LG CORP. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

LG CORP.

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Independent Auditor's Report

English Translation of a Report Originally Issued in Korean

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

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the LG Corp. and its subsidiaries as of December 31, 2014 and December 31, 2013, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

Others

We conducted our audit of consolidated financial statements of LG Corp. and its subsidiaries as of December 31, 2013 in accordance with the former KSAs, known as auditing standards generally accepted in Korea.

We have audited the consolidated financial statements of LG Corp. and its subsidiaries as of December 31, 2013 in accordance with the former KSAs which we relied on the report of other auditor on the financial statements of certain consolidated subsidiaries whose financial statements reflect 48.09% of consolidated total assets and 5.72% of consolidated total revenue as of December 31, 2013.

Deloitte Anjin LLC

March 11, 2015

<u>Notice to Readers</u>

This report is effective as of March 11, 2015, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditor's report.

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

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

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, 2014 AND 2013

	Korean won	
	December 31, 2014	December 31, 2013
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5, 6, 32 and 35)	₩ 497,211	₩ 682,142
Financial institution deposits (Notes 5 and 32)	335,558	310,031
Current derivative assets (Notes 5 and 35)	1,409	254
Trade receivables, net (Notes 5, 7 and 31)	2,263,398	2,003,643
Other receivables, net (Notes 5, 7 and 31)	77,880	75,546
Current tax assets	4,761	2,805
Current other assets (Notes 9 and 19)	361,815	291,032
Inventories, net (Note 8)	307,655	330,375
Assets held for sale (Note 38)	1,519	13,844
Total current assets	3,851,206	3,709,672
NON-CURRENT ASSETS:		
Non-current derivative assets (Notes 5 and 35)	93	113
Available-for-sale (“AFS”) financial assets (Notes 5 and 35)	103,807	109,853
Non-current trade receivables, net (Notes 5, 7 and 31)	7,232	11,216
Non-current other receivables, net (Notes 5, 7, 31 and 32)	19,027	20,327
Investments in associates and joint ventures (Note 13)	9,815,312	9,434,268
Deferred tax assets, net (Note 29)	175,280	141,571
Non-current other assets (Note 9)	93,632	117,045
Property, plant and equipment, net (Note 10)	2,477,695	2,362,352
Investment property, net (Note 11)	654,962	487,349
Intangible assets (Note 12)	134,461	156,411
Total non-current assets	13,481,501	12,840,505
TOTAL ASSETS	₩ 17,332,707	₩ 16,550,177

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013 (CONTINUED)

	Korean won	
	December 31, 2014	December 31, 2013
	(In millions)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current derivative liabilities (Notes 5 and 35)	₩ 2,319	₩ 1,403
Trade payables (Notes 5 and 31)	1,371,962	1,253,987
Other payables (Notes 5 and 31)	595,862	577,683
Short-term borrowings (Notes 5, 14 and 35)	180,230	108,660
Current portion of debentures and long-term borrowings (Notes 5, 14 and 35)	503,821	494,753
Current tax liabilities	75,349	60,014
Provisions (Note 15)	24,107	23,491
Other current liabilities (Notes 17, 19)	141,536	139,552
Finance lease liabilities (Notes 5, 18 and 35)	-	134
Liabilities related to assets held for sale	1,615	-
Total current liabilities	2,896,801	2,659,677
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities (Notes 5 and 35)	3,043	1,881
Other payables (Notes 5 and 31)	229,047	217,054
Long-term borrowings (Notes 5, 14 and 35)	1,193,367	1,147,419
Net defined benefit liability (Note 16)	97,302	83,700
Deferred tax liability (Note 29)	276,920	270,809
Provisions (Note 15)	7,229	6,533
Other non-current liabilities (Note 17)	43,163	57,813
Total non-current liabilities	1,850,071	1,785,209
TOTAL LIABILITIES	4,746,872	4,444,886
EQUITY:		
Equity attributable to the owners of the parent company	12,251,947	11,756,394
Issued capital (Note 20)	879,359	879,359
Capital surplus (Note 21)	2,362,706	2,365,354
Other capital items (Note 20)	(2,390)	(2,390)
Accumulated other comprehensive income (loss) (Note 22)	(140,962)	(60,769)
Retained earnings (Note 23)	9,153,234	8,574,840
Non-controlling interests	333,888	348,897
TOTAL EQUITY	12,585,835	12,105,291
TOTAL LIABILITIES AND EQUITY	₩ 17,332,707	₩ 16,550,177

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won			
	Year ended December 31, 2014		Year ended December 31, 2013	
	(In millions)			
Revenue and gain (loss) on valuation by equity method (Notes 4 and 24)				
Sales of finished goods and merchandise	₩	5,458,392	₩	5,452,982
Service revenue		1,982,884		1,872,605
Construction revenue		1,447,442		1,419,587
Gain (loss) on valuation by equity method		574,095		661,285
Other revenue		402,589		392,754
		9,865,402		9,799,213
Cost of sales (Notes 24 and 25)		8,361,929		8,184,718
Gross profit		1,503,473		1,614,495
Selling and administrative expenses (Notes 24 and 25)		459,365		460,573
Operating income		1,044,108		1,153,922
Financial income (Note 27)		38,936		50,483
Financial expenses (Note 27)		101,945		100,175
Other non-operating income (Note 26)		54,182		54,976
Other non-operating expenses (Note 26)		79,551		80,177
Profit before income tax from continuing operations		955,730		1,079,029
Income tax expense for continuing operations (Note 29)		127,064		122,742
Profit from continuing operations		828,666		956,287
Loss from discontinued operations (Note 37)		5,598		(125,424)
Profit for the year	₩	834,264	₩	830,863
Profit for the year attributable to:				
Owners of the parent company	₩	844,548	₩	896,117
Non-controlling interests		(10,284)		(65,254)
Earnings per share (in Korean won):				
Continuing and discontinued operations				
Basic (Note 30)	₩	4,804	₩	5,097
Diluted (Note 30)		4,804		5,097
Continuing operations				
Basic (Note 30)	₩	4,784	₩	5,462
Diluted (Note 30)		4,784		5,462

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won			
	Year ended December 31, 2014		Year ended December 31, 2013	
				(In millions)
Profit for the year	₩	834,264	₩	830,863
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss				
Net income (loss) on AFS financial assets		(4,578)		1,363
Net gain (loss) on changes in valuation of investments using equity method		(64,167)		(88,577)
Net gain (loss) on derivative instruments entered into for cash flow hedges		(1,535)		1,245
Overseas operations translation		(10,762)		(378)
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability		(13,670)		789
Decrease in retained earnings of equity method investments		(80,131)		(4,263)
Total comprehensive income for the year	₩	659,421	₩	741,042
Total comprehensive income attributable to:				
Owners of the parent company	₩	674,138	₩	804,233
Non-controlling interests		(14,717)		(63,191)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
	Korean won (In millions)						
Balance at January 1, 2013	₩ 879,359	₩ 2,366,296	₩ (2,390)	₩ 25,003	₩ 7,860,772	₩ 416,360	₩ 11,545,400
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 operations translation				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
Balance at January 1, 2014	879,359	2,365,354	(2,390)	(60,769)	8,574,840	348,897	12,105,291
Profit for the year					844,548	(10,284)	834,264
Annual dividends					(175,937)	(2,607)	(178,544)
Net gain (loss) on AFS financial assets				(4,536)		(42)	(4,578)
Valuation through equity method				(64,097)	(80,111)	(90)	(144,298)
Valuation on derivative instruments				(890)		(645)	(1,535)
Remeasurements of the net defined benefit liability					(10,106)	(3,564)	(13,670)
Overseas operation translations				(10,670)		(92)	(10,762)
Changes in the shares of subsidiaries		(2,648)				2,315	(333)
Balance at December 31, 2014	₩ 879,359	₩ 2,362,706	₩ (2,390)	₩ (140,962)	₩ 9,153,234	₩ 333,888	₩ 12,585,835

