) Assets classified as available-for-sale

- i) Changes in available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>						
	<b>Beginning</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Valuation</b>	<b>Impairment</b>	<b>Ending</b>
Listed equity securities	8,169	-	(532)	2,000	8,083	-	17,720
Unlisted equity securities	43,760	7,856	(10,006)	(2,000)	-	(6,095)	33,515
Debt securities	2,670	1,205	(2,035)	-	-	-	1,840
<b>Total</b>	<b>54,599</b>	<b>9,061</b>	<b>(12,573)</b>	<b>-</b>	<b>8,083</b>	<b>(6,095)</b>	<b>53,075</b>

<i>(in millions of Korean won)</i>	<b>2012</b>						
	<b>Beginning</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Valuation</b>	<b>Impairment</b>	<b>Ending</b>
Listed equity securities	8,970	994	(868)	-	(927)	-	8,169
Unlisted equity securities	55,623	1,119	(6,375)	-	-	(6,607)	43,760
Debt securities	5,575	17	(1,121)	-	-	(1,801)	2,670
<b>Total</b>	<b>70,168</b>	<b>2,130</b>	<b>(8,364)</b>	<b>-</b>	<b>(927)</b>	<b>(8,408)</b>	<b>54,599</b>

- ii) The listed equity securities among the above equity securities are measured using quoted prices in active markets. However, the unlisted equity 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) The effects on comprehensive income due to valuation and derecognition of available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Valuation:		
Recognition of other comprehensive income, net of tax <sup>1</sup>	5,846	(601)
Recognition of impairment loss	(6,095)	(8,408)
Derecognition of unmarketable equity securities not measured at fair value:		
Carrying amounts of derecognized equity securities	10,006	6,375
Gain on disposal of equity securities	7,194	10,452

<sup>1</sup> Includes ₩422 million (2012: nil) of reclassification to profit for the year.

- (d) Held-to-maturity financial assets consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Maturity		
Within 1 year	31	55,932
1 to 5 year	2,545	2,576

The amount recognized as interest income in relation to held-to-maturity financial assets is ₩80 million (2012: ₩4,773 million). No impairment losses were recognized in relation to held-to-maturity financial assets.

## 9. Inventories

Inventories consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>			<b>December 31, 2012</b>		
	<b>Amount before valuation</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>	<b>Amount before valuation</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Finished products and merchandise	2,895,532	(75,473)	2,820,059	3,002,528	(82,103)	2,920,425
Half-finished products and work-in-process	329,230	(8,876)	320,354	339,695	(11,130)	328,565
Raw materials and supplies	1,457,023	(27,103)	1,429,920	1,610,022	(44,863)	1,565,159
Other	310,415	(41,918)	268,497	291,587	(31,236)	260,351
<b>Total</b>	<b>4,992,200</b>	<b>(153,370)</b>	<b>4,838,830</b>	<b>5,243,832</b>	<b>(169,332)</b>	<b>5,074,500</b>

The cost of inventories recognized as expense and included in 'Cost of sales' amounts to ₩43,809,296 million (2012: ₩41,260,691 million) including 'Losses on valuation of inventories' of ₩147,071 million (2012: ₩87,265 million).

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**10. Other Assets**

Other assets consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Current:</b>		
Advances	195,385	134,118
Prepaid expenses	282,932	316,061
Prepaid value added tax	447,154	414,292
Other	-	6
<b>Sub-Total</b>	<b>925,471</b>	<b>864,477</b>
<b>Non-Current:</b>		
Long-term prepaid expenses	515,580	571,881
Long-term advances	272,486	266,519
Other investment assets	516	11,838
<b>Sub-Total</b>	<b>788,582</b>	<b>850,238</b>
<b>Total</b>	<b>1,714,053</b>	<b>1,714,715</b>

**11. Non-current Assets Held-for-sale**

The Group decided to sell Triveni Digital Inc. with the approval of the Board of Directors and shareholders in 2012. The assets and liabilities related to Triveni Digital Inc. have been classified as held-for-sale. In addition, part of property, plant and equipment of NanJing LG-Panda Appliances Co., Ltd. have been classified as held-for-sale.

Details of assets and liabilities of disposal group classified as held-for-sale as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>Assets of disposal group</b>		
Property, plant and equipment	-	14,690
Intangible assets	-	1
Inventories	-	220
Other current assets	-	922
Other non-current assets	-	1,104
	-	<b>16,937</b>
<b>Liabilities of disposal group</b>		
Trade payables	-	197
Other current liabilities	-	1,597
	-	<b>1,794</b>

There is no income or expense directly recognized in other comprehensive income relating



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to the disposal group classified as held-for-sale for the year ended December 31, 2013.

**12. Property, Plant and Equipment**

(a) Carrying amounts of property, plant and equipment consist of:

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction-in-progress	Total
<b>At December 31, 2013</b>									
Acquisition cost	2,375,668	5,290,175	333,282	6,275,879	3,245,033	873,560	301,836	519,225	19,214,658
Accumulated depreciation	-	(1,138,078)	(139,390)	(4,222,988)	(2,540,527)	(644,033)	(144,271)	-	(8,829,287)
Accumulated Impairment	-	(2,842)	(341)	(34,187)	(4,826)	(604)	(578)	-	(43,378)
<b>Net book amount</b>	<b>2,375,668</b>	<b>4,149,255</b>	<b>193,551</b>	<b>2,018,704</b>	<b>699,680</b>	<b>228,923</b>	<b>156,987</b>	<b>519,225</b>	<b>10,341,993</b>
<b>At December 31, 2012</b>									
Acquisition cost	2,191,907	4,819,761	322,844	6,105,488	3,030,648	868,370	295,260	450,576	18,084,854
Accumulated depreciation	-	(991,677)	(125,976)	(3,888,986)	(2,364,465)	(639,321)	(131,345)	-	(8,141,770)
Accumulated impairment	-	(3,442)	(337)	(45,912)	(3,585)	(556)	(48)	-	(53,880)
<b>Net book amount</b>	<b>2,191,907</b>	<b>3,824,642</b>	<b>196,531</b>	<b>2,170,590</b>	<b>662,598</b>	<b>228,493</b>	<b>163,867</b>	<b>450,576</b>	<b>9,889,204</b>

(b) Changes in property, plant and equipment are as follows:

<i>(in millions of Korean won)</i>	2013								Total
	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction-in-progress	
<b>At January 1, 2013</b>	2,191,907	3,824,642	196,531	2,170,590	662,598	228,493	163,867	450,576	9,889,204
Acquisitions	20,795	197,560	11,453	388,106	365,280	97,329	49,978	1,032,493	2,162,994
Changes in scope of subsidiaries	-	-	-	2,434	55	2,043	232	1,280	6,044
Transfer-in(out)	169,399	336,430	4,003	233,289	203,423	(66)	5,046	(952,679)	(1,155)
Disposals / reclassification to assets held-for-sale	(2,582)	(18,511)	(693)	(9,889)	(15,799)	(3,201)	(6,407)	(539)	(57,621)
Decrease due to business transfer	-	-	(55)	(8,032)	(6,466)	(930)	-	-	(15,483)
Depreciation	-	(163,722)	(14,976)	(727,327)	(496,767)	(90,200)	(50,757)	-	(1,543,749)
Impairment <sup>1</sup>	-	(970)	(169)	(7,781)	(4,199)	(355)	(653)	-	(14,127)
Exchange differences	(3,851)	(26,174)	(2,543)	(22,686)	(8,445)	(4,190)	(4,319)	(11,906)	(84,114)
<b>At December 31, 2013</b>	<b>2,375,668</b>	<b>4,149,255</b>	<b>193,551</b>	<b>2,018,704</b>	<b>699,680</b>	<b>228,923</b>	<b>156,987</b>	<b>519,225</b>	<b>10,341,993</b>

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<i>(in millions of Korean won)</i>	2012								Total
	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	
<b>At January 1, 2012</b>	2,155,016	3,573,595	189,732	2,221,043	629,350	231,414	202,196	391,078	9,593,424
Acquisitions	5,516	139,168	14,860	219,757	273,513	82,244	43,077	1,143,920	1,922,055
Changes in scope of subsidiaries	-	-	-	31,111	876	1,443	-	-	33,430
Transfer-in(out)	36,668	305,211	16,335	454,860	214,868	9,941	11,325	(1,067,131)	(17,923)
Disposals / reclassification to assets held-for-sale	(686)	(6,416)	(4,987)	(30,145)	(10,675)	(6,421)	(38,949)	(2,199)	(100,478)
Depreciation	-	(146,646)	(16,202)	(668,960)	(430,562)	(82,961)	(48,939)	-	(1,394,270)
Impairment <sup>1</sup>	-	(1,817)	(10)	(14,722)	(957)	(576)	(40)	-	(18,122)
Exchange differences	(4,607)	(38,453)	(3,197)	(42,354)	(13,815)	(6,591)	(4,803)	(15,092)	(128,912)
<b>At December 31, 2012</b>	<b>2,191,907</b>	<b>3,824,642</b>	<b>196,531</b>	<b>2,170,590</b>	<b>662,598</b>	<b>228,493</b>	<b>163,867</b>	<b>450,576</b>	<b>9,889,204</b>

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

(c) Line items including depreciation in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Cost of sales	1,261,076	1,153,089
Selling expenses	44,933	44,409
Administrative expenses	66,642	59,866
Research expense	129,094	114,824
Service costs	16,293	17,086
Other non-operating expenses	25,711	4,996
	<b>1,543,749</b>	<b>1,394,270</b>

(d) Borrowing costs amounting to ₩8,100 million (2012: ₩6,248 million) are capitalized as acquisition costs and weighted average capitalization rates of 5.24%(Range: 0.86%~13.23%) in 2013 and 6.54%(Range: 3.85%~11.50%) in 2012 are applied.

(e) Details of property, plant and equipment provided as collateral as of December 31, 2013 and 2012, are as follows:

i. List of collateral for the Group

<i>(in millions of Korean won)</i>	December 31, 2013				
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land, Building	537,474	265,199	Borrowings	153,569	Korea EXIM Bank and others
Machinery and others	117,237	73,527	Borrowings	65,031	Minsheng Bank and others

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<i>(in millions of Korean won)</i>	December 31, 2012				
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land, Building	563,737	241,252	Borrowings	190,754	Korea EXIM Bank and others
Machinery and others	183,132	94,180	Borrowings	84,758	Minsheng Bank and others

ii. List of collateral for external parties

The carrying amount of buildings pledged as collateral to guarantee the land lessor's obligation to the mortgagee, the Small and Medium Industry Bank and others, is ₩1,833 million as of December 31, 2013 (2012: ₩907 million) within the secured amount of up to ₩8,860 (2012: ₩6,560 million).

**13. Intangible assets**

(a) Carrying amounts of intangible assets consist of:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Member -ships	Other intangible assets	Construction-in-progress	Total
<b>At December 31, 2013</b>							
Acquisition cost	147,751	749,333	1,528,578	84,119	667,614	132,958	3,310,353
Accumulated amortization and impairment	(1,818)	(328,707)	(1,210,377)	(1,040)	(404,721)	-	(1,946,663)
<b>Net book amount</b>	<b>145,933</b>	<b>420,626</b>	<b>318,201</b>	<b>83,079</b>	<b>262,893</b>	<b>132,958</b>	<b>1,363,690</b>
<b>At December 31, 2012</b>							
Acquisition cost	148,159	633,795	1,328,085	83,074	582,778	105,394	2,881,285
Accumulated amortization and impairment	-	(269,542)	(1,037,912)	-	(351,529)	-	(1,658,983)
<b>Net book amount</b>	<b>148,159</b>	<b>364,253</b>	<b>290,173</b>	<b>83,074</b>	<b>231,249</b>	<b>105,394</b>	<b>1,222,302</b>

(b) Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	2013						
	Goodwill	Industrial property rights	Development costs	Member -ships	Other intangible assets	Construction-in-progress	Total
<b>At January 1, 2013</b>	148,159	364,253	290,173	83,074	231,249	105,394	1,222,302
Acquisitions	-	23,728	49,160	1,373	63,469	77,617	215,347
Acquisitions by internal development	-	-	24,521	-	-	202,398	226,919
Changes in scope of subsidiaries and others	-	1	-	-	5,933	-	5,934
Transfer-in(out)	-	103,440	194,428	(3)	56,629	(249,523)	104,971

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Disposals and others	-	(5,115)	(12,469)	(308)	(532)	(2,528)	(20,952)
Decrease due to business transfer	-	-	(645)	-	(86)	-	(731)
Amortization	-	(65,685)	(226,640)	-	(92,091)	-	(384,416)
Impairment <sup>1</sup>	(1,818)	-	(63)	(1,040)	(1,165)	(396)	(4,482)
Exchange differences	(408)	4	(264)	(17)	(513)	(4)	(1,202)
<b>At December 31, 2013</b>	<b>145,933</b>	<b>420,626</b>	<b>318,201</b>	<b>83,079</b>	<b>262,893</b>	<b>132,958</b>	<b>1,363,690</b>

**2012**

<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Member-ships</b>	<b>Other intangible assets</b>	<b>Construction-in-progress</b>	<b>Total</b>
<b>At January 1, 2012</b>	148,462	320,531	292,560	88,959	207,446	109,609	1,167,567
Acquisitions	-	1,637	42,684	536	82,023	71,626	198,506
Acquisitions by internal development	-	-	26,385	-	-	152,467	178,852
Changes in scope of subsidiaries and others	-	-	-	-	1,478	-	1,478
Transfer-in(out)	-	107,815	213,297	(2,042)	10,862	(221,358)	108,574
Disposals and others	-	(7,371)	(19,872)	(4,251)	(3,716)	(3,500)	(38,710)
Amortization	-	(58,346)	(264,268)	-	(65,303)	-	(387,917)
Impairment <sup>1</sup>	-	-	(33)	-	(49)	(3,398)	(3,480)
Exchange differences	(303)	(13)	(580)	(128)	(1,492)	(52)	(2,568)
<b>At December 31, 2012</b>	<b>148,159</b>	<b>364,253</b>	<b>290,173</b>	<b>83,074</b>	<b>231,249</b>	<b>105,394</b>	<b>1,222,302</b>

<sup>1</sup>Recognized by measuring the recoverable amount of individual assets due to various reasons, including disuse, and withdrawal from certain business of subsidiaries.

