

# **LG Electronics**

**Interim Consolidated Financial Statements  
June 30, 2014 and 2013**

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# LG Electronics

## Interim Consolidated Statements of Financial Position

June 30, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Note	June 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,31	2,701,069	2,645,270
Financial deposits	5,31	68,628	67,896
Trade receivables	5,6,31	8,406,592	7,117,402
Loans and other receivables	5,31	498,500	596,505
Other financial assets	5,7,31	1,434	17,430
Inventories	8	5,548,832	4,838,830
Current income tax assets		177,557	116,254
Other current assets		1,043,943	925,471
		<u>18,446,555</u>	<u>16,325,058</u>
<b>Non-current assets</b>			
Financial deposits	5,31	91,012	96,992
Loans and other receivables	5,31	562,345	601,978
Other financial assets	5,7,31	53,631	55,714
Property, plant and equipment	9	10,429,083	10,341,993
Intangible assets	9	1,330,251	1,363,690
Deferred income tax assets	25	1,468,346	1,619,551
Investments in associates and joint ventures	10	4,287,219	4,329,583
Investment property		4,541	4,923
Other non-current assets		760,774	788,582
		<u>18,987,202</u>	<u>19,203,006</u>
<b>Total assets</b>		<u>37,433,757</u>	<u>35,528,064</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5,31	6,725,072	5,691,114
Borrowings	5,11,31	2,411,389	3,022,723
Other payables	5,31	2,524,490	2,829,686
Other financial liabilities	5,7,31	24,325	10,890
Current income tax liabilities		68,644	74,131
Provisions	13	670,034	663,701
Other current liabilities		2,985,599	2,721,759
		<u>15,409,553</u>	<u>15,014,004</u>
<b>Non-current liabilities</b>			
Borrowings	5,11,31	7,112,608	6,188,306
Other payables	5,31	22,214	27,670
Other financial liabilities	5,7,31	57,468	10,663
Deferred income tax liabilities	25	6,826	7,651
Net defined benefit liability	12	787,775	580,919
Provisions	13	970,333	998,795
Other non-current liabilities		10,226	10,687
		<u>8,967,450</u>	<u>7,824,691</u>
<b>Total liabilities</b>		<u>24,377,003</u>	<u>22,838,695</u>
<b>Equity attributable to owners of the Parent Company</b>			
Paid-in capital:	14		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	15	9,264,846	8,885,523
Accumulated other comprehensive loss	16	(1,197,429)	(907,440)
Other components of equity	17	(210,249)	(231,229)
		<u>11,849,516</u>	<u>11,739,202</u>
<b>Non-controlling interests</b>		<u>1,207,238</u>	<u>950,167</u>
<b>Total equity</b>		<u>13,056,754</u>	<u>12,689,369</u>
<b>Total liabilities and equity</b>		<u>37,433,757</u>	<u>35,528,064</u>

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

**LG Electronics**  
**Interim Consolidated Statements of Income**  
**Three-Month and Six-Month Periods Ended June 30, 2014 and 2013**

	Note	2014		2013	
		Three months	Six months	Three months	Six months
<i>(in millions of Korean won, except per share amounts)</i>					
<b>Net sales</b>	18	15,374,629	29,649,286	15,232,314	29,332,915
<b>Cost of sales</b>	19	11,669,208	22,657,622	11,550,371	22,517,266
<b>Gross profit</b>		3,705,421	6,991,664	3,681,943	6,815,649
Selling and marketing expenses	19,20	1,857,527	3,455,560	1,854,622	3,414,989
Administrative expenses	19,20	329,924	648,937	348,913	686,183
Research and development expenses	19,20	574,220	1,131,810	622,196	1,194,366
Service costs	19,20	337,530	645,144	376,903	691,345
<b>Operating income</b>		606,220	1,110,213	479,309	828,766
Financial income	21	65,523	170,968	94,865	236,101
Financial expenses	22	171,932	388,424	201,554	422,481
Gain from equity method valuation	10	98,400	43,705	34,931	9,358
Other non-operating income	23	387,512	624,155	325,147	603,907
Other non-operating expenses	24	379,721	665,582	500,201	846,431
Profit before income tax		606,002	895,035	232,497	409,220
Income tax expense	25	194,168	390,635	76,975	231,614
<b>Profit for the period</b>		411,834	504,400	155,522	177,606
<b>Profit for the period attributable to:</b>					
Equity holders of the Parent Company		369,137	444,000	132,003	156,204
Non-controlling interests		42,697	60,400	23,519	21,402
<b>Earnings per share attributable to the equity holders of the Parent Company during the period (in won):</b>					
Earnings per share for profit attributable to the common equity holders of the Parent Company	26	2,048	2,463	732	865
Earnings per share for profit attributable to the preferred equity holders of the Parent Company		2,061	2,488	744	890

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

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### Interim Consolidated Statements of Comprehensive Income

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

(in millions of Korean won)	Note	2014		2013	
		Three months	Six months	Three months	Six months
<b>Profit for the period</b>		411,834	504,400	155,522	177,606
<b>Other comprehensive income(loss), net of tax</b>					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the net defined benefit liability	12	(46,289)	(29,141)	75,378	12,836
Share of remeasurements for the net defined benefit liability of associates	10	(187)	(953)	197	111
Items that will be reclassified subsequently to profit or loss:					
Share of other comprehensive income or loss(excluding remeasurements) of associates and joint ventures	10	(67,518)	(75,266)	37,264	63,391
Cash flow hedges	31	(12,729)	(13,967)	(3,446)	(4,193)
Available-for-sale financial assets	7	(492)	(704)	761	2,680
Currency translation differences		(261,309)	(229,305)	70,993	244,527
<b>Other comprehensive income(loss) for the period, net of tax</b>		<b>(388,524)</b>	<b>(349,336)</b>	<b>181,147</b>	<b>319,352</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>23,310</b>	<b>155,064</b>	<b>336,669</b>	<b>496,958</b>
<b>Comprehensive income for the period, net of tax, attributable to:</b>					
Equity holders of the Parent Company		9,190	126,206	291,209	441,598
Non-controlling interests		14,120	28,858	45,460	55,360
<b>Total comprehensive income for the period, net of tax</b>		<b>23,310</b>	<b>155,064</b>	<b>336,669</b>	<b>496,958</b>

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

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**Interim Consolidated Statements of Changes in Equity**

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

		Attributable to equity holders of the Parent Company							
				Accumulated Other Comprehensive Income(loss)	Other Components of Equity				
		Paid-in Capital	Retained Earnings			Total	Non-controlling Interests	Total Equity	
		Note							
<i>(in millions of Korean won)</i>									
<b>Balance at January 1, 2013</b>			3,992,348	9,407,667	(674,221)	(271,382)	12,454,412	249,805	12,704,217
<b>The effect of enactment of Korean IFRS 1110</b>			-	(683,717)	(877)	29,271	(655,323)	656,853	1,530
<b>Restated amount</b>			3,992,348	8,723,950	(675,098)	(242,111)	11,799,089	906,658	12,705,747
<b>Comprehensive income:</b>									
	Profit for the period		-	156,204	-	-	156,204	21,402	177,606
	Remeasurements of the net defined benefit liability	12	-	12,133	-	-	12,133	703	12,836
	Share of remeasurements for the net defined benefit liability of associates	10	-	111	-	-	111	-	111
	Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	10	-	-	63,391	-	63,391	-	63,391
	Cash flow hedges	31	-	-	(4,193)	-	(4,193)	-	(4,193)
	Available-for-sale financial assets	7	-	-	2,754	-	2,754	(74)	2,680
	Currency translation differences		-	-	211,198	-	211,198	33,329	244,527
<b>Total comprehensive income</b>			-	168,448	273,150	-	441,598	55,360	496,958
<b>Transactions with equity holders:</b>									
	Dividends		-	(36,872)	-	-	(36,872)	(13,208)	(50,080)
	Changes in controlling interests in subsidiaries		-	-	-	-	-	(51)	(51)
<b>Total transactions with equity holders</b>			-	(36,872)	-	-	(36,872)	(13,259)	(50,131)
<b>Balance at June 30, 2013</b>			3,992,348	8,855,526	(401,948)	(242,111)	12,203,815	948,759	13,152,574
<b>Balance at January 1, 2014</b>			3,992,348	8,885,523	(907,440)	(231,229)	11,739,202	950,167	12,689,369
<b>Comprehensive income:</b>									
	Profit for the period		-	444,000	-	-	444,000	60,400	504,400
	Remeasurements of the net defined benefit liability	12	-	(26,852)	-	-	(26,852)	(2,289)	(29,141)
	Share of remeasurements for the net defined benefit liability of associates	10	-	(953)	-	-	(953)	-	(953)
	Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(75,266)	-	(75,266)	-	(75,266)
	Cash flow hedges	31	-	-	(13,967)	-	(13,967)	-	(13,967)
	Available-for-sale financial assets	7	-	-	(604)	-	(604)	(100)	(704)
	Currency translation differences		-	-	(200,152)	-	(200,152)	(29,153)	(229,305)
<b>Total comprehensive income</b>			-	416,195	(289,989)	-	126,206	28,858	155,064
<b>Transactions with equity holders:</b>									
	Dividends		-	(36,872)	-	-	(36,872)	(28,555)	(65,427)
	Changes in controlling interests in subsidiaries		-	-	-	20,980	20,980	256,768	277,748
<b>Total transactions with equity holders</b>			-	(36,872)	-	20,980	(15,892)	228,213	212,321
<b>Balance at June 30, 2014</b>			3,992,348	9,264,846	(1,197,429)	(210,249)	11,849,516	1,207,238	13,056,754

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

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### Interim Consolidated Statements of Cash Flows Six-Month Periods Ended June 30, 2014 and 2013

<i>(in millions of Korean won)</i>	Note	Six-Month Period Ended June 30	
		2014	2013
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	1,234,940	1,334,076
Interest received		38,928	38,903
Interest paid		(218,853)	(184,788)
Dividend received		17,359	10,577
Income tax paid		(312,229)	(255,634)
<b>Net cash generated from operating activities</b>		<u>760,145</u>	<u>943,134</u>
<b>Cash flows from investing activities</b>			
Decrease in financial deposits		10,562	10,855
Decrease in loans and other receivables		133,090	131,755
Proceeds from redemption and disposal of other financial assets		27,054	75,169
Proceeds from disposal of property, plant and equipment		42,674	42,883
Proceeds from disposal of intangible assets		16,010	1,672
Proceeds from redemption and disposal of investments in associates and joint ventures		680	-
Decrease in others		2,376	228
Increase in financial deposits		(9,787)	(6,800)
Increase in loans and other receivables		(93,276)	(125,471)
Acquisition of other financial assets		(6,239)	(13,717)
Acquisition of property, plant and equipment		(1,093,852)	(1,172,128)
Acquisition of intangible assets		(257,874)	(210,448)
Acquisition of investments in associates and joint ventures		(7,782)	(46,628)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		-	(3,822)
Increase in others		(414)	(74)
<b>Net cash used in investing activities</b>		<u>(1,236,778)</u>	<u>(1,316,526)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,088,106	1,906,599
Repayments of borrowings		(3,451,172)	(1,754,424)
Dividends paid		(40,242)	(44,856)
<b>Net cash provided by financing activities</b>		<u>596,692</u>	<u>107,319</u>
<b>Exchange gains(losses) on cash and cash equivalents</b>		<u>(64,260)</u>	<u>92,045</u>
<b>Net increase(decrease) in cash and cash equivalents</b>		55,799	(174,028)
Cash and cash equivalents at the beginning of period		2,645,270	2,185,000
<b>Cash and cash equivalents at the end of period</b>		<u>2,701,069</u>	<u>2,010,972</u>

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

# **LG Electronics**

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

### **June 30, 2014 and 2013, and December 31, 2013**

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

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

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

The Group is engaged in the manufacture and sale of electronic products including mobile phones, TV, air conditioners, refrigerators, washing machines and personal computers. As of June 30, 2014, the Group operates six business segments and other supporting segments through the Parent Company and subsidiaries all over the world. The Parent Company as of June 30, 2014, has 139 subsidiaries and its consolidated subsidiaries as of June 30, 2014, are as follows:



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**Notes to the Interim Consolidated Financial Statements**  
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(a) Consolidated subsidiaries as of June 30, 2014 and December 31, 2013, are as follows:

Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership Controlling interest	Non-controlling interest	Percentage of ownership Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and Retails of Electronic products	More than half of voting rights
	Korea	Hi Business Logistics Co., Ltd.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and Sales of Air conditioner	More than half of voting rights
	Korea	Hi M Solutek	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing Services	More than half of voting rights
	Korea	LGE Alliance Fund	96.2%	3.8%	96.2%	3.8%	December	Investment	More than half of voting rights
	Korea	Innovation Investment Fund	83.3%	16.7%	83.3%	16.7%	December	Investment	More than half of voting rights
	Korea	LG Innotek Co., Ltd. <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund <sup>1</sup>	40.4%	59.6%	47.4%	52.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Cleaning Services	De-facto control
Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Cleaning Services	More than half of voting rights	

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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Korea	LGE Alliance Fund II	98.7%	1.3%	98.7%	1.3%	December	Investment	More than half of voting rights
China	China	Hi Logistics (China) Co., Ltd.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	100.0%	-	December	Production of Casting	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	Tianjin Lijie Cartridge Heater Co., Ltd.(LGETL)	66.7%	33.3%	66.7%	33.3%	December	Production of Heater	More than half of voting rights
	China	LG Innotek (Yantai) Co., Ltd.(LGITYT) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control

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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
Asia	China	LG Innotek (Fuzhou) Co., Ltd.(LGITFZ) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Sales of Electronic materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	China	VENS BEIJING VEHICLE ENGINEERING CO.,LTD	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	India	LG Electronics India Pvt. Ltd.(LGEIL) <sup>4</sup>	100.0%	-	100.0%	-	March	Production and Sales of Electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) <sup>4</sup>	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	0.0%	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	India	Hi Logistics India Private Limited <sup>4</sup>	100.0%	-	100.0%	-	March	Services of Logistics	More than half of voting rights
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Indonesia	PT LG Innotek Indonesia(LGITIN) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Ltd.(LGITTW) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Sales of Electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	-	-	December	Services	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
Europe	Netherlands	Hi Logistics Europe B.V.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia, LLC(LGELA)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	France	LG Electronics Mobilecomm France(LGEMF)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Norway	LG Electronics Norway AS(LGENO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. z o.o.(LGEPL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp.z o.o.(LGEWR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Poland	LG Innotek Poland Sp z o.o.(LGITPO) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic metarials	De-facto control
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Sales of Electronic products	De-facto control
	Mexico	HILOGISTICS MEXICO SA DE CV	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Mexico	HiLogistics Reynosa	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights



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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	HiLogistics USA	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) <sup>1</sup>	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Automotive materials	De-facto control
South America	Brazil	LG Armagem Geral Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. <sup>2</sup>	20.0%	80.0%	20.0%	80.0%	December	Sales of Electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	SOCIO VIP Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	C&S America Solutions	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	LG Consulting Corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
Middle East and Africa	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	Easytec Global Services Innovation Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and Services of Electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	June 30, 2014		December 31, 2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%	49.0%	51.0%	December	Production of Electronic products	More than half of voting rights
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	Hi Logistics Middle East FZE	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
Other	Russia	LG Alina Electronics(LGERI)	95.0%	5.0%	95.0%	5.0%	December	Services	More than half of voting rights
	Russia	HI LOGISTICS RUS Limited Liability Company	100.0%	-	-	-	December	Services of Logistics	More than half of voting rights
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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

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

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

<sup>4</sup> In the preparation of consolidated financial statements, the financial statements for the six-month period ended June 30, 2014, were used for those subsidiaries with different fiscal year ends.

