

LG Electronics Inc.
Separate Financial Statements
December 31, 2013 and 2012

LG Electronics Inc.

Index

December 31, 2013 and 2012

	Page(s)
Report of Independent Auditors	1 - 2
Separate Financial Statements	
Separate Statements of Financial Position	3
Separate Statements of Income	4
Separate Statements of Comprehensive Income.....	5
Separate Statements of Changes in Equity	6
Separate Statements of Cash Flows	7
Notes to the Separate Financial Statements	8 - 97
Report on the Review of Internal Accounting Control System	98
Report on the Operations of the Internal Accounting Control System	99



Report of Independent Auditors

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

We have audited the accompanying separate statements of financial position of LG Electronics Inc. (the "Company") as of December 31, 2013 and 2012, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these separate financial statements based on our audits.

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, the separate financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended, 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.

Samuel Price Waterhouse Coopers

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 separate 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 Inc.
Separate Statements of Financial Position
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Note	December 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	4,5,40	1,298,349	1,114,246
Financial deposits	4,5,40	65,000	50,000
Trade receivables	4,6,40	4,697,202	4,693,196
Loans and other receivables	4,6,40	433,888	328,652
Other financial assets	4,7,40	-	53,555
Inventories	8	916,581	921,828
Current income tax assets		2,446	3,274
Other current assets	9	439,757	382,876
		<u>7,853,223</u>	<u>7,547,627</u>
Non-current assets			
Financial deposits	4,5,40	4,759	14,321
Loans and other receivables	4,6,40	410,385	407,037
Other financial assets	4,7,40	31,823	32,530
Property, plant and equipment	10	6,045,037	5,437,210
Intangible assets	11	1,085,867	962,002
Deferred income tax assets	16	875,503	752,226
Investments in subsidiaries, associates and joint ventures	12	8,006,190	7,950,178
Investment property	13	2,979	8,254
Other non-current assets	9	655,316	720,791
		<u>17,117,859</u>	<u>16,284,549</u>
Total assets		<u>24,971,082</u>	<u>23,832,176</u>
Liabilities			
Current liabilities			
Trade payables	4,40	4,327,403	3,995,679
Borrowings	4,14,40	1,391,805	1,057,585
Other payables	4,15,40	1,798,292	1,629,416
Other financial liabilities	4,7,40	9,090	-
Current income tax liabilities		-	9,437
Provisions	18	212,710	192,306
Other current liabilities	19	1,607,031	1,476,538
		<u>9,346,331</u>	<u>8,360,961</u>
Non-current liabilities			
Borrowings	4,14,40	4,550,437	4,206,740
Other financial liabilities	4,7,40	9,891	13,889
Net defined benefit liability	17	413,825	467,598
Provisions	18	817,778	760,033
		<u>5,791,931</u>	<u>5,448,260</u>
Total liabilities		<u>15,138,262</u>	<u>13,809,221</u>
Equity			
Paid-in capital:	20		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	21	5,857,083	6,059,062
Accumulated other comprehensive income	22	16,208	4,364
Other components of equity	23	(32,819)	(32,819)
Total equity		<u>9,832,820</u>	<u>10,022,935</u>
Total liabilities and equity		<u>24,971,082</u>	<u>23,832,176</u>

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

LG Electronics Inc.
Separate Statements of Income
Years ended December 31, 2013 and 2012

<i>(in millions of Korean won, except per share amounts)</i>	Note	2013	2012
Net sales	25	28,078,895	25,427,205
Cost of sales	26	<u>22,649,510</u>	<u>19,986,372</u>
Gross profit	2	5,429,385	5,440,833
Selling and marketing expenses	26,27	2,642,024	2,649,749
Administrative expenses	26,27	524,675	459,788
Research and development expenses	26,27	1,930,008	1,790,033
Service costs	26,27	<u>546,555</u>	<u>495,064</u>
Operating income(loss)	2	(213,877)	46,199
Financial income	29	180,934	250,366
Financial expenses	30	380,797	463,760
Other non-operating income	31	1,163,318	1,093,532
Other non-operating expenses	32	<u>996,723</u>	<u>1,165,919</u>
Loss before income tax	2	(247,145)	(239,582)
Income tax expense(benefit)	33	<u>(58,068)</u>	<u>112,581</u>
Loss for the year	2	<u>(189,077)</u>	<u>(352,163)</u>
Loss per share during the year (in won)	2,34		
Loss per share for loss attributable to the common equity holders of the Company		(1,055)	(1,961)
Loss per share for loss attributable to the preferred equity holders of the Company		(1,005)	(1,911)

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

LG Electronics Inc.
Separate Statements of Comprehensive Income
Years ended December 31, 2013 and 2012

(in millions of Korean won)

	Note	2013	2012
Loss for the year		<u>(189,077)</u>	<u>(352,163)</u>
Other comprehensive income(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability	17	22,796	(86,032)
Items that will be reclassified subsequently to profit or loss:			
Cash flow hedges	7	6,175	4,184
Available-for-sale financial assets	7	<u>5,669</u>	<u>(1,023)</u>
Other comprehensive income(loss) for the year, net of tax	2	<u>34,640</u>	<u>(82,871)</u>
Total comprehensive loss for the year, net of tax	2	<u>(154,437)</u>	<u>(435,034)</u>

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

LG Electronics Inc.

Separate Statements of Changes in Equity

Years ended December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total
Balance at January 1, 2012		3,992,348	6,534,129	1,203	(32,819)	10,494,861
Comprehensive income(loss):						
Loss for the year		-	(352,163)	-	-	(352,163)
Remeasurements of the net defined benefit liability	17	-	(86,032)	-	-	(86,032)
Cash flow hedges	7	-	-	4,184	-	4,184
Available-for-sale financial assets	7	-	-	(1,023)	-	(1,023)
Total comprehensive income		<u>-</u>	<u>(438,195)</u>	<u>3,161</u>	<u>-</u>	<u>(435,034)</u>
Transactions with equity holders:						
Dividends	35	-	(36,872)	-	-	(36,872)
Total transactions with equity holders		<u>-</u>	<u>(36,872)</u>	<u>-</u>	<u>-</u>	<u>(36,872)</u>
Balance at December 31, 2012		<u>3,992,348</u>	<u>6,059,062</u>	<u>4,364</u>	<u>(32,819)</u>	<u>10,022,955</u>
Balance at January 1, 2013		<u>3,992,348</u>	<u>6,059,062</u>	<u>4,364</u>	<u>(32,819)</u>	<u>10,022,955</u>
Comprehensive income(loss):						
Loss for the year		-	(189,077)	-	-	(189,077)
Remeasurements of the net defined benefit liability	17	-	22,796	-	-	22,796
Cash flow hedges	7	-	-	6,175	-	6,175
Available-for-sale financial assets	7	-	-	5,669	-	5,669
Total comprehensive income		<u>-</u>	<u>(166,281)</u>	<u>11,844</u>	<u>-</u>	<u>(154,437)</u>
Transactions with equity holders:						
Dividends	35	-	(36,872)	-	-	(36,872)
Changes from business combination	41	-	1,174	-	-	1,174
Total transactions with equity holders		<u>-</u>	<u>(35,698)</u>	<u>-</u>	<u>-</u>	<u>(35,698)</u>
Balance at December 31, 2013		<u>3,992,348</u>	<u>5,857,083</u>	<u>16,208</u>	<u>(32,819)</u>	<u>9,832,820</u>

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

LG Electronics Inc.
Separate Statements of Cash Flows
Years ended December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Note	2013	2012
Cash flows from operating activities			
Cash generated from operations	36	774,272	1,200,509
Interest received		21,196	31,319
Interest paid		(219,592)	(229,121)
Dividends received		526,023	264,625
Income tax paid		(84,844)	(170,008)
Net cash generated from operating activities		<u>1,017,055</u>	<u>1,097,324</u>
Cash flows from investing activities			
Decrease in financial deposits		9,565	126,641
Decrease in loans and other receivables		192,708	74,861
Proceeds from recovery of and disposal of other financial assets		66,811	4,831
Proceeds from disposal of property, plant and equipment		17,222	45,727
Proceeds from disposal of intangible assets		5,874	1,081
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		24,493	215,860
Proceeds from disposal of investment property		4,400	672
Business combination	41	5,304	-
Business transfer	36	3,436	-
Increase in financial deposits		(15,000)	-
Increase in loans and other receivables		(183,056)	(60,762)
Acquisition of other financial assets		(4,500)	(16,302)
Acquisition of property, plant and equipment		(1,164,694)	(836,542)
Acquisition of intangible assets		(345,001)	(297,544)
Acquisition of investments in subsidiaries, associates and joint ventures		(112,272)	(69,377)
Net cash used in investing activities		<u>(1,494,710)</u>	<u>(810,854)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,724,690	937,639
Repayments of borrowings		(1,026,060)	(1,437,202)
Dividends paid	35	(36,872)	(36,872)
Net cash provided by(used in) financing activities		<u>661,758</u>	<u>(536,435)</u>
Net increase(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of year	5	<u>1,114,246</u>	<u>1,364,211</u>
Cash and cash equivalents at the end of year	5	<u>1,298,349</u>	<u>1,114,246</u>

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

1. General Information

General information about LG Electronics Inc. (the “Company”) is as follows.

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

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

The Company is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines and personal computers and of core parts. As of December 31, 2013, the Company operates manufacturing facilities mainly in Pyeongtaek, Changwon and Gumi in the Republic of Korea.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 separate 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 Company’s financial statements are prepared in accordance with Korean IFRS 1027 ‘Separate Financial Statements’. 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 separate financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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 Company 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 Company early adopted the amendment during the previous year.

The new and amended standards adopted by the Company from the financial year 2013:

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

According to these 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 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 Company 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.

<i>(in millions of Korean won)</i>	Before restatement	Effect of changes	
		Korean IFRS 1019	After restatement
Net sales	25,427,205	-	25,427,205
Gross profit	5,439,057	1,776	5,440,833
Operating income	42,773	3,426	46,199
Loss before income tax	(243,008)	3,426	(239,582)
Net loss for the year	(354,760)	2,597	(352,163)
Other comprehensive loss, net of tax	(80,274)	(2,597)	(82,871)
Total comprehensive loss, net of tax	(435,034)	-	(435,034)
Net loss per share during the year (in won):			
Net loss per share for loss attributable to the common equity holders of the	(1,975)	14	(1,961)

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Company			
Net loss per share for loss attributable to the preferred equity holders of the Company	(1,925)	14	(1,911)

According to the amendments to Korean IFRS 1019, the Company shall recognize a liability and expense for termination benefits at the earlier of the following dates; (a) when the Company can no longer withdraw the offer of benefits; and (b) when the Company 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 separate 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 Company. The amendments of Korean IFRS 1027 do not have an impact on these separate 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. The disclosure requirements are specified in Korean IFRS 1112, 'Disclosure of Interests in Other Entities'. Investment in associates and joint ventures are measured at cost in the separate financial statements. The amendments of Korean IFRS 1028 did not have an impact on these separate financial statements.

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

According to the amendments to Korean IFRS 1107, 'Financial Instruments: Disclosure', the Company 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 4.

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

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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. was classified as an associate. Although the Company has less than half of voting ownership interest in LG Innotek Co., Ltd., the 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. As a result, the Company classified LG Innotek Co., Ltd. as a subsidiary.

- 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, while it is measured at cost in its separate financial statements. The application of this amendment does not have an impact on these separate 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. Disclosure of interests shown in the separate financial statements is prepared in accordance with Korean IFRS 1027, 'Separate Financial Statements'. However, when the Company has interests in unconsolidated structured entities and prepares separate financial statements as its only financial statements, it shall apply Korean IFRS 1112. According to the above enactment of standard, some of disclosures on interests in other entities have changed and disclosed in Notes 1 and 14 in 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 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 the Korean IFRS. This amendment was effective for the financial year beginning on January 1, 2013, and the enactment of Korean IFRS 1113 does not have a material impact on these separate financial statements.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

- 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'

These annual improvements are effective for financial years beginning on January 1, 2013, and do not have a material impact on these separate 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 Company 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 Company has early adopted the amendments. The amendments of Korean IFRS 1032 do not have a material impact on these separate financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014, and not early adopted by the Company 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 separate financial statements.

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

Amendments to Korean IFRS 1039, 'Financial Instruments: Recognition and Measurement', allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. The amendments are not expected to have an impact on these separate financial statements.

LG Electronics Inc.

Notes to the Separate Financial Statements

December 31, 2013 and 2012

- Korean IFRS 2121(Enactment): 'Levies'

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

Investments in Subsidiaries, Associates and Joint ventures

The attached statements are the separate financial statements subject to Korean IFRS 1027, 'Separate Financial Statements'. The investments in subsidiaries, associates and joint ventures are recorded at acquisition cost on the basis of the direct equity interest. The Company recognizes a dividend from subsidiaries, associates and joint ventures in profit when its right to receive the dividend is established.