(c) Line items including amortization of intangible assets are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Cost of sales	164,721	91,764
Selling and marketing expenses	31,923	15,568
Administrative expenses	91,763	98,752
Research and development expenses	94,028	179,623
Service costs	1,981	2,210
<b>Total</b>	<b>384,416</b>	<b>387,917</b>

(d) Impairment tests for goodwill

Goodwill is allocated among the Group's cash-generating units (CGUs) based on operating segments. As of December 31, 2013, an operating segment-level summary of goodwill allocation is presented below:

<i>(in millions of Korean won)</i>	<b>AE</b>	<b>MC</b>	<b>Other</b>	<b>Total</b>
Goodwill	64,531	29,894	51,508	145,933

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The recoverable amount of CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a four-year period. Cashflows beyond the four-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate for the electronic business in which the CGU operated.

Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Value-in-use is measured by applying the pre-tax discount rates reflecting specific risks relating to the relevant operating segments.

Discount rates and nominal long-term growth rates used for calculating the value-in-use of major operating segments are as follows:

<i>(in millions of Korean won)</i>	<b>AE</b>	<b>MC</b>	<b>Other</b>
Discount rates	13.7%	13.8%	13.4%
Nominal long-term growth rates	2.1%	4.6%	2.9%

#### 14. Investments in associates and joint ventures

##### (a) Associates and joint ventures

Associates as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>Domicile</b>	<b>Fiscal year end</b>	<b>Percentage of Ownership</b>		<b>Nature of relationships with the Group</b>
			<b>December 31, 2013</b>	<b>December 31, 2012</b>	
LG Display Co., Ltd.	Korea	December 31	37.9%	37.9%	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December 31	25.0%	25.0%	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December 31	49.0%	49.0%	Production and supply of data storages
Global OLED Technology LLC.	USA	December 31	32.7%	32.7%	OLED related patent licensing
Korea Information Certificate Authority Inc. <sup>1</sup>	Korea	December 31	9.3%	9.3%	Certificate services
LG Fuel Cell Systems Inc.	USA	December 31	30.0%	25.5%	R&D of fuel cell
SKT Vietnam PTE., Ltd.	Singapore	December 31	25.4%	25.4%	Communication services
One-Red, LLC	USA	March 31 <sup>2</sup>	25.0%	-	DVD related patent licensing

<sup>1</sup> Classified as an associate although the percentage of ownership is less than 20% because the Group can exercise its voting rights through the Board of Directors.

<sup>2</sup> The financial statements as of November 30, 2013, were used due to the difference in the fiscal year end.

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Joint ventures as of December 31, 2013, are as follows:

All joint arrangements, over which the Group has joint control, are structured through separate companies and are categorized as joint ventures as the parties with joint control are assumed to have rights to the net assets of the arrangement.

<i>(in millions of Korean won)</i>	Domicile	Fiscal year end	Percentage of Ownership		Nature of relationships with the Group
			December 31, 2013	December 31, 2012	
LG Holdings(HK) Ltd.	China	December 31	49.0%	49.0%	Real estate
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	December 31	50.0%	50.0%	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December 31	38.2%	38.2%	Real estate
LG Fund for Enterprises	Korea	December 31	50.0%	50.0%	Fund relating emerging technology business

All associates and joint ventures are accounted for using the equity method.

(b) Investments in associates and joint ventures

Investments in associates as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013				December 31, 2012			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	4,022,016	(46,916)	3,975,100	679,218	3,869,592	(48,548)	3,821,044
Ericsson-LG Co., Ltd	26,629	89,445	(107)	89,338	26,629	91,820	(182)	91,638
Hitachi-LG Data Storage Inc.(HLDS)	51,184	29,930	(1,921)	28,009	7,684	33,125	(169)	32,956
Global OLED Technology LLC.	53,454	30,767	-	30,767	53,454	35,677	-	35,677
Korea Information Certificate Authority Inc.	852	2,890	-	2,890	852	2,516	-	2,516
LG Fuel Cell Systems Inc.	36,785	20,102	-	20,102	26,098	21,937	-	21,937
SKT Vietnam PTE., Ltd. <sup>1</sup>	72,194	739	-	-	72,194	7,440	-	-
One-Red, LLC	3,128	3,139	-	3,139	-	-	-	-
<b>Total</b>	<b>923,444</b>	<b>4,199,028</b>	<b>(48,944)</b>	<b>4,149,345</b>	<b>866,129</b>	<b>4,062,107</b>	<b>(48,899)</b>	<b>4,005,768</b>

<sup>1</sup> The use of the equity method is discontinued as impairment losses were recognized in full during 2009.

Investments in joint ventures as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013				December 31, 2012			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	115,234	117,709	-	117,709	115,234	112,226	-	112,226
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	48,521	(977)	47,544	14,718	48,630	(460)	48,170
EIC PROPERTIES PTE LTD.	9,636	13,693	-	13,693	9,636	14,208	-	14,208

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LG Fund for Enterprises	2,282	1,292	-	1,292	3,678	2,506	-	2,506
<b>Total</b>	<b>141,870</b>	<b>181,215</b>	<b>(977)</b>	<b>180,238</b>	<b>143,266</b>	<b>177,570</b>	<b>(460)</b>	<b>177,110</b>

(c) Valuation of the equity method of accounting on associates and joint ventures

Changes in the carrying amount of investments in associates for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013							
	Beginning	Acquisition	Valuation gain/loss	Other comprehensive income	Remeasurement Component	Dividend/recovery	Exchange difference	Ending
LG Display Co., Ltd.	3,821,044	-	162,221	(8,417)	252	-	-	3,975,100
Ericsson-LG Co., Ltd	91,638	-	7,691	(97)	356	(10,250)	-	89,338
Hitachi-LG Data Storage Inc.(HLDS)	32,956	43,500	(42,291)	(6,156)	-	-	-	28,009
Global OLED Technology LLC.	35,677	-	(4,730)	(180)	-	-	-	30,767
Korea Information Certificate Authority Inc.	2,516	-	361	13	-	-	-	2,890
LG Fuel Cell Systems Inc.	21,937	10,686	(13,490)	959	10	-	-	20,102
SKT Vietnam PTE., Ltd.	-	-	-	-	-	-	-	-
One-Red, LLC	-	3,128	124	-	-	-	(113)	3,139
<b>Total</b>	<b>4,005,768</b>	<b>57,314</b>	<b>109,886</b>	<b>(13,878)</b>	<b>618</b>	<b>(10,250)</b>	<b>(113)</b>	<b>4,149,345</b>

<i>(in millions of Korean won)</i>	2012							
	Beginning	Acquisition	Valuation gain/loss	Other comprehensive income	Remeasurement Component	Dividend/recovery	Exchange difference	Ending
LG Display Co., Ltd.	3,794,169	-	79,630	(30,932)	(21,823)	-	-	3,821,044
Ericsson-LG Co., Ltd	201,517	-	5,806	(163)	(818)	(114,704)	-	91,638
Hitachi-LG Data Storage Inc.(HLDS)	43,756	-	(8,943)	(1,857)	-	-	-	32,956
Global OLED Technology LLC.	43,750	-	(5,143)	(2,930)	-	-	-	35,677
Korea Information Certificate Authority Inc.	2,137	-	375	4	-	-	-	2,516
LG Fuel Cell Systems Inc.	-	26,098	(2,306)	(1,855)	-	-	-	21,937
Mobile Technology of Human Inc.	1,239	-	(196)	-	-	(1,043)	-	-
SKT Vietnam PTE., Ltd.	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,086,568</b>	<b>26,098</b>	<b>69,223</b>	<b>(37,733)</b>	<b>(22,641)</b>	<b>(115,747)</b>	<b>-</b>	<b>4,005,768</b>

Changes in the carrying amount of investments in joint ventures for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013							
	Beginning	Acquisition	Valuation gain/loss	Other comprehensive income	Remeasurement Component	Dividend/recovery	Exchange difference	Ending
LG Holdings(HK) Ltd.	112,226	-	5,748	(265)	-	-	-	117,709
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	48,170	-	9,827	(10,453)	-	-	-	47,544

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<i>(in millions of Korean won)</i>	2013							
	Beginning	Acquisition	Valuation gain/loss	Other comprehensive income	Remeasurement Component	Dividend/recovery	Exchange difference	Ending
EIC PROPERTIES PTE LTD.	14,208	-	199	(714)	-	-	-	13,693
LG Fund for Enterprises	2,506	-	340	-	-	(1,554)	-	1,292
	177,110	-	16,114	(11,432)	-	(1,554)	-	180,238

<i>(in millions of Korean won)</i>	2012							
	Beginning	Acquisition	Valuation gain/loss	Other comprehensive income	Remeasurement Component	Dividend/recovery	Exchange difference	Ending
LG Holdings(HK) Ltd.	113,180	-	4,600	(5,554)	-	-	-	112,226
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	35,759	-	13,096	(685)	-	-	-	48,170
EIC PROPERTIES PTE LTD.	13,960	-	433	(185)	-	-	-	14,208
LG Fund for Enterprises	2,941	-	(435)	-	-	-	-	2,506
	165,840	-	17,694	(6,424)	-	-	-	177,110

(d) Summary of the consolidated financial information on the associate important to the reporting entity is as follows:

- LG Display Co., Ltd. and its subsidiaries (before adjustment)

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Current assets	21,715,284	24,455,511
Non-current assets	7,731,788	8,914,685
<b>Total assets</b>	<b>13,983,496</b>	<b>15,540,826</b>
Current liabilities	10,917,864	14,215,331
Non-current liabilities	6,788,919	9,206,158
<b>Total liabilities</b>	<b>4,128,945</b>	<b>5,009,173</b>
Equity of the owners of LG Display Co., Ltd.	10,797,420	10,240,180
Non-controlling interests	10,611,174	10,209,811
<b>Total equity</b>	<b>186,246</b>	<b>30,369</b>

<i>(in millions of Korean won)</i>	2013	2012
Net sales	27,033,035	29,429,668
Profit for the year	418,973	236,345
Equity of the owners of LG Display Co., Ltd.		
Profit for the year	426,118	233,204
Other comprehensive income, net of tax	(21,638)	(139,125)
Total comprehensive income, net of tax	404,480	94,079
Dividends received from associates	-	-



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- LG Display Co., Ltd. and its subsidiaries (after adjustment)

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Current assets	21,715,284	24,454,739
Non-current assets	7,731,788	8,914,685
<b>Total assets</b>	<b>13,983,496</b>	<b>15,540,054</b>
Current liabilities	10,917,864	14,215,331
Non-current liabilities	6,788,919	9,206,158
<b>Total liabilities</b>	<b>4,128,945</b>	<b>5,009,173</b>
Equity of the owners of LG Display Co., Ltd.	10,797,420	10,239,408
Non-controlling interests	10,611,174	10,209,039
<b>Total equity</b>	<b>186,246</b>	<b>30,369</b>

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Net sales	27,033,035	29,429,668
Profit for the year	416,628	248,452
Equity of the owners of LG Display Co., Ltd.		
Profit for the year	423,773	245,319
Other comprehensive income, net of tax	(21,638)	(139,125)
Total comprehensive income, net of tax	402,135	106,194
Dividends received from associates	-	-

The summarized financial information of associates above reflects adjustments to conform to the accounting policies of the Group in the application of the equity method. As a result of the adjustments, profit for the year decreased by ₩2,345 million.