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won	
	Year ended December 31, 2014	Year ended December 31, 2013
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 834,264	₩ 830,863
Additions of expenses not involving cash outflows:		
Salaries and bonuses	1,403	360
Retirement benefits	41,399	47,173
Depreciation	273,827	299,699
Amortization of intangible assets	29,003	24,205
Loss on valuation of inventories	1,218	24,501
Bad debt expenses	4,824	6,191
Accrual of provision	27,351	41,008
Impairment loss on property, plant and equipment	3,802	68,413
Impairment loss on intangible assets	23,497	11,894
Impairment loss on other assets	810	-
Loss on foreign currency translation	8,461	14,804
Loss on disposals of property, plant and equipment	2,542	3,865
Loss on disposal of investment assets	70	-
Loss on disposals of intangible assets	318	273
Loss on transactions of derivatives	6,441	7,944
Loss on valuation of derivatives	101	49
Interest expenses	85,872	85,061
Loss on disposals of AFS financial assets	131	11
Impairment loss on AFS financial assets	565	140
Loss on disposals of investments in associates	-	3,551
Loss on redemption of debentures	93	-
Income tax expense	127,064	122,785
Others	1,058	5,130
	639,850	767,057
Deduction of items not involving cash inflows:		
Reversal of impairment loss on inventories	9,147	282
Reversal of allowance for doubtful accounts	5,548	647
Reversal of provisions	9,290	8,935
Reversal of impairment loss on property, plant and equipment	3,099	-
Reversal of impairment loss of intangible assets	89	-
Reversal of impairment loss of other assets	7	-
Gain on foreign currency translation	7,909	13,054
Gain on disposals of property, plant and equipment	3,940	1,891
Gain on disposals of intangible assets	242	10
Gain on transactions of derivatives	4,459	8,215
Gain on valuation of derivatives	1,497	254
Interest income	25,416	23,206
Dividend income	927	2,395
Gain on disposals of AFS financial assets	354	-

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (CONTINUED)

	Korean won	
	Year ended December 31, 2014	Year ended December 31, 2013
	(In millions)	
Gain on disposals of investments in subsidiaries	₩ 22	₩ 285
Gain on disposals of investments in associates	743	823
Gain on valuation by equity method	574,095	661,285
Others	493	417
	(647,277)	(721,699)
Movements in working capital:		
Trade receivables	(245,908)	(93,189)
Other receivables	(4,771)	9,049
Inventories	30,073	78,565
Non-current trade receivables	(5,168)	(11,981)
Non-current other receivables	(803)	(1,516)
Plan assets	(100)	(100)
Trade payables	107,860	10,713
Other payables	30,272	9,901
Non-current trade payables	46	127
Non-current other payables	(867)	(137)
Provisions	(12,153)	(17,623)
Net defined benefit liability	(46,266)	(51,937)
Others	(75,341)	(20,555)
	(223,126)	(88,683)
Interest income received	24,889	17,984
Dividend income received	170,162	141,370
Income tax received	56	1,678
Interest expenses paid	(70,601)	(86,581)
Income taxes paid	(127,945)	(125,994)
Net cash provided by operating activities	600,272	735,995

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (CONTINUED)

	Korean won	
	Year ended December 31, 2014	Year ended December 31, 2013
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in financial institution deposits	₩ 597,542	₩ 302,243
Settlement of derivative instruments	4,459	9,035
Decrease in other receivables	14,801	16,518
Disposals of AFS financial assets	3,074	227
Decrease in non-current other receivables	4,006	6,124
Disposals of investments in subsidiaries	-	4,018
Disposals of investments in associates	4,766	11,186
Disposals of property, plant and equipment	5,054	8,204
Disposals of intangible assets	2,628	1,810
Disposals of assets classified as held for sale	12,000	-
	648,330	359,365
Cash outflows for investing activities:		
Increase in financial institution deposits	620,123	450,538
Settlements of derivative instruments	6,101	7,737
Increase in other receivables	10,887	12,666
Acquisitions of non-current AFS financial assets	3,133	466
Increase in non-current other receivables	5,430	20,114
Acquisitions of investments in subsidiaries	3,353	4,678
Acquisitions of investments in associates	129,389	4,657
Acquisitions of property, plant and equipment	360,790	330,929
Acquisitions of investment property	200,535	23,586
Acquisitions of intangible assets	29,489	47,404
	(1,369,230)	(902,775)
Net cash used in investing activities	(720,900)	(543,410)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (CONTINUED)

	Korean won			
	Year ended December 31, 2014		Year ended December 31, 2013	
	(In millions)			
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	₩	760,325	₩	646,901
Proceeds from long-term borrowings		420,099		205,686
Increase in other long-term liabilities		91		176
Issuance of debentures		169,563		199,157
Increase in government subsidy		3,939		8,044
Issuance of common stock of subsidiaries		-		5,393
		1,354,017		1,065,357
Cash outflows for financing activities:				
Redemptions of short-term borrowings		689,090		716,900
Redemptions of long-term borrowings		39,843		69,320
Redemptions of debentures		320,161		477
Decrease in non-current liabilities		176		585
Redemptions of current portion of long-term borrowings		185,065		113,232
Disposal of derivative instruments		117	-	
Payments of dividends		178,533		181,723
Cash outflows from consolidated capital transactions		333		429
Others		559		392
		(1,413,877)		(1,083,058)
Net cash used in financing activities		(59,860)		(17,701)
Net change in cash and cash equivalents		(180,488)		174,884
Cash and cash equivalents at the beginning of year		682,142		508,366
Effects of exchange rate changes on cash and cash equivalents		(4,125)		(1,108)
Cash and cash equivalents at the end of year	₩	497,529	₩	682,142

(Concluded)

See accompanying notes to consolidated financial statements.

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, 2014.

As of December 31, 2014, 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, Gwang Mo	10,249,715	5.83
Ku, Bon Shik	7,728,601	4.39
Kim, Young Shik	7,423,100	4.22
Ku, Bon Neung and others	21,808,196	12.40
LG Yonam Education Foundation	3,675,742	2.09
LG Yonam Foundation	572,525	0.33
Others	92,118,312	52.38
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 2, 2015.

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, 2014, are as follows:

Amendments to K-IFRS 1032 – Financial Instruments: Presentation

The amendments to K-IFRS 1032 clarify the requirement for the offset presentation of financial assets and financial liabilities: the right to offset must not be conditional upon the occurrence of future events and can be exercised anytime during the contract periods. The right to offset is executable even in the case of default or insolvency. The application of the amendments has no significant impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1110, 1112 and 1027 – Investment Entities

The amendments introduced an exception to the principle in K-IFRS 1110 Consolidated financial statement, which required the consolidation of all subsidiaries. If a subsidiary meets definition of an investment entity, the reporting entity measure the subsidiary at fair value through profit or loss (FVTPL) instead of consolidation. Also, the consequential amendments have been made to K-IFRS 1112, Disclosure of Interests in Other Entities and K-IFRS 1027, Separate Financial Statements to introduce new disclosure requirements for investment entities.

Amendments to K-IFRS 1036 – Impairment of Assets

The amendments introduced disclosure requirements of recoverable amount when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. The application of these amendments has no impact on the disclosure in the Group's consolidated financial statements.

