

LG Electronics Inc.
Interim Separate Financial Statements
September 30, 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 separate financial statements of LG Electronics Inc. (the "Company"). These financial statements consist of the separate statement of financial position of the Company as of September 30, 2014, and the related separate statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013, and the statements of changes in equity and cash flows for the nine-month periods ended September 30, 2014 and 2013, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 the Korean Standards on Auditing 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.

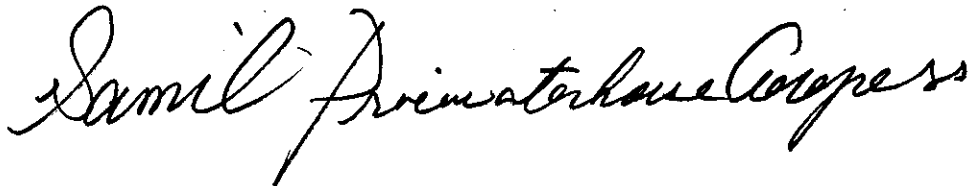
Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim separate 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 separate statement of financial position of the Company as of December 31, 2013, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Korean Standards on Auditing. We expressed an unqualified opinion on those separate financial statements in our audit report dated February 25, 2014. These separate financial statements are not included in this review report. The separate 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

November 14, 2014

This interim report is effective as of November 14, 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 separate 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 Inc.

Interim Separate Statements of Financial Position

September 30, 2014 and December 31, 2013

<i>(in millions of Korean won)</i>	Note	September 30, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	4,30	1,426,585	1,298,349
Financial deposits	4,30	65,000	65,000
Trade receivables	4,5,30	6,644,535	4,697,202
Loans and other receivables	4,30	426,935	433,888
Inventories	7	1,231,669	916,581
Current income tax assets		2,032	2,446
Other current assets		417,207	439,757
		<u>10,213,963</u>	<u>7,853,223</u>
Non-current assets			
Financial deposits	4,30	2,496	4,759
Loans and other receivables	4,30	393,875	410,385
Other financial assets	4,6,30	30,890	31,823
Property, plant and equipment	8	6,231,092	6,045,037
Intangible assets	8	1,026,118	1,085,867
Deferred income tax assets	24	745,066	875,503
Investments in subsidiaries, associates and joint ventures	9	8,042,094	8,006,190
Investment property		816	2,979
Other non-current assets		600,293	655,316
		<u>17,072,740</u>	<u>17,117,859</u>
Total assets		<u>27,286,703</u>	<u>24,971,082</u>
Liabilities			
Current liabilities			
Trade payables	4,30	5,535,850	4,327,403
Borrowings	4,10,30	1,226,882	1,391,805
Other payables	4,30	1,496,327	1,798,292
Other financial liabilities	4,6,30	106	9,090
Provisions	12	223,188	212,710
Other current liabilities		1,992,677	1,607,031
		<u>10,475,030</u>	<u>9,346,331</u>
Non-current liabilities			
Borrowings	4,10,30	5,365,662	4,550,437
Other financial liabilities	4,6,30	63,248	9,891
Net defined benefit liability	11	696,695	413,825
Provisions	12	804,234	817,778
		<u>6,929,839</u>	<u>5,791,931</u>
Total liabilities		<u>17,404,869</u>	<u>15,138,262</u>
Equity			
Paid-in capital:	13		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	14	5,930,283	5,857,083
Accumulated other comprehensive income	15	(7,978)	16,208
Other components of equity	16	(32,819)	(32,819)
Total equity		<u>9,881,834</u>	<u>9,832,820</u>
Total liabilities and equity		<u>27,286,703</u>	<u>24,971,082</u>

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

LG Electronics Inc.

Interim Separate Statements of Income

Three-Month and Nine-Month Periods Ended September 30, 2014 and 2013

<i>(in millions of Korean won, except per share amounts)</i>	Note	2014		2013	
		Three months	Nine months	Three months	Nine months
Net sales	17	7,974,246	23,333,688	6,835,242	21,164,955
Cost of sales	18	<u>6,323,685</u>	<u>18,626,548</u>	<u>5,578,214</u>	<u>16,924,054</u>
Gross profit		1,650,561	4,707,140	1,257,028	4,240,901
Selling and marketing expenses	18,19	699,978	2,005,518	655,184	1,968,154
Administrative expenses	18,19	141,558	398,975	125,772	394,547
Research and development expenses	18,19	488,820	1,428,162	472,656	1,487,779
Service costs	18,19	<u>145,839</u>	<u>371,814</u>	<u>164,582</u>	<u>437,152</u>
Operating income (loss)		174,366	502,671	(161,166)	(46,731)
Financial income	20	67,467	133,654	39,989	138,662
Financial expenses	21	96,669	290,836	95,208	287,479
Other non-operating income	22	176,934	733,088	252,957	850,638
Other non-operating expenses	23	<u>313,366</u>	<u>708,458</u>	<u>248,754</u>	<u>761,147</u>
Profit (loss) before income tax		8,732	370,119	(212,182)	(106,057)
Income tax expense (income)	24	<u>2,782</u>	<u>193,011</u>	<u>(68,988)</u>	<u>(56,747)</u>
Profit (loss) for the period		<u>5,950</u>	<u>177,108</u>	<u>(143,194)</u>	<u>(49,310)</u>
Earnings (loss) per share during the period (in won):	25				
Earnings (loss) per share for profit attributable to the common equity holders of the Company		32	980	(796)	(277)
Earnings (loss) per share for profit attributable to the preferred equity holders of the Company		44	1,017	(784)	(240)

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

LG Electronics Inc.

Interim Separate Statements of Comprehensive Income

Three-Month and Nine-Month Periods Ended September 30, 2014 and 2013

<i>(in millions of Korean won)</i>	Note	2014		2013	
		Three months	Nine months	Three months	Nine months
Profit (loss) for the period		5,950	177,108	(143,194)	(49,310)
Other comprehensive income (loss), net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the net defined benefit liability	11	(41,175)	(67,036)	2,055	14,633
Items that will be reclassified subsequently to profit or loss:					
Cash flow hedges	30	(9,394)	(23,563)	11,984	7,791
Available-for-sale financial assets	6	(507)	(623)	93	3,200
Other comprehensive income (loss) for the period, net of tax		(51,076)	(91,222)	14,132	25,624
Total comprehensive income (loss) for the period, net of tax		(45,126)	85,886	(129,062)	(23,686)

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

LG Electronics Inc.
Interim Separate Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2014 and 2013

<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total
Balance at January 1, 2013		3,992,348	6,059,062	4,364	(32,819)	10,022,955
Comprehensive income:						
Loss for the period		-	(49,310)	-	-	(49,310)
Remeasurements of the net defined benefit liability	11	-	14,633	-	-	14,633
Cash flow hedges	30	-	-	7,791	-	7,791
Available-for-sale financial assets	6	-	-	3,200	-	3,200
Total comprehensive income (loss)		-	(34,677)	10,991	-	(23,686)
Transactions with equity holders:						
Dividends	14	-	(36,872)	-	-	(36,872)
Changes due to business combination		-	1,174	-	-	1,174
Total transactions with equity holders		-	(35,698)	-	-	(35,698)
Balance at September 30, 2013		3,992,348	5,988,687	15,355	(32,819)	9,963,571
Balance at January 1, 2014		3,992,348	5,857,083	16,208	(32,819)	9,832,820
Comprehensive income:						
Profit for the period		-	177,108	-	-	177,108
Remeasurements of the net defined benefit liability	11	-	(67,036)	-	-	(67,036)
Cash flow hedges	30	-	-	(23,563)	-	(23,563)
Available-for-sale financial assets	6	-	-	(623)	-	(623)
Total comprehensive income (loss)		-	110,072	(24,186)	-	85,886
Transactions with equity holders:						
Dividends	14	-	(36,872)	-	-	(36,872)
Total transactions with equity holders		-	(36,872)	-	-	(36,872)
Balance at September 30, 2014		3,992,348	5,930,283	(7,978)	(32,819)	9,881,834