(e) Reconciliations of the summarized financial information of associate important to the reporting entity to the carrying amount of the Group's interest are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Opening equity of the owners of LG Display Co., Ltd.	10,209,039	10,102,845
Profit for the year	423,773	245,319
Other comprehensive loss	(21,638)	(139,125)
Closing equity of the owners of LG Display Co., Ltd.	10,611,174	10,209,039
Group ownership(%)	37.9	37.9
The Group's share at the end of the reporting year	4,022,016	3,869,592
Unrealized gain	(46,916)	(48,548)
Carrying amount at the end of the year	3,975,100	3,821,044

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(f) The Group's share in the operating results in the individually insignificant associates and joint ventures for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Associates	Joint ventures	Associates	Joint ventures
Profit(loss) for the year	(50,659)	16,650	(12,140)	14,947
Other comprehensive loss, net of tax	(5,094)	(11,432)	(7,619)	(6,424)
Total comprehensive income(loss), net of tax	(55,753)	5,218	(19,759)	8,523

(g) Accumulated comprehensive loss that was not recognized due to suspending of the equity method for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Losses of the equity-method investees	Accumulated losses of the equity- method investees	Losses of the equity-method investees	Accumulated losses of the equity- method investees
SKT Vietnam PTE., Ltd.	6,701	52,094	689	45,393

(h) The fair value and book value of marketable associate securities as of December 31, 2013 and 2012, are as follows:

December 31, 2013					
	Type	Shares owned <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book value
LG Display Co., Ltd.	Associate	135,625,000	25,350	3,438,094	3,975,100

  

December 31, 2012					
	Type	Shares owned <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book value
LG Display Co., Ltd.	Associate	135,625,000	31,050	4,211,156	3,821,044

**15. Investment Property**

Details of investment property are as follows:

<i>(in millions of Korean won)</i>	Land	Buildings	Total
<b>At December 31, 2013</b>			
Acquisition cost	1,839	4,992	6,831
Accumulated depreciation	-	(1,908)	(1,908)
<b>Net book amount</b>	<b>1,839</b>	<b>3,084</b>	<b>4,923</b>
<b>At December 31, 2012</b>			
Acquisition cost	3,206	10,146	13,352
Accumulated depreciation	-	(3,091)	(3,091)

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<b>Net book amount</b>	3,206	7,055	10,261
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Changes in carrying amounts of investment property for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>At January 1</b>	3,206	7,055	10,261
Transfer	-	67	67
Disposal	(1,367)	(3,708)	(5,075)
Depreciation	-	(330)	(330)
<b>At December 31</b>	<b>1,839</b>	<b>3,084</b>	<b>4,923</b>

  

<i>(in millions of Korean won)</i>	<b>2012</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>At January 1</b>	3,326	7,583	10,909
Transfer	-	245	245
Disposal	(120)	(443)	(563)
Depreciation	-	(330)	(330)
<b>At December 31</b>	<b>3,206</b>	<b>7,055</b>	<b>10,261</b>

The fair value of investment property is valued by an independent professional appraiser with certified qualification or determined based on the evaluation reflecting official land value or recently available transaction price of similar properties. The fair value of investment property as of December 31, 2013, is ₩5,120 million (2012: ₩10,116 million).

Rental income amounting to ₩886 million (2012: ₩218 million) and rental expenses amounting to ₩333 million (2012: ₩341 million) are recognized in the consolidated statements of income relating to investment property.

**16. Borrowings**

(a) The carrying amounts of borrowings are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Current</b>		
Short-term borrowings	903,798	1,277,363
Current portion of long-term borrowings	1,346,821	768,125
Current portion of debentures	564,596	669,553
Current convertible bonds	207,508	-
<b>Sub-total</b>	<b>3,022,723</b>	<b>2,715,041</b>
<b>Non-current</b>		
Long-term borrowings	1,914,366	2,873,857
Debentures	4,004,088	2,852,042
Convertible bonds	269,852	197,447

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<b>Sub-total</b>	6,188,306	5,923,346
<b>Total</b>	9,211,029	8,638,387

(b) Details of borrowings

i. Short-term borrowings consist of:

<i>(in millions of Korean won)</i>	Annual interest rate at Dec. 31, 2013	Carrying amount	
		December 31, 2013	December 31, 2012
General loans			
HSBC and others	1.36~9.73%	877,476	908,889
Borrowings on negotiated trade bills <sup>1</sup>			
Korea Exchange Bank and others	0~4ML+1.95	26,322	368,474
<b>Total</b>		<b>903,798</b>	<b>1,277,363</b>

<sup>1</sup> At the end of the reporting period, borrowings are collateralized by certain trade receivables of the Group (Note 7).

ii. Long-term borrowings as of December 31, 2013 and 2012, consist of:

<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	2014.12.10	4.72	50,000	50,000	-
Kookmin Bank	2015.03.04	5.16	110,000	82,500	27,500
Kookmin Bank	2016.05.24	4.73	190,000	-	190,000
Nonghyup Bank	2014.03.09	4.70	190,000	190,000	-
Shinhan Bank	2014.09.08	4.78	22,500	22,500	-
Shinhan Bank	2016.05.22	2.75	149	66	83
Shinhan Bank	2016.10.19	4.37	142,500	47,500	95,000
Shinhan Bank	2017.02.16	4.60	190,000	-	190,000
Shinhan Bank	2017.02.27	3.63	50,000	-	50,000
Shinhan Bank	2017.09.15	1.75	839	224	615
IBK Securities	2016.10.14	3.35	81,599	-	81,599
Woori Bank	2015.05.08	3.85	10,000	-	10,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Small & Medium Business Corporation	2014.11.17	3.97	68	68	-
Hana Bank	2014.03.28	2.92	160	160	-
Hana Bank	2015.06.28	3.22	540	360	180
Hana Bank	2015.09.28	3.22	420	240	180
Hana Bank	2016.03.28	3.22	1,485	660	825
Korea Development Bank	2014.04.05	4.45	190,000	190,000	-

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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
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	2015.03.10	5.06	90,000	-	90,000
Korea Development Bank	2015.05.04	4.52	10,000	-	10,000
Korea Development Bank	2018.05.28	3.76	50,000	-	50,000
Korea EXIM Bank	2014.06.02	4.90	60,000	60,000	-
Korea Finance Corporation	2014.02.28	4.56	90,000	90,000	-
Korea Finance Corporation	2015.02.28	4.80	100,000	-	100,000
Korea Finance Corporation	2015.09.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.81	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.78	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.71	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.75	20,000	-	20,000
Korea Finance Corporation	2017.02.28	3.58	70,000	-	70,000
Korea Finance Corporation	2017.02.28	3.76	30,000	-	30,000
Korea Finance Corporation	2017.02.28	4.01	40,000	-	40,000
Korea Finance Corporation	2017.03.29	4.62	190,000	-	190,000
<b>Foreign currency loans</b>					
HSBC and others	-	1.26 ~ 10.4	370,927	172,543	198,384
<b>Total</b>			<b>3,261,187</b>	<b>1,346,821</b>	<b>1,914,366</b>

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2012(%)	December 31, 2012		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2013.05.14	4.67	190,000	190,000	-
Kookmin Bank	2014.11.12	4.62	150,000	-	150,000
Kookmin Bank	2014.12.10	4.72	50,000	-	50,000
Kookmin Bank	2015.03.04	5.16	110,000	-	110,000
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
Nonghyup Bank	2014.03.09	4.70	190,000	-	190,000
Shinhan Bank	2014.09.08	4.78	52,500	30,000	22,500
Shinhan Bank	2016.05.22	2.75	216	66	150
Shinhan Bank	2016.10.19	4.37	190,000	47,500	142,500
Shinhan Bank	2017.02.16	Financial bond 6M+0.94	190,000	-	190,000
Shinhan Bank	2017.09.15	1.75	1,063	224	839
Woori Bank	2014.02.18	5.67	10,000	-	10,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2012(%)	December 31, 2012		
			Total	Current	Non-current
IBK Securities	2016.10.14	3.35	90,000	-	90,000
Hana Bank	2013.03.28	2.81	120	120	-
Hana Bank	2013.09.15	1.75	157	157	-
Hana Bank	2014.03.28	2.81	800	640	160
Hana Bank	2015.06.28	3.04	900	360	540
Hana Bank	2015.09.28	3.04	660	240	420
Hana Bank	2016.03.28	3.04	2,145	660	1,485
Small & Medium Business Corporation	2014.11.17	3.80	136	68	68
Korea EXIM Bank	2013.06.29	5.50	50,000	50,000	-
Korea EXIM Bank	2014.06.02	4.90	120,000	60,000	60,000
Korea Development Bank	2013.03.11	4.59	100,000	100,000	-
Korea Development Bank	2014.04.05	4.45	190,000	-	190,000
Korea Development Bank	2014.06.24	5.56	8,000	-	8,000
Korea Development Bank	2014.06.24	5.68	6,000	-	6,000
Korea Development Bank	2014.06.24	5.31	6,000	-	6,000
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	2015.03.10	5.06	90,000	-	90,000
Korea Development Bank	2015.05.04	5.24	16,000	-	16,000
Korea Development Bank	2015.05.04	4.52	4,000	-	4,000
Korea Finance Corporation	2013.05.31	4.91	90,000	90,000	-
Korea Finance Corporation	2013.09.30	4.42	90,000	90,000	-
Korea Finance Corporation	2014.02.28	4.56	90,000	-	90,000
Korea Finance Corporation	2015.02.28	4.80	100,000	-	100,000
Korea Finance Corporation	2015.09.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.81	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.78	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.71	30,000	-	30,000
Korea Finance Corporation	2017.03.29	4.62	190,000	-	190,000
<b>Foreign currency loans</b>					
HSBC and others	-	1.31 ~ 9.19	313,285	108,090	205,195
<b>Total</b>			<b>3,641,982</b>	<b>768,125</b>	<b>2,873,857</b>

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iii. Debentures as of December 31, 2013 and 2012, consist of:

<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(25-2 <sup>nd</sup> )	2014.02.09	5.70	150,000	150,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 <sup>th</sup> )	2015.11.29	5.10	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 <sup>th</sup> )	2015.02.24	5.01	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015.02.09	4.32	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017.02.09	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015.09.09	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> )	2014.02.16	4.44	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016.02.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014.04.28	3ML+1.00	179,401	179,401	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016.08.05	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014.08.23	3ML+0.70	105,530	105,530	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016.09.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12.02	2.00	255,564	-	255,564
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015.09.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017.09.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 <sup>th</sup> )	2018.03.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 <sup>st</sup> )	2020.05.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 <sup>nd</sup> )	2020.05.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 <sup>rd</sup> )	2023.05.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 <sup>th</sup> )	2023.05.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-1 <sup>st</sup> )	2015.07.31	2.86	110,000	-	110,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-2 <sup>nd</sup> )	2018.07.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-3 <sup>rd</sup> )	2020.07.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds(70 <sup>th</sup> ) <sup>1</sup>	2019.01.31	3ML+1.60	211,060	-	211,060
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-1 <sup>st</sup> )	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-2 <sup>nd</sup> )	2020.10.19	3.82	110,000	-	110,000

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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
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-3 <sup>rd</sup> )	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, guaranteed bonds(72 <sup>nd</sup> ) <sup>1</sup>	2017.06.19	3ML+1.30	211,060	-	211,060
Less: discount on debentures				(13,931)	(335)	(13,596)
<b>Total</b>				<b>4,568,684</b>	<b>564,596</b>	<b>4,004,088</b>

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2012(%)	December 31, 2012		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds(24 <sup>th</sup> )	2013.10.06	5.88	100,000	100,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(25-1 <sup>st</sup> )	2013.02.09	5.29	50,000	50,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(25-2 <sup>nd</sup> )	2014.02.09	5.70	150,000	-	150,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(26 <sup>th</sup> )	2013.05.17	5.26	30,000	30,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 <sup>th</sup> )	2015.11.29	5.10	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 <sup>th</sup> )	2015.02.24	5.01	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015.02.09	4.32	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017.02.09	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (54 <sup>th</sup> )	2013.04.22	4.20	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (55 <sup>th</sup> )	2013.06.16	4.60	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015.09.09	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> )	2014.02.16	4.44	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016.02.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014.04.28	3ML+1.00	182,087	-	182,087
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-1 <sup>st</sup> )	2013.08.05	3.89	110,000	110,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016.08.05	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014.08.23	3ML+0.70	107,110	-	107,110
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016.09.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12.02	2.00	252,216	-	252,216
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015.09.10	3.18	170,000	-	170,000