Enactment of K-IFRS 2121 – Levies

The enactment defines that the obligating event giving rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the related legislation. The enactment has no significant impact 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 not yet effective, and have not been applied yet are as follows:

Amendments to K-IFRS 1019 – Employee Benefits

The amendments permits the Group to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions is independent of the number of years of service. The amendments are effective for the annual periods beginning on or after July 1, 2014.

Amendments to K-IFRS 1016 – Property, Plant and Equipment

The amendments to K-IFRS 1016 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1038 – Intangible Assets

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The amendments to K-IFRS 38 do not allow presumption that revenue is an appropriate basis for the amortization of an intangible assets, which the presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to K-IFRS 1111 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 Business Combinations. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The amendments to K-IFRS 1111 are effective for the annual periods beginning on or after January 1, 2016.

Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1102 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition.' The amendments to K-IFRS 1103 Business Combinations clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 clarify that a reconciliation of the total of the reportable segments' assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The amendments are effective for the annual periods beginning on or after July 1, 2014.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify the scope of the portfolio exception for measuring the fair values of the group of financial assets and financial liabilities on a net basis, includes all contracts that are within the scope of the standard and does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. The amendments to K-IFRS 1113 Fair values Measurements and K-IFRS 1040 Investment Properties exist and these amendments are effective to the annual periods beginning on or after July 1, 2014.

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 Company's separate financial statements.

The Company 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 Company's separate 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.

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, 2014, are as follows (Unit: Korean won 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, 2014			
Subsidiary	Location	Closing date	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Assets	Liabilities	Sales	Net income
Serveone Co., Ltd.	South Korea	12/31	100.00%	100.00%	-	-	1,959,016	1,318,069	3,784,161	67,825
Serveone (Nanjing). Co., Ltd.	China	12/31	100.00%	100.00%	-	-	312,966	255,457	729,400	17,088
Serveone Construction Co., Ltd.	China	12/31	100.00%	100.00%	-	-	21,830	14,549	42,688	1,152
Konjiam Yewon Co., Ltd.	South Korea	12/31	90.00%	90.00%	10.00%	10.00%	8,733	3,684	576	(277)
LG-TOYO Engineering Co., Ltd.	South Korea	12/31	70.00%	70.00%	30.00%	30.00%	18,822	21,232	49,482	(4,205)
SERVEONE (Guangzhou) Co., Ltd.(*3)	China	12/31	100.00%	-	-	-	36,953	31,709	21,494	862
SERVEONE VIETNAM Co., Ltd.(*3)	Vietnam	12/31	100.00%	-	-	-	1,420	613	1,017	(272)
Gumi Ochang	South	12/31	100.00	19.00%	-	81.00%	19,433	14,799	3,816	985

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, 2014			
			Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Assets	Liabilities	Sales	Net income
Sunlight Solar Co., Ltd. (*7)	Korea		%							
LG Siltron Inc.	South Korea	12/31	51.00%	51.00%	49.00%	49.00%	1,467,363	1,110,491	766,141	(47,173)
LG Siltron America	USA	12/31	100.00%	100.00%	49.00%	49.00%	15,830	8,959	73,015	291
LG Siltron Japan	Japan	12/31	100.00%	100.00%	49.00%	49.00%	11,366	10,147	59,795	(492)
Lusem Co., Ltd.	South Korea	12/31	64.81%	64.81%	35.19%	35.19%	157,325	55,120	364,794	4,572
LG CNS Co., Ltd.	South Korea	12/31	84.97%	84.97%	15.03%	15.03%	1,787,517	1,038,548	2,342,295	51,464
LG N-Sys Inc.	South Korea	12/31	100.00%	100.00%	15.03%	15.03%	478,073	348,500	803,161	15,483
LG N-Sys China Inc.(*5)	China	12/31	-	100.00%	-	15.03%	-	-	-	-
Ucess Partners Co., Ltd.	South Korea	12/31	100.00%	100.00%	15.03%	15.03%	10,378	7,537	48,568	807
BNE Partners, Co., Ltd.	South Korea	12/31	61.31%	61.31%	47.90%	47.90%	13,080	8,748	33,362	719
LG System Philippines, INC.	Philippines	12/31	100.00%	100.00%	15.03%	15.03%	-	3,654	-	-
LG CNS Europe B.V.	Netherland	12/31	100.00%	100.00%	15.03%	15.03%	18,303	14,081	28,765	801
LG CNS Japan Inc.	Japan	12/31	100.00%	100.00%	15.03%	15.03%	5	1,759	2,765	(938)
LG CNS America Inc.	USA	12/31	100.00%	100.00%	15.03%	15.03%	28,386	20,893	79,784	1,169
PT LG CNS Indonesia	Indonesia	12/31	100.00%	100.00%	15.03%	15.03%	6,888	7,854	12,144	38
Entrue Brasil Services de T.I. Ltda.	Brazil	12/31	100.00%	100.00%	15.03%	15.03%	1,179	217	4,297	193
LG CNS UCESS Philippines, Inc.	Philippines	12/31	100.00%	100.00%	15.03%	15.03%	96	-	-	-
LG CNS China, Inc.	China	12/31	100.00%	100.00%	15.03%	15.03%	76,279	49,607	138,130	7,721
LG CNS Shenyang Inc.	China	12/31	100.00%	100.00%	15.03%	15.03%	1,051	612	2,086	93
LG CNS Tianjin Inc.	China	12/31	51.00%	51.00%	56.67%	56.67%	1,190	1,615	18	(413)
LG CNS India Pvt., Ltd.	India	12/31	100.00%	100.00%	15.03%	15.03%	5,821	4,487	9,829	469
LG CNS UK Ltd.(*5)	UK	12/31	-	100.00%	-	15.03%	-	-	-	-
LG CNS	Colombi	12/31	100.00	100.00	15.03%	15.03%	17,518	14,385	13,047	3,201

Subsidiary	Location	Closing date	Percentage of ownership and voting right held by the Group Dec 31, 2014	Dec 31, 2013	Percentage of ownership held by non-controlling interests (*1) Dec 31, 2014	Dec 31, 2013	As of and for the year ended December 31, 2014 Assets	Liabilities	Sales	Net income
Colombia SAS	a		%	%						
Ever On Co., Ltd.	South Korea	12/31	75.00%	75.00%	36.27%	36.27%	6,042	4,893	2,194	(1,189)
SBI-LG Systems Co., Ltd.	Japan	12/31	51.00%	51.00%	56.67%	56.67%	6,322	3,336	35,858	651
Korea Elecom Co., Ltd.(*4)	South Korea	12/31	93.12%	87.27%	20.87%	25.85%	16,522	9,796	11,439	(12,604)
LG Sports Ltd.	South Korea	12/31	100.00 %	100.00 %	-	-	128,465	33,982	44,303	(7,289)
LG Management Development Institute	South Korea	12/31	100.00 %	100.00 %	-	-	88,501	57,542	75,504	2,325
LG Solar Energy Inc.	South Korea	12/31	100.00 %	100.00 %	-	-	79,662	41,577	12,910	2,517
Oneseen Skytech (*4)	South Korea	12/31	90.84%	65.71%	22.81%	44.17%	4,370	1,990	1,971	(3,713)
LG CNS Malaysia Sdn Bhd	Malaysia	12/31	100.00 %	100.00 %	15.03%	15.03%	687	374	1,447	(125)
LG CNS Saudi Arabia LLC	Saudi Arabia	12/31	51.00%	51.00%	56.67%	56.67%	3,132	2,144	205	(92)
TXCNS Healthcare, LLC	USA	12/31	100.00 %	100.00 %	15.03%	15.03%	55	-	-	-
LG CNS GB Ltd.(*2)	UK	12/31	-	-	-	-	-	-	-	-
LG CNS Smart Green Co., Ltd.(*6)	Japan	12/31	100.00 %	-	15.03%	-	34,015	31,926	90,726	1,863
LLC LG CNS RUS (*6)	Russia	12/31	100.00 %	-	15.03%	-	6	-	-	(180)
LG Holdings Japan Co. , Ltd.(*3)	Japan	12/31	100.00 %	-	-	-	193,239	82,464	5,567	377
Collain Healthcare, LLC (*3)	USA	12/31	70.00%	-	40.52%	-	2,084	1,056	1,088	(2,173)
LG CNS Chile Ltda. (*2)(*3)	Chile	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) Though the registration of incorporations is concluded as of December 31, 2014, the subscribed capital stocks do

not exist.
(*3) As the Group established the company during the current period, the Company became a subsidiary.
(*4) As the Group increased paid-in-capital during the current period, the Company became a subsidiary.
(*5) The Group liquidated during the current period.
(*6) The Group established the company during the prior period and the subscribed capital stocks exist during the current period.
(*7) It is changed from the investment in associates to the investment in subsidiaries through acquiring additional shares during the current period.