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

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

<i>(in millions of Korean won)</i>	Note	Nine-Month Period Ended September 30	
		2014	2013
Cash flows from operating activities			
Cash generated from operations	26	490,149	644,862
Interest received		17,207	17,448
Interest paid		(196,030)	(164,211)
Dividends received		188,419	343,245
Income tax paid		(33,037)	(49,810)
Net cash generated from operating activities		<u>466,708</u>	<u>791,534</u>
Cash flows from investing activities			
Decrease in financial deposits		2,263	10,040
Decrease in loans and other receivables		96,187	145,043
Proceeds from disposal and recovery of other financial assets		-	66,895
Proceeds from disposal of property, plant and equipment		37,465	14,092
Proceeds from disposal of intangible assets		15,957	5,881
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		3,720	772
Business transfer		1,905	-
Business combination		-	5,304
Decrease in others		2,108	48
Increase in financial deposits		-	(15,000)
Increase in loans and other receivables		(76,884)	(124,300)
Acquisition of other financial assets		-	(4,500)
Acquisition of property, plant and equipment		(730,624)	(902,374)
Acquisition of intangible assets		(282,093)	(266,289)
Acquisition of investments in subsidiaries, associates and joint ventures		(39,560)	(98,585)
Net cash used in investing activities		<u>(969,556)</u>	<u>(1,162,973)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,595,343	1,117,694
Repayments of borrowings		(927,387)	(886,630)
Dividends paid		(36,872)	(36,872)
Net cash provided by financing activities		<u>631,084</u>	<u>194,192</u>
Net increase (decrease) in cash and cash equivalents		128,236	(177,247)
Cash and cash equivalents at the beginning of period		1,298,349	1,114,246
Cash and cash equivalents at the end of period		<u>1,426,585</u>	<u>936,999</u>

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

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
September 30, 2014 and 2013, and December 31, 2013

1. General Information

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

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

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

2. Significant Accounting Policies

Basis of Preparation

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

Changes in Accounting Policy and Disclosures

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

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

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

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

LG Electronics Inc.
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September 30, 2014 and 2013, and December 31, 2013

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

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

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

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

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

- Korean IFRS 2121(Enactment): 'Levies'

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

ii. New and amended standards and interpretations effective for the financial year beginning January 1, 2015.

There are no new and amended standards early adopted by the Company in the financial year, 2014.

New and amended standards and interpretations not yet adopted by the Company are as follows:

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

In defined benefit plans with contributions from employees or third parties, if such contributions are linked to service provided by employees or third parties at the same period when contributions were made, a practical expedient of reducing such contributions from the service cost is allowed. It was clarified that when contributions reflect the actuarial valuation method, such contributions made by employees or third parties should be attributed by the same method used to attribute the total benefit. The amendments do not have a significant impact on these separate financial statements.

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- Annual improvements of Korean IFRS

Korean IFRS 1102, 'Share-based Payment'
Korean IFRS 1103, 'Business Combination'
Korean IFRS 1108, 'Operating Segment'
Korean IFRS 1113, 'Fair Value Measurement'
Korean IFRS 1016, 'Property, Plant and Equipment'
Korean IFRS 1038, 'Intangible Assets'
Korean IFRS 1024, 'Related Party Disclosures'
Korean IFRS 1040, 'Investment Property'

The annual improvements of Korean IFRS do not have a significant impact on these separate financial statements.

Application of Accounting Policies

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

Income Tax Expense

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

3. Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

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

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(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net defined Benefit Liability

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

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
September 30, 2014 and 2013, and December 31, 2013

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

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

<i>(in millions of Korean won)</i>	September 30, 2014					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	1,426,585	-	-	-	1,426,585
Financial deposits	-	67,496	-	-	-	67,496
Trade receivables	-	6,644,535	-	-	-	6,644,535
Loans and other receivables	-	820,810	-	-	-	820,810
Other financial assets	-	-	30,890	-	-	30,890
Total	-	8,959,426	30,890	-	-	8,990,316

<i>(in millions of Korean won)</i>	September 30, 2014				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
Trade payables	-	5,535,850	-		5,535,850
Borrowings	-	6,592,544	-		6,592,544
Other payables	-	1,496,327	-		1,496,327
Other financial liabilities	-	-	63,354		63,354
Total	-	13,624,721	63,354		13,688,075

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

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

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

<i>(in millions of Korean won)</i>	2014					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Interest income	-	23,235	-	-	-	23,235
Exchange differences	-	(194,106)	-	-	-	(194,106)
Bad debts expense	-	(25,119)	-	-	-	(25,119)
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(623)	-	-	(623)
Impairment loss of available-for-sale financial assets	-	-	(17)	-	-	(17)
Dividend income	-	-	299	-	-	299

<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	-	(196,056)	-	(196,056)
Exchange differences	-	55,320	-	55,320
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(23,563)	(23,563)

LG Electronics Inc.
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<i>(in millions of Korean won)</i>	2013					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Interest income	-	21,595	-	-	-	21,595
Exchange differences	-	(108,690)	-	-	-	(108,690)
Bad debt expense	-	(39,995)	-	-	-	(39,995)
Loss on disposal of trade receivables	-	(3,188)	-	-	-	(3,188)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	3,200	-	-	3,200
Gain on disposal of available-for-sale-financial assets	-	-	5,218	-	-	5,218
Impairment loss of available-for-sale financial assets	-	-	(498)	-	-	(498)
Dividend income	-	-	295	-	-	295

<i>(in millions of Korean won)</i>	2013			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(167,872)	-	(167,872)
Exchange differences	-	(35,818)	-	(35,818)
Gain on derivatives (through other comprehensive income)	-	-	7,791	7,791

(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>	September 30, 2014		December 31, 2013	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Gross amounts subject to arrangement	98,688	137,791	63,883	84,795
Offset	(98,688)	(98,688)	(63,883)	(63,883)
Net amounts presented	-	39,103	-	20,912
Related amounts not offset	-	-	-	-
Net amount	-	39,103	-	20,912

LG Electronics Inc.
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5. Trade Receivables

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Trade receivables	6,732,315	4,760,190
Less: allowance for doubtful accounts	(87,780)	(62,988)
Carrying amount	6,644,535	4,697,202

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Current	6,206,845	4,391,130
Past due : Up to 6 months	319,262	257,961
Past due : 7 to 12 months	92,167	80,592
Past due : Over one year	101,971	14,556
Defaulted	12,070	15,951
Total	6,732,315	4,760,190

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

<i>(in millions of Korean won)</i>	2014	2013
At January 1	62,988	43,652
Addition	24,792	39,495
Write-off	-	-
At September 30	87,780	83,147

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

As of September 30, 2014, there are no trade receivables which are transferred to financial institutions but recorded as short-term borrowings as the transfer did not qualify for derecognition.

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Carrying amount of asset¹		
Trade receivables	-	19,689
Carrying amount of associated liability¹		
Short-term borrowings	-	19,689
Net position²	-	-

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

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

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6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Other financial assets		
Derivatives	-	94
Available-for-sale	30,890	31,729
Total	30,890	31,823
Current	-	-
Non-current	30,890	31,823
Other financial liabilities		
Derivatives	62,807	18,356
Financial guarantee liability	547	625
Total	63,354	18,981
Current	106	9,090
Non-current	63,248	9,891

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

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	-	-	-	8,985
Non- current				
Currency swap	-	37,065	94	9,371
Interest rate swap	-	25,742	-	-
Total	-	62,807	94	18,356

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

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

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(c) Financial assets classified as available-for-sale

i) Changes in carrying amounts of available-for-sale financial assets for the nine-month periods ended September 30, 2014 and 2013, are as follows:

2014						
<i>(in millions of Korean won)</i>	Beginning			Valuation ¹ (Other comprehensive loss)		Ending
	Balance	Acquisition	Disposal	Impairment	Balance	Balance
Listed equity securities	15,114	-	-	(822)	(17)	14,275
Unlisted equity securities	16,615	-	-	-	-	16,615
Total	31,729	-	-	(822)	(17)	30,890

2013						
<i>(in millions of Korean won)</i>	Beginning			Valuation ¹ (Other comprehensive income)		Ending
	Balance	Acquisition	Disposal	Impairment	Balance	Balance
Listed equity securities	7,636	-	-	4,223	-	11,859
Unlisted equity securities	24,894	4,500	(9,181)	-	(498)	19,715
Total	32,530	4,500	(9,181)	4,223	(498)	31,574

¹The loss of ₩17 million (2013: nil) from the accumulated other comprehensive income relating to available-for-sale financial assets has been reclassified to profit and loss during the nine-month period ended September 30, 2014.

- ii) The listed equity securities among the above available-for-sale financial assets are measured using quoted prices in active markets. However, the unlisted securities are measured at cost as they are mostly in the beginning of their business stages and their fair values cannot be reliably measured.
- iii) During the nine-month period ended September 30, 2013, available-for-sale equity securities amounting to ₩ 5,661 million and ₩ 3,520 million, whose fair value could not be measured reliably and therefore measured at cost, have been derecognized as a result of return and disposal of capital investments, respectively. The Company recognized gain on disposal amounting to ₩ 5,218 million in relation to the derecognition.
- iv) During the nine-month period ended September 30, 2014, the listed equity securities amounting to ₩17 million (2013: nil) were impaired, and during the nine-month period ended September 30, 2013, the unlisted equity securities amounting to ₩498 million were impaired.

