

LG Electronics
Consolidated Financial Statements
December 31, 2014 and 2013

LG Electronics

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December 31, 2014 and 2013

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

We have audited the accompanying consolidated financial statements of LG Electronics Inc. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

The consolidated financial statements of the Group as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 37% of the Group's consolidated total assets as of December 31, 2013, and 53% of the Group's consolidated total sales for the year then ended. These statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of the other auditors.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.



Seoul, Korea
March 11, 2015

This report is effective as of March 11, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics
Consolidated Statements of Financial Position
December 31, 2014 and 2013

<i>(in millions of Korean won)</i>	Note	2014	2013
Assets			
Current assets			
Cash and cash equivalents	5,6,37	2,244,406	2,645,270
Financial deposits	5,6,37	67,700	67,896
Trade receivables	5,7,37	7,683,915	7,117,402
Loans and other receivables	5,7,37	633,219	596,505
Other financial assets	5,8,37	11,193	17,430
Inventories	9	5,711,273	4,838,830
Current income tax assets		246,878	116,254
Other current assets	10	884,114	925,471
		<u>17,482,698</u>	<u>16,325,058</u>
Non-current assets			
Financial deposits	5,6,37	94,323	96,992
Loans and other receivables	5,7,37	548,564	601,978
Other financial assets	5,8,37	56,775	55,714
Property, plant and equipment	11	10,596,853	10,341,993
Intangible assets	12	1,394,336	1,363,690
Deferred income tax assets	17	1,573,395	1,619,551
Investments in associates and joint ventures	13	4,594,461	4,329,583
Investment property	14	2,699	4,923
Other non-current assets	10	724,316	788,582
		<u>19,585,722</u>	<u>19,203,006</u>
Total assets		<u>37,068,420</u>	<u>35,528,064</u>
Liabilities			
Current liabilities			
Trade payables	5,37	6,741,710	5,691,114
Borrowings	5,15,37	2,575,550	3,022,723
Other payables	5,16,37	3,020,870	2,829,686
Other financial liabilities	5,8,37	6,528	10,890
Current income tax liabilities		95,963	74,131
Provisions	19	710,764	663,701
Other current liabilities	20	2,602,964	2,721,759
		<u>15,754,349</u>	<u>15,014,004</u>
Non-current liabilities			
Borrowings	5,15,37	6,426,881	6,188,306
Other payables	5,16,37	14,320	27,670
Other financial liabilities	5,8,37	62,574	10,663
Deferred income tax liabilities	17	6,012	7,651
Net defined benefit liabilities	18	798,450	580,919
Provisions	19	1,004,940	998,795
Other non-current liabilities	20	9,797	10,687
		<u>8,322,974</u>	<u>7,824,691</u>
Total liabilities		<u>24,077,323</u>	<u>22,838,695</u>
Equity attributable to owners of the Parent Company			
Paid-in capital:	21		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	22	9,081,044	8,885,523
Accumulated other comprehensive loss	23	(1,143,557)	(907,440)
Other components of equity	24	(210,412)	(231,229)
		<u>11,719,423</u>	<u>11,739,202</u>
Non-controlling interests		<u>1,271,674</u>	<u>950,167</u>
Total equity		<u>12,991,097</u>	<u>12,689,369</u>
Total liabilities and equity		<u>37,068,420</u>	<u>35,528,064</u>

LG Electronics
Consolidated Statements of Income
Years ended December 31, 2014 and 2013

<i>(in millions of Korean won, except per share amounts)</i>	Note	2014	2013
Continuing operations			
Net sales	25	59,040,767	56,772,302
Cost of sales	26	<u>45,299,122</u>	<u>43,596,152</u>
Gross profit		13,741,645	13,176,150
Selling and marketing expenses	26,27	6,973,017	6,916,738
Administrative expenses	26,27	1,314,126	1,331,157
Research and development expenses	26,27	2,264,286	2,286,442
Service costs	26,27	<u>1,361,659</u>	<u>1,392,802</u>
Operating income		1,828,557	1,249,011
Financial income	28	416,660	408,341
Financial expenses	29	752,456	776,954
Gain from equity method valuation	13	304,419	126,000
Other non-operating income	30	1,378,552	1,161,184
Other non-operating expenses	31	<u>1,957,462</u>	<u>1,578,038</u>
Profit before income tax		1,218,270	589,544
Income tax expense	17	<u>539,761</u>	<u>358,472</u>
Profit for the year from continuing operations		<u>678,509</u>	<u>231,072</u>
Discontinued operations			
Loss for the year from discontinued operations	39	<u>(177,152)</u>	<u>(8,368)</u>
Profit for the year		<u>501,357</u>	<u>222,704</u>
Profit(loss) for the year attributable to:			
Equity holders of the Parent Company			
Continuing operations		576,171	185,069
Discontinued operations		<u>(176,821)</u>	<u>(8,301)</u>
		<u>399,350</u>	<u>176,768</u>
Non-controlling interests			
Continuing operations		102,338	46,003
Discontinued operations		<u>(331)</u>	<u>(67)</u>
		<u>102,007</u>	<u>45,936</u>
Earnings per share attributable to the equity holders of the Parent Company during the year (in won):			
32			
Earnings(loss) per share for profit attributable to the common equity holders of the Parent Company			
From continuing operations		2,213	977
From discontinued operations		3,195	1,023
		<u>(982)</u>	<u>(46)</u>
Earnings(loss) per share for profit attributable to the preferred equity holders of the Parent Company			
From continuing operations		2,263	1,027
From discontinued operations		3,245	1,073
		<u>(982)</u>	<u>(46)</u>

LG Electronics
Consolidated Statements of Comprehensive Income
Years ended December 31, 2014 and 2013

(in millions of Korean won)

	Note	2014	2013
Profit for the year		<u>501,357</u>	<u>222,704</u>
Other comprehensive income(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability	18	(134,275)	26,482
Share of remeasurements for the net defined benefit liability of associates	13	(43,058)	618
Items that will be reclassified subsequently to profit or loss:			
Other comprehensive income(loss) from			
associates and joint ventures	13	13,189	(25,310)
Cash flow hedges	37	(38,111)	5,773
Available-for-sale financial assets	8	(2,851)	5,846
Currency translation differences		<u>(199,468)</u>	<u>(216,718)</u>
Other comprehensive loss for the year, net of tax		<u>(404,574)</u>	<u>(203,309)</u>
Total comprehensive income for the year, net of tax		<u>96,783</u>	<u>19,395</u>
Comprehensive income(loss) for the year, net of tax, attributable to:			
Equity holders of the Parent Company		(3,724)	(33,897)
Non-controlling interests		<u>100,507</u>	<u>53,292</u>

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Consolidated Statements of Changes in Equity
Years ended December 31, 2014 and 2013

		Attributable to equity holders of the Parent Company					Non-controlling Interests	Total Equity	
		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(loss)	Other Components of Equity	Total			
<i>(in millions of Korean won)</i>		Note							
Balance at January 1, 2013			3,992,348	8,723,950	(675,098)	(242,111)	11,799,089	906,658	12,705,747
Comprehensive income:									
Profit for the year			-	176,768	-	-	176,768	45,936	222,704
Remeasurements of the net defined benefit liability		18	-	21,059	-	-	21,059	5,423	26,482
Share of remeasurements for the net defined benefit liability of associates		13	-	618	-	-	618	-	618
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures		13	-	-	(25,310)	-	(25,310)	-	(25,310)
Cash flow hedges		37	-	-	5,773	-	5,773	-	5,773
Available-for-sale financial assets		8	-	-	5,820	-	5,820	26	5,846
Currency translation differences			-	-	(218,625)	-	(218,625)	1,907	(216,718)
Total comprehensive income			-	198,445	(232,342)	-	(33,897)	53,292	19,395
Transactions with equity holders:									
Dividends		22	-	(36,872)	-	-	(36,872)	(17,394)	(54,266)
Changes in controlling interests in subsidiaries			-	-	-	10,882	10,882	7,611	18,493
Total transactions with equity holders			-	(36,872)	-	10,882	(25,990)	(9,783)	(35,773)
Balance at December 31, 2013			<u>3,992,348</u>	<u>8,885,523</u>	<u>(907,440)</u>	<u>(231,229)</u>	<u>11,739,202</u>	<u>950,167</u>	<u>12,689,369</u>
Balance at January 1, 2014			3,992,348	8,885,523	(907,440)	(231,229)	11,739,202	950,167	12,689,369
Comprehensive income:									
Profit for the year			-	399,350	-	-	399,350	102,007	501,357
Remeasurements of the net defined benefit liability		18	-	(123,899)	-	-	(123,899)	(10,376)	(134,275)
Share of remeasurements for the net defined benefit liability of associates		13	-	(43,058)	-	-	(43,058)	-	(43,058)
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures		13	-	-	13,189	-	13,189	-	13,189
Cash flow hedges		37	-	-	(38,111)	-	(38,111)	-	(38,111)
Available-for-sale financial assets		8	-	-	(2,752)	-	(2,752)	(99)	(2,851)
Currency translation differences			-	-	(208,443)	-	(208,443)	8,975	(199,468)
Total comprehensive income			-	232,393	(236,117)	-	(3,724)	100,507	96,783
Transactions with equity holders:									
Dividends		22	-	(36,872)	-	-	(36,872)	(35,533)	(72,405)
Changes in controlling interests in subsidiaries			-	-	-	20,817	20,817	256,533	277,350
Total transactions with equity holders			-	(36,872)	-	20,817	(16,055)	221,000	204,945
Balance at December 31, 2014			<u>3,992,348</u>	<u>9,081,044</u>	<u>(1,143,557)</u>	<u>(210,412)</u>	<u>11,719,423</u>	<u>1,271,674</u>	<u>12,991,097</u>

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Consolidated Statements of Cash Flows
Years ended December 31, 2014 and 2013

<i>(in millions of Korean won)</i>	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations	33	2,903,252	2,956,633
Interest received		75,835	73,096
Interest paid		(439,787)	(381,320)
Dividends received		17,363	10,732
Income tax paid		<u>(527,477)</u>	<u>(448,239)</u>
Net cash generated from operating activities		<u>2,029,186</u>	<u>2,210,902</u>
Cash flows from investing activities			
Decrease in financial deposits		22,351	36,504
Decrease in loans and other receivables		187,648	244,680
Proceeds from disposal of other financial assets		64,600	99,379
Proceeds from disposal of property, plant and equipment		100,635	62,481
Proceeds from disposal of intangible assets		17,616	9,796
Proceeds from disposal of and recovery of investments in associates and joint ventures		680	1,396
Business transfer	33	-	29,733
Decrease in others		3,678	23,946
Increase in financial deposits		(18,708)	(25,455)
Increase in loans and other receivables		(142,463)	(258,264)
Acquisition of other financial assets		(40,865)	(28,211)
Acquisition of property, plant and equipment		(2,165,948)	(2,117,161)
Acquisition of intangible assets		(418,155)	(408,327)
Acquisition of investments in associates and joint ventures		(7,783)	(57,314)
Decrease in cash and cash equivalents due to changes in scope of subsidiaries		-	(3,822)
Increase in others		-	(75)
Net cash used in investing activities		<u>(2,396,714)</u>	<u>(2,390,714)</u>
Cash flows from financing activities			
Proceeds from borrowings		6,533,784	4,022,901
Issuance of common shares of subsidiaries		-	40
Repayments of borrowings		(6,396,029)	(3,297,444)
Dividends paid	22	<u>(73,459)</u>	<u>(58,526)</u>
Net cash provided by financing activities		<u>64,296</u>	<u>666,971</u>
Exchange losses on cash and cash equivalents		<u>(97,632)</u>	<u>(26,889)</u>
Net increase(decrease) in cash and cash equivalents		<u>(400,864)</u>	<u>460,270</u>
Cash and cash equivalents at the beginning of year	6	<u>2,645,270</u>	<u>2,185,000</u>
Cash and cash equivalents at the end of year	6	<u>2,244,406</u>	<u>2,645,270</u>

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Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

1. General Information

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

As of December 31, 2014, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (the “Group”) operate six major business segments: Home Entertainment segment manufactures and sells TVs, monitors, and digital media products, Mobile Communications segment manufactures and sells mobile communications equipment, Home Appliance segment manufactures and sells refrigerators, washing machines, and vacuum cleaners, Air Conditioning & Energy Solution segment manufactures and sells residential and commercial air conditioners, Vehicle Components segment designs and manufactures automobile parts, and LG Innotek Co., Ltd. manufactures and sells LED, optics solutions, substrate materials, and automotive components businesses. In addition, the Group separately operates four business divisions including Compressor & Motor division which produces compressors and motors for air conditioners and washing machines, CEM division which produces and sells display materials, Lighting division, and Solar division. The Parent Company has 141 subsidiaries as of December 31, 2014, which are as follows:

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

Territory	Location	Subsidiaries	2014		2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and Retails of Electronic products	More than half of voting rights
	Korea	Hi Logistics Co., Ltd.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and Sales of Air conditioner	More than half of voting rights
	Korea	Hi M Solutek	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing Services	More than half of voting rights
	Korea	LGE Alliance Fund	96.2%	3.8%	96.2%	3.8%	December	Investment	More than half of voting rights
	Korea	Innovation Investment Fund	83.3%	16.7%	83.3%	16.7%	December	Investment	More than half of voting rights
	Korea	LG Innotek Co., Ltd. ¹	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund ¹	40.4%	59.6%	47.4%	52.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. ¹	40.8%	59.2%	47.9%	52.1%	December	Cleaning Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Cleaning Services	More than half of voting rights
	Korea	LGE Alliance Fund II	98.7%	1.3%	98.7%	1.3%	December	Investment	More than half of voting rights

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Territory	Location	Subsidiaries	2014		2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
China	China	Hi Logistics (China) Co., Ltd.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Centre Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Kunshan) Computer Co., Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Display Co., Ltd.(LGEND)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	100.0%	-	December	Production of Casting	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2014		2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	33.3%	66.7%	33.3%	December	Production of Heater	More than half of voting rights
	China	LG Innotek (Yantai) Co., Ltd.(LGITYT) ¹	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Huizhou) Co., Ltd.(LGITHZ) ¹	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Fuzhou) Co., Ltd.(LGITFZ) ¹	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek (Guangzhou) Co., Ltd.(LGITGZ) ¹	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) ¹	40.8%	59.2%	47.9%	52.1%	December	Sales of Electronic materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	China	VENS BEIJING VEHICLE ENGINEERING CO.,LTD	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2014		2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	India	LG Electronics India Pvt. Ltd.(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and Sales of Electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS) ⁴	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	0.0%	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. ³	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	India	Hi Logistics India Private Limited ⁴	100.0%	-	100.0%	-	March	Services of Logistics	More than half of voting rights
	Malaysia	HI LOGISTICS MALAYSIA SDN BHD	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Indonesia	PT LG Innotek Indonesia(LGITIN) ¹	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control

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Territory	Location	Subsidiaries	2014		2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Taiwan	LG Innotek (Taiwan) Ltd.(LGITTW) ¹	40.8%	59.2%	47.9%	52.1%	December	Sales of Electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	-	-	December	Services	More than half of voting rights
	Vietnam	Hi Logistics Vietnam Co., LTD.	100.0%	-	-	-	December	Services of logistics	More than half of voting rights
Europe	Netherlands	Hi Logistics Europe B.V.	100.0%	-	100.0%	-	December	Services of Logistics	More than half of voting rights
	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiaries	2014		2013		Closing Month	Major Business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia, LLC(LGELA)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	France	LG Electronics Mobilecomm France(LGEMF)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Norway	LG Electronics Norway AS(LGENO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Poland	LG Innotek Poland Sp z o.o.(LGITPO)1	40.8%	59.2%	47.9%	52.1%	December	Production and Sales of Electronic materials	De-facto control
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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

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

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

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

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

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

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

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⁴ In the preparation of consolidated financial statements, the financial statements for the year ended December 31, 2014, were used for those subsidiaries with different fiscal year ends.

