Deloitte.

LG CORP.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2013, 2012 AND AS OF JANUARY 1, 2012,
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and the Board of Directors of
LG Corp.:

We have audited the accompanying consolidated financial statements of LG Corp. and its subsidiaries (the "Group"). The consolidated financial statements consist of the consolidated statements of financial position as of December 31, 2013, 2012 and January 1, 2012, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2013 and 2012, all expressed in Korean won. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We did not audit the financial statements of certain consolidated associates and joint ventures, including LG Electronics Inc., whose statements reflect 48.09%, 48.13% and 49.25% (before elimination of intercompany transactions) of the consolidated total assets as of December 31, 2013, 2012 and January 1, 2012, respectively, and 5.72% and 6.08% (before elimination of intercompany transactions) of the consolidated total revenue and gain(loss) on valuation by equity method for the years ended December 31, 2013 and 2012. Those financial 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 these associates and joint ventures, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013, 2012 and January 1, 2012, and the results of its operations, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012, in accordance with Korean International Financial Reporting Standards ("K-IFRS").

As a matter that does not affect our opinion, the Group has applied the new K-IFRS 1110 - *Consolidated Financial Statements* as described in Note 2, and restated the comparative amounts on a retrospective basis. Due to restatements of the comparative consolidated financial statements, total asset amounts decreased by ₩199,656 million, total liability amounts decreased by ₩10,104 million as of December 31, 2012 and revenue and gain (loss) on valuation by equity method increased by ₩7,802 million, profit for the year increased by ₩7,424 million for the year ended December 31, 2012.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying separate financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice

Deloitte Anjin LLC

March 13, 2014

Notice to Readers

This report is effective as of March 13, 2014, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

LG CORP.
AND ITS SUBSIDIARIES (the "Group")

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2013, 2012, AND AS OF JANUARY 1, 2012

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by and are the responsibility of the management of the Group.

Junho Cho
President and Chief Operating Officer
LG Corp.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013, 2012 AND JANUARY 1, 2012

	Korean won		
	December 31, 2013	December 31, 2012	January 1, 2012
		(In millions)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 5, 6, 33 and 36)	₩ 682,142	₩ 508,366	₩ 441,265
Financial institution deposits (Notes 5 and 33)	310,031	162,094	130,974
Current derivative assets (Notes 5 and 36)	254	1,073	90
Trade receivables, net (Notes 5, 7 and 32)	2,003,643	1,957,718	1,723,770
Other receivables, net (Notes 5, 7 and 32)	75,546	73,969	54,751
Current tax assets	2,805	5,885	3,177
Current other assets (Notes 9 and 19)	291,032	261,026	354,521
Inventories, net (Note 8)	330,375	436,984	326,842
Assets held for sale (Note 39)	13,844	-	7,699
Total current assets	3,709,672	3,407,115	3,043,089
NON-CURRENT ASSETS:			
Non-current derivative assets (Notes 5 and 36)	113	256	272
Available-for-sale ("AFS") financial assets (Notes 5 and 36)	109,853	107,769	106,581
Non-current trade receivables, net (Notes 5, 7 and 32)	11,216	7,373	8,048
Non-current other receivables, net (Notes 5, 7, 32 and 33)	20,327	17,709	16,576
Investments in associates and joint ventures (Note 13)	9,434,268	9,018,577	8,574,822
Deferred tax assets, net (Note 29)	141,571	134,435	138,031
Non-current other assets (Note 9)	117,045	134,910	171,716
Property, plant and equipment, net (Note 10)	2,362,352	2,383,257	2,283,455
Investment property, net (Note 11)	487,349	491,788	487,386
Intangible assets (Note 12)	156,411	144,887	123,980
Total non-current assets	12,840,505	12,440,961	11,910,867
TOTAL ASSETS	₩ 16,550,177	₩ 15,848,076	₩ 14,953,956

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013, 2012 AND JANUARY 1, 2012 (CONTINUED)

	Korean won		
	December 31, 2013	December 31, 2012	January 1, 2012
		(In millions)	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current derivative liabilities (Notes 5 and 36)	₩ 1,403	₩ 1,633	₩ 1,847
Trade payables (Notes 5 and 32)	1,253,987	1,270,703	1,247,669
Other payables (Notes 5, 31 and 32)	577,683	559,902	654,896
Short-term borrowings (Notes 5, 14 and 36)	108,660	174,093	159,822
Current portion of debentures and long-term borrowings (Notes 5, 14 and 36)	494,753	179,600	302,254
Current tax liabilities	60,014	68,288	110,563
Provisions (Note 15)	23,491	20,332	14,385
Other current liabilities (Notes 17, 19)	139,552	151,124	125,389
Finance lease liabilities (Notes 5, 18 and 36)	134	196	3,668
Liabilities related to assets held for sale	-	-	929
Total current liabilities	2,659,677	2,425,871	2,621,422
NON-CURRENT LIABILITIES:			
Non-current derivative liabilities (Notes 5 and 36)	1,881	3,273	3,440
Other payables (Notes 5 and 32)	217,054	206,925	191,415
Long-term borrowings (Notes 5, 14 and 36)	1,147,419	1,237,057	953,180
Net defined benefit liability (Note 16)	83,700	90,569	78,215
Deferred tax liability (Note 29)	270,809	260,710	251,933
Provisions (Note 15)	6,533	6,439	5,243
Other non-current liabilities (Note 17)	57,813	71,696	84,557
Finance lease liabilities (Notes 5, 18 and 36)	-	136	357
Total non-current liabilities	1,785,209	1,876,805	1,568,340
TOTAL LIABILITIES	4,444,886	4,302,676	4,189,762
EQUITY:			
Equity attributable to the owners of the parent company	11,756,394	11,129,040	10,353,225
Issued capital (Note 20)	879,359	879,359	879,359
Capital surplus (Note 21)	2,365,354	2,366,296	2,367,118
Other capital items (Note 20)	(2,390)	(2,390)	(2,440)
Accumulated other comprehensive income (loss) (Note 22)	(60,769)	25,003	(56,212)
Retained earnings (Note 23)	8,574,840	7,860,772	7,165,400
Non-controlling interests	348,897	416,360	410,969
TOTAL EQUITY	12,105,291	11,545,400	10,764,194
TOTAL LIABILITIES AND EQUITY	₩ 16,550,177	₩ 15,848,076	₩ 14,953,956

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Korean won			
	Year ended December 31, 2013		Year ended December 31, 2012	
	(In millions)			
Revenue and gain (loss) on valuation by equity method (Notes 4 and 24)				
Sales of finished goods and merchandise	₩	5,452,982	₩	5,352,248
Service revenue		1,872,605		1,831,071
Construction revenue		1,419,587		1,531,765
Gain (loss) on valuation by equity method		661,285		591,342
Other revenue		392,754		388,778
		9,799,213		9,695,204
Cost of sales (Notes 24 and 25)		8,184,718		8,045,617
Gross profit		1,614,495		1,649,587
Selling and administrative expenses (Notes 24 and 25)		460,573		418,041
Operating income		1,153,922		1,231,546
Financial income (Note 27)		50,483		50,769
Financial expenses (Note 27)		100,175		118,421
Other non-operating income (Note 26)		54,976		38,838
Other non-operating expenses (Note 26)		80,177		42,728
Profit before income tax from continuing operations		1,079,029		1,160,004
Income tax expense for continuing operations (Note 29)		122,742		143,124
Profit from continuing operations		956,287		1,016,880
Loss from discontinued operations (Note 38)		(125,424)		(55,178)
Profit for the year	₩	830,863	₩	961,702
Profit for the year attributable to:				
Owners of the parent company	₩	896,117	₩	938,163
Non-controlling interests		(65,254)		23,539
Earnings per share (in Korean won):				
Continuing and discontinued operations				
Basic (Note 30)	₩	5,097	₩	5,336
Diluted (Note 30)		5,097		5,336
Continuing operations				
Basic (Note 30)	₩	5,462	₩	5,516
Diluted (Note 30)		5,462		5,516

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Korean won			
	Year ended December 31, 2013		Year ended December 31, 2012	
	(In millions)			
Profit for the year	₩	830,863	₩	961,702
Other comprehensive income (loss):		(89,821)		9,330
Items that may be reclassified subsequently to profit or loss				
Net income (loss) on AFS financial assets		1,363		1,802
Net gain (loss) on changes in valuation of investments using equity method		(88,577)		84,633
Net gain (loss) on derivative instruments entered into for cash flow hedges		1,245		(197)
Overseas operations translation		(378)		(5,632)
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability		789		(7,212)
Decrease in retained earnings of equity method investments		(4,263)		(64,064)
Total comprehensive income for the year	₩	741,042	₩	971,032
Total comprehensive income attributable to:				
Owners of the parent company	₩	804,233	₩	952,522
Non-controlling interests		(63,191)		18,510

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Korean won						
	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
				(In millions)			
Balance at January 1, 2012	₩ 879,359	₩ 2,367,118	₩ (2,440)	₩ (65,007)	₩ 7,370,448	₩ 410,969	₩ 10,960,447
Effects of changes in accounting policies				8,795	(205,048)		(196,253)
Profit for the year					938,163	23,539	961,702
Annual dividends					(175,935)	(16,298)	(192,233)
Net gain (loss) on AFS financial assets				1,774		28	1,802
Valuation through equity method				84,141	(64,161)	589	20,569
Valuation on derivative instruments				(197)			(197)
Remeasurements of the net defined benefit liability					(2,695)	(4,517)	(7,212)
Overseas operations translation				(4,503)		(1,129)	(5,632)
Changes in the shares of subsidiaries		(889)				848	(41)
Acquisition of subsidiaries						2,331	2,331
Disposal of treasury shares		67	50				117
Balance at December 31, 2012	₩ 879,359	₩ 2,366,296	₩ (2,390)	₩ 25,003	₩ 7,860,772	₩ 416,360	₩ 11,545,400
Balance at January 1, 2013	879,359	2,366,296	(2,390)	16,158	8,059,169	416,360	11,734,952
Effects of changes in accounting policies				8,845	(198,397)		(189,552)
Profit for the year					896,117	(65,254)	830,863
Annual dividends					(175,937)	(5,790)	(181,727)
Net gain (loss) on AFS financial assets				1,406		(43)	1,363
Valuation through equity method				(88,530)	(4,250)	(60)	(92,840)
Valuation on derivative instruments				1,245			1,245
Remeasurements of the net defined benefit liability					(1,862)	2,651	789
Overseas operation traslations				107		(485)	(378)
Changes in the shares of subsidiaries		(942)				713	(229)
Acquisition of subsidiaries						805	805
Balance at December 31, 2013	₩ 879,359	₩ 2,365,354	₩ (2,390)	₩ (60,769)	₩ 8,574,840	₩ 348,897	₩ 12,105,291

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Korean won	
	Year ended December 31, 2013	Year ended December 31, 2012
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 830,863	₩ 961,702
Additions of expenses not involving cash outflows:		
Salaries and bonuses	360	955
Retirement benefits	47,173	42,769
Depreciation	299,699	326,279
Amortization of intangible assets	24,205	19,667
Loss on valuation of inventories	24,501	6,106
Bad debt expenses	6,191	5,905
Accrual of provision	41,008	34,946
Impairment loss on property, plant and equipment	68,413	-
Impairment loss on intangible assets	11,894	5,847
Impairment loss on other assets	-	134
Loss on foreign currency translation	14,804	22,347
Loss on disposals of property, plant and equipment	3,865	1,986
Loss on disposals of intangible assets	273	66
Loss on transactions of derivatives	7,944	2,107
Loss on valuation of derivatives	49	91
Interest expenses	85,061	77,471
Loss on disposals of AFS financial assets	11	21
Impairment loss on AFS financial assets	140	1,229
Loss on disposals of investments in associates	3,551	-
Share-based payments	-	8
Income tax expense	122,785	143,394
Others	5,130	8,559
	767,057	699,887
Deduction of items not involving cash inflows:		
Reversal of impairment loss on inventories	282	4,638
Reversal of allowance for doubtful accounts	647	1,016
Reversal of provisions	8,935	6,181
Reversal of impairment loss on property, plant and equipment	-	317
Gain on foreign currency translation	13,054	20,110
Gain on disposals of property, plant and equipment	1,891	515
Gain on disposals of intangible assets	10	-
Gain on transactions of derivatives	8,215	11,284
Gain on valuation of derivatives	254	1,101
Interest income	23,206	17,684
Dividend income	2,395	2,432
Gain on disposals of investments in subsidiaries	285	-

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (CONTINUED)

	Korean won	
	Year ended December 31, 2013	Year ended December 31, 2012
	(In millions)	
Gain on disposals of investments in associates	₩ 823	₩ 33
Gain on valuation by equity method	661,285	591,342
Others	417	1,081
	(721,699)	(657,734)
Movements in working capital:		
Trade receivables	(93,189)	(288,008)
Other receivables	9,049	(15,588)
Inventories	78,565	(111,647)
Liabilities related to assets held for sale	-	6,583
Non-current trade receivables	(11,981)	(3,128)
Non-current other receivables	(1,516)	(2,278)
Plan assets	(100)	(89)
Trade payables	10,713	67,364
Other payables	9,901	(94,581)
Non-current trade payables	127	161
Non-current other payables	(137)	1,829
Provisions	(17,623)	(12,444)
Net defined benefit liability	(51,937)	(46,820)
Others	(20,555)	127,713
	(88,683)	(370,933)
Interest income received	17,984	15,670
Dividend income received	141,370	178,747
Income tax received	1,678	5,170
Interest expenses paid	(86,581)	(63,118)
Income taxes paid	(125,994)	(172,792)
Net cash provided by operating activities	735,995	596,599

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (CONTINUED)

	Korean won	
	Year ended December 31, 2013	Year ended December 31, 2012
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in financial institution deposits	₩ 302,243	₩ 217,372
Settlement of derivative instruments	9,035	20,557
Decrease in other receivables	16,518	37,322
Disposals of AFS financial assets	227	4,319
Decrease in non-current other receivables	6,124	2,352
Disposals of investments in subsidiaries	4,018	-
Disposals of investments in associates	11,186	113
Disposals of property, plant and equipment	8,204	5,368
Disposals of intangible assets	1,810	192
Disposals of assets classified as held for sale	-	438
Investments resulting in obtaining control of subsidiaries or other businesses	-	3,069
	359,365	291,102
Cash outflows for investing activities:		
Increase in financial institution deposits	450,538	249,378
Settlements of derivative instruments	7,737	11,981
Increase in other receivables	12,666	39,961
Acquisitions of non-current AFS financial assets	466	3,870
Increase in non-current other receivables	20,114	5,608
Acquisitions of investments in subsidiaries	4,678	-
Acquisitions of investments in associates	4,657	17,028
Acquisitions of property, plant and equipment	330,929	378,382
Acquisitions of investment property	23,586	60,910
Acquisitions of intangible assets	47,404	47,776
	(902,775)	(814,894)
Net cash used in investing activities	(543,410)	(523,792)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (CONTINUED)

	Korean won	
	Year ended December 31, 2013	Year ended December 31, 2012
	(In millions)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	₩ 646,901	₩ 1,042,404
Proceeds from long-term borrowings	205,686	14,956
Increase in other long-term liabilities	176	21
Issuance of debentures	199,157	458,014
Increase in government subsidy	8,044	8,015
Issuance of common stock of subsidiaries	5,393	-
Disposals of treasury stock	-	139
Disposals of assets classified as held for sale	-	1,119
	1,065,357	1,524,668
Cash outflows for financing activities:		
Redemptions of short-term borrowings	716,900	1,021,416
Redemptions of long-term borrowings	69,320	136
Redemptions of debentures	477	170,598
Decrease in non-current liabilities	585	-
Redemptions of current portion of long-term financial lease liabilities	-	3,506
Redemptions of current portion of long-term borrowings	113,232	137,339
Payments of dividends	181,723	192,228
Cash outflows from consolidated capital transactions	429	41
Others	392	117
	(1,083,058)	(1,525,381)
Net cash used in financing activities	(17,701)	(713)
Net change in cash and cash equivalents	174,884	72,094
Cash and cash equivalents at the beginning of year	508,366	441,265
Effects of exchange rate changes on cash and cash equivalents	(1,108)	(4,993)
Cash and cash equivalents at the end of year	₩ 682,142	₩ 508,366

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. GENERAL:

In accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1110 (Consolidated financial statements), LG Corp. (the “Company”) is the parent company and an investment holding company. In order to become a global competitor through effective management and to confront changes in domestic and international business environments, the Company acquired LGEI, an investment company, and the real estate lease and investment business of Serveone Co.,Ltd. on March 1, 2003.

The Company has been listed on the Korea Exchange stock market since February 1970. After numerous paid-in capital increases, spin-offs and mergers, the outstanding capital stock amounted to ₩879,359 million, including preferred stocks of ₩16,573 million as of December 31, 2013.

As of December 31, 2013, the Company’s related parties and major shareholders are as follows:

Names of shareholders	Number of shares	Percentage of shares (%) (*)
Ku, Bon Mu	18,978,169	10.79
Ku, Bon Jun	13,317,448	7.57
Ku, Bon Neung	8,855,032	5.03
Ku, Bon Shik	7,728,601	4.39
Kim, Young Shik	7,423,100	4.22
Ku, Gwang Mo and others	23,282,879	13.24
LG Yonam Education Foundation	3,675,742	2.09
LG Yonam Foundation	572,525	0.33
Others	92,038,312	52.34
Total	175,871,808	100.00

(*) Includes preferred stocks

2. STANDARDS AFFECTING PRESENTATION AND DISCLOSURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been confirmed by the Board of Directors in a meeting held on February 6, 2014.

The Company and its subsidiaries (the “Group”) have adopted the K-IFRS for the annual period beginning on January 1, 2010.

The significant accounting policies under K-IFRS followed by the Group in the preparation of its consolidated financial statements are summarized below. Unless stated otherwise, these accounting policies have been applied consistently to the Group’s consolidated financial statements for the current period and the comparative prior period.

(1) Established or revised accounting standards

1) Newly adopted and revised standards, their interpretations and thereby changes in accounting policies being effective for the financial year beginning on January 1, 2013, are as follows:

K-IFRS 1110 – *Consolidated Financial Statements* (enactment)

K-IFRS 1110 replaces the parts of K-IFRS 1027 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and K-IFRS 2012 *Consolidation – Special Purpose Entities*, and establishes a single basis for consolidation for all entities, including structured entities (the term from K-IFRS 2012, 'special purpose entities', is no longer used). Under K-IFRS 1110, an investor controls an investee when the investor 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. The Group has applied these changes and restated the comparative amounts on a retrospective basis (See the tables below for details; Unit: KRW in millions).

The application of this new standard had significant impact on the comparative consolidated financial statements due to changes in the scope of consolidation of LG Electronics Inc., an associate of the Group, by the addition of LG Innotek Co.,Ltd..