(b) Financial information of major subsidiaries as of June 30, 2014 and December 31, 2013, and for the three-month and six-month periods ended June 30, 2014 and 2013, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	June 30, 2014			2014			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Net Income (Loss)	Sales	Net Income (Loss)
LG Innotek Co., Ltd.	4,074,425	2,586,992	1,487,433	1,357,441	14,434	2,645,914	(8,779)
LG Electronics do Brasil Ltda.(LGEBR)	1,848,008	1,405,528	442,480	966,188	24,540	1,858,599	54,443
LG Electronics U.S.A., Inc.(LGEUS)	1,939,599	1,671,994	267,605	1,542,524	(4,553)	2,883,618	9,328
Zenith Electronics Corporation(Zenith)	967,098	33,907	933,191	41,216	8,652	74,317	10,714
LG Electronics European Shared Service Center B.V.(LGESC)	972,815	940,910	31,905	56,703	3,414	109,993	6,887
LG Electronics RUS, LLC(LGERA)	1,024,595	543,724	480,871	626,540	50,081	1,248,507	82,022
LG Electronics (China) Co. Ltd.(LGECH)	748,681	724,420	24,261	325,868	4,505	673,038	2,290
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	600,351	356,976	243,375	325,091	5,903	703,911	18,328
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	690,367	605,029	85,338	1,231,270	7,037	2,307,286	12,481
LG Electronics India Pvt. Ltd.(LGEIL)	558,014	303,177	254,837	666,035	57,537	1,197,062	97,600
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	696,291	604,357	91,934	870,553	12,810	1,482,881	20,550
LG Electronics Mlawa Sp. z o.o(LGEMA)	537,169	238,644	298,525	327,244	1,860	658,175	10,480
LG Electronics Reynosa S.A. DE C.V.(LGERS)	577,420	342,069	235,351	623,880	(3,498)	1,077,625	6,524
P.T. LG Electronics Indonesia(LGEIN)	518,868	306,037	212,831	413,819	(2,359)	827,964	9,603
LG Electronics Nanjing Display Co., Ltd.(LGEND)	432,585	316,535	116,050	363,425	4,370	790,250	18,470
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	425,948	254,475	171,473	393,132	504	825,889	8,971
Hiplaza Co., Ltd.	501,887	358,747	143,140	405,594	4,591	734,650	1,519

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<i>(in millions of Korean won)</i>	June 30, 2014			2014			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Net Income (Loss)	Sales	Net Income (Loss)
LG Electronics Mexico S.A. DE C.V.(LGEMS)	579,100	500,409	78,691	473,983	5,665	808,980	8,635
Nanjing LG-Panda Appliances Co., Ltd.(LGEPN)	437,365	327,139	110,226	311,709	4,535	605,896	7,597
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	380,717	251,926	128,791	229,085	9,239	414,322	8,293
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	369,155	325,043	44,112	160,723	(564)	307,065	3,282

  

<i>(in millions of Korean won)</i>	December 31, 2013			2013			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Net Income (Loss)	Sales	Net Income (Loss)
LG Innotek Co., Ltd.	4,260,285	3,039,627	1,220,658	1,336,115	2,362	2,758,454	(7,579)
LG Electronics do Brasil Ltda.(LGEBR)	1,679,815	1,305,953	373,862	1,016,720	65,372	1,751,147	98,905
LG Electronics U.S.A., Inc.(LGEUS)	1,825,282	1,555,954	269,328	1,667,468	947	3,065,403	(495)
Zenith Electronics Corporation(Zenith)	995,877	35,986	959,891	34,811	3,857	71,402	21,388
LG Electronics European Shared Service Center B.V.(LGESC)	1,071,932	1,045,305	26,627	57,653	1,968	105,244	5,038
LG Electronics RUS, LLC(LGERA)	963,916	537,408	426,508	695,983	9,121	1,321,953	33,571
LG Electronics (China) Co. Ltd.(LGECH)	694,585	671,465	23,120	326,322	1,524	637,716	10,119
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	566,860	311,851	255,009	368,615	1,727	749,970	24,361
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	581,012	504,592	76,420	946,815	(8,735)	1,935,676	(1,642)
LG Electronics India Pvt. Ltd.(LGEIL)	456,472	227,511	228,961	679,104	34,267	1,228,126	59,979
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	448,362	371,472	76,890	559,839	7,310	1,100,035	(22,601)
LG Electronics Mlawa Sp. z o.o(LGEMA)	540,236	236,240	303,996	270,350	2,838	651,490	15,822
LG Electronics Reynosa S.A. DE C.V.(LGERES)	392,973	154,526	238,447	534,842	(1,510)	987,279	(372)
P.T. LG Electronics Indonesia(LGEIN)	480,206	268,369	211,837	581,510	4,388	1,071,204	10,570
LG Electronics Nanjing Display Co., Ltd.(LGEND)	505,656	332,843	172,813	403,429	23,158	816,233	28,571
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	500,773	329,144	171,629	456,661	3,097	913,262	8,742

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<i>(in millions of Korean won)</i>	December 31, 2013			2013			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Net Income (Loss)	Sales	Net Income (Loss)
Hiplaza Co., Ltd.	434,154	292,415	141,739	413,949	3,915	720,525	4,088
LG Electronics Mexico S.A. DE C.V.(LGEMS)	409,158	336,857	72,301	441,176	(15,097)	764,543	(9,865)
Nanjing LG-Panda Appliances Co., Ltd.(LGEPN)	404,019	282,849	121,170	288,401	1,799	547,843	17,186
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	357,812	229,260	128,552	228,249	10,001	396,470	16,087
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	398,895	356,658	42,237	169,140	6,260	310,719	5,093

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

i) Subsidiaries held at less than 100% of interest

<b>Subsidiaries</b>	<b>Location</b>	<b>Controlling interest</b>	<b>Non-controlling interest</b>
LG Innotek Co., Ltd. and its subsidiaries <sup>1</sup>	Korea	40.8%	59.2%
LG Hitachi Water Solution Co., Ltd.	Korea	51.0%	49.0%
LGE Alliance Fund	Korea	96.2%	3.8%
LGE Alliance Fund II	Korea	98.7%	1.3%
Innovation Investment Fund	Korea	83.3%	16.7%
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	70.0%	30.0%
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	China	70.0%	30.0%
LG Electronics Huizhou Ltd.(LGEHZ)	China	80.0%	20.0%
LG Electronics Nanjing Display Co., Ltd.(LGEND)	China	70.0%	30.0%
LG Electronics Shenyang Inc.(LGESY)	China	78.9%	21.1%
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	80.0%	20.0%
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	70.0%	30.0%
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	70.0%	30.0%
Shanghai LG Electronics Co., Ltd.(LGESH)	China	70.0%	30.0%
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	China	66.7%	33.3%
LG Electronics Pasig Inc.	Philippines	38.0%	62.0%
LG Electronics Honduras S.de R.L.	Honduras	20.0%	80.0%
LG Electronics Algeria SARL(LGEAS)	Algeria	70.0%	30.0%
LG-Shaker Co., Ltd.(LGESR)	Saudi Arabia	51.0%	49.0%
LG Alina Electronics(LGERI)	Russia	95.0%	5.0%
P.T. LG Electronics Indonesia(LGEIN) <sup>2</sup>	Indonesia	100.0%	0.0%
PT.LG Electronics Service Indonesia(LGEID)	Indonesia	99.8%	0.2%

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

<sup>2</sup> P.T.LG Electronics Indonesia's shares held by the Parent Company are 51,916 out of the total number of shares of 51,920.

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

Accumulated non-controlling interest as of June 30, 2014 and December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
LG Innotek Co., Ltd. and its subsidiaries	961,378	685,127
LG Electronics Nanjing Display Co., Ltd.(LGEND)	33,695	50,643
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	44,986	48,877
LG-Shaker Co., Ltd.(LGESR)	44,695	37,174
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	28,412	32,982
LG Electronics Shenyang Inc.(LGESY)	22,947	23,725
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	24,871	22,017
LG Electronics Huizhou Ltd.(LGEHZ)	14,696	17,690
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	14,256	13,195
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	8,460	8,011
Shanghai LG Electronics Co., Ltd.(LGESH)	6,995	8,016
LG Hitachi Water Solution Co., Ltd.	4,589	5,329
Innovation Investment Fund	1,209	1,914
LGE Alliance Fund	307	298
LG Alina Electronics(LGERI)	105	112
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	57	81
LGE Alliance Fund II	41	41
P.T. LG Electronics Indonesia(LGEIN)	16	16
LG Electronics Pasig Inc.	(2,340)	(2,358)
LG Electronics Algeria SARL(LGEAS)	(2,137)	(2,723)
PT.LG Electronics Service Indonesia(LGEID)	-	-
<b>Total</b>	<b>1,207,238</b>	<b>950,167</b>



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Profit(loss) attributed to non-controlling interest for the three-month and six-month periods ended June 30, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
LG Innotek Co., Ltd. and its subsidiaries	24,673	31,920	3,873	(28)
LG Electronics Nanjing Display Co., Ltd.(LGEND)	2,261	5,350	6,570	7,486
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	1,701	2,030	1,942	4,783
LG-Shaker Co., Ltd.(LGESR)	6,898	10,949	5,172	9,102
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	946	990	29	3,640
LG Electronics Shenyang Inc.(LGESY)	320	755	4,946	3,342
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	3,242	4,486	3,016	(5,903)
LG Electronics Huizhou Ltd.(LGEHZ)	263	796	297	778
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	1,229	2,014	(1,018)	(480)
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	869	1,226	110	233
Shanghai LG Electronics Co., Ltd.(LGESH)	224	261	107	225
LG Hitachi Water Solution Co., Ltd.	(625)	(740)	(404)	(847)
Innovation Investment Fund	4	(21)	(306)	(77)
LGE Alliance Fund	7	8	-	-
LG Alina Electronics(LGERI)	3	1	5	11
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	(16)	(20)	(39)	(76)
LGE Alliance Fund II	-	-	-	-
P.T. LG Electronics Indonesia(LGEIN)	1	1	-	-
LG Electronics Pasig Inc.	(17)	(19)	(10)	(11)
LG Electronics Algeria SARL(LGEAS)	714	413	(771)	(776)
PT.LG Electronics Service Indonesia(LGEID)	-	-	-	-
<b>Total</b>	<b>42,697</b>	<b>60,400</b>	<b>23,519</b>	<b>21,402</b>

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Dividends paid to non-controlling interest for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
LG Electronics Nanjing Display Co., Ltd.(LGEND)	18,923	890
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	2,787	5,088
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	3,221	2,262
LG Electronics Huizhou Ltd.(LGEHZ)	2,591	3,397
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	246	380
Shanghai LG Electronics Co., Ltd.(LGESH)	787	557
LG Alina Electronics(LGERI)	-	634
<b>Total</b>	<b>28,555</b>	<b>13,208</b>

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

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Current assets	2,017,062	2,006,841
Non-current assets	2,418,201	2,574,430
<b>Total assets</b>	<b>4,435,263</b>	<b>4,581,271</b>
Current liabilities	1,586,782	1,629,364
Non-current liabilities	1,217,401	1,635,007
<b>Total liabilities</b>	<b>2,804,183</b>	<b>3,264,371</b>
Equity attributable to owners of LG Innotek Co., Ltd.	1,631,078	1,316,898
Non-controlling interests	2	2
<b>Total equity</b>	<b>1,631,080</b>	<b>1,316,900</b>

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iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the three-month and six-month periods ended June 30, 2014 and 2013, is as follows (before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Net sales	1,542,949	3,001,778	1,521,099	3,072,049
Profit for the period	43,583	60,011	6,896	390
Other comprehensive income(loss), net of tax	(23,831)	(25,176)	19,546	22,961
Total comprehensive income, net of tax	19,752	34,835	26,442	23,351

v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the six-month periods ended June 30, 2014 and 2013, is as follows (before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2014	2013
Cash flows from operating activities	414,536	288,885
Cash flows from investing activities	(151,407)	(264,058)
Cash flows from financing activities	(209,570)	(28,109)
Exchange gains(losses) on cash and cash equivalents	(1,326)	2,269
Net increase(decrease) in cash and cash equivalents	52,233	(1,013)
Cash and cash equivalents at the beginning of period	399,610	352,808
Cash and cash equivalents at the end of period	451,843	351,795

(d) Significant restrictions on its subsidiaries

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

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

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

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

- (e) Changes in the Parent Company's interest in the subsidiaries

Changes in the Parent Company's interest in the subsidiaries without loss of control for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>LG Innotek Co., Ltd. and its subsidiaries<sup>1</sup></b>		
Decrease in the Parent Company's interest by exercise of conversion rights (A)	20,180	-
Consideration received from non-controlling interest (B)	-	-
<b>Changes of the Parent Company's ownership interest (A+B)</b>	<b>20,180</b>	<b>-</b>
<b>LG-Shaker Co., Ltd.(LGESR)</b>		
Increase in the Parent Company's interest by exercise of stock option (A)	1,813	-
Consideration paid to non-controlling interest (B)	1,013	-
<b>Changes of the Parent Company's ownership interest (A-B)</b>	<b>800</b>	<b>-</b>

<sup>1</sup> The controlling interest of the parent company changed due to the conversion of the convertible bonds that were issued by LG Innotek Co., Ltd, a subsidiary(Note 11).

- (f) Subsidiary newly included in scope of preparation of consolidated financial statements for the six-month period ended June 30, 2014, is:

<b>Subsidiary</b>	<b>Reason</b>	<b>Country</b>	<b>Percentage of ownership</b>	<b>Closing Month</b>	<b>Major Business</b>
HI LOGISTICS RUS Limited Liability Company	Newly established	Russia	100%	December	Logistics
PT.LG Electronics Service Indonesia(LGEID)	Newly established	Indonesia	99.8%	December	Service

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## Notes to the Interim Consolidated Financial Statements

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- (g) Subsidiary excluded from the scope of preparation of consolidated financial statements for the six-month period ended June 30, 2014, is:

Subsidiary	Reason	Country
LG Receivable Funding LLC	Liquidation	USA

- (h) Gain or loss resulted from loss of control over subsidiaries

During the period, no gain or loss occurred due to the loss of control over LG Receivable Funding LLC which was a former subsidiary of the Group.

