

# **LG Electronics**

**Interim Consolidated Financial Statements  
March 31, 2014 and 2013**

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## Report on Review of Interim Financial Statements

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

### ***Reviewed Financial Statements***

We have reviewed the accompanying interim consolidated financial statements of LG Electronics Inc. and its subsidiaries (collectively the "Group"). These financial statements consist of the statement of financial position of the Group as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements do not present fairly, in all material respects, in conformity with the Korean IFRS 1034, 'Interim Financial Reporting'.

**Other matters**

We have audited the accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those consolidated financial statements in our audit report dated February 25, 2014. These consolidated financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2013, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2013.

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

Seoul, Korea  
May 9, 2014

This interim report is effective as of May 9, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## LG Electronics

### Interim Consolidated Statements of Financial Position

March 31, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Note	March 31, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,31	2,713,842	2,645,270
Financial deposits	5,31	67,580	67,896
Trade receivables	5,6,31	8,147,898	7,117,402
Loans and other receivables	5,31	488,882	596,505
Other financial assets	5,7,31	7,103	17,430
Inventories	8	5,572,569	4,838,830
Current income tax assets		122,247	116,254
Other current assets		1,084,378	925,471
		<u>18,204,499</u>	<u>16,325,058</u>
<b>Non-current assets</b>			
Financial deposits	5,31	89,382	96,992
Loans and other receivables	5,31	580,487	601,978
Other financial assets	5,7,31	56,220	55,714
Property, plant and equipment	9	10,306,823	10,341,993
Intangible assets	9	1,335,166	1,363,690
Deferred income tax assets	25	1,548,719	1,619,551
Investments in associates and joint ventures	10	4,248,792	4,329,583
Investment property		5,334	4,923
Other non-current assets		782,823	788,582
		<u>18,953,746</u>	<u>19,203,006</u>
<b>Total assets</b>		<u>37,158,245</u>	<u>35,528,064</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5,31	6,875,735	5,691,114
Borrowings	5,11,31	3,079,469	3,022,723
Other payables	5,31	2,553,385	2,829,686
Other financial liabilities	5,7,31	17,542	10,890
Current income tax liabilities		84,793	74,131
Provisions	13	668,889	663,701
Other current liabilities		2,796,425	2,721,759
		<u>16,076,238</u>	<u>15,014,004</u>
<b>Non-current liabilities</b>			
Borrowings	5,11,31	6,574,525	6,188,306
Other payables	5,31	18,111	27,670
Other financial liabilities	5,7,31	9,475	10,663
Deferred income tax liabilities	25	7,271	7,651
Net defined benefit liability	12	655,505	580,919
Provisions	13	1,016,246	998,795
Other non-current liabilities		10,649	10,687
		<u>8,291,782</u>	<u>7,824,691</u>
<b>Total liabilities</b>		<u>24,368,020</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	8,939,326	8,885,523
Accumulated other comprehensive loss	16	(881,099)	(907,440)
Other components of equity	17	(230,432)	(231,229)
		<u>11,820,143</u>	<u>11,739,202</u>
<b>Non-controlling interests</b>		<u>970,082</u>	<u>950,167</u>
<b>Total equity</b>		<u>12,790,225</u>	<u>12,689,369</u>
<b>Total liabilities and equity</b>		<u>37,158,245</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 Periods Ended March 31, 2014 and 2013**

<i>(in millions of Korean won, except per share amounts)</i>	<b>Note</b>	<b>Three-Month Period Ended March 31</b>	
		<b>2014</b>	<b>2013</b>
<b>Net sales</b>	18	14,274,657	14,100,601
<b>Cost of sales</b>	19	10,988,414	10,966,895
<b>Gross profit</b>		3,286,243	3,133,706
Selling and marketing expenses	19,20	1,598,033	1,560,367
Administrative expenses	19,20	319,013	337,270
Research and development expenses	19,20	557,590	572,170
Service costs	19,20	307,614	314,442
<b>Operating income</b>		503,993	349,457
Financial income	21	105,445	141,236
Financial expenses	22	216,492	220,927
Loss from equity method valuation	10	(54,695)	(25,573)
Other non-operating income	23	236,643	278,760
Other non-operating expenses	24	285,861	346,230
Profit before income tax		289,033	176,723
Income tax expense	25	196,467	154,639
<b>Profit for the period</b>		92,566	22,084
<b>Profit for the period attributable to:</b>			
Equity holders of the Parent Company		74,863	24,201
Non-controlling interests		17,703	(2,117)
<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	415	133
Earnings per share for profit attributable to the preferred equity holders of the Parent Company		427	146

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

**LG Electronics**  
**Interim Consolidated Statements of Comprehensive Income**  
**Three-Month Periods Ended March 31, 2014 and 2013**

	Three-Month Period Ended March 31		
	Note	2014	2013
<i>(in millions of Korean won)</i>			
<b>Profit for the period</b>		92,566	22,084
<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	17,148	(62,542)
Share of remeasurements for the net defined benefit liability of associates	10	(766)	(86)
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	(7,748)	26,127
Cash flow hedges	11	(1,238)	(747)
Available-for-sale financial assets	7	(212)	1,919
Currency translation differences		32,004	173,534
<b>Other comprehensive income for the period, net of tax</b>		39,188	138,205
<b>Total comprehensive income for the period, net of tax</b>		131,754	160,289
<b>Comprehensive income(loss) for the period, net of tax, attributable to:</b>			
Equity holders of the Parent Company		117,016	150,389
Non-controlling interests		14,738	9,900
<b>Total comprehensive income for the period, net of tax</b>		131,754	160,289

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

**LG Electronics**
**Interim Consolidated Statements of Changes in Equity**
**Three-Month Periods Ended March 31, 2014 and 2013**

		Attributable to equity holders of the Parent Company							
				Accumulated Other Comprehensive Income(loss)	Other Components of Equity			Non-controlling Interest	Total Equity
<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings			Total			
<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>Effect of changes in accounting policies</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		-	24,201	-	-	24,201		(2,117)	22,084
Remeasurements of the net defined benefit liability	12	-	(58,931)	-	-	(58,931)		(3,611)	(62,542)
Share of remeasurements for the net defined benefit liability of associates	10	-	(86)	-	-	(86)		-	(86)
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	10	-	-	26,127	-	26,127		-	26,127
Cash flow hedges	11	-	-	(747)	-	(747)		-	(747)
Available-for-sale financial assets	7	-	-	1,989	-	1,989		(70)	1,919
Currency translation differences		-	-	157,836	-	157,836		15,698	173,534
<b>Total comprehensive income</b>		-	(34,816)	185,205	-	150,389		9,900	160,289
<b>Transactions with equity holders:</b>									
Dividends		-	(36,872)	-	-	(36,872)		-	(36,872)
Return of investments in subsidiary		-	-	-	-	-		(51)	(51)
<b>Total transactions with equity holders</b>		-	(36,872)	-	-	(36,872)		(51)	(36,923)
<b>Balance at March 31, 2013</b>		3,992,348	8,652,262	(489,893)	(242,111)	11,912,606		916,507	12,829,113
<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		-	74,863	-	-	74,863		17,703	92,566
Remeasurements of the net defined benefit liability	12	-	16,578	-	-	16,578		570	17,148
Share of remeasurements for the net defined benefit liability of associates	10	-	(766)	-	-	(766)		-	(766)
Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(7,748)	-	(7,748)		-	(7,748)
Cash flow hedges	11	-	-	(1,238)	-	(1,238)		-	(1,238)
Available-for-sale financial assets	7	-	-	(111)	-	(111)		(101)	(212)
Currency translation differences		-	-	35,438	-	35,438		(3,434)	32,004
<b>Total comprehensive income</b>		-	90,675	26,341	-	117,016		14,738	131,754
<b>Transactions with equity holders:</b>									
Dividends		-	(36,872)	-	-	(36,872)		(2,787)	(39,659)
Exercise of conversion right for subsidiary		-	-	-	797	797		8,547	9,344
Return of investments in subsidiary		-	-	-	-	-		(583)	(583)
<b>Total transactions with equity holders</b>		-	(36,872)	-	797	(36,075)		5,177	(30,898)
<b>Balance at March 31, 2014</b>		3,992,348	8,939,326	(881,099)	(230,432)	11,820,143		970,082	12,790,225

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



**LG Electronics**  
**Interim Consolidated Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2014 and 2013**

<i>(in millions of Korean won)</i>	<b>Note</b>	<b>Three-Month Period Ended March 31</b>	
		<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	343,579	402,577
Interest received		20,593	19,057
Interest paid		(103,904)	(97,678)
Dividend received		36	-
Income tax paid		(121,468)	(107,482)
<b>Net cash generated from operating activities</b>		<u>138,836</u>	<u>216,474</u>
<b>Cash flows from investing activities</b>			
Decrease in financial deposits		7,318	14,273
Decrease in loans and other receivables		92,441	42,718
Proceeds from redemption and disposal of other financial assets		22,492	71,773
Proceeds from disposal of property, plant and equipment		22,471	7,670
Proceeds from disposal of intangible assets		15,624	987
Proceeds from redemption and disposal of investments in associates and joint ventures		680	-
Decrease in others		1,581	207
Increase in financial deposits		(48)	-
Increase in loans and other receivables		(64,718)	(23,220)
Acquisition of other financial assets		(4,934)	(8,865)
Acquisition of property, plant and equipment		(433,341)	(685,487)
Acquisition of intangible assets		(155,409)	(135,272)
Acquisition of investments in associates and joint ventures		-	(6,468)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		-	(268)
Increase in others		(413)	(260)
<b>Net cash used in investing activities</b>		<u>(496,256)</u>	<u>(722,212)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,573,571	1,014,252
Repayments of borrowings		(1,151,397)	(328,645)
<b>Net cash provided by financing activities</b>		<u>422,174</u>	<u>685,607</u>
<b>Exchange gains on cash and cash equivalents</b>		<u>3,818</u>	<u>89,024</u>
<b>Net increase in cash and cash equivalents</b>		<u>68,572</u>	<u>268,893</u>
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>2,713,842</u>	<u>2,453,893</u>

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

# **LG Electronics**

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

### **March 31, 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 March 31, 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 March 31, 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 March 31, 2014, has 138 subsidiaries and its consolidated subsidiaries as of March 31, 2014, are as follows:

**LG Electronics**  
**Notes to the Interim Consolidated Financial Statements**  
**March 31, 2014 and 2013, and December 31, 2013**

(a) Consolidated subsidiaries as of March 31, 2014 and December 31, 2013, are as follows:

Territory	Location	Subsidiaries	March 31, 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>	47.6%	52.4%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund <sup>1</sup>	47.1%	52.9%	47.4%	52.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. <sup>1</sup>	47.6%	52.4%	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	March 31, 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	March 31, 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>	47.6%	52.4%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) <sup>1</sup>	47.6%	52.4%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control