(Consolidated statements of financial position)

	December 31, 2012		January 1, 2012	
	As previously reported	As restated	As previously reported	As restated
	(In millions)			
Current assets	₩ 3,407,115	₩ 3,407,115	₩ 3,043,089	₩ 3,043,089
Non-current assets	12,640,617	12,440,961	12,117,562	11,910,867
Total assets	16,047,732	15,848,076	15,160,651	14,953,956
Current liabilities	2,425,871	2,425,871	2,621,422	2,621,422
Non-current liabilities	1,886,909	1,876,805	1,578,782	1,568,340
Total liabilities	4,312,780	4,302,676	4,200,204	4,189,762
Equity attributable to the owners of the Compar	11,318,592	11,129,040	10,549,478	10,353,225
Issued capital	879,359	879,359	879,359	879,359
Capital surplus	2,366,296	2,366,296	2,367,118	2,367,118
Other capital items	(2,390)	(2,390)	(2,440)	(2,440)
Accumulated other comprehensive loss	16,158	25,003	(65,007)	(56,212)
Retained earnings	8,059,169	7,860,772	7,370,448	7,165,400
Non-controlling interests	416,360	416,360	410,969	410,969
Total equity	₩ 11,734,952	₩ 11,545,400	₩ 10,960,447	₩ 10,764,194

(Consolidated statement of comprehensive income)

	For the year ended December 31, 2012	
	As previously reported(*)	As restated
Revenue and equity method profits	₩ 9,687,402	₩ 9,695,204
Cost of sales	8,045,617	8,045,617
Gross profit	1,641,785	1,649,587
rating income	1,223,744	1,231,546
Loss from discontinued operations	(55,178)	(55,178)
Profit for the year	₩ 954,278	₩ 961,702
Total comprehensive income for the year	₩ 964,331	₩ 971,032
Earnings per share (in Korean won):		
Continuing and discontinued operations		
Basic	₩ 5,294	₩ 5,336
Diluted	5,294	5,336
Continuing operations		
Basic	₩ 5,474	₩ 5,516
Diluted	5,474	5,516

(*) The change in the classification of operating income in accordance to the amendments of the K-IFRS 1001 – *Presentation of Financial Statements* is already applied to these data.
Regarding the impact on the consolidated statements of cash flows for the year ended December 31, 2012, profit for the year increased by ₩7,424 million, gain on valuation by equity method and income tax expense increased by ₩7,802 million and by ₩378 million, respectively. As a result, there is no effect on cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

K-IFRS 1111– *Joint Arrangement* (enactment)

K-IFRS 1111 deals with how a joint arrangement of which two or more parties have joint control should be classified either as a joint operation or a joint venture. The classification of joint arrangements under K-IFRS 1111 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. If the Group is a joint operator, the Group is to recognize assets, liabilities, revenues and expenses in relation to its interest in a joint operation and if the Group is joint venturer, the Group is to account for that investment using the equity method. The application of K-IFRS 1111 has not had any material impact on the Group’s financial statements.

K-IFRS 1112 – *Disclosure of Interest in Other Entities* (enactment)

K-IFRS 1112 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. This standard requires an entity to disclose the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

K-IFRS 1001 – *Presentation of Financial Statements* (revised)

The amendments to K-IFRS 1001 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than this presentation change, the application of the amendments to K-IFRS 1001 does not result in any impact on the Group’s financial position and financial performance. The amendments have been applied retrospectively for the comparative period, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

K-IFRS 1019 – *Employee Benefits* (revised)

The amendments to K-IFRS 1019 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of K-IFRS 1019 and the accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income (the option to recognize actuarial gains and losses in profit or loss has also been removed). Furthermore, the interest cost and expected return on plan assets used in the previous version of K-IFRS 1019 are replaced with a ‘net interest’ amount under K-IFRS 1019 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to K-IFRS 1019 also require the recognition of past service cost as an expense at the earlier date of (a) when the plan amendment or curtailment occurs and (b) when the Group recognizes related restructuring costs or termination benefits. The Group has applied these changes and restated the comparative amounts on a retrospective basis. The application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

K-IFRS 1107 – *Financial Instruments: Disclosures* (revised)

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities and require entities to disclose information about rights of offset and related arrangements (such as collateral agreements) for financial instruments under an enforceable master netting agreement or similar arrangement, irrespective of whether they would meet the offsetting criteria under K-IFRS 1032. The application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

K-IFRS 1113 – *Fair Value Measurement* (enactment)

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. K-IFRS 1113 defines fair value as 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. Fair value is measured by taking into account the characteristics of the asset or liability that market participants would take when pricing the asset or liability at the measurement date. A fair value measurement under K-IFRS 1113 requires an entity to determine the particular asset or liability that is subject of the measurement, the principal (or most advantageous) market for the asset or liability, and the valuation technique(s) appropriate for the measurement. In addition, K-IFRS 1113 requires extensive disclosures about fair value measurements.

There are some other amendments made to K-IFRSs as part of the Annual Improvements to K-IFRSs 2009 – 2011, such as the tax effect of distribution to holders of equity instruments (the amendments to K-IFRS 1032), which has not resulted in material effects on the Group's consolidated financial statements.

2) Details of K-IFRS that have been issued at the end of the reporting period, but are net yet effective, and have not been applied yet are as follows:

K-IFRS 1032 – *Financial Instruments: Presentation* (revised)

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Group's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to K-IFRS 1032 are effective for annual periods beginning on or after January 1, 2014.

K-IFRS 1039 – *Financial Instruments: Recognition and Measurement* (revised)

The amendments to K-IFRS 1039 allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The amendments to K-IFRS 1039 are effective for annual periods beginning on or after January 1, 2014.

K-IFRS 1110, K-IFRS 1112 and K-IFRS 1027 – *Investment Entities* (revised)

The amendments introduce an exception to the principle under K-IFRS 1110 that all subsidiaries shall be consolidated and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. In addition, consequential amendments have been made to K-IFRS 1112 and K-IFRS 1027 to introduce new disclosure requirements for investment entities. The investment entities amendments are effective for annual periods beginning on or after January 1, 2014.

K-IFRS 2121 – *Levies* (enactment)

K-IFRS 2121 defines a levy as a payment to a government for which an entity receives no specific goods or services. The interpretation requires that a liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy and is typically specified in the legislation that imposes the levy. The interpretation is effective for annual periods beginning on or after January 1, 2014.

The list above does not include some other amendments such as the Amendments to K-IFRS 1036 relating to

recoverable amount disclosures for non-financial assets that are effective from January 1, 2014 with earlier application permitted.
The Group does not anticipate that the application of these new and revised K-IFRSs that have been issued but not effective will have any impact on the Group's consolidated financial statements.

(2) Basis of preparing financial statements

1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2) Functional and reporting currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group's entities operate (its functional currency). The Group's functional currency and the reporting currency for the consolidated financial statements is Korean won ("KRW").

3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (and its subsidiaries). Control is achieved where the Company 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.
Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4) The Group's investments in subsidiaries as of December 31, 2013, are as follows (Unit: KRW in millions):

			Percentage of ownership and voting right held by the Group		Percentage of ownership held by non-controlling interests(*1)		As of and for the year ended December 31, 2013			
Subsidiary	Location	Closing date	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Assets	Liabilities	Sales	Net income
Serveone Co.,Ltd.	South Korea	12/31	100.00%	100.00%	-	-	1,946,042	1,345,197	3,833,489	82,456
Serveone (Nanjing).Co., Ltd.	China	12/31	100.00%	100.00%	-	-	242,397	197,965	614,888	14,686
Serveone Construction Co., Ltd.	China	12/31	100.00%	100.00%	-	-	10,335	7,555	11,836	1,049
Konjiam Yewon Co., Ltd.	South Korea	12/31	90.00%	90.00%	10.00%	10.00%	7,727	2,398	267	(231)
LG-TOYO Engineering Co., Ltd.	South Korea	12/31	70.00%	70.00%	30.00%	30.00%	19,632	17,288	27,851	(5,834)
LG Siltron Inc.	South Korea	12/31	51.00%	51.00%	49.00%	49.00%	1,520,406	1,108,996	844,441	(167,314)
LG Siltron America	USA	12/31	100.00%	100.00%	49.00%	49.00%	19,626	13,321	90,666	297
LG Siltron Japan	Japan	12/31	100.00%	100.00%	49.00%	49.00%	22,672	20,845	117,302	(70)
Lusem Co., Ltd.	South Korea	12/31	64.81%	64.81%	35.19%	35.19%	153,011	54,201	390,925	7,348
LG CNS Co., Ltd.	South Korea	12/31	84.97%	84.97%	15.03%	15.03%	1,711,718	997,726	2,374,031	76,533
LG N-Sys Inc.	South Korea	12/31	100.00%	100.00%	15.03%	15.03%	357,234	238,070	785,992	14,581
LG N-Sys China Inc.	China	12/31	100.00%	100.00%	15.03%	15.03%	14	126	1,746	(30)
Ucess Partners Co., Ltd.	South Korea	12/31	100.00%	100.00%	15.03%	15.03%	7,619	5,585	39,632	1,285
BNE Partners, Co., Ltd.	South Korea	12/31	61.31%	61.31%	47.90%	47.90%	13,877	10,217	40,680	22
LG CNS Philippines	Philippines	12/31	100.00%	100.00%	15.03%	15.03%	-	3,540	-	-
LG CNS Europe B.V.	Europe	12/31	100.00%	100.00%	15.03%	15.03%	17,177	11,810	26,097	890
LG CNS Japan Inc.	Japan	12/31	100.00%	100.00%	15.03%	15.03%	4,888	5,857	5,678	(1,408)
LG CNS America Inc.	USA	12/31	100.00%	100.00%	15.03%	15.03%	17,368	11,346	74,611	1,009

Subsidiary	Location	Closing date	Percentage of ownership and voting right held by the Group Dec 31, 2013	Dec 31, 2012	Percentage of ownership held by non-controlling interests(*1) Dec 31, 2013	Dec 31, 2012	As of and for the year ended December 31, 2013 Assets	Liabilities	Sales	Net income
PT LG CNS Indonesia	Indonesia	12/31	100.00%	100.00%	15.03%	15.03%	7,733	8,715	14,595	(581)
Entrue Brasil Servicos de T.I. Ltda.	Brazil	12/31	100.00%	100.00%	15.03%	15.03%	932	206	3,548	127
UCESS Philippines, Inc.	Philippines	12/31	100.00%	100.00%	15.03%	15.03%	93	-	-	-
LG CNS China, Inc.	China	12/31	100.00%	100.00%	15.03%	15.03%	66,213	41,727	105,937	5,665
LG CNS Shenyang Inc.	China	12/31	100.00%	100.00%	15.03%	15.03%	1,058	721	2,357	(42)
LG CNS Tianjin Inc.	China	12/31	51.00%	51.00%	56.67%	56.67%	1,590	1,587	321	38
LG CNS India Pvt., Ltd.	India	12/31	100.00%	100.00%	15.03%	15.03%	5,828	4,935	13,073	728
LG CNS UK Ltd.	UK	12/31	100.00%	100.00%	15.03%	15.03%	9	-	-	-
LG CNS Colombia Ltd. (*1)	Colombia	12/31	100.00%	100.00%	15.03%	15.03%	12,291	11,880	8,147	(365)
Ever On Co., Ltd.	South Korea	12/31	75.00%	75.00%	36.27%	36.27%	6,527	4,189	936	(564)
SBI-LG Systems Co., Ltd. (*2)	Japan	12/31	51.00%	51.00%	56.67%	56.67%	6,382	3,778	46,202	719
V-ENS Co., Ltd.(*2)	South Korea	12/31	-	100.00%	-	15.03%	-	-	-	-
V-ENS Malaysia Sdn. Bhd.(*2)	Malaysia	12/31	-	100.00%	-	15.03%	-	-	-	-
V-ENS (Beijing) Vehicle Engineering Co., Ltd.(*2)	China	12/31	-	100.00%	-	15.03%	-	-	-	-
Korea Elecom Co., Ltd.	South Korea	12/31	87.27%	83.69%	25.84%	28.89%	29,420	26,934	16,230	(4,513)
LG Sports Ltd.	South Korea	12/31	100.00%	100.00%	-	-	82,016	20,072	41,284	(1,159)
LG Management Development Institute	South Korea	12/31	100.00%	100.00%	-	-	87,386	57,050	75,326	(63)
LG Solar Energy Inc.	South Korea	12/31	100.00%	100.00%	-	-	85,165	49,639	12,861	2,042
Oneseen Skytech (*3)	South Korea	12/31	65.71%	-	44.17%	-	5,116	6,946	664	(2,596)

Subsidiary	Location	Closing date	Percentage of ownership and voting right held by the Group		Percentage of ownership held by non-controlling interests(*1)		As of and for the year ended December 31, 2013			
			Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Assets	Liabilities	Sales	Net income
LG CNS Malaysia Sdn Bhd (*4)	Malaysia	12/31	100.00%	-	15.03%	-	594	151	849	(41)
LG CNS Saudi Arabia LLC (*4)	Saudi Arabia	12/31	51.00%	-	56.67%	-	1,047	6	-	-
TXCNS Healthcare, LLC (*4)	USA	12/31	100.00%	-	15.03%	-	53	-	-	-
LG CNS GB Ltd.(*4,5)	UK	12/31	-	-	-	-	-	-	-	-
LG CNS Smart Green Co.,Ltd.(*4,5)	Japan	12/31	-	-	-	-	-	-	-	-
LLC LG CNS RUS (*4,5)	Russia	12/31	-	-	-	-	-	-	-	-

(*1) Percentage of ownership held by non-controlling interests is not included, whether directly or indirectly, in the ownership of the parent company. It may differ from percentage of shares that is deducted by simply adding up each subsidiary's share.
(*2) These companies were transferred to LG Electronics Inc., that is an associate of the Company, during the current period.
(*3) As the Group made new investments and obtained the control over the company during the current period, the company became a subsidiary.
(*4) As the Group established the company during the current period, the Company became a subsidiary.
(*5) Though the registration of incorporations is concluded as of December 31, 2013, the subscribed capital stocks do not exist.

5) Oneseen Skytech, LG CNS Malaysia Sdn Bhd, LG CNS Saudi Arabia LLC, TXCNS Healthcare, LLC, LG CNS GB Ltd., LG CNS Smart Green Co.,Ltd. and LLC LG CNS RUS were newly included into the consolidation scope as subsidiaries of the Group during the current period. V-ENS Co., Ltd. and its subsidiaries were excluded from the subsidiaries of the Group since these companies were transferred to LG Electronics Inc. that is an associate of the Company. The ownership of Korea Elecom Co., Ltd. increased due to paid-in capital increase during the current period. There is no change of shares to subsidiaries except the above mentioned events.

6) As of December 31, 2013, the consolidated financial positions and the share of non-controlling interests of major subsidiaries that have non-controlling interests are as follows :

	LG CNS Co., Ltd.	LG Siltron Inc.
Current assets	₩ 1,365,527	₩ 596,527
Non-current assets	698,419	923,261
Total assets	2,063,946	1,519,788
Current liabilities	837,314	459,512
Non-current liabilities	462,218	650,370
Total liabilities	1,299,532	1,109,882
Equity attributable to owners of the Company	646,532	209,052
Equity attributable to non-controlling interests	117,882	200,854
Total equity	₩ 764,414	₩ 409,906

7) For the year ended December 31, 2013, the consolidated financial performances and the share of non-controlling interests of major subsidiaries that have non-controlling interests are as follows :

	LG CNS Co., Ltd.		LG Siltron Inc.	
Revenue	₩	3,196,663	₩	850,313
Operating income (loss)		147,933		(17,974)
Profit (loss) from discontinued operations		3,167		(128,591)
Profit for the year	₩	92,438	₩	(166,364)
Other comprehensive income (loss)		322		4,334
Total comprehensive income for the year	₩	92,760	₩	(162,030)
Profit for the year attributable to non-controlling interests		12,714		(81,518)
Total comprehensive income for the year attributable to non-controlling interests		12,524		(79,395)
Dividend paid to non-controlling interests	₩	2,947	₩	2,463

8) For the year ended December 31, 2013, the consolidated cash flows of major subsidiaries that have non-controlling interests are as follows :

	LG CNS Co., Ltd.		LG Siltron Inc.	
Cash flows from operating activities	₩	119,939	₩	127,749
Cash flows from investing activities		(157,301)		(186,302)
Cash flows from financing activities		102,869		75,181
Net change in cash and cash equivalents		65,507		16,628
Cash and cash equivalents at the beginning of year		92,845		94,665
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,311)		(345)
Cash and cash equivalents at the end of year	₩	157,041	₩	110,948

(3) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

• deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 and K-IFRS 1019, respectively;
• liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered in to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102, *Share-Based Payment*, at the acquisition date; and
• assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, *Non-Current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039 or K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognized in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Korean Won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign

operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean Won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(5) Cash and cash equivalents

Cash and cash equivalents include cash, savings and checking accounts and highly liquid short-term investments (maturities of three months or less from the date of acquisition). Bank overdraft is accounted for as short-term borrowings.

(6) Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'financial assets at FVTPL, 'held-to-maturity investments,' 'available-for-sale ("AFS") financial assets' and 'loans and receivables.' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.
A financial asset is classified as held for trading if:
• it has been acquired principally for the purpose of selling it in the near term;
• on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
• it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

3) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment, with revenue recognized on an effective yield basis.

4) Financial assets AFS

Non-derivative financial assets that are not classified as at held to maturity or held for trading, designated as at FVTPL or loans and receivables are classified as at financial assets AFS. Financial assets can be designated as AFS on initial recognition. Financial assets AFS are initially recognized at fair value, plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

5) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as ‘loans and receivables.’ Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.
Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in that period.

With the exception of AFS equity instruments, 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, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

With respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

7) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in transit, is measured [under the weighted-average method/on a first-in, first-out basis] and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

The carrying amount of inventories sold in the period and the amount of any write-down of inventories to net realizable value and all losses of inventories in the period, less the amount of any reversal in the period of any write-down of the inventories, arising from an increase in net realizable value, is recognized as expense during that period.

(8) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 5 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of K-IFRS 1039 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 *Impairment of Assets* by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(9) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

(10) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow to the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	10–50
Structures	5–40
Machinery	4–15
Other property	2–25

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Company reviews the depreciation method; the estimated useful lives; and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

(12) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

While land is not depreciated, all other investment property is depreciated based on the respective assets’ estimated useful lives ranging from 5 to 50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(13) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Internally generated intangible assets - research and development expenditure
Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(14) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(15) Financial liabilities and equity instruments issued by the Company

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction cost that is directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition. Transaction cost directly attributable to acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037; and
- the amount initially recognized, less cumulative amortization recognized in accordance with the K-IFRS 1018, *Revenue*

7) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or they expire.

(16) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods, so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (see 2.(17)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability.

The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(18) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months, and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

2) Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives with respect to foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statements of comprehensive income related to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

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 profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(19) Employee benefits

1) Net defined benefit liability

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income), and remeasurement.

The Group presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

2) Profit sharing and bonuses

The Group has profit-sharing and bonus plans that distribute certain portion of net income of the period to its employees. In compliance with the official regulations of such profit-sharing and bonus plans, any incurred constructive obligation in exchange for the employees providing services to the Group for a specific period shall be recognized as provisions and the related costs are expensed during the current period. When recognizing obligations for the plans, the Group takes into account the possibility that an employee may not fulfill the vesting period requirement for profit sharing or bonuses.

3) Share-based payment

Equity-settled share-based payment is recognized at fair value of equity security at the date of grant to employees and others, providing similar services using the Black-Scholes method of pricing. The fair value of equity-settled share-based payment transaction determined on the grant date is expensed using the straight-line method based on the estimation of equity instruments expected to vest. The Group adjusts the estimation of a number of equity securities expected to be vested on the last day of each reporting period. Initial adjustments to estimations are expensed in profit or loss over the vesting period and reflected in equity-settled employee benefit reserves. Aside from situations where goods or services received from parties other than employees cannot be estimated reliably due to unclear acquisition terms or equity securities granted on the date services are performed, the equity-settled, share-based payments to parties other than employees are estimated at fair value of goods or services received. For cash-settled, share-based payments, liabilities arising from goods or services received are recognized at fair value on the last day of each reporting period, and the related details are summarized in Note 31.

(20) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive); as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

1) Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2) Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

(21) Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(22) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax ("VAT"), returns, rebates and discounts. The Group recognizes revenue when it is reliably measurable and the inflows of future economic benefits are likely. For each type of revenue, the Group recognizes it as follows:

1) Sale of goods

The Group recognizes revenue from sale of goods when significant risks and rewards from ownership of goods have been transferred, and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Therefore, the Group recognizes revenue for the manufactured goods at acceptance and merchandises at delivery. Revenue is recognized net of discounts, and returns derived from previous experience and provision are set for estimated return amounts, and if the past experience reveals that the return amounts or the return policy is immaterial, the gross sales amount will be recognized as revenue.