## 2. Significant Accounting Policies

### Basis of Preparation

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

### Changes in Accounting Policy and Disclosures

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

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

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

Amendment to Korean IFRS 1032 provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. The amendments of Korean IFRS 1032 do not have a significant impact on these consolidated financial statements.

The new and amended standards, and interpretations adopted by the Group during 2014

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

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

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

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

- Korean IFRS 2121(Enactment): Levies'

Korean IFRS 2121, 'Levies', are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation. The enactments do not have a significant impact on these consolidated financial statements.

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

#### **Application of Accounting Policies**

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

#### **Income Tax Expense**

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

# **LG Electronics**

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

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

For the interim consolidated financial statements, the Group's management makes judgments, estimates and assumptions which affect accounting policies and its assets, liabilities, income and cost. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

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

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

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

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

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. Where final tax obligation is different from the amount that was initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period when tax obligation is finalized.

##### **(d) Fair Value of Financial Instruments**

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

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(e) Provisions

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

(f) Net Defined Benefit Liability

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

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

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

**4. Segment Information**

The segments of the Group are strategic business divisions providing different products and services. Each business division operates separately according to unique technologies and marketing strategies. The main products of each business division are as follows and the comparative information is presented in conformity with the same classification in the current period.

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



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(a) The segment information for sales and operating income(losses) for the three-month and six-month periods ended June 30, 2014 and 2013, is as follows:

<b>Three-month period ended June 30, 2014</b>								
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	5,090,870	3,620,330	3,030,450	1,635,016	1,542,949	1,287,990	(832,976)	15,374,629
External sales	5,089,548	3,617,437	3,029,409	1,632,643	1,166,119	839,473	-	15,374,629
Internal sales	1,322	2,893	1,041	2,373	376,830	448,517	(832,976)	-
Operating income <sup>3</sup>	154,537	85,896	97,794	164,191	89,921	13,881	-	606,220
Depreciation and amortization	110,356	81,115	73,257	24,212	119,344	67,626	-	475,910
<b>Six-month period ended June 30, 2014</b>								
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	10,038,189	7,027,353	5,748,358	2,855,141	3,001,778	2,513,767	(1,535,300)	29,649,286
External sales	10,036,803	7,016,316	5,746,077	2,850,067	2,284,153	1,715,870	-	29,649,286
Internal sales	1,386	11,037	2,281	5,074	717,625	797,897	(1,535,300)	-
Operating income <sup>3</sup>	394,880	77,048	207,040	253,953	153,014	24,278	-	1,110,213
Depreciation and amortization	223,949	163,531	148,616	48,190	238,217	131,956	-	954,459
<b>Three-month period ended June 30, 2013</b>								
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	5,116,366	3,123,133	3,186,981	1,733,451	1,521,099	1,286,036	(734,752)	15,232,314
External sales	5,111,259	3,123,124	3,185,561	1,732,567	1,186,377	893,426	-	15,232,314
Internal sales	5,107	9	1,420	884	334,722	392,610	(734,752)	-
Operating income(loss) <sup>3</sup>	93,651	61,174	121,584	170,954	35,680	(3,734)	-	479,309
Depreciation and amortization	117,901	68,549	76,853	22,065	124,454	55,921	-	465,743
<b>Six-month period ended June 30, 2013</b>								
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	9,935,157	6,325,423	5,993,108	2,950,018	3,072,049	2,494,228	(1,437,068)	29,332,915
External sales	9,929,917	6,325,397	5,990,352	2,948,737	2,392,708	1,745,804	-	29,332,915
Internal sales	5,240	26	2,756	1,281	679,341	748,424	(1,437,068)	-
Operating income <sup>3</sup>	104,870	193,673	223,268	252,687	51,508	2,760	-	828,766
Depreciation and amortization	229,749	138,261	150,328	43,039	246,705	109,910	-	917,992

<sup>1</sup> Other segments include operating segments not qualifying as reportable segments, supporting and R&D divisions.

<sup>2</sup> Accounting of sales between segments are treated at arm's length.

<sup>3</sup> Non-operating income (loss) is not separately disclosed as the Chief Operating Decision Maker does not review them by segments.

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(b) The segment information for assets and liabilities as of June 30, 2014 and December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
HE	13,767,268	12,461,630	13,255,416	11,834,863
MC	7,640,042	5,569,984	7,352,268	5,267,930
HA	8,005,481	5,928,517	7,664,596	5,538,440
AE	3,542,669	2,181,879	3,040,696	1,807,856
Innotek	4,435,263	2,804,183	4,581,271	3,264,371
Sub-total <sup>1</sup>	37,390,723	28,946,193	35,894,247	27,713,460
Other segments and inter-segment transactions	43,034	(4,569,190)	(366,183)	(4,874,765)
<b>Total</b>	<b>37,433,757</b>	<b>24,377,003</b>	<b>35,528,064</b>	<b>22,838,695</b>

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

(c) External sales by geographic areas for the three-month and six-month periods ended June 30, 2014 and 2013, and non-current assets by geographic areas are as follows:

<i>(in millions of Korean won)</i>	External sales				Non-current assets <sup>2</sup>	
	2014		2013		June 30, 2014	December 31, 2013
	Three months	Six months	Three months	Six months		
<b>Geographic areas<sup>1</sup></b>						
Korea	4,042,824	7,741,988	3,728,519	7,567,556	9,283,325	9,291,312
China	893,555	1,807,958	961,159	1,862,232	820,649	889,248
Asia	1,562,082	3,047,459	1,699,686	3,188,057	467,366	391,792
Europe	1,599,991	3,222,399	1,590,133	3,236,187	266,582	276,573
North America	3,563,792	6,635,410	3,431,278	6,434,112	341,231	354,987
South America	1,641,727	3,077,963	1,703,913	2,980,496	263,349	222,484
Middle Asia & Africa	1,316,453	2,559,368	1,271,177	2,411,715	115,521	93,241
Others	754,205	1,556,741	846,449	1,652,560	205,852	190,969
<b>Total</b>	<b>15,374,629</b>	<b>29,649,286</b>	<b>15,232,314</b>	<b>29,332,915</b>	<b>11,763,875</b>	<b>11,710,606</b>

<sup>1</sup> The comparative segment information by geographic areas is presented based on the current classification at the end of reporting period.

<sup>2</sup> Non-current assets consist of property, plant and equipment, intangible assets and investment property.

(d) There is no external customer contributing to more than 10% of total sales for the six-month periods ended June 30, 2014 and 2013.

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**5. Financial Instruments by Category**

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

<i>(in millions of Korean won)</i>	June 30, 2014					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	2,701,069	-	-	-	2,701,069
Financial deposits	-	159,640	-	-	-	159,640
Trade receivables	-	8,406,592	-	-	-	8,406,592
Loans and other receivables	-	1,060,845	-	-	-	1,060,845
Other financial assets	1,385	-	51,105	2,575	-	55,065
<b>Total</b>	<b>1,385</b>	<b>12,328,146</b>	<b>51,105</b>	<b>2,575</b>	<b>-</b>	<b>12,383,211</b>

<i>(in millions of Korean won)</i>	June 30, 2014				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
Trade payables	-	6,725,072	-	-	6,725,072
Borrowings	-	9,523,997	-	-	9,523,997
Other payables	-	2,546,704	-	-	2,546,704
Other financial liabilities	2,512	-	79,281	-	81,793
<b>Total</b>	<b>2,512</b>	<b>18,795,773</b>	<b>79,281</b>	<b>-</b>	<b>18,877,566</b>

<i>(in millions of Korean won)</i>	December 31, 2013					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	2,645,270	-	-	-	2,645,270
Financial deposits	-	164,888	-	-	-	164,888
Trade receivables	-	7,117,402	-	-	-	7,117,402
Loans and other receivables	-	1,198,483	-	-	-	1,198,483
Other financial assets	16,080	-	53,075	2,576	1,413	73,144
<b>Total</b>	<b>16,080</b>	<b>11,126,043</b>	<b>53,075</b>	<b>2,576</b>	<b>1,413</b>	<b>11,199,187</b>

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

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

<i>(in millions of Korean won)</i>	2014					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for- sale	Held-to- maturity financial assets	Other	Total
Interest income	-	47,023	169	39	-	47,231
Exchange differences	-	(217,202)	-	-	-	(217,202)
Bad debt expense	-	(25,538)	-	-	-	(25,538)
Loss on disposal of trade receivables	-	(7,975)	-	-	-	(7,975)
Loss on valuation of available- for-sale financial assets, net of tax (through other comprehensive income)	-	-	(704)	-	-	(704)
Gain on disposal of available- for-sale financial assets	-	-	896	-	-	896
Impairment loss of available-for- sale financial assets	-	-	(1,114)	-	-	(1,114)
Dividend income	-	-	317	-	-	317
Gain on derivatives (through profit or loss)	18,242	-	-	-	-	18,242
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	591	591

<i>(in millions of Korean won)</i>	2014			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(229,161)	-	(229,161)
Exchange differences	-	173,170	-	173,170
Loss on derivatives (through profit or loss)	(30,071)	-	-	(30,071)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(14,558)	(14,558)

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<i>(in millions of Korean won)</i>	2013					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Interest income	-	45,690	-	78	-	45,768
Exchange differences	-	252,954	-	-	-	252,954
Bad debt expense	-	(30,513)	-	-	-	(30,513)
Loss on disposal of trade receivables	-	(9,871)	-	-	-	(9,871)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	2,680	-	-	2,680
Gain on disposal of available-for-sale financial assets	-	-	7,406	-	-	7,406
Impairment loss of available-for-sale financial assets	-	-	(2,453)	-	-	(2,453)
Dividend income	-	-	327	-	-	327
Gain on derivatives (through profit or loss)	17,070	-	-	-	-	17,070
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	-	(4,193)	(4,193)

<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	-	(202,709)	-	(202,709)
Exchange differences	-	(445,549)	-	(445,549)
Loss on derivatives, net of tax (through other comprehensive income)	(5,987)	-	-	(5,987)

(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>	June 30, 2014		December 31, 2013	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Gross amounts subject to arrangement	285,757	474,763	268,264	485,690
Offset amount	(270,850)	(270,850)	(247,931)	(247,931)
Net amounts presented	14,907	203,913	20,333	237,759
Related amounts not offset	-	-	-	-
Net amount	14,907	203,913	20,333	237,759

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**6. Trade Receivables**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Trade receivables	8,541,027	7,231,763
Less: allowance for doubtful accounts	(134,435)	(114,361)
<b>Carrying amount</b>	<b>8,406,592</b>	<b>7,117,402</b>

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Current	7,823,267	6,560,428
Past due : Up to 6 months	517,950	501,327
Past due : 7 to 12 months	68,401	40,113
Past due : Over one year	27,847	19,761
Defaulted	103,562	110,134
<b>Total</b>	<b>8,541,027</b>	<b>7,231,763</b>

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

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	114,361	138,418
Addition	25,542	30,614
Write-off	(2,130)	(3,394)
Other	(3,338)	11,380
<b>At June 30</b>	<b>134,435</b>	<b>177,018</b>

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

Trade receivables transferred to financial institutions are recorded as short-term borrowings as the transfer did not qualify for derecognition as of the reporting date (Note 11).

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Discounted receivables</b>	<b>Securitized receivables</b>	<b>Discounted receivables</b>	<b>Securitized receivables</b>
<b>Carrying amount of asset<sup>1</sup></b>				
Trade receivables	53,673	-	26,322	527,574
<b>Carrying amount of associated liability<sup>1</sup></b>				
Short-term borrowings	53,673	-	26,322	-
<b>Net position<sup>2</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>527,574</b>

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

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

**7. Other Financial Assets and Liabilities**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Other financial assets</b>		
Derivatives	1,385	17,493
Available-for-sale	51,105	53,075
Held-to-maturity	2,575	2,576
<b>Total</b>	<b>55,065</b>	<b>73,144</b>
Current	1,434	17,430
Non-current	53,631	55,714

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Other financial liabilities</b>		
Derivatives	81,221	20,928
Financial guarantees	572	625
<b>Total</b>	<b>81,793</b>	<b>21,553</b>
Current	24,325	10,890
Non-current	57,468	10,663

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(b) Details of derivatives and liabilities are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Currency Forward	220	1,503	1,116	580
Currency Swap	1,165	22,716	16,283	10,204
<b>Sub-total</b>	<b>1,385</b>	<b>24,219</b>	<b>17,399</b>	<b>10,784</b>
<b>Non-current</b>				
Currency Swap	-	40,852	94	10,144
Interest Rate Swap	-	16,150	-	-
<b>Sub-total</b>	<b>-</b>	<b>57,002</b>	<b>94</b>	<b>10,144</b>
<b>Total</b>	<b>1,385</b>	<b>81,221</b>	<b>17,493</b>	<b>20,928</b>

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

The details of major derivative contracts as of the reporting date are presented in Note 31.

(c) Assets classified as available-for-sale

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

<i>(in millions of Korean won)</i>	2014						
	Beginning		Valuation <sup>1</sup> (Other				Ending
	Balance	Acquisitions	Disposals	Comprehensive Income)	Impairment	Others	Balance
Listed equity securities	17,720	-	(1,000)	(759)	(17)	-	15,944
Unlisted equity securities	33,515	1,550	(665)	-	(797)	(70)	33,533
Debt securities	1,840	-	(81)	18	(300)	151	1,628
<b>Total</b>	<b>53,075</b>	<b>1,550</b>	<b>(1,746)</b>	<b>(741)</b>	<b>(1,114)</b>	<b>81</b>	<b>51,105</b>

<i>(in millions of Korean won)</i>	2013						
	Beginning		Valuation <sup>1</sup> (Other				Ending
	Balance	Acquisitions	Disposals	Comprehensive Income)	Impairment	Others	Balance
Listed equity securities	8,169	-	(532)	4,098	-	-	11,735
Unlisted equity securities	43,760	6,783	(9,225)	-	(2,453)	-	38,865
Debt securities	2,670	1,205	(835)	-	-	-	3,040
<b>Total</b>	<b>54,599</b>	<b>7,988</b>	<b>(10,592)</b>	<b>4,098</b>	<b>(2,453)</b>	<b>-</b>	<b>53,640</b>

<sup>1</sup> The profit of ₩824 million (2013: ₩422 million) and the loss of ₩317 million (2013: nil) from the accumulated other comprehensive income relating to available-for-sale financial assets have been reclassified to profit and loss during the period.