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. The information of the operating segments is disclosed in Note 4 to the consolidated financial statements, in compliance with IFRS 1108, 'Operating Segments'.

Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company's functional and presentation currency is 'Korean won'.

(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 separate statements of income, except qualifying cash flow hedges which are recognized in other comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed 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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognized in the separate 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.

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 Company 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, 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 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 Company are categorized in 'other financial assets' and 'other financial liabilities' on the separate 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 Company'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 Company's management has the positive intention and ability to hold to maturity and are classified as 'other financial assets' in the 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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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

Non-derivative financial liabilities are included in financial liabilities at amortized cost, except for financial liability through profit or loss. 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'.

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 separate 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 Company 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 separate 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 Company recognizes a dividend from financial assets at fair value through profit or loss as 'other non-operating income' in the separate statements of income when its right to receive the dividend is established.

Changes in the 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 separate statements of income as 'other non-operating

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

income and expenses’.

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement 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 Company 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 not retained control over these assets.

Trade receivable discounted and collaterals on factoring transaction such as trade receivable and others that do not qualify for the requirement above are not derecognized because the Company 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 statements of financial position.

Impairment of Financial Assets

The Company 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 Company 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;

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

- 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 separate statements of income.

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 Company 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 in the separate statements of income.

(b) Assets classified as available-for-sale

The Company 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 Company 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 separate statements of income. Impairment losses recognized in the separate statements of income on equity instruments are not reversed through the separate 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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

separate 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 separate 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 separate statements of income within 'other non-operating income and expenses' or 'financial income and expenses'.

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 monthly 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 Company 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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

When a component of the Company representing a separate major line of business or geographical area of operation has been disposed of, the Company discloses in the separate 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 separate 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 attributable 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 Company 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 separate 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	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 separate 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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

borrowing costs are recognized as expenses for the period in which they are incurred.

Government Grants

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

Government grants relating to income are deferred and recognized in the separate 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

Goodwill represents the excess of the aggregate of the consideration transferred, and the acquisition-date fair value of the Company'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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(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 of two to thirty years.

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;
- 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 Company 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 separate 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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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 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 separate statements of income over the period of the borrowings using the effective interest method. The Company 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.

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 terms of a debt instrument. Financial guarantees contracts provided by the Company are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company'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'.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Provisions

Provisions are recognized when the Company 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 Company 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 historical experience. Sales return provision is for the estimated sales returns based on historical results. Where the Company, as a tenant, is required to restore its leased assets to their original state at the end of the lease-term, the Company 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 separate financial statements.

Current and Deferred Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the 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. 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 separate 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 Company 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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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.

Employee Benefits

(a) Defined benefit liability

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

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate fund. The Company 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 Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. 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 separate 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 Company operates cash-settled, share-based compensation plans, under which the

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Company 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 separate 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-vesting condition. Until the liability is settled, the Company 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

The Company provides 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 Company 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 Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company 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 the Company purchases its own equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the 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 Company's equity holders.

Revenue Recognition

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

The Company recognizes revenue when the amount of revenue can be reliably measured, it is

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

The Company 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

The Company manufactures and sells mobile communication products, multimedia, home electronics products and their related core parts and display. Sales of goods are recognized when the Company 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 Company 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 Company 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 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 Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired receivables is

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

recognized using the original effective interest rate.

(f) *Dividend income*

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

Leases

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 Company 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 separate statements of income on a straight-line basis over the period of the lease.

The Company 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 Company 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 separate 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 common shareholders of the Company by the weighted average number of common shares in issue excluding shares held as treasury shares. Preferred shares have a right to participate in the profits of the Company. These participation rights have been considered in presenting the EPS for common shares and preferred shares.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Business Combination

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. 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. 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 excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

3. Critical Accounting Estimates and Judgments

The Company 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 Company recognizes revenue using the percentage of completion method for the rendering of service such as installation. When using the percentage of completion method, revenue shall be recognized by estimating 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 Company 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 Company 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 Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

each reporting period.

(e) *Provisions*

The Company recognizes provisions for product warranties and sales return 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 Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions. Additional information is disclosed in Note 17.

4. 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	-	1,298,349	-	-	-	1,298,349
Financial deposits	-	69,759	-	-	-	69,759
Trade receivables	-	4,697,202	-	-	-	4,697,202
Loans and other receivables	-	844,273	-	-	-	844,273
Other financial assets	-	-	31,729	-	94	31,823
Total	-	6,909,583	31,729	-	94	6,941,406

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

December 31, 2013

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

December 31, 2012

<i>(in millions of Korean won)</i>	Assets at fair		Assets	Held-to-	Other	Total
	value through profit or loss	Loans and receivables	classified as available-for-sale	maturity financial assets		
Cash and cash equivalents	-	1,114,246	-	-	-	1,114,246
Financial deposits	-	64,321	-	-	-	64,321
Trade receivables	-	4,693,196	-	-	-	4,693,196
Loans and other receivables	-	735,689	-	-	-	735,689
Other financial assets	-	-	32,530	53,555	-	86,085
Total	-	6,607,452	32,530	53,555	-	6,693,537

December 31, 2012

<i>(in millions of Korean won)</i>	Liabilities at		Other	Total
	fair value through profit or loss	Liabilities carried at amortized cost		
Trade payables	-	3,995,679	-	3,995,679
Borrowings	-	5,264,325	-	5,264,325
Other payables	-	1,629,416	-	1,629,416
Other financial liabilities	-	-	13,889	13,889
Total	-	10,889,420	13,889	10,903,309

(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>	Assets at fair		Assets	Held-to-	Other	Total
	value through profit or loss	Loans and receivables	classified as available-for- sale	maturity financial assets		
Interest income	-	29,483	-	-	-	29,483
Exchange differences	-	(248,680)	-	-	-	(248,680)
Bad debt expense	-	(21,136)	-	-	-	(21,136)
Loss on disposal of trade receivables	-	(4,639)	-	-	-	(4,639)
Gain on valuation of available-for- sale financial assets, net of tax (through other comprehensive	-	-	5,669	-	-	5,669

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<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	
Gain on disposal of available-for-sale financial assets	-	-	5,218	-	-	5,218
Impairment loss of available-for-sale financial assets	-	-	(3,598)	-	-	(3,598)
Dividend income	-	-	296	-	-	296
Loss on derivatives, net of tax(through other comprehensive income)	-	-	-	-	(22)	(22)

<i>(in millions of Korean won)</i>	2013				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
Interest expenses	-	(227,382)	-	-	(227,382)
Exchange differences	-	51,970	-	-	51,970
Gain on derivatives, net of tax (through other comprehensive income)	-	-	6,197	-	6,197

<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	-	40,261	-	4,615	-	44,876
Exchange differences	-	(347,207)	-	(4,110)	-	(351,317)
Bad debt expense	-	(35,195)	-	-	-	(35,195)
Loss on disposal of trade receivables	-	(628)	-	-	-	(628)
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	(1,023)	-	-	(1,023)
Gain on disposal of available-for-sale financial assets	-	-	1,003	-	-	1,003
Impairment loss of available-for-sale financial assets	-	-	(8,101)	-	-	(8,101)
Dividend income	-	-	275	-	-	275
Gain on derivatives (through profit and loss)	15,943	-	-	-	-	15,943
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	4,184	4,184

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	2012			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(230,391)	-	(230,391)
Exchange differences	-	323,535	-	323,535
Loss on derivatives (Through profit and loss)	(16,304)	-	-	(16,304)

(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	63,883	84,795	47,393	60,988
Offset	(63,883)	(63,883)	(47,393)	(47,393)
Net amounts presented	-	20,912	-	13,595
Related amounts not offset	-	-	-	-
Net amount	-	20,912	-	13,595

5. Cash and Cash Equivalents, and Financial Deposits

(a) Cash and cash equivalents

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

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Cash on hand	10	10
Bank deposits	1,298,339	1,114,236
Total	1,298,349	1,114,246

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(b) Financial deposits

The financial deposits restricted in use are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Current		
Fund for business cooperation	65,000	50,000
Non-current		
Deposit for checking account	42	39
National project	4,717	14,282
Sub-Total	4,759	14,321
Total	69,759	64,321

6. 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>	December 31, 2013			December 31, 2012		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current						
Trade receivables	4,760,190	(62,988)	4,697,202	4,736,848	(43,652)	4,693,196
Loans and other receivables	443,239	(9,351)	433,888	337,072	(8,420)	328,652
Non-current						
Loans and other receivables	410,435	(50)	410,385	407,105	(68)	407,037

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

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Current		
Loans	10,936	15,594
Non-trade receivables	260,238	240,005
Accrued income	161,107	71,449
Deposits	1,607	1,604
Sub-total	433,888	328,652
Non-Current		
Loans	164,107	156,597
Non-trade receivables	2,841	-
Deposits	243,437	250,440
Sub-total	410,385	407,037
Total	844,273	735,689

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

- (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>	December 31, 2013					
	Current	Overdue			Defaulted	Total
		Up to 6 months	7 to 12 months	Over one year		
Trade receivables	4,391,130	257,961	80,592	14,556	15,951	4,760,190
Loans and other receivables						
Current	387,829	30,980	5,506	6,309	12,615	443,239
Non-current	405,940	3,760	3	732	-	410,435

<i>(in millions of Korean won)</i>	December 31, 2012					
	Current	Overdue			Defaulted	Total
		Up to 6 months	7 to 12 months	Over one year		
Trade receivables	4,503,713	210,622	2,990	5,540	13,983	4,736,848
Loans and other receivables						
Current	287,723	30,593	3,796	5,152	9,808	337,072
Non-current	395,754	8,258	1,285	1,808	-	407,105

- (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 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>	2013				
	At Jan. 1	Addition (Reversal)	Write-off	Other	At Dec. 31
Trade receivables	43,652	19,379	(43)	-	62,988
Loans and other receivables					
Current	8,420	1,775	(844)	-	9,351
Non-current	68	(18)	-	-	50

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	2012				At Dec. 31
	At Jan. 1	Addition (Reversal)	Write-off	Other	
Trade receivables	14,165	32,727	(3,247)	7	43,652
Loans and other receivables					
Current	54,359	2,785	(48,725)	1	8,420
Non-current	390	(317)	-	(5)	68

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

The bad debts expense of trade receivables has been included in 'selling and marketing expenses' in the separate statement of income and the bad debts expense of other receivables has 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 Company 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 14).

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Carrying amount of asset¹		
Trade receivables	19,689	105,684
Carrying amount of associated liability¹		
Short-term borrowings	(19,689)	(105,684)
Net position²	-	-

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

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

7. 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
Other financial assets		
Derivatives	94	-
Available-for-sale	31,729	32,530
Held-to-maturity	-	53,555
Total	31,823	86,085
Current	-	53,555
Non-current	31,823	32,530
Other financial liabilities		
Derivatives	18,356	13,889
Financial guarantee liability	625	-
Total	18,981	13,889
Current	9,090	-
Non-current	9,891	13,889

(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
Current				
Currency swap	-	8,985	-	-
Non-current				
Currency swap	94	9,371	-	13,889
Total	94	18,356	-	13,889

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

ii) Details of major derivatives contracts are as follows:

The Company entered into the 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, to hedge cash flow risks related to the floating interest rates and foreign exchange rates of debentures.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

December 31, 2013	Contractor	Contracted amount (in millions)	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
	BNP PARIBAS and others	USD200	USD/KRW 1,052.1	3ML +130bp	3.42%	2013.11.28	2017.6.19
CHF/KRW CRS	UBS and others	CHF215	CHF/KRW 1,213.6	2.00%	3.64 ~ 3.74%	2012.7.6	2016.12.2

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 ₩12,750 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 Company reclassified ₩18,925 million to loss from equity in 2013 and ₩30,020 million to loss in 2012 and the gain on valuation amounting to ₩6,175 million in 2013 (2012: gain on valuation amounting to ₩4,184 million) after applying the tax effect, is recognized in other comprehensive income(loss).

(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:

(in millions of Korean won)	2013					
	Beginning	Acquisition	Disposals and others	Valuation	Impairment	Ending
Listed equity securities	7,636	-	-	7,478	-	15,114
Unlisted equity securities	24,894	4,500	(9,181)	-	(3,598)	16,615
Total	32,530	4,500	(9,181)	7,478	(3,598)	31,729

(in millions of Korean won)	2012					
	Beginning	Acquisition	Disposals and others	Valuation	Impairment	Ending
Listed equity securities	8,969	17	-	(1,350)	-	7,636
Unlisted equity securities	31,830	-	(330)	-	(6,606)	24,894
Debt securities	1,747	-	(252)	-	(1,495)	-
Total	42,546	17	(582)	(1,350)	(8,101)	32,530

- ii) The listed equity securities among the above equity securities are measured using quoted prices in active markets. However, the unlisted securities are measured at cost as they are mostly in the beginning of their business stages and

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

their fair values cannot be reliably measured.