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(b) Financial information of major subsidiaries as of and for the years ended December 31, 2014 and 2013, is as follows (Before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2014				
	Assets	Liabilities	Equity	Sales	Net Income (loss)
LG Innotek Co., Ltd.	4,104,519	2,563,340	1,541,179	5,840,223	58,869
LG Electronics do Brasil Ltda.(LGEBR)	1,490,163	1,129,559	360,604	3,778,395	20,904
LG Electronics U.S.A., Inc.(LGEUS)	2,219,819	1,913,542	306,277	6,156,130	26,521
Zenith Electronics Corporation(Zenith)	1,065,817	41,012	1,024,805	158,857	23,770
LG Electronics European Shared Service Center B.V.(LGESC)	1,177,424	1,150,662	26,762	214,461	2,789
LG Electronics RUS, LLC(LGERA)	831,398	495,292	336,106	2,681,926	107,603
LG Electronics (China) Co. Ltd.(LGECH)	700,743	699,069	1,674	1,445,188	(22,498)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	609,917	351,590	258,327	1,138,777	13,135
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	1,377,154	1,287,733	89,421	5,839,161	9,598
LG Electronics India Pvt. Ltd.(LGEIL)	546,532	247,941	298,591	2,192,141	134,547
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	809,792	693,958	115,834	3,401,492	56,443
LG Electronics Mlawa Sp. z o.o(LGEMA)	785,962	495,564	290,398	1,590,103	21,218
LG Electronics Reynosa S.A. DE C.V.(LGERS)	497,851	223,798	274,053	2,363,369	28,311
P.T. LG Electronics Indonesia(LGEIN)	529,226	294,766	234,460	1,638,883	13,099
LG Electronics Nanjing Display Co., Ltd.(LGEND)	403,907	270,474	133,433	1,436,267	25,851
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	514,334	350,868	163,466	1,617,828	11,850
Hiplaza Co., Ltd.	455,031	310,459	144,572	1,456,821	3,729
LG Electronics Mexico S.A. DE C.V.(LGEMS)	563,773	484,788	78,985	1,580,154	11,068
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	489,848	373,576	116,272	1,231,675	3,867
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	429,546	322,366	107,180	845,567	(24,368)
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	341,190	297,613	43,577	626,653	4,776

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<i>(in millions of Korean won)</i>	2013				
	Assets	Liabilities	Equity	Sales	Net Income (loss)
LG Innotek Co., Ltd.	4,260,285	3,039,627	1,220,658	5,504,038	(50,039)
LG Electronics do Brasil Ltda.(LGEBR)	1,679,815	1,305,953	373,862	3,719,208	86,343
LG Electronics U.S.A., Inc.(LGEUS)	1,825,282	1,555,954	269,328	6,275,216	(4,062)
Zenith Electronics Corporation(Zenith)	995,877	35,986	959,891	163,317	40,492
LG Electronics European Shared Service Center B.V.(LGESC)	1,071,932	1,045,305	26,627	205,404	1,889
LG Electronics RUS, LLC(LGERA)	963,916	537,408	426,508	3,031,663	154,554
LG Electronics (China) Co. Ltd.(LGECH)	694,585	671,465	23,120	1,380,704	3,102
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	566,860	311,851	255,009	1,172,981	11,637
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	581,012	504,592	76,420	3,989,706	5,544
LG Electronics India Pvt. Ltd.(LGEIL)	456,472	227,511	228,961	2,115,131	106,430
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	448,362	371,472	76,890	2,221,596	(1,026)
LG Electronics Mlawa Sp. z o.o(LGEMA)	540,236	236,240	303,996	1,312,606	13,952
LG Electronics Reynosa S.A. DE C.V.(LGERS)	392,973	154,526	238,447	2,092,114	(912)
P.T. LG Electronics Indonesia(LGEIN)	480,206	268,369	211,837	1,936,990	595
LG Electronics Nanjing Display Co., Ltd.(LGEND)	505,656	332,843	172,813	1,583,925	31,854
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	500,773	329,144	171,629	1,752,411	17,644
Hiplaza Co., Ltd.	434,154	292,415	141,739	1,466,810	3,336
LG Electronics Mexico S.A. DE C.V.(LGEMS)	409,158	336,857	72,301	1,389,792	7,548
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	404,019	282,849	121,170	1,115,592	25,048
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	357,812	229,260	128,552	774,130	14,574
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	398,895	356,658	42,237	627,340	4,707

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

i) Subsidiaries held at less than 100% of interest

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

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

² P.T.LG Electronics Indonesia(LGEIN)'s shares held by the Parent Company are 51,916 out of the total number of shares of 51,920.

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

- Accumulated non-controlling interest is as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
LG Innotek Co., Ltd. and its subsidiaries	1,002,971	685,127
LG Electronics Nanjing Display Co., Ltd.(LGEND)	39,683	50,643
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	49,482	48,877
LG-Shaker Co., Ltd.(LGESR)	52,342	37,174
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	32,041	32,982
LG Electronics Shenyang Inc.(LGESY)	26,080	23,725
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	26,100	22,017
LG Electronics Huizhou Ltd.(LGEHZ)	17,085	17,690
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	12,230	13,195
Shanghai LG Electronics Co., Ltd.(LGESH)	4,289	8,016
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	9,658	8,011
LG Hitachi Water Solution Co., Ltd.	4,627	5,329
Innovation Investment Fund	1,104	1,914
LGE Alliance Fund	302	298
LG Alina Electronics(LGERI)	163	112
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	106	81
LGE Alliance Fund II	38	41
P.T. LG Electronics Indonesia(LGEIN)	18	16
LG Electronics Pasig Inc.	(2,374)	(2,358)
LG Electronics Algeria SARL(LGEAS)	(4,271)	(2,723)
Total	1,271,674	950,167

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- Profit(loss) attributed to non-controlling interest for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
LG Innotek Co., Ltd. and its subsidiaries	65,965	8,794
LG Electronics Nanjing Display Co., Ltd.(LGEND)	8,332	8,980
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	2,565	3,287
LG-Shaker Co., Ltd.(LGESR)	14,681	10,551
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	1,639	7,656
LG Electronics Shenyang Inc.(LGESY)	1,911	4,048
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	9,088	361
LG Electronics Huizhou Ltd.(LGEHZ)	1,865	2,467
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	(296)	1,135
Shanghai LG Electronics Co., Ltd.(LGESH)	(2,930)	996
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	1,706	1,006
LG Hitachi Water Solution Co., Ltd.	(655)	(1,799)
Innovation Investment Fund	(126)	(69)
LGE Alliance Fund	3	(1)
LG Alina Electronics(LGERI)	107	4
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	23	(38)
LGE Alliance Fund II	(2)	-
P.T. LG Electronics Indonesia(LGEIN)	1	-
LG Electronics Pasig Inc.	(48)	(20)
LG Electronics Algeria SARL(LGEAS)	(1,822)	(1,422)
Total	102,007	45,936

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- Dividends paid to non-controlling interest for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	5,897	-
LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	245	380
LG Electronics Huizhou Ltd.(LGEHZ)	2,591	3,397
LG Electronics Nanjing Display Co., Ltd.(LGEND)	18,923	890
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	1,082	-
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	2,786	9,274
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	3,222	2,262
Shanghai LG Electronics Co., Ltd.(LGESH)	787	557
LG Alina Electronics(LGERI)	-	634
Total	35,533	17,394

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

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current assets	2,082,013	2,006,841
Non-current assets	2,346,748	2,574,430
Total assets	4,428,761	4,581,271
Current liabilities	1,646,619	1,629,364
Non-current liabilities	1,085,652	1,635,007
Total liabilities	2,732,271	3,264,371
Equity of the owners of LG Innotek Co., Ltd.	1,696,488	1,316,898
Non-controlling interest	2	2
Total equity	1,696,490	1,316,900

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- iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the years ended December 31, 2014 and 2013, is as follows (before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2014	2013
Net sales	6,466,119	6,211,516
Profit for the year	112,677	15,542
Other comprehensive income(loss), net of tax	(12,032)	10,342
Total comprehensive income, net of tax	100,645	25,884

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interest for the years ended December 31, 2014 and 2013, is as follows (before elimination of intercompany transactions):

- LG Innotek Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2014	2013
Cash flows from operating activities	743,027	435,573
Cash flows from investing activities	(308,830)	(404,953)
Cash flows from financing activities	(440,155)	16,384
Exchange gains(losses) on cash and cash equivalents	2,799	(202)
Net increase(decrease) in cash and cash equivalents	(3,159)	46,802
Cash and cash equivalents at the beginning of year	399,610	352,808
Cash and cash equivalents at the end of year	396,451	399,610

(d) Significant restrictions on its subsidiaries

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

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

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

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

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

Changes in the Parent Company's interest in the subsidiaries without loss of control for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
LG Innotek Co., Ltd. and its subsidiaries		
Decrease in the Parent Company's interest by exercise of conversion rights (A)	20,017	1
Consideration received from non-controlling interest (B)	-	-
Changes in the Parent Company's ownership interest (A+B)	20,017	1
LG-Shaker Co., Ltd.(LGESR)		
Increase in the Parent Company's interest by exercise of stock option (A)	1,813	-
Consideration paid to non-controlling interest (B)	1,013	-
Changes of the Parent Company's ownership interest (A-B)	800	-
P.T. LG Electronics Indonesia(LGEIN)		
Decrease in the Parent Company's interest by disposal of shares (A)	-	(6)
Consideration received from non-controlling interest (B)	-	1
Changes in the Parent Company's ownership interest (A+B)	-	(5)

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(f) Subsidiaries newly included in the consolidation for the year ended December 31, 2014, are:

Subsidiary	Reason	Country	Percentage of ownership	Closing Month	Major Business
HI LOGISTICS RUS Limited Liability Company	Newly established	Russia	100%	December	Logistics
PT.LG Electronics Service Indonesia(LGEID)	Newly established	Indonesia	99.8%	December	Service
Hi Logistics Egypt	Newly established	Egypt	100.0%	December	Logistics
Hi Logistics Vietnam Co., LTD.	Newly established	Vietnam	100.0%	December	Logistics

(g) Subsidiary excluded from the consolidation for the year ended December 31, 2014, is:

Subsidiary	Reason	Country
LG Receivable Funding LLC	Liquidation	USA

(h) Gain or loss resulting from the loss of control of the subsidiary.

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

2. Significant Accounting Policies

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

Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

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

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of

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applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Changes in Accounting Policy and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2014.

i) The new and amended standards and interpretations early adopted by the Group from the financial year, 2013:

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

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

ii) The new and amended standards and interpretations adopted by the Group from the financial year, 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 consolidated financial statements.

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

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

- Korean IFRS 2121(Enactment): 'Levies'

Korean IFRS 2121, 'Levies', are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs,

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as identified by the legislation. The enactments do not have a significant impact on these consolidated financial statements.

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

i) There are no new and amended standards early adopted by the Group from the financial year 2014.

ii) New and amended standards and interpretations not yet adopted by the Group 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 consolidated financial statements.

- 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 consolidated financial statements.

(c) New and amended standards and interpretations effective for the financial year beginning January 1, 2016

- Korean IFRS 1016(Amendment): 'Property, Plant and Equipment' and Korean IFRS 1038(Amendment): 'Intangible Assets'

Amendments to Korean IFRS 1016 and Korean IFRS 1038 clarify that the use of a revenue-based depreciation and amortization method is not permitted since the method are affected by factors, such as number of units sold and selling price, that are not directly related to the economic consumption of an asset. However, the revenue-based method is acceptable in limited circumstances in which intangible assets are measured

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based on revenue. The Group is assessing the impact of application of this amendment on its consolidated financial statements.

- Korean IFRS 1111(Amendment): 'Joint Arrangements',

Amendment to Korean IFRS 1111 requires the acquirer of an interest in a joint operation, in which the activity constitutes a business, as defined in Korean IFRS 1103, 'Business Combinations', to apply all of the principles on business combinations accounting in Korean IFRS 1103 and other Korean IFRSs, and to disclose the information related to the business combination. The Group is assessing the impact of application of this amendment on its consolidated financial statements.

Consolidation

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

(a) Subsidiaries

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

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

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

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

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

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

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss (Note 13).

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

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

(c) Joint Arrangements

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

(d) Transactions with non-controlling interests

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

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components of equity.

(e) Business Combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred in a business combination includes fair values of the assets and liabilities from arrangements for contingent payments. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group measures non-controlling interests in the acquiree that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, on a case by case basis, at the proportionate share of the acquiree's identifiable net assets or fair value. All other components of non-controlling interests are measured at fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

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

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

Segment Reporting

Operating segments are established on the basis of business divisions whose internal reporting is provided to the chief operating decision-maker who is the chief executive officer. Segmental disclosures are disclosed in Note 4 in accordance with Korean IFRS 1108, *Operating Segment*.

Foreign Currency Translation

(a) Functional and presentation currency

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

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(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at each reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income, except qualifying cash flow hedges which are recognized in other comprehensive income.

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

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

(c) Translation into presentation currency

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

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

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

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

Cash and Cash Equivalents

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

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Financial Instruments

Classification

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity financial assets

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

(d) Available-for-sale financial assets

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

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(e) Financial liabilities measured at amortized cost

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

(f) Other

Derivatives for hedging purpose and financial guarantee liabilities are grouped in 'other financial assets' or 'other financial liabilities'.

Recognition and Measurement

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

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

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

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

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Offsetting

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

Derecognition

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

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

Impairment of Financial Assets

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of

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those assets, even though the decrease cannot be identified with the individual financial assets in the portfolio, including:

- (i) adverse changes in the payment status of borrowers in the portfolio;
- (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

(a) Loans and receivables and held-to-maturity investments(measured at amortized cost)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of income. Impairment of assets measured at amortized cost is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable. In case of financial assets with variable interest rates, impairment losses are recognized with current effective interest rates in accordance with the contract.

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

(b) Assets classified as available-for-sale

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

Derivative Financial Instruments

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

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income and expenses' or 'financial income and expenses' according to the nature of transactions.

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

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

Trade Receivables

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

Inventories

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

Non-current Assets Classified as Held for Sale (or Group Classified as Held for Sale) and Discontinued Operations

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

When a component of discontinued operations or a component of the Group representing a separate major line of business or geographical area of operation has been disposed of, or is subject to a sale plan involving loss of control of a subsidiary, the Group discloses in the consolidated statements of income the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on

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the disposal of the assets or disposal groups constituting the discontinued operation. The net cash flows attributable to the operating, investing and financing activities of discontinued operations presented in the notes to the consolidated financial statements.

Property, Plant and Equipment

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

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

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

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

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

Borrowing Costs

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

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Government Grants

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

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

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

Intangible Assets

(a) Goodwill

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

(b) Industrial property rights

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

(c) Development costs

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

(d) Membership

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

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(e) Other intangible assets

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

Research and Development Costs

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

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

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

Investment Property

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

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

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

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

Impairment of Non-Financial Assets

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

Trade Payables

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

Borrowings

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

Financial Guarantee Contracts

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

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'other financial liabilities':

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

Provisions

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

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

Current and Deferred Income Tax

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

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

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

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Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

Employee Benefits

(a) Defined benefit liability

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The

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remeasurements of the net defined benefit liability are recognized in other comprehensive income.

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

(b) Other long-term employee benefits

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

(c) Termination benefits

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

Share Capital

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

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

Revenue Recognition

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

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of

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transaction and the specifics of each arrangement.