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<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2012(%)	December 31, 2012		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017.09.10	3.28	130,000	-	130,000
Less: discount on debentures				(9,818)	(447)	(9,371)
<b>Total</b>				<b>3,521,595</b>	<b>669,553</b>	<b>2,852,042</b>

<sup>1</sup> The Group entered into cross-currency swap contract to hedge cash flow risk related to floating interest rate and foreign exchange rate of the debenture (Note 8). Private bonds(70<sup>th</sup>) are guaranteed by Shinhan Bank (Note 39).

iv. Details of convertible bonds as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>		Issue date	Redemption date	Carrying amount	December 31, 2013	
					Current	Non-current
Convertible bonds(27 <sup>th</sup> ) <sup>1</sup>	2010.11.11	2014.11.11	199,961	199,961	-	
Convertible bonds(32 <sup>nd</sup> ) <sup>1</sup>	2013. 9.17	2016. 9.17	299,984	-	299,984	
Add: Redemption premium			17,512	16,611	901	
Less: Adjustment for conversion right and discount on bonds			(40,097)	(9,064)	(31,033)	
<b>Total</b>			<b>477,360</b>	<b>207,508</b>	<b>269,852</b>	

<i>(in millions of Korean won)</i>		Issue date	Redemption date	Carrying amount	December 31, 2012	
					Current	Non-current
Convertible bonds(27 <sup>th</sup> ) <sup>1</sup>	2010.11.11	2014.11.11	199,961	-	199,961	
Add: Redemption premium			16,611	-	16,611	
Less: Adjustment for conversion right and discount on bonds			(19,125)	-	(19,125)	
<b>Total</b>			<b>197,447</b>	<b>-</b>	<b>197,447</b>	

<sup>1</sup> Terms and conditions of the 27<sup>th</sup> and 32<sup>nd</sup> convertible bonds, issued by LG Innotek Co., Ltd., a subsidiary, are as follows:

Type	Convertible bonds(27 <sup>th</sup> )
Coupon rate	0%
Rate of return	2% (8.3071% terms of payment for redemption premium)
Exercise period	2010.12.11 ~ 2014.10.11
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩150,000 per share 2. Right of claim for early redemption: The early redemption of the bond's outstanding balance can be exercised from three years after issuance (November 11, 2013) until one month before the maturity (October 11, 2014). However, in order to exercise the early redemption, the closing

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price of the common share of the issuing company must exceed 140% of the conversion price for 20 consecutive trading days since the start of the early redemption exercise period.

<b>Type</b>	<b>Convertible bonds(32<sup>nd</sup>)</b>
Coupon rate	0%
Rate of return	0.1% (3.0040% terms of payment for redemption premium)
Exercise period	2013.10.17 ~ 2016.08.17
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩85,800 per share 2. Right of claim for early redemption: The early redemption of the bond's outstanding balance can be exercised from one month after issuance (October 17, 2013) until one month before the maturity (August 17, 2016). However, in order to exercise the early redemption, the closing price of the common share of the issuing company must exceed 130% of the conversion price for 15 consecutive trading days since the start of the early redemption exercise period.

The liability components of the 27<sup>th</sup> and 32<sup>nd</sup> convertible bonds are calculated initially at the fair value of similar financial liabilities that do not have an equity conversion option, using the discount rate of 4.51% and 3.65%, respectively. The equity components are recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, amounting to ₩18,218 million and ₩30,009 million, respectively. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The early redemption option embedded in the 27<sup>th</sup> and 32<sup>nd</sup> convertible bonds is not separated as the exercise price is approximately equal to the amortized cost of the debt instrument.

(c) Payment schedule of borrowings as of December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Less than</b>			<b>Over</b>
		<b>1 year</b>	<b>2 years</b>	<b>5 years</b>	<b>5 years</b>
Short-term borrowings	941,747	941,747	-	-	-
Current portion of long-term borrowings	1,431,515	1,431,515	-	-	-
Current portion of debentures	571,629	571,629	-	-	-
Current convertible bonds	216,572	216,572	-	-	-
Long-term borrowings	2,153,551	113,515	505,888	1,534,148	-
Debentures	4,543,833	148,927	1,245,455	2,330,221	819,230
Convertible bonds	300,885	-	-	300,885	-
<b>Total</b>	<b>10,159,732</b>	<b>3,423,905</b>	<b>1,751,343</b>	<b>4,165,254</b>	<b>819,230</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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**17. Other Payables**

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Current</b>		
Non-trade payables	2,044,853	2,025,556
Accrued expenses	766,002	662,228
Dividends payable	562	24
Deposits received	18,269	16,714
<b>Sub-total</b>	<b>2,829,686</b>	<b>2,704,522</b>
<b>Non-current</b>		
Non-trade payables	17,487	18,459
Deposits received	10,183	10,710
<b>Sub-total</b>	<b>27,670</b>	<b>29,169</b>
<b>Total</b>	<b>2,857,356</b>	<b>2,733,691</b>

**18. Deferred Income Tax**

(a) Deferred tax assets and deferred tax liabilities after offsetting as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	841,042	889,647
Deferred tax asset to be recovered after more than 12 months	1,849,840	1,626,965
<b>Deferred tax assets before offsetting</b>	<b>2,690,882</b>	<b>2,516,612</b>
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	113,763	76,818
Deferred tax liability to be settled after more than 12 months	965,219	938,900
<b>Deferred tax liabilities before offsetting</b>	<b>1,078,982</b>	<b>1,015,718</b>
<b>Deferred tax assets after offsetting</b>	<b>1,619,551</b>	<b>1,511,462</b>
<b>Deferred tax liabilities after offsetting</b>	<b>7,651</b>	<b>10,568</b>

(b) Changes in deferred income tax assets and liabilities during the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>2013</b>		<b>Exchange differences</b>	<b>At December 31</b>
		<b>Charged (credited) to the statements of income</b>	<b>Charged(credited) to other comprehensive income</b>		
Changes in temporary differences					
Investments in subsidiaries and	(245,755)	(28,947)	161	-	(274,541)

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associates					
Property, plant and equipment	(135,347)	20,308	-	(30)	(115,069)
Accrued expenses	499,144	(33,977)	-	(3,423)	461,744
Provisions	121,961	7,703	-	(3,626)	126,038
Other	171,325	116,796	(19,062)	(20,380)	248,679
<b>Sub-total</b>	<b>411,328</b>	<b>81,883</b>	<b>(18,901)</b>	<b>(27,459)</b>	<b>446,851</b>
Tax credits carryforwards	684,822	77,023	-	(136)	761,709
Tax loss carryforwards	404,744	(297)	-	(1,107)	403,340
<b>Deferred tax assets(liabilities)</b>	<b>1,500,894</b>	<b>158,609</b>	<b>(18,901)</b>	<b>(28,702)</b>	<b>1,611,900</b>

<i>(in millions of Korean won)</i>	At January 1	2012			At December 31
		Charged (credited) to the statements of income	Charged(credited) to other comprehensive income	Exchange differences	
Changes in temporary differences					
Investments in subsidiaries and associates	(285,180)	37,935	1,490	-	(245,755)
Property, plant and equipment	(158,447)	24,920	-	(1,820)	(135,347)
Accrued expenses	421,342	83,335	-	(5,533)	499,144
Provisions	144,144	(17,213)	-	(4,970)	121,961
Other	235,199	(76,969)	33,161	(20,066)	171,325
<b>Sub-total</b>	<b>357,058</b>	<b>52,008</b>	<b>34,651</b>	<b>(32,389)</b>	<b>411,328</b>
Tax credits carryforwards	533,247	153,125	-	(1,550)	684,822
Tax loss carryforwards	538,666	(132,599)	-	(1,323)	404,744
<b>Deferred tax assets(liabilities)</b>	<b>1,428,971</b>	<b>72,534</b>	<b>34,651</b>	<b>(35,262)</b>	<b>1,500,894</b>

(c) Tax effects directly recognized in other comprehensive income are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013			December 31, 2012		
	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Remeasurements	34,710	(8,228)	26,482	(145,189)	34,186	(111,003)
Cash flow hedge	7,537	(1,764)	5,773	5,521	(1,337)	4,184
Available-for-sale financial assets	7,654	(1,808)	5,846	(927)	326	(601)
Currency translation differences	(216,879)	161	(216,718)	(332,354)	1,490	(330,864)
<b>Total</b>	<b>(166,978)</b>	<b>(11,639)</b>	<b>(178,617)</b>	<b>(472,949)</b>	<b>34,665</b>	<b>(438,284)</b>

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(d) Tax effects directly recognized in equity are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013			December 31, 2012		
	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Issuance and exercise of conversion rights and stock warrants	30,007	(7,262)	22,745	58	(14)	44

(e) Details of deductible (taxable) temporary differences, tax credits and tax losses unrecognized as deferred tax assets (liabilities) as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	2013	Remark
Taxable temporary difference(investment in subsidiary)	(3,352,264)	Planned permanent reinvestment of undistributed profit
Deductible temporary difference	150,109	Uncertainty of future taxable profit
Tax credits carryforwards	131,899	Uncertainty of future taxable profit
Tax losses carryforwards	228,225	Uncertainty of future taxable profit

(f) Expirations of unrecognized tax credits and tax losses carryforwards as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Tax credit	Tax loss
Within 1 year	77,785	15,089
Within 2 years	54,114	40,647
Within 3 years	-	3,910
Over 3 years	-	168,579

**19. Post-employment Benefits**

**Defined Benefit Plan**

(a) The amounts of net defined benefit liabilities recognized in the consolidated statements of financial position as of December 31, 2013 and 2012, are determined as follows:

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Present value of funded obligations	1,849,385	1,613,435
Present value of unfunded obligations	33,549	34,899
<b>Sub-total</b>	<b>1,882,934</b>	<b>1,648,334</b>
Fair value of plan assets	(1,302,015)	(1,018,196)
<b>Net defined benefit liability</b>	<b>580,919</b>	<b>630,138</b>

(b) The amounts recognized in the consolidated statements of income for the years ended

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December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Current service cost	307,083	258,869
Net interest cost	20,421	19,482
Past service cost	-	685
Managing cost	1,325	1,605
<b>Total</b>	<b>328,829</b>	<b>280,641</b>

(c) The line items in which expenses are included for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Manufacturing costs	169,845	139,248
Selling and marketing expenses	52,935	50,730
Administrative expenses	18,940	16,036
Research and development expenses	79,297	66,347
Service costs	7,812	8,280
<b>Total</b>	<b>328,829</b>	<b>280,641</b>

(d) Changes in the defined benefit obligations for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>At January 1</b>	<b>1,648,334</b>	<b>1,282,419</b>
Current service cost	307,083	258,869
Interest expense	59,676	57,067
Remeasurements for:		
- Actuarial gain arising from changes in demographic assumptions	2,098	661
- Actuarial gain(loss) arising from changes in financial assumptions	(61,663)	135,791
- Actuarial gain arising from experience adjustments	22,438	8,457
Changes in scope of subsidiaries	1,521	-
Benefits paid	(97,658)	(92,446)
Past service cost	-	685
Decrease due to business transfer	(4,251)	-
Others	5,356	(3,169)
<b>At December 31</b>	<b>1,882,934</b>	<b>1,648,334</b>

(e) Changes in the fair value of plan assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>At January 1</b>	<b>1,018,196</b>	<b>799,294</b>
Interest income	39,255	37,585

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Remeasurements for:		
- Return on plan assets	(2,417)	(280)
Employer contributions	296,984	238,583
Changes in scope for consolidation	979	-
Benefits paid	(46,172)	(55,333)
Decrease due to business transfer	(2,939)	-
Managing cost	(1,325)	(1,605)
Others	(546)	(48)
<b>At December 31</b>	<b>1,302,015</b>	<b>1,018,196</b>

(f) The principal actuarial assumptions used are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Weighted average of discount rate	4.1%	3.8%
Weighted average of future salary increase	6.1%	6.0%

The discount rates applied to the Parent Company and subsidiaries are between 0.9%~9.5%(2012: 1.1%~8.2%), and the expected rates of future salary increase are between 4.0%~13.0% (2012: 4.0%~13.0%).

The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of December 31, 2013 and 2012, are as follows:

<u>(in millions of Korean won)</u>	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	(148,655)	171,154
Future salary increase	162,623	(150,731)

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.

(g) Plan assets as of December 31, 2013 and 2012, consist of:

<u>(in millions of Korean won)</u>	<u>December 31, 2013</u>		<u>December 31, 2012</u>	
	<u>Amount</u>	<u>composition(%)</u>	<u>Amount</u>	<u>composition(%)</u>
Securities combined with derivatives (guaranteed)	897,349	68.9	653,570	64.2
Time deposits and others	404,666	31.1	364,626	35.8
<b>Total</b>	<b>1,302,015</b>	<b>100.0</b>	<b>1,018,196</b>	<b>100.0</b>

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(h) The weighted average duration of the defined benefit obligations is 9.1 years. Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Pension benefits	129,448	147,348	456,263	690,516	1,591,044	3,014,619

The Group evaluates the fund contribution level annually and if there is a shortfall in the funds the Group has a policy to finance the funds. Expected contributions to post-employment benefit plans for the year ending December 31, 2014, are ₩234,409 million.