2) Rendering of service

The Group recognizes revenue from rendering service by the progress standards. The Group estimates the percentage of completion using surveys of work performed, services performed to date as a percentage of total services to be performed and the proportion of costs incurred to date, in order to reliably measure the rendered services.

3) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses by reference to the stage of completion of the contract activity at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date, plus recognized profits, less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the consolidated statements of financial position under trade and other receivables.

4) Dividend income and interest income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that of the asset's net carrying amount on initial recognition.

5) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

6) Rental income

The Group's policy for recognition of revenue from operating leases is summarized in Note 2. (16).

(23) Current and deferred taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and comprehensive because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(24) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs that increase in relation to capital transactions, net of tax effect, are deducted from equity and recognized as other capital items deducted from the total equity in the consolidated statements of financial position. . In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

(25) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must commit to a plan to sell the assets and is expected to meet the requirements within one year’s time.

If the Group commits to a plan to sell assets to lose control of a subsidiary, then all the assets and liabilities of that subsidiary are classified as held for sale when the above-mentioned conditions are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with K-IFRS 1039 Financial Instruments: Recognition and Measurement unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

(26) Fair Value

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 *Share-based payment*, leasing transactions that are within the scope of K-

IFRS 1017 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT CONSIDERATION AND MAJOR SOURCES OF ESTIMATION UNCERTAINTIES:

In the application of the Group accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. SEGMENT INFORMATION:

(1) The Group divides its business into five business segments based on the types of goods sold and/or services rendered and information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focus on the type of goods or services delivered or provided. The five business segments are LG Corp., Serveone Co., Ltd., LG Siltron Inc., LG CNS Co., Ltd. and others. The Group's primary segment information is reported based on the business segments and each segment's accounting policies are the same as the ones described in Note 2.

(2) Revenue and equity method profits and Profit before income tax for each business segment for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

		Revenue and gain(loss) on valuation by equity method (*1)		Profit before income tax (*2)	
Reporting sector	Business sector	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
LG Corp.	LG Corp.	₩ 568,047	₩ 616,563	₩ 415,737	₩ 471,370
Serveone Co., Ltd.	MRO	2,651,871	2,587,301	87,881	87,823
	MRO and others	1,181,618	1,287,748	27,200	60,762
	Serveone (Nanjing) Co., Ltd.	614,888	504,164	19,875	17,122
	Serveone Construction Co., Ltd.	11,836	557	1,175	61
	KONJIAM YEWON Co., Ltd.	267	42	(231)	(205)
	LG-TOYO Engineering Co., Ltd.	27,851	42,981	(7,440)	(1,411)
LG Siltron Inc.	LG Siltron Inc.	844,441	1,039,888	(48,673)	74,720
	LG Siltron America	90,666	117,658	477	408
	LG Siltron Japan	117,302	114,432	(66)	269
LG CNS Co., Ltd.	LG CNS Co., Ltd.	2,374,031	2,322,649	98,052	95,555
	LG CNS Europe B.V.	26,097	27,087	1,029	1,007
	LG CNS JAPAN Co., Ltd.	5,678	6,586	(1,398)	(1,743)
	LG CNS America, Inc.	74,611	72,503	1,725	2,430
	PT LG CNS Indonesia	14,595	12,886	(313)	(195)
	Entrue Brasil Servicos de T.I. Ltda.	3,548	3,928	294	586
	LG CNS China, Inc.	105,937	88,047	6,172	3,984
	LG CNS Shenyang Inc.	2,357	2,772	(29)	(124)
	LG CNS Tianjin Inc.	321	1,359	38	215
	LG CNS India Pvt., Ltd.	13,073	9,484	728	142
	LG N Sys Co., Ltd.	785,992	794,570	19,104	14,120
	LG N Sys China Inc.	1,746	1,563	(30)	(842)
	LG CNS Colombia Inc.	8,147	26,114	(718)	169
	LG CNS Malaysia SDN BHD	849	-	(41)	-
	BNE PARTNERS, Inc.	40,680	35,733	78	898
	Ucess Partners Co., Ltd.	39,632	34,248	1,285	316
	Korea Elecom Co., Ltd.	16,230	13,387	(4,513)	(2,806)
	SBI-LG systems Co., Ltd.	46,202	12,916	787	(406)
	Ever On Co., Ltd.	936	-	(564)	(98)
	Oneseen skytech	664	-	(2,596)	-
Others	Lusem Co., Ltd.	390,925	354,618	5,713	5,578
	LG Management Development Institute	75,326	67,528	126	1,629
	LG Sports Ltd.	41,284	39,069	(1,159)	(228)
	LG Solar Energy Inc.	12,861	12,824	2,650	2,135
Subtotal		10,190,509	10,251,205	622,355	833,241
Consolidation adjustments (*3)		(391,296)	(556,001)	456,674	326,763
Total		₩ 9,799,213	₩ 9,695,204	₩ 1,079,029	₩ 1,160,004

(*1) Sales for each segment are before elimination of any intercompany transactions.
(*2) Profit before income tax for each segment is net profit before distribution of revenue and expenses.
(*3) Consolidation adjustments include elimination of gain (loss) on intercompany transactions and equity method adjustments.

(3) Assets for each business segment of the Group as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Business sector	December 31, 2013		December 31, 2012	
LG Corp.	₩	7,872,017	₩	7,703,591
Serveone Co., Ltd.		2,226,134		2,089,506
LG Siltron Inc.		1,562,704		1,719,375
LG CNS Co., Ltd.		2,274,782		2,204,746
Others		407,578		382,112
Subtotal		14,343,215		14,009,330
Consolidation adjustments (*)		2,206,962		1,748,746
Total	₩	16,550,177	₩	15,848,076

(*) Consolidation adjustments consist of elimination of intercompany transactions with regard to assets of each segment and valuation of associates and joint ventures using the equity method.

(4) Inventories sold and services rendered for each business segment of the Group for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Business sector	Inventories sold and services rendered	Year ended December 31, 2013		Year ended December 31, 2012	
LG Corp.	Others	₩	568,047	₩	616,563
Serveone Co., Ltd.	Merchandise		3,274,730		3,082,485
	Service		692,925		669,842
	Construction		520,675		670,466
LG Siltron Inc.	Manufactured goods		1,051,711		1,271,778
	Others		699		200
LG CNS Co., Ltd.	Service		1,308,971		1,261,692
	Construction		978,054		1,012,351
	Merchandise		1,118,613		1,084,489
	Manufactured goods		155,690		107,299
Others	Manufactured goods		345,310		300,535
	Service		119,853		118,859
	Others		55,231		54,646
Subtotal			10,190,509		10,251,205
Consolidation adjustments (*)			(391,296)		(556,001)
Total		₩	9,799,213	₩	9,695,204

(*) Consolidation adjustments consist of elimination of intercompany transactions with regard to assets of each segment and valuation of associates and joint ventures using the equity method.

(5) Regional revenue of the Group before elimination of intersegment transactions and valuation by equity method for the years ended December 31, 2013 and 2012 are as follows :
(Unit: KRW in millions):

Business sector	December 31, 2013		December 31, 2012	
Korea	₩	9,052,087	₩	8,653,920
China		737,654		781,050
Asia		197,698		416,614
America		176,973		338,699
Europe		26,097		60,922
Total	₩	10,190,509	₩	10,251,205

(6) Regional non-current assets of the Group before elimination of intersegment transactions and valuation by equity method for the years ended December 31, 2013 and 2012 are as follows :
(Unit: KRW in millions):

Business sector	December 31, 2013		December 31, 2012	
Korea	₩	10,125,617	₩	10,150,551
China		14,488		6,837
Asia		2,420		2,325
America		3,921		5,737
Europe		1,676		2,658
Total	₩	10,148,122	₩	10,168,108

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets and liabilities as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

1) Financial assets

		December 31, 2013		December 31, 2012	
Financial assets	Account	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents:	Cash and cash equivalents	₩ 682,142	₩ 682,142	₩ 508,366	₩ 508,366
Financial assets at FVTPL:	Derivative assets for trading purposes	367	367	1,329	1,329
AFS financial assets:	Marketable equity securities	47,736	47,736	49,190	49,190
	Unmarketable equity securities (*)	61,491	61,491	57,504	57,504
	Debt securities	626	626	1,075	1,075
	Subtotal	109,853	109,853	107,769	107,769
Loans and receivables:	Financial institution deposits	310,031	310,031	162,094	162,094
	Trade receivables	2,014,859	2,014,859	1,965,091	1,965,091
	Loans	7,427	7,427	9,085	9,085
	Other accounts receivable	44,573	44,573	52,535	52,535
	Accrued income	5,092	5,092	1,637	1,637
	Deposits	38,781	38,781	28,421	28,421
	Subtotal	2,420,763	2,420,763	2,218,863	2,218,863
	Total	₩3,213,125	₩ 3,213,125	₩ 2,836,327	₩ 2,836,327

(*)The unlisted stocks that are AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

2) Financial liabilities

Financial liabilities	Account	December 31, 2013 Carrying amount	December 31, 2013 Fair value	December 31, 2012 Carrying amount	December 31, 2012 Fair value
Financial liabilities at FVTPL:	Derivative liabilities for trading purposes	₩ 31	₩ 31	₩ 47	₩ 47
Derivative liabilities designated as a hedging instrument:	Derivative liabilities designated as hedging instruments	3,253	3,253	4,859	4,859
Financial liabilities measured at amortized cost:	Trade payables	1,253,987	1,253,987	1,270,703	1,270,703
	Borrowings	683,079	683,079	723,359	723,359
	Other accounts payable	246,915	246,915	238,344	238,344
	Accrued expenses	96,992	96,992	91,472	91,472
	Accrued dividends	309	309	307	307
	Deposits received	450,521	463,412	436,704	468,557
	Debentures	1,067,753	1,073,545	867,391	886,976
	Finance lease liabilities	134	134	332	332
	Subtotal	3,799,690	3,818,373	3,628,612	3,680,050
	Total	₩ 3,802,974	₩ 3,821,657	₩ 3,633,518	₩ 3,684,956

6. CASH AND CASH EQUIVALENTS:

The cash and cash equivalents in the consolidated statements of cash flows are the same as the cash and cash equivalents in the consolidated statements of financial position. Details of cash and cash equivalents as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013	December 31, 2012
Cash on hand	₩ 2,726	₩ 2,258
Bank deposits	458,462	430,145
Other cash equivalents	220,954	75,963
Total	₩ 682,142	₩ 508,366

7. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013					
	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables	Total	Consolidated adjustment	Consolidated
Trade receivables	₩2,067,977	₩ 118,745	₩ 25,317	₩2,212,039	₩(178,662)	₩2,033,377
Other receivables	147,533	5,709	15,132	168,374	(60,027)	108,347
Total	₩2,215,510	₩ 124,454	₩ 40,449	₩2,380,413	₩(238,689)	₩2,141,724

Description	December 31, 2012 Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables	Total	Consolidated adjustment	Consolidated
Trade receivables	₩2,097,003	₩ 130,884	₩ 31,951	₩2,259,838	₩(262,853)	₩1,996,985
Other receivables	107,226	4,655	28,777	140,658	(22,737)	117,921
Total	₩2,204,229	₩ 135,539	₩ 60,728	₩2,400,496	₩(285,590)	₩2,114,906

(2) Aging of trade and other receivables that are overdue but not impaired as of December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Description	December 31, 2013	December 31, 2012
1–29 days	₩ 66,185	₩ 76,628
30–60 days	25,769	20,202
61–90 days	7,892	8,498
91–120 days	3,223	3,503
More than 121 days	21,385	26,708
Total	₩ 124,454	₩ 135,539

(3) Changes in accumulated impairment losses for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013		December 31, 2012	
	Trade receivables	Other Receivables	Trade receivables	Other Receivables
Beginning balance	₩ 31,895	₩ 26,242	₩ 11,888	₩ 9,601
Change due to mergers	-	-	16,824	14,737
Impairment loss	5,451	740	3,785	2,120
Disposals of accounts receivable	(17,995)	(14,405)	(199)	(53)
Collection of accounts receivable	(97)	-	-	-
Reversal of allowance for doubtful accounts	(543)	(104)	(1,016)	-
Effect of foreign currency translation	(13)	-	(55)	-
Others	(180)	1	668	(163)
Ending balance	₩ 18,518	₩ 12,474	₩ 31,895	₩ 26,242

(4) Aging of impaired trade and other receivables as of December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Description	December 31, 2013	December 31, 2012
Less than 7 months	₩ 10,609	₩ 4,204
7–12 months	3,140	3,206
More than 1 year	26,700	53,318
Total	₩ 40,449	₩ 60,728

8. INVENTORIES:

Inventories as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	81,734	₩	80,234	₩	(1,500)
Finished goods		114,940		94,965		(19,975)
Semifinished goods		25,854		21,015		(4,839)
Work in progress		27,591		24,807		(2,784)
Raw materials		36,142		32,499		(3,643)
Stored goods		33,704		29,952		(3,752)
Inventories in transit		43,488		43,488		-
Other inventories		3,497		3,415		(82)
Total	₩	366,950	₩	330,375	₩	(36,575)

Description	December 31, 2012					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	117,843	₩	115,991	₩	(1,852)
Finished goods		117,331		110,288		(7,043)
Semifinished goods		32,323		30,607		(1,716)
Work in progress		35,514		34,107		(1,407)
Raw materials		32,880		31,210		(1,670)
Stored goods		43,646		40,332		(3,314)
Inventories in transit		70,101		70,101		-
Other inventories		4,390		4,348		(42)
Total	₩	454,028	₩	436,984	₩	(17,044)

9. OTHER ASSETS:

Details of other assets as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013				December 31, 2012			
	Current		Non-current		Current		Non-current	
Advance payments	₩	83,724	₩	95,244	₩	70,888	₩	120,624
Prepaid expenses		26,126		21,801		17,845		14,215
Prepaid VAT		1,804		-		2,981		-
Due from customers for contract work		179,368		-		169,295		-
Plan assets		-		-		-		71
Others		10		-		17		-
Total	₩	291,032	₩	117,045	₩	261,026	₩	134,910

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of the Group's property, plant and equipment as of December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Constructi-on in progress	Other property	Total
	December 31, 2013									
Acquisition cost	₩379,138	₩1,163,809	₩ 218,993	₩2,020,935	₩24,090	₩24,670	₩222,266	₩170,168	₩537,173	₩4,761,242
Accumulated depreciation	-	(212,524)	(49,929)	(1,658,159)	(10,049)	(17,334)	(134,980)	-	(213,709)	(2,296,684)
Accumulated impairment	-	-	-	(2,124)	-	(1,217)	-	-	(92,182)	(95,523)
Government subsidies	-	(1,229)	-	(390)	(3,917)	(3)	(189)	-	(955)	(6,683)
Carrying amounts	₩379,138	₩ 950,056	₩ 169,064	₩ 360,262	₩10,124	₩6,116	₩87,097	₩170,168	₩230,327	₩2,362,352

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Constructi-on in progress	Other property	Total
	December 31, 2012									
Acquisition cost	₩346,476	₩1,025,174	₩207,492	₩2,123,663	₩19,143	₩23,172	₩210,924	₩206,356	₩358,981	₩4,521,381
Accumulated depreciation	-	(171,823)	(40,741)	(1,579,130)	(8,428)	(15,800)	(138,632)	-	(155,465)	(2,110,019)
Accumulated impairment	-	-	-	(24,255)	-	(1,217)	-	-	-	(25,472)
Government subsidies	-	(249)	-	(194)	(1,458)	(16)	(75)	-	(641)	(2,633)
Carrying amounts	₩346,476	₩853,102	₩166,751	₩520,084	₩9,257	₩6,139	₩72,217	₩206,356	₩202,875	₩2,383,257

(2) Changes in property, plant and equipment for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Constructi-on in progress	Other property	Total
	Year ended December 31, 2013									
Beginning balance	₩346,476	₩853,102	₩166,751	₩520,084	₩9,257	₩6,139	₩72,217	₩206,356	₩202,875	₩2,383,257
Acquisitions	1,747	5,194	239	9,788	7,011	2,252	30,657	204,734	82,706	344,328
Disposals	(414)	(809)	(144)	(6,909)	(833)	(5)	(309)	(474)	(281)	(10,178)
Depreciation(*)	-	(36,537)	(8,917)	(166,031)	(2,319)	(3,302)	(23,964)	-	(41,336)	(282,406)
Transfers in	31,187	125,794	11,288	75,473	20	1,171	18,922	14,633	2,813	281,301
Transfers out	(596)	(2,162)	(17)	(423)	-	-	-	(252,144)	(15,864)	(271,206)
Government subsidies	-	(1,023)	-	(364)	(2,888)	-	(201)	-	(622)	(5,098)
Change due to mergers	735	309	2	49	1	2	34	-	-	1,132
Change due to disposal of subsidiary	-	-	-	(1,744)	(239)	(58)	(46)	(1,817)	(1,936)	(5,840)
Transfers to assets held for sale	-	-	-	(66,631)	-	(39)	(619)	(6,302)	(8,104)	(81,695)
Impairment loss	-	-	-	-	-	-	(179)	-	(68,234)	(68,413)
Others	3	7,055	(134)	(3,030)	114	(44)	(9,409)	5,160	78,409	78,124
Effect of foreign currency translation	-	(867)	(4)	-	-	-	(6)	22	(99)	(954)
Ending balance	₩379,138	₩950,056	₩169,064	₩360,262	₩10,124	₩6,116	₩87,097	₩170,168	₩230,327	₩2,362,352

Description	Year ended December 31, 2012									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Beginning balance	₩ 337,810	₩ 807,767	₩156,233	₩544,911	₩11,799	₩ 7,134	₩ 63,343	₩153,900	₩ 200,558	₩2,283,455
Acquisitions	872	537	397	6,542	3,509	1,920	19,513	286,982	56,643	376,915
Disposals	-	(935)	(88)	(2,422)	(2,343)	(4)	(338)	(626)	(83)	(6,839)
Depreciation(*)	-	(32,932)	(8,255)	(209,331)	(2,270)	(3,014)	(19,815)	-	(35,195)	(310,812)
Transfers in	7,818	78,498	18,278	179,179	64	103	9,696	(1,016)	1,074	293,694
Transfers out	(24)	(62)	-	-	-	-	(60)	(232,307)	(19,441)	(251,894)
Government subsidies	-	-	-	(12)	(1,500)	-	(1)	-	(78)	(1,591)
Change due to mergers	-	25	-	-	-	-	13	-	-	38
Reversals of impairment	-	83	234	-	-	-	-	-	-	317
Others	-	114	(48)	1,217	-	-	(30)	(312)	-	941
Effect of foreign currency translation	-	7	-	-	(2)	-	(104)	(265)	(603)	(967)
Ending balance	₩ 346,476	₩ 853,102	₩166,751	₩520,084	₩ 9,257	₩ 6,139	₩ 72,217	₩ 206,356	₩ 202,875	₩2,383,257

(*) Depreciation expenses recognized for the year ended December 31, 2013 and 2012, include ₩14,785 million and 16,609 million that are related to assets held for sale and are accounted for in profit (loss) from discontinued operations, respectively.