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- ii) The listed equity securities among the above available-for-sale equity securities are measured using quoted prices in active markets. However, the unlisted equity securities are measured at cost as they are mostly in the beginning of their business stages and their fair values cannot be reliably measured.
- iii) The unlisted equity securities amounting to ₩665 million (2013: ₩4,345 million), whose fair value could not be measured reliably and therefore measured at cost, have been derecognized as a result of a transfer. Accordingly, a gain and loss on disposal amounting to ₩74 million and ₩2 million, respectively, (2013: gain on disposal amounting to ₩6,984 million) was recognized as profit and loss for the period. In addition, among available-for-sale equity securities derecognized during the six-month period ended June 30, 2013, amounting to ₩9,225 million, the amount of ₩4,880 million has been derecognized as a result of a return of capital investments. The Group did not recognize profit or loss in regards to the derecognition.

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Maturity		
Within 1 year	49	31
1 to 5 year	2,526	2,545

The amount recognized as interest income in relation to held-to-maturity financial assets is ₩39 million (2013: ₩78 million). No impairment losses were recognized in relation to held-to-maturity financial assets for the six-month periods ended June 30, 2014 and 2013.

## 8. Inventories

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>			<b>December 31, 2013</b>		
	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Finished products and merchandise	3,217,561	(73,712)	3,143,849	2,895,532	(75,473)	2,820,059
Half-finished products and work-in-process	341,253	(8,124)	333,129	329,230	(8,876)	320,354
Raw materials and supplies	1,830,493	(23,578)	1,806,915	1,457,023	(27,103)	1,429,920
Other	304,611	(39,672)	264,939	310,415	(41,918)	268,497
<b>Total</b>	<b>5,693,918</b>	<b>(145,086)</b>	<b>5,548,832</b>	<b>4,992,200</b>	<b>(153,370)</b>	<b>4,838,830</b>

The loss on valuation of inventories recognized for the six-month period ended June 30, 2014, amounts to ₩57,796 million (2013: ₩63,985 million).

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

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

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	10,341,993	9,889,204
Acquisitions	1,000,442	1,188,438
Transfer-in(out)	(757)	6,191
Disposals	(32,503)	(44,896)
Decrease due to business transfer	-	(15,483)
Depreciation	(771,183)	(744,989)
Impairment <sup>1</sup>	(4,467)	(4,033)
Changes in scope of consolidation	-	6,044
Exchange differences	(104,442)	110,414
<b>At June 30</b>	<b>10,429,083</b>	<b>10,390,890</b>

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

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

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	1,363,690	1,222,302
Acquisitions	50,934	76,353
Acquisitions by internal development	112,024	102,130
Transfer-in	43,941	49,799
Disposals	(15,693)	(10,556)
Decrease due to business transfer	-	(731)
Amortization	(216,527)	(182,965)
Impairment <sup>1</sup>	(7,318)	(1,097)
Changes in scope of consolidation	-	5,934
Exchange differences	(800)	1,547
<b>At June 30</b>	<b>1,330,251</b>	<b>1,262,716</b>

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

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**10. Investments in Associates and Joint Ventures**

(a) Investments in associates and joint ventures

- i) Carrying amounts of investments in associates and joint ventures, as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Associates	4,112,956	4,149,345
Joint ventures	174,263	180,238
<b>Total</b>	<b>4,287,219</b>	<b>4,329,583</b>

- ii) Investments in associates as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>				<b>December 31, 2013</b>			
	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>
LG Display Co., Ltd.	679,218	4,024,217	(47,099)	3,977,118	679,218	4,022,016	(46,916)	3,975,100
Ericsson-LG Co., Ltd	26,629	76,546	(79)	76,467	26,629	89,445	(107)	89,338
Hitachi-LG Data Storage Inc.(HLDS)	51,184	(2,200)	(1,322)	-	51,184	29,930	(1,921)	28,009
Global OLED Technology LLC.	53,454	27,953	-	27,953	53,454	30,767	-	30,767
Korea Information Certificate Authority Inc.	852	3,052	-	3,052	852	2,890	-	2,890
LG Fuel Cell Systems Inc.	44,051	25,212	-	25,212	36,785	20,102	-	20,102
SKT Vietnam PTE., Ltd. <sup>1</sup>	72,194	717	-	-	72,194	739	-	-
One-Red, LLC <sup>2</sup>	3,128	3,154	-	3,154	3,128	3,139	-	3,139
<b>Total</b>	<b>930,710</b>	<b>4,158,651</b>	<b>(48,500)</b>	<b>4,112,956</b>	<b>923,444</b>	<b>4,199,028</b>	<b>(48,944)</b>	<b>4,149,345</b>

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

<sup>2</sup> The financial statements as of May 31, 2014 and 2013 were used due to a different fiscal year end.

- iii) Investments in joint ventures as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>				<b>December 31, 2013</b>			
	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>
LG Holdings(HK) Ltd.	115,234	112,485	-	112,485	115,234	117,709	-	117,709
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	48,534	(1,300)	47,234	14,718	48,521	(977)	47,544
EIC PROPERTIES PTE LTD.	9,636	13,453	-	13,453	9,636	13,693	-	13,693
LG Fund for Enterprises	1,602	612	-	612	2,282	1,292	-	1,292
LG-MRI LLC	516	479	-	479	-	-	-	-
<b>Total</b>	<b>141,706</b>	<b>175,563</b>	<b>(1,300)</b>	<b>174,263</b>	<b>141,870</b>	<b>181,215</b>	<b>(977)</b>	<b>180,238</b>

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(b) Associates and joint ventures

i) Associates as of June 30, 2014, are as follows:

	<b>Location</b>	<b>Closing Month</b>	<b>Percentage of ownership</b>	<b>Nature of relationships with the Group</b>
LG Display Co., Ltd.	Korea	December	37.9%	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0%	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	Production and supply of data storages
Global OLED Technology LLC.	USA	December	32.7%	OLED related patent licensing
Korea Information Certificate Authority Inc. <sup>1</sup>	Korea	December	7.5%	Certificate services
LG Fuel Cell Systems Inc.	USA	December	29.2%	R&D of fuel cell
SKT Vietnam PTE., Ltd.	Singapore	December	25.4%	Communication services
One-Red, LLC	USA	March	25.0%	DVD related patent licensing

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

ii) Joint ventures as of June 30, 2014, are as follows:

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

<i>(in millions of Korean won)</i>	<b>Location</b>	<b>Closing month</b>	<b>Percentage of ownership</b>	<b>Nature of relationships with the Group</b>
LG Holdings(HK) Ltd.	China	December	49.0%	Real estate
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	December	50.0%	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.2%	Real estate
LG Fund for Enterprises	Korea	December	50.0%	Fund relating to emerging technology business
LG-MRI LLC	USA	December	50.0%	Production and supply of digital display products

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

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(c) Changes in the carrying amounts of investments in associates and joint ventures

- i) Changes in the carrying amounts of investments in associates for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>Opening carrying amount</b>	4,149,345	4,005,768
Acquisitions	7,266	46,628
Gain(loss) from equity method	39,569	(3,886)
Share of remeasurements for the net defined benefit liability of associates	(953)	111
Share of other comprehensive income(loss) (excluding remeasurements) of associates	(65,319)	53,791
Dividend/ recovery	(17,060)	(10,250)
Exchange differences	(278)	64
Changes in ownership interest over associates	386	-
<b>Closing carrying amount</b>	<b>4,112,956</b>	<b>4,092,226</b>

- ii) Changes in the carrying amounts of investments in joint ventures for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>Opening carrying amount</b>	180,238	177,110
Acquisition	516	-
Gain from equity method	4,136	13,244
Share of other comprehensive income(loss) (excluding remeasurements) of joint ventures	(9,947)	9,600
Dividend/ recovery	(680)	-
<b>Closing carrying amount</b>	<b>174,263</b>	<b>199,954</b>

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

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Current assets	7,325,340	7,731,788
Non-current assets	13,997,770	13,983,496
<b>Total assets</b>	<b>21,323,110</b>	<b>21,715,284</b>
Current liabilities	6,898,782	6,788,919
Non-current liabilities	3,518,104	4,128,945
<b>Total liabilities</b>	<b>10,416,886</b>	<b>10,917,864</b>
Equity attributable to owners of LG Display Co., Ltd.	10,616,979	10,611,173
Non-controlling interests	289,245	186,247
<b>Total equity</b>	<b>10,906,224</b>	<b>10,797,420</b>

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Net sales	5,979,040	11,566,738	6,572,048	13,375,288
Profit for the period	256,037	174,069	102,083	106,564
Equity holders of LG Display Co., Ltd.				
Profit for the period	258,327	178,376	102,511	107,234
Other comprehensive income(loss), net of tax	(150,266)	(172,570)	79,136	125,220
Total comprehensive income, net of tax	108,061	5,806	181,647	232,454
Dividends received from associates	-	-	-	-

(e) Reconciliations of the summarized financial information of an associate material to the reporting entity to the carrying amount of the Group's interest for the six-month periods ended June 30, 2014 and 2013, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Opening equity attributable to owners of LG Display Co., Ltd.	10,611,173	10,209,039
Profit for the period	178,376	107,234
Other comprehensive income(loss), net of tax	(172,570)	125,220
Closing equity attributable to owners of LG Display Co., Ltd.	10,616,979	10,441,493
Group ownership(%)	37.9	37.9
The Group's share at the end of the reporting period	4,024,217	3,957,701
Unrealized loss	(47,099)	(53,802)
Carrying amount at the reporting date	3,977,118	3,903,899

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(f) The Group's share in the operating results in the individually insignificant associates and joint ventures for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014				2013			
	Associates		Joint ventures		Associates		Joint ventures	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
Profit(loss) for the period	(3,214)	(27,939)	3,440	4,441	(8,830)	(39,279)	8,827	13,794
Other comprehensive income (loss), net of tax	(2,210)	(1,038)	(8,795)	(9,946)	4,079	6,439	3,417	9,600
Total comprehensive income(loss), net of tax	(5,424)	(28,977)	(5,355)	(5,505)	(4,751)	(32,840)	12,244	23,394

(g) Accumulated comprehensive income and loss that were not recognized due to discontinuation of the equity method for the six-month period ended June 30, 2014 and the year ended December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Losses of the equity-method investees	Accumulated losses of the equity-method investees	Losses of the equity-method investees	Accumulated losses of the equity-method investees
	SKT Vietnam PTE., Ltd.	22	52,116	6,701
Hitachi-LG Data Storage Inc.(HLDS)	3,522	3,522	-	-

(h) The fair value and book value of marketable associate securities as of June 30, 2014 and December 31, 2013, are as follows:

Name	Type	June 30, 2014			
		Shares held	Price per share	Fair value	Book value
		<i>(Unit: shares)</i>	<i>(Unit: won)</i>	<i>(in millions of Korean won)</i>	
LG Display Co., Ltd.	Associate	135,625,000	31,800	4,312,875	3,977,118
Korea Information Certificate Authority Inc. <sup>1</sup>	Associate	2,000,000	4,560	9,120	3,052

  

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

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

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**11. Borrowings**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Current</b>		
Short-term borrowings	983,421	903,798
Current portion of long-term borrowings	894,100	1,346,821
Current portion of debentures	321,218	564,596
Current convertible bonds	212,650	207,508
<b>Sub-total</b>	<b>2,411,389</b>	<b>3,022,723</b>
<b>Non-Current</b>		
Long-term borrowings	2,287,546	1,914,366
Debentures	4,825,062	4,004,088
Convertible bonds	-	269,852
<b>Sub-total</b>	<b>7,112,608</b>	<b>6,188,306</b>
<b>Total</b>	<b>9,523,997</b>	<b>9,211,029</b>

(b) Details of borrowings are as follows:

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

<i>(in millions of Korean won)</i>	<b>Annual interest</b>	<b>Carrying amount</b>	
	<b>rate at June 30,</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<b>2014</b>		
General loans <sup>1</sup>			
HSBC and others	1.33 ~ 13.3	929,748	877,476
Borrowings on negotiated trade bills <sup>2</sup>			
Hana Bank and others	2.57 ~ 4.28	53,673	26,322
<b>Total</b>		<b>983,421</b>	<b>903,798</b>

<sup>1</sup> The Group entered into a cross-currency swap contract to hedge cash flow risk related to foreign exchange rates of borrowings in foreign currency (Note 31).

<sup>2</sup> At the end of the reporting period, borrowings are collateralized by certain trade receivables of the Group (Note 6).



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

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at June 30, 2014(%)	June 30, 2014		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2014.12.10	4.72	25,000	25,000	-
Kookmin Bank	2015. 3. 4	5.16	82,500	82,500	-
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
Kookmin Bank <sup>1</sup>	2029. 4.30	3M CD+1.14	200,000	-	200,000
Shinhan Bank	2014. 9. 8	4.78	7,500	7,500	-
Shinhan Bank	2016. 5.22	2.75	116	66	50
Shinhan Bank	2016.10.19	4.37	118,750	47,500	71,250
Shinhan Bank	2017. 2.16	4.60	190,000	-	190,000
Shinhan Bank	2017. 2.27	3.63	50,000	-	50,000
Shinhan Bank	2017. 9.15	1.75	728	224	504
IBK Securities	2016.10.14	3.35	83,035	-	83,035
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Small & Medium Business Corporation	2014.11.16	3.89	34	34	-
Hana Bank	2015. 6.28	3.20	360	360	-
Hana Bank	2015. 9.28	3.20	300	240	60
Hana Bank	2016. 3.28	3.20	1,155	660	495
Hana Bank <sup>1</sup>	2024. 1. 3	3M CD+0.98	200,000	-	200,000
Woori Bank	2015. 5. 8	3.80	10,000	10,000	-
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015. 3.10	5.06	90,000	90,000	-
Korea Development Bank	2016. 5. 9	3.79	40,000	10,000	30,000
Korea Development Bank	2018. 5.28	3.76	50,000	-	50,000
Korea Finance Corporation	2015. 2.28	4.80	100,000	100,000	-
Korea Finance Corporation	2015. 9.14	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016. 4.20	4.63	30,000	-	30,000
Korea Finance Corporation	2016. 7.27	3.81	50,000	-	50,000
Korea Finance Corporation	2016. 7.27	3.78	50,000	-	50,000
Korea Finance Corporation	2016. 7.27	3.71	30,000	-	30,000
Korea Finance Corporation	2016. 7.27	3.75	20,000	-	20,000
Korea Finance Corporation	2017. 2.28	3.58	70,000	-	70,000
Korea Finance Corporation	2017. 2.28	3.76	30,000	-	30,000
Korea Finance Corporation	2017. 2.28	4.01	40,000	-	40,000
Korea Finance Corporation	2017. 2.29	3.97	130,000	-	130,000
Korea Finance Corporation	2017. 3.29	4.62	190,000	-	190,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at June 30, 2014(%)	June 30, 2014		
			Total	Current	Non-current
<b>Foreign currency loans</b>					
	2016. 3.31 ~				
HSBC and others	2019. 1.20	1.25 ~ 10.4	352,168	80,016	272,152
<b>Total</b>			<b>3,181,646</b>	<b>894,100</b>	<b>2,287,546</b>

<sup>1</sup> The Group entered into an interest rate swap contract to hedge cash flow risk related to floating interest rates (Note 31).