7. Inventories

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

<i>(in millions of Korean won)</i>	September 30, 2014			December 31, 2013		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Finished products and merchandise	465,203	(25,551)	439,652	400,399	(19,973)	380,426
Half-finished products and work-in-process	152,087	(1,034)	151,053	106,848	(1,243)	105,605

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Raw materials and supplies	541,274	(15,047)	526,227	329,491	(16,560)	312,931
Other	142,499	(27,762)	114,737	147,748	(30,129)	117,619
Total	1,301,063	(69,394)	1,231,669	984,486	(67,905)	916,581

The loss on valuation of inventories recognized for the nine-month period ended September 30, 2014, amounts to ₩ 30,808 million (2013: ₩ 66,088 million).

8. Property, Plant and Equipment, and Intangible Assets

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

<i>(in millions of Korean won)</i>	2014	2013
At January 1	6,045,037	5,437,210
Acquisitions	693,688	876,464
Acquisitions from business combination	-	8,629
Disposals and others	(50,400)	(11,961)
Decrease due to business transfer	(255)	(4,103)
Depreciation	(448,336)	(400,877)
Impairment ¹	(8,642)	(1,444)
At September 30	6,231,092	5,903,918

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

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

<i>(in millions of Korean won)</i>	2014	2013
At January 1	1,085,867	962,002
Acquisitions	35,653	67,947
Acquisitions by internal development	149,888	168,338
Acquisitions from business combination	-	6,078
Transfer-in	67,237	65,277
Disposals and others	(18,058)	(14,672)
Decrease due to business transfer	(1,650)	(645)
Amortization	(286,572)	(242,335)
Impairment ¹	(6,247)	(1,124)
At September 30	1,026,118	1,010,866

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

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9. Investments in Subsidiaries, Associates and Joint Ventures

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

<i>(in millions of Korean won)</i>	Classification at September 30, 2014	Location	Closing month	Percentage of ownership at September 30, 2014	Carrying amount	
					September 30, 2014	December 31, 2013
LG Display Co., Ltd.	Associate	Korea	December	37.9%	3,480,623	3,480,623
LG Electronics U.S.A., Inc.(LGEUS)	Subsidiary	USA	December	100.0%	955,542	955,542
LG Innotek Co., Ltd.	Subsidiary	Korea	December	40.8%	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	Subsidiary	India	March	100.0%	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Subsidiary	Brazil	December	100.0%	270,631	270,631
LG Electronics Mlawa Sp. z o.o(LGEMA)	Subsidiary	Poland	December	100.0%	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	Subsidiary	China	December	70.0%	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Subsidiary	Netherlands	December	100.0%	148,551	148,551
Hiplaza Co., Ltd.	Subsidiary	Korea	December	100.0%	136,459	136,459
LG Holdings(HK) Ltd.	Joint venture	Hong Kong	December	49.0%	129,386	129,386
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	Subsidiary	China	December	88.4%	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Subsidiary	Indonesia	December	100.0%	94,118	94,118
Ericsson-LG Co., Ltd.	Associate	Korea	December	25.0%	81,755	81,755
Hitachi-LG Data Storage Inc. (HLDS)	Associate	Japan	December	49.0%	80,602	80,602
LG Electronics Panama, S.A.(LGEPS)	Subsidiary	Panama	December	100.0%	79,222	79,222
LG Electronics Wroclaw Sp.z o.o(LGEWR)	Subsidiary	Poland	December	100.0%	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Subsidiary	Mexico	December	100.0%	68,721	68,721
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH) ³	Subsidiary	Vietnam	December	100.0%	68,436	37,698
LG Electronics Shenyang Inc.(LGESY)	Subsidiary	China	December	56.3%	66,668	66,668
Hi Entech Co., Ltd.	Subsidiary	Korea	December	100.0%	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Subsidiary	Thailand	December	100.0%	55,578	55,578
Global OLED Technology LLC.	Associate	USA	December	32.7%	53,454	53,454
LG Electronics Australia Pty, Ltd.(LGEAP)	Subsidiary	Australia	December	100.0%	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	Subsidiary	China	December	60.5%	48,624	48,624
LG Fuel Cell Systems Inc. ³	Associate	USA	December	29.2%	44,051	36,784
LG Electronics RUS, LLC(LGERA)	Subsidiary	Russia	December	100.0%	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	Subsidiary	China	December	45.0%	41,984	41,984
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Joint venture	Turkey	December	50.0%	40,844	40,844
EIC PROPERTIES PTE LTD.	Joint venture	Singapore	December	38.2%	7,881	7,881
LG-Shaker Co., Ltd.(LGESR) ⁴	Subsidiary	Saudi	December	51.0%	5,656	4,619
Korea Information Certificate Authority Inc. ¹	Associate	Korea	December	7.5%	1,242	1,242
Innovation Investment Fund ²	Subsidiary	Korea	December	83.3%	1,054	3,970

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<i>(in millions of Korean won)</i>	Classification at September 30, 2014	Location	Closing month	Percentage of ownership at September 30, 2014	Carrying amount	
					September 30, 2014	December 31, 2013
PT.LG Electronics Service Indonesia(LGEID) ⁴	Subsidiary	Indonesia	December	99.8%	518	-
LG Fund for Enterprises ²	-	-	-	-	-	740
Others	Subsidiaries				526,739	526,739
Total					8,042,094	8,006,190

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

² Carrying amount decreased due to return of the investment during the nine-month period ended September 30, 2014.

³ Participated in capital increase of the investee during the nine-month period ended September 30, 2014.

⁴ Acquired during the nine-month period ended September 30, 2014.

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

<i>(in millions of Korean won)</i>	2014	2013
Opening net book amount	8,006,190	7,950,178
Acquisitions	39,560	98,585
Acquisitions from business combination	-	3,895
Disposals and others	(3,656)	(1,109)
Disposals due to business combination	-	(17,028)
Closing net book amount	8,042,094	8,034,521

(c) The Company recognizes investments in subsidiaries, associates and joint ventures at cost method indications that an impairment loss may have occurred at the end of each reporting period. On the occasion of the indication, the Company estimates the recoverable amount of the asset using various means including the future cash flow method and recognizes the impairment loss immediately as current loss by decreasing the book value of the asset if the book value exceeds the recoverable amount. The Company did not recognize the impairment loss relating to investments in subsidiaries, associates and joint ventures during the nine-month periods ended September 30, 2014 and 2013.

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

September 30, 2014					
	Type	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	34,000	4,611,250	3,480,623
LG Innotek Co., Ltd. Korea Information Certificate Authority Inc. ¹	Subsidiary	9,653,181	115,000	1,110,116	541,538
	Associate	2,000,000	4,125	8,250	1,242

December 31, 2013					
	Type	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	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	83,700	807,971	541,538

¹ Listed on KOSDAQ during the nine-month period ended September 30, 2014.

10. Borrowings

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Current		
Short-term borrowings	-	19,689
Current portion of long-term borrowings	757,500	957,500
Current portion of debentures	469,382	414,616
Sub-total	1,226,882	1,391,805
Non-current		
Long-term borrowings	1,301,250	1,195,000
Debentures	4,064,412	3,355,437
Sub-total	5,365,662	4,550,437
Total	6,592,544	5,942,242

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(b) Details of borrowings are as follows:

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

<i>(in millions of Korean won)</i>	Annual interest rate at September 30, 2014	Carrying amount	
		September 30, 2014	December 31, 2013
Borrowings on negotiated trade bills	-	-	19,689
Total		-	19,689

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

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at September 30, 2014(%)	September 30, 2014		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
Kookmin Bank ¹	2029. 4.30	3M CD+1.14	200,000	-	200,000
Shinhan Bank	2016.10.19	4.37	118,750	47,500	71,250
Shinhan Bank	2017. 2.16	4.60	190,000	-	190,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Hana Bank ¹	2024. 1. 3	3M CD+0.98	200,000	-	200,000
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015. 3.10	5.06	90,000	90,000	-
Korea Finance Corporation	2015. 2.28	4.80	100,000	100,000	-
Korea Finance Corporation	2015. 9.13	4.57	80,000	80,000	-
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016. 4.20	4.63	30,000	-	30,000
Korea Finance Corporation	2017. 3.29	4.62	190,000	-	190,000
Total			2,058,750	757,500	1,301,250