(3) Government grants

Changes in government grants for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013						
	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Other property	Total
Beginning balance	₩ 249	₩ 194	₩ 1,458	₩ 16	₩ 75	₩ 641	₩ 2,633
Receipt		364	-	-	141	-	505
Acquisitions	1,023	-	2,888	-	60	622	4,593
Offsetting depreciation	(43)	(107)	(429)	(13)	(87)	(308)	(987)
Others	-	(61)	-	-	-	-	(61)
Ending balance	₩ 1,229	₩ 390	₩ 3,917	₩ 3	₩ 189	₩ 955	₩ 6,683

Description	Year ended December 31, 2012						
	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Other property	Total
Beginning balance	₩ 272	₩ 1,528	₩ -	₩ 38	₩ 127	₩ 878	₩ 2,843
Receipt	-	-	1,500	-	-	-	1,500
Acquisitions	-	12	-	-	1	78	91
Offsetting depreciation	(23)	(160)	(42)	(22)	(53)	(315)	(615)
Others	-	(1,186)	-	-	-	-	(1,186)
Ending balance	₩ 249	₩ 194	₩1,458	₩ 16	₩ 75	₩ 641	₩ 2,633

(4) Impairment loss

The Group decided to discontinue the operations of solar and sapphire segment of LG Siltron Inc. to improve operating performance for the period ended December 31, 2013. The impairment losses of ₩68,097 million from these operations were recognized as loss from discontinued operations for the year ended December 31, 2013 as a result of the estimation of the recoverable amount. The recoverable amount of discontinued operations is determined by net fair value.

11. INVESTMENT PROPERTY:

(1) Composition of investment property as of December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Description	December 31, 2013			
	Land	Buildings	Structures	Total
Acquisition cost	₩ 175,370	₩ 372,629	₩ 7,832	₩ 555,831
Accumulated depreciation	-	(66,080)	(2,402)	(68,482)
Carrying amounts	₩ 175,370	₩ 306,549	₩ 5,430	₩ 487,349

Description	December 31, 2012			
	Land	Buildings	Structures	Total
Acquisition cost	₩ 170,815	₩ 368,808	₩ 7,815	₩ 547,438
Accumulated depreciation	-	(53,537)	(2,113)	(55,650)
Carrying amounts	₩ 170,815	₩ 315,271	₩ 5,702	₩ 491,788

(2) Changes in investment property for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013				
	Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 170,815	₩ 315,271	₩ 5,702	₩ -	₩ 491,788
Acquisitions	15,803	3,933	367	4,043	24,146
Depreciation	-	(16,261)	(1,032)	-	(17,293)
Transfers	(11,248)	4,395	831	(4,073)	(10,095)
Others	-	(789)	(438)	30	(1,197)
Ending balance	₩ 175,370	₩ 306,549	₩ 5,430	₩-	₩ 487,349

Description	Year ended December 31, 2012				
	Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 168,858	₩ 312,798	₩ 5,730	₩ -	₩ 487,386
Acquisitions	-	1,575	-	59,335	60,910
Depreciation	-	(14,899)	(568)	-	(15,467)
Transfers	1,957	15,797	540	(60,094)	(41,800)
Others	-	-	-	759	759
Ending balance	₩ 170,815	₩ 315,271	₩ 5,702	₩ -	₩ 491,788

(3) Details of the fair value of investment property as of December 31, 2013, are as follows (Unit: KRW in millions):

Description	Date of revaluation	December 31, 2013		
		Land	Buildings and structures	Total
Book value of investment property:				
Book value (*)		₩ 257,691	₩ 461,330	₩ 719,021
Results of valuation:				
Central hub logistics center (*)	2013-01-01	5,570	4,345	9,915
Twin tower (*)	2012-03-16	456,800	343,200	800,000
Gasandong building (*)	2009-04-21	50,966	110,104	161,070
Gwanghwamun building (*)	2010-09-30	145,452	84,548	230,000
Buho building (*)	2013-06-04	16,513	1,238	17,751
Incheon IT center	2009-01-01	18,391	9,169	27,560
Total		₩ 693,692	₩ 552,604	₩1,246,296

(*) Includes the value of investment property occupied by the owner.

Fair value assessment was performed by an independent third party, Nara Appraisal Co., Ltd., & Daeil Appraisal

Board which use an average costing approach and cost approach method of standard appraised value of land and buildings. The changes in fair value between the date of the assessment and the end of the reporting period are not determined significant, and therefore, fair value reassessment was not performed as of December 31, 2013.

12. INTANGIBLE ASSETS:

(1) Composition of the Group's intangible assets as of December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Description	December 31, 2013						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 38,772	₩ 13,250	₩ 33,254	₩ 14,462	₩ 36,972	₩ 175,119	₩ 311,829
Accumulated depreciation	(10,031)	(8,843)	-	-	-	(117,138)	(136,012)
Accumulated impairment	-	-	(5,989)	-	(12,287)	-	(18,276)
Government grants	(71)	(3)	-	-	-	(1,056)	(1,130)
Total	₩ 28,670	₩ 4,404	₩ 27,265	₩ 14,462	₩ 24,685	₩ 56,925	₩ 156,411

Description	December 31, 2012						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 17,251	₩ 12,132	₩ 36,222	₩ 9,629	₩ 30,544	₩ 163,368	₩ 269,146
Accumulated depreciation	(5,716)	(8,199)	-	-	-	(101,453)	(115,368)
Accumulated impairment	-	-	(5,896)	-	(1,730)	-	(7,626)
Government grants	(147)	(4)	-	-	-	(1,114)	(1,265)
Total	₩ 11,388	₩ 3,929	₩ 30,326	₩ 9,629	₩ 28,814	₩ 60,801	₩ 144,887

(2) Changes in intangible assets for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 11,388	₩ 3,929	₩ 30,326	₩ 9,629	₩ 28,814	₩ 60,801	₩ 144,887
Acquisitions	399	325	775	-	33,509	11,851	46,859
Increase due to development	-	-	-	-	454	-	454
Increase due to mergers	-	-	-	4,833	-	2,090	6,923
Disposals	-	(4)	(1,986)	-	-	(83)	(2,073)
Transfers in	21,123	-	277	-	-	6,469	27,869
Transfers out	-	-	-	-	(27,869)	-	(27,869)
Government subsidies	-	-	-	-	-	(395)	(395)
Impairment loss	-	-	(1,336)	-	(10,555)	(3)	(11,894)
Subsidiary disposal	-	(1)	(793)	-	-	(4,222)	(5,016)
Transfers to assets held for sale	-	-	-	-	-	(632)	(632)
Others	-	844	-	-	336	639	1,819
Amortization (*)	(4,240)	(689)	-	-	-	(19,276)	(24,205)
Effect of foreign currency translation	-	-	2	-	(4)	(314)	(316)
Ending balance	₩ 28,670	₩ 4,404	₩ 27,265	₩ 14,462	₩ 24,685	₩ 56,925	₩ 156,411

Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
	Year ended December 31, 2012						
Beginning balance	₩ 8,526	₩ 2,901	₩ 35,945	₩ 9,629	₩ 21,310	₩ 45,669	₩ 123,980
Acquisitions	319	377	363	-	35,131	10,584	46,774
Increase due to development	-	-	-	-	2	-	2
Increase due to mergers	-	-	-	-	-	472	472
Disposals	-	-	(139)	-	-	(119)	(258)
Transfers in	5,106	-	-	-	-	21,924	27,030
Transfers out	-	-	-	-	(27,030)	-	(27,030)
Government subsidies	-	(1)	-	-	-	(750)	(751)
Others	-	1,276	-	-	(582)	(189)	505
Amortization (*)	(2,563)	(624)	-	-	-	(16,480)	(19,667)
Effect of foreign currency translation	-	-	(6)	-	(7)	(310)	(323)
Impairment loss	-	-	(5,837)	-	(10)	-	(5,847)
Ending balance	₩ 11,388	₩ 3,929	₩ 30,326	₩ 9,629	₩ 28,814	₩ 60,801	₩ 144,887

(*) Amortization cost recognized for the year ended December 31, 2013 and 2012, includes ₩554million and 1,259 million that are related to assets held for sale and are accounted for in profit (loss) from discontinued operations, respectively.

(3) Changes in government grants for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Development costs	Intellectual property rights	Computer software and other assets	Total
	Year ended December 31, 2013			
Beginning balance	₩ 147	₩ 4	₩ 1,114	₩ 1,265
Receipt	-	-	395	395
Offsetting amortization	(76)	(1)	(453)	(530)
Ending balance	₩ 71	₩ 3	₩ 1,056	₩ 1,130

Description	Development costs	Intellectual property rights	Computer software and other assets	Total
	Year ended December 31, 2012			
Beginning balance	₩ 223	₩ 4	₩ 659	₩ 886
Receipt	-	1	750	751
Offsetting amortization	(76)	(1)	(295)	(372)
Ending balance	₩ 147	₩ 4	₩ 1,114	₩ 1,265

(4) The costs related to research and development and accounted for as expenses for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013	Year ended December 31, 2012
Cost of sales	₩ 29,571	₩ 33,771
Selling and administrative expenses	55,149	44,040
Total	₩ 84,720	₩ 77,811

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Group's investments in associates and joint ventures as of December 31, 2013, is as follows:

Companies	Location of incorporation	Major business activities	Closing date	Number of shares held and investments in capital: Common stock	Number of shares held and investments in capital: Preferred stock	Number of shares issued: Common stock	Number of shares issued: Preferred stock	Percentage of ownership (%)	Percentage of ownership (Common stock) (%)
LG Chem Ltd.	South Korea	Manufacturing of basic petrochemicals	12-31	22,219,326	-	66,271,100	7,628,921	30.07%	33.53%
LG Household & Health Care Ltd.	South Korea	Manufacturing of toothpastes, soap and detergents	12-31	5,315,500	-	15,618,197	2,099,697	30.00%	34.03%
LG Electronics Inc.	South Korea	Manufacturing of electronic components, computers, image, acoustic and communication equipment	12-31	55,094,582	-	163,647,814	17,185,992	30.47%	33.67%
LG Uplus Corp.	South Korea	Telecommunications	12-31	157,376,777	-	436,611,361	-	36.05%	36.05%
LG Life Science Co., Ltd.	South Korea	Manufacturing of biological agents	12-31	5,044,114	-	16,576,990	236,216	30.00%	30.43%
LG Hitachi Co., Ltd.	South Korea	Consult computer system integration and establishment	12-31	245,000	-	500,000	-	49.00%	49.00%
GIIR Corporation	South Korea	Holdings company	12-31	5,798,593	-	16,567,409	-	35.00%	35.00%
LG Hausys, Ltd.	South Korea	Manufacturing construction plastic materials	12-31	3,006,673	-	8,967,670	1,032,330	30.07%	33.53%
Korea Smart Card Co., Ltd.	South Korea	System software development and supply	12-31	3,927,167	396,873	11,934,085	396,873	35.07%	32.91%
Songdo U-Life LLC (*1)	South Korea	Health care, integrated wireless environment, integrated smart cards and building management	12-31	5,880	-	35,880	-	16.39%	16.39%
Nanum Lotto Co., Ltd. (*2)	South Korea	Issuance and sale of lottery	12-31	-	-	-	-	-	-
LG MMA Corp. (*4)	South Korea	Manufacturing other basic organic chemicals	12-31	1,200,000	-	2,400,000	-	50.00%	50.00%
Recaudo Bogota S.A.S.	Colombia	Public system development and service	12-31	2,126	-	10,630	-	20.00%	20.00%
Zephyrlogic Co. Ltd.	South Korea	System software development and supply	12-31	79,999	-	400,000	-	20.00%	20.00%
LG Fuel Cell Systems Inc. (*1,*6)	America	Development of fuel cells for research and experimental development	12-31	119	-	992	-	12.00%	12.00%
Gumi Ochang Sunlight Solar Co., Ltd. (*3)	South Korea	The sun optical-the development business	12-31	1,094,400	-	5,760,000	-	19.00%	19.00%
Petro Cornergy Co., Ltd. (*5)	South Korea	Petro cock renewable energy projects	12-31	19,500	-	100,000	-	19.50%	19.50%
Dongnam Solar Energy Co., Ltd. (*7)	South Korea	The sun optical-the development business	12-31	54,502	-	182,280	-	29.90%	29.90%

(*1) The Group has significant influence since contractual right exists to appoint one member of the board of directors, even though the percentage of shares owned is less than 20%.
(*2) It is excluded from associates since the Group disposed of the interests.
(*3) The Group has significant influence since one person is dispatched and appointed as a member of the board of directors, even though the percentage of shares owned is less than 20%, and there are material transactions between the Group and the associate.
(*4) A joint venture.
(*5) LG CNS Co.,Ltd. and Serveone Co.,Ltd. were owners of the company, but Serveone Co.,Ltd. sold all its ownership during the current period.
(*6) The percentage of ownership increased due to capital increase by issuance of stocks during the current period.
(*7) Newly acquired during the current period.

Fair values of marketable equity securities for investments in associates as of December 31, 2013, are as follows (Unit: KRW in millions):

Description	LG Chem Ltd.	LG Household & Health Care Ltd.	LG Electronics Inc.	LG Uplus Corp.	LG Life Science Co., Ltd.	GIIR Corporation	LG Hausys, Ltd.
Fair values of equity securities	₩ 6,654,688	₩ 2,912,894	₩ 3,751,941	₩ 1,691,800	₩ 204,791	₩ 44,881	₩ 425,444

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

	Year ended December 31, 2013						
Companies	Beginning balance	Acquisitions	Dividends received	Gain (loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Disposal and others	Ending balance
LG Chem Ltd.	₩3,163,257	₩ -	₩ (88,877)	₩ 379,277	₩ (1,131)	₩ -	₩ 3,452,526
LG Household & Health Care Ltd.	359,055	-	(19,933)	108,251	(26,120)	-	421,253
LG Electronics Inc. (*)	3,539,362	-	(11,019)	42,276	(61,250)	-	3,509,369
LG Uplus Corp.	1,329,145	-	-	98,767	(1,927)	-	1,425,985
LG Life Science Co., Ltd.	74,625	-	-	928	(743)	-	74,810
LG Hitachi Co., Ltd.	13,169	-	-	(894)	(83)	-	12,192
GIIR Corporation	38,948	-	(1,160)	3,276	(252)	-	40,812
LG Hausys, Ltd.	214,215	-	(3,007)	23,423	(1,770)	-	232,861
Korea Smart Card Co., Ltd.	37,074	-	-	2,832	(90)	(3,406)	36,410
LG MMA Corp.	212,634	-	(15,000)	9,630	(160)	-	207,104
Nanum Lotto Co., Ltd.	10,091	-	-	309	4	(10,404)	-
LG Fuel Cell Systems Inc.	12,910	4,337	-	(5,733)	(3,503)	-	8,011
Songdo U-Life LLC	8,398	-	-	(352)	(1)	-	8,045
RECAUDO BOGOTA S.A.S.	4,573	48	-	(572)	(418)	-	3,631
Zephyrlogic Co. Ltd.	482	-	-	-	-	-	482
Gumi Ochang Sunlight Solar Co.,Ltd.	287	-	-	229	1	-	517
Petro Cornergy Co.,Ltd.	352	-	-	(346)	-	(3)	3
Dongnam Solar Energy Co.,Ltd.	-	273	-	(16)	-	-	257
Total	₩ 9,018,577	₩ 4,658	₩ (138,996)	₩ 661,285	₩ (97,443)	₩ (13,813)	₩ 9,434,268

(*) The Group applied the new K-IFRS 1110-*Consolidated Financial Statements* on a retrospective basis.

	Year ended December 31, 2012						
Companies	Beginning balance	Acquisitions	Dividends received	Gain (loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Disposal and others	Ending balance
LG Chem Ltd.	₩ 2,840,918	₩ -	₩ (88,877)	₩ 448,544	₩ (37,328)	₩ -	₩ 3,163,257
LG Household & Health Care Ltd.	297,790	-	(18,604)	92,189	(12,320)	-	359,055
LG Electronics Inc. (*)	3,665,924	-	(11,019)	28,246	(143,789)	-	3,539,362
LG Uplus Corp.	1,157,603	-	(23,607)	(14,439)	209,588	-	1,329,145
LG Life Science Co., Ltd.	73,320	-	-	2,375	(1,070)	-	74,625
LG Hitachi Co., Ltd.	13,793	-	(42)	(309)	(273)	-	13,169
GIIR Corporation	38,138	-	(1,160)	3,607	(1,637)	-	38,948
LG Hausys, Ltd.	215,624	-	(3,007)	7,434	(5,836)	-	214,215
Korea Smart Card Co., Ltd.	32,723	-	-	4,296	55	-	37,074
LG MMA Corp.	219,983	-	(30,000)	23,404	(753)	-	212,634
Nanum Lotto Co., Ltd.	9,740	-	-	469	(118)	-	10,091
LG Fuel Cell Systems Inc.	-	10,469	-	(979)	3,420	-	12,910
Songdo U-Life LLC	5,857	-	-	(1,366)	3,907	-	8,398
Enerware Co.,Ltd.	80	-	-	-	-	(80)	-
SBI-LG Systems Co.,Ltd.	2,303	-	-	(587)	(70)	(1,646)	-
RECAUDO BOGOTA S.A.S.	544	5,152	-	(775)	(348)	-	4,573
Zephyrlogic Co. Ltd.	482	-	-	-	-	-	482
Gumi Ochang Sunlight Solar Co.,Ltd.	-	547	-	(259)	(1)	-	287
Petro Cornergy Co.,Ltd.	-	860	-	(508)	-	-	352
Total	₩8,574,822	₩ 17,028	₩ (176,316)	₩ 591,342	₩ 13,427	₩ (1,726)	₩ 9,018,577

(*) The Group applied the new K-IFRS 1110-*Consolidated Financial Statements* on a retrospective basis.

(3) Adjustments to the book value of investments in associates from the net assets value of associates as of December 31, 2013 are as follows (Unit: KRW in millions):

	As of and for the year ended December 31, 2013					
Companies	Net Assets of associates (A)	Ownership rate of the Group (B)	Controlling interest of net assets (A x B)	(+)Goodwill	(-)Elimination of intercompany transactions	Ending balance
LG Chem Ltd.	₩11,596,946	30.07%	₩ 3,486,819	₩ -	₩ (34,293)	₩3,452,526
LG Household & Health Care Ltd.	1,408,858	30.00%	422,667	-	(1,414)	421,253
LG Electronics Inc.(*1)	11,739,202	30.47%	3,576,583	-	(67,214)	3,509,369
LG Uplus Corp.	4,020,928	36.05%	1,449,344	-	(23,359)	1,425,985
LG Life Science Co., Ltd.	253,446	30.00%	76,036	-	(1,226)	74,810
LG Hitachi Co., Ltd.	24,931	49.00%	12,216	-	(24)	12,192
GIIR Corporation	120,909	35.00%	42,318	2,352	(3,858)	40,812
LG Hausys, Ltd.	778,358	30.07%	234,026	-	(1,165)	232,861
Korea Smart Card Co., Ltd.	76,272	35.07%	26,746	9,664	-	36,410
LG MMA Corp.	414,725	50.00%	207,363	-	(259)	207,104
LG Fuel Cell Systems Inc.	26,104	12.00%	3,132	4,879	-	8,011
Songdo U-Life LLC	27,778	16.39%	4,552	3,493	-	8,045
Recaudo Bogota S.A.S.	18,156	20.00%	3,631	-	-	3,631
Zephyrlogic Co. Ltd.(*2)	1,144	20.00%	229	-	253	482
Gumi Ochang Sunlight Solar Co.,Ltd.	3,894	19.00%	740	-	(223)	517
Petro Conergy Co.,Ltd.	14	19.50%	3	-	-	3
Dongnam Solar Energy Co.,Ltd.	854	29.90%	256	1	-	257

(*1) The Group applied the new K-IFRS 1110-*Consolidated Financial Statements* on a retrospective basis.
(*2) The Group used the financial information as of and for the year ended December 31, 2012 which were the most recent available, since it could not get the financial statements as of and for the year ended December 31, 2013.