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2014.12.10	4.72	50,000	50,000	-
Kookmin Bank	2015. 3. 4	5.16	110,000	82,500	27,500
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
Nonghyup Bank	2014. 3. 9	4.70	190,000	190,000	-
Shinhan Bank	2014. 9. 8	4.78	22,500	22,500	-
Shinhan Bank	2016. 5.22	2.75	149	66	83
Shinhan Bank	2016.10.19	4.37	142,500	47,500	95,000
Shinhan Bank	2017. 2.16	4.60	190,000	-	190,000
Shinhan Bank	2017. 2.27	3.63	50,000	-	50,000
Shinhan Bank	2017. 9.15	1.75	839	224	615
IBK Securities	2016.10.14	3.35	81,599	-	81,599
Woori Bank	2015. 5. 8	3.85	10,000	-	10,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Small & Medium Business Corporation	2014.11.16	3.97	68	68	-
Hana Bank	2014. 3.28	2.92	160	160	-
Hana Bank	2015. 6.28	3.22	540	360	180
Hana Bank	2015. 9.28	3.22	420	240	180
Hana Bank	2016. 3.28	3.22	1,485	660	825
Korea Development Bank	2014. 4. 5	4.45	190,000	190,000	-
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015. 3.10	5.06	90,000	-	90,000
Korea Development Bank	2015. 5. 4	4.52	10,000	-	10,000
Korea Development Bank	2018. 5.28	3.76	50,000	-	50,000
Korea EXIM Bank	2014. 6. 2	4.90	60,000	60,000	-
Korea Finance Corporation	2014. 2.28	4.56	90,000	90,000	-
Korea Finance Corporation	2015. 2.28	4.80	100,000	-	100,000
Korea Finance Corporation	2015. 9.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016. 4.20	4.63	30,000	-	30,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
			Total	Current	Non-current
Korea Finance Corporation	2016. 7.27	3.81	50,000	-	50,000
Korea Finance Corporation	2016. 7.27	3.78	50,000	-	50,000
Korea Finance Corporation	2016. 7.27	3.71	30,000	-	30,000
Korea Finance Corporation	2016. 7.27	3.75	20,000	-	20,000
Korea Finance Corporation	2017. 2.28	3.58	70,000	-	70,000
Korea Finance Corporation	2017. 2.28	3.76	30,000	-	30,000
Korea Finance Corporation	2017. 2.28	4.01	40,000	-	40,000
Korea Finance Corporation	2017. 3.29	4.62	190,000	-	190,000
<b>Foreign currency loans</b>					
	2016. 3.31~				
HSBC and others	2018.10.15	1.26 ~ 10.4	370,927	172,543	198,384
<b>Total</b>			<b>3,261,187</b>	<b>1,346,821</b>	<b>1,914,366</b>

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

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at June 30, 2014 (%)	June 30, 2014		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 <sup>th</sup> )	2015.11.29	5.10	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 <sup>th</sup> )	2015. 2.24	5.01	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015. 2. 9	4.32	30,000	30,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017. 2. 9	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015. 9. 9	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016. 2.16	4.91	60,000	-	60,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016. 5.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016. 6.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016. 8. 5	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014. 8.23	3ML+0.70	101,440	101,440	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016. 9.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12. 2	2.00	244,762	-	244,762
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015. 9.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017. 9.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 <sup>th</sup> )	2018. 3.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 <sup>st</sup> )	2020. 5.23	3.29	100,000	-	100,000

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<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at June 30, 2014 (%)	June 30, 2014		
				Total	Current	Non-current
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 <sup>nd</sup> )	2020. 5.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 <sup>rd</sup> )	2023. 5.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 <sup>th</sup> )	2023. 5.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-1 <sup>st</sup> )	2015. 7.31	2.86	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-2 <sup>nd</sup> )	2018. 7.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-3 <sup>rd</sup> )	2020. 7.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds(70 <sup>th</sup> ) <sup>1</sup>	2019. 1.31	3ML+1.60	202,880	-	202,880
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-1 <sup>st</sup> )	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-2 <sup>nd</sup> )	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-3 <sup>rd</sup> )	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(72 <sup>nd</sup> ) <sup>1</sup>	2017. 6.19	3ML+1.30	202,880	-	202,880
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-1 <sup>st</sup> )	2017. 1.24	3.16	100,000	-	100,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-2 <sup>nd</sup> )	2019. 1.24	3.60	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-3 <sup>rd</sup> )	2021. 1.24	3.95	160,000	-	160,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-4 <sup>th</sup> )	2024. 1.24	4.44	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-1 <sup>st</sup> )	2019. 5.29	3.30	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-2 <sup>nd</sup> )	2021. 5.29	3.52	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-3 <sup>rd</sup> )	2024. 5.29	4.04	210,000	-	210,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-4 <sup>th</sup> )	2029. 5.29	4.44	60,000	-	60,000
<u>Less: discount on debentures</u>				(15,682)	(222)	(15,460)
<b>Total</b>				<b>5,146,280</b>	<b>321,218</b>	<b>4,825,062</b>

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds(25-2 <sup>nd</sup> )	2014. 2. 9	5.70	150,000	150,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 <sup>th</sup> )	2015.11.29	5.10	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 <sup>th</sup> )	2015. 2.24	5.01	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015. 2. 9	4.32	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017. 2. 9	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015. 9. 9	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30	190,000	-	190,000

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<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 <sup>st</sup> )	2014. 2.16	4.44	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016. 2.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014. 4.28	3ML+1.00	179,401	179,401	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016. 5.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016. 6.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016. 8. 5	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014. 8.23	3ML+0.70	105,530	105,530	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016. 9.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12. 2	2.00	255,564	-	255,564
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015. 9.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017. 9.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 <sup>th</sup> )	2018. 3.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 <sup>st</sup> )	2020. 5.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 <sup>nd</sup> )	2020. 5.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 <sup>rd</sup> )	2023. 5.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 <sup>th</sup> )	2023. 5.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-1 <sup>st</sup> )	2015. 7.31	2.86	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-2 <sup>nd</sup> )	2018. 7.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-3 <sup>rd</sup> )	2020. 7.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds(70 <sup>th</sup> ) <sup>1</sup>	2019. 1.31	3ML+1.60	211,060	-	211,060
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-1 <sup>st</sup> )	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-2 <sup>nd</sup> )	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-3 <sup>rd</sup> )	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(72 <sup>nd</sup> ) <sup>1</sup>	2017. 6.19	3ML+1.30	211,060	-	211,060
Less: discount on debentures				(13,931)	(335)	(13,596)
<b>Total</b>				<b>4,568,684</b>	<b>564,596</b>	<b>4,004,088</b>

<sup>1</sup> The Group entered into a cross-currency swap contract to hedge cash flow risk related to floating interest rates and foreign exchange rates of debentures (Note 31).

Meanwhile, the Parent Company is provided with payment guarantees from Shinhan Bank for principal and interests of the guaranteed private placement bonds (70<sup>th</sup> issue) (Note 28).

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iv) Details of LG Innotek's Co., Ltd. convertible bonds as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Issue date	Redemption date	June 30, 2014		
			Carrying amount	Current	Non-current
Convertible bonds(27 <sup>th</sup> ) <sup>1</sup>	2010.11.11	2014.11.11	199,928	199,928	-
Add: Redemption premium			16,608	16,608	-
Less: Adjustment for conversion right and discount on bonds			(3,886)	(3,886)	-
<b>Total</b>			<b>212,650</b>	<b>212,650</b>	<b>-</b>

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

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

Type	Convertible bonds(27 <sup>th</sup> issue)
Coupon rate	0%
Rate of return	2% (8.3071% terms of payment for redemption premium)
Exercise period	2010.12.11 ~ 2014.10.11
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩150,000 per share 2. Right of claim for early redemption: The early redemption of the bonds to repay the outstanding balance can be exercised from when three years have elapsed from the date of issue (November 11, 2013) until one month ahead from the maturity (October 11, 2014). However, in order to exercise the early redemption, the closing price of the common share of the issuing company must exceed 140% of the conversion price for 20 consecutive trading days since the start of exercise period of the early redemption.

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<u>Type</u>	<u>Convertible bonds(32<sup>nd</sup> issue)</u>
Coupon rate	0%
Rate of return	0.1% (0.3004% terms of payment for redemption premium)
Exercise period	2013.10.17 ~ 2016.08.17
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩85,800 per share 2. Right of claim for early redemption: The early redemption of the bonds to repay the outstanding balance can be exercised from when one month have elapsed from the date of issue (October 17, 2013) until one month ahead from the maturity (August 17, 2016). However, in order to exercise the early redemption, the closing price of the common share of the issuing company must exceed 130% of the conversion price for 15 consecutive trading days since the start of exercise period of the early redemption.

The 32<sup>nd</sup> issue of convertible bonds at the carrying amount of ₩273,760 million and the 27<sup>th</sup> issue of convertible bonds at the carrying amount of ₩35 million issued by LG Innotek Co., Ltd. have been converted into shares during the period. As a result, the equity of LG Innotek Co., Ltd. increased by ₩279,344 million. Accordingly, the controlling interest of the Group decreased from 47.9% to 40.8% during the period. Equity attributable to owners of the Parent Company increased by ₩20,180 million and non-controlling interests by ₩259,164. Unexercised convertible bonds (the 32<sup>nd</sup> issue) amounting to ₩13 million have been early repaid on June 6, 2014.

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

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

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Less than</b>			<b>Over</b>
		<b>1 year</b>	<b>2 years</b>	<b>5 years</b>	<b>5 years</b>
Short-term borrowings	1,006,854	1,006,854	-	-	-
Current portion of long-term borrowings	915,626	915,626	-	-	-
Current portion of debentures	329,788	329,788	-	-	-
Current convertible bonds	216,536	216,536	-	-	-
Long-term borrowings	2,709,497	98,148	602,031	1,500,201	509,117
Debentures	<u>5,581,695</u>	<u>174,189</u>	<u>1,451,256</u>	<u>2,565,948</u>	<u>1,390,302</u>
<b>Total</b>	<b>10,759,996</b>	<b>2,741,141</b>	<b>2,053,287</b>	<b>4,066,149</b>	<b>1,899,419</b>

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

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**12. Post-employment Benefits**

**Defined Benefit Plan**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Present value of funded obligations	2,029,233	1,849,385
Present value of unfunded obligations	31,954	33,549
<b>Sub-total</b>	2,061,187	1,882,934
Fair value of plan assets	(1,273,412)	(1,302,015)
<b>Net defined benefit liability</b>	<b>787,775</b>	<b>580,919</b>

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

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Current service cost	81,380	160,964	74,677	149,644
Net interest cost	6,487	12,452	5,149	10,275
Past service cost	665	25,592	-	-
Managing cost	345	778	331	678
<b>Total</b>	<b>88,877</b>	<b>199,786</b>	<b>80,157</b>	<b>160,597</b>

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

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Manufacturing costs	43,598	99,341	40,003	80,130
Selling and marketing expenses	15,190	32,435	12,889	25,820
Administrative expenses	6,537	13,456	5,163	10,502
Research and development expenses	21,370	50,154	20,159	39,958
Service costs	2,182	4,400	1,943	4,187
<b>Total</b>	<b>88,877</b>	<b>199,786</b>	<b>80,157</b>	<b>160,597</b>



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

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	1,882,934	1,648,334
Current service cost	160,964	149,644
Interest expense	37,173	29,909
Past service cost	25,592	-
Remeasurements for:		
- Actuarial gain(loss) arising from changes in financial assumptions	56,532	(19,380)
- Actuarial gain (loss) arising from experience adjustments	(22,365)	-
Benefits paid	(78,504)	(54,747)
Decrease due to business transfer	-	(4,251)
Business combinations and changes in scope of consolidation	-	1,521
Others	(1,139)	2,443
<b>At June 30</b>	<b>2,061,187</b>	<b>1,753,473</b>

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

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	1,302,015	1,018,196
Interest income	24,721	19,634
Remeasurements for:		
- Return on plan assets	(4,423)	(885)
Employer contributions	3,840	7,012
Benefits paid	(51,910)	(31,652)
Decrease due to business transfer	-	(2,939)
Business combinations and changes in scope of consolidation	-	979
Managing cost	(778)	(678)
Other	(53)	(65)
<b>At June 30</b>	<b>1,273,412</b>	<b>1,009,602</b>

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

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Weighted average of discount rate	3.7%	4.1%
Weighted average of future salary increase	6.1%	6.1%

The discount rates applied to the Parent Company and subsidiaries are between 0.9%~9.5% (2013: 0.9%~9.5%), and the expected rates of future salary increase are between 4.0%~13.0%

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(2013: 4.0%~13.0%).

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

<i>(in millions of Korean won)</i>	<b>1% increase</b>	<b>1% decrease</b>
Discount rate	(162,858)	187,506
Future salary increase	178,160	(165,132)

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Amount</b>	<b>Composition(%)</b>	<b>Amount</b>	<b>Composition(%)</b>
Securities combined with derivatives (principal and interest protected)	909,867	71.5	897,349	68.9
Time deposits and others	363,545	28.5	404,666	31.1
<b>Total</b>	<b>1,273,412</b>	<b>100.0</b>	<b>1,302,015</b>	<b>100.0</b>

**Defined Contribution Plan**

Recognized expense related to the defined contribution plan for the six-month period ended June 30, 2014, amounts to ₩4,399 million (2013: ₩4,144 million).