- 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>	2013	2012
Valuation:		
Recognition of other comprehensive income(loss), net of tax ¹	5,669	(1,023)
Recognition of impairment loss	(3,598)	(8,101)
Derecognition of unmarketable equity securities not measured at fair value:		
Carrying amounts of derecognized equity securities	9,181	582
Gain on disposal of equity securities	5,218	1,003

¹ There were no reclassifications made through profit or loss in the years ended December 31, 2013, and 2012.

(d) Held-to-maturity financial assets

Maturity dates of held-to-maturity financial assets as of December 31, 2012, were all within one year.

No interest income was recognized in relation to held-to-maturity financial assets during the year (2012: ₩4,615 million). No impairment losses were recognized in relation to held-to-maturity financial assets.

8. Inventories

Inventories consist of:

<i>(in millions of Korean won)</i>	December 31, 2013			December 31, 2012		
	Amount before valuation	Valuation Allowance	Carrying amount	Amount before valuation	Valuation Allowance	Carrying amount
Finished products and merchandise	400,399	(19,973)	380,426	415,220	(21,183)	394,037
Half-finished products and work-in-process	106,848	(1,243)	105,605	99,549	(5,125)	94,424
Raw materials and supplies	329,491	(16,560)	312,931	353,110	(29,620)	323,490
Other	147,748	(30,129)	117,619	128,599	(18,722)	109,877
Total	984,486	(67,905)	916,581	996,478	(74,650)	921,828

The cost of inventories recognized as expense and included in 'Cost of sales' amounts to ₩21,418,370 million (2012: ₩18,865,755 million) including 'Losses on valuation of inventories' of ₩70,768 million (2012: ₩80,838 million).

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

9. Other Assets

The carrying amounts of other assets as of the December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Current:		
Advances	160,898	96,092
Prepaid expenses	189,939	206,998
Prepaid value added tax	88,920	79,786
Sub-total	439,757	382,876
Non-Current:		
Long-term prepaid expenses	383,074	448,193
Long-term advances	272,242	272,598
Sub-total	655,316	720,791
Total	1,095,073	1,103,667

10. 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
At December 31, 2013									
Acquisition cost	2,094,126	3,035,998	191,647	2,189,774	1,862,025	452,472	134,464	269,426	10,229,932
Accumulated depreciation	-	(608,040)	(89,549)	(1,607,120)	(1,446,521)	(351,387)	(54,683)	-	(4,157,300)
Accumulated Impairment	-	(2,422)	(292)	(23,503)	(692)	(125)	(561)	-	(27,595)
Net book amount	2,094,126	2,425,536	101,806	559,151	414,812	100,960	79,220	269,426	6,045,037
At December 31, 2012									
Acquisition cost	1,906,678	2,609,998	187,474	2,191,994	1,685,479	447,932	129,722	268,803	9,428,080
Accumulated depreciation	-	(530,473)	(81,637)	(1,638,912)	(1,307,542)	(352,506)	(45,011)	-	(3,956,081)
Accumulated Impairment	-	(2,217)	(288)	(31,285)	(841)	(133)	(25)	-	(34,789)
Net book amount	1,906,678	2,077,308	105,549	521,797	377,096	95,293	84,686	268,803	5,437,210

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

<i>(in millions of Korean won)</i>	2013								
	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction-in-progress	Total
At January 1, 2013	1,906,678	2,077,308	105,549	521,797	377,096	95,293	84,686	268,803	5,437,210
Acquisitions	20,819	142,980	3,834	130,334	263,561	38,810	18,730	548,424	1,167,492
Acquisitions from business combination	-	-	121	2,612	53	2,961	191	2,691	8,629
Transfer-in(out)	168,071	284,168	530	74,360	22,835	528	-	(550,492)	-
Disposals / reclassification to assets held-for-sale	(1,442)	(1,202)	(3)	(1,152)	(7,785)	(407)	(3,434)	-	(15,425)
Decrease due to business	-	-	-	(1,879)	(2,214)	(10)	-	-	(4,103)

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

transfer									
Depreciation	-	(77,510)	(8,221)	(163,580)	(238,587)	(36,128)	(20,416)	-	(544,442)
Impairment ¹	-	(208)	(4)	(3,341)	(147)	(87)	(537)	-	(4,324)
At December 31, 2013	2,094,126	2,425,536	101,806	559,151	414,812	100,960	79,220	269,426	6,045,037

2012

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction- in-progress	Total
At January 1, 2012	1,872,167	1,975,097	107,331	543,401	349,433	91,785	114,372	137,295	5,190,881
Acquisitions	2,654	71,322	3,354	56,156	187,292	34,193	19,686	410,443	785,100
Transfer-in(out)	31,932	97,192	5,250	93,236	47,175	2,640	3,175	(278,935)	1,665
Disposals / reclassification to assets held-for-sale	(75)	(312)	(63)	(5,790)	(4,454)	(519)	(31,220)	-	(42,433)
Depreciation	-	(65,969)	(10,300)	(157,872)	(202,099)	(32,577)	(21,324)	-	(490,141)
Impairment ¹	-	(22)	(23)	(7,334)	(251)	(229)	(3)	-	(7,862)
At December 31, 2012	1,906,678	2,077,308	105,549	521,797	377,096	95,293	84,686	268,803	5,437,210

¹ 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	411,451	375,321
Selling and marketing expenses	9,215	9,317
Administrative expenses	34,014	24,248
Research and development expenses	80,831	73,221
Service costs	5,793	5,576
Other non-operating expenses	3,138	2,458
Total	544,442	490,141

(d) Borrowing costs amounting to ₩3,898 million (2012: ₩2,957 million) are capitalized as acquisition costs and a capitalization rate of 3.93% (2012: 3.85%) is applied.

(e) There are no property, plant and equipment pledged as collateral for various borrowings from banks.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

11. Intangible assets

(a) Carrying amounts of intangible assets consist of:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other intangible assets	Construction-in-progress	Total
At December 31, 2013							
Acquisition cost	88,885	683,831	1,481,562	67,271	478,897	114,043	2,914,489
Accumulated amortization and impairment	-	(315,622)	(1,181,690)	(675)	(330,635)	-	(1,828,622)
Net book amount	88,885	368,209	299,872	66,596	148,262	114,043	1,085,867
At December 31, 2012							
Acquisition cost	88,885	600,145	1,250,465	66,445	395,212	64,111	2,465,263
Accumulated amortization and impairment	-	(263,253)	(983,525)	-	(256,483)	-	(1,503,261)
Net book amount	88,885	336,892	266,940	66,445	138,729	64,111	962,002

(b) Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Memberships	Other intangible assets	Construction-in-progress	Total
At January 1, 2013	88,885	336,892	266,940	66,445	138,729	64,111	962,002
Acquisitions	-	-	45,411	-	44,705	68,812	158,928
Acquisitions by internal development	-	-	24,521	-	-	195,491	220,012
Acquisitions from business combination	-	1	85	1,113	4,879	-	6,078
Transfer-in(out)	-	94,721	190,057	-	22,608	(212,665)	94,721
Disposals and others	-	(4,663)	(11,291)	(287)	-	(1,706)	(17,947)
Decrease due to business transfer	-	-	(645)	-	-	-	(645)
Amortization	-	(58,742)	(215,206)	-	(62,211)	-	(336,159)
Impairment ¹	-	-	-	(675)	(448)	-	(1,123)
At December 31, 2013	88,885	368,209	299,872	66,596	148,262	114,043	1,085,867

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Memberships	Other intangible assets	Construction-in-progress	Total
At January 1, 2012	88,885	307,200	270,510	66,526	106,984	75,872	915,977
Acquisitions	-	-	42,649	-	69,182	41,336	153,167
Acquisitions by internal development	-	-	23,311	-	-	152,467	175,778
Transfer-in(out)	-	93,060	198,358	175	3,664	(202,060)	93,197
Disposals and others	-	(7,156)	(19,074)	(256)	(184)	(3,504)	(30,174)
Amortization	-	(56,212)	(248,780)	-	(40,917)	-	(345,909)
Impairment ¹	-	-	(34)	-	-	-	(34)
At December 31, 2012	88,885	336,892	266,940	66,445	138,729	64,111	962,002

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

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

<i>(in millions of Korean won)</i>	2013	2012
Cost of sales	149,290	72,242
Selling and marketing expenses	27,557	11,115
Administrative expenses	74,825	86,751
Research and development expenses	83,274	174,384
Service costs	1,213	1,417
Total	336,159	345,909

(d) Impairment tests for goodwill

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

<i>(in millions of Korean won)</i>	AE	MC	Other	Total
Goodwill	56,880	29,894	2,111	88,885

AE: Air Conditioning & Energy Solution

MC: Mobile Communications

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 management covering a four-year period. Cash flows 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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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>	AE	MC	Other
Discount rates	13.7%	13.8%	13.4%
Nominal long-term growth rates	2.1%	4.6%	2.9%

The recoverable amounts based on value-in-use calculations exceed carrying amounts and no impairments were recognized.

12. Investments in subsidiaries, associates and joint ventures

(a) Investments in subsidiaries, associates and joint ventures as of December 31, 2013 and December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	Classification at December 31, 2013	Location	Closing month	Percentage of ownership at December 31, 2013	Carrying amount	
					December 31, 2013	December 31, 2012
LG Display Co., Ltd.	Associate	Korea	December	37.9%	3,480,623	3,480,623
LG Electronics U.S.A., Inc.(LGEUS)	Subsidiary	USA	December	100.0%	955,542	955,542
LG Innotek Co., Ltd.	Subsidiary	Korea	December	47.9%	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	Subsidiary	India	March	100.0%	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Subsidiary	Brazil	December	100.0%	270,631	270,631
LG Electronics Mlawa Sp. z o.o.(LGEMA)	Subsidiary	Poland	December	100.0%	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	Subsidiary	China	December	70.0%	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Subsidiary	Netherlands	December	100.0%	148,551	148,551
Hiplaza Co., Ltd.	Subsidiary	Korea	December	100.0%	136,459	136,459
LG Holdings(HK) Ltd.	Joint venture	Hong Kong	December	49.0%	129,386	129,386
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	Subsidiary	China	December	88.4%	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN) ²	Subsidiary	Indonesia	December	100.0%	94,118	94,124
Ericsson-LG Co., Ltd.	Associate	Korea	December	25.0%	81,755	81,755
Hitachi-LG Data Storage Inc.(HLDS) ⁴	Associate	Japan	December	49.0%	80,602	37,102
LG Electronics Panama, S.A.(LGEPS)	Subsidiary	Panama	December	100.0%	79,222	79,222
LG Electronics Wroclaw Sp.z o.o.(LGEWR)	Subsidiary	Poland	December	100.0%	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEEMS)	Subsidiary	Mexico	December	100.0%	68,721	68,721
Hi Entech Co., Ltd.	Subsidiary	Korea	December	100.0%	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Subsidiary	Thailand	December	100.0%	55,578	55,578
Global OLED Technology LLC.	Associate	USA	December	32.7%	53,454	53,454
LG Electronics Australia Pty, Ltd.(LGEAP)	Subsidiary	Australia	December	100.0%	50,664	50,664
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Joint venture	Turkey	December	50.0%	40,844	40,844
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH) ³	Subsidiary	Vietnam	December	100.0%	37,698	-
LG Fuel Cell Systems Inc. ⁴	Associate	USA	December	30.0%	36,784	26,098

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Classification at December 31, 2013	Location	Closing month	Percentage of ownership at December 31, 2013	Carrying amount	
					December 31, 2013	December 31, 2012
LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	Subsidiary	Taiwan	December	100.0%	10,865	10,865
LG Hitachi Water Solution Co., Ltd.	Subsidiary	Korea	December	51.0%	9,180	9,180
LGE Alliance Fund ⁵	Subsidiary	Korea	December	96.2%	7,910	10,000
EIC PROPERTIES PTE LTD.	Joint venture	Singapore	December	38.2%	7,881	7,881
Innovation Investment Fund ⁵	Subsidiary	Korea	December	83.3%	3,970	24,803
LGE Alliance Fund II ³	Subsidiary	Korea	December	98.7%	3,000	-
V-ENS (M) Sdn. Bhd. ⁶	Subsidiary	Malaysia	December	100.0%	2,832	-
Korea Information Certificate Authority Inc. ¹	Associate	Korea	December	9.3%	1,242	1,242
VENS BEIJING VEHICLE ENGINEERING CO.,LTD ⁶	Subsidiary	China	December	100.0%	1,063	-
LG Fund for Enterprises ⁵	Joint venture	Korea	December	50.0%	740	2,136
LG Alina Electronics(LGERI) ⁷	Subsidiary	Russia	December	95.0%	470	12,803
Hanuri Co., Ltd. ³	Subsidiary	Korea	December	100.0%	360	-
SKT Vietnam PTE., Ltd.	Associate	Singapore	December	25.4%	-	-
LG Electronics RUS-Marketing, LLC(LRERM) ⁸	-	-	-	-	-	204
KTB Technology Fund ⁸	-	-	-	-	-	5,366
Triveni Digital Inc. ²	-	-	-	-	-	899
Others	Subsidiaries				696,599	696,599
Total					8,006,190	7,950,178

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

² Disposed of during the year.