(4) Summary of financial position for associates and joint ventures as of December 31, 2013, is as follows (Unit: KRW in millions):

	December 31, 2013								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd.	₩8,031,617	₩9,414,847	₩17,446,464	₩4,597,877	₩1,122,925	₩5,720,802	₩11,596,946	₩128,716	₩11,725,662
LG Household & Health Care Ltd.	981,075	2,454,029	3,435,104	981,691	978,036	1,959,727	1,408,858	66,519	1,475,377
LG Electronics Inc.	16,325,058	19,203,006	35,528,064	15,014,004	7,824,691	22,838,695	11,739,202	950,167	12,689,369
LG Uplus Corp.	2,697,110	9,077,937	11,775,047	3,738,135	4,014,297	7,752,432	4,020,928	1,687	4,022,615
LG Life Science Co., Ltd.	232,857	379,130	611,987	166,309	192,009	358,318	253,446	223	253,669
LG Hitachi Co., Ltd.	54,942	9,077	64,019	37,033	2,055	39,088	24,931	-	24,931
GIIR Corporation	385,408	23,117	408,525	282,708	4,163	286,871	120,909	745	121,654
LG Hausys, Ltd.(*3)	945,828	1,006,261	1,952,089	820,309	348,840	1,169,149	778,358	4,582	782,940
Korea Smart Card Co., Ltd.	222,425	115,171	337,596	251,648	9,676	261,324	76,272	-	76,272
LG MMA Corp. .(*1)	264,485	221,202	485,687	69,483	1,479	70,962	414,725	-	414,725
LG Fuel Cell Systems Inc.	29,060	6,697	35,757	8,313	1,340	9,653	26,104	-	26,104
Songdo U-Life LLC	2,375	25,485	27,860	82	-	82	27,778	-	27,778
Recaudo Bogota S.A.S.	41,367	133,493	174,860	156,704	-	156,704	18,156	-	18,156
Zephyrlogic Co. Ltd.(*2)	661	2,267	2,928	1,145	639	1,784	1,144	-	1,144
Gumi Ochang Sunlight Solar Co.,Ltd.	2,357	17,734	20,091	98	16,099	16,197	3,894	-	3,894
Petro Conergy Co.,Ltd.	21,733	22,094	43,827	1,378	42,435	43,813	14	-	14
Dongnam Solar Energy Co.,Ltd.	954	8,786	9,740	8,886	-	8,886	854	-	854

(*1) A joint venture.
(*2) The Group used the financial information as of and for the year ended December 31, 2012 which were the most recent available, since it could not get the financial statements as of and for the year ended December 31, 2013.
(*3) The company recorded ₩49,254 million of assets held for sale as of December 31, 2013.

(5) Summary of profit and loss for associates and joint ventures for the year ended December 31, 2013, is as follows (Unit: KRW in millions):

Companies	Revenue	Operating income(loss)	Income tax expense	Profit(loss) from discontinued operations after tax	Accumulated other comprehensive income(loss)	Total comprehensive income(loss)
	Year ended December 31, 2013					
LG Chem Ltd.	₩ 23,143,612	₩ 1,743,044	₩ 330,683	₩ -	₩ (1,125)	₩ 1,269,488
LG Household & Health Care Ltd.	4,326,255	496,412	107,804	-	(87,110)	278,542
LG Electronics Inc.	58,140,376	1,444,197	353,830	-	(203,309)	19,395
LG Uplus Corp.	11,450,300	542,129	54,383	-	(5,345)	274,116
LG Life Science Co., Ltd.	417,345	14,395	1,763	-	(2,497)	791
LG Hitachi Co., Ltd.	104,495	(1,239)	111	-	(376)	(1,969)
GIIR Corporation	349,084	16,134	4,122	55	(729)	11,697
LG Hausys, Ltd.	2,676,952	114,588	19,500	(419)	(5,847)	66,451
Korea Smart Card Co., Ltd.	170,721	11,052	8,145	-	(236)	7,444
LG MMA Corp.	524,445	26,016	6,530	-	(319)	18,826
LG Fuel Cell Systems Inc.	4,945	(47,193)	3	-	329	(46,558)
Songdo U-Life LLC	-	(101)	37	-	-	(2,150)
Recaudo Bogota S.A.S.	30,530	6,316	-	-	(2,093)	(4,952)
Gumi Ochang Sunlight Solar Co.,Ltd.	3,885	2,122	-	-	-	1,068
Petro Conergy Co.,Ltd.	2,941	10	-	-	-	(888)
Dongnam Solar Energy Co.,Ltd.	-	(53)	-	-	-	(53)

14. DEBENTURES AND BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2013 and 2012, consist of the following (Unit: KRW in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2013	December 31, 2012
Korean currency short-term borrowings	Shinhan Bank and others	5.15% ~ 7.41%	₩ 19,302	₩ 11,625
Overdraft	Kookmin Bank	-	-	5,485
Commercial paper	KTB Investment and Securities and others	-	-	93,000
Trade receivables transferred (*)	Woori Bank and others	1.04% ~ 1.63%	28,086	18,389
Foreign currency short-term borrowings	The Export-Import Bank of Korea and others	0.95% ~ 5.29%	60,289	43,266
Usance and Document against Acceptance	Shinhan Bank	1.40% ~ 1.43%	983	2,328
Total			₩ 108,660	₩ 174,093

(*) The trade receivables transferred have recoursable condition and do not meet the derecognition conditions ; hence the whole transferred receivables are recognized as assets receivable.

(2) The Group's long-term borrowings as of December 31, 2013 and 2012, consist of the following (Unit: KRW in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2013 Current	December 31, 2013 Non-current	December 31, 2012 Current	December 31, 2012 Non-current
Korean currency long-term borrowings:	Kookmin Bank and others	2.00%–5.40%	₩ 182,728	₩ 389,732	₩ 154,747	₩ 367,150
Foreign currency long-term borrowings:	The Korea Development Bank	3.79%	2,301	-	24,967	2,857
Debentures : Debentures in KRW	-	2.96%–4.61%	310,000	760,000	-	870,000
Discount on debentures			(175)	(2,072)	-	(2,609)
Present value discount account			(101)	(241)	(114)	(341)
Total			₩ 494,753	₩ 1,147,419	₩ 179,600	₩ 1,237,057

(3) The Group's debentures as of December 31, 2013 and 2012, consist of the following (Unit: KRW in millions):

Company	Description	Issuance date	Maturity date	Annual interest rate	December 31, 2013	December 31, 2012
LG CNS Co., Ltd.	4 th public offering	2011-03-04	2014-03-04	4.52%	₩ 50,000	₩ 50,000
	5th public offering	2012-03-05	2017-03-05	4.15%	100,000	100,000
	6th public offering	2012-10-24	2015-10-24	3.17%	100,000	100,000
	7th public offering	2013-05-07	2018-05-07	2.96%	100,000	-
	8th public offering	2013-12-05	2016-12-05	3.42%	100,000	-
Serveone Co., Ltd.	2nd public offering	2011-02-22	2014-02-22	4.55%	100,000	100,000
LG Siltron Inc.	34th private offering	2011-04-28	2014-04-28	4.42%	60,000	60,000
	35th public offering	2011-07-15	2015-07-15	4.48%	100,000	100,000
	36th private offering	2011-09-14	2012-09-14	4.26%	100,000	100,000
	37-1th public offering	2012-01-05	2015-01-05	4.17%	70,000	70,000
	37-2th public offering	2012-01-05	2017-01-05	4.61%	40,000	40,000
	38-1th public offering	2012-06-04	2015-06-04	3.73%	50,000	50,000
	38-2th public offering	2012-06-04	2017-06-04	3.94%	50,000	50,000
LG N Sys Co., Ltd.	1st public offering	2012-05-30	2015-05-30	3.89%	50,000	50,000
		Subtotal			1,070,000	870,000
		Discount on debentures			(2,247)	(2,609)
		Current debentures (*)			(309,825)	-
		Total			₩ 757,928	₩ 867,391

(*) Discounts on debentures have been deducted.

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

	Year ended December 31, 2013							
Description	Beginning balance	Increase	Using	Reversal	Effect of foreign currency translation	Consolidation adjustments	Business combination	Ending balance
Provision for construction (product) warranties	₩ 13,433	₩ 20,256	₩ (14,441)	₩ (4,262)	₩ -	₩ -	₩ (240)	₩ 14,746
Restoration liabilities (*)	6,217	3,164	(613)	(131)	(7)	-	-	8,630
Others	7,121	9,064	(4,842)	(3,800)	(48)	(847)	-	6,648
Total	₩ 26,771	₩ 32,484	₩ (19,896)	₩ (8,193)	₩ (55)	₩ (847)	₩ (240)	₩ 30,024

	Year ended December 31, 2012							
Description	Beginning balance	Increase	Using	Reversal	Effect of foreign currency translation	Consolidation adjustments	Business combination	Ending balance
Provision for construction (product) warranties	₩ 10,611	₩ 12,727	₩ (8,003)	₩ (1,902)	₩ -	₩ -	₩ -	₩ 13,433
Restoration liabilities (*)	5,827	588	(49)	(156)	(1)	-	8	6,217
Others	3,190	11,627	(4,422)	(2,879)	(12)	(383)	-	7,121
Total	₩ 19,628	₩ 24,942	₩ (12,474)	₩ (4,937)	₩ (13)	₩ (383)	₩ 8	₩ 26,771

(*) Include increase due to the evaluation of the present value.

16. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

The Group operates a defined contribution plan for its employees. Obligation of the Group is to make payments to third-party funds, and the benefits for employees are determined by the payments made to the funds and the investment earnings from the funds. Plan asset is managed by the third party and is segregated from the Group's assets. Contributions to defined contribution plan during the current period are ₩38,184 million, and payable amounts related to defined contribution plans as of December 31, 2013 and 2012 are ₩4,380 million and ₩6,126 million, respectively.

(2) Defined benefit plan

The Group operates a defined benefit plan for its employees, and according to the plan, employees will be paid his or her average salary amount of the final three months multiplied by the number of years vested, adjusted for payment rate and other. The actuarial valuation of plan assets and the defined benefit liability are performed by a reputable actuary using the projected unit credit method.

1) As of December 31, 2013 and 2012, amounts recognized in the consolidated statements of financial position related to retirement benefit obligation are as follows (Unit: KRW in millions):

Description	December 31, 2013		December 31, 2012	
Present value of defined benefit obligation	₩	244,528	₩	210,203
Fair value of plan assets (*)		(160,828)		(119,705)
Net defined benefit liability	₩	83,700	₩	90,498

(*) As of December 31, 2013, plan assets include ₩71 million that were recognized as retirement pension plan assets (other non-current assets,see Note 9.(2)) and were not included in the net defined benefit liability.

2) Changes in defined benefit obligation for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	210,203	₩	178,109
Current service cost		42,556		36,963
Interest cost		7,298		7,773
Past service cost		473		-
Actuarial gain		(481)		9,259
Gain (loss) on curtailments and settlements		-		(365)
Effect of foreign currency translation		(22)		(12)
Benefits paid		(11,942)		(25,957)
Others		(3,557)		4,433
Ending balance	₩	244,528	₩	210,203

3) Income and loss related to defined benefit plan for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Service cost	₩	43,029	₩	36,598
Current service cost		42,556		36,963
Past service cost		473		-
Gain (loss) on curtailments and settlements		-		(365)
Net interest on the net defined benefit liability(asset)		3,268		3,705
Interest cost on defined benefit obligation		7,298		7,773
Comprising interest on plan assets		(4,030)		(4,068)
Others		282		19
Total	₩	46,579	₩	40,322

Total costs for the years ended December 31, 2013 and 2012, are included in cost of sales for ₩21,440 million and ₩20,114 million, respectively, in selling and administrative expenses for ₩24,255 million and ₩19,516 million, respectively. The costs for the year ended December 31,2013 and 2012, are included in profit (loss) from discontinued operations of ₩884 million and ₩692 million, respectively.

4) Changes in plan assets for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	119,705	₩	100,002
Comprising interest on plan assets		4,030		4,068
Remeasurements-Return on plan assets		650		172
Effect of foreign currency translation		(22)		(20)
Contributions from the employer		47,456		33,599
Benefits paid		(8,307)		(18,948)
Others		(2,684)		832
Ending balance	₩	160,828	₩	119,705

5) All of the plan assets are invested in financial instruments that guarantee principal and interest rate as of December 31, 2013 and 2012.

6) Actuarial assumptions used as of December 31, 2013 and 2012, are as follows:

Description	December 31, 2013	December 31, 2012
Discount rate (%)	3.29–8.75	3.23–8.00
Expected rate of salary increase (%)	1.30–9.29	0.66–9.31

7) The sensitivity analysis of the defined benefit obligation as of December 31, 2013, is as follows (Unit: Korean won in millions):

Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	244,528	₩	224,371	₩	268,345
Change in rate of salary increase		244,528		267,457		224,670

(*) The above sensitivity is estimated based on the assumption that all the other respective assumptions remain unchanged.

8) Remeasurements related to net defined benefit liability for the years ended December 31, 2013 and 2012, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Actuarial gains (losses) arising from changes in demographic assumptions	₩	5,688	₩	(127)
Actuarial gains (losses) arising from changes in financial assumptions		(9,823)		3,732
Actuarial gains (losses) arising from experience		4,713		5,556
Return on plan assets excluding amounts included in interest income		(650)		(172)
Actuarial gains (losses) arising from transfer in/out adjustments		(1,059)		98
Total	₩	(1,131)	₩	9,087

Meanwhile, the Group deducted ₩(342) million arising from income tax effect for actuarial gain (loss) during the current period.

9) Estimated contribution that will be paid in the next fiscal year is as follows (Unit: Korean won in millions):

	Year ended December 31, 2014	
Estimated contributions to plan assets (*)	₩	21,214

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013		December 31, 2012	
	Current	Non-current	Current	Non-current
Advance receipts	₩ 32,861	₩ -	₩ 31,883	₩ -
Advances from lease revenue	-	6,997	-	7,413
VAT withheld	6,500	-	13,819	-
Withholdings	28,251	-	21,452	-
Unearned income	14,985	46,378	13,976	60,204
Due to customers for contract work	52,290	-	64,853	-
Government subsidy	4,665	-	5,141	-
Other long-term employee benefits	-	4,438	-	4,079
Total	₩ 139,552	₩ 57,813	₩ 151,124	₩ 71,696

18. FINANCE LEASE LIABILITIES:

Finance lease liabilities as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

			December 31, 2013				
			Plan of lease payment				
Company	Lease assets	Interest rate implicit in the lease	1 year	1–5 years	Total lease expenses	Unearned interest on lease payment receivables	Total (*)
LG CNS America Inc.	Other tangible assets	4.84%	₩ 136	₩ -	₩ 136	₩ 2	₩ 134

(*) Present value of total lease payments without financial lease interest accrued.

			December 31, 2012				
			Plan of lease payment				
Company	Lease assets	Interest rate implicit in the lease	1 year	1–5 years	Total lease expenses	Unearned interest on lease payment receivables	Total (*)
LG CNS America Inc.	Other tangible assets	4.84%	₩ 208	₩ 138	₩ 346	₩ 14	₩ 332

(*) Present value of total lease payments without financial lease interest accrued.

19. CONSTRUCTION CONTRACTS:

Cost, income and loss and claimed construction costs from construction in progress as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013	December 31, 2012
Accumulated accrual cost	₩ 1,672,195	₩ 2,843,007
Accumulated income	247,546	375,731
Accumulated loss	(44,207)	(32,384)
Accumulated construction in process	1,875,534	3,186,354
Progress billing (*)	1,748,456	3,081,912
Gross amounts due from customers for contract work	179,368	169,295
Gross amounts due to customers for contract work	52,290	64,853

(*) Consolidated adjustments are included.

Advances received from construction contracts are ₩22,079 million and ₩31,365 million as of December 31, 2013 and 2012, respectively.

20. ISSUED CAPITAL:

Details of issued capital as of December 31, 2013, are as follows (Unit: KRW in millions):

Type of stock	Number of authorized shares	Number of issued shares	Number of shares owned by related party	Par value (in KRW)	Amount of issued capital
Common stock	700,000,000	172,557,131	83,833,496	₩ 5,000	₩ 862,786
Preferred stock (*)	-	3,314,677	-	5,000	16,573

(*) Preferred stocks are stocks without voting rights that are eligible for an additional 1%, based on the face value of the stock compared to common stocks, when receiving cash dividends. In case of no dividend payout, they are granted voting rights from the shareholders' meeting resolved not to pay to the shareholders' meeting resolved to pay dividends.

The Company has 93,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2013 and 2012, the carrying amounts of common stocks are ₩2,334 million (preferred stock: ₩51 million).

21. CAPITAL SURPLUS:

Composition of capital surplus as of December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Description	December 31, 2013	December 31, 2012
Asset revaluation reserve	₩ 337,386	₩ 337,386
Paid-in capital in excess of par value	898,266	898,266
Other capital surplus	1,129,702	1,130,644
Total	₩ 2,365,354	₩ 2,366,296

The Group sold 2,000 shares of treasury stock and recorded ₩67 million of gain on disposals of treasury stock in other capital surplus excluding tax effect during the year ended December 31, 2012.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of accumulated other comprehensive income (loss) as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013		December 31, 2012	
Changes in investment valuation using equity method	₩	(88,521)	₩	9
Gain on AFS financial assets		35,149		33,465
Loss on AFS financial assets		(278)		-
Overseas operations translation		(4,647)		(4,754)
Loss on valuation of derivatives		(2,472)		(3,717)
Total	₩	(60,769)	₩	25,003

(2) Changes in investment valuation using equity method for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	(8,836)	₩	(92,927)
Effects of changes in the accounting policy		8,845		8,795
Beginning balance after reflection of effects of changes in the accounting policy		9		(84,132)
Changes in capital of associates and joint ventures		(93,038)		77,117
Effect on income taxes		4,508		7,024
Ending balance	₩	(88,521)	₩	9

(3) Changes in gain on AFS financial assets for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	33,465	₩	31,807
Changes in gain on AFS financial assets		2,222		2,188
Effect on income taxes		(538)		(530)
Ending balance	₩	35,149	₩	33,465

(4) Changes in loss on AFS financial assets for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	-	₩	(116)
Changes in loss on AFS financial assets		(367)		153
Effect on income taxes		89		(37)
Ending balance	₩	(278)	₩	-

(5) Changes in overseas operations translation for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	(4,754)	₩	(251)
Changes in overseas operations translation		107		(4,503)
Ending balance	₩	(4,647)	₩	(4,754)

(6) Changes in loss on valuation of cash flow hedge derivatives for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	(3,717)	₩	(3,520)
Net loss on hedging instruments entered into for cash flow hedges		(236)		1,061
Interest rate swap		(311)		1,370
Income taxes by loss on valuation of cash flow hedging derivatives		75		(309)
Transfers to profit and loss (*)		(1,009)		(864)
Interest rate swap (transferred to non-operating expenses)		(1,294)		(1,108)
Income tax expenses		285		244
Ending balance		(4,962)		(3,323)
Consolidation adjustment		2,490		(394)
Balance after consolidation adjustment	₩	(2,472)	₩	(3,717)

(*) Loss on valuation of cash flow derivatives that are transferred to profit and loss from equity for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Non-operating expenses	₩	(1,294)	₩	(1,108)
Income tax expenses		285		244
Total	₩	(1,009)	₩	(864)

23. RETAINED EARNINGS AND DIVIDENDS:

Changes in retained earnings for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Beginning balance	₩	8,059,169	₩	7,370,448
Effects of changes in the accounting policy		(198,397)		(205,048)
Beginning balance after reflection of effects of changes in the accounting policy		7,860,772		7,165,400
Profit for the year attributable to the the owners of the Company		896,117		938,163
Dividends (*)		(175,937)		(175,935)
Remeasurements of net defined benefit liability		(1,862)		(2,695)
Changes in retained earnings by equity method		(4,250)		(64,161)
Ending balance	₩	8,574,840	₩	7,860,772

(*) Details of dividends for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

	Year ended December 31, 2013						
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (KRW)		Total dividends (KRW in millions)	
Common stock	172,557,131	93,789	172,463,342	₩	1,000	₩	172,464
Preferred stock	3,314,677	6,810	3,307,867		1,050		3,473