**13. Provisions**

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

<i>(in millions of Korean won)</i>	<b>2014</b>				
	<b>Warranty</b>	<b>Sales returns</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1, 2014</b>	612,101	63,183	11,265	975,947	1,662,496
Additions	404,794	129,092	1,394	(16,642)	518,638
Utilizations	(379,154)	(126,421)	(730)	(13,633)	(519,938)
Exchange differences	(15,982)	(2,631)	(31)	(2,185)	(20,829)
<b>At June 30, 2014</b>	<b>621,759</b>	<b>63,223</b>	<b>11,898</b>	<b>943,487</b>	<b>1,640,367</b>
<b>Current</b>	565,240	63,223	-	41,571	670,034
<b>Non-current</b>	56,519	-	11,898	901,916	970,333

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(in millions of Korean won)	2013				
	Warranty	Sales returns	Restoration	Litigation and others	Total
<b>At January 1, 2013</b>	598,329	61,498	8,882	908,444	1,577,153
Additions	445,540	129,764	684	85,616	661,604
Utilizations	(443,001)	(127,072)	(726)	(33,286)	(604,085)
Exchange differences	13,366	2,405	55	1,478	17,304
Acquisitions from business combination	131	-	-	-	131
<b>At June 30, 2013</b>	614,365	66,595	8,895	962,252	1,652,107
<b>Current</b>	556,663	66,595	-	41,235	664,493
<b>Non-current</b>	57,702	-	8,895	921,017	987,614

**14. Paid-in Capital**

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

	Par value per share (in won)	June 30, 2014		December 31, 2013	
		Number of shares issued	Amount (in millions)	Number of shares issued	Amount (in millions)
Common stock	5,000	163,647,814	818,239	163,647,814	818,239
Preferred stock	5,000	17,185,992	85,930	17,185,992	85,930
<b>Total</b>		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 the same rights on the remaining assets as common shareholders. Repayment and conversion are not applicable to preferred shares.

(b) Share premium balances are as follows:

<i>(in millions of Korean won)</i>	June 30, 2014	December 31, 2013
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 upon the split-off on April 1, 2002. In addition, the amount of ₩331,766 million paid in excess of par value at the 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 share premium at the issuance of common shares in 2011.

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**15. Retained Earnings**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Legal reserve <sup>1</sup>	153,190	149,503
Discretionary reserve <sup>2</sup>	5,666,922	5,872,588
Unappropriated retained earnings	3,444,734	2,863,432
<b>Total</b>	<b>9,264,846</b>	<b>8,885,523</b>

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

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

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Accumulated other comprehensive income(loss) of associates and joint ventures	(168,022)	(92,756)
Cash flow hedge	(8,933)	5,034
Available-for-sale financial assets	10,662	11,266
Currency translation differences	(1,031,136)	(830,984)
<b>Total</b>	<b>(1,197,429)</b>	<b>(907,440)</b>

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**17. Other Components of Equity**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Treasury shares <sup>1</sup>	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group <sup>2</sup>	(177,430)	(198,410)
<b>Total</b>	<b>(210,249)</b>	<b>(231,229)</b>

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

2 The amounts include gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries, net of related deferred tax. Changes during the period are due to the conversion of the convertible bonds issued by LG Innotek Co., Ltd., amounting to ₩20,180 million, and due to the exercise of appraisal rights for the shares of a subsidiary, LG-Shaker Co., Ltd., amounting to ₩800 million (Note 1).

**18. Net Sales**

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

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Sales of goods	15,177,567	29,291,432	15,076,877	29,032,315
Sales of services	115,634	213,271	93,587	166,939
Royalty income	81,428	144,583	61,850	133,661
<b>Total</b>	<b>15,374,629</b>	<b>29,649,286</b>	<b>15,232,314</b>	<b>29,332,915</b>

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**19. Expenses by Nature**

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Changes in inventories	(160,850)	(868,715)	48,949	(301,440)
Purchase of raw materials and merchandise	9,815,944	19,624,351	10,317,856	19,914,121
Employee benefit expense	1,667,618	3,243,651	1,381,711	2,936,387
Depreciation and amortization	475,910	954,459	465,743	917,992
Advertising expense	306,486	504,849	308,212	518,207
Promotion expense	226,134	371,484	207,844	339,569
Transportation expense	442,483	850,312	447,052	856,732
Commission expense	723,521	1,379,669	676,237	1,274,462
Other expenses	1,271,163	2,479,013	899,401	2,048,119
<b>Total</b> <sup>1</sup>	<b>14,768,409</b>	<b>28,539,073</b>	<b>14,753,005</b>	<b>28,504,149</b>

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

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

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Wages and salaries	703,318	1,350,287	731,009	1,400,310
Severance benefits	49,871	108,509	40,752	81,657
Welfare expense	146,475	286,536	152,278	290,053
Transportation expense	420,694	820,535	439,317	842,990
Rental expense	106,472	214,164	110,502	217,829
Commission expense	518,764	980,941	468,939	902,464
Depreciation	62,876	125,813	64,074	127,097
Amortization	45,940	94,211	59,719	128,167
Taxes and dues	35,037	72,563	51,971	89,093
Advertising expense	306,486	504,849	308,212	518,207
Promotion expense	226,134	371,484	207,844	339,569
Direct R&D costs	74,759	161,441	114,783	209,238
Direct service costs	199,735	371,655	230,883	404,960
Bad debt expense	7,899	25,542	15,787	30,614

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<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Other	194,741	392,921	206,564	404,635
<b>Total</b>	<b>3,099,201</b>	<b>5,881,451</b>	<b>3,202,634</b>	<b>5,986,883</b>

**21. Financial Income**

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Interest income	22,941	47,231	22,521	45,768
Foreign exchange gain	35,954	110,934	57,234	174,041
Gain on derivatives	6,601	12,721	15,110	16,292
Other	27	82	-	-
<b>Total</b>	<b>65,523</b>	<b>170,968</b>	<b>94,865</b>	<b>236,101</b>

**22. Financial Expenses**

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Interest expense	115,455	229,161	101,553	202,709
Foreign exchange loss	46,172	133,103	95,759	204,475
Loss on derivatives	5,637	16,589	(1,791)	4,495
Loss on disposal of trade receivables	4,120	7,975	5,660	9,871
Other	548	1,596	373	931
<b>Total</b>	<b>171,932</b>	<b>388,424</b>	<b>201,554</b>	<b>422,481</b>

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**23. Other Non-operating Income**

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Dividend income	8	317	10	327
Exchange differences	342,342	536,935	308,695	575,187
Gain on derivatives	756	5,521	750	778
Gain on disposal of property, plant and equipment	3,974	16,884	4,998	7,632
Gain on disposal of intangible assets	71	14,891	2	265
Gain on disposal of investments in associates and joint ventures	253	386	-	-
Other	40,108	49,221	10,692	19,718
<b>Total</b>	<b>387,512</b>	<b>624,155</b>	<b>325,147</b>	<b>603,907</b>

**24. Other Non-operating Expenses**

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
Exchange differences	331,423	558,798	417,519	737,348
Loss on derivatives	5,345	13,482	711	1,492
Loss on disposal of property, plant and equipment	6,336	9,658	4,836	9,355
Loss on disposal of intangible assets	7,646	14,574	4,025	9,789
Impairment loss on available-for-sale financial assets	-	1,114	2,000	2,453
Other	28,971	67,956	71,110	85,994
<b>Total</b>	<b>379,721</b>	<b>665,582</b>	<b>500,201</b>	<b>846,431</b>

**25. Income Tax Expense**

In accordance with the Local Tax Act which was amended and announced on January 1, 2014, tax credit carryforwards amounting to ₩84,776 million recognized as deferred tax assets of the Parent Company and subsidiaries domiciled in the Republic of Korea at December 31, 2013, was expensed during the reporting period.



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**26. Earnings per Share**

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

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

	2014		2013	
	Three months	Six months	Three months	Six months
Profit attributable to common shares <sup>1</sup> (in millions of won)	333,721	401,246	119,213	140,911
Weighted average number of common shares outstanding (unit: shares) <sup>2</sup>	162,884,646	162,884,646	162,884,646	162,884,646
Basic earnings per common share (in won)	2,048	2,463	732	865

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

	2014		2013	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares <sup>1</sup> (in millions of won)	35,416	42,754	12,790	15,293
Weighted average number of preferred shares outstanding (unit: shares) <sup>2</sup>	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings per preferred share (in won)	2,061	2,488	744	890

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Six months	Three months	Six months
<b>Profit for the year attributable to the Parent Company(A)</b>	369,137	444,000	132,003	156,204
Common share dividends(B)	8,144	16,288	8,144	16,288
Preferred share dividends(C)	1,074	2,148	1,074	2,148
<b>Undistributed earnings (D=A-B-C)</b>	359,919	425,564	122,785	137,768
Undistributed earnings available for common shares(E)	325,577	384,958	111,069	124,623
Undistributed earnings available for preferred shares (F)	34,342	40,606	11,716	13,145
<b>Profit attributable to common shares(G=B+E)</b>	333,721	401,246	119,213	140,911
<b>Profit attributable to preferred shares(H=C+F)</b>	35,416	42,754	12,790	15,293

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

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

**27. Information on Cash Flow**

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

<i>(in millions of Korean won)</i>	2014	2013
Profit for the period	504,400	177,606
Adjustments:		
Interest expense, net	181,930	156,941
Foreign exchange gain, net	(17,601)	160,857
Loss(gain) on derivatives, net	11,829	(11,083)
Depreciation	771,183	744,989
Amortization	216,527	182,965
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	(7,543)	11,247
Provisions for severance benefits	199,786	160,597
Provisions	518,638	661,604
Income tax expense	390,635	231,614
Gain from equity method	(43,705)	(9,358)
Other	134,974	131,703
	2,356,653	2,422,076

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<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Changes in operating assets and liabilities:		
Increase in trade receivables	(1,751,195)	(1,020,174)
Decrease(increase) in loans and other receivables	78,788	(137,909)
Increase in inventories	(926,511)	(390,410)
Increase in other assets	(155,623)	(118,172)
Increase in trade payables	1,468,399	830,158
Increase(decrease) in other payables	244,137	(341,265)
Decrease in provisions	(519,938)	(604,085)
Increase(decrease) in other liabilities	(14,216)	564,429
Payment of defined benefit liability	(26,594)	(23,095)
Deposit in plan assets, net	(23,360)	(25,083)
	<u>(1,626,113)</u>	<u>(1,265,606)</u>
<b>Cash generated from operating activities</b>	<b>1,234,940</b>	<b>1,334,076</b>

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

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Reclassification of construction-in-progress of property, plant and equipment	349,335	640,312
Reclassification of intangible assets in progress	132,594	120,408
Reclassification of long-term prepayment to intangible assets	43,906	47,899
Reclassification of current maturities of borrowings and debentures	514,662	1,328,001
Other payables to acquire property, plant and equipment	96,816	163,050
Other payables to acquire intangible assets	4,016	31,958
Conversion of subsidiaries' convertible bonds	273,795	-

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The assets and liabilities of the transferred business

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

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

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

**28. Contingencies**

(a) At the end of the reporting period, borrowings are collateralized by property, plant and equipment, including land, buildings and machinery, and intangible assets with maximum value of ₩220,331 million (2013: ₩338,726 million) and the book value of ₩267,153 million (2013: ₩654,711 million). In addition, buildings held by the Group are provided to Industrial Bank of Korea and others, creditors for the land, in order to guarantee obligations of landlords with maximum value of ₩8,860 million (2013: ₩8,860 million) and the book value of ₩1,506 million (2013: ₩1,833 million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with guarantees of ₩146,482 million (2013: ₩146,332 million) from Seoul Guarantee Insurance and other three banks relating to the performance guarantees and others. The Parent Company is provided with guarantee of principal USD 200 million (2013: USD 200 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the financial guarantee provided by the Parent Company to external parties, other than related parties, amounts to USD 16 million (2013: USD 8 million).

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

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

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

At the end of the reporting period, Hitachi-LG Data Storage Inc. (HLDS), an associate of the Group, is currently under the investigation from the European Commission in connection with the alleged anti-competitive activities among Optical Disk Drive (ODD) manufactures. The outcome of the investigation may affect gain or loss from equity method valuation. The Group does not have responsibility in the investigation above.

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

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#### **29. Commitments**

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

Its overseas subsidiaries, including LG Electronics European Shared Service Center B.V., have overdraft facility agreements with a limit of ₩1,168,345 million (2013: ₩1,140,667 million) with various banks including Citibank and others.

In addition, LG Innotek Co., Ltd. and its subsidiaries and other three subsidiaries, have overdraft facility agreements with various banks, including Hana Bank, with a limit of ₩114,213 million (2013: ₩129,013 million).

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

In addition, LG Innotek Co., Ltd. and its subsidiaries have trade receivables transfer agreements with Hana Bank and others amounting to ₩339,527 million (2013: ₩413,110 million) at the end of the reporting period.

In addition, the European subsidiaries, including LG Electronics European Shared Service Center B.V., transfer their trade receivables to Societe Generale Bank on a revolving basis, for up to USD 259 million (2013: USD 434 million).

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

In addition, LG Innotek Co., Ltd. and its subsidiaries and other four domestic subsidiaries, provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩221,086 million (2013: ₩291,332 million) in connection with the discounting of notes which are paid to their suppliers.

(d) LG Innotek Co., Ltd. has an agreement for underwriting commercial paper amounting to ₩34,000 million (2013: ₩34,000 million). In addition, at the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Industrial Bank of Korea.

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(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Property, plant and equipment	17,524	16,772
Intangible assets	1,309	13,627
<b>Total</b>	<b>18,833</b>	<b>30,399</b>

(f) Operating lease commitments – the Group as lessee

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>			<b>Total lease payments</b>
	<b>No later than 1 year</b>	<b>Later than 1 year and no later than 5 years</b>	<b>Over 5 years</b>	
Buildings and offices	192,279	370,481	34,493	597,253
Vehicles	30,619	44,932	-	75,551
Equipment	21,576	19,505	-	41,081
<b>Total</b>	<b>244,474</b>	<b>434,918</b>	<b>34,493</b>	<b>713,885</b>

Lease payment under operating lease recognized in the statement of income for the six-month period ended June 30, 2014, amounts to ₩145,439 million (2013: ₩147,534 million).