³ Newly established during the year.

⁴ Participated in capital increase of the investee during the year.

⁵ Carrying amount is decreased due to return of interest in the investment and others during the year.

⁶ Acquired through business combination during the year(Note 41).

⁷ Carrying amount is decreased due to recognition of impairment loss during the year.

⁸ Liquidated during the year.

(b) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
At January 1	7,950,178	7,964,549
Acquisitions	112,272	69,377
Acquisitions from business combination	3,895	-
Disposals	(30,794)	(83,748)
Decrease due to business combination	(17,028)	-
Impairment	(12,333)	-
At December 31	8,006,190	7,950,178

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(c) Impairment test for investments in subsidiaries, associates and Joint ventures

1) The Company records the investments in subsidiaries, associates or joint ventures at acquisition cost on the basis of the direct equity interest and assess at the end of each reporting period whether there is any indication that asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset by future cash flow projection technique. And if the recoverable amount of an asset is less than its carrying amount, the Company recognizes an impairment loss immediately by reducing its carrying amount to its recoverable amount.

2) The recoverable amount related to recognized in the separate statement of income within "impairment loss" for the year ended December 31, 2013, is determined by its asset's fair value less costs.

3) The difference of ₩12,333 million between recoverable amount and carrying amount relating to LG Alina Electronics, a subsidiary, is recognized in the statement of income within "other non-operating expenses" for the year ended December 31, 2013.

(d) The fair value and book value of marketable subsidiaries, associates, and joint ventures 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	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	83,700	807,971	541,538

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	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	82,300	794,457	541,538

13. Investment Property

Details of investment property are as follows:

<i>(in millions of Korean won)</i>	Land	Buildings	Total
At December 31, 2013			
Acquisition cost	754	2,565	3,319
Accumulated depreciation	-	(340)	(340)
Net book amount	754	2,225	2,979

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Land	Buildings	Total
At December 31, 2012			
Acquisition cost	2,121	8,504	10,625
Accumulated depreciation	-	(2,371)	(2,371)
Net book amount	2,121	6,133	8,254

Changes in carrying amounts of investment property for the years ended December 31, 2013 and 2012, are as follows:

	2013		
<i>(in millions of Korean won)</i>	Land	Buildings	Total
At January 1	2,121	6,133	8,254
Disposal	(1,367)	(3,708)	(5,075)
Depreciation	-	(200)	(200)
At December 31	754	2,225	2,979

	2012		
<i>(in millions of Korean won)</i>	Land	Buildings	Total
At January 1	2,241	6,789	9,030
Disposal	(120)	(443)	(563)
Depreciation	-	(213)	(213)
At December 31	2,121	6,133	8,254

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 ₩2,835 million (2012: ₩7,392 million).

Rental income amounting to ₩537 million (2012: ₩133 million) and rental expenses amounting to ₩203 million (2012: ₩224 million) are recognized in the separate statement of income relating to investment property.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

14. Borrowings

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

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Current		
Short-term borrowings	19,689	230,434
Current portion of long-term borrowings	957,500	337,500
Current portion of debentures	414,616	489,651
Sub-total	1,391,805	1,057,585
Non-current		
Long-term borrowings	1,195,000	2,152,500
Debentures	3,355,437	2,054,240
Sub-total	4,550,437	4,206,740
Total	5,942,242	5,264,325

(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			
LG Electronics European Shared Service Center B.V.	-	-	124,750
Borrowings on negotiated trade bills ¹			
Hana Bank and others	-	19,689	105,684
Total		19,689	230,434

¹ At the end of the reporting period, borrowings are collateralized by certain trade receivables of the Company (Note 6).

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
Local currency loans					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2016.05.24	4.73	190,000	-	190,000
Nonghyup Bank	2014.03.09	4.70	190,000	190,000	-
Shinhan Bank	2016.10.18	4.37	142,500	47,500	95,000
Shinhan Bank	2017.02.16	4.60	190,000	-	190,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Korea Development Bank	2014.04.05	4.45	190,000	190,000	-

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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 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	2017.03.29	4.62	190,000	-	190,000
Total			2,152,500	957,500	1,195,000

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2012(%)	December 31, 2012		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2013.05.14	4.67	190,000	190,000	-
Kookmin Bank	2014.11.12	4.62	150,000	-	150,000
Kookmin Bank	2016.05.24	4.73	190,000	-	190,000
Nonghyup Bank	2014.03.09	4.70	190,000	-	190,000
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
Woori Bank	2017.10.28	4.62	190,000	-	190,000
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	2014.11.24	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 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	2017.03.29	4.62	190,000	-	190,000
Total			2,490,000	337,500	2,152,500

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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 (56 th)	2015.09.09	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 th)	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 st)	2014.02.16	4.44	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 nd)	2016.02.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 th) ¹	2014.04.28	3ML+1.00	179,401	179,401	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 th)	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 st)	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 nd)	2016.08.05	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds (63 rd) ¹	2014.08.23	3ML+0.70	105,530	105,530	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 th)	2016.09.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 th) ¹	2016.12.02	2.00	255,564	-	255,564
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 st)	2015.09.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 nd)	2017.09.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (67 th)	2018.03.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-1 st)	2020.05.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-2 nd)	2020.05.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-3 rd)	2023.05.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-4 th)	2023.05.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-1 st)	2015.07.31	2.86	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-2 nd)	2018.07.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-3 rd)	2020.07.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds (70 th) ¹	2019.01.31	3ML+1.60	211,060	-	211,060
Fixed rate notes in local currency	Public, non-guaranteed bonds (71-1 st)	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (71-2 nd)	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (71-3 rd)	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds (72 nd) ¹	2017.06.19	3ML+1.30	211,060	-	211,060
Less: discount on debentures				(12,562)	(315)	(12,247)
Total				3,770,053	414,616	3,355,437

<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 (54 th)	2013.04.22	4.20	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (55 th)	2013.06.16	4.60	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 th)	2015.09.09	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 th)	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 st)	2014.02.16	4.44	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 nd)	2016.02.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 th) ¹	2014.04.28	3ML+1.00	182,087	-	182,087

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Fixed rate notes in local currency	Public, non-guaranteed bonds (60 th)	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 st)	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-1 st)	2013.08.05	3.89	110,000	110,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 nd)	2016.08.05	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds (63 rd) ¹	2014.08.23	3ML+0.70	107,110	-	107,110
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 th)	2016.09.30	4.32	190,000	-	190,000
Fixed rate notes in foreign Currency	Public, non-guaranteed bonds (65 th) ¹	2016.12.02	2.00	252,216	-	252,216
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 st)	2015.09.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 nd)	2017.09.10	3.28	130,000	-	130,000
Less: discount on debentures				(7,522)	(349)	(7,173)
Total				2,543,891	489,651	2,054,240

¹ The Company entered into cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of the debenture (Note 7). Private bonds(70th) are guaranteed by Shinhan Bank (Note 37).

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

<i>(in millions of Korean won)</i>	Total	Less than			Over
		1 year	2 years	5 years	5 years
Short-term borrowings	19,689	19,689	-	-	-
Current portion of long-term borrowings	988,547	988,547	-	-	-
Current portion of debentures	419,491	419,491	-	-	-
Long-term borrowings	1,343,925	55,697	404,737	883,491	-
Debentures	3,830,728	118,586	774,249	2,118,663	819,230
Total	6,602,380	1,602,010	1,178,986	3,002,154	819,230

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

15. Other Payables

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Non-trade payables	1,219,179	1,139,840
Accrued expenses	556,800	468,060
Deposits received	22,313	21,516
Total	1,798,292	1,629,416

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

16. Deferred Income Tax

(a) The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	352,921	395,018
Deferred tax asset to be recovered after more than 12 months	1,421,443	1,254,346
Deferred tax assets before offsetting	1,774,364	1,649,364
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	61,540	57,296
Deferred tax liability to be settled after more than 12 months	837,321	839,842
Deferred tax liabilities before offsetting	898,861	897,138
Deferred tax assets after offsetting	875,503	752,226

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

<i>(in millions of Korean won)</i>	2013			
	At January 1	Charged (credited) to the statement of income	Charged(credited) to other comprehensive income	At December 31
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(269,522)	15,162	-	(254,360)
Property, plant and equipment	(193,229)	17,713	-	(175,516)
Trade receivables	155	4,170	-	4,325
Accrued expenses	337,145	(52,152)	-	284,993
Provisions	48,272	4,718	-	52,990
Gain(loss) on foreign currency translation	(690)	623	-	(67)
Gain(loss) on valuation of derivatives	-	2,499	(1,971)	528
Reserve for research and manpower development	(102,729)	51,365	-	(51,364)
Severance and retirement benefits	62,435	(13,619)	(7,279)	41,537
Other	5,523	19,484	(1,809)	23,198
Sub-total	(112,640)	49,963	(11,059)	(73,736)
Tax credits carryforwards	582,068	85,336	-	667,404
Tax loss carryforwards	282,798	(963)	-	281,835
Deferred tax assets(liabilities)	752,226	134,336	(11,059)	875,503

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	2012			
	At January 1	Charged (credited) to the statement of income	Charged(credited) to other comprehensive income	At December 31
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(283,050)	13,528	-	(269,522)
Property, plant and equipment	(199,696)	6,467	-	(193,229)
Trade receivables	(8,169)	8,324	-	155
Accrued expenses	298,368	38,777	-	337,145
Provisions	42,976	5,296	-	48,272
Gain(loss) on foreign currency translation	38,136	(38,826)	-	(690)
Gain(loss) on valuation of derivatives	9,009	(7,673)	(1,336)	-
Reserve for research and manpower development	(154,093)	51,364	-	(102,729)
Severance and retirement benefits	35,231	(740)	27,944	62,435
Other	18,228	(13,032)	327	5,523
Sub-total	(203,060)	63,485	26,935	(112,640)
Tax credits carryforwards	448,230	133,838	-	582,068
Tax loss carryforwards	413,254	(130,456)	-	282,798
Deferred tax assets(liabilities)	658,424	66,867	26,935	752,226

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

<i>(in millions of Korean won)</i>	2013			2012		
	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Remeasurements of net defined benefit liability	30,075	(7,279)	22,796	(113,976)	27,944	(86,032)
Cash flow hedges	8,146	(1,971)	6,175	5,520	(1,336)	4,184
Available-for-sale financial assets	7,478	(1,809)	5,669	(1,350)	327	(1,023)
Total	45,699	(11,059)	34,640	(109,806)	26,935	(82,871)

(d) 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)	(1,297,904)	Planned permanent reinvestment of undistributed profit
Tax credits carryforwards	67,392	Uncertainty of future taxable profit

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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

<i>(in millions of Korean won)</i>	<u>Less than 1 year</u>	<u>Less than 2 years</u>	<u>Less than 3 years</u>	<u>Over 3 years</u>
Tax credits carryforwards	67,392	-	-	-

17. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Present value of funded obligations	1,547,342	1,365,526
Fair value of plan assets	(1,133,517)	(897,928)
Net defined benefit liabilities	413,825	467,598

(b) The amounts recognized in the separate statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Current service cost	228,535	196,163
Net interest cost	14,206	14,192
Managing cost	1,003	1,486
Total	243,744	211,841

(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>	<u>2013</u>	<u>2012</u>
Manufacturing cost	127,714	109,790
Selling and marketing expenses	33,573	31,013
Administrative expenses	13,373	11,230
Research and development expenses	65,515	56,581
Service costs	3,569	3,227
Total	243,744	211,841

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(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>	2013	2012
At January 1	1,365,526	1,073,728
Current service cost	228,535	196,163
Interest expense	49,239	47,985
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	-	497
- Actuarial gain(loss) arising from changes in financial assumptions	(49,301)	114,033
- Actuarial gain(loss) arising from experience adjustments	17,062	(967)
Increase due to business combination	1,565	-
Benefits paid	(61,033)	(65,913)
Decrease due to business transfer	(4,251)	-
At December 31	1,547,342	1,365,526

(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>	2013	2012
At January 1	897,928	710,111
Interest income	35,033	33,793
Remeasurements for:		
- Return on plan assets	(2,164)	(413)
Employer contributions	240,000	200,000
Increase due to business combination	986	-
Benefits paid	(34,324)	(44,077)
Decrease due to business transfer	(2,939)	-
Managing cost	(1,003)	(1,486)
At December 31	1,133,517	897,928

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

	December 31, 2013	December 31, 2012
Discount rate	4.1%	3.7%
Future salary increase	6.0%	6.0%

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

<i>(in millions of Korean won)</i>	1% increase	1% decrease
Discount rate	(123,903)	142,683
Future salary increase	138,870	(123,191)

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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

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

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Amount	Composition(%)	Amount	Composition(%)
Securities combined with derivatives (guaranteed)	793,530	70.0	582,827	64.9
Time deposits and others	339,987	30.0	315,101	35.1
Total	1,133,517	100.0	897,928	100.0

(i) 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>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years	Total
Pension benefits	100,716	120,376	375,563	579,138	1,195,018	2,370,811

The Company evaluates the fund contribution level annually and if there is a shortfall in the funds the Company has a policy to finance the funds. Expected contributions to post-employment benefit plans for the year ending December 31, 2014, are ₩203,389 million.