Type of stock	Year ended December 31, 2012 Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (KRW)	Total dividends (KRW in millions)
Common stock	172,557,131	95,789	172,461,342	₩ 1,000	₩ 172,462
Preferred stock	3,314,677	6,810	3,307,867	1,050	3,473

24. PROFIT(LOSS) FROM OPERATIONS:

Details of profit (loss) from operations for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

	Year ended December 31, 2013	Year ended December 31, 2012
Revenue and gain (loss) valuation by equity method		
Sales of goods	₩ 5,452,982	₩ 5,352,248
Sales of finished goods	1,336,840	1,433,337
Sales of merchandise	4,116,142	3,918,911
Service revenue	1,872,605	1,831,071
Construction revenue	1,419,587	1,531,765
Gain (loss) on valuation by equity method	661,285	591,342
Other revenue	392,754	388,778
	9,799,213	9,695,204
Cost of sales		
Cost of sales of goods	5,090,582	4,850,110
Cost of sales of service	1,617,448	1,572,929
Cost of sales of construction	1,260,732	1,412,603
Cost of sales of others	215,956	209,975
	8,184,718	8,045,617
Gross profit	1,614,495	1,649,587
Selling and administrative expenses		
Salaries and wages	180,960	171,956
Retirement benefits	22,136	16,793
Welfare	38,822	39,244
Amusement expenses	10,059	11,973
Depreciation	7,693	5,681
Amortization of intangible assets	11,270	8,909
Taxes and dues	9,537	12,934
Advertising expenses	4,675	5,940
Usual development expenses/survey and research	55,149	44,040
Commission	21,409	5,525
Insurance premium	2,161	2,493
Transportation expenses	14,803	18,913
Travel expenses	13,371	13,566
Service contract expenses	10,857	12,524
Rental expenses	15,166	14,397
Allowance (Reversal) of bad debt	4,908	2,769
Allowance (Reversal) of accrual of provision	12,998	4,202
Others	24,599	26,182
	460,573	418,041
Operating income	₩ 1,153,922	₩ 1,231,546

25. CLASSIFICATION OF EXPENSES BY NATURE:

Details of expenses by nature for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Account	Year ended December 31, 2013 Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 81,285	₩ -	₩ 3,997,696	₩ 4,078,981
Finished goods	15,323	-	-	15,323
Work in process	9,300	-	-	9,300
Merchandise	35,757	-	3,832,916	3,868,673
Semifinished goods	9,592	-		9,592
Other inventories	11,313	-	164,780	176,093
Used raw material	-	-	619,809	619,809
Employee benefits	-	241,918	787,328	1,029,246
Depreciation and amortization	-	18,963	289,602	308,565
Commission expenses	-	21,409	461,700	483,109
Lease expenses	-	15,166	60,064	75,230
Professional fees	-	10,857	1,231,068	1,241,925
Other expenses and consolidation adjustments	-	152,260	656,166	808,426
Total	₩ 81,285	₩ 460,573	₩ 8,103,433	₩ 8,645,291

Account	Year ended December 31, 2012 Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ (77,586)	₩ -	₩ 3,807,810	₩3,730,224
Finished goods	(18,950)	-	-	(18,950)
Work in process	649	-	-	649
Merchandise	(19,461)	-	-	(19,461)
Semifinished goods	(39,174)	-	3,660,413	3,621,239
Other inventories	(650)	-	147,397	146,747
Used raw material	-	-	651,009	651,009
Employee benefits	-	227,993	769,255	997,248
Depreciation and amortization	-	14,590	313,489	328,079
Commission expenses	-	5,525	339,762	345,287
Lease expenses	-	14,397	52,771	67,168
Professional fees	-	12,524	1,391,855	1,404,379
Other expenses and consolidation adjustments	-	143,012	797,252	940,264
Total	₩ (77,586)	₩ 418,041	₩ 8,123,203	₩ 8,463,658

26. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description		Year ended December 31, 2013		Year ended December 31, 2012
Other non-operating income				
Rental income	₩	633	₩	178
Commission income		19		17
Gain on foreign exchange translation		34,709		8,676
Gain on foreign currency transactions		2,430		9,954
Gain on disposals of tangible assets		1,869		412
Gain on disposals of intangible assets		10		-
Gain on transactions of derivatives		8,215		11,284
Gain on valuation of derivatives		254		1,101
Gain on disposals of investments in associates		823		33
Gain on disposals of investments in subsidiaries		285		-
Reversal of impairment loss investment property		-		317
Miscellaneous income		5,010		6,666
Other reversal of allowance for doubtful accounts		81		-
Others		638		200
Total	₩	54,976	₩	38,838
Other non-operating expenses				
Loss on foreign currency transactions	₩	39,691	₩	12,112
Loss on foreign exchange translation		5,909		12,788
Loss on disposals of tangible assets		3,865		1,985
Loss on disposals of intangible assets		273		66
Loss on transactions of derivatives		7,944		2,107
Loss on valuation of derivatives		31		75
Loss on disposals of investments in associates		3,551		-
Donations and contributions		3,713		2,083
Other bad debt expenses		740		2,120
Impairment losses of tangible assets		316		-
Impairment losses of intangible assets		11,894		5,374
Impairment losses of other non-financial assets		-		134
Miscellaneous loss		1,784		1,435
Others		466		2,449
Total	₩	80,177	₩	42,728

27. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Account	Year ended December 31, 2013		Year ended December 31, 2012	
Interest income	₩	23,084	₩	17,499
Dividend income		2,395		2,432
Gain on foreign currency transactions		15,020		21,268
Gain on foreign currency translation		9,984		9,570
Total	₩	50,483	₩	50,769

(2) Interest income included in financial income for the years ended December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Account	Year ended December 31, 2013		Year ended December 31, 2012	
Financial institution deposits and others	₩	20,848	₩	15,145
AFS financial assets		66		189
Other loans and receivables		2,364		2,306
Subtotal		23,278		17,640
Consolidation adjustment		(194)		(141)
Consolidated	₩	23,084		17,499

(3) Financial expenses for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Account	Year ended December 31, 2013		Year ended December 31, 2012	
Interest expenses	₩	78,293	₩	72,685
Loss on foreign currency transactions (non-operating)		11,492		28,693
Loss on foreign currency translation (non-operating)		8,491		8,881
Loss on valuation of derivatives		18		16
Loss on disposals of AFS financial assets		11		21
Impairment loss on AFS financial assets		140		1,229
Loss on disposals of trade receivables		1,730		6,896
Total	₩	100,175	₩	118,421

(4) Interest expenses included in financial expenses for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Account	Year ended December 31, 2013		Year ended December 31, 2012	
Bank overdrafts and loan interest	₩	26,333	₩	33,254
Finance lease liabilities' interest		12		89
Interest expenses (discount on bonds payable)		42,794		34,468
Other interest expenses		14,368		13,619
Less: Capitalized interest expenses included in qualified assets (*)		(4,544)		(8,233)
Subtotal		78,963		73,197
Consolidation adjustment		(670)		(512)
Consolidated	₩	78,293	₩	72,685

(*) Capitalization interest rates used for the years ended December 31, 2013 and 2012, are 2.91%–4.66% and 2.84%–5.49%, respectively.

28. NET GAINS (LOSSES) FROM FINANCIAL INSTRUMENTS:

Net gains (losses) from financial instruments for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in thousands):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Financial assets				
Financial assets at FVTPL	₩	1,018	₩	10,172
Derivative assets designated as a hedging instrument		-		(1,595)
AFS financial assets		3,658		2,952
Loans and other receivables (*)		8,381		(30,718)
Subtotal		13,057		(19,189)
Financial liabilities				
Financial liabilities at FVTPL		(484)		132
Derivative liabilities designated as a hedging instrument		(49)		(1,305)
Financial liabilities measured at amortized cost		(72,612)		(46,213)
Subtotal		(73,145)		(47,386)
Total	₩	(60,088)	₩	(66,575)

(*) This line item includes net gains or losses arising from cash and cash equivalents.

29. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013		Year ended December 31, 2012	
Current income tax	₩	119,888	₩	124,023
Adjustment related to prior income tax expense		(3,492)		(1,745)
Changes in deferred tax assets:		6,355		20,807
Foreign currency translation effects		19		37
Beginning deferred tax assets due to temporary differences		(126,275)		(113,902)
Ending deferred tax assets due to temporary differences		(129,238)		(126,275)
Deferred tax directly reflected in equity		3,373		8,397
Gain on disposals of treasury stocks		-		(22)
Others and consolidation adjustments		(9)		61
Income tax expense for continuing operations	₩	122,742	₩	143,124

(2) Changes in deferred tax assets (liabilities) for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013 Beginning balance		Reflected in income (loss) or in equity		Ending balance	
Temporary differences						
Cash flow hedging	₩	778	₩	(181)	₩	597
Investments in subsidiaries, associates and joint ventures		(130,141)		(713)		(130,854)
Property, plant and equipment		15,168		16,978		32,146
Financial lease		428		(428)		-
Intangible assets		1,108		3,446		4,554
AFS financial assets		(1,468)		(3,634)		(5,102)
Provisions		34,165		(5,491)		28,674
Doubtful receivables		144		160		304
Other financial liabilities		1,680		(88)		1,592
Others		(4,325)		9,730		5,405
Tax deficit and tax credits						
Tax deficit		3,576		23,059		26,635
Others		36,088		(31,261)		4,827
Deferred tax assets (liabilities)		(42,799)		11,577		(31,222)
Consolidation adjustment		(93,580)		(4,436)		(98,016)
Effects of changes in the accounting policy		10,104		(10,104)		–
Consolidated balance	₩	(126,275)	₩	(2,963)	₩	(129,238)

Description	December 31, 2012 Beginning balance		Reflected in income (loss) or in equity		Ending balance	
Temporary differences						
Cash flow hedging	₩	1,088	₩	(310)	₩	778
Investments in subsidiaries, associates and joint ventures		(130,846)		705		(130,141)
Property, plant and equipment		15,852		(684)		15,168
Financial lease		142		286		428
Intangible assets		291		817		1,108
AFS financial assets		(1,169)		(299)		(1,468)
Convertible debentures		265		(265)		-
Provisions		28,256		5,909		34,165
Doubtful receivables		476		(332)		144
Other financial liabilities		2,134		(454)		1,680
Others		(1,305)		(3,020)		(4,325)
Tax deficit and tax credits						
Tax deficit		13,630		(10,054)		3,576
Others		40,575		(4,487)		36,088
Deferred tax assets (liabilities)		(30,611)		(12,188)		(42,799)
Consolidation adjustment		(93,733)		153		(93,580)
Effects of changes in the accounting policy		10,442		(338)		10,104
Consolidated balance	₩	(113,902)	₩	(12,373)	₩	(126,275)

(3) As of December 31, 2013, no deferred tax assets (liabilities) are recognized for assets (liabilities) held for sale.

(4) As of December 31, 2013 and 2012, unrecognized deferred tax assets, excluding investment assets, are as follows (Unit: KRW in thousands):

Description	December 31, 2013		December 31, 2012	
Temporary differences	₩	2,208	₩	3,453
Tax deficit		5,968		20,936
Tax credits unused		38,390		18,038

(5) As of December 31, 2013 and 2012, the temporary differences related to investment assets and equity interest not recognized as deferred tax assets (liabilities) are as follows (Unit: KRW in millions):

Description	December 31, 2013		December 31, 2012	
Investments in subsidiaries	₩	(1,316,979)	₩	(1,200,645)
Investments in associates and joint ventures		1,200,639		1,206,662
Total	₩	(116,340)	₩	6,017

30. EARNINGS PER SHARE:

(1) Basic earnings per share are the net income attributable to one share of common stock. They are measured by dividing net income attributable to common stocks during a specified period by weighted-average number of common shares issued during that period.

(2) Earnings per share for the years ended December 31, 2013 and 2012, are calculated as follows (Unit: KRW in millions, except for earnings per share and number of shares):

	December 31, 2013					
	Continuing operations' earnings per share		Discontinued operations' earnings per share		Total earnings per share	
Profit for the year attributable to owners of the parent	₩	959,007	₩	(62,890)	₩	896,117
Less: Net income of preferred stock		3,473		-		3,473
Preferred stock portion subject to additional dividends		13,553		-		13,553
Net income of common stock		941,981		(62,890)		879,091
Weighted-average number of common shares outstanding		172,463,342		172,463,342		172,463,342
Basic earnings per share (in KRW)	₩	5,462	₩	(365)	₩	5,097
Diluted earnings per share (in KRW)(*)	₩	5,462	₩	(365)	₩	5,097

(*) There are no potential common shares of the Group, and therefore, diluted earnings per share are equal to earnings per share.

	December 31, 2012					
	Continuing operations' earnings per share		Discontinued operations' earnings per share		Total earnings per share	
Profit for the year attributable to owners of the Group	₩	969,262	₩	(31,099)	₩	938,163
Less: Net income of preferred stock		3,473		-		3,473
Preferred stock portion subject to additional dividends		14,344		-		14,344
Net income of common stock		951,445		(31,099)		920,346
Weighted-average number of common shares outstanding		172,463,211		172,463,211		172,463,211
Basic earnings per share (in KRW)	₩	5,516	₩	(180)	₩	5,336
Diluted earnings per share (in KRW)(*)	₩	5,516	₩	(180)	₩	5,336

(*) There are no potential common shares of the Group, and therefore, diluted earnings per share are equal to earnings per share.

31. SHARE-BASED PAYMENT TRANSACTIONS:

The Group recognized ₩8 million as share-based payments for the year ended December 31, 2012. Meanwhile, except for 696,000 shares among a total of 698,000 shares that were granted before the period ended December 31, 2012, 2,000 shares were granted by the Group and were exercised during the year ended December 31, 2012. As a result, the Group sold its treasury stocks to hedge against its share movements. As of December 31, 2013, all of the stock options granted by the Group were exercised.

32. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2013 and 2012, are as follows:

December 31, 2013		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
Associates:		
Korea Smart Card Co., Ltd.	Korea Smart Card CS Partners Co., Ltd.	
Songdo U-Life LLC.	U Life Solutions	
	Songdo International Sports Club LLC.	
Recaudo Bogota S.A.S.		
Petro Cornergy Co., Ltd.		
Gumi Ochang Sunlight Solar Co., Ltd.		
Dongnam Solar Energy Co., Ltd.		
Zephyr Logic, Inc.		
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Innovation Investment	
	Hi Business Logistics	
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	New Growth Venture Fund	
	New Growth Venture Fund Ⅱ	
	Hientech Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG-Hitachi Water Solutions Co., Ltd.	
	LG innotek Co., Ltd.	
	Innowith	
	Hanuri	
LG Chem Ltd.	Haengboknuri	Tianjin LG DAGU Chemical Co., Ltd. and others
LG Hausys, Ltd.	LG Tostem B.M.	LG Hausys America, Inc. and others
	LG Hausys ENG., Ltd.	
	LG Hausys Interpane	
LG Uplus Corp.	CS Leader	DACOM America Inc. and others
	Ain Teleservice	
	CS One Partner	
	MEDIA LOG Co., Ltd.	
	With U Co., Ltd.	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	The FaceShop Co., Ltd.	
	HTB Co., Ltd.	
	Future Co., Ltd	
	Everlife Co., Ltd.	
LG Life Science Co., Ltd.		LG Life Sciences India Pvt., Ltd. and others
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.		
LG Fuel Cell Systems Inc.	LG Fuel Cell Systems (Korea) Inc.	
Joint ventures:		
LG MMA Corp.		

(*): Joint ventures of associates are excluded.

December 31, 2012		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
Associates:		
Korea Smart Card Co., Ltd.		
Songdo U-Life LLC.		
Nanum Lotto Co., Ltd.		
Recaudo Bogota S.A.S.		
Petro Cornergy Co., Ltd.		
Gumi Ochang Sunlight Solar Co., Ltd		
Zephyr Logic, Inc.		
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Innovation Investment	
	Hi Business Logistics	
	Hi-M Solutec Co., Ltd.	
	KTB Technology Fund	
	HITeleservice Co., Ltd.	
	New Growth Venture Fund	
	Hientech Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG-Hitachi Water Solutions Co., Ltd	
LG Chem Ltd.		Tianjin LG DAGU Chemical Co., Ltd. and others
LG Hausys, Ltd.	LG Tostem B.M.	LG Hausys America, Inc. and others
	LG Hausys ENG., Ltd.	
	LG Hausys Interpane	
LG Uplus Corp.	CS Leader	DACOM America Inc. and others
	Ain Teleservice	
	CS One Partner	
	MEDIA LOG Co., Ltd.	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	Diamond Pure Water Co., Ltd.	
	The FaceShop Co., Ltd.	
	HTB Co., Ltd.	
	Violet Dream Inc.	
	Future Co., Ltd	
LG Life Science Co., Ltd.		LG Life Sciences India Pvt., Ltd. and others
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	Bugs Com Ad Co., Ltd.	
	G outdoor	
	L. Best	
LG Hitachi Co., Ltd.		
LG Fuel Cell Systems Inc.	LG Fuel Cell Systems (Korea) Inc.	
Joint ventures:		
LG MMA Corp.		

(*): Joint ventures of associates are excluded.

(2) Transactions within the Group and subsidiaries are eliminated before consolidation, and the details of other transactions with related parties as of December 31, 2013 and 2012, are as follows:

1) Transactions with related parties for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013			
	Revenue and others	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.	₩ 50,532	₩ -	₩ -	₩ 4,950
Nanum Lotto Co., Ltd.(*2)	13,807	-	-	-
LG Chem Ltd (*1)	935,913	23,618	-	403
LG Household & Health Care Ltd. (*1)	90,667	1,883	-	1,443
LG Electronics Inc. (*1,3)	2,170,611	8,133	10,609	110,322
LG Uplus Corp. (*1)	370,564	24	8,992	71,369
LG Life Science Co., Ltd. (*1)	37,499	15	-	24
LG Hitachi Co., Ltd.	2,306	716	-	2,708
GIIR Corporation (*1)	7,887	-	-	21,203
LG Hausys, Ltd. (*1)	133,490	876	88	10,295
Gumi Ochang Sunlight Solar Co., Ltd.	373	-	-	-
Recaudo Bogota S.A.S.	33,864	-	-	-
Zephyr Logic, Inc.	6	-	2,625	1,280
Petro Conergy Co.,Ltd.	320	-	-	-
Songdo U-Life LLC.(*1)	6,908	-	-	-
Dongnam Solar Energy Co., Ltd.	8,655	-	-	-
Joint ventures:				
LG MMA Corp.	14,211	13	-	-
Total	₩ 3,877,613	₩ 35,278	₩ 22,314	₩ 223,997

Description	Year ended December 31, 2012			
	Revenue and others	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.	₩ 26,595	₩ -	₩ -	₩ 9,064
Nanum Lotto Co., Ltd.(*2)	16,426	-	-	-
LG Chem Ltd (*1)	980,833	23,432	-	7,100
LG Household & Health Care Ltd. (*1)	94,429	2,440	-	406
LG Electronics Inc. (*1,3)	1,972,516	7,720	2,686	161,954
LG Uplus Corp. (*1)	339,715	427	3,666	78,404
LG Life Science Co., Ltd. (*1)	30,288	1	-	23
LG Hitachi Co., Ltd.	2,271	-	-	6,769
GIIR Corporation (*1)	8,695	4	-	20,038
LG Hausys, Ltd. (*1)	87,981	3,217	2,701	15,881
Gumi Ochang Sunlight Solar Co., Ltd.	19,728	-	-	53
Recaudo Bogota S.A.S.	38,099	-	-	-
Zephyr Logic, Inc.	18	-	-	2,363
Petro Conergy Co.,Ltd.	-	-	-	-
Songdo U-Life LLC.(*1)	-	-	-	-
Dongnam Solar Energy Co., Ltd.	-	-	-	-
Joint ventures:				
LG MMA Corp.	13,307	-	-	-
Total	₩ 3,630,901	₩ 37,241	₩ 9,053	₩ 302,055

(*1) It includes transactions with an associate's subsidiary.
(*2) It has been excluded from the related parties due to capital reduction for the year ended December 31, 2013.
(*3) The effects of change in the accounting policy have been reflected here.