(a) Sales of goods

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

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

(b) Sales of services

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

(c) Royalty income

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

(d) Other income

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

(e) Interest income

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

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(f) Dividend income

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

Leases

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

(a) Lessees

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

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

(b) Lessors

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

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

Dividend Distribution

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

Earnings(loss) per Share

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

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3. Critical Accounting Estimates and Judgments

The estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

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(e) Provisions

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

(f) Net Defined Benefit Liability

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

Significant Judgment on Accounting Policies Adopted by the Group

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

4. Segment Information

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

Divisions	Products
Home Entertainment (HE)	TVs, Monitors, PCs, Security devices, Audio, Video and others
Mobile Communications (MC)	Mobile communications
Home Appliance (HA)	Refrigerators, Washing machines, Microwaves, Vacuum cleaners, Water purifiers and others
Air Conditioning & Energy Solution (AE)	Residential air conditioners, Commercial air conditioners and others
LG Innotek Co.,Ltd. and its subsidiaries (Innotek)	LED, Display & Network, Substrate & Material, Optics solution, Auto & Motor and others
Other segments	Vehicle components, Compressors, Motors, Display materials, Lighting solutions, Solar energy systems and others

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(a) The segment information for sales and operating income(loss) for the years ended December 31, 2014 and 2013, is as follows:

2014								
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments ¹	Inter-segment transactions ²	Total
Net sales	19,378,588	15,057,448	11,540,151	4,562,052	6,466,119	4,960,190	(2,923,781)	59,040,767
External sales	19,371,224	15,046,150	11,536,175	4,555,315	4,995,150	3,536,753	-	59,040,767
Internal sales	7,364	11,298	3,976	6,737	1,470,969	1,423,437	(2,923,781)	-
Operating income ³	509,109	311,825	343,792	255,121	313,959	94,751	-	1,828,557
Depreciation and amortization	399,936	324,370	294,820	97,487	481,292	278,671	-	1,876,576

2013								
<i>(in millions of Korean won)</i>	HE	MC	HA	AE	Innotek	Other segments ¹	Inter-segment transactions ²	Total
Net sales	19,207,904	12,962,319	11,798,828	4,642,920	6,211,516	4,539,762	(2,590,947)	56,772,302
External sales	19,195,132	12,962,272	11,794,744	4,639,684	4,853,900	3,326,570	-	56,772,302
Internal sales	12,772	47	4,084	3,236	1,357,616	1,213,192	(2,590,947)	-
Operating income(losses) ³	388,111	70,575	415,296	279,512	136,150	(40,633)	-	1,249,011
Depreciation and amortization	425,268	289,013	305,983	89,563	505,663	234,273	-	1,849,763

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

² Accounting of sales between segments are treated at arm's length.

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

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

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
HE	13,681,965	12,878,052	13,255,416	11,834,863
MC	8,592,805	6,466,785	7,352,268	5,267,930
HA	7,989,164	5,886,604	7,664,596	5,538,440
AE	3,269,492	1,913,602	3,040,696	1,807,856
Innotek	4,428,761	2,732,271	4,581,271	3,264,371
Sub-total¹	37,962,187	29,877,314	35,894,247	27,713,460
Other segments and inter-segment transactions	(893,767)	(5,799,991)	(366,183)	(4,874,765)
Total	37,068,420	24,077,323	35,528,064	22,838,695

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

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(c) External sales by geographic areas and non-current assets by geographic areas as of and for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	External sales		Non-current assets ²	
	2014	2013	December 31, 2014	December 31, 2013
Geographic areas¹				
Korea	14,692,583	14,340,945	9,330,933	9,291,312
China	3,518,326	3,677,540	888,236	889,248
Asia	5,865,226	5,876,314	577,036	391,792
Europe	6,530,694	6,343,635	265,938	276,573
North America	14,828,104	12,796,560	353,937	354,987
South America	5,778,089	5,865,886	240,977	222,484
Middle East & Africa	4,575,485	4,205,656	186,277	93,241
Others	3,252,260	3,665,766	150,554	190,969
Total	59,040,767	56,772,302	11,993,888	11,710,606

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

² Non-current assets consist of property, plant and equipment, intangible assets and investment property.

(d) There is no external customer representing more than 10% of net sales for the years ended December 31, 2014 and 2013.

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

(a) Categorizations of financial instruments are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014					Total
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	2,244,406	-	-	-	2,244,406
Financial deposits	-	162,023	-	-	-	162,023
Trade receivables	-	7,683,915	-	-	-	7,683,915
Loans and other receivables	-	1,181,783	-	-	-	1,181,783
Other financial assets	5,654	-	48,885	2,662	10,767	67,968
Total	5,654	11,272,127	48,885	2,662	10,767	11,340,095

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<i>(in millions of Korean won)</i>	Liabilities at		Other	Total
	fair value through profit or loss	Liabilities carried at amortized cost		
Trade payables	-	6,741,710	-	6,741,710
Borrowings	-	9,002,431	-	9,002,431
Other payables	-	3,035,190	-	3,035,190
Other financial liabilities	3,409	-	65,693	69,102
Total	3,409	18,779,331	65,693	18,848,433

December 31, 2013

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

December 31, 2013

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

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(b) Income and expenses by category of financial instruments for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	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	
Interest income	-	93,917	230	76	-	94,223
Exchange differences	-	121,215	-	-	-	121,215
Bad debt expenses	-	(28,571)	-	-	-	(28,571)
Loss on disposal of trade receivables	-	(21,331)	-	-	-	(21,331)
Gain on disposal of available-for-sale financial assets	-	-	1,553	-	-	1,553
Impairment loss of available-for-sale financial assets	-	-	(1,114)	-	-	(1,114)
Dividend income	-	-	293	-	-	293
Gain on derivatives (through profit or loss)	52,080	-	-	-	-	52,080
Gain(loss) for the year from discontinued operations	242	(1,849)	35	-	-	(1,572)
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	(2,851)	-	-	(2,851)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	-	(7,499)	(7,499)

<i>(in millions of Korean won)</i>	2014			Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	
Interest expenses	-	(420,389)	-	(420,389)
Exchange differences	-	(562,439)	-	(562,439)
Loss on derivatives (through profit or loss)	(40,347)	-	-	(40,347)
Loss for the year from discontinued operations	(470)	(41,458)	-	(41,928)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(30,612)	(30,612)

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<i>(in millions of Korean won)</i>	2013					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Interest income	-	89,944	-	119	-	90,063
Exchange differences	-	(323,228)	-	-	-	(323,228)
Bad debt expenses	-	2,122	-	-	-	2,122
Loss on disposal of trade receivables	-	(26,484)	-	-	-	(26,484)
Gain on disposal of available-for-sale financial assets	-	-	7,620	-	-	7,620
Impairment loss of available-for-sale financial assets	-	-	(5,975)	-	-	(5,975)
Dividend income	-	-	298	-	-	298
Gain on derivatives (through profit or loss)	31,283	-	-	-	-	31,283
Gain(loss) for the year from discontinued operations	1,395	(18,635)	(98)	-	-	(17,338)
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	5,846	-	-	5,846
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	544	544

<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	-	(380,603)	-	(380,603)
Exchange differences	-	(6,272)	-	(6,272)
Loss on derivatives (through profit or loss)	(18,207)	-	-	(18,207)
Loss for the year from discontinued operations	(510)	(30,806)	-	(31,316)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	5,229	5,229

(c) Recognized financial instruments that are subject to an enforceable master netting arrangements or similar arrangements are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Gross amounts subject to arrangement	253,669	404,966	268,264	485,690
Offset	(235,663)	(235,663)	(247,931)	(247,931)
Net amounts presented	18,006	169,303	20,333	237,759
Related amounts not offset	-	-	-	-
Net amount	18,006	169,303	20,333	237,759

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6. Cash and Cash Equivalents, and Financial Deposits

(a) Cash and cash equivalents

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Cash on hand	5,320	4,640
Bank deposits	2,239,086	2,640,630
Total	2,244,406	2,645,270

(b) Financial deposits

The financial deposits restricted in use are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current		
Fund for business cooperation	65,000	65,000
Non-current		
Deposit for drawing a bill	59,636	73,249
National project	1,650	4,717
Deposit for customs and warehouse	362	832
Deposit for checking account	241	85
Others	1,508	1,373
Sub-Total	63,397	80,256
Total	128,397	145,256

7. Trade Receivables, and Loans and Other Receivables

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

<i>(in millions of Korean won)</i>	December 31, 2014			December 31, 2013		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current						
Trade receivables	7,811,780	(127,865)	7,683,915	7,231,763	(114,361)	7,117,402
Loans and other receivables	652,399	(19,180)	633,219	616,943	(20,438)	596,505
Non-Current						
Loans and other receivables	548,624	(60)	548,564	602,049	(71)	601,978

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current		
Loans	16,996	13,736
Non-trade receivables	421,970	337,185
Accrued income	186,692	239,265
Deposits	7,561	6,319
Sub-Total	633,219	596,505
Non-Current		
Loans	151,158	170,664
Non-trade receivables	8,297	22,664
Deposits	389,109	408,650
Sub-Total	548,564	601,978
Total	1,181,783	1,198,483

(c) The aging analysis of these trade receivables and loans and other receivables is as follows:

<i>(in millions of Korean won)</i>	December 31, 2014					
	Current	Overdue			Defaulted	Total
		Up to 6 months	7 to 12 months	Over one year		
Trade receivables	7,062,715	529,886	99,275	14,579	105,325	7,811,780
Loans and other receivables						
Current	592,987	33,809	2,802	2,939	19,862	652,399
Non-current	539,939	5,240	304	3,141	-	548,624

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

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

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

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- (f) Movements in allowance for doubtful accounts for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014				
	At Jan. 1	Addition (reversal)	Write-off	Other	At Dec. 31
Trade receivables	114,361	27,806	(6,743)	(7,559)	127,865
Loans and other receivables					
Current	20,438	166	(1,944)	520	19,180
Non-current	71	(11)	-	-	60

<i>(in millions of Korean won)</i>	2013				
	At Jan. 1	Addition (reversal)	Write-off	Other	At Dec. 31
Trade receivables	138,418	(6,108)	(18,169)	220	114,361
Loans and other receivables					
Current	19,494	2,931	(1,040)	(947)	20,438
Non-current	104	(4)	(24)	(5)	71

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

The bad debt expenses of trade receivables have been included in 'selling and marketing expenses' in the consolidated statements of income and the bad debt expenses of other receivables have been included in 'other non-operating expenses'. Amounts charged to the allowance account are generally reversed when reasons for allowance are resolved, or written off when there is no expectation of recovering additional cash.

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

Trade receivables that were transferred to financial institutions but do not qualify for derecognition are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Discounted receivables	Securitized receivables	Discounted receivables	Securitized receivables
Carrying amount of asset¹				
Trade receivables	-	-	26,322	527,574
Carrying amount of associated liability¹				
Short-term borrowings	-	-	26,322	-
Net position²	-	-	-	527,574

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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8. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Other financial assets		
Derivatives	16,421	17,493
Available-for-sale	48,885	53,075
Held-to-maturity	2,662	2,576
Total	67,968	73,144
Current	11,193	17,430
Non-current	56,775	55,714
Other financial liabilities		
Derivatives	68,582	20,928
Financial guarantee liability	520	625
Total	69,102	21,553
Current	6,528	10,890
Non-current	62,574	10,663

(b) Details of derivatives are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	5,654	3,409	1,116	580
Currency swap	5,515	3,013	16,283	10,204
Sub-total	11,169	6,422	17,399	10,784
Non- current				
Currency swap	5,252	28,352	94	10,144
Interest rate swap	-	33,808	-	-
Sub-total	5,252	62,160	94	10,144
Total	16,421	68,582	17,493	20,928

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

The details of derivative contracts are described in Note 37.

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(c) Assets classified as available-for-sale

i) Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014						At Dec. 31
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Others	
Listed equity securities	17,720	-	(1,000)	(3,596)	(17)	-	13,107
Unlisted equity securities	33,515	2,666	(1,111)	-	(797)	83	34,356
Debt securities	1,840	-	(323)	21	(300)	184	1,422
Total	53,075	2,666	(2,434)	(3,575)	(1,114)	267	48,885

<i>(in millions of Korean won)</i>	2013						At Dec. 31
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Others	
Listed equity securities	8,169	-	(103)	7,654	-	2,000	17,720
Unlisted equity securities	43,760	7,856	(10,006)	-	(6,095)	(2,000)	33,515
Debt securities	2,670	1,205	(2,035)	-	-	-	1,840
Total	54,599	9,061	(12,144)	7,654	(6,095)	-	53,075

ii) The listed equity securities among the above equity securities are measured using quoted prices in active markets. However, the unlisted equity securities are measured at cost as they are mostly in the beginning of their business stages and their fair values cannot be reliably measured.

iii) The unlisted equity securities amounting to ₩1,111 million (2013: ₩4,345 million), whose fair value could not be measured reliably and therefore measured at cost, have been derecognized as a result of a transfer. Accordingly, a gain and loss on disposal amounting to ₩731 million and ₩2 million, respectively, (2013: gain on disposal amounting to ₩7,194 million) was recognized as profit and loss for the year ended December 31, 2014. In addition, among available-for-sale equity securities derecognized during the year ended December 31, 2013, amounting to ₩10,006 million, the amount of ₩5,661 million has been derecognized as a result of a return of capital investments. The Group did not recognize profit or loss in regard to the derecognition.

iv) For the year ended December 31, 2014, the listed equity securities amounting to ₩17 million (2013: nil), the unlisted equity securities amounting to ₩797 million (2013: ₩6,095 million), and debt securities amounting to ₩300 million (2013: nil) have been impaired.

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Maturity		
Within 1 year	24	31
1 to 5 years	2,638	2,545

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The amount recognized as interest income in relation to held-to-maturity financial assets in 2014 is ₩76 million (2013: ₩119 million). No impairment losses were recognized in relation to held-to-maturity financial assets.

9. Inventories

Inventories consist of:

<i>(in millions of Korean won)</i>	December 31, 2014			December 31, 2013		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,407,608	(87,153)	3,320,455	2,895,532	(75,473)	2,820,059
Work-in-process	328,100	(6,044)	322,056	329,230	(8,876)	320,354
Raw materials and supplies	1,802,905	(29,362)	1,773,543	1,457,023	(27,103)	1,429,920
Other	327,951	(32,732)	295,219	310,415	(41,918)	268,497
Total	5,866,564	(155,291)	5,711,273	4,992,200	(153,370)	4,838,830

The cost of inventories recognized as expense and included in 'Cost of sales' in 2014 amounts to ₩44,680,843 million (2013: ₩43,044,871 million) and 'Loss on valuation of inventories' amounts to ₩265,326 million (2013: ₩261,391 million) from continuing operations. The cost of inventories recognized as expense and included in 'Cost of sales' in 2014 amounts to ₩877,256 million (2013: ₩1,114,054 million) and 'Loss on valuation of inventories' amounts to ₩9,912 million (2013: ₩8,395 million) from discontinued operations.

10. Other Assets

The carrying amounts of other assets as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current:		
Advances	107,991	195,385
Prepaid expenses	270,299	282,932
Prepaid value added tax	505,824	447,154
Sub-Total	884,114	925,471
Non-Current:		
Long-term prepaid expenses	450,838	515,580
Long-term advances	272,993	272,486
Other investment assets	485	516
Sub-Total	724,316	788,582
Total	1,608,430	1,714,053

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11. Property, Plant and Equipment

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

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At December 31, 2014									
Acquisition cost	2,383,173	5,760,519	346,714	6,742,359	3,372,883	933,835	326,545	725,969	20,591,997
Accumulated depreciation	-	(1,286,173)	(150,645)	(4,815,299)	(2,688,306)	(687,789)	(166,579)	-	(9,794,791)
Accumulated Impairment	-	(136,221)	(311)	(43,854)	(4,464)	(1,140)	(1,033)	-	(187,023)
Government grants	(7,977)	(875)	-	(2,122)	(2,178)	(178)	-	-	(13,330)
Net book amount	2,375,196	4,337,250	195,758	1,881,084	677,935	244,728	158,933	725,969	10,596,853
At December 31, 2013									
Acquisition cost	2,385,147	5,291,975	333,282	6,279,012	3,248,608	873,762	301,836	519,225	19,232,847
Accumulated depreciation	-	(1,138,078)	(139,390)	(4,222,988)	(2,540,527)	(644,033)	(144,271)	-	(8,829,287)
Accumulated impairment	-	(2,842)	(341)	(34,187)	(4,826)	(604)	(578)	-	(43,378)
Government grants	(9,479)	(1,800)	-	(3,133)	(3,575)	(202)	-	-	(18,189)
Net book amount	2,375,668	4,149,255	193,551	2,018,704	699,680	228,923	156,987	519,225	10,341,993

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

	2014								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1, 2014	2,375,668	4,149,255	193,551	2,018,704	699,680	228,923	156,987	519,225	10,341,993
Acquisitions	460	119,991	14,357	231,670	315,668	95,922	44,564	1,354,127	2,176,759
Transfer-in(out)	23,526	459,720	13,162	434,146	169,272	16,118	22,023	(1,138,453)	(486)
Disposals and others	(18,219)	(25,603)	(3,042)	(16,445)	(22,342)	(5,026)	(11,955)	(1,282)	(103,914)
Depreciation	-	(179,144)	(15,319)	(743,961)	(476,263)	(88,213)	(49,258)	-	(1,552,158)
Impairment ¹	-	(133,861)	(1,142)	(25,046)	(2,466)	(504)	(619)	-	(163,638)
Exchange differences	(6,239)	(53,108)	(5,809)	(17,984)	(5,614)	(2,492)	(2,809)	(7,648)	(101,703)
At December 31, 2014	2,375,196	4,337,250	195,758	1,881,084	677,935	244,728	158,933	725,969	10,596,853
	2013								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1, 2013	2,191,907	3,824,642	196,531	2,170,590	662,598	228,493	163,867	450,576	9,889,204
Acquisitions	20,795	197,560	11,453	388,106	365,280	97,329	49,978	1,032,493	2,162,994
Changes in scope of subsidiaries	-	-	-	2,434	55	2,043	232	1,280	6,044
Transfer-in(out)	169,399	336,430	4,003	233,289	203,423	(66)	5,046	(952,679)	(1,155)
Disposals and others	(2,582)	(18,511)	(693)	(9,889)	(15,799)	(3,201)	(6,407)	(539)	(57,621)
Decrease due to business transfer	-	-	(55)	(8,032)	(6,466)	(930)	-	-	(15,483)
Depreciation	-	(163,722)	(14,976)	(727,327)	(496,767)	(90,200)	(50,757)	-	(1,543,749)
Impairment	-	(970)	(169)	(7,781)	(4,199)	(355)	(653)	-	(14,127)
Exchange differences	(3,851)	(26,174)	(2,543)	(22,686)	(8,445)	(4,190)	(4,319)	(11,906)	(84,114)
At December 31, 2013	2,375,668	4,149,255	193,551	2,018,704	699,680	228,923	156,987	519,225	10,341,993

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¹ The impairment loss of ₩138,651 million is included due to discontinued operations of PDP module and PDP TV, and the details of impairment are described in Note 39.