Defined Contribution Plan

Recognized expense related to the defined contribution plan for the year ended December 31, 2013, is ₩3,246 million (2012: ₩1,506 million).

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

18. Provisions

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

<i>(in millions of Korean won)</i>	2013				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	199,470	1,103	5,651	746,115	952,339
Addition	386,945	5,983	115	89,396	482,439
Increase due to business combination	257	-	-	-	257
Utilization	(367,704)	(6,296)	(308)	(30,239)	(404,547)
At December 31	218,968	790	5,458	805,272	1,030,488
Current	211,920	790	-	-	212,710
Non-current	7,048	-	5,458	805,272	817,778

<i>(in millions of Korean won)</i>	2012				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	177,586	493	4,568	331,922	514,569
Addition	332,217	5,569	1,665	465,449	804,900
Utilization	(310,333)	(4,959)	(582)	(51,256)	(367,130)
At December 31	199,470	1,103	5,651	746,115	952,339
Current	191,203	1,103	-	-	192,306
Non-current	8,267	-	5,651	746,115	760,033

19. Other Liabilities

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

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Advances from customers	221,755	147,668
Unearned income	37,517	44,627
Withholding	90,593	104,503
Accrued Expenses	1,257,166	1,179,740
Total	1,607,031	1,476,538

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

20. 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
Total		180,833,806	904,169	180,833,806	904,169

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>	December 31, 2013	December 31, 2012
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.

21. Retained Earnings

(a) Retained earnings consist of:

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Legal reserve ¹	149,503	145,816
Discretionary reserve ²	5,872,588	6,351,342
Accumulated deficit	(165,008)	(438,096)
Total	5,857,083	6,059,062

¹ 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.

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(b) Changes in retained earnings are as follows:

<i>(in millions of Korean won)</i>	2013	2012
At January 1	6,059,062	6,534,129
Loss for the year	(189,077)	(352,163)
Remeasurements of net defined benefit liability	22,796	(86,032)
Dividends	(36,872)	(36,872)
Changes due to business combination	1,174	-
At December 31	5,857,083	6,059,062

(c) Appropriation of retained earnings for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Deficit for disposition		
Unappropriated retained earnings carried over from prior year	99	99
Remeasurement of net defined benefit liability	22,796	(86,032)
Changes due to business combination	1,174	-
Loss for the year	(189,077)	(352,163)
	<u>(165,008)</u>	<u>(438,096)</u>
Transfer from discretionary reserve		
Reserve for research and manpower development	5,660,337	5,926,841
Total	<u>5,495,329</u>	<u>5,488,745</u>
Appropriation of retained earnings		
Legal reserve	3,687	3,687
Reserve for research and manpower development	5,454,671	5,448,087
Dividends	36,872	36,872
Common stock :		
₩ 200 (4%) in 2013		
₩ 200 (4%) in 2012		
Preferred stock :		
₩ 250 (5%) in 2013		
₩ 250 (5%) in 2012		
	<u>5,495,230</u>	<u>5,488,646</u>
Unappropriated retained earnings to be carried forward to subsequent year	<u>99</u>	<u>99</u>

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

22. Accumulated Other Comprehensive Income(loss)

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

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Cash flow hedge	5,436	(739)
Available-for-sale financial assets	10,772	5,103
Total	16,208	4,364

23. Other Components of Equity

Details of other components of equity consist of:

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
At December 31	(32,819)	(32,819)

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

24. 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.

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

¹ 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.

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

25. 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>	2013	2012
Sales of goods	27,050,205	24,511,158
Sales of services	278,046	214,867
Royalty income	366,011	338,695
Other	384,633	362,485
Total	28,078,895	25,427,205

26. 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>	2013	2012
Changes in inventories	5,247	(36,098)
Purchase of raw materials and merchandise	19,205,675	16,903,045
Employee benefit expense	3,229,415	2,884,432
Depreciation and amortization	877,663	833,805
Advertising expense	532,234	594,060
Promotion expense	238,291	246,177
Transportation expense	645,414	624,277
Commission expense	1,445,950	1,380,040
Other expenses	2,112,883	1,951,268
Total ¹	28,292,772	25,381,006

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

27. 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>	2013	2012
Wages and salaries	1,231,361	1,074,557
Severance benefits	120,447	103,361
Welfare expense	211,210	184,019
Transportation expense	634,344	609,205
Rental expense	156,442	142,241
Commission expense	953,669	947,220
Depreciation	130,053	112,575
Amortization	186,869	273,667

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Taxes and dues	17,483	14,640
Advertising expense	532,234	594,060
Promotion expense	238,291	246,177
Direct R&D costs	484,873	426,433
Direct service costs	375,100	334,560
Bad debt expense	19,379	32,727
Other	351,507	299,192
Total	5,643,262	5,394,634

28. Research and Development Expenditure

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

<i>(in millions of Korean won)</i>	2013	2012
Uncapitalized research and development expenditure	2,863,922	2,457,628
Amortization from internally capitalized development costs	139,286	165,321
Total	3,003,208	2,622,949

29. Financial Income

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

<i>(in millions of Korean won)</i>	2013	2012
Interest income	29,483	44,876
Exchange differences	149,967	187,968
Gain on derivatives	-	15,943
Other	1,484	1,579
Total	180,934	250,366

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

30. Financial Expenses

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

<i>(in millions of Korean won)</i>	2013	2012
Interest expense	227,382	230,391
Exchange differences	148,748	215,962
Loss on derivatives	-	16,304
Loss on disposal of trade receivables	4,639	628
Other	28	475
Total	380,797	463,760

31. 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>	2013	2012
Dividend income	490,797	296,371
Exchange differences	637,930	619,618
Gain on disposal of property, plant and equipment	5,131	3,516
Gain on disposal of intangible assets	4,723	724
Gain on disposal of available-for-sale financial assets	5,218	1,022
Gain on disposal of investments in subsidiaries, associates and joint ventures	2,574	133,009
Other	16,945	39,272
Total	1,163,318	1,093,532

32. 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>	2013	2012
Exchange differences	835,859	619,406
Loss on disposal of property, plant and equipment	4,862	8,653
Loss on disposal of intangible assets	16,796	29,817
Loss on disposal of available-for-sale financial assets	-	19
Impairment loss on available-for-sale financial assets	3,598	8,101
Loss on disposal of investments in subsidiaries, associates and joint ventures	5,541	896
Impairment loss on investments in subsidiaries, associates and joint ventures	12,333	-
Other	117,734	499,027
Total	996,723	1,165,919

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

33. Income Tax

(a) Details of income tax expense(benefit) are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Current income taxes		
Current tax on profits for the year	88,728	69,475
Adjustments in respect of prior years	(12,460)	109,973
Deferred tax		
Changes in temporary differences	(49,963)	(63,485)
Changes in tax credits	(85,336)	(133,838)
Changes in tax losses	963	130,456
Income tax expense(benefit)	(58,068)	112,581

(b) 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
Loss before income tax	(247,145)		(239,582)	
Tax expense based on statutory tax rate	(59,809)	24.2%	(57,979)	24.2%
Tax adjustments:				
Income not subject to tax	(9,267)	3.7%	(12,382)	5.2%
Expenses not deductible for tax purposes	36,696	(14.8%)	146,322	(61.1%)
Recognition of deferred tax asset on tax credits	(62,417)	25.3%	(74,590)	31.1%
Adjustments in respect of prior years	(12,460)	5.0%	109,973	(45.9%)
Changes in unrecognized deferred tax assets and others	49,189	(19.9%)	1,237	(0.5%)
Income tax expense(benefit)	(58,068)	23.5%	112,581	(47.0%)

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

34. Loss per Share

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

	<u>2013</u>	<u>2012</u>
Loss attributable to common shares ¹ (in millions of won)	(171,813)	(319,338)
Weighted average number of common shares outstanding (unit: shares) ²	162,884,646	162,884,648
Basic loss per common share (in won)	(1,055)	(1,961)
	<u>2013</u>	<u>2012</u>
Loss attributable to preferred shares ¹ (in millions of won)	(17,264)	(32,825)
Weighted average number of preferred shares outstanding (unit: shares) ²	17,181,302	17,181,303
Basic loss per preferred share (in won)	(1,005)	(1,911)

¹ Loss attributable to common and preferred shares are as follows:

<i>(in millions of Korean won)</i>	<u>2013</u>	<u>2012</u>
Loss for the year (A)	(189,077)	(352,163)
Common share dividends (B)	32,577	32,577
Preferred share dividends (C)	4,295	4,295
Undistributed loss (D=A-B-C)	(225,949)	(389,035)
Undistributed loss available for common shares (E)	(204,390)	(351,915)
Undistributed loss available for preferred shares (F)	(21,559)	(37,120)
Loss attributable to common shares (G=B+E)	(171,813)	(319,338)
Loss attributable to preferred shares (H=C+F)	(17,264)	(32,825)

² Weighted average numbers of shares are calculated as follows:

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

35. Dividends

The dividends paid in 2013 and 2012 were ₩36,872 million and ₩36,872 million, respectively. Details of dividends 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 separate financial statements do not reflect this dividend payable.

The numbers of shares entitled to dividends are as follows:

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

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

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

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

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

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

<i>(in millions of Korean won)</i>	Calculation	2013	2012
Dividend payout ratio ¹ (Dividends/Net income)	Common shares	-	-
	Preferred shares	-	-
Dividend yield ratio (Dividend per share/ Market price ²)	Common shares	0.30%	0.27%
	Preferred shares	0.95%	1.22%

¹ Dividend payout ratio is not calculated due to the net loss for the year of the Company.

² 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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

36. Information on Cash Flow

(a) Cash generated from operations

Cash flows from operating activities are presented under 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>	2013	2012
Loss for the year	(189,077)	(352,163)
Adjustments:		
Interest expense, net	197,899	185,515
Exchange differences, net	35,024	(78,473)
Loss on derivatives, net	-	361
Depreciation	544,442	490,141
Amortization	336,159	345,909
Loss on disposal of property, plant and equipment and intangible assets	11,804	34,230
Provisions for severance benefits	243,744	211,841
Provisions	482,439	804,900
Impairment loss on available-for-sale financial assets	3,598	8,101
Loss(gain) on disposal of investments in subsidiaries, associates and joint ventures	2,967	(132,113)
Impairment loss on investments in subsidiaries, associates and joint ventures	12,333	-
Dividend income	(490,797)	(296,371)
Income tax expense(benefit)	(58,068)	112,581
Other	139,050	164,132
	<u>1,460,594</u>	<u>1,850,754</u>
Changes in operating assets and liabilities		
Decrease(increase) in trade receivables	(42,594)	307,119
Increase in loans and other receivables	(149,473)	(44,773)
Increase in inventories	(65,522)	(116,936)
Increase in other assets	(83,594)	(54,395)
Increase in trade payables	298,907	179,607
Increase in other payables	117,036	133,186
Decrease in provisions	(404,547)	(367,130)
Increase(decrease) in other liabilities	131,117	(81,030)
Payment of defined benefit liability	(26,709)	(21,836)
Deposit in plan assets, net	(271,866)	(231,894)
	<u>(497,245)</u>	<u>(298,082)</u>
Cash generated from operations	<u>774,272</u>	<u>1,200,509</u>

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(b) Non-cash transactions

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>	2013	2012
Reclassification of construction-in-progress of property, plant and equipment	550,492	278,935
Reclassification of construction-in-progress of intangible assets	212,665	202,060
Reclassification to long-term prepayment to intangible assets	94,721	93,060
Reclassification of current maturities of borrowings and debentures	1,375,548	827,151
Other payables to acquire property, plant and equipment	60,978	58,180
Other payables to acquire intangible assets	99,106	65,167

(c) The assets and liabilities arising from the transfer of business

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

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

¹ This total consideration has been collected as of December 31, 2013.

37. Contingencies

(a) At the end of the reporting period, the Company is provided with a performance guarantee of ₩140,606 million (2012: ₩130,483 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts. The Company is also provided with a performance guarantee of ₩211,060 million (2012: nil) from Shinhan Bank for the guaranteed bond (Note 14).