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Territory	Location	Subsidiaries	March 31, 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>	47.6%	52.4%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) <sup>1</sup>	47.6%	52.4%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) <sup>1</sup>	47.6%	52.4%	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	100.0%	-	100.0%	-	December	Sales of	More than half of	

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Territory	Location	Subsidiaries	March 31, 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			
		Taipei Co., Ltd.(LGETT)						Electronic products	voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) <sup>4</sup>	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	India	Hi Logistics India Private Limited <sup>4</sup>	100.0%	-	100.0%	-	March	Services of Logistics	More than half of voting rights
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Indonesia	PT LG Innotek Indonesia(LGITIN) <sup>1</sup>	47.6%	52.4%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Ltd.(LGITTW) <sup>1</sup>	47.6%	52.4%	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

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Territory	Location	Subsidiaries	March 31, 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			
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



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Territory	Location	Subsidiaries	March 31, 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			
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	France	LG Electronics Mobilecomm France(LGEMF)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Norway	LG Electronics Norway AS(LGENO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Poland	LG Innotek Poland Sp z o.o.(LGITPO) <sup>1</sup>	47.6%	52.4%	47.9%	52.1%	December	Production and Sales of Electronic metarials	De-facto control
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	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

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	47.6%	52.4%	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
	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>	47.6%	52.4%	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

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	SOCIO VIP Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	C&S America Solutions	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	LG Consulting Corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
Middle East and Africa	Nigeria	Easytec Global Services Innovation Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and Services of Electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	March 31, 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			
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR) <sup>2</sup>	49.0%	51.0%	49.0%	51.0%	December	Production of Electronic products	De-facto control

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Territory	Location	Subsidiaries	March 31, 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			
	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.

<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 three-month period ended March 31, 2014, were used for those

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subsidiaries with different fiscal year ends.

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

<i>(in millions of Korean won)</i>	March 31, 2014			2014		
	Assets	Liabilities	Equity	Sales	Net Income (loss)	Total Comprehensive Income(loss)
LG Innotek Co., Ltd.	4,185,302	2,977,155	1,208,147	1,288,473	(23,213)	(21,856)
LG Electronics do Brasil Ltda.(LGEBR)	2,024,632	1,596,881	427,751	892,411	29,903	50,334
LG Electronics U.S.A., Inc.(LGEUS)	1,853,653	1,567,011	286,642	1,341,094	13,881	14,406
Zenith Electronics Corporation(Zenith)	1,015,282	41,068	974,214	33,100	2,062	3,144
LG Electronics European Shared Service Center B.V.(LGESC)	970,197	939,863	30,334	53,289	3,474	3,436
LG Electronics RUS, LLC(LGERA)	857,647	430,720	426,927	621,966	31,941	37,899
LG Electronics (China) Co. Ltd.(LGECH)	650,713	630,059	20,654	347,169	(2,214)	(2,551)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	649,467	398,596	250,871	378,820	12,425	12,183
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	631,973	549,143	82,830	1,076,016	5,443	4,931
LG Electronics India Pvt. Ltd.(LGEIL)	608,105	327,513	280,592	531,027	40,063	51,676
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	580,670	496,978	83,692	612,328	7,740	8,214
LG Electronics Mlawa Sp. z o.o.(LGEMA)	558,512	244,775	313,737	330,931	8,620	8,411
LG Electronics Reynosa S.A. DE C.V.(LGERS)	535,130	283,648	251,482	453,746	10,022	9,556
P.T. LG Electronics Indonesia(LGEIN)	533,188	306,693	226,495	414,145	11,962	11,951
LG Electronics Nanjing Display Co., Ltd.(LGEND)	520,949	336,057	184,892	426,825	14,100	14,953
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	499,754	319,003	180,751	432,757	8,467	8,248
Hiplaza Co., Ltd.	485,125	346,513	138,612	329,056	(3,071)	(3,127)
LG Electronics Mexico S.A. DE C.V.(LGEMS)	482,151	405,881	76,270	334,996	2,970	2,050
Nanjing LG-Panda Appliances Co., Ltd.(LGEPN)	419,122	296,169	122,953	294,187	3,062	3,634
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	382,489	256,156	126,333	185,237	(946)	(535)
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	364,995	318,309	46,686	146,342	3,846	4,402

<i>(in millions of Korean won)</i>	December 31, 2013			2013		
	Assets	Liabilities	Equity	Sales	Net Income (loss)	Total Comprehensive Income(loss)
LG Innotek Co., Ltd.	4,260,285	3,039,627	1,220,658	1,422,339	(9,941)	(16,531)
LG Electronics do Brasil Ltda.(LGEBR)	1,679,815	1,305,953	373,862	734,427	33,533	36,619
LG Electronics U.S.A., Inc.(LGEUS)	1,825,282	1,555,954	269,328	1,397,935	(1,442)	(1,380)
Zenith Electronics Corporation(Zenith)	995,877	35,986	959,891	36,591	17,531	22,099
LG Electronics European Shared Service Center B.V.(LGESC)	1,071,932	1,045,305	26,627	47,591	3,070	3,168
LG Electronics RUS, LLC(LGERA)	963,916	537,408	426,508	625,970	24,450	28,332
LG Electronics (China) Co. Ltd.(LGECH)	694,585	671,465	23,120	311,394	8,595	8,800
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	566,860	311,851	255,009	381,355	22,634	24,424
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	581,012	504,592	76,420	988,861	7,093	7,800

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<i>(in millions of Korean won)</i>	December 31, 2013			2013		
	Assets	Liabilities	Equity	Sales	Net Income (loss)	Total Comprehensive Income(loss)
LG Electronics India Pvt. Ltd.(LGEIL)	456,472	227,511	228,961	549,022	25,712	36,643
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	448,362	371,472	76,890	540,196	(29,911)	(29,945)
LG Electronics Mlawa Sp. z o.o(LGEMA)	540,236	236,240	303,996	381,140	12,984	13,969
LG Electronics Reynosa S.A. DE C.V.(LGERES)	392,973	154,526	238,447	452,437	1,138	6,117
P.T. LG Electronics Indonesia(LGEIN)	480,206	268,369	211,837	489,694	6,182	8,533
LG Electronics Nanjing Display Co., Ltd.(LGEND)	505,656	332,843	172,813	412,804	5,413	5,828
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	500,773	329,144	171,629	456,601	5,645	5,610
Hiplaza Co., Ltd.	434,154	292,415	141,739	306,576	173	(36)
LG Electronics Mexico S.A. DE C.V.(LGEMS)	409,158	336,857	72,301	323,367	5,232	4,204
Nanjing LG-Panda Appliances Co., Ltd.(LGEPN)	404,019	282,849	121,170	259,442	15,387	16,529
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	357,812	229,260	128,552	168,221	6,086	5,527
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	398,895	356,658	42,237	141,579	(1,167)	(491)

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

i) Subsidiaries held at less than 100% of interest

Subsidiaries	Location	Controlling interest	Non-controlling interest
LG Innotek Co., Ltd. and its subsidiaries <sup>1</sup>	Korea	47.6%	52.4%
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%



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<b>Subsidiaries</b>	<b>Location</b>	<b>Controlling interest</b>	<b>Non-controlling interest</b>
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	China	66.7%	33.3%
LG Electronics Pasig Inc.	Philippines	38.0%	62.0%
LG Electronics Honduras S.de R.L.	Honduras	20.0%	80.0%
LG Electronics Algeria SARL(LGEAS)	Algeria	70.0%	30.0%
LG-Shaker Co., Ltd.(LGESR)	Saudi Arabia	49.0%	51.0%
LG Alina Electronics(LGERI)	Russia	95.0%	5.0%
P.T. LG Electronics Indonesia(LGEIN) <sup>2</sup>	Indonesia	100.0%	0.0%

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

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

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

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
LG Innotek Co., Ltd. and its subsidiaries	700,107	685,127
LG Electronics Nanjing Display Co., Ltd.(LGEND)	53,147	50,643
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	45,926	48,877
LG-Shaker Co., Ltd.(LGESR)	41,704	37,174
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	32,679	32,982
LG Electronics Shenyang Inc.(LGESY)	23,907	23,725
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	22,997	22,017
LG Electronics Huizhou Ltd.(LGEHZ)	18,031	17,690
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	13,829	13,195
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	8,280	8,011
Shanghai LG Electronics Co., Ltd.(LGESH)	7,970	8,016
LG Hitachi Water Solution Co., Ltd.	5,214	5,329
Innovation Investment Fund	1,174	1,914
LGE Alliance Fund	299	298
LG Alina Electronics(LGERI)	102	112
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	76	81
LGE Alliance Fund II	41	41
P.T. LG Electronics Indonesia(LGEIN)	16	16

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<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
LG Electronics Pasig Inc.	(2,362)	(2,358)
LG Electronics Algeria SARL(LGEAS)	(3,055)	(2,723)
<b>Total</b>	<b>970,082</b>	<b>950,167</b>

Profit(loss) attributed to non-controlling interest for the three-month periods ended March 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
LG Innotek Co., Ltd. and its subsidiaries	7,247	(3,901)
LG Electronics Nanjing Display Co., Ltd.(LGEND)	3,089	916
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	329	2,841
LG-Shaker Co., Ltd.(LGESR)	4,051	3,930
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	44	3,611
LG Electronics Shenyang Inc.(LGESY)	435	(1,604)
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	1,244	(8,919)
LG Electronics Huizhou Ltd.(LGEHZ)	533	481
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	785	538
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	357	123
Shanghai LG Electronics Co., Ltd.(LGESH)	37	118
LG Hitachi Water Solution Co., Ltd.	(115)	(443)
Innovation Investment Fund	(25)	229
LGE Alliance Fund	1	-
LG Alina Electronics(LGERI)	(2)	6
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	(4)	(37)
LGE Alliance Fund II	-	-
P.T. LG Electronics Indonesia(LGEIN)	-	-
LG Electronics Pasig Inc.	(2)	(1)
LG Electronics Algeria SARL(LGEAS)	(301)	(5)
<b>Total</b>	<b>17,703</b>	<b>(2,117)</b>

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Dividends paid to non-controlling interest for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	2,787	-

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>March 31, 2014</b>	<b>December 31, 2013</b>
Current assets	2,051,727	2,006,841
Non-current assets	2,484,701	2,574,430
<b>Total assets</b>	<b>4,536,428</b>	<b>4,581,271</b>
Current liabilities	1,709,863	1,629,364
Non-current liabilities	1,485,238	1,635,007
<b>Total liabilities</b>	<b>3,195,101</b>	<b>3,264,371</b>
Equity of the owners of LG Innotek Co., Ltd.	1,341,325	1,316,898
Non-controlling interest	2	2
<b>Total equity</b>	<b>1,341,327</b>	<b>1,316,900</b>

iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 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>	<b>2014</b>	<b>2013</b>
Net sales	1,458,829	1,550,950
Profit(loss) for the period	16,428	(6,506)
Other comprehensive income(loss), net of tax	(1,345)	3,415
Total comprehensive income(loss), net of tax	15,083	(3,091)

v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 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>	<b>2014</b>	<b>2013</b>
Cash flows from operating activities	195,831	55,179

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<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Cash flows from investing activities	(54,452)	(136,061)
Cash flows from financing activities	(84,101)	124,679
Exchange gains on cash and cash equivalents	274	1,074
Net increase in cash and cash equivalents	57,552	44,871
Cash and cash equivalents at the beginning of period	399,610	352,808
Cash and cash equivalents at the end of period	457,162	397,679

(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.