**Defined Contribution Plan**

Recognized expense related to the defined contribution plan for the year ended December 31, 2013, is ₩ 9,807 million (2012: ₩7,305 million).

**20. Provisions**

Changes in provisions during the years ended December 31, 2013 and 2012, are as follows:

**2013**

<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Others</b>	<b>Total</b>
<b>At January 1, 2013</b>	598,329	61,498	8,882	908,444	-	1,577,153
Addition	967,804	260,783	3,067	120,226	-	1,351,880
Utilization	(936,678)	(256,346)	(747)	(39,189)	-	(1,232,960)
Exchange differences	(17,485)	(2,752)	63	(13,534)	-	(33,708)
Changes in scope for consolidation	131	-	-	-	-	131
<b>At December 31, 2013</b>	612,101	63,183	11,265	975,947	-	1,662,496
<b>Current</b>	559,198	63,183	-	41,320	-	663,701
<b>Non-current</b>	52,903	-	11,265	934,627	-	998,795

**2012**

<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Others</b>	<b>Total</b>
<b>At January 1, 2012</b>	701,743	67,844	6,672	526,269	7,952	1,310,480
Addition(Reversal)	874,815	239,388	2,818	514,309	(5,239)	1,626,091
Utilization	(950,471)	(242,530)	(584)	(116,493)	(2,713)	(1,312,791)
Exchange differences	(27,758)	(3,204)	(24)	(15,641)	-	(46,627)
<b>At December 31, 2012</b>	598,329	61,498	8,882	908,444	-	1,577,153
<b>Current</b>	544,904	61,498	-	37,880	-	644,282
<b>Non-current</b>	53,425	-	8,882	870,564	-	932,871



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**21. Other Liabilities**

Other liabilities during the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Current		
Advances from customers	347,924	459,136
Unearned income	71,203	66,245
Withholding	370,924	402,701
Accrued expenses	1,931,684	1,778,917
Other	24	34
<b>Sub-total</b>	<b>2,721,759</b>	<b>2,707,033</b>
Non-current		
Unearned income	8,975	1,543
Other	1,712	1,755
<b>Sub-total</b>	<b>10,687</b>	<b>3,298</b>
<b>Total</b>	<b>2,732,446</b>	<b>2,710,331</b>

**22. Paid-in Capital**

As of December 31, 2013 and 2012, the number of shares authorized is 600 million.

	Par value per share	December 31, 2013		December 31, 2012	
		Number of shares issued	Amount (in millions)	Number of shares issued	Amount (in millions)
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 same rights on the remaining assets as common shareholders. Repayment and conversion are not applicable to preferred shares.

Share premium balances are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Share premium	3,088,179	3,088,179

Share premium includes the amount of ₩1,876,153 million, less capital stock amounting to ₩783,961 million and capital adjustment amounting to ₩155,593 million from net book amount of net assets amounting to ₩2,815,707 million taken over due to the split-off on April 1, 2002. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of common shares (merged with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to issuance of common shares in 2011.

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**23. Retained Earnings**

Retained earnings consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Legal reserve <sup>1</sup>	149,503	145,816
Discretionary reserve <sup>2</sup>	5,872,588	6,351,342
Unappropriated retained earnings	2,863,432	2,226,792
<b>Total</b>	<b>8,885,523</b>	<b>8,723,950</b>

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

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

Changes in retained earnings are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>At January 1</b>	8,723,950	8,792,879
Profit for the year attributable to equity holders of the Parent Company	176,768	92,382
Remeasurements of net defined benefit liability	21,059	(101,788)
Share of remeasurements of associates	618	(22,641)
Dividends	(36,872)	(36,872)
Other	-	(10)
<b>At December 31</b>	<b>8,885,523</b>	<b>8,723,950</b>

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

Details of accumulated other comprehensive income(loss) consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Accumulated other comprehensive income(loss) of associates and joint ventures	(92,756)	(67,446)
Cash flow hedge	5,034	(739)
Available-for-sale financial assets	11,266	5,446
Currency translation differences	(830,984)	(612,359)
<b>Total</b>	<b>(907,440)</b>	<b>(675,098)</b>

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**25. Other Components of Equity**

Details of other components of equity consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</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
Capital transactions within the Group <sup>2</sup>	(198,410)	(209,292)
<b>Total</b>	<b>(231,229)</b>	<b>(242,111)</b>

<sup>1</sup> The Parent Company has treasury shares consisting of 763,168 shares (2012: 763,168 shares) of common shares and 4,690 shares (2012: 4,690 shares) of preferred shares at the reporting date. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

<sup>2</sup> The amounts include gain(loss) from transactions with non-controlling interests and other reserves of subsidiaries, net of related deferred tax.

**26. Share-Based Payments**

The 259,250 shares of unexercised stock appreciation rights as of December 31, 2011, were all exercised in 2012.

Movements in the number of stock appreciation rights outstanding and their related weighted average stock prices are as follows:

Exercise price of the exercised options is ₩69,500 per share and annual average amount of the weighted average stock price determined at each of exercise dates is ₩88,169.

	<b>Weighted average stock price</b>		<b>Number of options</b>	
	<b>(in won)<sup>1</sup></b>		<b>(unit: shares)</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Beginning	-	72,065	-	259,250
Exercised <sup>2</sup>	-	88,169	-	(259,250)
Ending	-	-	-	-

<sup>1</sup> The weighted average stock price is determined by an average of three share prices: average share price of last two months, last one month and last one week from each date of exercise.

<sup>2</sup> This line represents the weighted average of the stock prices determined by above calculation at each of exercise dates for the year.

**27. Net Sales**

Details of net sales for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Sales of goods	57,071,756	54,076,938
Sales of services	379,902	414,797

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Royalty income	284,877	254,295
Other	403,841	376,593
<b>Total</b>	<b>58,140,376</b>	<b>55,122,623</b>

**28. Expenses by Nature**

Expenses that are recorded by nature for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Changes in inventories	(6,118)	(108,210)
Purchase of raw materials and merchandise	38,918,592	37,098,330
Employee benefit expense	5,628,439	5,113,532
Depreciation and amortization	1,902,453	1,777,191
Advertising expense	1,213,682	1,226,963
Promotion expense	773,964	737,750
Transportation expense	1,670,862	1,622,484
Commission expense	2,704,892	2,556,612
Other expenses	4,048,941	3,881,248
<b>Total<sup>1</sup></b>	<b>56,855,707</b>	<b>53,905,900</b>

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

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

Details of general operating expenses for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Wages and salaries	2,637,348	2,458,017
Severance benefits	164,794	138,138
Welfare expense	575,487	540,796
Transportation expense	1,644,887	1,588,890
Rental expense	434,013	425,266
Commission expense	1,915,745	1,870,477
Depreciation	257,292	236,515
Amortization	219,695	296,153
Taxes and dues	199,036	153,410
Advertising expense	1,213,682	1,226,963
Promotion expense	773,964	737,750
Direct R&D costs	405,859	437,281
Direct service costs	872,069	754,543
Bad debt expense	(6,227)	78,704

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Other	827,394	710,813
<b>Total</b>	<b>12,135,038</b>	<b>11,653,717</b>

**30. Research and Development Expenditure**

Research and development expenditure recognized in the consolidated statements of income consists of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Uncapitalized research and development expenditure	3,319,120	2,986,061
Amortization of internally capitalized development costs	146,927	177,055
<b>Total</b>	<b>3,466,047</b>	<b>3,163,116</b>

**31. Financial Income**

Financial income for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Interest income	90,131	109,519
Foreign exchange gain	311,494	322,463
Gain on derivatives	24,471	32,525
Other	11	-
<b>Total</b>	<b>426,107</b>	<b>464,507</b>

**32. Financial Expenses**

Financial expenses for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Interest expense	413,340	431,526
Foreign exchange loss	373,647	367,587
Loss on derivatives	11,894	23,460
Loss on disposal of trade receivables	26,484	29,614
Other	1,396	2,061
<b>Total</b>	<b>826,761</b>	<b>854,248</b>

**33. Other Non-operating Income**

Other non-operating income for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Dividend income	324	291

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Exchange differences	1,114,206	1,139,783
Gain on derivatives	8,207	4,531
Gain on disposal of property, plant and equipment	20,713	20,230
Gain on disposal of intangible assets	7,237	928
Gain on disposal of available-for-sale financial assets	7,695	12,756
Gain on disposal of investments in associates and joint ventures	-	136,408
Other	32,947	58,099
<b>Total</b>	<b>1,191,329</b>	<b>1,373,026</b>

**34. Other Non-operating Expenses**

Other non-operating expenses for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Exchange differences	1,399,503	1,131,994
Loss on derivatives	6,823	9,096
Loss on disposal of property, plant and equipment	22,862	23,074
Loss on disposal of intangible assets	18,393	31,227
Loss on disposal of available-for-sale financial assets	79	2,304
Impairment loss on available-for-sale financial assets	6,095	8,408
Other	171,055	532,162
<b>Total</b>	<b>1,624,810</b>	<b>1,738,265</b>

**35. Income Tax**

Details of income tax expense are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Current income taxes		
Current tax on profits for the year	428,185	392,883
Adjustments in respect of prior years	84,254	125,509
Deferred tax		
Changes in temporary differences	(81,883)	(52,008)
Changes in tax credits	(77,023)	(153,125)
Changes in tax losses	297	132,599
<b>Income tax expense</b>	<b>353,830</b>	<b>445,858</b>

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The reconciliation between the tax charge calculated using weighted average tax rate and the effective tax rate follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Change in tax expense	Tax rate	Change in tax expense	Tax rate
<b>Profit before income tax</b>	<b>576,534</b>		<b>548,660</b>	
Tax expense based on weighted average applicable tax rate <sup>1</sup>	169,457	29.4%	174,634	31.8%
Tax adjustments:				
Income not subject to tax	(18,576)	(3.2%)	(17,878)	(3.3%)
Expenses not deductible for tax purposes	59,683	10.4%	160,913	29.3%
Recognition of deferred tax asset on tax credits	(72,009)	(12.5%)	(94,500)	(17.2%)
Adjustments in respect of prior years	84,254	13.4%	125,509	22.9%
Changes in unrecognized deferred tax assets	7,048	2.5%	32,062	5.9%
Tax effect on investment in subsidiaries and associates	129,913	22.4%	54,822	10.0%
Change in tax rates	(580)	(0.1%)	1,500	0.3%
Other	(5,360)	(0.9%)	8,796	1.6%
<b>Income tax</b>	<b>353,830</b>	<b>61.4%</b>	<b>445,858</b>	<b>81.3%</b>

<sup>1</sup> The weighted average applicable tax rate was 29.4%(2012: 31.8%).

**36. Earnings per Share**

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

Basic earnings per common share is as follows:

	2013	2012
Profit attributable to common shares <sup>1</sup> (in millions of won)	159,125	82,790
Weighted average number of common shares outstanding (unit: shares) <sup>2</sup>	162,884,646	162,884,648
Basic earnings per common share (in won)	977	508

Basic earnings per preferred share is as follows:

	2013	2012
Profit attributable to preferred shares <sup>1</sup> (in millions of won)	17,643	9,592
Weighted average number of preferred shares outstanding (unit: shares) <sup>2</sup>	17,181,302	17,181,303
Basic earnings per preferred share (in won)	1,027	558

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<sup>1</sup> Profit attributable to common and preferred shares is as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
<b>Profit for the year attributable to the Parent Company(A)</b>	176,768	92,382
Common share dividends(B)	32,577	32,577
Preferred share dividends(C)	4,295	4,295
<b>Undistributed earnings(loss)(D=A-B-C)</b>	<b>139,896</b>	<b>55,510</b>
Undistributed earnings(loss) available for common shares(E)	126,548	50,213
Undistributed earnings available for preferred shares (F)	13,348	5,297
<b>Profit attributable to common shares(G=B+E)</b>	<b>159,125</b>	<b>82,790</b>
<b>Profit attributable to preferred shares(H=C+F)</b>	<b>17,643</b>	<b>9,592</b>

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

	<b>2013</b>	<b>2012</b>
Common shares outstanding	163,647,814	163,647,814
Common treasury shares	(763,168)	(763,168)
Common shares	162,884,646	162,884,646
<b>Weighted average number of common shares outstanding</b>	<b>162,884,646</b>	<b>162,884,648</b>
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,690)	(4,690)
Preferred shares	17,181,302	17,181,302
<b>Weighted average number of preferred shares outstanding</b>	<b>17,181,302</b>	<b>17,181,303</b>

### 37. Dividends

The dividends paid in 2013 and 2012 were ₩36,872 million and ₩ 36,872 million, respectively. Details of dividend per share and a total dividend in respect of the year ended December 31, 2013, which is to be proposed at the annual general meeting on March 14, 2014, are as follows. These consolidated financial statements do not recognize this dividend payable yet.