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

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2014.11.12	4.62	150,000	150,000	-
Kookmin Bank	2016. 5.24	4.73	190,000	-	190,000
Nonghyup Bank	2014. 3. 9	4.70	190,000	190,000	-
Shinhan Bank	2016.10.19	4.37	142,500	47,500	95,000
Shinhan Bank	2017. 2.16	4.60	190,000	-	190,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000

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Korea Development Bank	2014. 4. 5	4.45	190,000	190,000	-
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015. 3.10	5.06	90,000	-	90,000
Korea Finance Corporation	2014. 2.28	4.56	90,000	90,000	-
Korea Finance Corporation	2015. 2.28	4.80	100,000	-	100,000
Korea Finance Corporation	2015. 9.13	4.57	80,000	-	80,000
Korea Finance Corporation	2015.12.24	4.64	40,000	-	40,000
Korea Finance Corporation	2016. 4.20	4.63	30,000	-	30,000
Korea Finance Corporation	2017. 3.29	4.62	190,000	-	190,000
Total			2,152,500	957,500	1,195,000

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

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at September 30, 2014(%)	September 30, 2014		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 th)	2015. 9. 9	4.63	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 th)	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 nd)	2016. 2.16	4.91	60,000	-	60,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 th)	2016. 5.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 st)	2016. 6.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 nd)	2016. 8. 5	4.34	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 th)	2016. 9.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 th) ¹	2016.12. 2	2.00	237,504	-	237,504
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 st)	2015. 9.10	3.18	170,000	170,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 nd)	2017. 9.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (67 th)	2018. 3.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-1 st)	2020. 5.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-2 nd)	2020. 5.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-3 rd)	2023. 5.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (68-4 th)	2023. 5.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-1 st)	2015. 7.31	2.86	110,000	110,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-2 nd)	2018. 7.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (69-3 rd)	2020. 7.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds (70 th) ¹	2019. 1.31	3ML+1.60	210,120	-	210,120
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-1 st)	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-2 nd)	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-3 rd)	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, non- guaranteed bonds(72 nd) ¹	2017. 6.19	3ML+1.30	210,120	-	210,120
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-1 st)	2017. 1.24	3.16	100,000	-	100,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-2 nd)	2019. 1.24	3.60	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-3 rd)	2021. 1.24	3.95	160,000	-	160,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(73-4 th)	2024. 1.24	4.44	120,000	-	120,000

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<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at September 30, 2014(%)	September 30, 2014		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-1 st)	2019. 5.29	3.30	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-2 nd)	2021. 5.29	3.52	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-3 rd)	2024. 5.29	4.04	210,000	-	210,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(74-4 th)	2029. 5.29	4.44	60,000	-	60,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(75 th)	2026. 7.16	3.96	100,000	-	100,000
Less: discount on debentures				(13,950)	(618)	(13,332)
Total				4,533,794	469,382	4,064,412

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 th)	2015. 9. 9	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 th)	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 st)	2014. 2.16	4.44	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 nd)	2016. 2.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency	Public, non-guaranteed bonds (59 th) ¹	2014. 4.28	3ML+1.00	179,401	179,401	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 th)	2016. 5.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 st)	2016. 6.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 nd)	2016. 8. 5	4.34	80,000	-	80,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds (63 rd) ¹	2014. 8.23	3ML+0.70	105,530	105,530	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 th)	2016. 9.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 th) ¹	2016.12. 2	2.00	255,564	-	255,564
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 st)	2015. 9.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 nd)	2017. 9.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 th)	2018. 3.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 st)	2020. 5.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 nd)	2020. 5.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 rd)	2023. 5.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 th)	2023. 5.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-1 st)	2015. 7.31	2.86	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-2 nd)	2018. 7.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-3 rd)	2020. 7.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency	Private, guaranteed bonds(70 th) ¹	2019. 1.31	3ML+1.60	211,060	-	211,060
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-1 st)	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-2 nd)	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(71-3 rd)	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency	Private, non-guaranteed bonds(72 nd) ¹	2017. 6.19	3ML+1.30	211,060	-	211,060
Less: discount on debentures				(12,562)	(315)	(12,247)
Total				3,770,053	414,616	3,355,437

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

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

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

<i>(in millions of Korean won)</i>	Total	Less than 1 year	Less than 2 years	Less than 5 years	Over 5 years
Current portion of long-term borrowings	771,381	771,381	-	-	-
Current portion of debentures	487,349	487,349	-	-	-
Long-term borrowings	1,579,527	56,482	358,209	658,261	506,575
Debentures	4,774,038	142,738	1,030,962	2,094,326	1,506,011
Total	7,612,295	1,457,950	1,389,171	2,752,587	2,012,586

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

11. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Present value of funded obligations	1,800,159	1,547,342
Fair value of plan assets	(1,103,464)	(1,133,517)
Net defined benefit liability	696,695	413,825

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Current service cost	60,028	180,556	57,455	171,079
Net interest expense	4,627	13,515	3,559	10,648
Past service cost	-	20,467	-	-
Managing cost	302	917	306	919
Total	64,957	215,455	61,320	182,646

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Manufacturing cost	32,030	108,148	32,201	94,857
Selling and marketing expenses	9,713	30,656	8,365	25,233
Administrative expenses	4,914	14,158	3,526	10,625
Research and development expenses	17,165	58,998	16,330	49,206
Service costs	1,135	3,495	898	2,725
Total	64,957	215,455	61,320	182,646

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

<i>(in millions of Korean won)</i>	2014	2013
At January 1	1,547,342	1,365,526
Current service cost	180,556	171,079
Interest expense	45,720	36,918
Past service cost	20,467	-
Remeasurements for:		
- Actuarial gain (loss) arising from changes in financial assumptions	103,459	(20,747)
- Actuarial loss arising from experience adjustments	(21,432)	-
Increase from business combination	-	1,565
Benefits paid	(75,953)	(50,471)
Decrease due to business transfer	-	(4,251)
At September 30	1,800,159	1,499,619

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

<i>(in millions of Korean won)</i>	2014	2013
At January 1	1,133,517	897,928
Interest income	32,205	26,270
Remeasurements for:		
- Return on plan assets	(6,410)	(1,442)
Increase from business combination	-	986
Benefits paid	(54,931)	(28,480)
Decrease due to business transfer	-	(2,939)
Managing cost	(917)	(919)
At September 30	1,103,464	891,404

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Discount rate	3.3%	4.1%
Future salary increase	6.0%	6.0%

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

<i>(in millions of Korean won)</i>	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	(145,247)	167,310
Future salary increase	163,007	(144,577)

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 September 30, 2014 and December 31, 2013, consist of:

<i>(in millions of Korean won)</i>	<u>September 30, 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)	807,556	73.2	793,530	70.0
Time deposits and others	295,908	26.8	339,987	30.0
Total	1,103,464	100.0	1,133,517	100.0

Defined Contribution Plan

Recognized expense related to the defined contribution plan during the nine-month period ended September 30, 2014, is ₩ 2,727 million (2013: ₩ 2,345 million).

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12. Provisions

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

2014					
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	218,968	790	5,458	805,272	1,030,488
Additions	233,498	3,604	-	(12,101)	225,001
Utilizations	(219,768)	(3,427)	(588)	(4,284)	(228,067)
At September 30	232,698	967	4,870	788,887	1,027,422
Current	222,221	967	-	-	223,188
Non-current	10,477	-	4,870	788,887	804,234
2013					
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	199,470	1,103	5,651	746,115	952,339
Additions	314,203	5,193	115	71,451	390,962
Increase due to business combination	257	-	-	-	257
Utilizations	(288,904)	(4,488)	(192)	(29,913)	(323,497)
At September 30	225,026	1,808	5,574	787,653	1,020,061
Current	215,138	1,808	-	-	216,946
Non-current	9,888	-	5,574	787,653	803,115

13. Paid-in Capital

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

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

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

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(b) Share premium balances are ₩3,088,179 million as of September 30, 2014. Share premium includes the following three amounts: (i) the amount of ₩1,876,153 million, which is the net book amount of net assets amounting to ₩2,815,707 million taken over upon the split-off on April 1, 2002, less capital stock amounting to ₩783,961 million and capital adjustment amounting to ₩155,593 million; (ii) the amount of ₩331,766 million paid in excess of par value at the issuance of common shares (upon merger with LG IBMPC Co., Ltd.), and the exercise of conversion right and warrants in 2005 and 2006; and (iii) the excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as share premium at the issuance of common shares in 2011.