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 three-month periods ended March 31, 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</b>		
Decrease in the Parent Company's interest by exercise of conversion rights (A)	797	-

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<i>(in millions of Korean won)</i>	2014	2013
Consideration received from non-controlling interest (B)	-	-
Changes of the Parent Company's ownership interest (A+B)	797	-

- (f) Subsidiary newly included in scope of preparation of consolidated financial statements for the three-month period ended March 31, 2014, is:

Subsidiary	Reason	Country	Percentage of ownership	Closing Month	Major Business
HI LOGISTICS RUS Limited Liability Company	Newly established	Russia	100%	December	Services of logistics

- (g) Subsidiary excluded from the scope of preparation of consolidated financial statements for the three-month period ended March 31, 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 three-month period ended March 31, 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 March 31, 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.

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

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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 only if 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.

- 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 its consolidated financial statements.

- Korean IFRS 2121(Enactment): 'Levies'

Korean IFRS 2121, 'Levies', are applied to a liability levied 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 are not expected to have a significant impact on these consolidated financial statements.

As of March 31, 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 below.

#### **Income Tax Expense**

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

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**3. Critical Accounting Estimates and Assumptions**

For the interim consolidated financial statements, the Group's management makes judgments, estimates and assumptions which affect accounting policies and its assets, liabilities, revenues and expenses. 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 may differ from the related actual results.

(a) Revenue Recognition

The Company recognizes revenue using the percentage of completion method for the rendering of service such as installation. When using the percentage of completion method, revenue shall be recognized 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 net fair value and value-in-use calculations. These calculations require the use of estimates.

(c) Corporate 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 active markets are 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.

(e) Provisions

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

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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	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 periods ended March 31, 2014 and 2013, is as follows:

		<b>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	4,947,319	3,407,023	2,717,908	1,220,125	1,458,829	1,225,777	(702,324)	14,274,657
External sales	4,947,255	3,398,879	2,716,668	1,217,424	1,118,034	876,397	-	14,274,657
Internal sales	64	8,144	1,240	2,701	340,795	349,380	(702,324)	-
Operating income(losses) <sup>3</sup>	240,343	(8,848)	109,246	89,762	63,093	10,397	-	503,993
Depreciation and amortization	113,593	82,416	75,359	23,978	118,873	64,330	-	478,549

		<b>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	4,818,791	3,202,290	2,806,127	1,216,567	1,550,950	1,208,192	(702,316)	14,100,601
External sales	4,818,658	3,202,273	2,804,791	1,216,170	1,199,250	859,459	-	14,100,601
Internal sales	133	17	1,336	397	351,700	348,733	(702,316)	-
Operating income <sup>3</sup>	11,219	132,499	101,684	81,733	15,828	6,494	-	349,457
Depreciation and amortization	111,848	69,712	73,475	20,974	122,251	53,989	-	452,249

<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 (losses) are not separately disclosed as the Chief Operating Decision Maker does not review them by segments.

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

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Segment assets</b>	<b>Segment liabilities</b>	<b>Segment assets</b>	<b>Segment liabilities</b>
Home Entertainment	13,632,762	12,156,087	13,255,416	11,834,863
Mobile Communications	7,191,038	5,136,112	7,352,268	5,267,930
Home Appliance	7,859,847	5,719,350	7,664,596	5,538,440
Air Conditioning & Energy Solution	3,411,391	2,124,999	3,040,696	1,807,856
LG Innotek Co., Ltd. and its subsidiaries	4,536,428	3,195,101	4,581,271	3,264,371
Sub-total <sup>1</sup>	36,631,466	28,331,649	35,894,247	27,713,460
Other segments and inter-segment elimination	526,779	(3,963,629)	(366,183)	(4,874,765)
<b>Total</b>	<b>37,158,245</b>	<b>24,368,020</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.

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(c) External sales by geographic areas for the three-month periods ended March 31, 2014 and 2013, and non-current assets by geographic areas are as follows:

(in millions of Korean won)

Geographic areas <sup>1</sup>	External sales		Non-current assets <sup>2</sup>	
	2014	2013	March 31, 2014	December 31, 2013
Korea	3,699,164	3,839,037	9,201,284	9,291,312
China	914,403	901,073	855,369	889,248
Asia	1,485,377	1,488,371	438,741	391,792
Europe	1,622,408	1,646,054	276,421	276,573
North America	3,071,618	3,002,834	353,989	354,987
South America	1,436,236	1,276,583	239,115	222,484
Middle Asia & Africa	1,242,915	1,140,538	100,499	93,241
Others	802,536	806,111	181,905	190,969
<b>Total</b>	<b>14,274,657</b>	<b>14,100,601</b>	<b>11,647,323</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 three-month periods ended March 31, 2014 and 2013.

**5. Financial Instruments by Category**

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

(in millions of Korean won)	March 31, 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
Cash and cash equivalents	-	2,713,842	-	-	-	2,713,842
Financial deposits	-	156,962	-	-	-	156,962
Trade receivables	-	8,147,898	-	-	-	8,147,898
Loans and other receivables	-	1,069,369	-	-	-	1,069,369
Other financial assets	215	-	51,179	2,576	9,353	63,323
<b>Total</b>	<b>215</b>	<b>12,088,071</b>	<b>51,179</b>	<b>2,576</b>	<b>9,353</b>	<b>12,151,394</b>

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March 31, 2014				
<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Trade payables	-	6,875,735	-	6,875,735
Borrowings	-	9,653,994	-	9,653,994
Other payables	-	2,571,496	-	2,571,496
Other financial liabilities	9,338	-	17,679	27,017
<b>Total</b>	<b>9,338</b>	<b>19,101,225</b>	<b>17,679</b>	<b>19,128,242</b>

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

December 31, 2013				
<i>(in millions of Korean won)</i>	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 three-month periods ended March 31, 2014 and 2013, are as follows:

2014						
<i>(in millions of Korean won)</i>	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	-	24,290	-	-	-	24,290
Exchange differences	-	76,162	-	-	-	76,162
Bad debt expense	-	(17,624)	-	-	-	(17,624)

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<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
Loss on disposal of trade receivables	-	(3,855)	-	-	-	(3,855)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	(212)	-	-	(212)
Gain on disposal of available-for-sale financial assets	-	-	865	-	-	865
Impairment loss of available-for-sale financial assets	-	-	(1,114)	-	-	(1,114)
Dividend income	-	-	309	-	-	309
Gain on derivatives (through profit or loss)	10,885	-	-	-	-	10,885
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	539	539

<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	-	(113,706)	-	(113,706)
Exchange differences	-	(120,895)	-	(120,895)
Loss on derivatives (through profit or loss)	(19,089)	-	-	(19,089)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(1,777)	(1,777)

<i>(in millions of Korean won)</i>	2013					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Interest income	-	23,247	-	-	-	23,247
Exchange differences	-	137,202	-	-	-	137,202
Bad debt expense	-	(14,270)	-	-	-	(14,270)
Loss on disposal of trade receivables	-	(4,211)	-	-	-	(4,211)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	1,919	-	-	1,919
Gain on disposal of available-for-sale financial assets	-	-	2,297	-	-	2,297
Impairment loss of available-for-sale financial assets	-	-	(453)	-	-	(453)
Dividend income	-	-	317	-	-	317
Loss on derivatives (through profit or loss)	(1,548)	-	-	-	-	(1,548)

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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	
Loss on derivatives , net of tax (through other comprehensive income)	-	-	-	-	(747)	(747)

<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	-	(101,156)	-	(101,156)
Exchange differences	-	(182,448)	-	(182,448)
Loss on derivatives , net of tax (through other comprehensive income)	(4,309)	-	-	(4,309)

(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>	March 31, 2014		December 31, 2013	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Gross amounts subject to arrangement	330,363	634,760	268,264	485,690
Offset	(310,252)	(310,252)	(247,931)	(247,931)
Net amounts presented	20,111	324,508	20,333	237,759
Related amounts not offset	-	-	-	-
Net amount	20,111	324,508	20,333	237,759

**6. Trade Receivables**

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

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Trade receivables	8,278,599	7,231,763
Less: allowance for doubtful accounts	(130,701)	(114,361)
<b>Carrying amount</b>	<b>8,147,898</b>	<b>7,117,402</b>

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

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
Current	7,666,102	6,560,428
Past due : Up to 6 months	425,329	501,327
Past due : 7 to 12 months	69,710	40,113
Past due : Over one year	17,987	19,761

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<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Defaulted	99,471	110,134
<b>Total</b>	<b>8,278,599</b>	<b>7,231,763</b>

(c) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 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	17,643	18,287
Write-off	(928)	(604)
Other	(375)	5,169
<b>At March 31</b>	<b>130,701</b>	<b>161,270</b>

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

Trade receivables have been discounted through collateralized borrowing agreements with financial institutions at the end of the reporting period. In case the customers default, the Group has an obligation to pay the related amounts to the financial institution. As a result, this transaction has been accounted for as a collateralized borrowing (Note 11).

<i>(in millions of Korean won)</i>	<b>March 31, 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	32,947	-	26,322	527,574
<b>Carrying amount of associated liability<sup>1</sup></b>				
Short-term borrowings	32,947	-	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.