(g) Operating lease commitments – the Group as lessor

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

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

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

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

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(h) Trademark license commitments

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

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

**30. Related Party Transactions**

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

<u>Classification</u>	<u>Name</u>		<u>Note</u>
	<u>June 30, 2014</u>	<u>December 31, 2013</u>	
Significantly influencing the Group	LG Corp.	LG Corp.	-
Associates	LG Display Co., Ltd., and subsidiaries	LG Display Co., Ltd., and subsidiaries	-
	LG Display Co., Ltd.	LG Display Co., Ltd.	-
	LG Display Germany GmbH	LG Display Germany GmbH	-
	LG Display Shanghai Co.,Ltd.	LG Display Shanghai Co.,Ltd.	-
	LG Display Yantai Co.,Ltd.	LG Display Yantai Co.,Ltd.	-
	LG Display America,Inc.	LG Display America,Inc.	-
	LG Display Japan Co., Ltd.	LG Display Japan Co., Ltd.	-
	LG Display Taiwan Co., Ltd.	LG Display Taiwan Co., Ltd.	-
	LG Display Nanjing Co., Ltd.	LG Display Nanjing Co., Ltd.	-
	LG Display Poland Sp. zo.o.	LG Display Poland Sp. zo.o.	-
	LG Display Guangzhou Co., Ltd	LG Display Guangzhou Co., Ltd	-
	LG Display Shenzhen Co., Ltd.	LG Display Shenzhen Co., Ltd.	-
	LG Display Singapore Pte. Ltd.	LG Display Singapore Pte. Ltd.	-
	LG Display U.S.A Inc	LG Display U.S.A Inc	-
	L&T Display Technology (Xiamen) Limited	L&T Display Technology (Xiamen) Limited	-
	L&T Display Technology (Fujian) Limited	L&T Display Technology (Fujian) Limited	-
	-	LUCOM Display Technology (Kunshan) Limited	-
	LG Display Reynosa S.A. de C.V.	LG Display Reynosa S.A. de C.V.	-
	Nanumnuri Co., Ltd.	Nanumnuri Co., Ltd.	-
	LG Display (China) Co., Ltd.	LG Display (China) Co., Ltd.	-
	Unified Innovative Technology, LLC	-	-
	Ericsson-LG Co., Ltd., and subsidiaries	Ericsson-LG Co., Ltd., and subsidiaries	-
	Ericsson-LG Co., Ltd.	Ericsson-LG Co., Ltd.	-



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Classification	Name		Notes	
	June 30, 2014	December 31, 2013		
Associates	LN Srithai Com Co., Ltd.	LN Srithai Com Co., Ltd.	-	
	-	Nexer Inc.	-	
	Ericsson-LG Europe B.V.	Ericsson-LG Europe B.V.	-	
	Ericsson-LG Canada Inc.	Ericsson-LG Canada Inc.	-	
	Novera Optics Inc.	Novera Optics Inc.	-	
	Ericsson-LG Enterprise Co., Ltd.	Ericsson-LG Enterprise Co., Ltd.	-	
	Hitachi LG Data Storage Inc.(HLDS), and subsidiaries	Hitachi LG Data Storage Inc.(HLDS), and subsidiaries	-	
	Hitachi-LG Data Storage Inc.	Hitachi-LG Data Storage Inc.	-	
	Hitachi-LG Data Storage Korea, Inc.	Hitachi-LG Data Storage Korea, Inc.	-	
	Hitachi-LG Data Storage(Huizhou), Ltd.	Hitachi-LG Data Storage(Huizhou), Ltd.	-	
	Hitachi Electronic Products (Malaysia) Sdn. Bhd.	Hitachi Electronic Products (Malaysia) Sdn. Bhd.	-	
	LG Fuel Cell Systems Inc., and subsidiaries	LG Fuel Cell Systems Inc., and subsidiaries	-	
	LG Fuel Cell Systems Inc.	LG Fuel Cell Systems Inc.	-	
	LG Fuel Cell Systems Korea Inc.	LG Fuel Cell Systems Korea Inc.	-	
	Korea Information Certificate Authority Inc.	Korea Information Certificate Authority Inc.	-	
	Global OLED Technology LLC	Global OLED Technology LLC	-	
	SKT Vietnam PTE., Ltd.	SKT Vietnam PTE., Ltd.	-	
	One-Red, LLC	One-Red, LLC	-	
	Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	Arcelik-LG Klima Sanayi ve Ticaret A.S.	-
		LG Holdings(HK) Ltd. and subsidiaries	LG Holdings(HK) Ltd. and subsidiaries	-
LG Holdings(HK) Ltd.		LG Holdings(HK) Ltd.	-	
Beijing LG Building Development Company		Beijing LG Building Development Company	-	
EIC PROPERTIES PTE LTD.		EIC PROPERTIES PTE LTD.	-	
LG Fund for Enterprises		LG Fund for Enterprises	-	
	LG-MRI LLC	-		
Other related parties	LG CNS Co., Ltd., and subsidiaries	LG CNS Co., Ltd., and subsidiaries	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.	-	

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	June 30, 2014	December 31, 2013	
Other related parties	LG CNS America Inc.	LG CNS America Inc.	-
	LG CNS India Pvt. Ltd.	LG CNS India Pvt. Ltd.	-
	PT LG CNS Indonesia	PT LG CNS Indonesia	-
	Entrue Brasil Servicos de T.I. Ltda.	Entrue Brasil Servicos de T.I. Ltda.	-
	LG CNS Shenyang Inc.	LG CNS Shenyang Inc.	-
	LG CNS Tianjin Inc.	LG CNS Tianjin Inc.	-
	SBI-LG Systems Co., Ltd.	SBI-LG Systems Co., Ltd.	-
	LG CNS Colombia S.A.S	LG CNS Colombia S.A.S	-
	Ucess Philippines, Inc.	Ucess Philippines, Inc.	-
	Oneseen Skytech Co., Ltd.	Oneseen Skytech Co., Ltd.	-
	LG CNS Malaysia Sdn. Bhd.	LG CNS Malaysia Sdn. Bhd.	-
	LG CNS Saudi Arabia LLC	LG CNS Saudi Arabia LLC	-
	TXCNS Healthcare, LLC	TXCNS Healthcare, LLC	-
	LG CNS GB Ltd.	LG CNS GB Ltd.	-
	LG CNS Smart Green Co.,Ltd.	LG CNS Smart Green Co.,Ltd.	-
	LLC LG CNS RUS	LLC LG CNS RUS	-
	-	LG N-Sys China, Inc	-
	-	LG CNS UK Limited	-
	Collain Healthcare, LLC	-	-
	SERVEONE Co., Ltd., and subsidiaries	SERVEONE Co., Ltd., and subsidiaries	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 subsidiaries	LG Siltron Incorporated and subsidiaries	LG Corp.'s subsidiary	
LG Siltron Incorporated	LG Siltron Incorporated	-	
LG Siltron America, Inc.	LG Siltron America, Inc.	-	
LG Siltron JAPAN Inc.	LG Siltron JAPAN Inc.	-	
LUSEM CO., LTD.	LUSEM CO., LTD.	LG Corp.'s subsidiary	
LG Management Development Institute	LG Management Development Institute	LG Corp.'s subsidiary	
LG SPORTS Ltd.	LG SPORTS Ltd.	LG Corp.'s subsidiary	
LG Solar Energy Inc.	LG Solar Energy Inc.	LG Corp.'s subsidiary	
LG Holdings Japan Co.,Ltd.	-	LG Corp.'s subsidiary	
LG MMA Ltd.	LG MMA Ltd.	LG Corp.'s joint venture	

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(b) Major balances and transactions

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

(in millions of Korean won)

Classification	Name	2014					Total Purchases
		Sales <sup>1</sup>	Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	339	-	-	76,222	-	76,222
Associates	LG Display Co., Ltd., and subsidiaries	454,271	3,084,740	-	7,409	-	3,092,149
	Ericsson-LG Co., Ltd., and subsidiaries	4,539	2,941	-	-	-	2,941
	Hitachi LG Data Storage Inc., and subsidiaries	20,555	414,010	-	-	-	414,010
	LG Fuel Cell Systems Inc., and subsidiaries	9	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	20	-	20
	<b>Subtotal</b>	<b>479,374</b>	<b>3,501,691</b>	<b>-</b>	<b>7,429</b>	<b>-</b>	<b>3,509,120</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	40,909	82,971	-	-	-	82,971
	LG HOLDINGS (HK) LIMITED and subsidiaries	-	-	-	775	-	775
	EIC PROPERTIES PTE LTD.	-	-	-	418	-	418
	<b>Subtotal</b>	<b>40,909</b>	<b>82,971</b>	<b>-</b>	<b>1,193</b>	<b>-</b>	<b>84,164</b>
Other related parties	SERVEONE Co., Ltd., and subsidiaries	11,298	567,534	8,797	69,205	1,000	646,536
	LG Siltron Incorporated	2,398	1,649	-	19	-	1,668
	LG CNS Co., Ltd., and subsidiaries	16,384	29,535	9,852	213,306	-	252,693
	LG SPORTS Ltd.	403	-	-	6,915	-	6,915
	LG Management Development Institute	9	327	-	11,816	-	12,143
	LUSEM CO., LTD.	29,495	15,889	-	388	-	16,277
	LG MMA Ltd.	225	35	-	-	-	35
	LG Holdings Japan Co., Ltd.	5	-	-	631	-	631
	<b>Subtotal</b>	<b>60,217</b>	<b>614,969</b>	<b>18,649</b>	<b>302,280</b>	<b>1,000</b>	<b>936,898</b>
	<b>Total</b>	<b>580,839</b>	<b>4,199,631</b>	<b>18,649</b>	<b>387,124</b>	<b>1,000</b>	<b>4,606,404</b>

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Classification	Name	2013					Total Purchases
		Sales <sup>1</sup>	Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	655	-	-	74,850	-	74,850
Associates	LG Display Co., Ltd., and subsidiaries	403,115	3,309,384	193	4,309	-	3,313,886
	Ericsson-LG Co., Ltd., and subsidiaries	12,140	3,174	-	-	-	3,174
	Hitachi LG Data Storage Inc., and subsidiaries	9,971	179,605	-	-	-	179,605
	LG Fuel Cell Systems Inc., and subsidiaries	25	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	1	-	1
	<b>Subtotal</b>	<b>425,251</b>	<b>3,492,163</b>	<b>193</b>	<b>4,310</b>	<b>-</b>	<b>3,496,666</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	30,735	110,132	-	-	-	110,132
	LG HOLDINGS (HK) LIMITED and subsidiaries	-	-	-	516	-	516
	EIC PROPERTIES PTE LTD.	-	-	-	464	-	464
	<b>Subtotal</b>	<b>30,735</b>	<b>110,132</b>	<b>-</b>	<b>980</b>	<b>-</b>	<b>111,112</b>
Other related parties	SERVEONE Co., Ltd., and subsidiaries	7,376	575,630	5,492	77,486	-	658,608
	LG Siltron Incorporated	3,157	7,708	-	2,669	-	10,377
	LG CNS Co., Ltd., and subsidiaries	15,591	57,513	20,957	141,568	-	220,038
	LG SPORTS Ltd.	10	-	-	4,919	-	4,919
	LG Management Development Institute	17	12	-	14,025	-	14,037
	LUSEM CO., LTD.	33,952	18,712	-	-	-	18,712
	<b>Subtotal</b>	<b>60,103</b>	<b>659,575</b>	<b>26,449</b>	<b>240,667</b>	<b>-</b>	<b>926,691</b>
	<b>Total</b>	<b>516,744</b>	<b>4,261,870</b>	<b>26,642</b>	<b>320,807</b>	<b>-</b>	<b>4,609,319</b>

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

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

(in millions of Korean won)

		June 30, 2014							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	23,070	23,070	-	-	2,028	2,028
Associates	LG Display Co., Ltd., and subsidiaries	277,060	-	5,100	282,160	640,252	-	64	640,316
	Ericsson-LG Co., Ltd., and subsidiaries	206	-	38	244	903	-	-	903
	Hitachi-LG Data Storage Inc., and subsidiaries	6,965	-	53	7,018	53,455	-	28	53,483
	Korea Information Certificate Authority Inc	-	-	-	-	-	-	21	21
	<b>Subtotal</b>	<b>284,231</b>	<b>-</b>	<b>5,191</b>	<b>289,422</b>	<b>694,610</b>	<b>-</b>	<b>113</b>	<b>694,723</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	9,063	-	-	9,063	20,451	-	-	20,451
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	-	-	-	1,615	1,615
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	73	73
	<b>Subtotal</b>	<b>9,063</b>	<b>-</b>	<b>-</b>	<b>9,063</b>	<b>20,451</b>	<b>-</b>	<b>1,688</b>	<b>22,139</b>
Other related parties	SERVEONE Co., Ltd., and subsidiaries	7,987	-	60,776	68,763	265,025	-	45,485	310,510
	LG Siltron Incorporated	1,043	-	-	1,043	465	-	1,875	2,340
	LG CNS Co., Ltd., and subsidiaries	5,261	-	474	5,735	29,873	-	89,454	119,327
	LG SPORTS Ltd.	97	-	-	97	309	-	518	827
	LG Management Development Institute	-	-	17,864	17,864	7	-	1,361	1,368
	LUSEM CO., LTD.	9,532	-	1	9,533	5,102	-	834	5,936
	LG MMA Ltd	39	-	-	39	-	-	-	-
	LG Holdings Japan Co., Ltd.	-	-	3,816	3,816	-	-	-	-
	<b>Subtotal</b>	<b>23,959</b>	<b>-</b>	<b>82,931</b>	<b>106,890</b>	<b>300,781</b>	<b>-</b>	<b>139,527</b>	<b>440,308</b>
	<b>Total</b>	<b>317,253</b>	<b>-</b>	<b>111,192</b>	<b>428,445</b>	<b>1,015,842</b>	<b>-</b>	<b>143,356</b>	<b>1,159,198</b>

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		December 31, 2013							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	22,045	22,045	-	-	8,893	8,893
Associates	LG Display Co., Ltd., and subsidiaries	143,597	-	23,014	166,611	621,040	-	85	621,125
	Ericsson-LG Co., Ltd., and subsidiaries	165	-	45	210	2,222	-	150	2,372
	Hitachi-LG Data Storage Inc., and subsidiaries	11,122	-	586	11,708	49,126	-	84	49,210
	<b>Subtotal</b>	<b>154,884</b>	<b>-</b>	<b>23,645</b>	<b>178,529</b>	<b>672,388</b>	<b>-</b>	<b>319</b>	<b>672,707</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	8,227	-	-	8,227	5,687	-	2	5,689
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	-	-	-	1,460	1,460
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	77	77
	<b>Subtotal</b>	<b>8,227</b>	<b>-</b>	<b>-</b>	<b>8,227</b>	<b>5,687</b>	<b>-</b>	<b>1,539</b>	<b>7,226</b>
Other related parties	SERVEONE Co., Ltd., and subsidiaries	1,558	-	60,736	62,294	245,900	-	65,207	311,107
	LG Siltron Incorporated	9,052	-	-	9,052	744	-	3,170	3,914
	LG CNS Co., Ltd., and subsidiaries	7,439	-	663	8,102	24,323	-	238,876	263,199
	LG SPORTS Ltd.	-	-	-	-	121	-	132	253
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,457	1,457
	LUSEM CO., LTD.	9,122	-	30	9,152	4,776	-	475	5,251
	LG MMA Ltd	35	-	-	35	-	-	-	-
	<b>Subtotal</b>	<b>27,206</b>	<b>-</b>	<b>79,293</b>	<b>106,499</b>	<b>275,864</b>	<b>-</b>	<b>309,317</b>	<b>585,181</b>
	<b>Total</b>	<b>190,317</b>	<b>-</b>	<b>124,983</b>	<b>315,300</b>	<b>953,939</b>	<b>-</b>	<b>320,068</b>	<b>1,274,007</b>

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

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Classification	Name	2014						
		Dividend Income	Cash investments (Recovery)	Disposal of shares	Financing loan transactions		Financing borrowing transactions	
					Loans	Repayments	Borrowings	Repayments
Associates	Ericsson-LG Co., Ltd.	17,000	-	-	-	-	-	-
	LG Fuel Cell Systems	-	7,267	-	-	-	-	-
	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	<b>Subtotals</b>	<b>17,060</b>	<b>7,267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Joint ventures	LG Fund for Enterprises	-	(680)	-	-	-	-	-
<b>Totals</b>		<b>17,060</b>	<b>6,587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(in millions of Korean won)

Classification	Name	2013						
		Dividend Income	Cash investments (recovery)	Disposal of shares	Financing loan transactions		Financing borrowing transactions	
					Loans	Repayments	Borrowings	Repayments
Associates	Ericsson-LG Co., Ltd.	10,250	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.	-	43,500	-	-	-	-	-
	<b>Subtotals</b>	<b>10,250</b>	<b>43,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other related parties	LG CNS Co., Ltd.,	-	17,000	-	-	-	-	-
<b>Totals</b>		<b>10,250</b>	<b>60,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- iv) For the six-month period ended June 30, 2013, the Group transferred the Data Storage business to Hitachi-LG Data Storage Inc. and its subsidiaries (Note 27).
- (c) The compensation paid or payable to key management of the Group for the six-month periods ended June 30, 2014 and 2013, consists of:

(in millions of Korean won)	2014	2013
Wages and salaries	6,699	5,591
Severance benefits	1,643	830
<b>Total</b>	<b>8,342</b>	<b>6,421</b>

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

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- (d) There is no payment guarantee provided by the Group for the funding sources of the related parties other than subsidiaries at the end of the reporting period.
- (e) There is no collateral provided by the Group for the funding sources of related parties at the end of the reporting period.
- (f) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

### **31. Risk Management**

#### **Financial Risk Management**

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

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

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

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

The information of the carrying amount and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 5 and Note 11, respectively.