14. Retained Earnings

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Legal reserve ¹	153,190	149,503
Discretionary reserve ²	5,666,922	5,872,588
Unappropriated retained earnings (Accumulated deficit) ³	110,171	(165,008)
Total	5,930,283	5,857,083

¹ 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.

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

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

15. Accumulated Other Comprehensive Income(loss)

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Cash flow hedge	(18,127)	5,436
Available-for-sale financial assets	10,149	10,772
Total	(7,978)	16,208

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16. Other Components of Equity

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

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

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

17. Net Sales

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Sales of goods	7,814,048	22,838,000	6,662,812	20,694,066
Sales of services	72,283	210,280	89,581	195,538
Royalty income	87,915	285,408	82,849	275,351
Total	7,974,246	23,333,688	6,835,242	21,164,955

18. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Changes in finished products, work-in-process and others	(23,307)	(134,519)	(52,201)	(59,120)
Usage of raw materials, merchandise and others	5,128,531	14,970,935	4,502,502	13,600,262
Employee benefits expense	905,236	2,687,878	879,189	2,613,985
Depreciation and amortization	246,659	729,084	217,790	641,371
Advertising expense	161,305	367,183	128,476	350,991
Promotion expense	62,447	175,213	59,970	158,265
Transportation expense	152,427	481,074	159,824	493,254
Commission expense	363,774	1,097,719	353,414	1,058,677
Other expenses	802,808	2,456,450	747,444	2,354,001
Total¹	7,799,880	22,831,017	6,996,408	21,211,686

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

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

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Wages and salaries	344,907	1,003,829	333,297	1,011,613
Severance benefits	39,351	121,794	30,280	90,613
Welfare expense	54,300	160,517	54,721	156,934
Transportation expense	150,319	471,189	157,532	484,951
Rental expense	38,356	116,143	39,778	116,381
Commission expense	251,899	738,818	219,977	701,422
Depreciation	33,834	98,079	34,160	96,827
Amortization	36,820	113,341	37,378	149,728
Taxes and dues	8,176	14,835	5,617	10,974
Advertising expense	161,305	367,183	128,476	350,991
Promotion expense	62,447	175,213	59,970	158,265
R&D expense	100,986	292,005	111,554	346,167
Service related expense	96,613	235,880	118,693	302,243
Bad debt expense	2,161	24,792	(8,213)	39,495
Other	94,721	270,851	94,974	271,028
Total	1,476,195	4,204,469	1,418,194	4,287,632

20. Financial Income

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Interest income	7,438	23,235	5,848	21,595
Exchange differences	47,407	97,126	34,141	116,900
Other	12,622	13,293	-	167
Total	67,467	133,654	39,989	138,662

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21. Financial Expenses

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Interest expense	69,137	196,056	56,113	167,872
Exchange differences	27,507	94,748	37,143	116,390
Loss on disposal of trade receivables	-	-	1,951	3,188
Other	25	32	1	29
Total	96,669	290,836	95,208	287,479

22. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Dividend income	47,518	184,888	47,002	304,488
Exchange differences	93,189	448,209	196,151	520,443
Gain on disposal of property, plant and equipment	6,630	8,285	3,214	4,941
Gain on disposal of intangible assets	-	14,815	4,458	4,723
Gain on disposal of available-for-sale financial assets	-	-	-	5,218
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	-	-	2,574
Other	29,597	76,891	2,132	8,251
Total	176,934	733,088	252,957	850,638

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23. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Exchange differences	238,095	589,373	235,760	665,461
Loss on disposal of property, plant and equipment	14,157	18,393	869	2,821
Loss on disposal of intangible assets	2,209	16,181	3,725	13,500
Impairment loss on available-for-sale financial assets	-	17	45	498
Loss on disposal of investments in subsidiaries, associates and joint ventures	54	54	14	14
Other	58,851	84,440	8,341	78,853
Total	313,366	708,458	248,754	761,147

24. Income Tax Expense

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

25. Earnings (Loss) per Share

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

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

	2014		2013	
	Three months	Nine months	Three Months	Nine months
Profit (loss) attributable to common shares (in millions of won) ¹	5,189	159,627	(129,725)	(45,188)
Weighted average number of common shares outstanding (unit: shares) ²	162,884,646	162,884,646	162,884,646	162,884,646
Basic earnings (loss) per common share (in won)	32	980	(796)	(277)

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

	2014		2013	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to preferred shares (in millions of won) ¹	761	17,481	(13,469)	(4,122)
Weighted average number of preferred shares outstanding (unit: shares) ²	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings (loss) per preferred share (in won)	44	1,017	(784)	(240)

¹ Profit (loss) attributable to common and preferred shares for the three-month and nine-month periods ended September 30, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Three months	Nine months	Three months	Nine months
Profit (loss) for the period (A)	5,950	177,108	(143,194)	(49,310)
Common share dividends (B)	8,145	24,433	8,145	24,433
Preferred share dividends (C)	1,073	3,221	1,073	3,221
Undistributed earnings (loss) (D=A-B-C)	(3,268)	149,454	(152,412)	(76,964)
Undistributed earnings (loss) available for common shares (E)	(2,956)	135,194	(137,870)	(69,621)
Undistributed earnings (loss) available for preferred shares (F)	(312)	14,260	(14,542)	(7,343)
Profit (loss) attributable to common shares (G=B+E)	5,189	159,627	(129,725)	(45,188)
Profit (loss) attributable to preferred shares (H=C+F)	761	17,481	(13,469)	(4,122)

² Weighted average numbers of shares for the three-month and nine-month periods ended September 30, 2014 and 2013, are calculated as follows:

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

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26. Information on Cash Flow

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

<i>(in millions of Korean won)</i>	2014	2013
Profit (loss) for the period	177,108	(49,310)
Adjustments:		
Interest expense, net	172,821	146,277
Exchange differences, net	65,663	29,561
Depreciation	448,336	400,877
Amortization	286,572	242,335
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	11,474	6,657
Provisions for severance benefits	215,455	182,646
Provisions	225,001	390,962
Impairment loss on available-for-sale financial assets	17	498
Dividend income	(184,888)	(304,488)
Income tax expense (income)	193,011	(56,747)
Gain (loss) on disposal of investments in subsidiaries, associates and joint ventures	54	(2,560)
Other	90,501	137,461
	<u>1,524,017</u>	<u>1,173,479</u>
Changes in operating assets and liabilities:		
Increase in trade receivables	(1,965,956)	(553,680)
Decrease (increase) in loans and other receivables	20,322	(207,107)
Increase in inventories	(345,896)	(267,554)
Decrease (increase) in other assets	6,861	(51,545)
Increase in trade payables	1,133,866	710,215
Decrease in other payables	(171,249)	(144,643)
Decrease in provisions	(228,067)	(323,497)
Increase in other liabilities	385,043	404,404
Payment of defined benefit liability	(21,022)	(21,991)
Payment of plan assets	(24,878)	(23,909)
	<u>(1,210,976)</u>	<u>(479,307)</u>
Cash generated from operating activities	<u>490,149</u>	<u>644,862</u>

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

<i>(in millions of Korean won)</i>	2014	2013
Reclassification of construction-in-progress of property, plant and equipment	270,586	488,764
Reclassification of intangible assets in progress	161,309	127,456
Reclassification of long-term prepayment to intangible assets	67,237	65,277
Reclassification of current maturities of borrowings	762,644	911,798
Other payables to acquire property, plant and equipment	16,582	28,859
Other payables to acquire intangible assets	2,546	31,948

The assets and liabilities of the transferred business

Transfer of Domestic Service Part of Chiller Division

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

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

¹ Total consideration has been collected as of September 30, 2014.

Transfer of Data Storage Division

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

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

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

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27. Contingencies

(a) At the end of the reporting period, the Company is provided with a performance guarantee of ₩132,705 million (2013: ₩140,606 million) from Seoul Guarantee Insurance and two other banks relating to the sales contracts. The Company is also provided with guarantee of principal US\$ 200 million (2013: US\$ 200 million) and interests from Shinhan Bank for the guaranteed bond.