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**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>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Other financial assets</b>		
Derivatives	9,568	17,493
Available-for-sale	51,179	53,075
Held-to-maturity	2,576	2,576
<b>Total</b>	<b>63,323</b>	<b>73,144</b>
Current	7,103	17,430
Non-current	56,220	55,714
<b>Other financial liabilities</b>		
Derivatives	26,418	20,928
Financial guarantees	599	625
<b>Total</b>	<b>27,017</b>	<b>21,553</b>
Current	17,542	10,890
Non-current	9,475	10,663

(b) Assets classified as available-for-sale

i) Changes in available-for-sale financial assets for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>							
	<b>Beginning</b>						<b>Exchange</b>	<b>Ending</b>
	<b>Balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Valuation</b>	<b>Reclassification<sup>1</sup></b>	<b>Impairment</b>	<b>differences</b>	<b>Balance</b>
Listed equity securities	17,720	-	(1,000)	720	(807)	(17)	-	16,616
Unlisted equity securities	33,515	475	(152)	-	-	(797)	12	33,053
Debt securities	1,840	-	(30)	(300)	300	(300)	-	1,510
<b>Total</b>	<b>53,075</b>	<b>475</b>	<b>(1,182)</b>	<b>420</b>	<b>(507)</b>	<b>(1,114)</b>	<b>12</b>	<b>51,179</b>

<i>(in millions of Korean won)</i>	<b>2013</b>							
	<b>Beginning</b>						<b>Exchange</b>	<b>Ending</b>
	<b>Balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Valuation</b>	<b>Reclassification<sup>1</sup></b>	<b>Impairment</b>	<b>differences</b>	<b>Balance</b>
Listed equity securities	8,169	-	(532)	3,510	(422)	-	-	10,725
Unlisted equity securities	43,760	-	(5,706)	-	-	(453)	-	37,601
Debt securities	2,670	-	(230)	-	-	-	-	2,440
<b>Total</b>	<b>54,599</b>	<b>-</b>	<b>(6,468)</b>	<b>3,510</b>	<b>(422)</b>	<b>(453)</b>	<b>-</b>	<b>50,766</b>

<sup>1</sup> The amount has been reclassified from other comprehensive income to profit and loss for the period. Gain and loss reclassified from equity to profit and loss for the period amount to ₩824 million (2013):

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₩422 million) and ₩317 million (2013: nil), respectively.

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.

The unlisted equity securities amounting to ₩ 152 million (2013: ₩826 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 on disposal amounting to ₩41 million (2013: ₩1,875 million) was recognized as profit for the period. In addition, among available-for-sale equity securities derecognized during the three-month period ended March 31, 2013, amounting to ₩5,706 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.

**8. Inventories**

Inventories as of March 31, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	March 31, 2014			December 31, 2013		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,183,351	(71,150)	3,112,201	2,895,532	(75,473)	2,820,059
Half-finished products and work-in-process	373,200	(7,758)	365,442	329,230	(8,876)	320,354
Raw materials and supplies	1,852,583	(24,919)	1,827,664	1,457,023	(27,103)	1,429,920
Other	306,678	(39,416)	267,262	310,415	(41,918)	268,497
<b>Total</b>	<b>5,715,812</b>	<b>(143,243)</b>	<b>5,572,569</b>	<b>4,992,200</b>	<b>(153,370)</b>	<b>4,838,830</b>

The loss on valuation of inventories recognized for the three-month period ended March 31, 2014, amounts to ₩30,775 million (2013: ₩28,907 million).



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

Changes in property, plant and equipment for the three-month periods ended March 31, 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	361,948	682,884
Transfer-in(out)	(562)	1,561
Disposals	(12,011)	(10,777)
Decrease due to business transfer	-	(15,483)
Depreciation	(387,500)	(364,246)
Impairment <sup>1</sup>	(1,940)	(930)
Exchange differences	4,895	82,775
<b>At March 31</b>	<b>10,306,823</b>	<b>10,264,988</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 three-month periods ended March 31, 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	25,029	24,891
Acquisitions by internal development	47,963	49,924
Transfer-in	15,753	22,998
Disposals	(7,732)	(6,488)
Decrease due to business transfer	-	(731)
Amortization	(107,626)	(92,440)
Impairment <sup>1</sup>	(1,892)	(103)
Exchange differences	(19)	1,245
<b>At March 31</b>	<b>1,335,166</b>	<b>1,221,598</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) Associates and joint ventures

i) Associates as of March 31, 2014, are as follows:

	<b>Domicile</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 Supply of communication devices and network solution products
Ericsson-LG Co., Ltd	Korea	December	25.0%	Production and supply of data storages
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	OLED related patent licensing
Global OLED Technology LLC.	USA	December	32.7%	Certificate services
Korea Information Certificate Authority Inc. <sup>1</sup>	Korea	December	7.5%	R&D of fuel cell
LG Fuel Cell Systems Inc.	USA	December	30.0%	Communication services
SKT Vietnam PTE., Ltd.	Singapore	December	25.4%	DVD related patent licensing
One-Red, LLC	USA	March	25.0%	

<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 March 31, 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>Domicile</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 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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(b) Investments in associates and joint ventures

Investments in associates as of March 31, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2014				December 31, 2013			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	3,983,257	(47,471)	3,935,786	679,218	4,022,016	(46,916)	3,975,100
Ericsson-LG Co., Ltd	26,629	74,680	(83)	74,597	26,629	89,445	(107)	89,338
Hitachi-LG Data Storage Inc.(HLDS)	51,184	(5,579)	(1,904)	-	51,184	29,930	(1,921)	28,009
Global OLED Technology LLC.	53,454	30,314	-	30,314	53,454	30,767	-	30,767
Korea Information Certificate Authority Inc.	852	2,996	-	2,996	852	2,890	-	2,890
LG Fuel Cell Systems Inc.	36,785	22,784	-	22,784	36,785	20,102	-	20,102
SKT Vietnam PTE., Ltd. <sup>1</sup>	72,194	787	-	-	72,194	739	-	-
One-Red, LLC <sup>2</sup>	3,128	3,149	-	3,149	3,128	3,139	-	3,139
<b>Total</b>	<b>923,444</b>	<b>4,112,388</b>	<b>(49,458)</b>	<b>4,069,626</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 February 28, 2014 and 2013, were used due to a different fiscal year end.

iv) Investments in joint ventures as of March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014				2013			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	115,234	118,073	-	118,073	115,234	117,709	-	117,709
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	47,688	(1,234)	46,454	14,718	48,521	(977)	47,544
EIC PROPERTIES PTE LTD.	9,636	14,024	-	14,024	9,636	13,693	-	13,693
LG Fund for Enterprises	2,282	615	-	615	2,282	1,292	-	1,292
LG-MRI LLC	-	-	-	-	-	-	-	-
<b>Total</b>	<b>141,870</b>	<b>180,400</b>	<b>(1,234)</b>	<b>179,166</b>	<b>141,870</b>	<b>181,215</b>	<b>(977)</b>	<b>180,238</b>

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

i) Changes in the carrying amount of investments in associates for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>Opening net book amount</b>	4,149,345	4,005,768
Acquisitions	-	6,468
Loss from equity method	(55,454)	(29,481)
Share of remeasurements for the net defined benefit liability of associates	(766)	(86)
Share of other comprehensive income(loss) (excluding remeasurements) of associates	(6,597)	19,944
Dividend/ recovery	(17,060)	(10,250)
Exchange differences	25	-
Changes in ownership interest over associates	133	-
<b>Closing net book amount</b>	<b>4,069,626</b>	<b>3,992,363</b>

ii) Changes in the carrying amount of investments in joint ventures for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>Opening net book amount</b>	180,238	177,110
Profit from equity method	759	3,908
Share of other comprehensive income(loss) (excluding remeasurements) of joint ventures	(1,151)	6,183
Dividend/ recovery	(680)	-
<b>Closing net book amount</b>	<b>179,166</b>	<b>187,201</b>

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

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Current assets	7,316,308	7,731,788
Non-current assets	14,282,636	13,983,496
<b>Total assets</b>	<b>21,598,944</b>	<b>21,715,284</b>
Current liabilities	7,793,803	6,788,919
Non-current liabilities	3,089,319	4,128,945
<b>Total liabilities</b>	<b>10,883,122</b>	<b>10,917,864</b>

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<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Equity of the owners of LG Display Co., Ltd.	10,508,917	10,611,174
Non-controlling interests	206,905	186,246
<b>Total equity</b>	<b>10,715,822</b>	<b>10,797,420</b>

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Net sales	5,587,698	6,803,240
Profit (loss) for the period	(81,968)	4,311
Equity of the owners of LG Display Co., Ltd.		
Profit (loss) for the period	(79,951)	4,723
Other comprehensive income (loss), net of tax	(22,306)	46,084
Total comprehensive income (loss), net of tax	(102,257)	50,807
Dividends received from associates	-	-

- (e) Reconciliations of the summarized financial information of an associate important to the reporting entity to the carrying amount of the Group's interest for the three-month periods ended March 31, 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 of the owners of LG Display Co., Ltd.	10,611,174	10,209,039
Profit(loss) for the period	(79,951)	4,723
Other comprehensive income(loss), net of tax	(22,306)	46,084
Closing equity of the owners of LG Display Co., Ltd.	10,508,917	10,259,846
Group ownership(%)	37.9	37.9
The Group's share at the end of the reporting period	3,983,257	3,888,850
Unrealized gain	(47,471)	(49,354)
Carrying amount at the end of the period	3,935,786	3,839,496

- (f) The Group's share in the operating results in the individually insignificant associates and joint ventures for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Associates</b>	<b>Joint ventures</b>	<b>Associates</b>	<b>Joint ventures</b>
Profit(loss) for the period	(24,725)	1,001	(30,449)	4,967
Other comprehensive income (loss), net of tax	1,172	(1,151)	2,360	6,183
Total comprehensive income(loss), net of tax	(23,553)	(150)	(28,089)	11,150

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

<i>(in millions of Korean won)</i>	March 31, 2014		December 31, 2013	
	Losses (gain) 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.	(48)	52,046	6,701
Hitachi-LG Data Storage Inc.(HLDS)	7,483	7,483	-	-

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

Name	Type	March 31, 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	26,650	3,614,406	3,935,786
Korea Information Certificate Authority Inc. <sup>1</sup>	Associate	2,000,000	4,025	8,050	2,996

  

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 three-month period ended March 31, 2014.

## 11. Borrowings

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

<i>(in millions of Korean won)</i>	March 31, 2014	December 31, 2013
<b>Current</b>		
Short-term borrowings	1,136,383	903,798
Current portion of long-term borrowings	1,224,838	1,346,821
Current portion of debentures	508,182	564,596
Current convertible bonds	210,066	207,508
<b>Sub-total</b>	<b>3,079,469</b>	<b>3,022,723</b>

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<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Non-Current</b>		
Long-term borrowings	2,049,024	1,914,366
Debentures	4,262,113	4,004,088
Convertible bonds	263,388	269,852
<b>Sub-total</b>	<b>6,574,525</b>	<b>6,188,306</b>
<b>Total</b>	<b>9,653,994</b>	<b>9,211,029</b>

(b) Details of borrowings are as follows:

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

<i>(in millions of Korean won)</i>	<b>Annual interest rate at March 31, 2014</b>	<b>Carrying amount</b>	
		<b>March 31, 2014</b>	<b>December 31, 2013</b>
General loans <sup>1</sup>			
HSBC and others	2.28 ~ 8.35	1,103,436	877,476
Borrowings on negotiated trade bills <sup>2</sup>			
Hana Bank and others	0~4ML+1.95	32,947	26,322
<b>Total</b>		<b>1,136,383</b>	<b>903,798</b>

<sup>1</sup> The Group entered into a cross-currency swap contract amounting to BRL379 million with Standard Chartered Bank to hedge cash flow risk related to foreign exchange rate of borrowings in foreign currency (face value : USD162 million). At the end of the reporting period, the swap contracts are evaluated at fair value and the income on valuation of the effective portion amounting to ₩1,559 million during the three-month period ended March 31, 2014, after applying the tax effect, is recognized in other comprehensive income(loss). The Group reclassified ₩279 million to income from equity and the resulting gain on valuation amounting to ₩1,280 million in 2014 (2013: nil) after applying the tax effect, is recognized in other comprehensive income(loss).