(b) As of the reporting date, the financial guarantees provided by the Company to related parties amounts to ₩3,146,814 million (2012: ₩2,519,427 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	December 31, 2013	December 31, 2012
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	586,625	532,522

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Beneficiary	December 31, 2013	December 31, 2012
LG Electronics U.S.A., Inc.(LGEUS)	J.P.Morgan and others	448,503	289,197
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	277,615	226,845
LG Electronics (China) Co., Ltd.(LGECH)	HSBC and others	213,143	195,293
LG Electronics do Brasil Ltda.(LGEBR)	Standard Chartered Bank and others	200,177	133,888
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	147,989	101,326
LG Electronics Algeria SARL(LGEAS)	HSBC and others	123,494	108,482
LG Electronics Argentina S.A.(LGEAR)	Citibank and others	107,928	81,714
LG-Shaker Co., Ltd.(LGESR)	Banque Saudi Fransi and others	105,007	110,496
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank and others	82,362	83,830
LG Electronics Vietnam Co., Ltd.(LGEVN)	HSBC and others	74,260	75,534
LG Electronics Peru S.A.(LGEPR)	Banco Bilbao Vizcaya Argentaria and others	67,436	44,129
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	63,563	56,098
LG Electronics Morocco S.A.R.L(LGEMC)	Citibank and others	57,833	57,065
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank and others	44,323	22,493
LG Electronics RUS, LLC(LGERA)	Citibank and others	42,212	42,844
LG Electronics S.A. (Pty) Ltd.(LGESA)	Standard Bank and others	39,919	49,646
Other	Citibank and others	464,425	308,025
Total		3,146,814	2,519,427

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

<i>(in millions of Korean won)</i>				
Less than 1 year	Less than 2 years	Less than 5 years	Over 5 years	Total
3,060,887	7,545	78,382	-	3,146,814

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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(c) In December 2012, the European Commission imposed a penalty on the Company for anti-competitive activities among CRT (Cathode Ray Tube) manufacturers as a result of an investigation. The Company recognized such penalty amounting to EUR 491,567 thousand as expected loss. However, the Company appealed against the decision of the European Commission. The ultimate amount of loss resulting from the investigation may differ from the amount of penalty imposed and the amount could be material. The Company is provided with a performance guarantee of EUR 571,138 thousand from banks for the above.

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

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

(d) 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 Company's employee benefits. However, the management believes that the effect of the decision on the Company's employee benefits will be determined by the result of the future agreement between the labor union and the management.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

38. Commitments

(a) At the end of the reporting period, the Company has overdraft agreements with various banks, including Shinhan Bank, with a limit of ₩195,500 million (2012: ₩245,500 million).

(b) At the end of the reporting period, the 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 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).

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

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

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	December 31, 2013	December 31, 2012
Property, plant and equipment	15,110	22,182
Intangible assets	8,344	20
Total	23,454	22,202

(f) Operating lease commitments – the Company as lessee

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

<i>(in millions of Korean won)</i>	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	38,677	87,983	169	126,829
Vehicles	5,530	4,962	-	10,492
Equipment	15,112	11,552	-	26,664
Total	59,319	104,497	169	163,985

Lease payment under operating lease recognized in the statement of income for the year ended December 31, 2013, is ₩85,076 million (2012: ₩81,766 million).

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(g) Operating lease commitments – the Company as lessor

The Company 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 Company 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 licenses commitments

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

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

39. Related Party Transactions

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

Territory	Location	Subsidiaries	Percentage of valid ownership	
			Dec. 31, 2013	Dec. 31, 2012
Korea	Korea	Hiplaza Co., Ltd.	100.0%	100.0%
	Korea	Hi Business Logistics Co., Ltd.	100.0%	100.0%
	Korea	Hi Entech Co., Ltd.	100.0%	100.0%
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	51.0%
	Korea	ACE R&A Co., Ltd.	100.0%	100.0%
	Korea	Hi M Solutek	100.0%	100.0%
	Korea	Hi Teleservice Co., Ltd.	100.0%	100.0%
	Korea	LGE Alliance Fund	96.2%	96.2%
	Korea	Innovation Investment Fund	83.3%	83.3%
	Korea	LG Innotek Co., Ltd. ¹	47.9%	47.9%
	Korea	LG Innotek Alliance Fund ¹	47.4%	47.4%
	Korea	Innowith Co., Ltd. ¹	47.9%	47.9%
	Korea	Hanuri Co., Ltd.	100.0%	-
	Korea	LGE Alliance Fund II	98.7%	-
	China	China	Hi Logistics (China) Co., Ltd.	100.0%
China		Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	70.0%
China		LG Electronics (China) Co., Ltd.(LGECH)	100.0%	100.0%
China		LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD)	100.0%	100.0%
China		LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	70.0%
China		LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.0%	100.0%
China		LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	100.0%
China		LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	100.0%
China		LG Electronics HK Ltd.(LGEHK)	100.0%	100.0%
China		LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	80.0%
China		LG Electronics Nanjing Display Co., Ltd.(LGEND)	70.0%	70.0%
China		LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	100.0%
China		LG Electronics Shenyang Inc.(LGESY)	78.9%	78.9%
China		LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	80.0%
China		NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	70.0%
China		Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	70.0%
China		Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	70.0%
China		Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	100.0%
China		Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	66.7%

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Territory	Location	Subsidiaries	Percentage of valid ownership	
			Dec. 31, 2013	Dec. 31, 2012
	China	LG Innotek (Yantai) Co., Ltd.(LGITYT) ¹	47.9%	47.9%
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) ¹	47.9%	47.9%
	China	LG Innotek (Fuzhou) Co., Ltd.(LGITFZ) ¹	47.9%	47.9%
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) ¹	47.9%	47.9%
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) ¹	47.9%	47.9%
	China	HiEntech (Tianjin) Co., LTD.	100.0%	-
	China	VENS BEIJING VEHICLE ENGINEERING CO.,LTD	100.0%	-
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	100.0%
	India	LG Electronics India Pvt. Ltd.(LGEIL)	100.0%	100.0%
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	100.0%
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	100.0%
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	100.0%
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	100.0%
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	100.0%
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	100.0%
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	100.0%
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	100.0%
	India	LG Soft India Private Limited.(LGSII)	100.0%	100.0%
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	100.0%
	Philippines	LG Electronics Pasig Inc. ³	38.0%	38.0%
	India	Hi Logistics India Private Limited	100.0%	100.0%
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100.0%	100.0%
	Indonesia	PT LG Innotek Indonesia(LGITIN) ¹	47.9%	47.9%
	Taiwan	LG Innotek (Taiwan) Ltd.(LGITTW) ¹	47.9%	47.9%
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-
Europe	Netherlands	Hi Logistics Europe B.V.	100.0%	100.0%
	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	100.0%
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBS)	100.0%	100.0%
	Czech Republic	LG Electronics CZ, s.r.o.(LGECS)	100.0%	100.0%
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	100.0%
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	100.0%
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	100.0%
	Netherlands	LG Electronics European Shared Service Center B.V.(LGEESC)	100.0%	100.0%
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	100.0%
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	100.0%
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	100.0%

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Territory	Location	Subsidiaries	Percentage of valid ownership	
			Dec. 31, 2013	Dec. 31, 2012
	Latvia	LG Electronics Latvia, LLC(LGELV)	100.0%	100.0%
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	100.0%
	Poland	LG Electronics Mlawa Sp. z o.o.(LGEMA)	100.0%	100.0%
	France	LG Electronics Mobilecomm France(LGEMF)	100.0%	100.0%
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	100.0%
	Norway	LG Electronics Norway AS(LGENO)	100.0%	100.0%
	Poland	LG Electronics Polska Sp. z o.o.(LGEPL)	100.0%	100.0%
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	100.0%
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	100.0%
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	100.0%
	Poland	LG Electronics Wroclaw Sp.z o.o.(LGEWR)	100.0%	100.0%
	Poland	LG Innotek Poland Sp z o.o.(LGITPO) ¹	47.9%	47.9%
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	100.0%
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	100.0%
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	100.0%
	Mexico	LG Electronics Mexicalli, S.A. DE C.V.(LGEMX)	100.0%	100.0%
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	100.0%
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	100.0%
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	100.0%
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	100.0%
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERES)	100.0%	100.0%
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	100.0%
	USA	LG Receivable Funding LLC	100.0%	100.0%
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	100.0%
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	100.0%
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	100.0%
	USA	Zenith Electronics Corporation(Zenith)	100.0%	100.0%
	USA	LG Innotek USA, Inc.(LGITUS) ¹	47.9%	47.9%
	Mexico	HILOGISTICS MEXICO SA DE CV	100.0%	-
	Mexico	HiLogistics Reynosa	100.0%	-
	USA	HiLogistics USA	100.0%	-
	South America	Mexico	LG Innotek Mexico SA DE CV(LGITMX) ¹	47.9%
Brazil		LG Armagem Geral Ltda.	100.0%	100.0%
Argentina		LG Electronics Argentina S.A.(LGEAR)	100.0%	100.0%
Colombia		LG Electronics Colombia Ltda.(LGECEB)	100.0%	100.0%
Brazil		LG Electronics do Brasil Ltda.(LGEBR)	100.0%	100.0%
Honduras		LG Electronics Honduras S.de R.L. ²	20.0%	20.0%

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Territory	Location	Subsidiaries	Percentage of valid ownership	
			Dec. 31, 2013	Dec. 31, 2012
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	100.0%
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	100.0%
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	100.0%
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	100.0%
	Brazil	SOCIO VIP Ltda.	100.0%	100.0%
	Panama	C&S America Solutions	100.0%	100.0%
	Panama	LG Consulting corp.	100.0%	100.0%
	Guatemala	LG Electronics Guatemala S.A.	100.0%	100.0%
Middle East and Africa	Nigeria	Easytec Global Services Innovation Limited	100.0%	100.0%
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	100.0%
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	100.0%
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	100.0%
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	70.0%
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	100.0%
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	100.0%
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	100.0%
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	100.0%
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	100.0%
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	100.0%
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	100.0%
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	100.0%
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	100.0%
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	100.0%
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR) ²	49.0%	49.0%
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	100.0%
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	100.0%
	UAE	Hi Logistics Middle East FZE	100.0%	-
	Other	Russia	LG Alina Electronics(LGERI)	95.0%
Kazakhstan		LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	100.0%
Russia		LG Electronics RUS, LLC(LGERA)	100.0%	100.0%
Ukraine		LG Electronics Ukraine Inc.(LGEUR)	100.0%	100.0%

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

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

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

returns.

(b) The related parties of the Company, other than subsidiaries, 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	-
	Hitachi-LG Data Storage Inc.	Hitachi-LG Data Storage Inc.	-
	Hitachi-LG Data Storage	Hitachi-LG Data Storage	-

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

	Korea, Inc.	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.	-
Joint ventures	One-Red, LLC	One-Red, LLC	-
	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-
	LG Holdings(HK) Ltd. and subs LG Holdings(HK) Ltd.	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	-
	LG N-Sys China, Inc.	LG N-Sys China, Inc.	-
	Ucess Philippines, Inc.	Ucess Philippines, Inc.	-
	-	V-ENS CO., LTD.	-

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

-	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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(c) 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 ¹	2013				Purchase total
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	1,140	3	-	138,121	-	138,124
Subsidiaries	LG Innotek Co., Ltd.	35,677	1,015,462	565	9,217	-	1,025,244
	LG Electronics U.S.A., Inc.	2,297,821	2,674	-	35,628	722	39,024
	LG Electronics do Brasil Ltda.	1,507,179	20,377	-	-	-	20,377
	LG Electronics European Shared Service Center B.V.	121,969	-	-	-	-	-
	Zenith Electronics Corporation	33,966	-	-	-	-	-
	LG Electronics RUS, LLC	628,748	484	-	2	42	528
	LG Electronics (China) Co. Ltd.	4,948	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	33,321	29,025	-	6	-	29,031
	P.T. LG Electronics Indonesia	221,294	117,222	-	-	119	117,341
	LG Electronics India Pvt. Ltd.	171,628	325	-	-	-	325
	LG Electronics Mexico S.A. DE C.V.	247,574	-	-	-	283	283
	LG Electronics Nanjing Display Co., Ltd.	251,680	296,588	-	-	-	296,588
	LG Electronics Wroclaw Sp.z.o.o	210,695	13,343	-	-	-	13,343
	LG Electronics Reynosa S.A. DE C.V.	549,146	2,975	-	-	-	2,975
	LG Electronics Mobilecomm U.S.A., Inc	2,993,519	-	-	533	704	1,237
	LG Electronics Mlawa Sp. z o.o	254,533	845	-	-	-	845
	Inspur LG Digital Mobile Communications Co., Ltd.	1,399,765	22,683	-	16,493	85	39,261
	NanJing LG-Panda Appliances Co., Ltd.	26,303	14,249	-	-	-	14,249
	Hiplaza Co., Ltd.	1,076,553	78	438	18,695	-	19,211
	LG Electronics Thailand Co. Ltd.	118,046	922	-	-	2	924
	LG Electronics Monterrey Mexico S.A.de C.V.	51,493	2,190	-	-	-	2,190
	Others	7,063,554	188,626	3,959	501,212	1,540	695,337
	Subtotals	19,299,412	1,728,068	4,962	581,786	3,497	2,318,313
Associates	LG Display Co., Ltd., and subs	286,218	1,958,719	-	13,062	-	1,971,781
	Ericsson-LG Co., Ltd., and subs	15,819	6,360	-	-	-	6,360