The numbers of shares entitled to dividends are as follows:

<i>(Unit: shares)</i>	<b>2013</b>	<b>2012</b>
Common shares	162,884,646	162,884,646
Preferred shares	17,181,302	17,181,302



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Details of the Parent Company's dividends declared as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	
	<b>Calculation</b>	<b>Amount</b>
Common shares	162,884,646 X ₩5,000 X 4%	32,577
Preferred shares	17,181,302 X ₩5,000 X 5%	4,295
<b>Total</b>		<b>36,872</b>

<i>(in millions of Korean won)</i>	<b>2012</b>	
	<b>Calculation</b>	<b>Amount</b>
Common shares	162,884,646 X ₩5,000 X 4%	32,577
Preferred shares	17,181,302 X ₩5,000 X 5%	4,295
<b>Total</b>		<b>36,872</b>

The Parent Company's dividend payout ratios and dividend yield ratio for the years ended December 31, 2013 and 2012, are computed as follows:

	Calculation	<b>2013</b>	<b>2012</b>
Dividend payout ratio <sup>1</sup> (Dividends/Net income)	<b>Common shares</b>	-	-
	<b>Preferred shares</b>	-	-
Dividend yield ratio (Dividend per share/ Market price <sup>2</sup> )	<b>Common shares</b>	0.30%	0.27%
	<b>Preferred shares</b>	0.95%	1.22%

<sup>1</sup> Dividend payout ratio is not calculated due to the net loss of the Parent Company.

<sup>2</sup> Average of prices in the stock market for one week preceding the two business days before the record date of the shareholders' list for the general meeting of shareholders related to above dividends.

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**38. Information on Cash Flow**

*(a) Cash generated from operations*

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Profit for the year	222,704	102,802
Adjustments:		
Interest expense, net	323,209	322,007
Foreign exchange loss(gain), net	92,967	(65,835)
Gain on derivatives, net	(13,961)	(4,500)
Depreciation	1,543,749	1,394,270
Amortization	384,416	387,917
Loss on disposal of property, plant and equipment, intangible assets, net	13,305	33,143
Provisions for severance benefits	328,829	280,641
Provisions	1,351,880	1,626,091
Income tax expense	353,830	445,858
Gain from equity method	(126,000)	(86,917)
Gain on disposal of investments in associates and joint ventures	-	(136,408)
Other	212,614	335,627
	<u>4,464,838</u>	<u>4,531,894</u>
Changes in operating assets and liabilities:		
Increase in trade receivables	(202,450)	(728,645)
Decrease(increase) in loans and other receivables	(123,642)	13,873
Increase in inventories	(173,614)	(195,475)
Increase in other assets	(138,027)	(55,988)
Increase in trade payables	388,202	463,251
Increase in other payables	261,491	404,065
Decrease in provisions	(1,232,960)	(1,312,791)
Increase(decrease) in other liabilities	(125,926)	3,002
Payment of defined benefit liability	(51,486)	(37,113)
Deposit in plan assets, net	(332,497)	(274,283)
	<u>(1,730,909)</u>	<u>(1,720,104)</u>
<b>Cash generated from operations</b>	<u>2,956,633</u>	<u>2,914,592</u>

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Significant transactions not affecting cash flows for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<b>2013</b>	<b>2012</b>
Reclassification of construction-in-progress of property, plant and equipment	951,438	1,098,754
Reclassification of intangible assets in progress	249,548	221,358
Reclassification of long-term prepayment to intangible assets	104,729	99,009
Reclassification of current maturities of borrowings and debentures	2,096,364	1,453,837
Other payables to acquire property, plant and equipment	191,328	145,495
Other payables to acquire intangible assets	99,106	65,167

The assets and liabilities arising from the transfer of business

- i) The Group transferred the Data Storage business to Hitachi-LG Data Storage Inc. and its subsidiaries on March 1, 2013.
- ii) Total consideration received and the assets and liabilities arising from the transfer of business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration <sup>1</sup>	29,733
Assets of the transferred business:	
Trade receivables	7,378
Loans and other receivables	68
Inventories	24,657
Other assets	153
Property, plant and equipment	15,483
Intangible assets	731
Liabilities of the transferred business:	
Trade payables	17,425
Net defined benefit liabilities	1,312

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

**39. Contingencies**

(a) At the end of the reporting period, certain property, plant and equipment are pledged as collateral for financial transactions (Note 12).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with a performance guarantee of ₩146,332 million (2012: ₩135,754 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts. And the

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Parent Company is provided with a performance guarantee of ₩211,060 million from Shinhan Bank for the guaranteed bond.

(c) As of the reporting date, the financial guarantee provided by the Parent Company to external parties other than related parties amounts to ₩8,574 million.

(d) In December 2012, the European Commission imposed a penalty on the Parent Company for anti-competitive activities among CRT (Cathode Ray Tube) manufacturers as a result of an investigation. The Parent Company recognized such penalty amounting to EUR 491,567 thousand as expected loss. However, the Parent 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 Parent Company is provided with a performance guarantee of EUR 571,138 thousand from banks for the above.

In addition, the Parent Company is under investigation and has been named as defendants in class actions in countries including the United States, Canada, Brazil, Hungary, 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.

As of the reporting date, LG Display Co., Ltd., one of the associates, has been named as a defendant in a case related to the infringement of patents. In addition, LG Display Co., Ltd. is currently under the investigation for anti-competitive activities. The outcome of the case may affect the gain or loss from the equity method valuation. The Group does not have individual responsibility in the case and the investigation above.

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

(e) In December 2013, the Supreme Court of the Republic of Korea decided that the regular bonus paid periodically, uniformly and steadily should be included in the ordinary wage, and therefore may affect a part of the Group's employee benefits. However, the management believes that the effect of the decision on the Group's employee benefits will be determined by the result of the future agreement between the labor union and the management.

#### **40. Commitments**

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩195,500 million (2012: ₩ 245,500 million). Its overseas subsidiaries, including LG Electronics European Shared Service Center B.V., have overdraft facility agreements with a limit of ₩1,140,667 million (2012: ₩1,172,028 million) with various banks including Citibank, N.A. and London Bank. In

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addition, LG Innotek Co., Ltd. and its subsidiaries and three other subsidiaries, have overdraft facility agreements with various banks, including Hana Bank, with a limit of ₩129,013 million (2012: ₩ 122,085 million).

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with Shinhan Bank and 26 other banks amounting to ₩4,066,071 million (2012: ₩4,879,932 million). The Parent Company has corporate electronic settlement services contracts for collection of trade receivables with Hana Bank of up to ₩126,000 million (2012: ₩126,000 million).

In addition, LG Innotek Co., Ltd. and its subsidiaries have trade receivables transfer agreements with Hana Bank and others amounting to ₩413,110 million (2012: ₩354,580 million) at the end of the reporting period.

In addition, the European subsidiaries, including LG Electronics UK., Ltd., LG Electronics Deutschland GmbH, LG Electronics Espana S.A., transfer their accounts receivable to Societe Generale Bank on a revolving basis, for up to USD434 million (2012: USD443 million).

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts with Shinhan Bank and seven other banks for up to ₩895,450 million (2012: ₩945,450 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, LG Innotek Co., Ltd. and its subsidiaries and four other domestic subsidiaries, provided payment guarantees to financial institutions, including Korea Exchange Bank, amounting to ₩291,332 million (2012: ₩281,427 million) in connection with the discounting of notes which are paid to their suppliers.

(d) LG Innotek Co., Ltd. has an agreement for underwriting commercial paper amounting to ₩34,000 million (2012: ₩34,000 million). In addition, at the end of the reporting period, the Group 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>December 31, 2013</b>	<b>December 31, 2012</b>
Property, plant and equipment	16,772	26,247
Intangible assets	13,627	23,584
<b>Total</b>	<b>30,399</b>	<b>49,831</b>

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(f) Operating lease commitments – the Group 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>	December 31, 2013			Total lease payments
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	
Buildings and offices	172,808	368,583	42,052	583,443
Vehicles	30,467	49,373	-	79,840
Equipment	22,609	18,215	-	40,824
<b>Total</b>	<b>225,884</b>	<b>436,171</b>	<b>42,052</b>	<b>704,107</b>

Lease payment under operating lease recognized in the statement of income for the year ended December 31, 2013, is ₩262,365 million (2012: ₩255,056 million).

(g) Operating lease commitments – the Group as lessor

The Group has an operating lease agreement regarding 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>	December 31, 2013			Total lease receipts
	No later than 1 year	Later than 1 year and no later than 3 years	Over 3 years	
Healthcare rental	83,800	141,972	51,868	277,640

The Group recognized ₩77,234 million (2012: ₩55,674 million) in lease income for the year ended December 31, 2013.

At the end of reporting period, acquisition cost of operating lease assets amounts to ₩73,910 million (2012: ₩62,580 million) and their accumulated depreciation amounts to ₩29,250 million (2012: ₩17,344 million).

(h) Trademark license commitments

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

Purpose	Related products	Provided by	Used by
Use of license	Mobile/LED	QUALCOMM Incorporated and others	The Group
Provision of license	Home appliance	The Group	Panasonic Corporation and others

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**41. Related Party Transactions**

(a) The related parties of the Group are as follows:

Classification	Name		Note
	December 31, 2013	December 31, 2012	
Significantly influencing the Group	LG Corp.	LG Corp.	-
Associates	LG Display Co., Ltd., and subs	LG Display Co., Ltd., and subs	-
	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 Guang Zhou Co., Ltd	LG Display Guang Zhou 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	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.	-
	-	L&I Electronic Technology (Dongguan) Limited	-
	-	Image&Materials,Inc.	-
	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.	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.	-	-	
Hitachi LG Data Storage Inc.(HLDS), and subs	Hitachi LG Data Storage Inc.(HLDS), and subs	-	

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	Hitachi-LG Data Storage Inc.	Hitachi-LG Data Storage Inc.	-
	Hitachi-LG Data Storage Korea, Inc.	Hitachi-LG Data Storage Korea, Inc.	-
	Hitachi-LG Data Storage(Huizhou), Ltd.	Hitachi-LG Data Storage(Huizhou), Ltd.	-
	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.	-
	One-Red, LLC	One-Red, LLC	-
Joint ventures	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.	LG Holdings(HK) Ltd. and subs 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 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.	-
	LG CNS UK Limited	LG CNS UK Limited	-
	SBI-LG Systems Co., Ltd.	SBI-LG Systems Co., Ltd.	-
	LG CNS Colombia S.A.S	LG CNS Colombia S.A.S	-



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LG N-Sys China, Inc.	LG N-Sys China, Inc.	-
Ucess Philippines, Inc.	Ucess Philippines, Inc.	-
-	V-ENS CO., LTD.	-
-	V-ENS Malaysia Sdn. Bhd.	-
-	VENS (Beijing) Vehicle Engineering Co.,Ltd.	-
Oneseen Skytech Co., Ltd.	-	-
LG CNS Malaysia Sdn. Bhd.	-	-
LG CNS Saudi Arabia LLC	-	-
TXCNS Healthcare, LLC	-	-
LG CNS GB Ltd.	-	-
LG CNS Smart Green Co.,Ltd.	-	-
LLC LG CNS RUS	-	-
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 MMA Ltd.	LG MMA Ltd.	LG Corp.'s joint venture

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(b) Major balances and transactions

- i) Major transactions for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

Classification	Name	Sales	2013				Purchases Total
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	1,140	3	-	150,577	-	150,580
Associates	LG Display Co., Ltd., and subs	825,073	6,168,963	193	13,103	-	6,182,259
	Ericsson-LG Co., Ltd., and subs	17,623	6,360	-	-	-	6,360
	Hitachi LG Data Storage Inc., and subs	62,057	214,605	-	-	-	214,605
	LG Fuel Cell Systems Inc., and subs	52	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	1	-	1
	<b>Subtotals</b>	<b>904,805</b>	<b>6,389,928</b>	<b>193</b>	<b>13,104</b>	<b>-</b>	<b>6,403,225</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	85,101	123,154	-	-	-	123,154
	Beijing LG Building Development Company	-	-	-	2,996	-	2,996
	EIC PROPERTIES PTE, LTD.	-	-	-	875	-	875
	<b>Subtotals</b>	<b>85,101</b>	<b>123,154</b>	<b>-</b>	<b>3,871</b>	<b>-</b>	<b>127,025</b>
Other related parties	SERVEONE Co., Ltd., and subs	13,022	992,641	151,149	150,604	3	1,294,397
	LG Siltron Incorporated	12,094	11,017	525	2,313	-	13,855
	LG CNS Co., Ltd., and subs	37,520	94,235	185,673	356,710	-	636,618
	LG SPORTS Ltd.	11	-	-	9,589	-	9,589
	LG Management Development Institute	71	523	-	28,287	-	28,810
	LUSEM CO., LTD.	65,183	36,261	-	83	-	36,344
	LG MMA Ltd.	417	-	-	-	-	-
	<b>Subtotals</b>	<b>128,318</b>	<b>1,134,677</b>	<b>337,347</b>	<b>547,586</b>	<b>3</b>	<b>2,019,613</b>
	<b>Total</b>	<b>1,119,364</b>	<b>7,647,762</b>	<b>337,540</b>	<b>715,138</b>	<b>3</b>	<b>8,700,443</b>