5) LG Holdings. Japan. Co., Ltd., Collain Healthcare, LLC, SERVEONE (Guangzhou) Co., Ltd., SERVEONE VIETNAM Co., Ltd., Gumi Ochang Sunlight Solar Co., Ltd. and LG CNS Chile Ltda. were newly included into the consolidation scope as subsidiaries of the Group during the current period. LG N-Sys China Inc. and LG CNS UK Ltd. were excluded from the subsidiaries of the Group since these companies were liquidated. The ownership of Korea Elecom Co., Ltd. and Oneseen Skytech 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, 2014, the consolidated financial positions and the share of non-controlling interests of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.		LG Siltron Inc.	
Current assets	₩	1,504,232	₩	628,011
Non-current assets		731,860		838,406
Total assets		2,236,092		1,466,417
Current liabilities		1,043,179		474,887
Non-current liabilities		367,923		636,143
Total liabilities		1,411,102		1,111,030
Equity attributable to owners of the Company		697,232		181,247
Equity attributable to non-controlling interests		127,758		174,140
Total equity	₩	824,990	₩	355,387

7) For the year ended December 31, 2014, the consolidated financial performances and the share of non-controlling interests of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.		LG Siltron Inc.	
Revenue	₩	3,317,560	₩	780,610
Operating income (loss)		153,372		(34,845)
Profit (loss) from discontinued operations		1,606		3,992
Profit for the year	₩	79,952	₩	(47,312)
Other comprehensive income (loss)		(4,415)		(7,207)
Total comprehensive income for the year	₩	75,537	₩	(54,519)
Profit for the year attributable to non-controlling interests		10,556		(23,183)
Total comprehensive income for the year attributable to non-controlling interests		9,769		(26,714)
Dividend paid to non-controlling interests	₩	2,227	₩	-

8) For the year ended December 31, 2014, the consolidated cash flows of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.		LG Siltron Inc.	
Cash flows from operating activities	₩	(16,105)	₩	107,018
Cash flows from investing activities		(126,693)		(119,134)
Cash flows from financing activities		54,468		24,885
Net change in cash and cash equivalents		(88,330)		12,769

Cash and cash equivalents at the beginning of year		157,042		110,948
Effects of exchange rate changes on the balance of cash held in foreign currencies		(2,436)		(94)
Cash and cash equivalents at the end of year	₩	66,276	₩	123,623

(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 reattributed 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 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,’ ‘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.
• the disappearance of an active market for that financial asset because of financial difficulties.

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 recognizes 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 is deducted from the fair value of the financial liabilities on initial recognition. Transaction cost directly attributable to acquisition of financial liabilities at FVTPL is 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, terminate, 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) Defined benefit plans

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.

(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 income 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) 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 realizable 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, 2014 and 2013, are as follows (Unit: Korean won 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, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
LG Corp.	LG Corp.	₩ 575,744	₩ 568,047	₩ 420,319	₩ 415,737
Serveone Co., Ltd.	MRO	2,644,223	2,651,871	87,968	87,881
	MRO and others	1,139,938	1,181,618	(1,442)	17,784
	Serveone (Nanjing) Co., Ltd.	729,400	614,888	22,997	19,875
	Serveone Construction Co., Ltd.	42,688	11,836	1,398	1,175
	KONJIAM YEWON Co., Ltd.	576	267	(277)	(231)
	LG-TOYO Engineering Co., Ltd.	49,482	27,851	(2,131)	(7,440)
	SERVEONE (Guangzhou) Co., Ltd.	21,494	-	1,163	-
	SERVEONE VIETNAM Co., Ltd.	1,017	-	(272)	-
LG Siltron Inc.	LG Siltron Inc.	766,141	844,441	(65,999)	(48,673)
	LG Siltron America, Inc.	73,015	90,666	471	477
	LG Siltron Japan, Inc.	59,795	117,302	(484)	(66)
LG CNS Co., Ltd.	LG CNS Co., Ltd.	2,342,295	2,374,031	78,486	98,052
	LG CNS Europe B.V.	28,765	26,097	1,537	1,029
	LG CNS JAPAN Co., Ltd.	2,765	5,678	(935)	(1,398)
	LG CNS America, Inc.	79,784	74,611	1,045	1,725
	PT LG CNS Indonesia	12,144	14,595	236	(313)
	Entrue Brasil Servicos de T.I. Ltda.	4,297	3,548	424	294
	LG CNS China, Inc.	138,130	105,937	9,835	6,172
	LG CNS Shenyang Inc.	2,086	2,357	93	(29)
	LG CNS Tianjin Inc.	18	321	(413)	38
	LG CNS India Pvt., Ltd.	9,829	13,073	578	728
	LG N Sys Co., Ltd.	803,161	785,992	20,491	19,104
	LG N Sys China Inc.	-	1,746	-	(30)
	LG CNS Colombia Inc.	13,047	8,147	7,446	(718)
	BNE PARTNERS, Inc.	33,362	40,680	937	78
	Ucess Partners Co., Ltd.	48,568	39,632	807	1,285
	Korea Elecom Co., Ltd.	11,439	16,230	(12,604)	(4,513)
	SBI-LG systems Co., Ltd.	35,858	46,202	655	787
	Ever On Co., Ltd.	2,194	936	(1,189)	(564)
	Oneseen skytech	1,971	664	(3,713)	(2,596)
	LG CNS Malaysia SDN BHD	1,447	849	(108)	(41)
	LG CNS Smart Green Co., Ltd.	90,726	-	3,464	-

	Collain Healthcare, LLC	1,088	-	(2,173)	-
	LLC LG CNS RUS	-	-	(180)	-
	LG CNS Saudi Arabia LLC	205	-	(92)	-
Others	Lusem Co., Ltd.	364,794	390,925	4,783	5,713
	LG Management Development Institute	75,504	75,326	3,193	126
	LG Holdings Japan Co., Ltd	5,567	-	635	-
	LG Sports Ltd.	44,303	41,284	(7,341)	(1,159)
	LG Solar Energy Inc.	12,910	12,861	3,199	2,650
Subtotal		10,269,769	10,190,509	572,807	612,939
Consolidation adjustments (*3)		(404,368)	(391,296)	382,923	466,090
Total		₩ 9,865,402	₩ 9,799,213	₩ 955,730	₩ 1,079,029