(c) Line items including depreciation are as follows:

(in millions of Korean won)	2014	2013
Continuing operations		
Cost of sales	1,193,638	1,213,901
Selling and marketing expenses	47,209	44,734
Administrative expenses	67,953	66,090
Research and development expense	128,304	128,826
Service costs	16,022	15,918
Other non-operating expenses	64,912	25,300
Sub-total	1,518,038	1,494,769
Discontinued operations	34,120	48,980
Total	1,552,158	1,543,749

(d) In 2014, borrowing costs amounting to ₩9,722 million (2013: ₩8,100 million) are capitalized as acquisition costs and weighted average capitalization rates of 4.00%(Range: 3.76%~10.10%) in 2014 and 5.24%(Range: 0.86%~13.23%) in 2013 are applied.

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

i) List of collateral for the Group

(in millions of Korean won)	December 31, 2014				
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land, Building	249,740	213,483	Borrowings	109,007	Korea Development Bank and others
Machinery and others	17,233	17,228	Borrowings	5,393	Saudi Industrial Development Fund
(in millions of Korean won)	December 31, 2013				
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land, Building	537,474	265,199	Borrowings	153,569	Korea EXIM Bank and others
Machinery and others	117,237	73,527	Borrowings	65,031	Minsheng Bank and others

ii) List of collateral for external parties

The carrying amount of buildings pledged as collateral to guarantee the land lessor's obligation to the mortgagee, Nonghyup Bank and others, is ₩1,205 million as of December 31, 2014 (2013: ₩1,833 million) within the secured amount of up to ₩8,020 (2013: ₩8,860 million).

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12. Intangible assets

(a) Carrying amounts of intangible assets consist of:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Member-ships	Other intangible assets	Construction-in-progress	Total
At December 31, 2014							
Acquisition cost	145,819	791,264	1,757,007	83,771	737,245	150,619	3,665,725
Accumulated amortization and impairment	-	(354,708)	(1,414,313)	(1,061)	(501,307)	-	(2,271,389)
Net book amount	145,819	436,556	342,694	82,710	235,938	150,619	1,394,336
At December 31, 2013							
Acquisition cost	145,933	749,333	1,528,578	84,119	667,614	132,958	3,308,535
Accumulated amortization and impairment	-	(328,707)	(1,210,377)	(1,040)	(404,721)	-	(1,944,845)
Net book amount	145,933	420,626	318,201	83,079	262,893	132,958	1,363,690

(b) Changes in intangible assets are as follows:

<i>(in millions of Korean won)</i>	2014						
	Goodwill	Industrial property rights	Development costs	Member-ships	Other intangible assets	Construction-in-progress	Total
At January 1, 2014	145,933	420,626	318,201	83,079	262,893	132,958	1,363,690
Acquisitions	-	19,024	51,469	1,724	44,394	85,509	202,120
Acquisitions by internal development	-	-	24,871	-	-	185,553	210,424
Transfer-in(out)	-	90,526	217,748	-	26,213	(243,961)	90,526
Disposals and others	-	(15,646)	(8,567)	(2,030)	(670)	(1,931)	(28,844)
Amortization	-	(74,555)	(257,189)	-	(94,300)	-	(426,044)
Impairment	-	(3,421)	(3,278)	(65)	(1,645)	(7,535)	(15,944)
Exchange differences	(114)	2	(561)	2	(947)	26	(1,592)
At December 31, 2014	145,819	436,556	342,694	82,710	235,938	150,619	1,394,336

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<i>(in millions of Korean won)</i>	2013						Total
	Goodwill	Industrial property rights	Development costs	Member-ships	Other intangible assets	Construction-in-progress	
At January 1, 2013	148,159	364,253	290,173	83,074	231,249	105,394	1,222,302
Acquisitions	-	23,728	49,160	1,373	63,469	77,617	215,347
Acquisitions by internal development	-	-	24,521	-	-	202,398	226,919
Changes in scope of subsidiaries and others	-	1	-	-	5,933	-	5,934
Transfer-in(out)	-	103,440	194,428	(3)	56,629	(249,523)	104,971
Disposals and others	-	(5,115)	(12,469)	(308)	(532)	(2,528)	(20,952)
Decrease due to business transfer	-	-	(645)	-	(86)	-	(731)
Amortization	-	(65,685)	(226,640)	-	(92,091)	-	(384,416)
Impairment	(1,818)	-	(63)	(1,040)	(1,165)	(396)	(4,482)
Exchange differences	(408)	4	(264)	(17)	(513)	(4)	(1,202)
At December 31, 2013	145,933	420,626	318,201	83,079	262,893	132,958	1,363,690

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

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Cost of sales	235,916	160,831
Selling and marketing expenses	31,799	31,635
Administrative expenses	95,427	91,625
Research and development expenses	57,648	93,925
Service costs	2,270	1,948
Sub-total	423,060	379,964
Discontinued operations	2,984	4,452
Total	426,044	384,416

(d) Impairment tests for goodwill

- i) Goodwill is allocated among the Group's cash-generating units (CGUs) based on operating segments. As of December 31, 2014, an operating segment-level summary of goodwill allocation is presented below:

<i>(in millions of Korean won)</i>	AE	MC	Other	Total
Goodwill	64,531	29,894	51,394	145,819

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

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- iii) Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Value-in-use is measured by applying the pre-tax discount rates reflecting specific risks relating to the relevant operating segments. Discount rates and nominal long-term growth rates used for calculating the value-in-use of major operating segments are as follows:

<i>(in millions of Korean won)</i>	AE	MC	Other
Discount rates	10.2%	16.7%	11.5%
Nominal long-term growth rates	2.1%	3.5%	2.9%

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

(e) Research and development expenses

Research and development expenses are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Uncapitalized research and development expenditure	3,452,492	3,288,207
Amortization from internally capitalized development costs	170,229	145,231
Sub-total	3,622,721	3,433,438
Discontinued operations	7,605	32,609
Total	3,630,326	3,466,047

13. Investments in associates and joint ventures

(a) Investments in associates and joint ventures in detail

- i) Carrying amounts of investments in associates and joint ventures are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Associates	4,408,091	4,149,345
Joint ventures	186,370	180,238
Total	4,594,461	4,329,583

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ii) Investments in associates are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014				December 31, 2013			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	4,332,916	(49,765)	4,283,151	679,218	4,022,016	(46,916)	3,975,100
Ericsson-LG Co., Ltd	26,629	77,419	(69)	77,350	26,629	89,445	(107)	89,338
Hitachi-LG Data Storage Inc.(HLDS)	51,184	(2,121)	(1,456)	-	51,184	29,930	(1,921)	28,009
Global OLED Technology LLC.	53,454	28,598	-	28,598	53,454	30,767	-	30,767
Korea Information Certificate Authority Inc.	852	3,240	-	3,240	852	2,890	-	2,890
LG Fuel Cell Systems Inc.	44,051	12,818	-	12,818	36,785	20,102	-	20,102
SKT Vietnam PTE., Ltd. ¹	72,194	717	-	-	72,194	739	-	-
One-Red, LLC ²	3,128	2,934	-	2,934	3,128	3,139	-	3,139
Total	930,710	4,456,521	(51,290)	4,408,091	923,444	4,199,028	(48,944)	4,149,345

¹ Impairment losses were recognized in full during 2009.

² The financial statements as of November 30, 2014, were used due to a different closing date.

iii) Investments in joint ventures are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014				December 31, 2013			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	115,234	127,256	-	127,256	115,234	117,709	-	117,709
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	44,908	(345)	44,563	14,718	48,521	(977)	47,544
EIC PROPERTIES PTE LTD.	9,636	13,912	-	13,912	9,636	13,693	-	13,693
LG Fund for Enterprises	-	-	-	-	2,282	1,292	-	1,292
LG-MRI LLC	516	639	-	639	-	-	-	-
Total	140,104	186,715	(345)	186,370	141,870	181,215	(977)	180,238

(b) Associates and joint ventures

i) Associates are as follows:

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

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

ii) Joint ventures are as follows:

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

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

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

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

i) Changes in the carrying amount of investments in associates for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014								
	Beginning balance	Acquisition	Valuation gain/loss	Other comprehensive income	Remeasurement component	Dividend/recovery	Exchange difference	Changes in ownership interest over associates	Ending balance
LG Display Co., Ltd.	3,975,100	-	339,772	10,678	(42,399)	-	-	-	4,283,151
Ericsson-LG Co., Ltd	89,338	-	5,627	42	(657)	(17,000)	-	-	77,350
Hitachi-LG Data Storage Inc.(HLDS)	28,009	-	(28,744)	735	-	-	-	-	-
Global OLED Technology LLC.	30,767	-	(3,575)	1,406	-	-	-	-	28,598
Korea Information Certificate Authority Inc.	2,890	-	288	1	-	(60)	-	121	3,240
LG Fuel Cell Systems Inc.	20,102	7,267	(14,677)	(137)	(2)	-	-	265	12,818
SKT Vietnam PTE., Ltd.	-	-	-	-	-	-	-	-	-
One-Red, LLC	3,139	-	(17)	-	-	-	(188)	-	2,934
Total	4,149,345	7,267	298,674	12,725	(43,058)	(17,060)	(188)	386	4,408,091

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

- ii) Changes in the carrying amount of investments in joint ventures for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014								
	Beginning balance	Acquisition	Valuation gain/loss	Other comprehensive - sive income	Remeasurement component	Dividend/ recovery	Exchange difference	Changes in ownership interest over associates	Ending balance
LG Holdings(HK) Ltd.	117,709	-	6,530	3,017	-	-	-	-	127,256
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	47,544	-	(463)	(2,518)	-	-	-	-	44,563
EIC PROPERTIES PTE LTD.	13,693	-	254	(35)	-	-	-	-	13,912
LG Fund for Enterprises	1,292	-	(606)	-	-	(686)	-	-	-
LG-MRI	-	516	30	-	-	-	93	-	639
Total	180,238	516	5,745	464	-	(686)	93	-	186,370

(in millions of Korean won)

	2013								
	Beginning balance	Acquisition	Valuation gain/loss	Other comprehensive - sive income	Remeasurement component	Dividend/ recovery	Exchange difference	Changes in ownership interest over associates	Ending balance
LG Holdings(HK) Ltd.	112,226	-	5,748	(265)	-	-	-	-	117,709
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	48,170	-	9,827	(10,453)	-	-	-	-	47,544
EIC PROPERTIES PTE LTD.	14,208	-	199	(714)	-	-	-	-	13,693
LG Fund for Enterprises	2,506	-	340	-	-	(1,554)	-	-	1,292
Total	177,110	-	16,114	(11,432)	-	(1,554)	-	-	180,238

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

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current assets	9,240,629	7,731,788
Non-current assets	13,726,394	13,983,496
Total assets	22,967,023	21,715,284
Current liabilities	7,549,556	6,788,919
Non-current liabilities	3,634,057	4,128,945
Total liabilities	11,183,613	10,917,864
Equity of the owners of LG Display Co., Ltd.	11,431,412	10,611,173
Non-controlling interests	351,998	186,247
Total equity	11,783,410	10,797,420

<i>(in millions of Korean won)</i>	2014	2013
Net sales	26,455,529	27,033,035
Profit for the year	917,404	418,973
Equity of the owners of LG Display Co., Ltd.		
Profit for the year	904,268	426,118
Other comprehensive loss, net of tax	(84,029)	(21,640)
Total comprehensive income, net of tax	820,239	404,478
Dividends received from associates	-	-

(e) Reconciliations of the summarized financial information of an associate material to the reporting entity to the carrying amount of the Group's interest for the years ended December 31, 2014 and 2013, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2014	2013
Opening equity attributable to owners of LG Display Co., Ltd.	10,611,173	10,209,040
Profit for the year	904,268	423,773
Other comprehensive loss, net of tax	(84,029)	(21,640)
Closing equity attributable to owners of LG Display Co., Ltd.	11,431,412	10,611,173
Group ownership(%)	37.9	37.9
The Group's share at the end of the reporting period	4,332,916	4,022,016
Unrealized loss	(49,765)	(46,916)
Carrying amount at the reporting date	4,283,151	3,975,100

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- (f) The Group's share in the operating results in the individually insignificant associates and joint ventures for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014		2013	
	Associates	Joint ventures	Associates	Joint ventures
Profit(loss) for the year	(41,164)	5,099	(50,659)	16,650
Other comprehensive income (loss), net of tax	1,388	464	(5,094)	(11,432)
Total comprehensive income(loss), net of tax	(39,776)	5,563	(55,753)	5,218

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

<i>(in millions of Korean won)</i>	2014		2013	
	Losses of the equity-method investees	Accumulated losses of the equity-method investees	Losses of the equity-method investees	Accumulated losses of the equity-method investees
Hitachi-LG Data Storage Inc.(HLDS)	3,577	3,577	-	-

- (h) The fair value and book value of marketable associate securities are as follows:

December 31, 2014					
Name	Type	Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book value
LG Display Co., Ltd.	Associate	135,625,000	33,650	4,563,781	4,283,151
Korea Information Certificate Authority Inc.	Associate	2,000,000	3,475	6,950	3,240
December 31, 2013					
Name	Type	Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book value
LG Display Co., Ltd.	Associate	135,625,000	25,350	3,438,094	3,975,100

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14. Investment Property

(a) Details of investment property are as follows:

<i>(in millions of Korean won)</i>	Land	Buildings	Total
At December 31, 2014			
Acquisition cost	1,085	3,678	4,763
Accumulated depreciation	-	(2,064)	(2,064)
Net book amount	1,085	1,614	2,699
At December 31, 2013			
Acquisition cost	1,839	4,992	6,381
Accumulated depreciation	-	(1,908)	(1,908)
Net book amount	1,839	3,084	4,923

(b) Changes in carrying amounts of investment property for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		
	Land	Buildings	Total
At January 1	1,839	3,084	4,923
Transfer in	-	1,457	1,457
Disposals	(754)	(2,140)	(2,894)
Depreciation	-	(391)	(391)
Impairment	-	(396)	(396)
At December 31	1,085	1,614	2,699

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

(c) The fair value of investment property is valued by an independent professional appraiser with certified qualification or determined based on the evaluation reflecting official land value or recently available transaction price of similar properties and it is classified as Level 3 of the fair value hierarchy. The fair value of investment property as of December 31, 2014, is ₩4,100 million (2013: ₩5,120 million).