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

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

<i>(in millions of Korean won)</i>	<b>Maturity date</b>	<b>Annual interest rate at March 31, 2014(%)</b>	<b>March 31, 2014</b>		
			<b>Total</b>	<b>Current</b>	<b>Non-current</b>
<b>Local currency loans</b>					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2014.12.10	4.72	37,500	37,500	-
Kookmin Bank	2015.03.04	5.16	110,000	110,000	-
Kookmin Bank	2016.05.24	4.73	190,000	-	190,000
Shinhan Bank	2014.09.08	4.78	15,000	15,000	-
Shinhan Bank	2016.05.22	2.75	132	66	66
Shinhan Bank	2016.10.19	4.37	142,500	47,500	95,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at March 31, 2014(%)	March 31, 2014		
			Total	Current	Non-current
Shinhan Bank	2017.02.16	4.60	190,000	-	190,000
Shinhan Bank	2017.02.27	3.63	50,000	-	50,000
Shinhan Bank	2017.09.15	1.75	784	224	560
IBK Securities	2016.10.14	3.35	82,310	-	82,310
Woori Bank	2015.05.08	3.80	10,000	-	10,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Small & Medium Business Corporation	2014.11.16	3.97	51	51	-
Hana Bank	2015.06.28	3.19	450	360	90
Hana Bank	2015.09.28	3.19	360	240	120
Hana Bank	2016.03.28	3.19	1,320	660	660
Hana Bank <sup>1</sup>	2024.01.03	3M CD+0.98	200,000	-	200,000
Korea Development Bank	2014.04.05	4.45	190,000	190,000	-
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015.03.10	5.06	90,000	90,000	-
Korea Development Bank	2015.05.04	4.88	10,000	-	10,000
Korea Development Bank	2018.05.28	3.76	50,000	-	50,000
Korea EXIM Bank	2014.06.02	4.90	60,000	60,000	-
Korea Finance Corporation	2015.02.28	4.80	100,000	100,000	-
Korea Finance Corporation	2015.09.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.81	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.78	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.71	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.75	20,000	-	20,000
Korea Finance Corporation	2017.02.28	3.58	70,000	-	70,000
Korea Finance Corporation	2017.02.28	3.76	30,000	-	30,000
Korea Finance Corporation	2017.02.28	4.01	40,000	-	40,000
Korea Finance Corporation	2017.02.28	3.97	130,000	-	130,000
Korea Finance Corporation	2017.03.29	4.62	190,000	-	190,000
<b>Foreign currency loans</b>					
	2016.03.31~				
HSBC and others	2019.01.20	1.25 ~ 10.4	353,455	133,237	220,218
<b>Total</b>			<b>3,273,862</b>	<b>1,224,838</b>	<b>2,049,024</b>

<sup>1</sup>The Group entered into an interest rate swap contract for the principal amount of ₩200,000 with Hana Bank to hedge cash flow risk related to foreign exchange rate fluctuation. 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 ₩3,873 million (2013: nil) during the three-month period ended March 31, 2014, after applying the tax effect, is recognized in other comprehensive income(loss). The Group reclassified ₩325 million (2013: nil) to loss from equity and the resulting loss on valuation, amounting to ₩3,548 million in 2014 (2013: nil) after applying the tax effect, is recognized in other



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comprehensive income(loss).

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2014.12.10	4.72	50,000	50,000	-
Kookmin Bank	2015.03.04	5.16	110,000	82,500	27,500
Kookmin Bank	2016.05.24	4.73	190,000	-	190,000
Nonghyup Bank	2014.03.09	4.70	190,000	190,000	-
Shinhan Bank	2014.09.08	4.78	22,500	22,500	-
Shinhan Bank	2016.05.22	2.75	149	66	83
Shinhan Bank	2016.10.19	4.37	142,500	47,500	95,000
Shinhan Bank	2017.02.16	4.60	190,000	-	190,000
Shinhan Bank	2017.02.27	3.63	50,000	-	50,000
Shinhan Bank	2017.09.15	1.75	839	224	615
IBK Securities	2016.10.14	3.35	81,599	-	81,599
Woori Bank	2015.05.08	3.85	10,000	-	10,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Small & Medium Business Corporation	2014.11.16	3.97	68	68	-
Hana Bank	2014.03.28	2.92	160	160	-
Hana Bank	2015.06.28	3.22	540	360	180
Hana Bank	2015.09.28	3.22	420	240	180
Hana Bank	2016.03.28	3.22	1,485	660	825
Korea Development Bank	2014.04.05	4.45	190,000	190,000	-
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015.03.10	5.06	90,000	-	90,000
Korea Development Bank	2015.05.04	4.52	10,000	-	10,000
Korea Development Bank	2018.05.28	3.76	50,000	-	50,000
Korea EXIM Bank	2014.06.02	4.90	60,000	60,000	-
Korea Finance Corporation	2014.02.28	4.56	90,000	90,000	-
Korea Finance Corporation	2015.02.28	4.80	100,000	-	100,000
Korea Finance Corporation	2015.09.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016.04.20	4.63	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.81	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.78	50,000	-	50,000
Korea Finance Corporation	2016.07.27	3.71	30,000	-	30,000
Korea Finance Corporation	2016.07.27	3.75	20,000	-	20,000
Korea Finance Corporation	2017.02.28	3.58	70,000	-	70,000
Korea Finance Corporation	2017.02.28	3.76	30,000	-	30,000
Korea Finance Corporation	2017.02.28	4.01	40,000	-	40,000
Korea Finance Corporation	2017.03.29	4.62	190,000	-	190,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
			Total	Current	Non-current
<b>Foreign currency loans</b>					
	2016.03.31~				
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 March 31, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at March 31, 2014 (%)	March 31, 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> )	2015.02.24	5.01	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015.02.09	4.32	30,000	30,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017.02.09	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015.09.09	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016.02.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014.04.28	3ML+1.00	181,696	181,696	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016.08.05	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014.08.23	3ML+0.70	106,880	106,880	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016.09.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12.02	2.00	258,978	-	258,978
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015.09.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017.09.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 <sup>th</sup> )	2018.03.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 <sup>st</sup> )	2020.05.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 <sup>nd</sup> )	2020.05.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 <sup>rd</sup> )	2023.05.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 <sup>th</sup> )	2023.05.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-1 <sup>st</sup> )	2015.07.31	2.86	110,000	-	110,000

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				Total	Current	Non-current
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-2 <sup>nd</sup> )	2018.07.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-3 <sup>rd</sup> )	2020.07.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds(70 <sup>th</sup> ) <sup>1</sup>	2019.01.31	3ML+1.60	213,760	-	213,760
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>	2017.06.19	3ML+1.30	213,760	-	213,760
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-1 <sup>st</sup> )	2017.01.24	3.16	100,000	-	100,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-2 <sup>nd</sup> )	2019.01.24	3.60	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-3 <sup>rd</sup> )	2021.01.24	3.95	160,000	-	160,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-4 <sup>th</sup> )	2024.01.24	4.44	120,000	-	120,000
Less: discount on debentures				(14,779)	(394)	(14,385)
<b>Total</b>				<b>4,770,295</b>	<b>508,182</b>	<b>4,262,113</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> )	2014.02.09	5.70	150,000	150,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 <sup>th</sup> )	2015.11.29	5.10	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 <sup>th</sup> )	2015.02.24	5.01	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 <sup>st</sup> )	2015.02.09	4.32	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 <sup>nd</sup> )	2017.02.09	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 <sup>st</sup> )	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 <sup>nd</sup> )	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 <sup>th</sup> )	2015.09.09	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 <sup>th</sup> )	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 <sup>st</sup> )	2014.02.16	4.44	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 <sup>nd</sup> )	2016.02.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 <sup>th</sup> ) <sup>1</sup>	2014.04.28	3ML+1.00	179,401	179,401	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 <sup>th</sup> )	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 <sup>st</sup> )	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 <sup>nd</sup> )	2016.08.05	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(63 <sup>rd</sup> ) <sup>1</sup>	2014.08.23	3ML+0.70	105,530	105,530	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 <sup>th</sup> )	2016.09.30	4.32	190,000	-	190,000

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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 foreign currency	Public, non-guaranteed bonds (65 <sup>th</sup> ) <sup>1</sup>	2016.12.02	2.00	255,564	-	255,564
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 <sup>st</sup> )	2015.09.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 <sup>nd</sup> )	2017.09.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 <sup>th</sup> )	2018.03.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 <sup>st</sup> )	2020.05.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 <sup>nd</sup> )	2020.05.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 <sup>rd</sup> )	2023.05.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 <sup>th</sup> )	2023.05.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-1 <sup>st</sup> )	2015.07.31	2.86	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-2 <sup>nd</sup> )	2018.07.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-3 <sup>rd</sup> )	2020.07.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds(70 <sup>th</sup> ) <sup>1</sup>	2019.01.31	3ML+1.60	211,060	-	211,060
Fixed rate notes in local currency	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>	2017.06.19	3ML+1.30	211,060	-	211,060
<u>Less: discount on debentures</u>				<u>(13,931)</u>	<u>(335)</u>	<u>(13,596)</u>
<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 amounting to USD 670 million with Shinhan Bank and others, and up to CHF215 million with Union Bank of Switzerland and others to hedge cash flow risk related to floating interest rates and foreign exchange rates of debentures. At the end of the reporting period, the swap contracts are evaluated at fair value and the gain on valuation of the effective portion amounting to ₩6,938 million (2013: ₩5,172 million) during the three-month period ended March 31, 2014, after applying the tax effect, is recognized in other comprehensive income(loss). The Group reclassified ₩5,908 million (2013: ₩5,919 million) to gain from equity and the resulting gain on valuation, amounting to ₩1,030 million in 2014 (2013: loss on valuation of ₩747 million) after applying the tax effect, is recognized in other comprehensive income(loss).