(*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, 2014 and 2013, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2014	December 31, 2013
LG Corp.	₩ 8,053,802	₩ 7,872,017
Serveone Co., Ltd.	2,379,173	2,226,134
LG Siltron Inc.	1,494,558	1,562,704
LG CNS Co., Ltd.	2,519,000	2,274,782
Others	647,192	407,578
Subtotal	15,093,725	14,343,215
Consolidation adjustments (*)	2,238,982	2,206,962
Total	₩ 17,332,707	₩ 16,550,177

(*) 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, 2014 and 2013, are as follows (Unit: Korean won in millions):

Business sector	Inventories sold and services rendered	Year ended December 31, 2014	Year ended December 31, 2013
LG Corp.	Others	₩ 575,744	₩ 568,047
Serveone Co., Ltd.	Merchandise	3,409,550	3,274,730
	Service	760,994	692,925
	Construction	458,052	520,676
	Others	222	-
LG Siltron Inc.	Manufactured goods	897,456	1,051,711
	Others	1,495	698
LG CNS Co., Ltd.	Service	1,376,006	1,308,971
	Construction	1,078,519	978,054
	Merchandise	1,090,328	1,118,613
	Manufactured goods	118,326	155,690
Others	Merchandise	1,101	-
	Manufactured goods	309,943	345,310
	Service	129,169	119,853
	Others	62,865	55,231
Subtotal		10,269,769	10,190,509
Consolidation adjustments (*)		(404,368)	(391,296)

Total	₩ 9,865,402	₩ 9,799,213

(*) 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, 2014 and 2013, are as follows :
(Unit: Korean won in millions):

Business sector	December 31, 2014	December 31, 2013
Korea	₩ 8,916,191	₩ 9,052,087
China	934,230	737,654
Asia	219,352	197,698
America	171,232	176,973
Europe	28,764	26,097
Total	₩ 10,269,769	₩ 10,190,509

(6) Regional non-current assets of the Group before elimination of intersegment transactions and valuation by equity method for the years ended December 31, 2014 and 2013, are as follows :
(Unit: Korean won in millions):

Business sector	December 31, 2014	December 31, 2013
Korea	₩ 10,455,830	₩ 10,125,617
China	22,406	14,488
Asia	182,778	2,420
America	8,269	3,921
Europe	1,585	1,676
Total	₩ 10,670,868	₩ 10,148,122

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets and liabilities as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

1) Financial assets

		December 31, 2014		December 31, 2013	
Financial assets	Account	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents:	Cash and cash equivalents	₩ 497,211	₩ 497,211	₩ 682,142	₩ 682,142
Financial assets at FVTPL:	Derivative assets for trading purposes	1,502	1,502	367	367
AFS financial assets:	Marketable equity securities	43,223	43,223	47,736	47,736
	Unmarketable equity securities (*)	59,895	59,895	61,491	61,491
	Debt securities	689	689	626	626
	Subtotal	103,807	103,807	109,853	109,853
Loans and receivables:	Financial institution deposits	335,558	335,558	310,031	310,031
	Trade receivables	2,270,630	2,270,630	2,014,859	2,014,859
	Loans	15,779	15,779	7,427	7,427
	Other accounts receivable	54,051	54,051	44,573	44,573
	Accrued income	3,918	3,918	5,092	5,092
	Deposits	23,159	23,159	38,781	38,781

Subtotal	2,703,095	2,703,095	2,420,763	2,420,763
Total	₩3,305,615	₩ 3,305,615	₩ 3,213,125	₩ 3,213,125

(*)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, 2014 Carrying amount	December 31, 2014 Fair value	December 31, 2013 Carrying amount	December 31, 2013 Fair value
Financial liabilities at FVTPL:	Derivative liabilities for trading purposes	₩ 81	₩ 81	₩ 31	₩ 31
Derivative liabilities designated as a hedging instrument:	Derivative liabilities designated as hedging instruments	5,281	5,281	3,253	3,253
Financial liabilities measured at amortized cost:	Trade payables	1,371,962	1,371,962	1,253,987	1,253,987
	Borrowings	958,971	958,971	683,079	683,079
	Other accounts payable	232,792	232,792	246,915	246,915
	Accrued expenses	118,912	118,912	96,992	96,992
	Accrued dividends	319	319	309	309
	Deposits received	472,886	490,134	450,521	463,412
	Debentures	918,447	934,656	1,067,753	1,073,545
	Finance lease liabilities	-	-	134	134
	Subtotal	4,074,289	4,107,746	3,799,690	3,818,373
	Total	₩ 4,079,651	₩ 4,113,108	₩ 3,802,974	₩ 3,821,657

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, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Cash on hand	₩ 2,071	₩ 2,726
Bank deposits	423,152	458,462
Other cash equivalents	71,988	220,954
Total	497,211	682,142
Add: Cash and cash equivalents that are included in the group of AFS assets	318	-
Total	₩ 497,529	₩ 682,142

7. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014					
	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables	Total	Consolidated adjustment	Consolidated
Trade receivables	₩2,325,529	₩ 155,913	₩ 41,029	₩2,522,471	₩(231,951)	₩2,290,520
Other receivables	149,895	4,590	20,351	174,836	(65,215)	109,621
Total	₩2,475,424	₩ 160,503	₩ 61,380	₩2,697,307	₩(297,166)	₩2,400,141

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

(2) Aging of trade and other receivables that are overdue but not impaired as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
1–29 days	₩ 65,012	₩ 66,185
30–60 days	24,702	25,769
61–90 days	12,134	7,892
91–120 days	12,155	3,223
More than 121 days	46,500	21,385
Total	₩ 160,503	₩ 124,454

(3) Changes in accumulated impairment losses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014		December 31, 2013	
	Trade receivables	Other Receivables	Trade receivables	Other Receivables
Beginning balance	₩ 18,518	₩ 12,474	₩ 31,895	₩ 26,242
Impairment loss	4,588	236	5,451	740
Disposals of accounts receivable	(2,244)	(286)	(17,995)	(14,405)
Collection of accounts receivable	2,553	-	(97)	-
Reversal of allowance for doubtful accounts	(3,605)	(357)	(543)	(104)
Effect of foreign currency translation	80	-	(13)	-
Others	-	647	(180)	1
Ending balance	₩ 19,890	₩ 12,714	₩ 18,518	₩ 12,474

(4) Aging of impaired trade and other receivables as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014		December 31, 2013	
Less than 7 months	₩	29,843	₩	10,609
7–12 months		1,137		3,140
More than 1 year		30,400		26,700
Total	₩	61,380	₩	40,449

8. INVENTORIES:

Inventories as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	93,328	₩	91,844	₩	(1,484)
Finished goods		92,572		74,631		(17,941)
Semifinished goods		21,203		19,593		(1,610)
Work in progress		25,087		24,381		(706)
Raw materials		51,884		48,302		(3,582)
Stored goods		33,417		28,652		(4,765)
Inventories in transit		17,477		17,477		-
Other inventories		2,924		2,775		(149)
Total	₩	337,892	₩	307,655	₩	(30,237)

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)

9. OTHER ASSETS:

Details of other assets as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014				December 31, 2013			
	Current		Non-current		Current		Non-current	
Advance payments	₩	64,365	₩	78,724	₩	83,724	₩	95,244
Prepaid expenses		32,749		14,908		26,126		21,801
Prepaid value-added tax (VAT)		2,427		-		1,804		-
Due from customers for contract work		262,274		-		179,368		-
Others		-		-		10		-
Total	₩	361,815	₩	93,632	₩	291,032	₩	117,045