(d) Rental income amounting to ₩518 million (2013: ₩886 million) and rental expenses amounting to ₩409 million (2013: ₩333 million) are recognized in the consolidated statements of income relating to investment property.

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15. Borrowings

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current		
Short-term borrowings	1,164,790	903,798
Current portion of long-term borrowings	331,569	1,346,821
Current portion of debentures	1,079,191	564,596
Current convertible bonds	-	207,508
Sub-total	2,575,550	3,022,723
Non-current		
Long-term borrowings	2,131,877	1,914,366
Debentures	4,295,004	4,004,088
Convertible bonds	-	269,852
Sub-total	6,426,881	6,188,306
Total	9,002,431	9,211,029

(b) Details of borrowings

i) Short-term borrowings consist of:

<i>(in millions of Korean won)</i>	Annual interest rate at Dec. 31, 2014	Carrying amount	
		December 31, 2014	December 31, 2013
		General loans ¹	
HSBC and others	0.9 ~ 13.7%	1,164,790	877,476
Borrowings on negotiated trade bills	-	-	26,322
Total		1,164,790	903,798

¹ The Group entered into a cross-currency swap contract to hedge cash flow risk related to foreign exchange rates of borrowings in foreign currency (Note 37).

ii) Long-term borrowings consist of:

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2014(%)	December 31, 2014		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2015.03.04	5.16	27,500	27,500	-
Kookmin Bank	2016.05.24	4.73	190,000	-	190,000
Kookmin Bank ¹	2029.04.30	3M CD+1.14	200,000	-	200,000
Shinhan Bank	2016.05.22	2.75	83	66	17
Shinhan Bank	2016.10.19	4.37	95,000	47,500	47,500
Shinhan Bank	2017.02.16	4.60	190,000	-	190,000
Shinhan Bank	2017.02.27	3.63	50,000	-	50,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2014(%)	December 31, 2014		
			Total	Current	Non-current
Shinhan Bank	2017.09.15	1.75	615	224	391
IBK Securities	2016.10.14	3.35	84,520	-	84,520
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Hana Bank	2015.06.28	2.77	180	180	-
Hana Bank	2015.09.28	2.77	180	180	-
Hana Bank	2016.03.28	2.77	825	660	165
Hana Bank ¹	2024.01.03	3M CD+0.98	200,000	-	200,000
Korea Development Bank	2015.03.10	5.06	90,000	90,000	-
Korea Development Bank	2015.09.13	4.57	80,000	80,000	-
Korea Development Bank	2015.12.24	4.64	40,000	40,000	-
Korea Development Bank	2016.04.20	4.63	30,000	-	30,000
Korea Development Bank	2016.05.09	3.84	30,000	-	30,000
Korea Development Bank	2016.07.27	3.81	50,000	-	50,000
Korea Development Bank	2016.07.27	3.78	50,000	-	50,000
Korea Development Bank	2016.07.27	3.71	30,000	-	30,000
Korea Development Bank	2016.07.27	3.75	20,000	-	20,000
Korea Development Bank	2017.02.28	3.58	70,000	-	70,000
Korea Development Bank	2017.02.28	4.01	40,000	-	40,000
Korea Development Bank	2017.02.28	3.76	30,000	-	30,000
Korea Development Bank	2017.02.28	3.97	130,000	-	130,000
Korea Development Bank	2017.03.29	4.62	190,000	-	190,000
Korea Development Bank	2018.05.28	3.76	50,000	-	50,000
Foreign currency loans					
HSBC and others	2016.03.31 ~ 2019.06.18	1.66 ~ 10.70	304,543	45,259	259,284
Total			2,463,446	331,569	2,131,877

¹ The Group entered into interest rate swap contracts to hedge cash flow risk related to floating interest rates of these long-term borrowings(Note 37).

<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	2014.12.10	4.72	50,000	50,000	-
Kookmin Bank	2015.03.04	5.16	110,000	82,500	27,500
Kookmin Bank	2016.05.24	4.73	190,000	-	190,000
Nonghyup Bank	2014.03.09	4.70	190,000	190,000	-
Shinhan Bank	2014.09.08	4.78	22,500	22,500	-
Shinhan Bank	2016.05.22	2.75	149	66	83
Shinhan Bank	2016.10.19	4.37	142,500	47,500	95,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
			Total	Current	Non-current
Shinhan Bank	2017.02.16	4.60	190,000	-	190,000
Shinhan Bank	2017.02.27	3.63	50,000	-	50,000
Shinhan Bank	2017.09.15	1.75	839	224	615
IBK Securities	2016.10.14	3.35	81,599	-	81,599
Woori Bank	2015.05.08	3.85	10,000	-	10,000
Woori Bank	2017.10.28	4.62	190,000	-	190,000
Small & Medium Business Corporation	2014.11.17	3.97	68	68	-
Hana Bank	2014.03.28	2.92	160	160	-
Hana Bank	2015.06.28	3.22	540	360	180
Hana Bank	2015.09.28	3.22	420	240	180
Hana Bank	2016.03.28	3.22	1,485	660	825
Korea Development Bank	2014.02.28	4.56	90,000	90,000	-
Korea Development Bank	2014.04.05	4.45	190,000	190,000	-
Korea Development Bank	2014.11.24	4.55	150,000	150,000	-
Korea Development Bank	2014.12.24	4.71	140,000	140,000	-
Korea Development Bank	2015.02.28	4.80	100,000	-	100,000
Korea Development Bank	2015.03.10	5.06	90,000	-	90,000
Korea Development Bank	2015.05.04	4.52	10,000	-	10,000
Korea Development Bank	2015.09.13	4.57	80,000	-	80,000
Korea Development Bank	2015.12.24	4.64	40,000	-	40,000
Korea Development Bank	2016.04.20	4.63	30,000	-	30,000
Korea Development Bank	2016.07.27	3.81	50,000	-	50,000
Korea Development Bank	2016.07.27	3.78	50,000	-	50,000
Korea Development Bank	2016.07.27	3.71	30,000	-	30,000
Korea Development Bank	2016.07.27	3.75	20,000	-	20,000
Korea Development Bank	2017.02.28	3.58	70,000	-	70,000
Korea Development Bank	2017.02.28	3.76	30,000	-	30,000
Korea Development Bank	2017.02.28	4.01	40,000	-	40,000
Korea Development Bank	2017.03.29	4.62	190,000	-	190,000
Korea Development Bank	2018.05.28	3.76	50,000	-	50,000
Korea Exim Bank	2014.06.02	4.90	60,000	60,000	-
Foreign currency loans					
HSBC and others	2016.03.31~ 2018.10.15	1.26 ~ 10.4	370,927	172,543	198,384
Total			3,261,187	1,346,821	1,914,366

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iii) Debentures consist of:

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2014(%)	December 31, 2014		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 th)	2015.11.29	5.10	200,000	200,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 th)	2015.02.24	5.01	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 st)	2015.02.09	4.32	30,000	30,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 nd)	2017.02.09	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 st)	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 nd)	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(33-1 st)	2017.11.10	2.48	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(33-2 nd)	2019.11.10	2.98	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 th)	2015.09.09	4.63	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 th)	2015.10.22	4.30	190,000	190,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 nd)	2016.02.16	4.91	60,000	-	60,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 th)	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 st)	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 nd)	2016.08.05	4.34	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 th)	2016.09.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency ¹	Public, non-guaranteed bonds (65 th)	2016.12.02	2.00	238,957	-	238,957
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 st)	2015.09.10	3.18	170,000	170,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 nd)	2017.09.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 th)	2018.03.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 st)	2020.05.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 nd)	2020.05.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 rd)	2023.05.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 th)	2023.05.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-1 st)	2015.07.31	2.86	110,000	110,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(69-2 nd)	2018.07.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-3 rd)	2020.07.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency ¹	Private, guaranteed bonds(70 th)	2019.01.31	3ML+1.60	219,840	-	219,840
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-1 st)	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-2 nd)	2020.10.19	3.82	110,000	-	110,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-3 rd)	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency ¹	Private, guaranteed bonds(72 nd)	2017.06.19	3ML+1.30	219,840	-	219,840

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<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2014(%)	December 31, 2014		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (73-1 st)	2017.01.24	3.16	100,000	-	100,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (73-2 nd)	2019.01.24	3.60	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (73-3 rd)	2021.01.24	3.95	160,000	-	160,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (73-4 th)	2024.01.24	4.44	120,000	-	120,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (74-1 st)	2019.05.29	3.30	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (74-2 nd)	2021.05.29	3.52	130,000	-	130,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (74-3 rd)	2024.05.29	4.04	210,000	-	210,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (74-4 th)	2029.05.29	4.44	60,000	-	60,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (75 th)	2026.07.16	3.96	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (76-1 st)	2028.11.17	3.79	40,000	-	40,000
Fixed rate notes in local currency	Private, non-guaranteed bonds (76-2 nd)	2028.11.18	3.79	60,000	-	60,000
Less: discount on debentures				(14,442)	(809)	(13,633)
Total				5,374,195	1,079,191	4,295,004

<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds(25-2 nd)	2014.02.09	5.70	150,000	150,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds(28 th)	2015.11.29	5.10	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(29 th)	2015.02.24	5.01	200,000	-	200,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-1 st)	2015.02.09	4.32	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(30-2 nd)	2017.02.09	4.90	50,000	-	50,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-1 st)	2016.11.12	3.61	70,000	-	70,000
Fixed rate notes in local currency	Public, non-guaranteed bonds(31-2 nd)	2017.11.12	3.73	80,000	-	80,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (56 th)	2015.09.09	4.63	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (57 th)	2015.10.22	4.30	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-1 st)	2014.02.16	4.44	130,000	130,000	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (58-2 nd)	2016.02.16	4.91	60,000	-	60,000
Floating rate notes in foreign currency ¹	Public, non-guaranteed bonds (59 th)	2014.04.28	3ML+1.00	179,401	179,401	-
Fixed rate notes in local currency	Public, non-guaranteed bonds (60 th)	2016.05.20	4.41	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (61 st)	2016.06.29	4.38	190,000	-	190,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (62-2 nd)	2016.08.05	4.34	80,000	-	80,000
Floating rate notes in foreign currency ¹	Private, non-guaranteed bonds(63 rd)	2014.08.23	3ML+0.70	105,530	105,530	-

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<i>(in millions of Korean won)</i>		Maturity date	Annual interest rate at December 31, 2013(%)	December 31, 2013		
				Total	Current	Non-current
Fixed rate notes in local currency	Public, non-guaranteed bonds (64 th)	2016.09.30	4.32	190,000	-	190,000
Fixed rate notes in foreign currency	Public, non-guaranteed bonds (65 th) ¹	2016.12.02	2.00	255,564	-	255,564
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-1 st)	2015.09.10	3.18	170,000	-	170,000
Fixed rate notes in local currency	Public, non-guaranteed bonds (66-2 nd)	2017.09.10	3.28	130,000	-	130,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(67 th)	2018.03.21	3.11	300,000	-	300,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-1 st)	2020.05.23	3.29	100,000	-	100,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-2 nd)	2020.05.24	3.29	20,000	-	20,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-3 rd)	2023.05.22	3.68	50,000	-	50,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(68-4 th)	2023.05.23	3.68	30,000	-	30,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-1 st)	2015.07.31	2.86	110,000	-	110,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-2 nd)	2018.07.31	3.54	140,000	-	140,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(69-3 rd)	2020.07.31	3.85	150,000	-	150,000
Floating rate notes in foreign currency ¹	Private, guaranteed bonds(70 th)	2019.01.31	3ML+1.60	211,060	-	211,060
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-1 st)	2018.10.18	3.55	200,000	-	200,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-2 nd)	2020.10.18	3.82	110,000	-	110,000
Fixed rate notes in local currency	Private, non-guaranteed bonds(71-3 rd)	2023.10.18	4.25	90,000	-	90,000
Floating rate notes in foreign currency ¹	Private, guaranteed bonds(72 nd)	2017.06.19	3ML+1.30	211,060	-	211,060
Less: discount on debentures				(13,931)	(335)	(13,596)
Total				4,568,684	564,596	4,004,088

¹ The Group entered into cross-currency swap contract to hedge cash flow risk related to floating interest rate and foreign exchange rate of these debenture (Note 37).

The principal and interests of private bonds(70th) are guaranteed by Shinhan Bank (Note 34).

iv) As of December 31, 2014, convertible bonds issued by LG Innotek Co., Ltd., a subsidiary, were fully converted or redeemed. Details of convertible bonds as of December 31, 2013, are as follows:

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

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

Type	Convertible bonds(27 th)
Coupon rate	0%
Rate of return	2% (8.3071% terms of payment for redemption premium)
Exercise period	2010.12.11 ~ 2014.10.11
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩150,000 per share 2. Right of claim for early redemption: The early redemption of the bond's outstanding balance can be exercised from three years after issuance (November 11, 2014) until one month before the maturity (October 11, 2014). However, in order to exercise the early redemption, the closing price of the common share of the issuing company must exceed 140% of the conversion price for 20 consecutive trading days since the start of the early redemption exercise period.
Type	Convertible bonds(32 nd)
Coupon rate	0%
Rate of return	0.1% (3.0040% terms of payment for redemption premium)
Exercise period	2013.10.17 ~ 2016.08.17
Shares to be issued upon exercise	Registered common shares
Major terms and conditions	1. Exercise price : ₩85,800 per share 2. Right of claim for early redemption: The early redemption of the bond's outstanding balance can be exercised from one month after issuance (October 17, 2014) until one month before the maturity (August 17, 2016). However, in order to exercise the early redemption, the closing price of the common share of the issuing company must exceed 130% of the conversion price for 15 consecutive trading days since the start of the early redemption exercise period.

The 32nd issue of convertible bonds at the carrying amount of ₩273,760 million and the 27th issue of convertible bonds at the carrying amount of ₩35 million issued by LG Innotek Co., Ltd. have been converted into shares during the year ended December 31, 2014. As a result, the equity of LG Innotek Co., Ltd. increased by ₩278,945 million. Accordingly, the controlling interest of the Group decreased from 47.9% to 40.8% during the year ended December 31, 2014. Equity attributable to owners of the Parent Company is increased by ₩20,017 million and non-controlling interests by ₩258,928 million. Unexercised convertible bonds (the 32nd issue) amounting to ₩13 million have been early repaid on June 6, 2014.

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(c) Payment schedule of borrowings as of December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	Total	Less than			Over
		1 year	2 years	5 years	5 years
Short-term borrowings	1,209,919	1,209,919	-	-	-
Current portion of long-term borrowings	340,291	340,291	-	-	-
Current portion of debentures	1,114,086	1,114,086	-	-	-
Long-term borrowings	2,483,506	89,695	682,652	1,223,684	487,475
Debentures	5,044,290	149,596	1,155,073	2,112,451	1,627,170
Total	10,192,092	2,903,587	1,837,725	3,336,135	2,114,645

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

16. Other Payables

Details of other payables are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current		
Non-trade payables	2,064,544	2,044,853
Accrued expenses	938,149	766,002
Dividends payable	568	562
Deposits received	17,609	18,269
Sub-total	3,020,870	2,829,686
Non-current		
Non-trade payables	13,560	17,487
Deposits received	760	10,183
Sub-total	14,320	27,670
Total	3,035,190	2,857,356

17. Current Income Tax and Deferred Income Tax

Income tax expense

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

<i>(in millions of Korean won)</i>	2014	2013
Current income taxes		
Current tax on profits for the year	353,795	428,185
Adjustments in respect of prior years	57,005	84,254
Deferred income taxes		
Changes in temporary differences	(180,733)	(81,883)
Changes in tax credits	67,021	(77,023)
Changes in tax losses	189,242	297

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<i>(in millions of Korean won)</i>	2014	2013
Income tax expense(benefit)	486,330	353,830
From continuing operations	539,761	358,472
From discontinued operations	(53,431)	(4,642)

(b) The reconciliation between profit before income tax and income tax expense is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit(loss) before income tax:		
From continuing operations	1,218,270	589,544
From discontinued operations	(230,583)	(13,010)
	987,687	576,534
Tax expense based on applicable tax rate ¹	284,356	169,457
Income not subject to tax	(15,945)	(18,576)
Expenses not deductible for tax purposes	24,288	59,683
Recognition of deferred tax asset on tax credits	(124,485)	(72,009)
Adjustments in respect of prior years	57,005	84,254
Changes in unrecognized deferred tax assets	220,529	1,688
Tax effect on investment in subsidiaries and associates	40,145	129,913
Change in tax rates	437	(580)
Income tax expense(benefit)	486,330	353,830
From continuing operations	539,761	358,472
From discontinued operations	(53,431)	(4,642)
Effective tax rate	49.2%	61.4%

¹ The applicable tax rate, calculated using the weighted average statutory tax rates applicable to each entity within the Group to the profit before tax of the Group is 28.8% (2013: 29.4%) for the year ended December 31, 2014. The applicable tax rate has decreased due to changes in the proportions of each entity's profit(loss) before income tax.