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

iv) Details of LG Innotek's convertible bonds as of March 31, 2014 and December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>		Issue date	Redemption date	March 31, 2014		
				Carrying amount	Current	Non-current
Convertible bonds(27 <sup>th</sup> ) <sup>1</sup>		2010.11.11	2014.11.11	199,961	199,961	-

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<i>(in millions of Korean won)</i>	Issue date	Redemption date	Carrying amount	March 31, 2014	
				Current	Non-current
Convertible bonds(32 <sup>nd</sup> ) <sup>1</sup>	2013. 9.17	2016. 9.17	289,916	-	289,916
Add: Redemption premium			17,482	16,611	871
Less: Adjustment for conversion right and discount on bonds			(33,905)	(6,506)	(27,399)
<b>Total</b>			<b>473,454</b>	<b>210,066</b>	<b>263,388</b>

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

<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% (3.0040% terms of payment for redemption premium)
Exercise period	2013.10.17 ~ 2016.08.17
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩85,800 per share 2. Right of claim for early redemption: The early redemption of the 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 liability components of the 27<sup>th</sup> issue and 32<sup>nd</sup> issue convertible bonds are calculated initially at the fair value of similar financial liabilities that do not have an equity conversion option, using the discount rate of 4.51% and 3.65%, respectively. The equity components are recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, amounting to ₩18,218 million and ₩30,009 million, respectively. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

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(c) Payment schedule of borrowings as of March 31, 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	1,160,128	1,160,128	-	-	-
Current portion of long-term borrowings	1,269,112	1,269,112	-	-	-
Current portion of debentures	520,450	520,450	-	-	-
Current convertible bonds	216,572	216,572	-	-	-
Long-term borrowings	2,360,575	115,651	326,934	1,681,590	236,400
Debentures	4,870,600	152,862	1,059,595	2,737,246	920,897
Convertible bonds	290,787	-	-	290,787	-
<b>Total</b>	<b>10,688,224</b>	<b>3,434,775</b>	<b>1,386,529</b>	<b>4,709,623</b>	<b>1,157,297</b>

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

**12. Post-employment Benefits**

**Defined Benefit Plan**

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

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Present value of funded obligations	1,905,035	1,849,385
Present value of unfunded obligations	35,521	33,549
<b>Sub-total</b>	<b>1,940,556</b>	<b>1,882,934</b>
Fair value of plan assets	(1,285,051)	(1,302,015)
<b>Net defined benefit liability</b>	<b>655,505</b>	<b>580,919</b>

(b) The amounts recognized in the consolidated statements of income for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Current service cost	79,584	74,966
Net interest cost	5,965	5,126
Past service cost	24,927	-
Managing cost	433	348
<b>Total</b>	<b>110,909</b>	<b>80,440</b>

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(c) The line items in which expenses are included for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Manufacturing costs	55,743	40,127
Selling and marketing expenses	17,245	12,931
Administrative expenses	6,919	5,339
Research and development expenses	28,784	19,799
Service costs	2,218	2,244
<b>Total</b>	<b>110,909</b>	<b>80,440</b>

(d) Changes in the defined benefit obligations for the three-month periods ended March 31, 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	79,584	74,966
Interest expense	18,535	14,940
Past service cost	24,927	-
Remeasurements for:		
- Actuarial gain(loss) arising from changes in financial assumptions	(3,277)	80,788
- Actuarial gain (loss) arising from experience adjustments	(21,857)	-
Benefits paid	(41,347)	(28,637)
Decrease due to business transfer	-	(4,251)
Others	1,057	1,311
<b>At March 31</b>	<b>1,940,556</b>	<b>1,787,451</b>

(e) Changes in the fair value of plan assets for the three-month periods ended March 31, 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	12,570	9,814
Remeasurements for:		
- Return on plan assets	(2,372)	(571)
Employer contributions	1,244	2,239
Benefits paid	(28,155)	(19,584)
Decrease due to business transfer	-	(2,939)
Managing cost	(433)	(348)
Others	182	164
<b>At March 31</b>	<b>1,285,051</b>	<b>1,006,971</b>



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

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Weighted average of discount rate	4.0%	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% (2013: 4.0%~13.0%).

(g) The sensitivity analyses of the defined benefit obligation to changes in principal assumptions as of March 31, 2014 and December 31, 2013, are as follows:

<u>(in millions of Korean won)</u>	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	(153,211)	176,399
Future salary increase	167,607	(155,351)

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 March 31, 2014 and December 31, 2013, consist of:

<u>(in millions of Korean won)</u>	<u>March 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Amount</u>	<u>Composition(%)</u>	<u>Amount</u>	<u>Composition(%)</u>
Securities combined with derivatives (principal and interest protected)	899,189	70.0	897,349	68.9
Time deposits and others	385,862	30.0	404,666	31.1
<b>Total</b>	<b>1,285,051</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 three-month period ended March 31, 2014, amounts to ₩ 1,841 million (2013: ₩2,958 million).

**13. Provisions**

Changes in provisions for the three-month periods ended March 31, 2014 and 2013, are as follows:

<u>(in millions of Korean won)</u>	<u>2014</u>				
	<u>Warranty</u>	<u>Sales returns</u>	<u>Restoration</u>	<u>Litigation and others</u>	<u>Total</u>
<b>At January 1, 2014</b>	612,101	63,183	11,265	975,947	1,662,496

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2014					
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
Additions	187,683	63,057	1,324	20,489	272,553
Utilizations	(186,665)	(63,183)	(222)	(5,980)	(256,050)
Exchange differences	1,603	181	95	4,257	6,136
<b>At March 31, 2014</b>	<b>614,722</b>	<b>63,238</b>	<b>12,462</b>	<b>994,713</b>	<b>1,685,135</b>
<b>Current</b>	<b>562,151</b>	<b>63,238</b>	<b>-</b>	<b>43,500</b>	<b>668,889</b>
<b>Non-current</b>	<b>52,571</b>	<b>-</b>	<b>12,462</b>	<b>951,213</b>	<b>1,016,246</b>

2013					
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
<b>At January 1, 2013</b>	<b>598,329</b>	<b>61,498</b>	<b>8,882</b>	<b>908,444</b>	<b>1,577,153</b>
Additions	186,825	63,892	661	15,400	266,778
Utilizations	(195,344)	(61,498)	-	(2,131)	(258,973)
Exchange differences	9,601	1,682	8	3,516	14,807
<b>At March 31, 2013</b>	<b>599,411</b>	<b>65,574</b>	<b>9,551</b>	<b>925,229</b>	<b>1,599,765</b>
<b>Current</b>	<b>542,801</b>	<b>65,574</b>	<b>-</b>	<b>39,524</b>	<b>647,899</b>
<b>Non-current</b>	<b>56,610</b>	<b>-</b>	<b>9,551</b>	<b>885,705</b>	<b>951,866</b>

**14. Paid-in Capital**

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

	Par value per share (in won)	March 31, 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>		<b>180,833,806</b>	<b>904,169</b>	<b>180,833,806</b>	<b>904,169</b>

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

(b) Share premium balances are as follows:

<i>(in millions of Korean won)</i>	March 31, 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

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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.

**15. Retained Earnings**

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

<i>(in millions of Korean won)</i>	<b>March 31, 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	3,119,214	2,863,432
<b>Total</b>	<b>8,939,326</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 March 31, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Accumulated other comprehensive income(loss) of associates and joint ventures	(100,504)	(92,756)
Cash flow hedge	3,796	5,034
Available-for-sale financial assets	11,155	11,266
Currency translation differences	(795,546)	(830,984)
<b>Total</b>	<b>(881,099)</b>	<b>(907,440)</b>

**17. Other Components of Equity**

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

<i>(in millions of Korean won)</i>	<b>March 31, 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>	(197,613)	(198,410)

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	March 31, 2014	December 31, 2013
<b>Total</b>	(230,432)	(231,229)

<sup>1</sup> 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.

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

**18. Net Sales**

Details of net sales for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Sales of goods	14,000,392	13,865,956
Sales of services	107,569	78,377
Royalty income	63,155	71,811
Other	103,541	84,457
<b>Total</b>	<b>14,274,657</b>	<b>14,100,601</b>

**19. Expenses by Nature**

Expenses that are recorded by nature for the three-month periods ended March 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Changes in inventories	(707,865)	(350,389)
Purchase of raw materials and merchandise	9,808,407	9,596,265
Employee benefit expense	1,576,033	1,554,676
Depreciation and amortization	478,549	452,249
Advertising expense	198,363	209,995
Promotion expense	145,350	131,725
Transportation expense	407,829	409,680
Commission expense	656,148	598,225
Other expenses	1,207,850	1,148,718
<b>Total<sup>1</sup></b>	<b>13,770,664</b>	<b>13,751,144</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)**

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Details of general operating expenses for the three-month periods ended March 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Wages and salaries	646,969	669,301
Severance benefits	58,638	40,905
Welfare expense	140,061	137,775
Transportation expense	399,841	403,673
Rental expense	107,692	107,327
Commission expense	462,177	433,525
Depreciation	62,937	63,023
Amortization	48,271	68,448
Taxes and dues	37,526	37,122
Advertising expense	198,363	209,995
Promotion expense	145,350	131,725
Direct R&D costs	86,682	94,455
Direct service costs	171,920	174,077
Bad debt expense	17,643	14,827
Other	198,180	198,071
<b>Total</b>	<b>2,782,250</b>	<b>2,784,249</b>

**21. Financial Income**

Financial income for the three-month periods ended March 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Interest income	24,290	23,247
Foreign exchange gain	74,980	116,807
Gain on derivatives	6,120	1,182
Other	55	-
<b>Total</b>	<b>105,445</b>	<b>141,236</b>

**22. Financial Expenses**

Financial expenses for the three-month periods ended March 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Interest expense	113,706	101,156
Foreign exchange loss	86,931	108,716
Loss on derivatives	10,952	6,286
Loss on disposal of trade receivables	3,855	4,211
Other	1,048	558
<b>Total</b>	<b>216,492</b>	<b>220,927</b>

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**23. Other Non-operating Income**

Other non-operating income for the three-month periods ended March 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Dividend income	309	317
Exchange differences	194,593	266,492
Gain on derivatives	4,765	28
Gain on disposal of property, plant and equipment	12,910	2,634
Gain on disposal of intangible assets	14,820	263
Gain on disposal of investments in associates and joint ventures	133	-
Other	9,113	9,026
<b>Total</b>	<b>236,643</b>	<b>278,760</b>

**24. Other Non-operating Expenses**

Other non-operating expenses for the three-month periods ended March 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Exchange differences	227,375	319,829
Loss on derivatives	8,137	781
Loss on disposal of property, plant and equipment	3,322	4,519
Loss on disposal of intangible assets	6,928	5,764
Impairment loss on available-for-sale financial assets	1,114	453
Other	38,985	14,884
<b>Total</b>	<b>285,861</b>	<b>346,230</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 periods ended March 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Profit attributable to common shares <sup>1</sup> (in millions of won)	67,525	21,698
Weighted average number of common shares outstanding (unit: shares) <sup>2</sup>	162,884,646	162,884,646
Basic earnings per common share (in won)	415	133

Basic earnings per preferred share for the three-month periods ended March 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Profit attributable to preferred shares <sup>1</sup> (in millions of won)	7,338	2,503
Weighted average number of preferred shares outstanding (unit: shares) <sup>2</sup>	17,181,302	17,181,302
Basic earnings per preferred share (in won)	427	146