(b) At the end of the reporting period, the Company is contingently liable for guarantees amounting to ₩3,576,588 million (2013: ₩3,146,814 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	September 30, 2014	December 31, 2013
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	621,826	586,625
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	446,505	448,503
LG Electronics Ticaret A.S.(LGETK)	Citibank and others	357,508	277,615
LG Electronics do Brasil Ltda.(LGEBR)	Standard Chartered Bank and others	288,915	200,177
LG Electronics (China) Co., Ltd.(LGECH)	HSBC and others	224,555	213,143
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Shinhan Bank and others	160,992	52,605
LG Electronics Inc Chile Ltda.(LGECL)	Scotia bank and others	146,079	147,989
LG Electronics Algeria SARL(LGEAS)	HSBC and others	120,946	123,494
LG Electronics Morocco S.A.R.L(LGEMC)	Citibank and others	116,134	57,833
LG Electronics Peru S.A.(LGEPR)	BBVA and others	111,166	67,436
LG-Shaker Co., Ltd.(LGESR)	BSF and others	103,285	105,007
LG Electronics Argentina S.A.(LGEAR)	Citibank and others	100,791	107,928
P.T. LG Electronics Indonesia(LGEIN)	RBS and others	94,554	74,399
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank and others	82,039	82,362
LG Electronics Ukraine Inc.(LGEUR)	CAG and others	75,662	68,923
LG Electronics Vietnam Co., Ltd.(LGEVN)	HSBC and others	73,835	74,260
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank	69,340	44,323
LG Electronics Colombia Ltda.(LGECLB)	BBVA and others	67,918	61,909
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	51,306	63,563
LG Electronics RUS, LLC(LGERA)	Citibank	42,024	42,212
Other		221,208	246,508
Total		3,576,588	3,146,814

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

(in millions of Korean won)

<u>Less than 1 year</u>	<u>Less than 2 years</u>	<u>Less than 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
3,353,973	-	222,615	-	3,576,588

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

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

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

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

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28. Commitments

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

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with Shinhan Bank and 25 other banks amounting to ₩3,401,843 million (2013: ₩4,066,071 million). The Company has corporate electronic settlement services contracts for collection of trade receivables with Hana Bank of up to ₩126,000 million (2013: ₩126,000 million).

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

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

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	September 30, 2014	December 31, 2013
Property, plant and equipment	32,418	15,110
Intangible assets	2,687	8,344
Total	35,105	23,454

(f) Operating lease commitments – the Company as lessee

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

<i>(in millions of Korean won)</i>	September 30, 2014			Total
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	
Buildings and offices	45,597	69,866	328	115,791
Vehicles	5,962	4,923	-	10,885
Equipment	14,821	11,126	-	25,947
Total	66,380	85,915	328	152,623

Lease payment under operating lease recognized in the statement of income during the nine-month period ended September 30, 2014, is ₩69,158 million (2013: ₩64,519 million).

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(g) Operating lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	September 30, 2014		Total
	No later than 1 year	Later than 1 year and no later than 3 years	
Healthcare rental	90,320	144,620	234,940

The Company recognized ₩66,690 million (2013: ₩56,399 million) in lease income during the nine-month period ended September 30, 2014.

At the end of reporting period, acquisition cost of operating lease assets amounts to ₩79,729 million (2013: ₩73,910 million) and their accumulated depreciation and impairment amounts to ₩36,294 million (2013: ₩29,780 million).

(h) Trademark license commitments

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

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

29. Related Party Transactions

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

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

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Territory	Location	Subsidiaries	Percentage of ownership	
			September 30, 2014	December 31, 2013
	Korea	LG Innotek Alliance Fund ¹	40.4%	47.4%
	Korea	Innowith Co., Ltd. ¹	40.8%	47.9%
	Korea	Hanuri Co., Ltd.	100.0%	100.0%
	Korea	LGE Alliance Fund II	98.7%	98.7%
China	China	Hi Logistics (China) Co., Ltd.	100.0%	100.0%
	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	70.0%
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	100.0%
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	100.0%
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	70.0%
	China	LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.0%	100.0%
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	100.0%
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	100.0%
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	100.0%
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	80.0%
	China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70.0%	70.0%
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	100.0%
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	78.9%
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	80.0%
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	70.0%
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	70.0%
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	70.0%
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	100.0%
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	66.7%
	China	LG Innotek (Yantai) Co., Ltd.(LGITYT) ¹	40.8%	47.9%
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) ¹	40.8%	47.9%
	China	LG Innotek (Fuzhou) Co., Ltd.(LGITFZ) ¹	40.8%	47.9%
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) ¹	40.8%	47.9%
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) ¹	40.8%	47.9%
	China	HiEntech (Tianjin) Co., LTD.	100.0%	100.0%
	China	VENS BEIJING VEHICLE ENGINEERING CO.,LTD	100.0%	100.0%
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	100.0%
	India	LG Electronics India Pvt. Ltd.(LGEIL)	100.0%	100.0%
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	100.0%

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

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Territory	Location	Subsidiaries	Percentage of ownership	
			September 30, 2014	December 31, 2013
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	100.0%
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	100.0%
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	100.0%
	Poland	LG Electronics Wroclaw Sp.z o.o.(LGEWR)	100.0%	100.0%
	Poland	LG Innotek Poland Sp z o.o.(LGITPO) ¹	40.8%	47.9%
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	100.0%
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	100.0%
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	100.0%
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	100.0%
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	100.0%
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	100.0%
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	100.0%
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	100.0%
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERES)	100.0%	100.0%
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	100.0%
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	100.0%
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	100.0%
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	100.0%
	USA	Zenith Electronics Corporation(Zenith)	100.0%	100.0%
	USA	LG Innotek USA, Inc.(LGITUS) ¹	40.8%	47.9%
	Mexico	HILOGISTICS MEXICO SA DE CV	100.0%	100.0%
		Mexico	HiLogistics Reynosa	100.0%
	USA	HiLogistics USA	100.0%	100.0%
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) ¹	40.8%	47.9%
South America	Brazil	LG Armagem Geral Ltda.	100.0%	100.0%
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	100.0%
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	100.0%
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	100.0%
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	20.0%
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	100.0%
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	100.0%
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	100.0%
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	100.0%
	Brazil	SOCIO VIP Ltda.	100.0%	100.0%
	Panama	C&S America Solutions	100.0%	100.0%
	Panama	LG Consulting corp.	100.0%	100.0%

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

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

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

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

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

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

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

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

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(c) Major transactions and balances

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

		2014					
		(in millions of Korean won)					
Classification	Name	Sales ¹	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	398	-	-	105,608	-	105,608
Subsidiaries	LG Innotek Co., Ltd.	26,842	844,485	-	5,930	-	850,415
	LG Electronics do Brasil Ltda.	1,110,690	3,925	-	-	-	3,925
	LG Electronics U.S.A., Inc.	1,626,255	1,805	-	22,038	431	24,274
	Zenith Electronics Corporation	30,785	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	92,285	-	-	-	-	-
	LG Electronics RUS, LLC	510,379	146	-	-	1,101	1,247
	LG Electronics (China) Co. Ltd.	9,156	619	-	228	-	847
	LG Electronics Tianjin Appliances Co., Ltd.	29,268	31,880	-	-	-	31,880
	LG Electronics Mobilecomm U.S.A., Inc.	2,467,128	-	-	33	385	418
	LG Electronics India Pvt. Ltd.	225,754	480	-	-	-	480
	Inspur LG Digital Mobile Communications Co., Ltd.	1,529,849	35,981	-	6,323	84	42,388
	LG Electronics Mlawa Sp. z o.o	241,827	432	-	-	-	432
	LG Electronics Reynosa S.A. DE C.V.	364,852	1,038	-	-	-	1,038
	P.T. LG Electronics Indonesia	162,943	100,151	-	-	16	100,167
	LG Electronics Nanjing Display Co., Ltd.	225,965	262,678	-	3	-	262,681
	LG Electronics Wroclaw Sp.z.o.o	157,274	104,768	-	-	-	104,768
	Hiplaza Co., Ltd	827,194	31	-	9,856	-	9,887
	LG Electronics Mexico S.A. DE C.V.	273,455	-	-	-	55	55
	NanJing LG-Panda Appliances Co., Ltd.	44,253	12,834	-	-	-	12,834
	Taizhou LG Electronics Refrigeration Co., Ltd.	67,235	7,048	-	-	-	7,048

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2014

Classification	Name	Sales ¹	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
	LG Electronics Monterrey Mexico S.A.de C.V.	88,207	4,189	-	-	-	4,189
	Others	6,111,783	190,933	-	373,891	1,712	566,536
	Subtotal	16,223,379	1,603,423	-	418,302	3,784	2,025,509
Associates	LG Display Co., Ltd. and subs	276,222	1,626,652	-	9,692	-	1,636,344
	Ericsson-LG Co., Ltd. and subs	5,721	4,407	-	-	-	4,407
	Hitachi-LG Data Storage Inc. and subs	2,404	39	-	-	-	39
	LG FUEL CELL SYSTEM Inc. and subs	25	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	21	-	21
	Subtotal	284,372	1,631,098	-	9,713	-	1,640,811
Other related parties	LG CNS Co., Ltd., and subs	19,738	38,649	8,977	210,179	-	257,805
	SERVEONE Co., Ltd., and subs	14,994	597,285	-	81,353	3,530	682,168
	LG Siltron Incorporated	508	427	-	-	-	427
	LUSEM CO., LTD.	14	17,223	-	411	-	17,634
	LG Management Development Institute	12	72	-	16,670	-	16,742
	LG SPORTS Ltd.	19	-	-	10,039	-	10,039
	LG MMA Ltd.	850	-	-	-	-	-
	Subtotal	36,135	653,656	8,977	318,652	3,530	984,815
	Total	16,544,284	3,888,177	8,977	852,275	7,314	4,756,743