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of the Group's property, plant and equipment as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
	December 31, 2014									
Acquisition cost	₩469,514	₩1,247,034	₩ 273,874	₩2,125,498	₩27,169	₩28,864	₩228,742	₩155,678	₩438,633	₩4,995,006
Accumulated depreciation	-	(256,231)	(64,030)	(1,783,302)	(12,956)	(20,626)	(148,710)	-	(201,543)	(2,487,398)
Accumulated impairment	-	-	-	(21,503)	-	(1,294)	(442)	-	-	(23,239)
Government subsidies	-	(1,174)	-	(1,681)	(3,048)	-	(203)	-	(568)	(6,674)
Carrying amounts	₩469,514	₩ 989,629	₩ 209,844	₩ 319,012	₩11,165	₩6,944	₩79,387	₩155,678	₩236,522	₩2,477,695

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction 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

(2) hanges in property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
	Year ended December 31, 2014									
Beginning balance	₩379,138	₩950,056	₩169,064	₩360,262	₩10,124	₩6,116	₩87,097	₩170,168	₩230,327	₩2,362,352
Acquisitions	1,966	3,796	396	16,375	3,982	2,956	11,012	262,658	52,218	355,359
Disposals	(1,273)	(1,513)	(27)	(27)	(85)	(1)	(217)	(2,255)	(576)	(5,974)
Depreciation	-	(39,464)	(10,606)	(128,060)	(2,191)	(3,288)	(24,306)	-	(48,240)	(256,155)
Transfers in	93,285	82,449	34,613	68,569	24	1,213	6,421	1,204	3,001	290,779
Transfers out	(3,075)	(3,774)	(336)	-	-	-	-	(282,871)	(1,250)	(291,306)
Government subsidies	-	-	-	(1,449)	(690)	-	(108)	-	(204)	(2,451)
Change due to mergers	-	-	16,426	-	-	-	-	-	-	16,426
Transfers to assets held for sale	(765)	(588)	-	-	-	-	-	-	-	(1,353)
Impairment loss	-	-	-	(2,415)	-	(50)	(63)	-	(9)	(2,537)
Others	238	(1,472)	311	5,757	-	(2)	(110)	6,503	939	12,164
Effect of foreign currency translation	-	139	3	-	1	-	(339)	271	316	391
Ending balance	₩469,514	₩989,629	₩209,844	₩319,012	₩11,165	₩6,944	₩79,387	₩155,678	₩ 236,522	₩2,477,695

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction 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

(*) Depreciation expense recognized for the year ended December 31, 2013, includes ₩14,785 million that is related to assets held for sale and is accounted for in profit (loss) from discontinued operations.

(3) Changes in government grants for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Other property	Total
	Year ended December 31, 2014						
Beginning balance	₩ 1,229	₩ 390	₩ 3,917	₩ 3	₩ 189	₩ 955	₩ 6,683
Receipt	-	125	-	-	-	-	125
Acquisitions	-	1,324	690	-	108	204	2,326
Offsetting depreciation	(55)	(158)	(1,559)	(3)	(94)	(530)	(2,399)
Others	-	-	-	-	-	(61)	(61)
Ending balance	₩ 1,174	₩ 1,681	₩ 3,048	₩ -	₩ 203	₩ 568	₩ 6,674

Description	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Other property	Total
	Year ended December 31, 2013						
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

11. INVESTMENT PROPERTY:

(1) Composition of investment property as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description	December 31, 2014 Land	Buildings	Structures	Total
Acquisition cost	₩ 325,411	₩ 401,457	₩ 7,902	₩ 734,770
Accumulated depreciation	-	(77,123)	(2,685)	(79,808)
Carrying amounts	₩ 325,411	₩ 324,334	₩ 5,217	₩ 654,962

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

(2) Changes in investment property for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014 Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 175,370	₩ 306,549	₩ 5,430	₩ -	₩ 487,349
Acquisitions	166,523	32,699	-	1,351	200,573
Depreciation	-	(16,672)	(1,000)	-	(17,672)
Transfers	(3,787)	4,350	1,327	(1,363)	527
Others	(12,695)	(2,592)	(540)	12	(15,815)
Ending balance	₩ 325,411	₩ 324,334	₩ 5,217	₩ -	₩ 654,962

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

(3) Details of the fair value of investment property as of December 31, 2014, are as follows (Unit: Korean won in millions):

Description	Date of revaluation	December 31, 2014 Land	Buildings and structures	Total
Book value of investment property:				
Book value (*1)		₩ 429,305	₩ 490,846	₩ 920,151
Results of valuation:				
Central hub logistics center	2013-01-01	5,570	4,345	9,915
Chungju HUB Center (*1),(*2)	-	7,046	8,908	15,954
Twin tower (*1),(*3)	2012-03-16	456,800	343,200	800,000
Gasandong building (*1),(*4)	2009-04-21	50,966	110,104	161,070
Gwanghwamun building (*1)	2010-09-30	145,452	84,548	230,000
Buho building (*1)	2013-06-04	16,513	1,238	17,751
Kyobashi Trust Tower (*1),(*2)	-	153,828	27,565	181,393
Total		₩ 836,175	₩ 579,908	₩1,416,083

(*1) Includes the value of investment property (Carrying value that is subject to valuation: ₩ 265,189 million) occupied by the owner.
(*2) Acquisition cost is considered as fair value as the difference between acquisition date and reporting date is not significant.

(*3) It is the whole valuation amount of Twin Tower.
(*4) It is allowed to transfer only if it is transferred to the Korea Export Industrial Corporation when the partial or whole land is disposed according to the regulations that are related to industrial revitalization or the establishment of factory or only if there is a consent.

Fair value assessment was performed by an independent third party, Nara Appraisal Co., Ltd., & Daeil Appraisal Board. The fair value of investment property is classified as Level 3 based on the input variables that are used in the valuation method.

The valuation method for measurement of fair value is the method of discounted cash flow, so the fair value of investment property is measured by the discounted present value that the net cash flow from the investment property is discounted by the discount rate of risk adjustment by reflecting the cost in relation to rental promotion, such as estimated success rate of rental market, vacant period, rental rate, free rental period and other costs that the lessee does not pay. Main input variables that are significant for measuring the fair value, but not observable, are estimated success rate of rental market, vacant rate, free rental period and discount rate of risk adjustment.

12. INTANGIBLE ASSETS:

(1) Composition of the Group's intangible assets as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description	December 31, 2014						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 43,534	₩ 15,088	₩ 30,546	₩ 14,462	₩ 25,194	₩ 205,621	₩ 334,445
Accumulated depreciation	(17,785)	(9,572)	-	-	-	(131,491)	(158,848)
Accumulated impairment	(6,395)	-	(7,115)	(12,797)	(12,287)	(1,809)	(40,403)
Government grants	-	(6)	-	-	-	(727)	(733)
Total	₩ 19,354	₩ 5,510	₩ 23,431	₩ 1,665	₩ 12,907	₩ 71,594	₩ 134,461

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

(2) Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
	Year ended December 31, 2014						
Beginning balance	₩ 28,670	₩ 4,404	₩ 27,265	₩ 14,462	₩ 24,685	₩ 56,925	₩ 156,411
Acquisitions	213	420	905	-	20,223	9,478	31,239
Disposals	-	-	(2,344)	-	-	(360)	(2,704)
Transfers in	4,289	4	-	-	-	28,097	32,390
Transfers out	-	-	-	-	(32,390)	-	(32,390)
Government subsidies	-	(3)	-	-	-	(63)	(66)
Impairment loss	(6,395)	-	(2,483)	(12,797)	-	(1,822)	(23,497)
Reversal of impairment loss	-	-	89	-	-	-	89
Others	227	1,414	(3)	-	389	(86)	1,941
Amortization	(7,661)	(729)	-	-	-	(20,613)	(29,003)
Effect of foreign currency translation	11	-	2	-	-	38	51
Ending balance	₩ 19,354	₩ 5,510	₩ 23,431	₩ 1,665	₩ 12,907	₩ 71,594	₩ 134,461

Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
	Year ended December 31, 2013						
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

(*) Amortization cost recognized for the year ended December 31, 2013, includes ₩14,785 million that is related to assets held for sale and are accounted for in profit (loss) from discontinued operations.