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

	Hitachi-LG Data Storage Inc., and subs	13,967	20	-	-	-	20
	LG Fuel Cell Systems Inc., and subs	52	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	1	-	1
	Subtotals	316,056	1,965,099	-	13,063	-	1,978,162
Other related parties	LG CNS Co., Ltd., and subs	32,719	77,319	163,964	219,060	-	460,343
	SERVEONE Co., Ltd., and subs	11,579	650,498	142,615	109,947	-	903,060
	LG Siltron Incorporated	4,868	7,733	-	-	-	7,733
	LUSEM CO., LTD.	18	25,556	-	83	-	25,639
	LG Management Development Institute	71	269	-	24,270	-	24,539
	LG SPORTS Ltd.	11	-	-	9,589	-	9,589
	Subtotals	49,266	761,375	306,579	362,949	-	1,430,903
	Total	19,665,874	4,454,545	311,541	1,095,919	3,497	5,865,502

(in millions of Korean won)

2012

Classification Name	Sales ¹	Purchases				
		Raw materials	Fixed and intangible assets	General Operating Expenses	Others	Purchase total
Significantly influencing the Group						
LG Corp.	3,321	459	-	130,229	-	130,688
Subsidiaries						
LG Innotek Co., Ltd.	26,871	793,658	79	4,420	-	798,157
LG Electronics U.S.A., Inc.	2,162,915	3,028	-	39,689	1,922	44,639
LG Electronics do Brasil Ltda.	891,814	8,876	-	2,212	-	11,088
LG Electronics European Shared Service Center B.V.	86,601	-	-	-	9	9
Zenith Electronics Corporation	-	-	-	-	-	-
LG Electronics RUS, LLC	543,977	250	-	1	130	381
LG Electronics (China) Co. Ltd.	9,035	-	-	-	-	-
LG Electronics Tianjin Appliances Co., Ltd.	16,236	23,520	-	6	-	23,526
P.T. LG Electronics Indonesia	202,355	72,496	-	-	793	73,289
LG Electronics India Pvt. Ltd.	164,721	5,242	18	1,013	6	6,279
LG Electronics Mexico S.A. DE C.V.	231,879	-	-	-	278	278
LG Electronics Nanjing Display Co., Ltd.	92,927	114,782	-	-	-	114,782
LG Electronics Wroclaw Sp.z.o.o	156,111	298	-	-	-	298
LG Electronics Reynosa S.A. DE C.V.	741,890	1,239	-	-	108	1,347

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

	LG Electronics Mobilecomm							
	U.S.A., Inc	2,649,822	349	-	2,807	1,327	4,483	
	LG Electronics Mlawa Sp. z o.o	337,664	210	-	-	49	259	
	Inspur LG Digital Mobile							
	Communications Co., Ltd.	1,060,738	11,569	-	-	188	11,757	
	NanJing LG-Panda Appliances							
	Co., Ltd.	16,566	13	-	-	-	13	
	Hiplaza Co., Ltd.	953,891	36	224	15,774	-	16,034	
	LG Electronics Thailand Co. Ltd.	104,495	577	-	-	68	645	
	LG Electronics Monterrey							
	Mexico S.A.de C.V.	28,303	23	-	-	-	23	
	Others	6,571,220	150,608	143	481,798	3,458	636,007	
	Subtotals	17,050,031	1,186,774	464	547,720	8,336	1,743,294	
Associates	LG Display Co., Ltd., and subs	231,943	1,622,273	-	17	-	1,622,290	
	Ericsson-LG Co., Ltd., and subs	112,559	8,221	-	-	-	8,221	
	Hitachi-LG Data Storage Inc.,							
	and subs	10,584	14,313	-	-	-	14,313	
	LG Fuel Cell Systems Inc., and							
	subs	1,250	-	-	-	-	-	
	Korea Information Certificate							
	Authority Inc.	-	-	-	22	-	22	
	Subtotals	356,336	1,644,807	-	39	-	1,644,846	
Joint venture	Arcelik-LG Klima Sanayi ve							
	Ticaret A.S.	20,788	-	-	-	-	-	
Other related parties	LG CNS Co., Ltd., and subs	25,498	77,190	151,566	233,211	-	461,967	
	SERVEONE Co., Ltd., and subs	24,753	541,921	112,170	91,918	-	746,009	
	LG Siltron Incorporated	3,464	11,584	-	-	-	11,584	
	LUSEM CO., LTD.	25,910	37,176	-	156	-	37,332	
	LG Management Development	1,160	443	-	21,458	-	21,901	
	Institute							
	LG SPORTS Ltd.	33	-	-	8,912	-	8,912	
	Subtotals	80,818	668,314	263,736	355,655	-	1,287,705	
	Total	17,511,294	3,500,354	264,200	1,033,643	8,336	4,806,533	

¹ Including disposal of property, plant, and equipment, and others.

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

(in millions of Korean won)

Classification	Name	2013							
		Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	22,045	22,045	-	-	7,093	7,093

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Subsidiaries	LG Innotek Co., Ltd.	13,693	-	2,193	15,886	275,190	-	1,248	276,438
	LG Electronics U.S.A., Inc.	195,738	-	3	195,741	-	-	12,209	12,209
	LG Electronics do Brasil Ltda.	545,480	-	4,190	549,670	1,224	-	1,857	3,081
	LG Electronics European Shared Service Center B.V.	27,568	-	5,297	32,865	-	-	47	47
	Zenith Electronics Corporation.	-	-	370	370	-	-	1,659	1,659
	LG Electronics RUS, LLC	240,666	-	26,937	267,603	219	-	122	341
	LG Electronics (China) Co. Ltd.	406	-	638	1,044	106	-	79	185
	LG Electronics Tianjin Appliances Co., Ltd.	7,113	-	599	7,712	40,591	-	25	40,616
	P.T. LG Electronics Indonesia.	64,382	-	694	65,076	161,245	-	65	161,310
	LG Electronics India Pvt. Ltd.	21,993	-	7,908	29,901	487	-	82	569
	LG Electronics Mexico S.A. DE C.V.	94,030	-	-	94,030	-	-	68	68
	LG Electronics Nanjing Display Co., Ltd.	64,668	-	1,620	66,288	93,882	-	104	93,986
	LG Electronics Wroclaw Sp.z.o.o	46,184	-	31	46,215	236,793	-	759	237,552
	LG Electronics Reynosa S.A. DE C.V.	31,271	-	2,897	34,168	48,725	-	35	48,760
	LG Electronics Mobilecomm U.S.A., Inc.	245,198	-	-	245,198	-	-	7,105	7,105
	LG Electronics Mlawa Sp. z o.o	38,419	-	-	38,419	273,664	-	331	273,995
	Inspur LG Digital Mobile Communications Co., Ltd.	140,364	-	333	140,697	214,199	-	793	214,992
	NanJing LG-Panda Appliances Co., Ltd.	5,354	-	1,355	6,709	42,504	-	797	43,301
	Hiplaza Co., Ltd.	76,555	-	16,011	92,566	14	-	7,888	7,902
	LG Electronics Thailand Co. Ltd.	32,321	-	746	33,067	79,850	-	1	79,851
	LG Electronics Monterrey Mexico S.A.de C.V.	14,841	-	151	14,992	145,227	-	-	145,227
	Others	1,921,670	-	44,249	1,965,919	281,495	-	60,542	342,037
	Subtotals	3,827,914	-	116,222	3,944,136	1,895,415	-	95,816	1,991,231
Associates	LG Display Co., Ltd., and	51,070	-	23,014	74,084	278,120	-	44	278,164

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

	subs								
	Ericsson-LG Co., Ltd.,								
	and subs	27	-	45	72	2,222	-	150	2,372
	Hitachi-LG Data Storage								
	Inc., and subs	39	-	584	623	-	-	77	77
	Subtotals	51,136	-	23,643	74,779	280,342	-	271	280,613
Other related parties	LG CNS Co., Ltd., and								
	subs	7,292	-	39	7,331	19,676	-	190,296	209,972
	SERVEONE Co., Ltd.,								
	and subs	1,297	-	54,213	55,510	174,903	-	48,527	223,430
	LG Siltron Incorporated	1,837	-	-	1,837	-	-	1,356	1,356
	LUSEM CO., LTD.	-	-	-	-	4,194	-	6	4,200
	LG Management								
	Development Institute	-	-	15,660	15,660	-	-	1,289	1,289
	LG SPORTS Ltd.	-	-	-	-	121	-	132	253
	Subtotals	10,426	-	69,912	80,338	198,894	-	241,606	440,500
	Total	3,889,476	-	231,822	4,121,298	2,374,651	-	344,786	2,719,437

(in millions of Korean won)

		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	-	-	503	503
Subsidiaries	LG Innotek Co., Ltd.	16,999	-	2,120	19,119	232,119	-	249	232,368
	LG Electronics U.S.A., Inc.	249,422	-	-	249,422	-	-	14,667	14,667
	LG Electronics do Brasil Ltda.	280,387	-	605	280,992	717	-	1,230	1,947
	LG Electronics European Shared Service Center B.V.	14,080	-	2,445	16,525	-	124,750	332	125,082
	Zenith Electronics Corporation	-	-	214	214	-	-	-	-
	LG Electronics RUS, LLC	296,985	-	821	297,806	107	-	199	306
	LG Electronics (China) Co. Ltd.	863	-	670	1,533	108	-	90	198
	LG Electronics Tianjin Appliances Co., Ltd.	4,059	-	1,116	5,175	46,899	-	7	46,906
	P.T. LG Electronics Indonesia	39,218	-	794	40,012	201,209	-	17	201,226
	LG Electronics India Pvt. Ltd.	13,899	-	6,998	20,897	61	-	390	451
	LG Electronics Mexico	116,352	-	43	116,395	-	-	69	69

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

	S.A. DE C.V.								
	LG Electronics Nanjing								
	Display Co., Ltd.	20,225	-	1,526	21,751	52,584	-	-	52,584
	LG Electronics Wroclaw								
	Sp.z.o.o	30,685	-	33	30,718	267,475	-	292	267,767
	LG Electronics Reynosa								
	S.A. DE C.V.	38,707	-	4,474	43,181	87,951	-	31	87,982
	LG Electronics								
	Mobilecomm U.S.A.,								
	Inc.	163,145	-	-	163,145	-	-	2,114	2,114
	LG Electronics Mlawa								
	Sp. z o.o	40,252	-	-	40,252	320,978	-	42	321,020
	Inspur LG Digital Mobile								
	Communications Co.,								
	Ltd.	188,626	-	725	189,351	251,893	-	14	251,907
	NanJing LG-Panda								
	Appliances Co., Ltd.								
		5,481	-	1,470	6,951	49,150	-	-	49,150
	Hiplaza Co., Ltd.								
		68,764	-	14,505	83,269	247	-	8,051	8,298
	LG Electronics Thailand								
	Co. Ltd.								
		38,622	-	908	39,530	86,296	-	20	86,316
	LG Electronics Monterrey								
	Mexico S.A.de C.V.								
		4,733	-	179	4,912	116,213	-	-	116,213
	Others								
		1,938,301	-	75,701	2,014,002	334,325	-	81,842	416,167
	Subtotals	3,569,805	-	115,347	3,685,152	2,048,332	124,750	109,656	2,282,738
Associates	LG Display Co., Ltd., and								
	subs								
		61,200	-	2,445	63,645	190,220	-	443	190,663
	Ericsson-LG Co., Ltd.,								
	and subs								
		21,552	-	892	22,444	2,067	-	192	2,259
	Hitachi-LG Data Storage								
	Inc., and subs								
		5,556	-	802	6,358	118	-	331	449
	LG Fuel Cell Systems								
	Inc., and subs								
		-	-	78	78	-	-	-	-
	Subtotals	88,308	-	4,217	92,525	192,405	-	966	193,371
Other related parties	LG CNS Co., Ltd., and								
	subs								
		1,322	-	89	1,411	34,814	-	161,161	195,975
	SERVEONE Co., Ltd.,								
	and subs								
		806	-	56,768	57,574	163,258	-	31,485	194,743
	LG Siltron Incorporated								
		1,486	-	-	1,486	1,362	-	-	1,362
	LUSEM CO., LTD.								
		-	-	17	17	4,292	-	1	4,293
	LG Management								
	Development Institute								
		-	-	15,666	15,666	-	-	1,409	1,409
	LG SPORTS Ltd.								
		-	-	-	-	121	-	110	231
	Subtotals	3,614	-	72,540	76,154	203,847	-	194,166	398,013
	Total	3,661,727	-	221,498	3,883,225	2,444,584	124,750	305,291	2,874,625

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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

(in millions of Korean won)