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2013

Classification	Name	Sales ¹	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	1,029	-	-	102,516	-	102,516
Subsidiaries	LG Innotek Co., Ltd.	19,159	776,527	490	7,648	-	784,665
	LG Electornics do Brasil Ltda.	1,148,689	19,563	-	-	-	19,563
	LG Electronics U.S.A., Inc.	1,745,995	2,090	-	26,624	555	29,269
	Zenith Electronics Corporation	24,409	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	86,425	-	-	-	-	-
	LG Electronics RUS, LLC	451,597	254	-	2	42	298
	LG Electronics (China) Co. Ltd.	4,216	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	25,568	23,356	-	-	-	23,356
	LG Electronics Mobilecomm U.S.A., Inc.	2,242,717	-	-	491	488	979
	LG Electronics India Pvt. Ltd.	128,208	335	-	-	-	335
	Inspur LG Digital Mobile Communications Co., Ltd.	1,065,861	20,223	-	-	66	20,289
	LG Electronics Mlawa Sp. z o.o	178,849	373	-	-	-	373
	LG Electronics Reynosa S.A. DE C.V.	422,628	1,897	-	-	-	1,897
	P.T. LG Electronics Indonesia	176,863	89,255	-	-	99	89,354
	LG Electronics Nanjing Display Co., Ltd.	167,135	220,438	-	-	-	220,438
	LG Electronics Wroclaw Sp.z.o.o	161,126	250	-	-	-	250
	Hiplaza Co., Ltd	835,108	45	-	13,523	424	13,992
	LG Electronics Mexico S.A. DE C.V.	198,966	-	-	-	246	246
	NanJing LG-Panda Appliances Co., Ltd.	18,981	11,465	-	-	-	11,465
	Taizhou LG Electronics Refrigeration Co., Ltd.	30,874	3,475	4	-	-	3,479
	LG Electronics Monterrey Mexico S.A.de C.V.	36,191	623	-	-	-	623
	Others	5,091,084	372,877	-	128,245	848	501,970
	Subtotal	14,260,649	1,543,046	494	176,533	2,768	1,722,841

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2013

Classification	Name	Sales ¹	Purchases				Total Purchases
			Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Associates	LG Display Co., Ltd. and subs	241,254	1,529,400	-	24,790	-	1,554,190
	Ericsson-LG Co., Ltd. and subs	13,814	4,764	-	-	-	4,764
	Hitachi-LG Data Storage Inc. and subs	7,277	-	-	-	-	-
	LG Fuel Cell Systems Inc. and subs	36	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	1	-	1
	Subtotal	262,381	1,534,164	-	24,791	-	1,558,955
Other related parties	LG CNS Co., Ltd., and subs	21,340	87,328	18,801	141,623	-	247,752
	SERVEONE Co., Ltd., and subs	9,550	587,127	-	80,612	-	667,739
	LG Siltron Incorporated	3,800	6,500	-	-	-	6,500
	LUSEM CO., LTD.	1	18,963	-	18	-	18,981
	LG Management Development Institute	26	337	-	18,622	-	18,959
	LG SPORTS Ltd.	10	-	-	8,452	-	8,452
	Subtotal	34,727	700,255	18,801	249,327	-	968,383
	Total	14,558,786	3,777,465	19,295	553,167	2,768	4,352,695

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

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

(in millions of Korean won)

September 30, 2014

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	22,899	22,899	-	-	2,678	2,678
Subsidiaries	LG Innotek Co., Ltd.	17,936	-	1,195	19,131	325,803	-	4,013	329,816
	LG Electronics do Brasil Ltda.	471,877	-	159	472,036	1,681	-	638	2,319
	LG Electronics U.S.A., Inc.	362,319	-	-	362,319	-	-	13,888	13,888
	Zenith Electronics Corporation	-	-	3,418	3,418	-	-	-	-
	LG Electronics European Shared Service Center B.V.	23,577	-	-	23,577	-	-	-	-
	LG Electronics RUS, LLC	297,599	-	46,759	344,358	163	-	11	174
	LG Electronics (China) Co. Ltd.	396	-	77	473	106	-	127	233
	LG Electronics Tianjin Appliances Co., Ltd.	6,683	-	724	7,407	50,907	-	-	50,907
	LG Electronics Mobilecomm U.S.A., Inc.	482,742	-	-	482,742	-	-	535	535
	LG Electronics India Pvt. Ltd.	30,970	-	7,023	37,993	183	-	140	323
	Inspur LG Digital Mobile Communications Co., Ltd.	309,990	-	2,972	312,962	449,307	-	764	450,071
	LG Electronics Mlawa Sp. z o.o	58,571	-	-	58,571	304,272	-	64	304,336
	LG Electronics Reynosa S.A. DE C.V.	34,214	-	3,635	37,849	135,070	-	-	135,070
	P.T. LG Electronics Indonesia	57,095	-	899	57,994	177,012	-	47	177,059
	LG Electronics Nanjing Display Co., Ltd.	50,229	-	1,254	51,483	73,724	-	52	73,776
	LG Electronics Wroclaw Sp.z.o.o	47,111	-	30	47,141	196,523	-	70	196,593
	Hiplaza Co., Ltd	90,982	-	16,501	107,483	-	-	7,763	7,763

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September 30, 2014

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Mexico S.A. DE C.V.	240,298	-	-	240,298	-	-	92	92
	NanJing LG-Panda Appliances Co., Ltd.	12,928	-	2,359	15,287	61,007	-	-	61,007
	Taizhou LG Electronics Refrigeration Co., Ltd.	20,317	-	5,206	25,523	54,348	-	-	54,348
	LG Electronics Monterrey Mexico S.A.de C.V.	28,521	-	255	28,776	84,956	-	-	84,956
	Others	2,647,860	-	62,558	2,710,418	529,766	-	56,734	586,500
	Subtotal	5,292,215	-	155,024	5,447,239	2,444,828	-	84,938	2,529,766
Associates	LG Display Co., Ltd. and subs	125,895	-	17,126	143,021	391,473	-	42,726	434,199
	Ericsson-LG Co., Ltd. and subs	16	-	31	47	1,065	-	-	1,065
	Hitachi-LG Data Storage Inc. and subs	26	-	258	284	-	-	28	28
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	21	21
	Subtotal	125,937	-	17,415	143,352	392,538	-	42,775	435,313
Other related parties	LG CNS Co., Ltd., and subs	2,568	-	2	2,570	18,214	-	73,987	92,201
	SERVEONE Co., Ltd., and subs	3,373	-	54,204	57,577	163,574	-	27,738	191,312
	LG Siltron Incorporated	1	-	-	1	-	-	551	551
	LUSEM CO., LTD.	-	-	-	-	3,479	-	107	3,586
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,713	1,713
	LG SPORTS Ltd.	-	-	-	-	39	-	-	39
	LG MMA Ltd.	930	-	-	930	-	-	-	-
	Subtotal	6,872	-	69,866	76,738	185,306	-	104,096	289,402
	Total	5,425,024	-	265,204	5,690,228	3,022,672	-	234,487	3,257,159

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

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December 31, 2013

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

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

(in millions of Korean won)

Classification	Name	Dividend Income	Cash investment (Recovery)	Disposal of shares	2014		2013	
					Financing loan transaction		Financing borrowing transaction	
					Loan	Repayment	Borrowing	Repayment
Subsidiaries								
	LG Electronics India (PVT.) Ltd	68,692	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	9,755	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	5,958	-	-	-	-	-	-
	NanJing LG Panda Appliances Co., Ltd.	5,430	-	-	-	-	-	-
	Nanjing LG-Toutru Color Display System Co., Ltd.	28,422	-	-	-	-	-	-
	LG Electronics Nature (Hangzhou) Recording Media Co., Ltd.	578	-	-	-	-	-	-
	Shanghai LG Electronics Co., Ltd.	1,176	-	-	-	-	-	-
	LG Electronics Australia Pty, Ltd.	47,512	-	-	-	-	-	-
	LG Electronics Vietnam Haiphong Co Ltd.	-	30,738	-	-	-	-	-
	Innovation Investment Fund	-	(2,916)	-	-	-	-	-
	Subtotal	167,523	27,822	-	-	-	-	-
Associates								
	Ericsson-LG Co., Ltd.	17,000	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	LG Fuel Cell System Inc.	-	7,267	-	-	-	-	-
	Subtotal	17,060	7,267	-	-	-	-	-
Joint ventures								
	LG Fund for Enterprises	6	(740)	-	-	-	-	-
	Total	184,589	34,349	-	-	-	-	-