(3) Details of accumulated impairment loss of goodwill as of December 31, 2014, are as follows:

1) Carrying value of goodwill that is allocated to cash-generating unit before recognizing the impairment loss is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014		Year ended December 31, 2013	
BNE PARTNERS, Inc.	₩	1,665	₩	1,665
Korea Elecom Co., Ltd		7,964		7,964
Oneseen skytech		4,833		4,833
Total	₩	14,462	₩	14,462

2) Recoverable amount of cash-generating unit is determined based on the calculation of usage value and the usage value is calculated by using the estimation of cash flow after tax based on the business plan of five years approved by the management. Cash flow that exceeds five years is estimated in the range that does not exceed the long-term average growth rate of the industry that the cash-generating unit is involved.

3) The consolidated entity determined the estimation of after-tax cash flow based on the past performance and the prediction of market growth and the used discount rate is the after-tax discount rate that the specific risk of the related market sector is reflected. Discount rate applied for calculating the usage value of main cash-generating unit is as follows:

Description	Korea Elecom Co., Ltd	Oneseen skytech
Discount rate	13.3%	15.9%
Permanent growth rate	1.0%	1.0%

4) The amount recognized as impairment loss of goodwill based on the recoverable amount calculated based on the usage value by each cash-generating unit as of December 31, 2014, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	
Korea Elecom Co., Ltd (*1)	₩	7,964
Oneseen skytech (*2)		4,833
	₩	12,797

(*1) Recoverable amount of cash-generating unit is measured by the usage value calculated by applying annual discount rate of 13.3% to the estimated cash flow based on the financial budget of five years approved by the management. It is assumed that the growth of 1% will continue for the cash flow estimated to incur in the period exceeding five years. Management recognized impairment loss for the whole goodwill as the total carrying value of cash-generating unit exceeded the estimated recoverable amount and the exceeding amount is larger than the carrying value of goodwill. There are no assets other than goodwill that the impairment loss will be allocated.

(*2) Recoverable amount of cash-generating-unit is measured by the usage value calculated by applying annual discount rate of 15.9% to the estimated cash flow based on the financial budget of five years approved by the management. It is assumed that the growth of 1% will continue for the cash flow estimated to incur in the period exceeding five years. Management recognized impairment loss for the whole goodwill as the total carrying value of cash-generating unit exceeded the estimated recoverable amount and the exceeding amount is larger than the carrying value of goodwill. There are no assets other than goodwill that the impairment loss will be allocated.

(4) Changes in government grants for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014							
	Development costs		Intellectual property rights		Computer software and other assets		Total	
Beginning balance	₩	71	₩	3	₩	1,056	₩	1,130
Receipt		-		3		63		66
Offsetting amortization		(71)		-		(392)		(463)
Ending balance	₩	-	₩	6	₩	727	₩	733

Description	Year ended December 31, 2013							
	Development costs		Intellectual property rights		Computer software and other assets		Total	
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

(5) The costs related to research and development accounted for as expenses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014		Year ended December 31, 2013	
Cost of sales	₩	23,574	₩	29,571
Selling and administrative expenses		58,394		55,149
Total	₩	81,968	₩	84,720

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Group's investments in associates and joint ventures as of December 31, 2014, 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%
LG MMA Corp. (*2)	South Korea	Manufacturing other basic organic chemicals	12-31	1,200,000	-	2,400,000	-	50.00%	50.00%
Siliconworks Co., Ltd.(*6)	South Korea	Design and manufacturing semiconductor	12-31	4,589,183	-	16,264,300	-	28.22%	28.22%
LG Fuel Cell Systems Inc. (*1),(*4)	America	Development of fuel cells for research and experimental development	12-31	227	-	1,238	-	18.34%	18.34%
Combustion Synthesis Co., Ltd. (*6)	Japan	Manufacturing the combustion synthesis power and manufactured goods	12-31	225,000	-	746,000	-	30.16%	30.16%
Korea Smart Card Co., Ltd.(*7)	South Korea	System software development and supply	12-31	3,927,167	-	11,934,085	-	32.91%	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%
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%
Petro Cornergy Co., Ltd. (*1)	South Korea	Petro cock renewable energy projects	12-31	19,500	-	100,000	-	19.50%	19.50%

Dongnam Solar Energy Co., Ltd. (*3)	South Korea	The sun optical-the development business	12-31	78,368	-	301,800	-	25.97%	25.97%
Serveone Cenyar Services Co. (*5)	Qatar	Real estate management services	12-31	98	-	200	-	49.00%	49.00%

(*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) A joint venture.
(*3) The percentage of ownership decreased due to unequal increase in paid-in capital.
(*4) The percentage of ownership increased due to unequal increase in paid-in capital.
(*5) Newly established during the current period. It is committed that the allocation rate of profit is 70% that is different from the percentage of ownership contribution. It is classified as joint venture as it retains jointly controlling power.
(*6) Acquired through acquiring shares during the current period.
(*7) The percentage of ownership decreased through decrease in paid-in capital during the current period.

Fair values of marketable equity securities for investments in associates as of December 31, 2014, are as follows (Unit: Korean won 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.	Siliconworks Co., Ltd.
Fair values of equity securities	₩ 4,021,698	₩ 3,311,557	₩ 3,256,090	₩ 1,809,833	₩ 183,101	₩ 44,591	₩ 487,081	₩ 114,730

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2014 and 2013, are as follows (Korean won in millions):

	Year ended December 31, 2014						
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.	₩3,452,526	₩ -	₩ (88,877)	₩ 255,769	₩ (9,142)	₩ -	₩ 3,610,276
LG Household & Health Care Ltd.	421,253	-	(19,933)	105,639	(17,377)	-	489,582
LG Electronics Inc.	3,509,369	-	(11,019)	127,784	(116,428)	-	3,509,706
LG Uplus Corp.	1,425,985	-	(23,607)	66,995	(2,339)	-	1,467,034
LG Life Science Co., Ltd.	74,810	-	-	(825)	(669)	-	73,316
LG Hitachi Co., Ltd.	12,192	-	-	(3,433)	(349)	-	8,410
GIIR Corporation	40,812	-	(1,160)	2,409	(686)	-	41,375
LG Hausys, Ltd.	232,861	-	(5,412)	16,141	420	-	244,010
LG MMA Corp.	207,104	-	(19,200)	9,006	(1,173)	-	195,737
Siliconworks Co., Ltd.	-	115,606	-	2,703	429	-	118,738
LG Fuel Cell Systems Inc.	8,011	12,266	-	(10,046)	46	-	10,277
Combustion Synthesis Co., Ltd.	-	828		-	-	-	828
Korea Smart Card Co., Ltd.	36,410	-		3,607	(127)	(4,295)	35,595
Songdo U-Life LLC	8,045	-	-	(90)	-	-	7,955
RECAUDO BOGOTA S.A.S.	3,631	-	-	(1,614)	(386)	-	1,631
Zephyrlogic Co. Ltd.	482	-	-	-	-	-	482
Gumi Ochang Sunlight Solar Co.,	517	472	(27)	253	-	(1,215)	-

Ltd.(*1)							
Petro Cornergy Co., Ltd.	3	-	-	93	-	-	96
Dongnam Solar Energy Co., Ltd.	257	119	-	(113)	(1)	2	264
Serveone Cenyar Services Co.(*2)	-	29	-	(29)	-	-	-
Total	₩ 9,434,268	₩ 129,320	₩ (169,235)	₩ 574,249	₩ (147,782)	₩ (5,508)	₩9,815,312

(*1) Changed to investment in subsidiaries during the current period.
(*2) The application of equity method is discontinued due to accumulative loss. Allowance for doubtful accounts is set from long-term loans for ₩154 million of profit (loss) from equity method that exceeds the carrying value of investments in associates and ₩7 million of other comprehensive income (loss) during the current period.