The applicable tax rate has declined due to the variation in the proportion of each entity's profit(loss) before tax.

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Deferred income tax

(a) Deferred tax assets and deferred tax liabilities after offsetting are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	879,857	841,042
Deferred tax asset to be recovered after more than 12 months	1,787,999	1,849,840
Deferred tax assets before offsetting	2,667,856	2,690,882
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	35,273	113,763
Deferred tax liability to be settled after more than 12 months	1,065,200	965,219
Deferred tax liabilities before offsetting	1,100,473	1,078,982
Deferred tax assets after offsetting	1,573,395	1,619,551
Deferred tax liabilities after offsetting	6,012	7,651

(b) Changes in deferred income tax assets and liabilities during the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	At January 1	2014			At December 31
		Charged (credited) to the statements of income	Charged(credited) to other comprehensive income	Exchange differences	
Changes in temporary differences					
Investments in subsidiaries and associates	(274,541)	(35,933)	4,168	-	(306,306)
Property, plant and equipment	(115,069)	33,093	-	(2,026)	(84,002)
Accrued expenses	426,953	66,477	-	(7,220)	486,210
Provisions	126,038	10,431	-	(1,681)	134,788
Other	283,470	106,665	60,167	(20,895)	429,407
Sub-total	446,851	180,733	64,335	(31,822)	660,097
Tax credits carryforwards	761,709	(67,021)	-	(4)	694,684
Tax loss carryforwards	403,340	(189,242)	-	(1,496)	212,602
Deferred tax assets(liabilities)	1,611,900	(75,530)	64,335	(33,322)	1,567,383

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<i>(in millions of Korean won)</i>	At January 1	2013			At December 31
		Charged (credited) to the statements of income	Charged(credited) to other comprehensive income	Exchange differences	
Changes in temporary differences					
Investments in subsidiaries and associates	(245,755)	(28,947)	161	-	(274,541)
Property, plant and equipment	(135,347)	20,308	-	(30)	(115,069)
Accrued expenses	447,795	(17,419)	-	(3,423)	426,953
Provisions	121,961	7,703	-	(3,626)	126,038
Other	222,674	100,238	(19,062)	(20,380)	283,470
Sub-total	411,328	81,883	(18,901)	(27,459)	446,851
Tax credits carryforwards	684,822	77,023	-	(136)	761,709
Tax loss carryforwards	404,744	(297)	-	(1,107)	403,340
Deferred tax assets(liabilities)	1,500,894	158,609	(18,901)	(28,702)	1,611,900

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

<i>(in millions of Korean won)</i>	2014			2013		
	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Remeasurements of net defined benefit liabilities	(176,642)	42,367	(134,275)	34,710	(8,228)	26,482
Cash flow hedge	(49,879)	11,768	(38,111)	7,537	(1,764)	5,773
Available-for-sale financial assets	(3,575)	724	(2,851)	7,654	(1,808)	5,846
Currency translation differences	(203,636)	4,168	(199,468)	(216,879)	161	(216,718)
Total	(433,732)	59,027	(374,705)	(166,978)	(11,639)	(178,617)

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

<i>(in millions of Korean won)</i>	2014			2013		
	Before Tax	Tax effects	After Tax	Before Tax	Tax effects	After Tax
Issuance and exercise of conversion rights	(21,935)	5,308	(16,627)	30,007	(7,262)	22,745

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(e) Details of deductible (taxable) temporary differences, tax credits and tax losses unrecognized as deferred tax assets (liabilities) as of December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	2014	Remark
Taxable temporary difference (investment in subsidiary)	(3,730,192)	Planned permanent reinvestment of undistributed profit
Deductible temporary difference (investment in subsidiary)	1,202,840	Unlikely to reverse(disposed of) in the foreseeable future
Deductible temporary difference	40,122	Uncertainty of future taxable profit
Tax credits carryforwards	431,906	Uncertainty of future taxable profit
Tax losses carryforwards	222,561	Uncertainty of future taxable profit

(f) Expirations of unrecognized tax credits and tax losses carryforwards as of December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	Less than			
	1 year	2 years	3 years	Over 3 years
Tax credits carryforwards	181,925	39,801	78,933	131,247
Tax losses carryforwards	9,971	58,993	25,328	128,269

18. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Present value of funded obligations	2,307,568	1,849,385
Present value of unfunded obligations	34,065	33,549
Sub-total	2,341,633	1,882,934
Fair value of plan assets	(1,543,183)	(1,302,015)
Net defined benefit liability	798,450	580,919

(b) The amounts recognized in the consolidated statements of income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Current service cost	321,164	307,083
Net interest cost	25,588	20,421
Past service cost	25,592	-
Managing cost	1,578	1,325
Total	373,922	328,829

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(c) The line items in which expenses are included for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Manufacturing costs	178,731	161,586
Selling and marketing expenses	62,812	52,477
Administrative expenses	26,014	18,878
Research and development expenses	90,606	79,088
Service costs	9,119	7,750
Sub-total	367,282	319,779
Discontinued operations	6,640	9,050
Total	373,922	328,829

(d) Changes in the present value of defined benefit obligations for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	1,882,934	1,648,334
Current service cost	321,164	307,083
Interest expense	74,740	59,676
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	24,830	2,098
- Actuarial loss(gain) arising from changes in financial assumptions	179,213	(61,663)
- Actuarial loss(gain) arising from experience adjustments	(37,018)	22,438
Changes in scope of subsidiaries	-	1,521
Benefits paid	(129,297)	(97,658)
Past service cost	25,592	-
Decrease due to business transfer	-	(4,251)
Others	(525)	5,356
At December 31	2,341,633	1,882,934

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(e) Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	1,302,015	1,018,196
Interest income	49,152	39,255
Remeasurements for:		
- Return on plan assets	(9,617)	(2,417)
Employer contributions	289,071	296,984
Changes in scope for consolidation	-	979
Benefits paid	(85,907)	(46,172)
Decrease due to business transfer	-	(2,939)
Managing cost	(1,578)	(1,325)
Others	47	(546)
At December 31	1,543,183	1,302,015

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

	December 31, 2014	December 31, 2013
Weighted average of discount rate	3.2%	4.1%
Weighted average of future salary increase	6.1%	6.1%

As of December 31, 2014, the discount rates applied to the Parent Company and subsidiaries are between 0.5%~9.1% (2013: 0.9%~9.5%), and the expected rates of future salary increase are between 0.0%~13.0% (2013: 4.0%~13.0%).

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

<i>(in millions of Korean won)</i>	1% increase	1% decrease
Discount rate	(184,954)	212,946
Future salary increase	202,332	(187,537)

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 consist of:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Amount	composition(%)	Amount	composition(%)
Securities combined with derivatives (guaranteed)	1,100,955	71.3	897,349	68.9
Time deposits and others	442,228	28.7	404,666	31.1
Total	1,543,183	100.0	1,302,015	100.0

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- (i) The weighted average duration of the defined benefit obligations is 9.1 years. Expected maturity analysis of undiscounted pension benefits as of December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years	Total
Pension benefits	129,499	146,925	347,418	768,923	1,954,138	3,346,903

The Group evaluates the fund contribution level annually and if there is a shortfall in the funds the Group has a policy to finance the funds. Expected contributions to post-employment benefit plans for the year ending December 31, 2015, are ₩255,907 million.

Defined Contribution Plan

Recognized expense related to the defined contribution plan for the year ended December 31, 2014, is ₩11,275 million (2013: ₩7,148 million).

19. Provisions

Changes in provisions during the years ended December 31, 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, 2014	612,101	63,183	11,265	975,947	1,662,496
Additions	945,022	264,518	4,165	38,153	1,251,858
Utilization	(872,010)	(255,591)	(1,852)	(30,714)	(1,160,167)
Exchange differences	(21,874)	(2,169)	(169)	(14,271)	(38,483)
At December 31, 2014	663,239	69,941	13,409	969,115	1,715,704
Current	599,258	69,941	-	41,565	710,764
Non-current	63,981	-	13,409	927,550	1,004,940
2013					
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1, 2013	598,329	61,498	8,882	908,444	1,577,153
Additions	967,804	260,783	3,067	120,226	1,351,880
Utilization	(936,678)	(256,346)	(747)	(39,189)	(1,232,960)
Exchange differences	(17,485)	(2,752)	63	(13,534)	(33,708)
Changes in scope for consolidation	131	-	-	-	131
At December 31, 2013	612,101	63,183	11,265	975,947	1,662,496
Current	559,198	63,183	-	41,320	663,701
Non-current	52,903	-	11,265	934,627	998,795

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20. Other Liabilities

Other liabilities during the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Current		
Advances from customers	265,889	347,924
Unearned income	44,142	71,203
Withholding	335,778	370,924
Accrued expenses	1,957,128	1,931,684
Other	27	24
Sub-total	2,602,964	2,721,759
Non-current		
Unearned income	8,086	8,975
Other	1,711	1,712
Sub-total	9,797	10,687
Total	2,612,761	2,732,446

21. Paid-in Capital

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

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

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

(b) Share premium balance as of December 31, 2014, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying value of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of common shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of common shares in 2011.

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22. Retained Earnings and Dividends

Retained Earnings

(a) Retained earnings consist of:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Legal reserve ¹	153,190	149,503
Discretionary reserve ²	5,666,922	5,872,588
Unappropriated retained earnings	3,260,932	2,863,432
Total	9,081,044	8,885,523

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.

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

(b) Changes in retained earnings are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	8,885,523	8,723,950
Profit for the year attributable to equity holders of the Parent Company	399,350	176,768
Remeasurements of net defined benefit liability	(123,899)	21,059
Share of remeasurements of associates	(43,058)	618
Dividends	(36,872)	(36,872)
At December 31	9,081,044	8,885,523

Dividends

The dividends paid in 2014 and 2013 were ₩36,872 million and ₩36,872 million, respectively. Details of dividends per share and a total dividend in respect of the year ended December 31, 2014, which is to be proposed at the annual general meeting on March 19, 2015, are as follows. These consolidated financial statements do not reflect this dividend payable.

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Dividends for the years ended December 31, 2014 and 2013, are as follows:

<i>(Unit: shares)</i>	2014		2013	
	Common shares	Preferred shares	Common shares	Preferred shares
Outstanding shares	163,647,814	17,185,992	163,647,814	17,185,992
Treasury shares	(763,170)	(4,690)	(763,168)	(4,690)
Numbers of shares for dividend	162,884,644	17,181,302	162,884,646	17,181,302
Par value (in Korean won)	5,000	5,000	5,000	5,000
Dividend rate	8%	9%	4%	5%
Dividends per share	400	450	200	250
Total dividend amount (in millions of Korean won)	65,154	7,731	32,577	4,295
Dividend payout ratio ¹ (Dividends/Net income)	-	-	-	-
Stock price ² (in Korean won)	59,700	27,813	67,275	26,388
Dividend yield ratio (Dividend per share/ Market price)	0.67%	1.62%	0.30%	0.95%

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

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

23. Accumulated Other Comprehensive Income(loss)

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Accumulated other comprehensive loss of associates and joint ventures	(79,567)	(92,756)
Cash flow hedge	(33,077)	5,034
Available-for-sale financial assets	8,514	11,266
Currency translation differences	(1,039,427)	(830,984)
Total	(1,143,557)	(907,440)

24. Other Components of Equity

Details of other components of equity consist of:

<i>(in millions of Korean won)</i>	December 31, 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
Capital transactions within the Group ²	(177,593)	(198,410)
Total	(210,412)	(231,229)

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¹ As of December 31, 2014, the Parent Company has treasury shares consisting of 763,170 common shares (2013: 763,168 shares) and 4,690 preferred shares (2013: 4,690 shares) at the reporting date. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

² The amounts include gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries, net of related deferred tax. Changes during the year are due to the conversion of the convertible bonds issued by a subsidiary, LG Innotek Co., Ltd., amounting to ₩20,017 million, and due to the exercise of appraisal rights for the shares of a subsidiary, LG-Shaker Co., Ltd., amounting to ₩800 million (Note 1).

25. Net Sales

Details of net sales for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Sales of goods	58,307,228	56,181,188
Sales of services	434,969	328,681
Royalty income	298,570	262,433
Sub-total	59,040,767	56,772,302
Discontinued operations	1,015,307	1,368,074
Total	60,056,074	58,140,376

26. Expenses by Nature

Expenses that are recorded by nature for the years ended December 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Changes in finished goods and work-in-process	(555,698)	134,830
Raw materials and merchandise used	37,820,762	35,853,072
Employee benefit expense	6,130,855	6,042,827
Depreciation and amortization	1,876,576	1,849,763
Advertising expense	1,153,182	1,204,590
Promotion expense	833,284	767,755
Transportation expense	1,587,319	1,613,046
Commission expense	2,751,176	2,628,671
Other expenses	5,614,754	5,428,737
Sub-total¹	57,212,210	55,523,291
Discontinued operations	1,055,759	1,332,416
Total	58,267,969	56,855,707

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

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27. General Operating Expenses (Selling and Marketing Expenses, Administrative Expenses, Research and Development Expenses and Service Costs)

Details of general operating expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Wages and salaries	2,566,251	2,605,974
Severance benefits	206,763	163,906
Welfare expense	574,157	566,867
Transportation expense	1,564,122	1,587,848
Rental expense	420,010	428,456
Commission expense	1,989,453	1,869,990
Depreciation	259,472	255,712
Amortization	187,143	219,133
Taxes and dues	146,946	196,274
Advertising expense	1,153,182	1,204,590
Promotion expense	833,284	767,755
Direct R&D costs	351,848	403,491
Direct service costs	823,952	845,772
Bad debt expense	28,387	(4,831)
Other	808,118	816,202
Sub-total	11,913,088	11,927,139
Discontinued operations	165,588	207,899
Total	12,078,676	12,135,038

28. Financial Income

Financial income for the years ended December 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Interest income	94,223	90,063
Foreign exchange gain	304,908	294,664
Gain on derivatives	17,330	23,570
Other	199	44
Sub-total	416,660	408,341
Discontinued operations	6,502	17,765
Total	423,162	426,106

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29. Financial Expenses

Financial expenses for the years ended December 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Interest expense	420,389	380,603
Foreign exchange loss	285,482	356,922
Loss on derivatives	22,567	11,557
Loss on disposal of trade receivables	21,331	26,484
Other	2,687	1,388
Sub-total	752,456	776,954
Discontinued operations	44,297	49,807
Total	796,753	826,761

30. Other Non-operating Income

Other non-operating income for the years ended December 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Dividend income	293	298
Exchange differences	1,212,054	1,086,656
Gain on derivatives	34,750	7,713
Gain on disposal of property, plant and equipment	27,925	19,164
Gain on disposal of intangible assets	15,367	7,201
Gain on disposal of available-for-sale financial assets	1,555	7,695
Gain on disposal of investments in associates and joint ventures	386	-
Other	86,222	32,457
Sub-total	1,378,552	1,161,184
Discontinued operations	20,405	30,145
Total	1,398,957	1,191,329

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31. Other Non-operating Expenses

Other non-operating expenses for the years ended December 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Exchange differences	1,672,704	1,353,898
Loss on derivatives	17,780	6,650
Loss on disposal of property, plant and equipment	36,994	22,704
Loss on disposal of intangible assets	19,950	18,301
Impairment loss on disposal of available-for-sale financial assets	1,114	6,034
Loss on available-for-sale financial assets	2	75
Other	208,918	170,376
Sub-total	1,957,462	1,578,038
Discontinued operations	172,740	46,772
Total	2,130,202	1,624,810