<sup>1</sup> Profit attributable to common and preferred shares for the three-month periods ended March 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	<u>2014</u>	<u>2013</u>
<b>Profit for the year attributable to the Parent Company(A)</b>	74,863	24,201
Common share dividends(B)	8,144	8,144
Preferred share dividends(C)	1,074	1,074
<b>Undistributed earnings (D=A-B-C)</b>	<u>65,645</u>	<u>14,983</u>
Undistributed earnings available for common shares(E)	59,381	13,554
Undistributed earnings available for preferred shares (F)	6,264	1,429
<b>Profit attributable to common shares(G=B+E)</b>	67,525	21,698
<b>Profit attributable to preferred shares(H=C+F)</b>	7,338	2,503

<sup>2</sup> Weighted average numbers of shares for the three-month periods ended March 31, 2014 and 2013, are calculated as follows:

	<u>2014</u>	<u>2013</u>
Common shares outstanding	163,647,814	163,647,814
Common treasury shares	<u>(763,168)</u>	<u>(763,168)</u>
Common shares	162,884,646	162,884,646
<b>Weighted average number of common shares outstanding</b>	<u>162,884,646</u>	<u>162,884,646</u>

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	2014	2013
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,690)	(4,690)
Preferred shares	17,181,302	17,181,302
<b>Weighted average number of preferred shares outstanding</b>	<b>17,181,302</b>	<b>17,181,302</b>

**27. Information on Cash Flow**

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

<i>(in millions of Korean won)</i>	2014	2013
Profit for the period	92,566	22,084
Adjustments:		
Interest expense, net	89,416	77,909
Foreign exchange loss, net	7,642	37,201
Loss on derivatives, net	8,204	5,857
Depreciation	387,500	364,246
Amortization	107,626	92,440
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	(17,480)	7,386
Provisions for severance benefits	110,909	80,440
Provisions	272,553	266,778
Income tax expense	196,467	154,639
Loss from equity method	54,695	25,573
Other	69,468	55,102
	<b>1,287,000</b>	<b>1,167,571</b>
Changes in operating assets and liabilities:		
Increase in trade receivables	(1,028,136)	(1,119,095)
Decrease in loans and other receivables	125,894	11,286
Increase in inventories	(738,640)	(379,296)
Increase in other assets	(169,657)	(62,997)
Increase in trade payables	1,184,995	1,212,804
Decrease in other payables	(150,544)	(257,670)
Decrease in provisions	(256,050)	(258,973)
Increase in other liabilities	20,352	87,050
Payment of defined benefit liability	(13,192)	(9,053)
Deposit in plan assets, net	(11,009)	(11,134)
	<b>(1,035,987)</b>	<b>(787,078)</b>
<b>Cash generated from operations</b>	<b>343,579</b>	<b>402,577</b>



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Significant transactions not affecting cash flows for the three-month periods ended March 31, 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	128,301	465,128
Reclassification of intangible assets in progress	85,196	78,288
Reclassification of long-term prepayment to intangible assets	15,727	21,778
Reclassification of current maturities of borrowings and debentures	456,301	522,828
Other payables to acquire property, plant and equipment	119,935	142,892
<u>Other payables to acquire intangible assets</u>	<u>16,689</u>	<u>4,710</u>

The assets and liabilities arising from the transfer of business

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

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

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

**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 ₩300,967 million (2013: ₩338,726 million) and the book value of ₩298,029 million (2013: ₩654,711 million). In addition, buildings held by the Group are provided to Industrial Bank of Korea and others, creditors of land, in order to guarantee obligations of landlords

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with maximum value of ₩8,860 million (2013: ₩8,860 million) and book value of ₩1,656 million (2013: ₩1,833 million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with a guarantees of ₩148,994 million (2013: ₩146,332 million) from Seoul Guarantee Insurance and two other 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 8 million (2013: USD 8 million).

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

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

## **LG Electronics**

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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 ₩1,185,633 million (2013: ₩1,140,667 million) with various banks including Citibank, N.A. and London Bank.

In addition, LG Innotek Co., Ltd. and its subsidiaries and three other subsidiaries, have overdraft facility agreements with various banks, including Hana Bank, with a limit of ₩118,355 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 25 other banks amounting to ₩3,920,358 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 ₩402,373 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 accounts receivable to Societe Generale Bank on a revolving basis, for up to USD192 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 seven other banks for up to ₩895,450 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 four other domestic subsidiaries, provided payment guarantees to financial institutions, including Korea Exchange Bank, amounting to ₩221,413 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.

(e) Contractual commitments for the acquisition of assets

The property, plant and equipment, and intangible assets contracted for, but not yet acquired

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at the end of the reporting period are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Property, plant and equipment	12,944	16,772
Intangible assets	4,337	13,627
<b>Total</b>	<b>17,281</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>March 31, 2014</b>			
	<b>No later than 1 year</b>	<b>Later than 1 year and no later than 5 years</b>	<b>Over 5 years</b>	<b>Total lease payments</b>
Buildings and offices	201,614	359,379	33,314	594,307
Vehicles	32,303	48,958	-	81,261
Equipment	21,265	18,661	-	39,926
<b>Total</b>	<b>255,182</b>	<b>426,998</b>	<b>33,314</b>	<b>715,494</b>

Lease payment under operating lease recognized in the statement of income for the three-month period ended March 31, 2014, amounts to ₩74,327 million (2013: ₩70,048 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>March 31, 2014</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>	<b>Total lease receipts</b>
Healthcare rental	84,504	139,688	48,099	272,291

The Group recognized ₩21,588 million (2013: ₩17,811 million) in lease income for the three-month period ended March 31, 2014.

At the end of reporting period, acquisition cost of operating lease assets amounts to ₩76,045 million (2013: ₩73,910 million) and their accumulated depreciation amounts to ₩32,590 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>March 31, 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	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	
	March 31, 2014	December 31, 2013		
Associates	LN Srithai Com Co., Ltd.	LN Srithai Com Co., Ltd.	-	
	Nexer Inc.	Nexer Inc.	-	
	Ericsson-LG Europe B.V.	Ericsson-LG Europe B.V.	-	
	Ericsson-LG Canada Inc.	Ericsson-LG Canada Inc.	-	
	Novera Optics Inc.	Novera Optics Inc.	-	
	Ericsson-LG Enterprise Co., Ltd.	-	-	
	Hitachi LG Data Storage Inc.(HLDS), and 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 others	LG Fuel Cell Systems Inc., and others	-	
	LG Fuel Cell Systems Inc.	LG Fuel Cell Systems Inc.	-	
	LG Fuel Cell Systems Korea Inc.	LG Fuel Cell Systems Korea Inc.	-	
	Korea Information Certificate Authority Inc.	Korea Information Certificate Authority Inc.	-	
	Global OLED Technology LLC	Global OLED Technology LLC	-	
	SKT Vietnam PTE., Ltd.	SKT Vietnam PTE., Ltd.	-	
	One-Red, LLC	One-Red, LLC	-	
	Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-
		LG Holdings(HK) Ltd. and 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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Classification	Name		Notes
	March 31, 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 three-month periods ended March 31, 2014 and 2013, are as follows:

(in millions of Korean won)

Classification	Name	Sales <sup>1</sup>	2014				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	16	-	-	37,193	-	37,193
Associates	LG Display Co., Ltd., and subsidiaries	195,347	1,585,906	-	3,466	95	1,589,467
	Ericsson-LG Co., Ltd., and subsidiaries	2,383	1,527	-	-	-	1,527
	Hitachi LG Data Storage Inc., and subsidiaries	10,612	356,150	-	-	-	356,150
	LG Fuel Cell Systems Inc., and subsidiaries	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	1	-	1
	<b>Subtotal</b>	<b>208,342</b>	<b>1,943,583</b>	<b>-</b>	<b>3,467</b>	<b>95</b>	<b>1,947,145</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	20,073	49,442	-	-	-	49,442
	LG HOLDINGS (HK) LIMITED and subsidiaries	-	-	-	752	-	752
	EIC PROPERTIES PTE LTD.	-	-	-	228	-	228
	<b>Subtotal</b>	<b>20,073</b>	<b>49,442</b>	<b>-</b>	<b>980</b>	<b>-</b>	<b>50,422</b>
Other related parties	SERVEONE Co., Ltd., and subsidiaries	2,032	262,096	895	28,619	29,759	321,369
	LG Siltron Incorporated	1,130	839	-	17	2	858
	LG CNS Co., Ltd., and subsidiaries	7,631	3,638	3,985	70,187	9,044	86,854
	LG SPORTS Ltd.	389	-	-	1,963	-	1,963
	LG Management Development Institute	4	-	-	5,194	61	5,255
	LUSEM CO., LTD.	14,824	7,750	-	225	-	7,975
	LG MMA Ltd.	107	18	-	-	-	18
	<b>Subtotal</b>	<b>26,117</b>	<b>274,341</b>	<b>4,880</b>	<b>106,205</b>	<b>38,866</b>	<b>424,292</b>
	<b>Total</b>	<b>254,548</b>	<b>2,267,366</b>	<b>4,880</b>	<b>147,845</b>	<b>38,961</b>	<b>2,459,052</b>



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		2013					
Classification	Name	Sales <sup>1</sup>	Purchases			Total Purchases	
			Raw materials	Fixed and intangible assets	General Operating Expenses		Others
Significantly influencing the Group	LG Corp.	113	-	-	36,398	-	36,398
Associates	LG Display Co., Ltd., and subsidiaries	173,336	1,676,735	193	1,843	19	1,678,790
	Ericsson-LG Co., Ltd., and subsidiaries	10,124	1,689	-	-	-	1,689
	Hitachi LG Data Storage Inc., and subsidiaries	8,656	99,303	-	-	-	99,303
	LG Fuel Cell Systems Inc., and subsidiaries	3	-	-	-	3	3
	Korea Information Certificate Authority Inc.	-	-	-	1	-	1
	<b>Subtotal</b>	<b>192,119</b>	<b>1,777,727</b>	<b>193</b>	<b>1,844</b>	<b>22</b>	<b>1,779,786</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	18,228	48,906	-	-	-	48,906
	LG HOLDINGS (HK) LIMITED and subsidiaries	-	-	-	546	-	546
	EIC PROPERTIES PTE LTD.	-	-	-	229	-	229
	<b>Subtotal</b>	<b>18,228</b>	<b>48,906</b>	<b>-</b>	<b>775</b>	<b>-</b>	<b>49,681</b>
Other related parties	SERVEONE Co., Ltd., and subsidiaries	2,658	245,967	495	33,393	27,727	307,582
	LG Siltron Incorporated	1,657	3,626	-	78	20	3,724
	LG CNS Co., Ltd., and subsidiaries	8,733	3,874	4,569	48,664	24,989	82,096
	LG SPORTS Ltd.	-	-	-	1,727	-	1,727
	LG Management Development Institute	12	-	-	8,119	57	8,176
	LUSEM CO., LTD.	16,961	9,082	-	-	-	9,082
	LG MMA Ltd.	-	-	-	-	-	-
	<b>Subtotal</b>	<b>30,021</b>	<b>262,549</b>	<b>5,064</b>	<b>91,981</b>	<b>52,793</b>	<b>412,387</b>
	<b>Total</b>	<b>240,481</b>	<b>2,089,182</b>	<b>5,257</b>	<b>130,998</b>	<b>52,815</b>	<b>2,278,252</b>