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		2012					
Classification	Name	Sales <sup>1</sup>	Purchases				Purchases Total
			Raw materials	fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	3,312	464	-	140,857	-	141,321
Associates	LG Display Co., Ltd., and subs	714,442	6,213,151	5,248	6,013	-	6,224,412
	Ericsson-LG Co., Ltd., and subs	110,760	8,234	-	-	-	8,234
	Hitachi LG Data Storage Inc., and subs	46,083	26,214	-	-	-	26,214
	LG Fuel Cell Systems Inc., and subs	1,250	-	-	-	-	-
	Korea Information Certificate Authority Inc.				22		22
	<b>Subtotals</b>	<b>872,535</b>	<b>6,247,599</b>	<b>5,248</b>	<b>6,035</b>	<b>-</b>	<b>6,258,882</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	85,915	133,270	-	-	-	133,270
	Beijing LG Building Development Company	-	-	-	3,089	-	3,089
	EIC PROPERTIES PTE, LTD.	-	-	-	936	-	936
	<b>Subtotals</b>	<b>85,915</b>	<b>133,270</b>	<b>-</b>	<b>4,025</b>	<b>-</b>	<b>137,295</b>
Other related parties	SERVEONE Co., Ltd., and subs	26,845	724,100	197,258	145,579	1	1,066,938
	LG Siltron Incorporated	4,490	11,934	113	-	-	12,047
	LG CNS Co., Ltd., and subs	29,644	79,646	201,156	379,877	-	660,679
	LG SPORTS Ltd.	52	-	-	8,912	-	8,912
	LG Management Development Institute	1,165	471	-	25,537	-	26,008
	LUSEM CO., LTD.	106,846	56,577	3	159	-	56,739
	LG MMA Ltd	769	-	-	-	-	-
	<b>Subtotals</b>	<b>169,811</b>	<b>872,728</b>	<b>398,530</b>	<b>560,064</b>	<b>1</b>	<b>1,831,323</b>
	<b>Total</b>	<b>1,131,582</b>	<b>7,254,061</b>	<b>403,778</b>	<b>710,981</b>	<b>1</b>	<b>8,368,821</b>

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

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- ii) The balances of significant transactions as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

		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	-	-	8,893	8,893
Associates	LG Display Co., Ltd., and subs	143,597	-	23,014	166,611	621,040	-	85	621,125
	Ericsson-LG Co., Ltd., and subs	165	-	45	210	2,222	-	150	2,372
	Hitachi-LG Data Storage Inc., and subs	11,122	-	586	11,708	49,126	-	84	49,210
	<b>Subtotals</b>	<b>154,884</b>	<b>-</b>	<b>23,645</b>	<b>178,529</b>	<b>672,388</b>	<b>-</b>	<b>319</b>	<b>672,707</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	8,227	-	-	8,227	5,687	-	2	5,689
	Beijing LG Building Development Company	-	-	-	-	-	-	1,460	1,460
	EIC PROPERTIES PTE, LTD.	-	-	-	-	-	-	77	77
	<b>Subtotals</b>	<b>8,227</b>	<b>-</b>	<b>-</b>	<b>8,227</b>	<b>5,687</b>	<b>-</b>	<b>1,539</b>	<b>7,226</b>
Other related parties	SERVEONE Co., Ltd., and subs	1,558	-	60,736	62,294	245,900	-	65,207	311,107
	LG Siltron Incorporated	9,052	-	-	9,052	744	-	3,170	3,914
	LG CNS Co., Ltd., and subs	7,439	-	663	8,102	24,323	-	238,876	263,199
	LG SPORTS Ltd.	-	-	-	-	121	-	132	253
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,457	1,457
	LUSEM CO., LTD.	9,122	-	30	9,152	4,776	-	475	5,251
	LG MMA Ltd	35	-	-	35	-	-	-	-
	<b>Subtotals</b>	<b>27,206</b>	<b>-</b>	<b>79,293</b>	<b>106,499</b>	<b>275,864</b>	<b>-</b>	<b>309,317</b>	<b>585,181</b>
	<b>Total</b>	<b>190,317</b>	<b>-</b>	<b>124,983</b>	<b>315,300</b>	<b>953,939</b>	<b>-</b>	<b>320,068</b>	<b>1,274,077</b>

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2012

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	29,394	29,394	-	-	2,034	2,034
Associates	LG Display Co., Ltd., and subs	185,332	-	2,652	187,984	655,361	-	1,897	657,258
	Ericsson-LG Co., Ltd., and subs	22,205	-	892	23,097	2,186	-	190	2,376
	Hitachi-LG Data Storage Inc., and subs	9,038	-	879	9,917	9,384	-	339	9,723
	LG Fuel Cell Systems Inc., and subs	-	-	78	78	-	-	-	-
	<b>Subtotals</b>	<b>216,575</b>	<b>-</b>	<b>4,501</b>	<b>221,076</b>	<b>666,931</b>	<b>-</b>	<b>2,426</b>	<b>669,357</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	11,377	-	-	11,377	5,495	-	1	5,496
	Beijing LG Building Development Company	-	-	-	-	-	-	1,646	1,646
	EIC PROPERTIES PTE, LTD.	-	-	-	-	-	-	2	2
	<b>Subtotals</b>	<b>11,377</b>	<b>-</b>	<b>-</b>	<b>11,377</b>	<b>5,495</b>	<b>-</b>	<b>1,649</b>	<b>7,144</b>
Other related parties	SERVEONE Co., Ltd., and subs	960	-	63,291	64,251	186,696	-	132,725	319,421
	LG Siltron Incorporated	1,486	-	86	1,572	1,602	-	29	1,631
	LG CNS Co., Ltd., and subs	1,431	-	743	2,174	35,300	-	214,368	249,668
	LG SPORTS Ltd.	-	-	-	-	121	-	110	231
	LG Management Development Institute	6	-	17,870	17,876	-	-	1,581	1,581
	LUSEM CO., LTD.	11,772	-	17	11,789	7,757	-	18	7,775
	LG MMA Ltd	50	-	-	50	-	-	-	-
	<b>Subtotals</b>	<b>15,705</b>	<b>-</b>	<b>82,007</b>	<b>97,712</b>	<b>231,476</b>	<b>-</b>	<b>348,831</b>	<b>580,307</b>
	<b>Total</b>	<b>243,657</b>	<b>-</b>	<b>115,902</b>	<b>359,559</b>	<b>903,902</b>	<b>-</b>	<b>354,940</b>	<b>1,258,842</b>

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iii) Significant capital transactions with related parties and others are as follows:

(in millions of Korean won)

Classification	Name	2013						
		Dividend Income	Cash investment	Disposal of shares	Financing loan transaction		Financing borrowing transaction	
					Loan	Repayment	Borrowing	Repayment
Associates	Ericsson-LG Co., Ltd.	10,250	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.	-	43,500	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	10,686	-	-	-	-	-
	<b>Subtotals</b>	<b>10,250</b>	<b>54,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Joint ventures	LG Fund for Enterprises	158	(1,396)	-	-	-	-	-
Other related parties	LG CNS Co., Ltd. <sup>1</sup>	-	17,000	-	-	-	-	-
	<b>Totals</b>	<b>10,408</b>	<b>69,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Group acquired 100% of V-ENS Co., Ltd.'s ordinary shares from LG CNS Co., Ltd. (Note 43).

(in millions of Korean won)

Classification	Name	2012						
		Dividend Income	Cash investment	Disposal of shares	Financing loan transaction		Financing borrowing transaction	
					Loan	Repayment	Borrowing	Repayment
Associates	Ericsson-LG Co., Ltd.	36,341	-	-	-	-	-	-
	<b>Totals</b>	<b>36,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

iv) During the reporting period, the Group transferred the Data Storage business to Hitachi-LG Data Storage Inc. and its subsidiaries (Note 38).

v) The Group acquired the business from LG Display Co., Ltd., an associate, for the year ended December 31, 2012 (Note 43).

(c) Key management compensation costs of the Group for the years ended December 31, 2013 and 2012, consist of:

(in millions of Korean won)

	2013	2012
Wages and salaries	11,448	7,436
Other long-term benefits	31	23
Post-employment benefits	1,661	1,416
Share-based payments	-	497
<b>Total</b>	<b>13,140</b>	<b>9,372</b>

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

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- (d) There is no payment guarantee provided by the Group for the funding sources of the related parties other than subsidiaries as of December 31, 2013.
- (e) There is no collateral provided by the Group for the funding sources of the related parties as of December 31, 2013.
- (f) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties for the years ended December 31, 2013 and 2012.

#### **42. Risk Management**

##### **Financial Risk Management**

The Group'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 Group 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 in the Parent Company mainly implements FRM. This involves setting-up risk management policies and recognizing, evaluating and hedging risks from a global point of view.

The Group anticipatively and systematically manages the financial risks over global business activities through its four overseas treasury centers in New Jersey(United States), Amsterdam(Netherlands), Beijing(China), and Singapore in coordination with the finance team in the Parent Company. And it also helps to improve overseas subsidiaries' business competitiveness by performing integration of their finance functions.

The Group mitigates the adverse effects from financial risk by monitoring the risk periodically 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 presented in Note 5 and Note 16, respectively.

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

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

Due to its multinational business operations, the Group is mainly exposed to foreign exchange risk on the US Dollar and Euro, Brazil Real, Russia Ruble, 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 Group's foreign exchange risk management is implemented under its own foreign

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exchange policy through which the Group can maximize the exposure to foreign exchange risk by preferentially making equal amount of foreign exchange assets and liabilities from general operating activities. And the Group 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 December 31, 2013 and 2012, 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>December 31, 2013</b>		<b>December 31, 2012</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(156,312)	156,312	(192,006)	192,006
EUR/KRW	41,062	(41,062)	39,742	(39,742)
Other <sup>1</sup> /KRW	81,864	(81,864)	42,345	(42,345)

<sup>1</sup> Other currency includes Brazil Real, Russia Ruble, Japanese Yen.

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

ii) Interest rate risk

The Group is exposed to interest rate risk through changes in interest-bearing liabilities or assets. The risk mainly arises from 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 uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

Though the Group is exposed to interest rate risk from held financial deposits and borrowings with variable interest rates, it essentially carries minimizing borrowings from others and optimizing own deposits by expanding internal finance sharing. The Group periodically establishes the plan for reaction 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.

As of December 31, 2013 and 2012, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the twelve-month periods are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>		<b>December 31, 2012</b>	
	<b>1% increase</b>	<b>1% decrease</b>	<b>1% increase</b>	<b>1% decrease</b>
Interest expense	9,471	(9,471)	13,117	(13,117)



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Interest income	24,468	(24,468)	20,120	(20,120)
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iii) Price risk

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

The listed securities owned by the Group are traded in the public market, and related to KOSPI, 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 Group have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	30% increase	30% decrease	30% increase	30% decrease
KOSPI	1	(1)	1	(1)
KOSDAQ	3,095	(3,095)	1,923	(1,923)
NASDAQ	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 8.

(b) Credit risk

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

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

Details of credit quality for financial assets that are neither past due nor impaired are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
<b>Receivables with insurance or collateral</b>		
Excellent	1,187,074	1,259,255
Good	1,235,147	1,101,346
Fair	1,271,696	1,478,592

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Poor <sup>1</sup>	762,506	860,772
<b>Sub-Total</b>	<b>4,456,423</b>	<b>4,699,965</b>
<b>Receivables without insurance or collateral</b>		
Tier 1	1,128,453	1,010,522
Tier 2	118,517	123,190
Tier 3	857,035	662,854
<b>Sub-Total</b>	<b>2,104,005</b>	<b>1,796,566</b>
<b>Total</b>	<b>6,560,428</b>	<b>6,496,531</b>

<sup>1</sup>Debtors with insurance or collateral, but without credit rating are included herein.