32. Earnings per Share

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

(a) Basic earnings per common share is as follows:

	2014	2013
Profit(loss) attributable to common shares ¹ (in millions of won)	360,468	159,125
Continuing operations	520,418	166,634
Discontinued operations	(159,950)	(7,509)
Weighted average number of common shares outstanding (unit: shares) ²	162,884,645	162,884,646
Basic earnings(loss) per common share (in won)	2,213	977
Continuing operations	3,195	1,023
Discontinued operations	(982)	(46)

(b) Basic earnings per preferred share is as follows:

	2014	2013
Profit(loss) attributable to preferred shares ¹ (in millions of won)	38,882	17,643
Continuing operations	55,753	18,435
Discontinued operations	(16,871)	(792)
Weighted average number of preferred shares outstanding (unit: shares) ²	17,181,302	17,181,302
Basic earnings(loss) per preferred share (in won)	2,263	1,027
Continuing operations	3,245	1,073
Discontinued operations	(982)	(46)

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¹ Profit attributable to common and preferred shares is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Continuing operations:		
Profit(loss) for the year (A)	576,171	185,069
Common share dividends (B)	65,154	32,577
Preferred share dividends (C)	7,731	4,295
Undistributed profit(D=A-B-C)	503,286	148,197
Undistributed profit available for common shares (E)	455,264	134,057
Undistributed profit available for preferred shares (F)	48,022	14,140
Profit(profit) attributable to common shares (G=B+E)	520,418	166,634
Profit(loss) attributable to preferred shares (H=C+F)	55,753	18,435
Discontinued operations:		
Loss for the year (I)	(176,821)	(8,301)
Common share dividends (J)	-	-
Preferred share dividends (K)	-	-
Undistributed loss (L=I-J-K)	(176,821)	(8,301)
Undistributed loss available for common shares (M)	(159,950)	(7,509)
Undistributed loss available for preferred shares (N)	(16,871)	(792)
Loss attributable to common shares (O=J+M)	(159,950)	(7,509)
Loss attributable to preferred shares (P=K+N)	(16,871)	(792)

² Weighted average numbers of shares are calculated as follows:

	2014	2013
Common shares outstanding	163,647,814	163,647,814
Common treasury shares	(763,170)	(763,168)
Common shares	162,884,644	162,884,646
Weighted average number of common shares outstanding	162,884,645	162,884,646
Preferred shares outstanding	17,185,992	17,185,992
Preferred treasury shares	(4,690)	(4,690)
Preferred shares	17,181,302	17,181,302
Weighted average number of preferred shares outstanding	17,181,302	17,181,302

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33. Information on Cash Flow

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the years ended December 31, 2014 and 2013, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2014	2013
Profit for the year	501,357	222,704
Adjustments:		
Interest expense, net	364,883	323,209
Foreign exchange loss, net	142,581	92,967
Gain on derivatives, net	(11,504)	(13,961)
Depreciation	1,552,158	1,543,749
Amortization	426,044	384,416
Loss on disposal of property, plant and equipment, intangible assets, net	19,802	13,305
Provisions for severance benefits	373,922	328,829
Provisions	1,251,858	1,351,880
Income tax expense	486,330	353,830
Gain from equity method	(304,419)	(126,000)
Other	569,596	335,329
	<u>4,871,251</u>	<u>4,587,553</u>
Changes in operating assets and liabilities:		
Increase in trade receivables	(919,008)	(202,450)
Increase in loans and other receivables	(23,253)	(123,642)
Increase in inventories	(1,359,041)	(296,329)
Increase in other assets	(10,369)	(138,027)
Increase in trade payables	1,283,600	388,202
Increase in other payables	217,497	261,491
Decrease in provisions	(1,160,167)	(1,232,960)
Decrease in other liabilities	(128,197)	(125,926)
Payment of defined benefit liability	(43,390)	(51,486)
Deposit in plan assets, net	(327,028)	(332,497)
	<u>(2,469,356)</u>	<u>(1,853,624)</u>
Cash generated from operations	<u>2,903,252</u>	<u>2,956,633</u>

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(b) Significant Non-cash transactions

<i>(in millions of Korean won)</i>	2014	2013
Reclassification of construction-in-progress of property, plant and equipment	1,134,747	951,438
Reclassification of intangible assets in progress	243,961	249,548
Reclassification of long-term prepayment to intangible assets	90,526	104,729
Reclassification of current maturities of borrowings and debentures	1,580,162	2,096,364
Other payables to acquire property, plant and equipment	201,283	190,638
Other payables to acquire intangible assets	93,495	99,106
Conversion of convertible bonds	273,795	-

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

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

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

¹ This total amount of consideration was collected as of December 31, 2013.

34. Contingencies

(a) At the end of the reporting period, certain property, plant and equipment including land, buildings and machinery are pledged as collateral for financial transactions (Note 11).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with guarantees of ₩258,145 million (2013: ₩146,332 million) from Seoul Guarantee Insurance and three other banks relating to the performance guarantees and others. The Parent Company is provided with guarantee of principal USD 200 million (2013:

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USD 200 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

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

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

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

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

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

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

35. Commitments

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

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In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩32,000 million (2013: ₩32,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩204,565 million (2013: ₩233,686 million).

Other overseas subsidiaries have overdraft facility agreements with a limit of ₩1,228,307 million (2013: ₩1,143,667 million) with various banks, including Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with Shinhan Bank and 25 other banks amounting to ₩3,559,210 million (2013: ₩4,066,071 million). The Parent 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).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with Hana Bank and others amounting to ₩350,618 million (2013: ₩390,608 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 280 million (2013: USD 434 million). In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩26,500 million (2013: ₩11,500 million) in connection with the collection of the trade receivables.

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

In addition, LG Innotek Co., Ltd. and its subsidiaries, provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩165,595 million (2013: ₩236,332 million) in connection with the discounting of notes which are paid to their suppliers.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩90,000 million limit (2013: ₩90,000 million) to guarantee the payment of trade accounts payable.

(d) LG Innotek Co., Ltd., a subsidiary, has an agreement for underwriting commercial paper amounting to ₩34,000 million (2013: ₩34,000 million).

In addition, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (2013: nil).

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

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(f) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Property, plant and equipment	39,585	16,772
Intangible assets	5,012	13,627
Total	44,597	30,399

(g) Operating lease commitments – the Group as lessee

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

<i>(in millions of Korean won)</i>	December 31, 2014			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Buildings and offices	189,785	380,776	24,350	594,911
Vehicles	29,300	38,694	-	67,994
Equipment and others	20,652	18,587	-	39,239
Total	239,737	438,057	24,350	702,144

Lease payment under operating lease recognized in the consolidated statement of income for the year ended December 31, 2014, is ₩285,793 million (2013: ₩262,365 million).

(h) Operating lease commitments – the Group as lessor

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

<i>(in millions of Korean won)</i>	December 31, 2014		
	No later than 1 year	Later than 1 year and no later than 3 years	Total lease receipts
Healthcare rental	91,039	142,875	233,914

- ii) The Group recognized ₩90,265 million (2013: ₩76,954 million) in lease income for the year ended December 31, 2014.

- iii) Details of assets subject to operating lease are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Acquisition cost	81,238	73,910
Accumulated depreciation	(37,300)	(29,250)
Accumulated impairment	(782)	(530)
Net book amount	43,156	44,130

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iv) Changes in net book amount of assets subject to operating lease for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	44,129	45,237
Acquisition	18,909	17,754
Disposal	(3,332)	(3,430)
Depreciation	(16,273)	(14,902)
Impairment	(277)	(530)
At December 31	43,156	44,129

(i) Finance lease commitments – the Group as lessee

At the end of the reporting period, the Group has entered into a finance lease agreement for vehicle lease and has recognized related assets and liabilities in the consolidated statements of financial position. Net book value of the leased assets amounts to ₩5,499 million, and the present value of the finance lease liabilities amounts to ₩3,245 million.

As of December 31, 2014, future minimum lease payments under the finance lease agreement are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Minimum lease payments	PV of minimum lease payments	Minimum lease payments	PV of minimum lease payments
Within 1 year	1,686	1,605	1,930	1,815
1 to 5 years	1,741	1,640	1,641	1,502
Total	3,427	3,245	3,571	3,317

(j) Trademark license commitments

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

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

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36. Related Party

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

Classification	Name		Note
	December 31, 2014	December 31, 2013	
Significantly influencing the Group	LG Corp.	LG Corp.	-
Associates	LG Display Co., Ltd., and subs	LG Display Co., Ltd., and subs	-
	LG Display Co., Ltd.	LG Display Co., Ltd.	-
	LG Display Germany GmbH	LG Display Germany GmbH	-
	LG Display Shanghai Co.,Ltd.	LG Display Shanghai Co.,Ltd.	-
	LG Display Yantai Co.,Ltd.	LG Display Yantai Co.,Ltd.	-
	LG. Display America,Inc.	LG. Display America,Inc.	-
	LG Display Japan Co., Ltd.	LG Display Japan Co., Ltd.	-
	LG Display Taiwan Co., Ltd.	LG Display Taiwan Co., Ltd.	-
	LG Display Nanjing Co., Ltd.	LG Display Nanjing Co., Ltd.	-
	LG Display Poland Sp. zo.o.	LG Display Poland Sp. zo.o.	-
	LG Display 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.	-
	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	-

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Classification	Name		Note
	December 31, 2014	December 31, 2013	
	Hitachi-LG Data Storage Inc.	Hitachi-LG Data Storage Inc.	-
	Hitachi-LG Data Storage Korea, Inc.	Hitachi-LG Data Storage Korea, Inc.	-
	Hitachi-LG Data Storage(Huizhou), Ltd.	Hitachi-LG Data Storage(Huizhou), Ltd.	-
	Hitachi Electronic Products (Malaysia) Sdn. Bhd.	Hitachi Electronic Products (Malaysia) Sdn. Bhd.	-
	LG Fuel Cell Systems Inc., and others	LG Fuel Cell Systems Inc., and others	-
	LG Fuel Cell Systems Inc.	LG Fuel Cell Systems Inc.	-
	LG Fuel Cell Systems Korea Inc.	LG Fuel Cell Systems Korea Inc.	-
	Korea Information Certificate Authority Inc.	Korea Information Certificate Authority Inc.	-
	Global OLED Technology LLC	Global OLED Technology LLC	-
	SKT Vietnam PTE., Ltd.	SKT Vietnam PTE., Ltd.	-
	One-Red, LLC	One-Red, LLC	-
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-
	LG Holdings(HK) Ltd. and 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	-
	LG-MRI LLC	-	-
Other related parties	LG CNS Co., Ltd., and subs	LG CNS Co., Ltd., and subs	LG Corp.'s subsidiary
	LG CNS Co., Ltd.	LG CNS Co., Ltd.	-
	LG N-Sys Inc.	LG N-Sys Inc.	-
	BNE PARTNERS, Inc.	BNE PARTNERS, Inc.	-
	Ucess Partners Co., Ltd.	Ucess Partners Co., Ltd.	-
	KOREA ELECOM Ltd.	KOREA ELECOM Ltd.	-
	Ever On Co., Ltd.	Ever On Co., Ltd.	-
	LG System Philippines Inc.	LG System Philippines Inc.	-
	LG CNS China Inc.	LG CNS China Inc.	-
	LG CNS Europe B.V	LG CNS Europe B.V	-
	LG CNS Japan Co., Ltd.	LG CNS Japan Co., Ltd.	-
	LG CNS America Inc.	LG CNS America Inc.	-
	LG CNS India Pvt. Ltd.	LG CNS India Pvt. Ltd.	-
	PT LG CNS Indonesia	PT LG CNS Indonesia	-
	Entrue Brasil Servicos de T.I. Ltda.	Entrue Brasil Servicos de T.I. Ltda.	-

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Classification	Name		Note
	December 31, 2014	December 31, 2013	
	LG CNS Shenyang Inc.	LG CNS Shenyang Inc.	-
	LG CNS Tianjin Inc.	LG CNS Tianjin Inc.	-
	SBI-LG Systems Co., Ltd.	SBI-LG Systems Co., Ltd.	-
	LG CNS Colombia S.A.S	LG CNS Colombia S.A.S	-
	Ucess Philippines, Inc.	Ucess Philippines, Inc.	-
	Oneseen Skytech Co., Ltd.	Oneseen Skytech Co., Ltd.	-
	LG CNS Malaysia Sdn. Bhd.	LG CNS Malaysia Sdn. Bhd.	-
	LG CNS Saudi Arabia LLC	LG CNS Saudi Arabia LLC	-
	TXCNS Healthcare, LLC	TXCNS Healthcare, LLC	-
	LG CNS GB Ltd.	LG CNS GB Ltd.	-
	LG CNS Smart Green Co.,Ltd.	LG CNS Smart Green Co.,Ltd.	-
	LLC LG CNS RUS	LLC LG CNS RUS	-
	-	LG N-Sys China, Inc	-
	-	LG CNS UK Limited	-
	Collain Healthcare, LLC	-	-
	LG CNS Chile Ltda.	-	-
	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	-	-
	Gumiochang Photovoltaic 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

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Classification	Name		Note
	December 31, 2014	December 31, 2013	
	LG MMA Ltd.	LG MMA Ltd.	LG Corp.'s joint venture

(b) Major balances and transactions

i) Major transactions for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

Classification	Name	2014					Purchases Total
		Sales	Raw materials	Fixed and intangible assets	General Operating Expenses	Others	
Significantly influencing the Group	LG Corp.	558	-	-	155,309	-	155,309
Associates	LG Display Co., Ltd., and subs	1,025,880	6,590,945	-	14,330	-	6,605,275
	Ericsson-LG Co., Ltd., and subs	9,409	5,543	-	-	-	5,543
	Hitachi LG Data Storage Inc., and subs	58,157	504,059	-	-	-	504,059
	LG Fuel Cell Systems Inc., and subs	43	-	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	21	-	21
	Subtotals	1,093,489	7,100,547	-	14,351	-	7,114,898
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	59,017	92,231	-	-	-	92,231
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	2,961	-	2,961
	EIC PROPERTIES PTE, LTD.	-	-	-	868	-	868
	Subtotals	59,017	92,231	-	3,829	-	96,060
Other related parties	SERVEONE Co., Ltd., and subs	20,266	1,092,032	8,832	156,415	5,223	1,262,502
	LG Siltron Incorporated	4,744	873	-	830	-	1,703
	LG CNS Co., Ltd., and subs	30,989	119,700	110,873	474,411	-	704,984
	LG SPORTS Ltd.	423	-	-	12,214	-	12,214
	LG Management Development Institute	20	412	-	27,852	-	28,264
	LUSEM CO., LTD.	54,031	25,019	-	633	-	25,652
	LG MMA Ltd.	1,449	170	-	-	-	170
	LG Holdings Japan Co., Ltd.	14	-	-	2,260	-	2,260
	Subtotals	111,936	1,238,206	119,705	674,615	5,223	2,037,749
	Total	1,265,000	8,430,984	119,705	848,104	5,223	9,404,016

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

¹ Includes disposals of property, plant, and equipment, and others.