Classification	Name	2013						
		Dividend income	Cash investment (reduction)	Disposal of shares	Financing loan transaction		Financing borrowing transaction	
					Loan	Repayments	Borrowing	Repayment
Subsidiaries	LG Electronics India Pvt. Ltd.	182,054	-	-	-	-	-	-
	LG Electronics RUS, LLC	116,569	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	96,712	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	32,434	-	-	-	-	-	-
	Taizhou LG Electronics Refrigeration Co., Ltd.	12,203	-	-	-	-	-	-
	LG Alina Electronics	12,100	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	7,625	-	-	-	-	-	-
	LG Electronics (Kunshan) Computer Co., Ltd.	7,354	-	-	-	-	-	-
	Hi Business Logistics Co., Ltd.	5,000	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	3,764	-	-	-	-	-	-
	LG Electronics Nanjing Display Co., Ltd.	1,335	-	-	-	-	-	-
	Hi Logistics (China) Co., Ltd.	1,078	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	887	-	-	-	-	-	-
	Shanghai LG Electronics Co., Ltd.	837	-	-	-	-	-	-
	Triveni Digital Inc.	98	-	-	-	-	-	-
	LG Electronics RUS-Marketing, LLC	43	(237)	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	-	124,750
	Innovation Investment Fund	-	(20,833)	-	-	-	-	-
	KTB Technology Fund	-	(558)	-	-	-	-	-
	LGE Alliance Fund	-	(1,370)	-	-	-	-	-
	Subtotals	480,093	(22,998)	-	-	-	-	124,750
Associates	Ericsson-LG Co., Ltd.	10,250	-	-	-	-	-	-

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

	Hitachi-LG Data Storage Inc.	-	43,500	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	10,687	-	-	-	-	-
	Subtotals	10,250	54,187	-	-	-	-	-
Joint ventures	LG Fund for Enterprises	158	(1,396)	-	-	-	-	-
Other related parties	LG CNS Co., Ltd. ¹	-	17,000	-	-	-	-	-
	Totals	490,501	46,793	-	-	-	-	124,750

(in millions of Korean won)

Classification	Name	2012						
		Dividend income	Cash investment (reduction)	Disposal of shares	Financing loan transaction		Financing borrowing transaction	
					Loan	Repayments	Borrowing	Repayment
Subsidiaries	LG Electronics India Pvt. Ltd.	185,907	-	-	-	-	-	-
	LG Electronics Shenyang Inc.	33,370	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	14,272	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	12,583	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	5,681	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	3,881	-	-	-	-	-	-
	LG Electronics (Kunshan) Computer Co., Ltd.	1,740	-	-	-	-	-	-
	LG Electronics Nanjing Display Co., Ltd.	1,024	-	-	-	-	-	-
	Shanghai LG Electronics Co., Ltd.	795	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	502	-	-	-	-	-	-
	Hiplaza Co., Ltd.	-	32,000	-	-	-	-	-
	HiEntech Co., LTD.	-	2,000	-	-	-	-	-
	KTB Technology Investment association I	-	87	-	-	-	-	-
	LG Electronics Taiwan Taipei Co., Ltd.	-	12	-	-	-	-	-
	Subtotals	259,755	34,099	-	-	-	-	-
Associates	Ericsson-LG Co., Ltd	36,341	-	-	-	-	-	-

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Totals	296,096	34,099	-	-	-	-	-
---------------	---------	--------	---	---	---	---	---

¹ The Company acquired 100% of V-ENS Co., Ltd.'s ordinary shares from LG CNS Co., Ltd.(Note 41).

- iv) The details of the transfer of business between the Company and related parties are provided in Note 36.
- (d) Key management compensation costs of the Company for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	2013	2012
Wages and salaries	10,402	6,709
Other long-term benefits	30	23
Post-employment benefits	1,498	1,313
Share-based payments	-	497
Total	11,930	8,542

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

- (e) The payment guarantees for the related parties at the end of the reporting period are presented in Note 37.
- (f) There is no collateral provided by the Company for the funding sources of the related parties as December 31, 2013.
- (g) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties for the years ended December 31, 2013 and 2012.

40. Risk Management

Financial Risk Management

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

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

The Company mitigates the adverse effects from financial risk by 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 4 and Note 14, respectively.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(a) Market risk

i) Foreign exchange risk

Due to its multinational business operations, the Company is mainly exposed to foreign exchange risk on the US Dollar, Euro, Brazilian Real, Russian Ruble and Japanese Yen.

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

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

As of 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>	December 31, 2013		December 31, 2012	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(108,794)	108,794	(139,678)	139,678
EUR/KRW	41,408	(41,408)	42,169	(42,169)
Other ¹ /KRW	83,108	(83,108)	44,534	(44,534)

¹ Other currency includes Brazilian Real, Russian Ruble and Japanese Yen.

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

ii) Interest rate risk

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

Though the Company 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 Company

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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>	December 31, 2013		December 31, 2012	
	1% increase	1% decrease	1% increase	1% decrease
Interest expense	-	-	1,999	(1,999)
Interest income	12,983	(12,983)	11,142	(11,142)

iii) Price risk

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

The listed securities owned by the Company are traded in the 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 Company 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)	1,764	(1,764)
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 7.

(b) Credit risk

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

In regard to receivables, the Company operates an integrated receivable insurance program with the Korea Trade Insurance Corporation (K-SURE) and Seoul Guarantee Insurance (Coface). In an effort to minimize receivable credit risk, the Company applies the credit rating of the counterparty when determining the insurance coverage. In addition, the Company performs stringent credit risk managements based on credit valuation criteria for receivables

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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
Receivables with insurance or collateral		
Excellent	158,841	72,081
Good	24,353	49,889
Fair	95,809	71,179
Poor ¹	34,179	83,035
Sub-Total	313,182	276,184
Receivables without insurance or collateral		
Tier 1	3,789,965	3,960,989
Tier 2	144,234	144,744
Tier 3	143,749	121,796
Sub-Total	4,077,948	4,227,529
Total	4,391,130	4,503,713

¹Debtors with insurance or collateral, but without credit rating are included herein.

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

Category	Coface	K-SURE
Excellent	8~10	A~B
Good	7	C
Fair	3~6	D~E
Poor	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+, related parties including subsidiaries, associates, and others

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:

Category	December 31, 2013	December 31, 2012
Excellent	1,168,098	828,557
Good	200,000	350,000
Total	1,368,098	1,178,557

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)

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

(c) Liquidity risk

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

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

In addition, the Company is able to source funds any time in domestic and international financial markets because it has good investment credit grades from Korea Investors Service, Korea Ratings and NICE Information Service of AA0-Stable, and Standard & Poors and Moody's of BBB- Stable and Baa3 Negative as of February 6, 2014, respectively.

Cash flow information on maturity of borrowings is presented in Note 14.

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	December 31, 2013	December 31, 2012
Liability (A)	15,138,262	13,809,221
Equity (B)	9,832,820	10,022,955
Cash and cash equivalents and current financial deposits (C)	1,363,349	1,164,246
Borrowings (D)	5,942,242	5,264,325
Liability-to-equity ratio (A/B)	154%	138%
Net borrowings ratio (D-C)/B	47%	41%

Fair Value Estimation

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

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Book amount	Fair value	Book amount	Fair value
Current financial asset items				
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	1,298,349	1	1,114,246	1
Financial deposits	65,000	1	50,000	1

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Trade receivables	4,697,202	1	4,693,196	1
Other receivables	433,888	1	328,652	1
Held-to-maturity financial assets				
Other financial assets	-	1	53,555	1
Non-current financial asset items				
[Assets at fair value]				
Derivatives for hedging purposes				
Other financial assets	94	94	-	-
Available-for-sale financial assets				
Other financial assets	15,114	15,114	7,636	7,636
[Assets at amortized cost]				
Loans and other receivables				
Financial deposits	4,759	4,759	14,321	14,321
Other receivables	410,385	381,492	407,037	375,418
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	16,615	2	24,894	2
Total	6,941,406	401,459	6,693,537	397,375

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Book amount	Fair value	Book amount	Fair value
Current financial liability items				
[Liabilities at fair value]				
Derivatives for hedging purposes				
Other financial liabilities	8,985	8,985	-	-
[Liabilities at amortized cost]				
Trade payables	4,327,403	1	3,995,679	1
Borrowings	1,391,805	1	1,057,585	1
Other payables	1,798,292	1	1,629,416	1
[Other liabilities]				
Other financial liabilities	105	3	-	-
Non-current financial liability items				
[Liabilities at fair value]				
Derivatives for hedging purposes				
Other financial liabilities	9,371	9,371	13,889	13,889
[Liabilities at amortized cost]				
Borrowings	4,550,437	4,603,279	4,206,740	4,348,447
[Other liabilities]				
Other financial liabilities	520	3	-	-
Total	12,086,918	4,621,635	10,903,309	4,362,336

¹ Excluded from disclosure as the carrying amount is the rational approximate fair value.

² 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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

reasonably assessed.

³ 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 Company 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 Company 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:

<i>(in millions of Korean won)</i>	December 31, 2013		December 31, 2012	
	Book amount	Fair value	Book amount	Fair value
Long-term loans	164,107	133,540	156,597	124,852
Long-term non-trade receivables	2,841	2,841	-	-
Deposits	243,437	245,111	250,440	250,566
Total	410,385	381,492	407,037	375,418

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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	1,195,000	1,252,742	2,152,500	2,246,819
Bonds	3,355,437	3,350,537	2,054,240	2,101,628
Total	4,550,437	4,603,279	4,206,740	4,348,447

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 Company 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, 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>	2013			Total
	Level 1	Level 2	Level 3	

(1) Recurring fair value measurements

Other financial assets

Available-for-sale financial assets

- Marketable equity securities	15,114	-	-	15,114
Derivatives for hedging purposes	-	94	-	94

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

Other financial liabilities				
Derivatives for hedging purposes	-	18,356	-	18,356
(2) Non-recurring fair value measurements:				
N/A				
(3) Fair value for disclosure				
Non-current financial deposits	-	-	4,759	4,759
Non-current other receivables	-	-	381,492	381,492
Non-current borrowings	-	-	4,603,279	4,603,279
Investment property	-	-	2,835	2,835

2012

(in millions of Korean won)

	Level 1	Level 2	Level 3	Total
(1) Recurring fair value measurements				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	7,636	-	-	7,636
Derivatives for hedging purposes	-	13,889	-	13,889
(2) Non-recurring fair value measurements:				
N/A				
(3) Fair value for disclosure				
Non-current financial deposit	-	-	14,321	14,321
Non-current other receivables	-	-	375,418	375,418
Non-current borrowings	-	-	4,348,447	4,348,447
Investment property	-	-	7,392	7,392

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses various valuation techniques and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure 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.

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

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.

41. Business Combination

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

<i>(in millions of Korean won)</i>	Amount
Consideration (Investments in subsidiaries)	<u>17,028</u>
Recognized amounts of identifiable assets acquired and liabilities assumed ¹	
Current assets	
Cash and cash equivalents	5,304
Trade receivables	45,388
Loans and other receivables	48
Current tax assets	33
Other current assets	<u>1,875</u>
Non-current assets	
Financial deposit	3
Loans and other receivables	4,393
Property, plant and equipment	8,629
Intangible assets	6,078
Investments in subsidiaries, associates and joint ventures	3,895
Other non-current assets	<u>497</u>
Current liabilities	

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2013 and 2012

<i>(in millions of Korean won)</i>	Amount
Trade payables	(12,823)
Other payables	(9,926)
Provisions	(257)
Other current liabilities	<u>(34,356)</u>
Non-current liabilities	
Net defined benefit liability	<u>(579)</u>
Total identifiable net assets	18,202
Retained earnings	1,174

¹ Since the merger is parent-subsiary merger, the Company recognized the amounts of assets acquired and liabilities assumed as the carrying amounts recognized on the consolidated financial statements at the merging date.

- (d) The acquisition-related costs amounting to ₩293 million were all expensed during the year ended December 31, 2013.
- (e) The above fair value of trade receivables and other receivables are the same as the contractual amounts in gross.
- (f) Net sales and loss for the period contributed by V-ENS Co., Ltd., included in the separate statements of income from the merging date, were ₩56,714 million and ₩8,081 million, respectively. If V-ENS Co., Ltd. had been merged from January 1, 2013, the net sales and loss for the period, would be as follows:

<i>(in millions of Korean won)</i>	Amounts before adjustments	Adjustments	Amounts after adjustments
Net sales	28,078,895	56,113	28,135,008
Loss for the year	189,077	(4,516)	184,561

42. 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.

43. Approval of Issuance of the Financial Statements

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

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
LG Electronics Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of LG Electronics Inc. (the "Company") as of December 31, 2013. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2013, the Company's IACS has been designed and is operating effectively as of December 31, 2013, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2013, and we did not review management's assessment of its IACS subsequent to December 31, 2013. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
February 25, 2014

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
LG Electronics Inc.

I, as the Internal Accounting Control Officer (“IACO”) of LG Electronics Inc. (the “Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2013.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2013, in all material respects, in accordance with the IACS standards.

January 28, 2014

Do-hyun Jung
Internal Accounting Control Officer

Bon-Joon Koo
Chief Executive Officer and President