#### (a) Market risk

##### i) Foreign exchange risk

Due to its multinational business operations, the Group is mainly exposed to foreign exchange risk on the US Dollar and Euro, 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



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gains and losses from foreign exchange rate fluctuations.

The Group's foreign exchange risk management is implemented under its own foreign exchange policy through which the Group 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 Group continuously considers efficient foreign exchange risk hedges against its remaining exposure with derivative financial instruments and scrutinizes changes in foreign exchange exposure and the results of hedging activities on a monthly basis. Speculative foreign exchange trading is prohibited in principle.

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

<i>(in millions of Korean won)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(138,638)	138,638	(156,312)	156,312
EUR/KRW	38,406	(38,406)	41,062	(41,062)
Other <sup>1</sup> /KRW	92,435	(92,435)	81,864	(81,864)

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

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

ii) Interest rate risk

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

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

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

<i>(in millions of Korean won)</i>	2014		2013	
	1% increase	1% decrease	1% increase	1% decrease
Interest expense	3,713	(3,713)	8,123	(8,123)
Interest income	12,222	(12,222)	9,472	(9,472)

iii) Details of major derivatives contracts are as follows:

***Hedging purposes***

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

June 30, 2014	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
USD/KRW CRS	Morgan Stanley and others	USD100	USD/KRW 1,083.4	3ML +70bp	2.64 ~ 2.65%	2011.8.22	2014.8.23
	Shinhan Bank	USD200	USD/KRW 1,113.6	3ML +160bp	3.22%	2013.7.11	2019.1.31
CHF/KRW CRS	BNP PARIBAS and others	USD200	USD/KRW 1,052.1	3ML +130bp	3.42%	2013.11.28	2017.6.19
	UBS and others	CHF215	CHF/KRW 1,213.6	2.00%	3.64 ~ 3.74%	2012.7.6	2016.12.2
USD/BRL CRS	Standard Chartered	USD17.25	USD/BRL 2.3188	1.57%	9.73%	2013. 8. 9	2014. 8.15
		USD25	USD/BRL 2.2170	1.73%	10.90%	2013.10.23	2014.10.27
		USD20	USD/BRL 2.3490	1.70%	10.65%	2013.11.26	2014.12.16
		USD15	USD/BRL 2.4245	1.96%	10.50%	2013.12.20	2015. 1. 6
		USD25	USD/BRL 2.3835	2.05%	10.95%	2014. 2.25	2015. 3.17
		USD20	USD/BRL 2.2892	1.35%	11.20%	2014. 4.17	2014.12.19
		USD10	USD/BRL 2.2892	1.35%	11.10%	2014. 4.17	2014.12.19
		USD20	USD/BRL 2.2892	1.35%	11.02%	2014. 4.17	2014.12.19

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June 30, 2014	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
	JP Morgan	USD20	USD/BRL 2.3950	1.61%	10.65%	2013.12. 3	2014.12.19
	CITIBANK	USD15	USD/BRL 2.3867	1.62%	10.50%	2013.12.20	2015. 1. 6
	ITAU UNIBANCO	USD25	USD/BRL 2.3334	1.33%	10.95%	2014. 2.25	2015. 3. 5

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

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

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩64,386 million in 2014 (2013: gain on valuation amounting to ₩14,530 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Group reclassified ₩50,419 million to loss from equity in 2014 and ₩18,723 million to gain in 2013 and the loss on valuation amounting to ₩13,967 million in 2014 (2013: loss on valuation amounting to ₩4,193 million) after applying the tax effect, is recognized in other comprehensive income(loss).

**Trading purposes**

The Group entered into the cross-currency swap contracts to hedge against possible future changes in foreign exchange rates.

June 30, 2014	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
USD/BRL CRS	Standard Chartered	USD20	USD/BRL 2.0500	2.64%	113.5% CDI	2012. 6.20	2014. 7. 3
		USD15	USD/BRL 2.0580	2.64%	113.5% CDI	2012. 6.20	2014. 7.15
USD/MXN CRS	HSBC	USD30	USD/MXN 13.40	1ML+110bp	TIE+6bp	2012. 7.27	2014. 7.30

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation amounting to ₩14,009 million in 2014 (2013: gain on valuation amounting to ₩13,710 million), is recognized in profit(loss) for the period. The Group recognized gain on transaction amounting to ₩8,841 million in this reporting period (2013: loss on transaction amounting to ₩3,340 million).

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The Group entered into the currency forward contracts to hedge against possible future changes in foreign exchange rates. The subsidiaries' currency forward contracts as of June 30, 2014, and related profit or loss for the six-month period ended June 30, 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>Purchase</b>	<b>Sale</b>	<b>Loss on valuation</b>	<b>Loss on transaction</b>
Currency forward	131,665	133,999	(1,709)	(4,952)

iv) Price risk

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

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

The table below summarizes the impact of increases/decreases of the listed securities on the equity (before applying the tax effect). The analysis is based on the assumption that the equity indexes had increased/decreased by 30% with all other variables held constant and all the Group's listed securities moved according to the historical correlation with the index.

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

The valuation and the reclassified amounts of the cash flow hedging derivative and the available-for-sale financial asset related to the market risk above are presented in Note 7 and Note 31, respectively.

(b) Credit risk

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

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

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(c) Liquidity risk

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

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

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

Cash flow information on maturity of borrowings and financial guarantee limit are presented in Note 11 and Note 28, respectively.

**Capital Risk Management**

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

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

<i>(in millions of Korean won, except for ratios)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Liability (A)	24,377,003	22,838,695
Equity (B)	13,056,754	12,689,369
Cash and cash equivalents and current financial deposits (C)	2,769,697	2,713,166
Borrowings (D)	9,523,997	9,211,029
Debt-to-equity ratio (A/B)	187%	180%
Net borrowings ratio (D-C)/B	52%	51%

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**Fair Value Estimation**

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

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Current financial asset items</b>				
[Assets at fair value]				
Financial assets at fair value through profit or loss				
Other financial assets	1,385	1,385	16,080	16,080
Derivatives for hedging purposes				
Other financial assets	-	-	1,319	1,319
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	2,701,069	1	2,645,270	1
Financial deposits	68,628	1	67,896	1
Trade receivables	8,406,592	1	7,117,402	1
Other receivables	498,500	1	596,505	1
Held-to-maturity financial assets				
Other financial assets	49	1	31	1
<b>Non-current financial asset items</b>				
[Assets at fair value]				
Derivatives for hedging purposes				
Other financial assets	-	-	94	94
Available-for-sale financial assets				
Other financial assets	17,572	17,572	19,560	19,560
[Assets at amortized cost]				
Loans and other receivables				
Financial deposits	91,012	91,012	96,992	96,992
Other receivables	562,345	540,103	601,978	577,737
Held-to-maturity financial assets				
Other financial assets	2,526	1	2,545	1
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	33,533	2	33,515	2
<b>Total</b>	<b>12,383,211</b>		<b>11,199,187</b>	

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<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Current financial liability items</b>				
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	1,503	1,503	684	684
Derivatives for hedging purposes				
Other financial liabilities	22,716	22,716	10,100	10,100
[Liabilities at amortized cost]				
Trade payables	6,725,072	<sup>1</sup>	5,691,114	<sup>1</sup>
Borrowings	2,411,389	<sup>1</sup>	3,022,723	<sup>1</sup>
Other payables	2,524,490	<sup>1</sup>	2,829,686	<sup>1</sup>
[Other liabilities]				
Other financial liabilities	106	<sup>3</sup>	105	<sup>3</sup>
<b>Non-current financial liability items</b>				
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	1,009	1,009	773	773
Derivatives for hedging purposes				
Other financial liabilities	55,993	55,993	9,371	9,371
[Liabilities at amortized cost]				
Borrowings	7,112,608	7,263,997	6,188,306	6,308,304
Other payables	22,214	22,422	27,670	27,670
[Other liabilities]				
Other financial liabilities	466	<sup>3</sup>	520	<sup>3</sup>
<b>Total</b>	<b>18,877,566</b>		<b>17,781,052</b>	

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

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

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

No significant changes in the business and economic environment that affects the fair value of financial assets and financial liabilities occurred during the reporting period.

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.



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

ii) Financial instruments measured at fair value

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

<b>June 30, 2014</b>				
<i>(in millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	15,944	-	-	15,944
- Debt securities	-	-	1,628	1,628
Financial assets at fair value through profit or loss	-	1,385	-	1,385
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	2,512	-	2,512
Derivatives for hedging purposes	-	78,709	-	78,709
<b>December 31, 2013</b>				
<i>(in millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	17,720	-	-	17,720
- Debt securities	-	-	1,840	1,840
Financial assets at fair value through profit or loss	-	16,080	-	16,080
Derivatives for hedging purposes	-	1,413	-	1,413
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,457	-	1,457
Derivatives for hedging purposes	-	19,471	-	19,471

The above fair value amounts are recurring fair value measurements.

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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.

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2014	December 31, 2013		
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through profit or loss	1,385	16,080	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	-	1,413	Discounted cash flow	Discount rate and exchange rate
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	2,512	1,457	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	78,709	19,471	Discounted cash flow	Discount rate and exchange rate

- ② Fair value measurements categorized within level 3

Changes in financial assets and financial liabilities that are measured at fair value and categorized within level 3 for the six-month periods ended June 30, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
<b>At January 1</b>	1,840	2,670
Total gain(loss) for the period		
Loss included in profit for the period <sup>1</sup>	(149)	-
Gain included in other comprehensive income	18	-
Purchase, issue, sales and settlement		
Purchase	-	1,205
Sale	(81)	(835)
<b>At June 30</b>	1,628	3,040

<sup>1</sup> Gain and loss included in profit for the period are interest income amounting to ₩151 million and impairment loss on available-for-sale financial assets amounting to ₩300 million(2013: nil) .

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Valuation technique, inputs, and range of significant but unobservable inputs of financial instruments that are measured at fair value and categorized within level 3 as of June 30, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs	Significant but unobservable inputs	Range of Significant but unobservable inputs
	June 30, 2014	December 31, 2013				
<b>Other financial assets</b>						
Available-for-sale financial assets						
- Debt securities	1,628	1,840	Discounted cash flow	Discount rate	Discount rate (credit spread)	4.6%~6.3%

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

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

<i>(in millions of Korean won)</i>	June 30, 2014			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current financial deposits	-	-	91,012	91,012
Non-current other receivables	-	-	540,103	540,103
<b>Liabilities</b>				
Non-current borrowings	-	-	7,263,997	7,263,997
Non-current other payables	-	-	22,422	22,422

<i>(in millions of Korean won)</i>	December 31, 2013			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current financial deposits	-	-	96,992	96,992
Non-current other receivables	-	-	577,737	577,737
<b>Liabilities</b>				
Non-current borrowings	-	-	6,308,304	6,308,304
Non-current other payables	-	-	27,670	27,670

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

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

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

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

<i>(in millions of Korean won)</i>	June 30, 2014		December 31, 2013		Valuation techniques	Significant but Unobservable inputs	Range of Significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value			
<b>Assets</b>							
Non-current financial deposits	91,012	91,012	96,992	96,992	Discounted cash flow	Discount rate	0.1% ~ 3.1%
Non-current other receivables	562,345	540,103	601,978	577,737	Discounted cash flow	Discount rate	3.6% ~ 4.8%
<b>Liabilities</b>							
Non-current borrowings	7,112,608	7,263,997	6,188,306	6,308,304	Discounted cash flow	Discount rate	2.8% ~ 4.6%
Non-current other payables	22,214	22,422	27,670	27,670	Discounted cash flow	Discount rate	4.0% ~ 4.8%

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**32. Business Combinations**

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

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	17,028
<b>Total consideration</b>	<b>17,028</b>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	13,474
Trade receivables	40,748
Loans and other receivables	1,092
Inventory	1,017
Current income tax assets	188
Other current assets	1,482
Non-current assets	
Financial deposit	3
Loans and other receivables	39
Property, plant and equipment	6,044
Intangible assets	5,934
Other non-current assets	436
Current liabilities	
Trade payables	(17,489)
Other payables	(8,162)
Current income tax liabilities	(31)
Provisions	(131)
Other current liabilities	(27,074)
Non-current liabilities	
Net defined benefit liability	(542)
<b>Total identifiable net assets</b>	<b>17,028</b>
Goodwill	-

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- iii) The acquisition-related costs amounting to ₩293 million were all expensed at the time they were incurred.
- iv) The above fair value of trade receivables and other receivables are the same as the contractual amounts in gross.
- v) Sales and net income contributed by V-ENS Co., Ltd. included in the interim consolidated statements of income from May 1, 2013, were ₩20,677 million and ₩1,171 million, respectively. If V-ENS Co., Ltd. had been consolidated from January 1, 2013, sales and profit for the period in the consolidated statement of comprehensive income for the six-month period ended June 30, 2014, would be as follows:

<i>(in millions of Korean won)</i>	<u>Before adjustments</u>	<u>Adjustment</u>	<u>After adjustments</u>
Sales	29,332,915	41,362	29,374,277
Profit for the period	177,606	4,226	181,832

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