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

(in millions of Korean won)

		December 31, 2014							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	22,882	22,882	-	-	5,208	5,208
Associates	LG Display Co., Ltd., and subs	163,868	-	68,333	232,201	797,656	-	29,527	827,183
	Ericsson-LG Co., Ltd., and subs	267	-	64	331	678	-	150	828
	Hitachi-LG Data Storage Inc., and subs	26	-	257	283	40,174	-	61	40,235
	Subtotals	164,161	-	68,654	232,815	838,508	-	29,738	868,246
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	7,607	-	-	7,607	970	-	-	970
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	-	-	-	1,486	1,486
	EIC PROPERTIES PTE, LTD.	-	-	-	-	-	-	75	75
	Subtotals	7,607	-	-	7,607	970	-	1,561	2,531
Other related parties	SERVEONE Co., Ltd., and subs	2,632	-	60,722	63,354	234,069	-	51,934	286,003
	LG Siltron Incorporated	836	-	-	836	28	-	1,540	1,568
	LG CNS Co., Ltd., and subs	2,357	-	521	2,878	33,430	-	326,691	360,121
	LG SPORTS Ltd.	2	-	-	2	-	-	231	231
	LG Management Development Institute	-	-	17,864	17,864	11	-	2,658	2,669
	LUSEM CO., LTD.	8,108	-	-	8,108	2,031	-	10	2,041
	LG MMA Ltd.	164	-	-	164	121	-	3	124
	LG Holdings Japan Co., Ltd.	-	-	3,506	3,506	-	-	-	-
Subtotals	14,099	-	82,613	96,712	269,690	-	383,067	652,757	
Total	185,867	-	174,149	360,016	1,109,168	-	419,574	1,528,742	

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

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

(in millions of Korean won)

		2014						
Classification	Name	Dividend Income	Cash investment	Disposal of shares	Financing loan transaction		Financing borrowing transaction	
					Loan	Collection	Borrowing	Repayment
	Ericsson-LG Co., Ltd.	17,000	-	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	7,267	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	Subtotals	17,060	7,267	-	-	-	-	-
Joint ventures	LG Fund for Enterprises	6	(680)	-	-	-	-	-
	Totals	17,066	6,587	-	-	-	-	-

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

¹ The Group acquired 100% of V-ENS Co., Ltd.'s ordinary shares from LG CNS Co., Ltd. in May 2013(Note 38).

- iv) During 2013, the Group transferred the Data Storage business to Hitachi-LG Data Storage Inc. and its subsidiaries (Note 33).
- (c) Key management compensation costs of the Group for the years ended December 31, 2014 and 2013, consist of:

(in millions of Korean won)	2014	2013
Wages and salaries	13,329	11,448
Post-employment benefits	4,742	1,661
Other long-term benefits	58	31
Total	18,129	13,140

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

- (d) There is no payment guarantee provided by the Group for the funding sources of the related parties as of December 31, 2014.
- (e) There is no collateral provided by the Group for the funding sources of the related parties as of December 31, 2014.
- (f) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties for the years ended December 31, 2014 and 2013.

37. Risk Management

Financial Risk Management

The Group's financial risk management ("FRM") policy supports each business division to

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achieve excellent performance solidly and continuously against market risk, credit risk and liquidity risk. In addition, FRM helps the Group to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

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

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

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

The carrying amount, and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 5 and Note 15, respectively.

(a) Market risk

i) Foreign exchange risk

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

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

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

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As of December 31, 2014 and 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>	December 31, 2014		December 31, 2013	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(88,337)	88,337	(156,312)	156,312
EUR/KRW	50,124	(50,124)	41,062	(41,062)
Other ¹ /KRW	57,892	(57,892)	74,373	(74,373)

¹ Other currency includes Brazil Real and Russia Ruble.

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

ii) Interest rate risk

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

The Group carries minimizing borrowings from others and optimizing own deposits by expanding internal finance sharing. The Group periodically establishes the plan for reaction by the monitoring trends of internal and external interest rates, and minimizes the risk of net interest expense by properly operating short-term borrowings with variable interest rates and deposits.

As of December 31, 2014 and 2013, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the twelve-month periods are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	1% increase	1% decrease	1% increase	1% decrease
Interest income	20,468	(20,468)	24,468	(24,468)
Interest expense	6,674	(6,674)	9,471	(9,471)

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iii) Details of derivatives contracts are as follows:

Hedging purposes

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

December 31, 2014	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Starting date	Expiration date
USD/KRW CRS	Shinhan Bank	USD200	USD/KRW 1,113.6	3ML+160bp	3.22%	2013.07.11	2019.01.31
	BNP PARIBAS and others	USD200	USD/KRW 1,052.1	3ML+130bp	3.42%	2013.11.28	2017.06.19
CHF/KRW CRS	UBS and others	CHF215	CHF/KRW 1,213.6	2.00%	3.64 ~ 3.74	2012.07.06	2016.12.02
USD/BRL CRS	Standard Chartered	USD15	USD/BRL 2.4245	1.96%	10.50%	2014.01.06	2015.01.06
		USD25	USD/BRL 2.3835	2.05%	10.95%	2014.03.17	2015.03.17
		USD22	USD/BRL 2.6700	1.30%	11.00%	2014.12.15	2015.06.15
		USD27	USD/BRL 2.6700	1.43%	11.30%	2014.12.15	2015.09.15
		USD6	USD/BRL 2.7250	1.30%	11.00%	2014.12.23	2015.06.23
		USD23	USD/BRL 2.7250	1.35%	11.00%	2014.12.23	2015.06.23
		USD27	USD/BRL 2.7250	1.35%	11.30%	2014.12.23	2015.09.23
		CITIBANK	USD15	USD/BRL 2.3867	1.62%	10.50%	2014.01.06
ITAU UNIBANCO	USD25	USD/BRL 2.3334	1.33%	10.95%	2014.03.05	2015.03.05	
USD/VND CRS	BTMU	USD8	USD/VND 21,240	3ML+0.70	5.50%	2014.10.20	2015.10.19
		USD22	USD/VND 21,345	3ML+0.70	5.40%	2014.11.19	2015.10.19

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

December 31, 2014	Contractor	Contracted amount (in millions of Korean won)	Interest rate (received)	Interest rate (paid)	Starting date	Expiration date
Interest rate swap	Hana Bank	200,000	3M CD+98bp	4.53%	2014.01.03	2024.01.03
	Kookmin Bank	200,000	3M CD+114bp	4.52%	2014.04.29	2029.04.30

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 ₩62,319 million in 2014 (2013: loss on valuation amounting to ₩13,182 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Group has reclassified ₩24,208 million to loss from equity in 2014 (2013: ₩18,955 million). Therefore, other comprehensive loss from cash flow hedges amounts to ₩38,111 million in 2014 (2013: other comprehensive income of ₩5,773 million) after applying the tax effect.

Trading purposes

The Group entered into the currency forward contracts to hedge against possible future changes in foreign exchange rates. The subsidiaries' currency forward contracts as of December 31, 2014, and related profit or loss for the year ended December 31, 2014, are as follows:

(in millions of Korean won)	Purchase	Sale	Gain on valuation	Gain on transaction
Currency forward	174,750	179,222	3,338	15,172

iv) Price risk

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

The listed securities owned by the Group are traded in the public 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 in the price index under the assumption that other variations are consistent and the listed securities owned by the Group have correlation with the relevant past index.

(in millions of Korean won)	December 31, 2014		December 31, 2013	
	30% increase	30% decrease	30% increase	30% decrease
KOSPI	-	-	1	(1)
KOSDAQ	3,001	(3,001)	3,095	(3,095)
NASDAQ	742	(742)	1,213	(1,213)

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The valuation and the reclassified amounts of the available-for-sale financial assets related to the market risk above are presented in Note 8.

(b) Credit risk

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

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

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

<i>(in millions of Korean won)</i>	December 31, 2014	December 31, 2013
Receivables with insurance or collateral		
Excellent	1,684,391	1,187,074
Good	1,077,174	1,235,147
Fair	1,697,433	1,271,696
Poor ¹	1,103,277	762,506
Sub-total	5,562,275	4,456,423
Receivables without insurance or collateral		
Tier 1	731,982	1,128,453
Tier 2	167,938	118,517
Tier 3	600,520	857,035
Sub-total	1,500,440	2,104,005
Total	7,062,715	6,560,428

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

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

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

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

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

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

Tier 3 – Small debtors without credit history

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

Category	December 31, 2014	December 31, 2013
Excellent	2,012,767	2,317,442
Good	325,706	404,317
Others	62,636	83,759
Total	2,401,109	2,805,518

Excellent: Equal to or more than A-(Global credit rating agency such as S&P), AAA(Domestic credit rating agency such as Korea investors service)

Good: Equal to or more than BBB-(Global credit rating agency such as S&P), AA(Domestic credit rating agency)

Others: Financial deposit without credit rating

(c) Liquidity risk

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

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

In addition, the Group is able to source funds any time in the domestic and international financial markets as of the end of reporting period because it has good investment credit grades from Korea Investors Service, Korea Ratings and NICE Information Service of AA, and Standard & Poors and Moody's of BBB and Baa3, respectively, as of December 31, 2014,.

Cash flow information on maturity of borrowings is presented in Note 15.

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	December 31, 2014	December 31, 2013
Liability (A)	24,077,323	22,838,695
Equity (B)	12,991,097	12,689,369
Cash and cash equivalents and current financial deposits (C)	2,312,106	2,713,166
Borrowings (D)	9,002,431	9,211,029
Liability-to-equity ratio (A/B)	185.3%	180.0%
Net borrowings ratio (D-C)/B	51.5%	51.2%

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Fair Value Estimation

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

<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Book amount	Fair value	Book amount	Fair value
Current financial asset items				
[Assets at fair value]				
Financial assets at fair value through profit or loss				
Other financial assets	5,654	5,654	16,080	16,080
Derivatives for hedging purposes				
Other financial assets	5,515	5,515	1,319	1,319
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	2,244,406	1	2,645,270	1
Financial deposits	67,700	1	67,896	1
Trade receivables	7,683,915	1	7,117,402	1
Other receivables	633,219	1	596,505	1
Held-to-maturity financial assets				
Other financial assets	24	1	31	1
Non-current financial asset items				
[Assets at fair value]				
Derivatives for hedging purposes				
Other financial assets	5,252	5,252	94	94
Available-for-sale financial assets				
Other financial assets	14,529	14,529	19,560	19,560
[Assets at amortized cost]				
Loans and other receivables				
Financial deposits	94,323	94,323	96,992	96,992
Other receivables	548,564	535,896	601,978	577,737
Held-to-maturity financial assets				
Other financial assets	2,638	1	2,545	1
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	34,356	2	33,515	2
Total	11,340,095		11,199,187	

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<i>(in millions of Korean won)</i>	December 31, 2014		December 31, 2013	
	Book amount	Fair value	Book amount	Fair value
Current financial liability items				
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	3,409	3,409	684	684
Derivatives for hedging purposes				
Other financial liabilities	3,013	3,013	10,100	10,100
[Liabilities at amortized cost]				
Trade payables	6,741,710	¹	5,691,114	¹
Borrowings	2,575,550	¹	3,022,723	¹
Other payables	3,020,870	¹	2,829,686	¹
[Other liabilities]				
Other financial liabilities	106	³	105	³
Non-current financial liability items				
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	-	-	773	773
Derivatives for hedging purposes				
Other financial liabilities	62,160	62,160	9,371	9,371
[Liabilities at amortized cost]				
Borrowings	6,426,881	6,783,359	6,188,306	6,308,304
Other payables	14,320	14,458	27,670	27,670
[Other liabilities]				
Other financial liabilities	414	³	520	³
Total	18,848,433		17,781,052	

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

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

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement is to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The Group measures fair value

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using valuation techniques that maximizes the use of market information and minimizes the use of unobservable inputs.

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

- Level 1: Financial instruments measured at the quoted prices in an active 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.
- Level 2: When financial instruments are measured by using a discounted cash flow, 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 discounted cash flow, 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 Group is the current bid price. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily equity investments classified as available for sale.

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

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

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ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	13,107	-	-	13,107
- Debt securities	-	-	1,422	1,422
Financial assets at fair value through profit or loss	-	5,654	-	5,654
Derivatives for hedging purposes	-	10,767	-	10,767
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	3,409	-	3,409
Derivatives for hedging purposes	-	65,173	-	65,173

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

The above fair value amounts are recurring fair value measurements.

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

Valuation technique and inputs for fair value measurements categorized within level 2 are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2014	December 31, 2013		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	5,654	16,080	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	10,767	1,413	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	3,409	1,457	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	65,173	19,471	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within level 3

Changes in financial assets and financial liabilities that are measured at fair value and categorized within level 3 for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
At January 1	1,840	2,670
Total gain(loss) for the year		
Loss included in profit for the year ¹	(116)	-
Gain included in other comprehensive income	21	-
Purchase, issue, sales and settlement		
Purchase	-	1,205
Sale	(323)	(2,035)
At December 31	1,422	1,840

¹ Gain and loss included in profit for the year are interest income amounting to ₩184 million and impairment loss on available-for-sale financial assets amounting to ₩300 million(2013: nil).

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	December 31, 2014	December 31, 2013				
Other financial assets						
Available-for-sale financial assets						
- Debt securities	1,422	1,840	Discounted cash flow	Discount rate	Discount rate (credit spread)	4.2%~7.3%

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 are as follows:

<i>(in millions of Korean won)</i>	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposits	-	-	94,323	94,323
Non-current other receivables	-	-	535,896	535,896
Liabilities				
Non-current borrowings	-	-	6,783,359	6,783,359
Non-current other payables	-	-	14,458	14,458
<i>(in millions of Korean won)</i>	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposits	-	-	96,992	96,992
Non-current other receivables	-	-	577,737	577,737
Liabilities				
Non-current borrowings	-	-	6,308,304	6,308,304
Non-current other payables	-	-	27,670	27,670

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

As of December 31, 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.

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- 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 are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2014</u>		<u>December 31, 2013</u>		<u>Valuation techniques</u>	<u>Inputs</u>	<u>Significant but unobservable inputs</u>	<u>Range of significant but unobservable inputs</u>
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>				
Assets								
Non-current financial deposits	94,323	94,323	96,992	96,992	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 3.1%
Non-current other receivables	548,564	535,896	601,978	577,737	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3% ~ 6.1%
Liabilities								
Non-current borrowings	6,426,881	6,783,359	6,188,306	6,308,304	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.2% ~ 3.7%
Non-current other payables	14,320	14,458	27,670	27,670	Discounted cash flow	Discount rate and exchange rate	Discount rate	4.0% ~ 4.5%

38. Business Combinations

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

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

<i>(in millions of Korean won)</i>	<u>Amount</u>
Consideration	
Cash and cash equivalents	17,028
Total consideration	17,028
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	13,474
Trade receivables	40,748
Loans and other receivables	1,092

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

(c) The acquisition-related cost amounting to ₩293 million was recognized as an expense in the period in which they were incurred.

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

(e) Sales made and the net loss incurred by V-ENS Co., Ltd. included in the consolidated statements of income from May 1, 2013 to December 31, 2013, were ₩78,959 million and ₩12,547 million, respectively. If V-ENS Co., Ltd. had been consolidated from January 1, 2013, sales and profit for the year in the consolidated statement of comprehensive income for the year ended December 31, 2013, would have been as follows:

<i>(in millions of Korean won)</i>	Prior adjustment	Adjustment	Post adjustment
Net sales	56,772,302	37,060	56,809,362
Profit for the year	222,704	4,642	227,346

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

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39. Discontinued Operations

As a result of the decreased demand for PDP TV products, the Group discontinued its operations of the PDP modules and PDP TV on November 30, 2014, in order to focus on its OLED TV and LCD TV division going forward.

- (a) Loss for the year from discontinued operations for the years ended December 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	2014	2013
Profit(loss) from ordinary activities of discontinued operations:		
Net sales	1,015,307	1,368,074
Operating income(loss)	(40,453)	35,658
Loss for the year before tax	(84,912)	(12,529)
Income tax expense(benefit)	(18,179)	(4,514)
Loss for the year, net of tax (A)	(66,733)	(8,015)
Profit(loss) from discontinuation:		
Loss on disposal and impairment due to discontinuation	(145,671)	(481)
Income tax expense(benefit)	(35,252)	(128)
Loss on disposal and impairment due to discontinuation, net of tax (B)	(110,419)	(353)
Loss for the year from discontinued operations (A+B)	(177,152)	(8,368)

- (b) An impairment loss of ₩139,523 million is recognized based on the recoverable amount of assets due to the discontinued operations of PDP modules and PDP TV. The assets for which the impairment loss has been recognized are property, plant, and equipment amounting to ₩138,651 million and intangible assets amounting to ₩872 million that are used in the production of PDP modules and PDP TV.

- (c) Cash generated from discontinued operations

<i>(in millions of Korean won)</i>	2014	2013
Net cash flows from operating activities	105,989	(75,834)
Net cash flows from investing activities	553	4,100
Net cash flow from discontinued operations	106,542	(71,734)

40. Approval of the Consolidated Financial Statements

The issuance of the December 31, 2014 consolidated financial statements of the Group was approved by the Board of Directors on January 28, 2015.