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Classification	Name	Dividend Income	Cash investment (Recovery)	Disposal of shares	2013		Financing borrowing transaction	
					Financing loan transaction		Financing borrowing transaction	
					Loan	Repayment	Borrowing	Repayment
Subsidiaries	LG Electronics RUS, LLC	116,569	-	-	-	-	-	-
	LG Electronics India Pvt. Ltd.	114,592	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	17,812	-	-	-	-	-	-
	TAIZHOU LG ELECTRONICS REFRIGERATION CO., LTD	12,203	-	-	-	-	-	-
	LG Alina Electronics	12,100	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	7,625	-	-	-	-	-	-
	Hi Business Logistics Co., Ltd.	5,000	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	3,764	-	-	-	-	-	-
	Hi Logistics (China) Co., Ltd.	1,078	-	-	-	-	-	-
	LG Electronics Nanjing Display Co., Ltd.	1,335	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	887	-	-	-	-	-	-
	Shanghai LG Electronics Co., Ltd.	837	-	-	-	-	-	-
	Triveni Digital Inc.	98	-	-	-	-	-	-
	LG Electronics RUS- Marketing, LLC	43	-	-	-	-	-	-
	Subtotal	293,943	-	-	-	-	-	-
Associates	Ericsson-LG Co., Ltd.	10,250	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.	-	43,500	-	-	-	-	-
	Subtotal	10,250	43,500	-	-	-	-	-
Other related parties	LG CNS Co., Ltd. ¹	-	17,000	-	-	-	-	-
	Total	304,193	60,500	-	-	-	-	-

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

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

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

<i>(in millions of Korean won)</i>	2014	2013
Wages and salaries	8,947	7,826
Severance benefits	2,911	1,123
Total	11,858	8,949

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

(e) The payment guarantees for related parties at the end of the reporting period are presented in Note 27.

(f) There is no collateral provided by the Company for the funding sources of related parties at the end of the reporting period.

(g) The Company has not recognized any allowance for trade receivables from related parties at the end of the reporting period.

30. Risk Management

Financial Risk Management

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

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

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

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

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(a) Market risk

i) Foreign exchange risk

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

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(14,848)	14,848	(108,794)	108,794
EUR/KRW	52,332	(52,332)	41,408	(41,408)
Other ¹ /KRW	74,715	(74,715)	83,108	(83,108)

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

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

ii) Interest rate risk

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

Though the Company is exposed to interest rate risk from financial deposits and borrowings held with variable interest rates, the Company 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

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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 nine-month periods ended September 30, 2014 and 2013 are as follows:

<i>(in millions of Korean won)</i>	September 30, 2014		September 30, 2013	
	1% increase	1% decrease	1% increase	1% decrease
Interest expense	-	-	822	(822)
Interest income	10,699	(10,699)	7,027	(7,027)

iii) Details of derivatives contracts are as follows:

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

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

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

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

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩ 55,555 million in 2014 (2013: loss on valuation amounting to ₩ 1,624 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Company reclassified ₩ 31,992 million to loss from equity in 2014 and ₩ 9,415 million to loss in 2013 and the loss on valuation amounting to ₩ 23,563 million in 2014 (2013: gain on valuation amounting to ₩ 7,791 million) after applying the tax effect, is recognized in other comprehensive income(loss).

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	30% increase	30% decrease	30% increase	30% decrease
KOSPI	-	-	1	(1)
KOSDAQ	3,804	(3,804)	3,095	(3,095)
NASDAQ	599	(599)	1,213	(1,213)

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

(b) Credit risk

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

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

(c) Liquidity risk

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

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

In addition, the Company is able to source funds any time in the domestic and international financial markets because it has good investment credit grades from Korea Investors Service,

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Korea Ratings and NICE Information Service of AA, and Standard & Poors and Moody's of BBB and Baa3 as of October 31, 2014, respectively.

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

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2014	December 31, 2013
Liabilities (A)	17,404,869	15,138,262
Equity (B)	9,881,834	9,832,820
Cash and cash equivalents and current financial deposits (C)	1,491,585	1,363,349
Borrowings (D)	6,592,544	5,942,242
Debt-to-equity ratio (A/B)	176.1%	154.0%
Net borrowings ratio (D-C)/B	51.6%	46.6%

Fair Value Estimation

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

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Current financial asset items				
[Assets at amortized cost]				
Loans and receivables				
- Cash and cash equivalents	1,426,585	1	1,298,349	1
- Financial deposits	65,000	1	65,000	1
- Trade receivables	6,644,535	1	4,697,202	1
- Loans and other receivables	426,935	1	433,888	1
Non-current financial asset items				
[Assets at fair value]				
Derivatives for hedging purposes				
- Other financial assets	-	-	94	94
Available-for-sale financial assets				
- Other financial assets	14,275	14,275	15,114	15,114
[Assets at amortized cost]				
Loans and receivables				

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<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
- Financial deposits	2,496	2,496	4,759	4,759
- Loans and other receivables	393,875	373,675	410,385	381,492
[Assets at cost]				
Available-for-sale financial assets				
- Other financial assets	16,615	²	16,615	²
Total financial assets	8,990,316		6,941,406	

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Current financial liability items				
[Liabilities at fair value]				
Derivatives for hedging purposes				
- Other financial liabilities	-	-	8,985	8,985
[Liabilities at amortized cost]				
- Trade payables	5,535,850	¹	4,327,403	¹
- Borrowings	1,226,882	¹	1,391,805	¹
- Other payables	1,496,327	¹	1,798,292	¹
[Other liabilities]				
- Other financial liabilities	106	³	105	³
Non-current financial liability items				
[Liabilities at fair value]				
Derivatives for hedging purposes				
- Other financial liabilities	62,807	62,807	9,371	9,371
[Liabilities at amortized cost]				
- Borrowings	5,365,662	5,577,584	4,550,437	4,603,279
[Other liabilities]				
- Other financial liabilities	441	³	520	³
Total financial liabilities	13,688,075		12,086,918	

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

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

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

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

(b) Fair value measurements of assets and liabilities

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i) Fair value hierarchy and measurement method

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

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

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

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

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

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

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

If one or more of the significant inputs are not based on observable market data, the instrument is included in 'level 3'. Financial instrument included 'level 3' uses other

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method including discounting cash flow method and others.

ii) Financial instruments measured at fair value

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

<i>(in millions of Korean won)</i>	September 30, 2014			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,275	-	-	14,275
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	62,807	-	62,807
<i>(in millions of Korean won)</i>	December 31, 2013			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	15,114	-	-	15,114
Derivatives for hedging purposes	-	94	-	94
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	18,356	-	18,356

The above fair value amounts are recurring fair value measurements.

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

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2014	December 31, 2013		
Assets				
Other financial assets				
Derivatives for hedging purposes	-	94	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	62,807	18,356	Discounted cash flow	Discount rate and exchange rate

② Fair value measurements categorized within level 3

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposit	-	-	2,496	2,496
Non-current other receivables	-	-	373,675	373,675
Liabilities				
Non-current borrowings	-	-	5,577,584	5,577,584

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

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

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2014		December 31, 2013		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current financial deposits	2,496	2,496	4,759	4,759	Discounted cash flow	Discount rate	Discount rate	0.1% ~ 0.3%
Non-current other receivables	393,875	373,675	410,385	381,492	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.5% ~ 4.7%
Liabilities								
Non-current borrowings	5,365,662	5,577,584	4,550,437	4,603,279	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.4% ~ 4.0%

31. Business Combination

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

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

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

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

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

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32. Event After the Reporting Period

On October 28, 2014, the Board of Directors of the Company resolved to discontinue production and sales of PDP Module and PDP TV due to the decrease in demand of PDP TV products and the discontinuation of supply from major suppliers. The date of discontinuing the operations is expected to be November 30, 2014, and the sales generated by the discontinued operations for the year ended December 31, 2013 and the nine-month period ended September 30, 2014, are ₩983,331 million and ₩595,160 million, respectively.