Criteria of categorizing receivables with insurance or collateral are as follows:

<b>Category</b>	<b>Aradius</b>	<b>Euler</b>	<b>Coface</b>	<b>K-SURE</b>
Excellent	1~28	1~3	8~10	A~B
Good	29~40	4~5	7	C
Fair	41~72	6~7	3~6	D~E
Poor	73~	8~10	0~2	F~R

Criteria of categorizing receivables without insurance or collateral are as follows:

Tier 1 – National or local government, domestic credit rating agency AA- ~ AAA+

Tier 2 – Debtors with domestic credit rating other than Tier 1

Tier 3 – Small debtors without credit history

The credit rating of cash equivalents and financial deposits is as follows:

<b>Category</b>	<b>2013.12.31</b>	<b>2012.12.31</b>
Excellent	2,317,442	1,842,162
Good	404,317	379,830
Others	83,759	133,537
<b>Total</b>	<b>2,805,518</b>	<b>2,355,529</b>

Excellent: Equal to or more than A-(Global credit rating agency), AAA(Domestic credit rating agency)

Good: Equal to or more than BBB-(Global credit rating agency), AA(Domestic credit rating agency)

Others: Financial deposit without credit rating

(c) Liquidity risk

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

The Group maintains adequate amount of cash and committed credit facilities in Woori Bank, Kookmin Bank, and Shinhan Bank to cope with potential financial distress.

In addition, the Group is able to source funds any time in domestic and international financial

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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 Negative as of February 6, 2014, respectively.

Cash flow information on maturity of borrowings is presented in Note 16.

**Capital Risk Management**

The Group's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Group 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>December 31, 2013</b>	<b>December 31, 2012</b>
Liability (A)	22,838,695	22,060,303
Equity (B)	12,689,369	12,705,747
Cash and cash equivalents and current financial deposits (C)	2,713,166	2,239,000
Borrowings (D)	9,211,029	8,638,387
Liability-to-equity ratio (A/B)	180%	174%
Net borrowings ratio (D-C)/B	51%	50%

**Fair Value Estimation**

(a) The book values and fair values of the Group's financial assets and liabilities are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>		<b>December 31, 2012</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Current financial asset items</b>				
[Assets at fair value]				
Financial assets at fair value through profit or loss				
Other financial assets	16,080	16,080	554	554
Derivatives for hedging purposes				
Other financial assets	1,319	1,319	-	-
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	2,645,270	1	2,185,000	1
Financial deposits	67,896	1	54,000	1
Trade receivables	7,117,402	1	7,332,761	1
Other receivables	596,505	1	498,615	1
Held-to-maturity financial assets				
Other financial assets	31	1	55,932	1

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**Non-current financial asset items**

[Assets at fair value]				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	9,826	9,826
Derivatives for hedging purposes				
Other financial assets	94	94	-	-
Available-for-sale financial assets				
Other financial assets	19,560	19,560	10,839	10,839
[Assets at amortized cost]				
Loans and other receivables				
Financial deposits	96,992	96,992	121,036	121,036
Trade receivables				
Other receivables	601,978	577,737	603,233	526,984
Held-to-maturity financial assets				
Other financial assets	2,545	<sup>1</sup>	2,576	<sup>1</sup>
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	33,515	<sup>2</sup>	43,760	<sup>2</sup>
<b>Total</b>	<b>11,199,187</b>	<b>711,182</b>	<b>10,918,132</b>	<b>669,239</b>

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Book amount	Fair value	Book amount	Fair value
<b>Current financial liability items</b>				
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	684	684	321	321
Derivatives for hedging purposes				
Other financial liabilities	10,100	10,100	-	-
[Liabilities at amortized cost]				
Trade payables	5,691,114	<sup>1</sup>	5,626,571	<sup>1</sup>
Borrowings	3,022,723	<sup>1</sup>	2,715,041	<sup>1</sup>
Other payables	2,829,686	<sup>1</sup>	2,704,522	<sup>1</sup>
[Other liabilities]				
Other financial liabilities	105	<sup>3</sup>	-	-
<b>Non-current financial liability items</b>				
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	773	773	2,732	2,732
Derivatives for hedging purposes				
Other financial liabilities	9,371	9,371	13,889	13,889
[Liabilities at amortized cost]				

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Borrowings	6,188,306	6,308,304	5,923,346	6,107,218
Other payables	27,670	27,670	29,169	29,169
[Other liabilities]				
Other financial liabilities	520	<sup>3</sup>	-	-
<b>Total</b>	<b>17,781,052</b>	<b>6,327,531</b>	<b>17,015,591</b>	<b>6,151,329</b>

<sup>1</sup> Excluded from disclosure as the carrying amount is the rational approximate 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 and economic environment that affects the fair value of financial assets and financial liabilities occurred during the reporting period.

(b) The fair value for the purpose of measurement and disclosure have been determined based on the methods explained below:

i) Derivatives

The Group determined the fair value of derivatives by using valuation technology based on market condition. These valuation techniques maximize the use of observable market information and minimize the use of entity-specific information. The fair value of derivative financial instruments is measured at a discounted present value using the forward exchange rates at the end of the reporting period.

ii) Available-for-sale financial assets

The fair value of available-for-sale financial assets traded in active markets is determined based on quoted market prices at the end of the reporting period. When quoted prices are readily and regularly available from stock-exchanges, dealers, brokers, entities within the same industry, pricing services or regulatory agencies, and those prices represent actual and regularly occurring market transactions on an arm's length basis, this is deemed to be an active market.

The quoted market price used for available-for-sale financial assets held by the Group is the current bid price.

iii) Non-current loans and other receivables

The fair values of the non-current loans and other receivables are as follows:

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<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Book amount	Fair value	Book amount	Fair value
Long-term loans	170,664	139,903	163,391	131,317
Long-term non-trade receivables	22,664	20,777	20,772	18,973
Deposits	408,650	417,057	419,070	376,694
<b>Total</b>	<b>601,978</b>	<b>577,737</b>	<b>603,233</b>	<b>526,984</b>

The fair values of non-current loans and other receivables have been calculated based on the expected future cash inflows discounted at a rate that reflects the credit risk of the nominal value.

	December 31, 2013	December 31, 2012
Discount rate	4.91%	5.62%

iv) Non-current borrowings

The fair values of the non-current borrowings are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Book amount	Fair value	Book amount	Fair value
Long-term borrowings	1,914,366	1,988,348	2,873,857	2,976,359
Bonds	4,004,088	4,014,302	2,852,042	2,926,299
Convertible bonds	269,852	305,654	197,447	204,560
<b>Total</b>	<b>6,188,306</b>	<b>6,308,304</b>	<b>5,923,346</b>	<b>6,107,218</b>

The fair values of non-current borrowings have been calculated based on the expected future cash outflow discounted using the unsecured corporate bond yield of the companies with the same credit ratings.

	December 31, 2013	December 31, 2012
Discount rate	3.0%~4.5%	3.1%~3.6%

v) Current financial assets and current financial liabilities

Current assets and current liabilities have short-term maturities, and therefore, the fair value approximates the carrying value.

(c) Methods and Assumptions in Determining Fair Value

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability,

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either directly or indirectly.

- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

<i>(in millions of Korean won)</i>	<b>2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(1) Recurring fair value measurements				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	17,720	-	-	17,720
- Debt securities	-	-	1,840	1,840
Financial assets at fair value through profit or loss	-	16,080	-	16,080
Derivatives for hedging purposes	-	1,413	-	1,413
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,457	-	1,457
Derivatives for hedging purposes	-	19,471	-	19,471
(2) Non-recurring fair value measurements				
Assets held for sale	-	-	-	-
Fair value for disclosure				
Non-current financial deposits	-	-	96,992	96,992
Non-current other receivables	-	-	577,737	577,737
Non-current borrowings	-	-	6,308,304	6,308,304
Non-current other payables	-	-	27,670	27,670
Investment property	-	-	5,120	5,120

<i>(in millions of Korean won)</i>	<b>2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(1) Recurring fair value measurements				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	8,169	-	-	8,169
- Debt securities	-	-	2,670	2,670
Financial assets at fair value through profit or loss	-	10,380	-	10,380
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	3,053	-	3,053
Derivatives for hedging purposes	-	13,889	-	13,889

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(2) Non-recurring fair value measurements

Assets held for sale	-	-	16,937	16,937
Fair value for disclosure				
Non-current financial deposit	-	-	121,036	121,036
Non-current other payables	-	-	526,984	526,984
Non-current borrowings	-	-	6,107,218	6,107,218
Non-current other payables	-	-	29,169	29,169
Investment property	-	-	10,116	10,116

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 Group 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 Group 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 the fair value of an instrument are observable, the instrument is included in 'level 2'. Financial instruments included in 'level 2' are derivative financial instruments. The fair value of derivative financial instruments is measured at discount using forward exchange rate as of the reporting date.

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.

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.

**43. Business Combinations**

(a) LED-related Business of LG Display

i) On September 1, 2012, LG Innotek (Guangzhou) Co., Ltd., a subsidiary, acquired the LED-related business of LG Display Guangzhou Co., Ltd. and LG Display Nanjing Co., Ltd., subsidiaries of LG Display Co., Ltd., for ₩44,585 million.

ii) The assets acquired are measured at fair values at the acquisition date in accordance with Korean IFRS 1103, 'Business Combination'. No additional identifiable



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intangible assets or goodwill arose.

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	
Cash and cash equivalents	44,585
<b>Total consideration</b>	<b>44,585</b>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Inventory	3,199
Property, plant and equipment, and intangible assets	34,908
Loans and other receivables	6,478
<b>Total identifiable net assets</b>	<b>44,585</b>
<b>Goodwill</b>	<b>-</b>

The revenue and profit or loss of the combined business for the current reporting period as though the acquisition date had been as of the beginning of the reporting period is not disclosed since it is impracticable to obtain proper financial information as the acquired business is only a part of production process of the seller.

**(b) V-ENS Co., Ltd.**

i) The Group is promoting the smart car and electricity car components business as future strategic business by utilizing current capability driven by its IT, home appliances and parts technology. The Group acquired 100% of V-ENS Co., Ltd.'s ordinary shares from its related party, LG CNS Co., Ltd., on May 1, 2013, for the merger with V-ENS Co., Ltd., which has strength in machinery field including vehicle design and practical vehicle verification. The Group's intention is to amplify the value of fostering business and to accelerate the growth of auto parts business in the future.

ii) 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	
Cash and cash equivalents	17,028
<b>Total consideration</b>	<b>17,028</b>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	13,474
Trade receivables	40,748
Loans and other receivables	1,092
Inventory	1,017

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Current income tax assets	188
Other current assets	1,482
Non-current assets	
Financial deposit	3
Loans and other receivables	39
Property, plant and equipment	6,044
Intangible assets	5,934
Other non-current assets	436
Current liabilities	
Trade payables	(17,489)
Other payables	(8,162)
Current income tax liabilities	(31)
Provisions	(131)
Other current liabilities	(27,074)
Non-current liabilities	
Net defined benefit liability	(542)
<b>Total identifiable net assets</b>	<b>17,028</b>
<b>Goodwill</b>	<b>-</b>

iii) The acquisition-related costs amounting to ₩293 million were all expensed during the year ended December 31, 2013.

iv) The above fair value of trade receivables and other receivables are the same as the contractual amounts in gross.

v) Net sales and loss for the year contributed by V-ENS Co., Ltd. included in the consolidated statement of income from May 1, 2013 (the acquisition date), were ₩ 78,959 million and ₩ 12,547 million, respectively. If V-ENS Co., Ltd. had been consolidated from January 1, 2013, the net sales and loss for the would be as follows:

<i>(in millions of Korean won)</i>	Amounts		Amounts
	before adjustments	Adjustments	after adjustments
Net sales	58,140,376	37,060	58,177,436
Loss for the year	222,704	4,642	227,346

vi) As a result of the acquisition, V-ENS Co., Ltd. and its subsidiaries (V-ENS (M) Sdn., Bhd and VENS BEIJING VEHICLE ENGINEERING CO.,LTD) were incorporated into the consolidated subsidiaries. The Group merged with V-ENS Co., Ltd. on July 1, 2013, based on the resolution approved by the board of directors on April 24, 2013. It was a merger with exchange ratio of 1 to 0 without issuance of new stock. As it falls under both a small scale merger (for the Parent Company) and a simplicity merger (for V-ENS Co., Ltd.), the approval of the shareholders was replaced by a resolution of the board of directors dated May 23, 2013. This merger does not have any impact on the consolidated financial statements.

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**44. Event after the Reporting Period**

The amendment in provincial income tax law was enacted and announced on January 1, 2014. These amendments are expected to affect the calculation of current income tax and deferred income tax by decreasing the tax deductible effect of tax credit carryforwards.

**45. Approval of Issuance of the Financial Statements**

The issuance of the December 31, 2013 consolidated financial statements of the Group was approved by the Board of Directors on January 28, 2014.