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

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- ii) The balances of significant transactions as of March 31, 2014 and December 31, 2013, are as follows:

(in millions of Korean won)

Classification	Name	March 31, 2014							
		Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	22,012	22,012	-	-	20,912	20,912
Associates	LG Display Co., Ltd., and subsidiaries	224,332	-	2,397	226,729	798,760	-	183	798,943
	Ericsson-LG Co., Ltd., and subsidiaries	182	-	17,049	17,231	1,587	-	-	1,587
	Hitachi-LG Data Storage Inc., and subsidiaries	6,583	-	66	6,649	53,586	-	-	53,586
	<b>Subtotal</b>	<b>231,097</b>	<b>-</b>	<b>19,512</b>	<b>250,609</b>	<b>853,933</b>	<b>-</b>	<b>183</b>	<b>854,116</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	10,064	-	-	10,064	43,917	-	-	43,917
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	-	-	-	1,436	1,436
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	77	77
	<b>Subtotal</b>	<b>10,064</b>	<b>-</b>	<b>-</b>	<b>10,064</b>	<b>43,917</b>	<b>-</b>	<b>1,513</b>	<b>45,430</b>
Other related parties	SERVEONE Co., Ltd., and subsidiaries	1,193	-	60,734	61,927	258,894	-	43,493	302,387
	LG Siltron Incorporated	2,897	-	-	2,897	2,252	-	1,796	4,048
	LG CNS Co., Ltd., and subsidiaries	5,277	-	170	5,447	33,399	-	54,614	88,013
	LG SPORTS Ltd.	427	-	-	427	-	-	441	441
	LG Management Development Institute	-	-	17,864	17,864	130	-	1,206	1,336
	LUSEM CO., LTD.	14,810	-	8	14,818	7,396	-	709	8,105
	LG MMA Ltd	45	-	-	45	9	-	-	9
	LG Holdings Japan Co., Ltd.	-	-	3,098	3,098	-	-	-	-
	<b>Subtotal</b>	<b>24,649</b>	<b>-</b>	<b>81,874</b>	<b>106,523</b>	<b>302,080</b>	<b>-</b>	<b>102,259</b>	<b>404,339</b>
	<b>Total</b>	<b>265,810</b>	<b>-</b>	<b>123,398</b>	<b>389,208</b>	<b>1,199,930</b>	<b>-</b>	<b>124,867</b>	<b>1,324,797</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
	Beijing LG Building Development Company	-	-	-	-	-	-	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>1,274,077</b>

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- iii) Significant capital transactions with associates and joint ventures for the three-month periods ended March 31, 2014 and 2013 are as follows:

(in millions of Korean won)

Classification	Name	Dividend Income	Cash investments	Disposal of shares	2014		2013	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Repayments	Borrowings	Repayments
Associates	Ericsson-LG Co., Ltd.	17,000	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	<b>Subtotals</b>	<b>17,060</b>	<b>-</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>(680)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(in millions of Korean won)

Classification	Name	Dividend Income	Cash investments	Disposal of shares	2013		2012	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Repayments	Borrowings	Repayments
Associates	Ericsson-LG Co., Ltd.	10,250	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.	-	3,340	-	-	-	-	-
	<b>Totals</b>	<b>10,250</b>	<b>3,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- iv) During the reporting period, the Group transferred the Data Storage business to Hitachi-LG Data Storage Inc. and its subsidiaries (Note 27).
- (c) The compensation paid or payable to key management of the Group for the three-month periods ended March 31, 2014 and 2013, consists of:

(in millions of Korean won)

	2014	2013
Wages	3,335	2,767
Post-employment benefits	465	415
<b>Total</b>	<b>3,800</b>	<b>3,182</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 as of March 31, 2014.
- (e) There is no collateral provided by the Group for the funding sources of related parties as of March 31, 2014.
- (f) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties as of March 31, 2014.

**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 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 March 31, 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>March 31, 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	(148,352)	148,352	(156,312)	156,312
EUR/KRW	44,797	(44,797)	41,062	(41,062)
Other <sup>1</sup> /KRW	71,248	(71,248)	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.

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 three-month periods ended March 31, 2014 and 2013, are as follows:

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<i>(in millions of Korean won)</i>	2014		2013	
	1% increase	1% decrease	1% increase	1% decrease
Interest expense	2,796	(2,796)	4,099	(4,099)
Interest income	6,163	(6,163)	5,398	(5,398)

iii) Price risk

The Group is exposed to price risk through securities owned by the Group classified as available-for-sale financial assets on the 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>	March 31, 2014		December 31, 2013	
	30% increase	30% decrease	30% increase	30% decrease
KOSPI	-	-	1	(1)
KOSDAQ	3,413	(3,413)	3,095	(3,095)
NASDAQ	1,361	(1,361)	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 11, 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.

(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.

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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>March 31, 2014</b>	<b>December 31, 2013</b>
Liability (A)	24,368,020	22,838,695
Equity (B)	12,790,225	12,689,369
Cash and cash equivalents and current financial deposits (C)	2,781,422	2,713,166
Borrowings (D)	9,653,994	9,211,029
Liability-to-equity ratio (A/B)	191%	180%
Net borrowings ratio (D-C)/B	54%	51%

**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>	<b>March 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Current financial asset items</b>				
[Assets at fair value]				
Financial assets at fair value through profit or loss				
Other financial assets	215	215	16,080	16,080
Derivatives for hedging purposes				
Other financial assets	6,842	6,842	1,319	1,319



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<i>(in millions of Korean won)</i>	March 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	2,713,842	1	2,645,270	1
Financial deposits	67,580	1	67,896	1
Trade receivables	8,147,898	1	7,117,402	1
Other receivables	488,882	1	596,505	1
Held-to-maturity financial assets				
Other financial assets	46	1	31	1
<b>Non-current financial asset items</b>				
[Assets at fair value]				
Derivatives for hedging purposes				
Other financial assets	2,511	2,511	94	94
Available-for-sale financial assets				
Other financial assets	18,126	18,126	19,560	19,560
[Assets at amortized cost]				
Loans and other receivables				
Financial deposits	89,382	89,382	96,992	96,992
Other receivables	580,487	578,347	601,978	577,737
Held-to-maturity financial assets				
Other financial assets	2,530	1	2,545	1
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	33,053	2	33,515	2
<b>Total</b>	<b>12,151,394</b>		<b>11,199,187</b>	

<i>(in millions of Korean won)</i>	March 31, 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	8,489	8,489	684	684
Derivatives for hedging purposes				
Other financial liabilities	8,948	8,948	10,101	10,101
[Liabilities at amortized cost]				
Trade payables	6,875,735	1	5,691,114	1
Borrowings	3,079,469	1	3,022,723	1
Other payables	2,553,385	1	2,829,686	1

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<i>(in millions of Korean won)</i>	March 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
[Other liabilities]				
Other financial liabilities	105	<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	849	849	773	773
Derivatives for hedging purposes				
Other financial liabilities	8,132	8,132	9,370	9,370
[Liabilities at amortized cost]				
Borrowings	6,574,525	6,737,260	6,188,306	6,308,304
Other payables	18,111	18,111	27,670	27,670
[Other liabilities]				
Other financial liabilities	494	<sup>3</sup>	520	<sup>3</sup>
<b>Total</b>	<b>19,128,242</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.

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

i) Derivatives

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

ii) Available-for-sale financial assets

The fair value of available-for-sale financial assets traded in active markets is determined based on quoted market prices at the end of the reporting period. When quoted prices are readily and regularly available from stock-exchanges, dealers,

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brokers, entities within the same industry, pricing services or regulatory agencies, and those prices represent actual and regularly occurring market transactions on an arm's length basis, this is deemed to be an active market.

The quoted market price used for available-for-sale financial assets held by the Company is the closing price in the active market at the fiscal year end of the available-for sale financial assets.

iii) Non-current loans and other receivables

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

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Long-term loans	160,986	131,402	170,664	139,903
Long-term non-trade receivables	21,998	19,833	22,664	20,777
Deposits	397,503	427,112	408,650	417,057
<b>Total</b>	<b>580,487</b>	<b>578,347</b>	<b>601,978</b>	<b>577,737</b>

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

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Discount rate	4.87%	4.91%

iv) Non-current borrowings

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

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Long-term borrowings	2,049,024	2,108,019	1,914,366	1,988,348
Bonds	4,262,113	4,287,227	4,004,088	4,014,302
Convertible bonds	263,388	342,014	269,852	305,654
<b>Total</b>	<b>6,574,525</b>	<b>6,737,260</b>	<b>6,188,306</b>	<b>6,308,304</b>

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

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Discount rate	2.9%~4.3%	3.0%~4.5%

v) Current financial assets and current financial liabilities

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

(c) Methods and Assumptions in Determining Fair Value

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

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

<i>(in millions of Korean won)</i>	<b>March 31, 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(1) Recurring fair value measurements				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	16,616	-	-	16,616
- Debt securities	-	-	1,510	1,510
Financial assets at fair value through profit or loss	-	215	-	215
Derivatives for hedging purposes	-	9,353	-	9,353
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	9,338	-	9,338
Derivatives for hedging purposes	-	17,080	-	17,080
(2) Non-recurring fair value measurements	-	-	-	-
(3) Fair value for disclosure				
Non-current financial deposits	-	-	89,382	89,382
Non-current other receivables	-	-	578,347	578,347
Non-current borrowings	-	-	6,737,260	6,737,260
Non-current other payables	-	-	18,111	18,111

<i>(in millions of Korean won)</i>	<b>December 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>

(1) Recurring fair value measurements  
Other financial assets

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<i>(in millions of Korean won)</i>	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Marketable equity securities	17,720	-	-	17,720
- Debt securities	-	-	1,840	1,840
Financial assets at fair value through profit or loss	-	16,080	-	16,080
Derivatives for hedging purposes	-	1,413	-	1,413
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,457	-	1,457
Derivatives for hedging purposes	-	19,471	-	19,471
(2) Non-recurring fair value measurements	-	-	-	-
(3) Fair value for disclosure				
Non-current financial deposit	-	-	96,992	96,992
Non-current other payables	-	-	577,737	577,737
Non-current borrowings	-	-	6,308,304	6,308,304
Non-current other payables	-	-	27,670	27,670

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

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

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

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

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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>
<b>Goodwill</b>	<b>-</b>

- i) The acquisition-related costs amounting to ₩293 million were all expensed at the time they were incurred.

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