2) Outstanding receivables and payables from transactions with related parties as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013			
	Account receivables and others(*1)	Loans	Account payables and others(*2)	Borrowings
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.	₩ 26,228	₩ -	₩ 1,755	₩ -
Nanum Lotto Co., Ltd.	-	-	-	-
LG Chem Ltd (*3)	204,982	-	41,717	-
LG Household & Health Care Ltd. (*3)	11,295	-	18,601	-
LG Electronics Inc. (*3,4)	594,145	-	128,445	-
LG Uplus Corp. (*3)	137,027	-	32,495	-
LG Life Science Co., Ltd. (*3)	6,335	-	5,429	-
LG Hitachi Co., Ltd.	2,142	-	647	-
GIIR Corporation (*3)	5,042	-	18,482	-
LG Hausys, Ltd. (*3)	49,041	-	14,094	-
Gumi Ochang Sunlight Solar Co., Ltd.	-	-	-	-
Zhyper Logic, Inc.	2	-	722	-
Recaudo Bogota S.A.S.	27	-	-	-
Songdo U-Life LLC.(*3)	5,823	-	-	-
Dongnam Solar Energy Co., Ltd.	8,828	-	-	-
Joint ventures:				
LG MMA Corp.	2,711	-	606	-
Total	₩ 1,053,628	₩ -	₩ 262,993	₩ -

Description	December 31, 2012			
	Account receivables and others(*1)	Loans	Account payables and others(*2)	Borrowings
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.	₩ 2,874	₩ -	₩ 3,479	₩ -
Nanum Lotto Co., Ltd.	1,651	-	-	-
LG Chem Ltd (*3)	196,283	-	43,910	-
LG Household & Health Care Ltd. (*3)	13,177	-	18,728	-
LG Electronics Inc. (*3,4)	582,350	-	127,040	-
LG Uplus Corp. (*3)	106,884	-	37,317	-
LG Life Science Co., Ltd. (*3)	6,314	-	5,054	-
LG Hitachi Co., Ltd.	599	-	683	-
GIIR Corporation (*3)	5,416	-	23,156	-
LG Hausys, Ltd. (*3)	27,446	-	14,234	-
Gumi Ochang Sunlight Solar Co., Ltd.	1	-	-	-
Zhyper Logic, Inc.	-	-	350	-
Recaudo Bogota S.A.S.	25,849	-	-	-
Songdo U-Life LLC.(*3)	-	-	-	-
Dongnam Solar Energy Co., Ltd.	-	-	-	-
Joint ventures:				
LG MMA Corp.	1,685	-	583	-
Total	₩ 970,529	₩ -	₩ 274,534	₩ -

(*1) Receivables from related parties are composed of trade receivables, other receivables and prepaid expenses arising from transactions with related parties.
(*2) Payables to related parties are composed of trade payables and other payables arising from transactions with related parties.
(*3) It includes transactions with an associate's subsidiary.
(*4) The effects of change in the accounting policy have been reflected here.

3) Fund transactions with the related parties for the years ended December 31, 2013 and 2012, are as follows: (Unit: Korean won in millions):

Year ended December 31, 2013

Description	Payment in cash (Reduction of capital)	Sale of interests	Loans		Borrowings	
			Loans	Payback	Borrowings	Repayments
Associates:						
LG Fuel Cell Systems Inc.	₩ 4,337	₩ -	₩ -	₩ -	₩ -	₩ -
Recaudo Bogota S.A.S.	48	-	-	-	-	-
Nanum Lotto Co., Ltd.	(10,756)	-	-	-	-	-
LG Electronics Inc.	-	(16,874)	-	-	-	-
Total	₩ (6,371)	₩(16,874)	₩ -	₩ -	₩ -	₩ -

Year ended December 31, 2012

Description	Payment in cash (Reduction of capital)	Sale of interests	Loans		Borrowings	
			Loans	Payback	Borrowings	Repayments
Associates:						
Recaudo Bogota S.A.S.	₩ 5,152	₩ -	₩ -	₩ -	₩ -	₩ -
Enerware Co.,Ltd.	(113)	-	-	-	-	-
Total	₩ 5,039	₩ -	₩ -	₩ -	₩ -	₩ -

(3) The compensation and benefits for the Group's key managements (registered executives, including non-permanent and non-registered executives) who have significant control and responsibility on planning, operating and controlling the activities of the Group for the years ended December 31, 2013 and 2012, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2013	Year ended December 31, 2012
Short-term employee benefits	₩ 52,213	₩ 50,516
Severance benefits	11,072	10,026
Other long-term employee benefits	79	(5,316)
Share-based payment transactions	-	8
Total	₩ 63,364	₩ 55,234

(4) The Group has guaranteed the loss to Korea Finance Corporation and Korea Exchange Bank in relation to steam supply business running by Petro Cornergy Co.,Ltd. that is an associate of the Group, when Petro Cornergy Co.,Ltd. cannot repay a loan and interests due to the performance problem of steam production equipments. As of December 31, 2013, the amounts of the borrowing in relation to this contract is ₩23,000, and the Group expects the possibility that compensation would not happen to be higher than the one that it would happen.

33. FUNDING ARRANGEMENTS AND PLEDGING:

(1) As of December 31, 2013, commitments related to the Group's funding are as follows (Unit: KRW in millions):

Category	Limit	Used
Comprehensive import and export	₩ 227,597	₩ 29,678
Import	270,676	14,493
Export	64,901	9,645
Commercial paper	40,000	-
Overdraft	66,000	-
Credit line	311,000	44,904
Corporate facility fund borrowings	436,493	300,126
Working capital borrowings	560,601	159,143
Forwards	60,450	1,491
Receivable-backed borrowings	445,500	42,378
Other borrowing agreements	179,000	18,958
Others	371,080	20,624

(2) Restricted financial assets as of December 31, 2013, are as follows (Unit: KRW in millions):

Account	December 31, 2013	Remark
Cash and cash equivalents	₩ 1,247	Deposits for issuing notes and pledges against borrowings
Financial institution deposits	12,230	Pledges against borrowings and L/C agreements
Long-term deposits	137	Deposits for overdraft accounts

(3) Details of pledging as of December 31, 2013, are as follws :

Provider	Recipient	Details
LG Corp.	Woori Bank and one other	Collateral for rent deposit (blank bill, 2 notes).
Serveone Co., Ltd.	LG Electronics Inc. and five others	15 notes (face value: ₩38,300 million) pledged to guarantee performance and warranty.
	The Korea Development Bank and seven others	Stock collateral security pledged ₩1,536 million with respect to BTL(Build Transfer Lease) projects and shares of associate pledged ₩547 million with respect to PF.
LG CNS Co., Ltd.	Korea Software Financial Cooperative	₩1,300 million of capital stock investment provided a combination as mortgage.
	Plant and Mechanical Contractors' Financial Cooperative of Korea	₩68 million of investment securities provided a combination as pledged.
Oneseen skytech	Shinhan Bank	Provide land and buildings as collateral (the book value: ₩1,037 million, the amount limit: ₩2,000 million)
Korea Elecom Co., Ltd.	Shinhan Bank	Provide land and buildings as collateral (the book value: ₩3,325 million, the amount limit: ₩4,500 million)
LG N Sys Inc.	Seoul Guarantee Insurance	Pledged ₩50 million
LG Solar Energy Inc.	Kookmin Bank	Provide land, buildings and mechanical equipments as collateral (the book value: ₩59,186 million, the amount limit: ₩96,200 million)
LG Siltron Inc.	The Korea Development Bank	Provide land and buildings as collateral (the book value: ₩94,455 million, the amount limit: ₩99,845 million)
LG sports Co., Ltd.	Kookmin Bank	Provide land as collateral (the book value: ₩36,841 million, the amount limit: ₩39,000 million)

(4) Performance guarantee

The Group provides the following performance guarantees and warranties to customers through third-party guarantee insurance agreements as of December 31, 2013 (Unit: KRW in millions):

Description	Provider	Amounts of guarantees		Insurance company
Guarantee of contract and warranties, etc.	LG CNS Co., Ltd.	₩	554,625	Korea Software Financial Cooperative
			2,422	Construction Guarantee (*)
			13,720	The Export-Import Bank of Korea
			39,758	Korea Exchange Bank and others
	Serveone Co., Ltd.		208,510	Seoul Guarantee Insurance
Total		₩	819,035	

(*) LG CNS Co., Ltd. provides joint liability guarantees in the amount of ₩2,422 million (collective guarantee of ₩33,600 million) to Busan Finance Center PFV Co., Ltd. in relation to the Busan Munhyun Innovation City Compound Developments.

34. OPERATING LEASE CONTRACTS:

(1) The Group as lessee

1) The Group entered into operating lease contracts for buildings, vehicles and office equipment. Payment schedule related to the major operating lease contracts as of December 31, 2013 and 2012, is as follows (Unit: KRW in millions):

	December 31, 2013							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 30 others	₩	48,116	₩	130,320	₩	1,516	₩	179,952

	December 31, 2012							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 32 others	₩	37,444	₩	34,657	₩	1,352	₩	73,453

2) The Group recognized rental expense related to operating lease contracts for the years ended December 31, 2013 and 2012, for the amounts of ₩75,230 million and ₩67,168 million, respectively. In relation to the substance of transactions involving the legal form of lease, the Group paid ₩3,055 million and ₩3,391 million, which includes payments for other than the substance of transactions involving the lease.

(2) The Group as lessor

1) LG N-Sys Inc. has a telecommunications equipment lease contract with LG Uplus Corp. Other entities within the Group also have certain real estate operating lease contracts.

2) The operating lease contracts as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

	December 31, 2013							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 6 others	₩	76,295	₩	31,402	₩	75,563	₩	183,260

	December 31, 2012							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 5 others	₩	70,298	₩	34,405	₩	82,461	₩	187,164

3) The Group recognized rental profit related to operating lease contracts for the years ended December 31, 2013 and 2012, in the amounts of ₩84,216 million and ₩76,817 million, respectively.

35. PENDING LITIGATIONS:

Pending litigations as of December 31, 2013, are as follows (Unit: KRW in millions):

Company	Amount of lawsuit	Plaintiff	Defendant
Claims for non-performance on exclusive sales rights	₩ 137,189 (USD 130,000,000)	India Household & Healthcare Ltd.	LG Household & Health Care Ltd., LG Corp., LG Electronics India PVT. Ltd.
Claims for cancellation of trademark register and suspension of its usage	-	LG Informatica Ltda	LG Corp., LG Electronics da Amazonia Ltda., INPI
Compensation for trademark infringement	1,050	LG Corp.	Loan and assets' loan brokerage, Bae, Hyo Sun, Kim, Seok Chae
Claims for invalid winning of Dongtan HUB	20	Serveone Co., Ltd.	LH Corporation, HwaSeong municipal assembly
Revocation trial for disallowance of underground water developments	-	Serveone Co., Ltd.	Mayor of Gwang-ju, Kyeonggi-do
Appeal for cancellation of bid disqualification	-	LG CNS Co., Ltd.	Public Procurement Service
Claims for reimbursement of service payment	977	LG CNS Co., Ltd.	Public Procurement Service
Revocation suit and trial for limit of bidding eligibility	-	LG CNS Co., Ltd.	Seoul City
Claims for unfair joint activities	200	Kookmin Bank Co., Ltd.	LG CNS Co.,Ltd., LG N-Sys Inc. and others
Claims for unfair joint activities	200	Industrial Bank of Korea	LG CNS Co.,Ltd., LG N-Sys Inc. and others
Claims for unfair joint activities	200	Woori FIS	LG CNS Co.,Ltd., LG N-Sys Inc. and others
Claims for copyright infringement of software	2,544	EPP-Media Co.,Ltd.	LG CNS Co.,Ltd.
After winning of case of claims for payment of services, defendant appealed	133 (CNY 764,000)	LG CNS China, Inc.	GOLD LAND
Claims for payment, China International Economic and Trade Arbitration Commission is arbitrating	314 (CNY 1,801,000)	LG CNS China, Inc.	Henan Aiv-Bex Optoelectronics Co.,Ltd.
Claims for services rendered	107	BNE Partners, Inc.	Pronty CNS Co., Ltd.
Claims for services rendered	19	BNE Partners, Inc.	E&Tech Co., Ltd.
Claims for services rendered	198	BNE Partners, Inc.	Orient Shipyard Co., Ltd.
Claims for payment of services	57	BNE Partners, Inc.	People & Telecommunication Inc.
After receiving payment command of payable of services, submitted raising of an objection application	38	Info CG	BNE Partners, Inc.
Request for cancellation of deceptive acts	274	Korea Credit Guarantee Fund	LG N-Sys Inc.
Claims for return of unjust enrichment	1,472	LG N-Sys Inc.	Republic of Korea
Claims for services rendered	550	LG N-Sys Inc.	Gangdong Media
Claims for services rendered	53	Be interactive	LG N-Sys Inc.
Objects the penalty for delay by Defense Acquisition Program Administration, as regards supplying MILES equipment of platoon class. The penalty for delay was paid in October, 2013.	147	Korea Elecom	Defense Acquisition Program Administration

Meanwhile, the results of the aforementioned lawsuits and their future impact on the consolidated financial statements cannot be predicted reasonably.

36. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital risk management to maintain the ability to continuously provide profits to shareholders and interested parties and to maintain optimum capital structure to reduce capital expenses. In order to maintain such optimum structure, the Group may adjust dividend payments, redeem paid-in capital to shareholders, issue stocks to reduce liability or sell assets.

The Group’s capital structure consists of net liability, which is borrowings less cash and cash equivalents and equity; the overall capital risk management policy of the Group is unchanged from the prior period. In addition, items managed as capital by the Group as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

	December 31, 2013		December 31, 2012	
Total borrowings	₩	1,750,832	₩	1,590,750
Less: Cash and cash equivalents		(682,142)		(508,366)
Borrowings, net		1,068,690		1,082,384
Total equity		12,105,291		11,545,400
Debt-to-equity ratio		8.83%		9.38%

(2) Financial risk management

The Group is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify potential risks of financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. The Group makes use of derivative financial instruments to hedge certain risks, such as foreign exchange and interest rate risks. Overall financial risk management policy of the Group is the same as the one of the prior period.

1) Foreign currency risk

The Group is exposed to foreign currency risk since it makes transactions in foreign currencies. The book value of Group's monetary assets and liabilities denominated in foreign currency that is not the functional currency as of December 31, 2013, is as follows (Unit: KRW in millions):

Currency	Assets		Liabilities	
USD	₩	233,735	₩	171,947
EUR		11,865		240
JPY		37,815		31,603
CNY		764		938
Others		7,032		456
Total	₩	290,211	₩	205,184

The Group internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Group's sensitivity analysis to a 10% increase and decrease in the KRW (functional currency of the Group) against major foreign currencies as of December 31, 2013, is as follows (Unit: KRW in millions):

Currency	10% increase against foreign currency	10% decrease against foreign currency
USD	₩ 4,666	₩ (4,666)
EUR	881	(881)
JPY	475	(475)
CNY	(13)	13
Others	498	(498)
Total	₩ 6,507	₩ (6,507)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2013.

As of December 31, 2013, the Group entered into cross-currency forward contracts and currency swap contracts to manage its foreign currency exchange rate risk related to its expected sale and purchase. The evaluation of unsettled currency forward contracts and currency swap contracts as of and for the year ended December 31, 2013, is as follows (Unit: KRW in millions):

Description	Notional amount	Valuation gain and loss		Accumulated other comprehensive income	Fair value	
		Gain	Loss		Assets	Liabilities
Currency forward	₩ 57,074	₩ 254	₩ 31	₩ -	₩ 254	₩ 31

2) Interest rate risk

The Group borrows on a floating rate and is exposed to cash flow risk arising from interest rate changes. Also, because of AFS debt securities that are measured at fair value, the Group is exposed to fair value interest rate risk.

The book value of assets and liabilities exposed to interest rate risk as of December 31, 2013, is as follows (Unit: KRW in millions):

Description	December 31, 2013
AFS financial assets (debt securities)	₩ 23
Borrowings	121,599
Derivatives related to interest rate	3,254

The Group internally assesses the cash flow risk from changes in interest rates on a regular basis.

Effect of changes in interest rates of 1% to net income as of December 31, 2013, is as follows (Unit: KRW in millions):

Description	1% increase		1% decrease	
	Gain (loss)	Net assets	Gain (loss)	Net assets
Borrowings	₩ (935)	₩ -	₩ 935	₩ -
Derivatives related to interest rate	319	1,248	(319)	(1,248)

In order to manage its interest rate risks, the Group enters into interest rate swaps and/or currency swap contracts. The value of unsettled interest swap contract as of and for the year ended December 31, 2013, is as follows (Unit: KRW in millions):

Description	Notional amount	Valuation gain and loss		Accumulated other comprehensive income	Fair value	
		Gain	Loss		Assets	Liabilities
Interest rate swap	₩ 94,400	₩ -	₩ -	₩ (2,472)	₩ -	₩ 3,254

3) Price risk

The Group is exposed to price risks from AFS equity instruments. As of December 31, 2013, the fair value of AFS equity instruments is ₩47,736 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect after tax to equity will be ₩3,618 million.

4) Credit risk

Credit risk refers to risk of financial losses to the Group when the counterpart defaults on the obligations of the contract. Credit risk arises from AFS financial assets (bond), financial institutions and limit of payment guarantee, as well as credit risks of customers, including loans and receivables. As for banks and financial institutions, the Group makes transactions with reputable financial institutions and, therefore, the credit risk from it is limited. For ordinary transactions, customers' financial status, credit history and other factors are considered to evaluate their credit status. The Group does not have policies to manage credit limits of each customer. The maximum exposure to credit risk of loans and receivables and AFS financial assets is similar to that of the carrying amount of those accounts. The maximum exposure amount to credit risk of the other contract mentioned in Note 32(4) is ₩23,000 million.

5) Liquidity risk

The Group establishes short-term and long-term fund management plans. The Group analyzes and reviews actual cash outflow and its budget to correspond to the maturity of financial liabilities to that of financial assets. Management of the Group believes that financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to its remaining maturity as of December 31, 2013, is as follows (Unit: KRW in millions):

Description	Within a year	1–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 1,834,523	₩ 5,334	₩ 279,333	₩ 2,119,190
Financial lease liabilities	136	-	-	136
Floating rate financial instrument	88,760	34,396	7,622	130,778
Fixed rate financial instrument	553,610	1,193,432	1,366	1,748,408
Other contract (*)	1,495	14,839	14,839	31,173
Total	₩ 2,478,524	₩ 1,248,001	₩ 303,160	₩ 4,029,685

(*) The limit of the other contract mentioned in Note 32(4) is ₩23,000 million. And the Group expects the possibility that compensation would not happen to be higher than the one that it would happen. But this expectation may change if the probability that warrantee charges the guarantee changes, in case of occurrence of credit loss in financial receivables held by warrantee.

Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made. Maturity analysis of derivative financial liabilities according to its remaining maturity as of December 31, 2013, is as follows (Unit: KRW in millions):

Description	Flow	Within a year	1–5 years	More than 5 years	Total
Derivatives for trading:					
Foreign currency derivatives	Outflow	₩ (56,851)	₩ -	₩ -	₩ (56,851)
	Inflow	57,074	-	-	57,074
Subtotal		223	-	-	223
Derivatives designated and hedging instruments:					
Interest rate derivatives	Outflow	(2,929)	(5,257)	(302)	(8,488)
	Inflow	1,556	3,556	123	5,235
Subtotal		(1,373)	(1,701)	(179)	(3,253)
Total		₩ (1,150)	₩ (1,701)	₩ (179)	₩ (3,030)

(3) Estimation of fair value

The fair values of financial instruments (i.e., financial assets held for trading and AFS financial assets) traded on active markets are determined with reference to quoted market prices. The Group uses the current bid price as the quoted market price for its financial assets.

The fair values of financial instruments not traded on an active market (i.e., over-the-counter derivatives) are determined using a valuation technique. The Group uses various valuation techniques using assumptions based on current market conditions. The fair values of long-term liabilities and financial liabilities available for settlement are determined using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, a discounted cash flow analysis or other valuation technique is performed to measure their fair values.

The fair values of trade receivables and trade payables are approximated at their carrying value, less impairment loss. The Group estimates the fair values of financial liabilities as the present value of future contractual cash flows discounted based on current market rates applied to similar financial instruments.

The interest rates used to determine fair value are as follows:

	December 31, 2013	December 31, 2012
Derivatives	2.68%–6.63%	3.91%–4.52%
Debentures	1.64%–4.61%	3.14%–3.98%

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable, as described below:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1) Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013 Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative assets for trading	₩ -	₩ 254	₩ 113	₩ 367
AFS financial assets	47,736	23	62,094	109,853
Total	47,736	277	62,207	110,220
Financial liabilities:				
Derivative liabilities for trading	-	31	-	31
Derivative liabilities designated as a hedging instrument	-	3,254	-	3,254
Total	₩ -	₩ 3,285	₩ -	₩ 3,285

Description	December 31, 2012 Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative assets for trading	₩ -	₩ 1,073	₩ 256	₩ 1,329
AFS financial assets	49,190	24	58,555	107,769
Total	49,190	1,097	58,811	109,098
Financial liabilities:				
Derivative liabilities for trading	-	47	-	47
Derivative liabilities designated as a hedging instrument	-	4,859	-	4,859
Total	₩ -	₩ 4,906	₩ -	₩ 4,906

2) Changes in Level 3 financial assets for the years ended December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013 Beginning balance	Consolidation transfer	Net income (loss)	Comprehensive income (loss)	Purchases	Disposals	Transfer	Ending balance	Unrealized holding gain or loss
Derivative assets for trading	₩ 256	₩ -	₩ (18)	₩ -	₩ -	₩ (125)	₩ -	₩ 113	₩ -
AFS financial assets	58,555	-	(75)	3,182	46	(514)	-	62,094	13,155
Total	₩ 58,811	₩ -	₩ (93)	₩ 3,182	₩ 946	₩ (639)	₩ -	₩ 62,207	₩ 13,155

Description	Year ended December 31, 2012 Beginning balance	Consolidation transfer	Net income (loss)	Comprehensive income (loss)	Purchases	Disposals	Transfer	Ending balance	Unrealized holding gain or loss
Derivative assets for trading	₩ 272	₩ -	₩ (16)	₩ -	₩ -	₩ -	₩ -	₩ 256	₩ -
AFS financial assets	57,903	-	(1,149)	1,653	1,388	(1,240)	-	58,555	10,132
Total	₩ 58,175	₩ -	₩(1,165)	₩ 1,653	₩ 1,388	₩ (1,240)	₩ -	₩ 58,811	₩ 10,132

Meanwhile, some unmarketable equity securities of financial assets categorized within Level 3 are measured at cost since they do not have a quoted market price in an active market and since their fair value cannot be reliably measured .

3) A description of the valuation techniques and the inputs used in the fair value measurement of financial instruments classified as Level 2 and Level 3 is as follows :

- Currency forward and interest rate swap
In principle, the fair value of currency forward was measured based on forward currency rates whose period is coincident with the residual period of the currency forward, and that are advertised on the market at the end of the reporting period. If forward currency rates whose period is coincident with the residual period are not advertised on the market, the fair value of currency forward was measured by estimating the forward currency rates whose period is similar to the residual period of the currency forward. The estimating of the forward currency was performed using interpolation to advertised periodical forward currency rates. Discount rates used to measure the fair value of currency forward were determined based on yield curve from yields advertised on the market.
Discount rates and forward rates used to measure the fair value of interest rate swaps were determined based on the applicable yield curves derived from interest rates that are advertised on the market at the end of the reporting period. The fair value of interest rate swaps measured on the amount of money that discounted at an appropriate discount rate to future cash flows of interest rate swaps, was estimated based on the forward rate that is obtained by the method described above.

Since the input variables that are used to measure the fair value of currency forward and interest rate swaps for the end of the reporting period are derived via the forward exchange rate and the yield curve in the market, the fair values of currency forward and interest rate swap were classified as Level 2 value measurement.

- Consideration for conversion rights
The fair value of consideration for conversion rights was measured based on option pricing model. Stock volatility, which is used to measure the fair value of consideration for conversion rights and is significant input variable, was estimated based on stock price changes in the past. Stock volatility estimated by past materials, corresponds with non-observable input variables in the market (Level 3 input variables), because it is not reflected the expectation of market participants to the change in stock price in the future. The Group classified the fair values of consideration for conversion rights as Level 3 value measurement, since the influence on option prices by stock volatility is significant.

- Corporate bonds
The fair value of corporate bonds was measured by discount cash flow (DCF). The discount rates used in DCF was determined based on advertised in market swap rates and credit spreads of the bonds whose credit rating and period were similar to those of corporate bonds and cumulative redeemable preference stocks. The discount rates that influence on the fair value of corporate bonds and cumulative redeemable preference stocks significantly were classified as Level 2 value measurement, because they resulted in observable informations in the market.

- Unlisted securities and unlisted securities linked convertible securities
The fair value of non-listed shares and unlisted securities linked convertible securities, and then measured using a discounted cash flow model that is not based on observable market prices or rates, will be used to estimate the future cash flows, such as sales growth, pretax operating profit margin and the weighted-average cost of capital. Capital asset pricing model (CAPM) was used to calculate the weighted-average cost of capital. The key assumptions of estimation listed above are determined to have a significant impact on the fair value of non-listed shares, and the Group has classified the fair value hierarchy system on Level 3 of the fair value measurement of non-listed shares.

4) There is no change in the valuation technique used in the fair value measurement of financial instruments classified as Level 2 and Level 3.

5) A description of the valuation processes in the fair value measurement for Level 2 and Level 3 that the Group is carrying out is as follows :

The Group measures fair value of assets and liabilities for financial reporting purposes and reports the result of fair value measurements to chief finance officer directly.

Undesirable inputs that are used to estimate Level 3 fair value measurement are derived in a manner that is described below:

- Stock volatilities and stock correlation used in measurement of the financial instruments linked with stocks (e.g. investments in convertible bonds, equity-linked securities and consideration for conversion rights) was measured based on change in stock price during certain period before reporting period

- Pretax profit margin and sales growth rate, which are used to measure the fair value of non-listed shares, are estimated based on the average value of pretax operating margin and sales growth rate of comparable-listed companies.

- Weighted-average cost of capital discount rate that is used to measure the fair value of non-listed shares is estimated by the weighted-average, after-tax, outside capital cost; capital cost estimates of the share value beta reflected for the purpose of the issuer of the shares; and capital structure based on the equity beta of comparable public companies has been derived based on the CAPM.

6) The Company has judged that unobservable changes of inputs to reflect alternative assumptions would not change the fair value measurement significantly.

7) There is no significant change of business and economic environment affecting the fair value of the financial assets and liabilities during the current year.

37. MERGER (BUSINESS COMBINATION):

(1) Business combination that occurred for the years ended December 31, 2013 and 2012, is as follows:

Description	Operating activities	Acquisition date (*2)	Acquisition ownership (%)	Consideration transferred (million)
Year ended December 31, 2013				
Oneseen Skytech	Manufacturing unmanned helicopter	2013.04.10	63,99%	₩ 5,318
Year ended December 31, 2012				
SBI-LG Systems Co., Ltd. (*1)	System Development	2012.10.23	51.00%	-

(*1) SBI-LG Systems Co., Ltd.: Due to a change in the joint venture agreement during period ended December 31, 2012, the Company has been replaced from a jointly controlled entity to a subsidiary; therefore, the acquisition cost does not exist.
(*2) The acquisition date considered as effective for the consolidation purpose for Oneseen Skytech is April 1, 2013, and for SBI-LG Systems Co.,Ltd. is October 1, 2012.

(2) Contributed revenue by merger

1) Oneseen Skytech
Beginning April 1, 2013, revenue of ₩644 million and net loss of ₩2,596 million of Oneseen Skytech were included in the consolidated statement of comprehensive income for the year ended December 31, 2013. If Oneseen Skytech had been included in the scope of consolidation starting from January 1, 2013, ₩596 million of net loss would have been included in the consolidated statement of comprehensive income for the year ended December 31, 2013.

2) SBI-LG Systems Co., Ltd.
Beginning October 1, 2012, the deemed acquisition date, revenue of ₩12,916 million and net loss of ₩406 million of SBI-LG Systems Co., Ltd. were included in the consolidated statement of comprehensive income for the year ended December 31, 2012. If SBI-LG Systems Co., Ltd. had been included in the scope of consolidation starting from January 1, 2012, ₩20,980 million of revenue and ₩1,150 million of net loss would have been included in the

consolidated statement of comprehensive income for the year ended December 31, 2012. Also, ₩587 million of loss on valuation by the equity method investments would have been excluded from the consolidated statement of comprehensive income for the year ended December 31, 2012.

(3) Identifiable assets, liabilities and goodwill as of December 31, 2013 and 2012, are as follows (Unit: KRW in millions):

Description	December 31, 2013 Oneseen Skytech		December 31, 2012 SBI-LG Systems Co., Ltd.	
Identifiable assets at their fair values	₩	8,110	₩	7,790
Cash and cash equivalents		4,664		3,069
Trade receivables		-		3,226
Other receivables		26		27
Inventories		180		58
Property, plant and equipment		1,132		28
Intangible assets		2,090		458
Other assets		18		924
Identifiable liabilities at their fair values		7,352		4,563
Trade payables		60		2,925
Borrowings		5,561		-
Other liabilities		1,731		1,638
Total identificable net book value at fair values		758		3,227
Non-controlling interests (equity)		273		1,581
Acquired controlling interests (equity)		485		1,646
Acquisition cost		5,318		-
Goodwill	₩	4,833	₩	-

The Group acquired brand values and technical skills of Oneseen Skytech as part of the acquisition. These were recognized as intangible assets, separately from goodwill, since these intangible assets meet separability criterion and recognition criteria.

38. DISCONTINUED OPERATIONS:

(1) Disposal of V-ENS Co.,Ltd.'s operations

LG CNS Co.,Ltd. has announced its plan to sell interests of V-ENS Co.,Ltd. at the board of directors' meeting on April 23, 2013. The sale of V-ENS Co.,Ltd. is part of the long-term policy for reorganization of business structure, long-term growth strategy, and business rationalization. The control to V-ENS Co.,Ltd. was transferred to LG Electronics, Inc. since the process of sales was completed in May 1, 2013.

(2) Plans to sell Solar operating segment of LG Siltron Inc.

In May 22, 2013, LG Siltron Inc. determined to discontinue its Solar operating segment to improve operating performance and declared its plan to dispose of the related tangible assets and inventories. LG Siltron Inc. is actively looking for a purchaser, and expects to conclude the disposal plan before April 30, 2014. LG Siltron Inc. recognized an impairment loss of ₩32,102 million from discontinued operating segment when the tangible assets and inventories of the Solar operating segment were classified as assets held for sale.

(3) Plans to sell Sapphire operating segment of LG Siltron Inc.

In December 19, 2013, LG Siltron Inc. determined to discontinue the Sapphire operating segment to improve operating performance and declared its plan to dispose of the related tangible assets and inventories. LG Siltron Inc. is actively looking for a purchaser, and expects to conclude the disposal plan before December 31, 2014. LG Siltron Inc. recognized an impairment loss of ₩35,995 million from discontinued operating segment when the tangible and intangible assets amounting to ₩39,929 million and related to the Sapphire operating segment were classified as assets held for sale.

(4) Plans to sell or bankrupt HNIP's operations

HNIP has announced its plan to sell its business sector of insurance claims on December 28, 2011, at the board of directors' meeting. The Group negotiated with the buyer many times, but did not complete the sale. The Group initiated bankruptcy proceedings of HNIP on December 14, 2012. The Group recognized an impairment loss with regard to property, plant and equipment and intangible assets as soon as the Group classified the assets related to the operations of HNIP as held for sale. After initiating bankruptcy proceedings, HNIP was excluded from the Group's subsidiaries.

(5) Analysis of profit and loss from discontinued operations

Performances from discontinued operations (V-ENS Co.,Ltd., Solar operating segment of LG Siltron Inc., and Sapphire operating segment of LG Siltron Inc.) that are included in the consolidated statements of comprehensive income are as follows:

1) Profit from discontinued operations for the years ended December 31, 2013 and 2012 is as follows (Unit: KRW in millions):

	Year ended December 31, 2013			
Description	V-ENS Co.,Ltd.	LG Siltron Inc.	HNIP	Total
Sales	₩ 42,996	₩ 10,438	₩ -	₩ 53,434
Cost of sales	(34,883)	(62,116)	-	(96,999)
Selling and administrative expenses	(5,107)	(2,105)	-	(7,212)
Operating income	3,006	(53,783)	-	(50,777)
Financial income	298	57	-	355
Financial expenses	(28)	(6,768)	-	(6,796)
Other operating income	1,011	-	23	1,034
Other operating expenses	(1,092)	-	-	(1,092)
Profit before tax	3,195	(60,494)	23	(57,276)
Income tax expense	(59)	-	-	(59)
Subtotal	3,136	(60,494)	23	(57,335)
Loss on valuation of property, plant and equipment/intangible assets – net of fair value	-	(68,097)	-	(68,097)
Unrealized gain or loss	8	-	-	8
Subtotal	8	(68,097)	-	(68,089)
Profit (loss) from discontinued operations	3,144	(128,591)	23	(125,424)
Owners of the parent	2,672	(65,582)	20	(62,890)
Non-controlling interests	₩ 472	₩ (63,009)	₩ 3	₩ (62,534)

Description	Year ended December 31, 2012			
	V-ENS Co.,Ltd.	LG Siltron Inc.	HNIP	Total
Sales	₩ 112,434	₩ 27,318	₩ 119	₩ 139,871
Cost of sales	(100,422)	(69,142)	-	(169,564)
Selling and administrative expenses	(10,362)	(244)	(3,009)	(13,615)
Operating income	1,650	(42,068)	(2,890)	(43,308)
Financial income	353	120	12	485
Financial expenses	(418)	(4,601)	(883)	(5,902)
Other operating income	2,267	79	2	2,348
Other operating expenses	(3,767)	-	(3,359)	(7,126)
Profit before tax	85	(46,470)	(7,118)	(53,503)
Income tax expense	(270)	-	-	(270)
Subtotal	(185)	(46,470)	(7,118)	(53,773)
Loss on valuation of property, plant and equipment/intangible assets – net of fair value	-	-	(1,428)	(1,428)
Unrealized gain or loss	13	-	-	13
Others	-	-	10	10
Subtotal	13	-	(1,418)	(1,405)
Profit (loss) from discontinued operations	(172)	(46,470)	(8,536)	(55,178)
Owners of the parent	(147)	(23,699)	(7,253)	(31,099)
Non-controlling interests	₩ (25)	₩ (22,771)	₩ (1,283)	₩ (24,079)

2) Cash flows arising from discontinued operations for the years ended December 31, 2013 and 2012 are as follows (Unit: KRW in millions):

Description	Year ended December 31, 2013			
	V-ENS Co.,Ltd.	LG Siltron Inc.	HNIP	Total
Cash flows from operating activities	₩ 6,754	₩ (51,729)	₩ -	₩ (44,975)
Cash flows from investing activities	(429)	(7,188)	23	(7,594)
Cash flows from financing activities	-	(23,333)	-	(23,333)
Net cash flows	₩ 6,325	₩ (82,250)	₩ 23	₩ (75,902)

Description	Year ended December 31, 2012			
	V-ENS Co.,Ltd.	LG Siltron Inc.	HNIP	Total
Cash flows from operating activities	₩ 8,816	₩ (39,633)	₩ (1,306)	₩ (32,123)
Cash flows from investing activities	(6,954)	(66,732)	438	(73,248)
Cash flows from financing activities	(4,916)	120,000	1,119	116,203
Net cash flows	₩ (3,054)	₩ 13,635	₩ 251	₩ 10,832

39. ASSETS HELD FOR SALE:

As of December 31, 2013, assets (liabilities) held for sale are as follows (Unit: KRW in millions):

Description	December 31, 2013	
Assets related to the Solar operating segment of LG Siltron Inc. (*1)	₩	4,170
Assets related to the Sapphire operating segment of LG Siltron Inc. (*2)		3,935
Machinery of Lusem Co.,Ltd. (*3)		5,739
Total	₩	13,844

(*1) As mentioned in Note 38, LG Sitron Inc. is pushing the selling of the Solar operating segment forward, and is planning to complete this sale before April 30, 2014. As of December 31, 2013, the assets and liabilities related to the Solar operating segment are as follows (Unit: KRW in millions):

Description	December 31, 2013	
Property, plant and equipment	₩	4,170
Total assets related to the Solar operating segment classified as held for sale		4,170
Total liabilities related to the Solar operating segment classified as held for sale		-
Total	₩	4,170

(*2) As mentioned in Note 38, LG Sitron Inc. is pushing the selling of the Sapphire operating segment forward, and is planning to complete this sale before April 30, 2014. As of December 31, 2013, the assets and liabilities related to the Solar operating segment are as follows (Unit: KRW in millions):

Description	December 31, 2013	
Property, plant and equipment	₩	3,935
Total assets related to the Solar operating segment classified as held for sale		3,935
Total liabilities related to the Solar operating segment classified as held for sale		-
Total	₩	3,935

(*3) Lusem Co.,Ltd. is planning to dispose of some machinery within 12 months, and classified these machinery as assets held for sale after having evaluated their fair value.

40. UNCONSOLIDATED STRUCTURED ENTITIES

As of December 31, 2013, information about the natures and risks associated with interests in unconsolidated structured entities held by the Group is as follows (Unit: KRW in millions):

Description	Names of structured entities	Accounting title of interests on structured entities and providing financial supports	Book value of assets related to structured entities interests	Maximum exposure to the loss of structured entities
Interests accounted in accordance with K-IFRS 1039 (except interests on subsidiaries)	Welcome Edu Service Co.,Ltd. (Dormitory of Seoul National Univ.)	AFS financial assets	₩ 344	₩ -
		Loan commitments	-	7,266
	Mileseum I (Ulsan National Institute of Science and Technology)	AFS financial assets	970	-
		Loan commitments	-	21,819
	Mileseum II (Ulsan National Institute of Science and Technology)	AFS financial assets	131	-
		Loan commitments	-	640
	Mileseum III (Ulsan National Institute of Science and Technology)	AFS financial assets	91	-
		Loan commitments	-	-
	Heemangseum (Daegu Gyeongbuk Institute of Science and Technology)	AFS financial assets	2,010	-
		Loan commitments	-	-

41. EVENTS AFTER THE REPORTING PERIOD:

(1) LG Corp., the Company, acquired 100% of ownership of the subsidiary LG Holdings Japan Co., Ltd. which was established in January 28, 2014.

(2) LG Siltron Inc., a subsidiary of the Group, issued private placement bonds in February 7, 2014, amounting to ₩30,000 million, and with a 3 year maturity.

(3) The board of directors of Serveone Co.,Ltd., a subsidiary of the Group, determined to issue public unsecured bearer coupon bonds. Consequently, the entity issued the bonds in February 14, 2014, with a nominal value amounting to ₩100,000 million, and a 3 year maturity.