Companies	Year ended December 31, 2013 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

(3) Adjustments to the book value of investments in associates and joint ventures from the net asset value of associates and joint ventures as of December 31, 2014, are as follows (Unit: Korean won in millions):

	As of and for the year ended December 31, 2014					
Companies	Net Assets (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.	₩12,139,945	30.07%	₩ 3,650,086	₩ -	₩ (39,810)	₩3,610,276
LG Household & Health Care Ltd.	1,637,427	30.00%	491,240	-	(1,658)	489,582
LG Electronics Inc.	11,719,423	30.47%	3,570,553	-	(60,847)	3,509,706
LG Uplus Corp.	4,177,141	36.05%	1,505,653	-	(38,619)	1,467,034
LG Life Science Co., Ltd.	249,115	30.00%	74,737	-	(1,421)	73,316
LG Hitachi Co., Ltd.	17,197	49.00%	8,427	-	(17)	8,410
GIIR Corporation	125,379	35.00%	43,883	2,352	(4,860)	41,375
LG Hausys, Ltd.	826,375	30.07%	248,464	-	(4,454)	244,010
LG MMA Corp.	392,981	50.00%	196,490	-	(753)	195,737
Siliconworks Co., Ltd.	298,791	28.22%	84,308	34,637	(207)	118,738
LG Fuel Cell Systems Inc.	7,681	18.34%	1,408	8,868	1	10,277
Combustion Synthesis Co., Ltd.	10	30.16%	3	825	-	828
Korea Smart Card Co., Ltd.	81,497	32.91%	26,818	8,777	-	35,595
Songdo U-Life LLC	27,224	16.39%	4,462	3,493	-	7,955
Recaudo Bogota S.A.S.	8,154	20.00%	1,631	-	-	1,631
Zephyrlogic Co. Ltd.(*1)	1,011	20.00%	202	-	280	482
Petro Conergy Co., Ltd.	494	19.50%	96	-	-	96
Dongnam Solar Energy Co., Ltd.	1,013	25.97%	263	1	-	264
Serveone Cenyar Services Co. (*2)	(212)	49.00%	-	-	-	-

(*1) Financial statements as of and for the year ended December 31, 2014, could not be obtained; so the most recent available financial information is used. We have implemented inquiries and analytical procedures to reflect the significant transactions or events that are incurred at the end of reporting period of financial statements and significant exceptions were not noted.
(*2) Although the percentage of ownership for contribution is 49%, the allocation rate of profit is committed as 70% and the application of equity method is discontinued due to accumulative loss during the current period.

(4) Summary of financial position for associates as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

	December 31, 2014								
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.(*1)	₩8,146,821	₩9,980,825	₩18,127,646	₩4,809,049	₩1,052,745	₩5,861,794	₩12,139,945	₩125,907	₩12,265,852
LG Household & Health Care Ltd.	1,214,261	2,614,087	3,828,348	1,035,674	1,084,171	2,119,845	1,637,427	71,076	1,708,503
LG Electronics Inc.	17,482,698	19,585,722	37,068,420	15,754,349	8,322,974	24,077,323	11,719,423	1,271,674	12,991,097

LG Uplus Corp.	2,489,853	9,522,807	12,012,660	3,485,661	4,349,187	7,834,848	4,177,141	671	4,177,812

(*1) The Company recorded ₩5,961 million of assets held for sale as of December 31, 2014.

	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	981,692	978,036	1,959,728	1,408,857	66,519	1,475,376
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	3,738,134	4,014,297	7,752,431	4,020,929	1,687	4,022,616

(5) Summary of profit and loss for associates for the year ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2014					
Companies	Revenue	Operating income (loss)	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income (loss)
LG Chem Ltd.	₩ 22,577,830	₩ 1,310,761	₩ 305,836	₩ -	₩ (29,012)	₩ 825,013
LG Household & Health Care Ltd.	4,677,010	511,040	125,647	-	(52,051)	302,514
LG Electronics Inc.	59,040,767	1,828,557	539,761	(177,152)	(404,574)	96,783
LG Uplus Corp.	10,999,828	576,338	92,394	-	(6,985)	220,736

	Year ended December 31, 2013					
Companies	Revenue	Operating income (loss)	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income (loss)
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.	56,772,302	1,249,011	358,472	(8,368)	(203,309)	19,395
LG Uplus Corp.	11,450,300	542,129	54,383	-	(5,345)	274,116

14. DEBENTURES AND BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2014	December 31, 2013
Korean currency short-term borrowings	Kookmin Bank and others	3.20%–5.60%	₩ 24,604	₩ 19,302
Overdraft	Kookmin Bank	3.59%	10,287	-
Commercial paper	Dongbu Securities and Securities and others	2.36%–2.98%	70,000	-
Trade receivables transferred (*)	Shinhan Bank and others	1.04%–1.63%	16,626	28,086
Foreign currency short-term borrowings	The Export-Import Bank of Korea and others	1.18%–6.22%	57,689	60,289
Usance	Shinhan Bank	1.35%–1.38%	1,024	983
Total			₩ 180,230	₩ 108,660

(*) 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, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2014		December 31, 2013	
			Current	Non-current	Current	Non-current
Korean currency long-term borrowings:	Kookmin Bank and others	1.75%–6.30%	₩ 144,156	₩ 561,820	₩ 182,728	₩ 389,732
Foreign currency long-term borrowings:	SMBC	0.91%	-	73,611	2,301	-
Debentures : Debentures in Korean won	-	2.96%–4.61%	360,000	560,000	310,000	760,000
Discount on debentures			(251)	(1,302)	(175)	(2,072)
Present value discount account			(84)	(762)	(101)	(241)
Total			₩ 503,821	₩ 1,193,367	₩ 494,753	₩ 1,147,419

(3) The Group's debentures as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Company	Description	Issuance date	Maturity date	Annual interest rate	December 31, 2014	December 31, 2013
LG CNS Co., Ltd.	4th public offering	2011-03-04	2014-03-04	4.52%	₩ -	₩ 50,000
	5th public offering	2013-03-05	2017-03-05	4.15%	100,000	100,000
	6th public offering	2013-10-24	2015-10-24	3.17%	100,000	100,000

	7th public offering	2014-05-07	2018-05-07	2.96%	100,000	100,000
	8th public offering	2014-12-05	2016-12-05	3.42%	100,000	100,000
Serveone Co., Ltd.	2nd public offering	2011-02-22	2014-02-22	4.55%	-	100,000
	3rd public offering	2014-02-14	2017-02-14	3.21%	100,000	-
LG Siltron Inc.	34th private offering	2011-04-28	2014-04-28	4.42%	-	60,000
	35th public offering	2011-07-15	2015-07-15	4.48%	100,000	100,000
	36th private offering	2011-09-14	2013-09-14	4.26%	-	100,000
	37-1th public offering	2013-01-05	2015-01-05	4.17%	60,000	70,000
	37-2th public offering	2013-01-05	2017-01-05	4.61%	40,000	40,000
	38-1th public offering	2013-06-04	2015-06-04	3.73%	50,000	50,000
	38-2th public offering	2013-06-04	2017-06-04	3.94%	50,000	50,000
	39th public offering	2014-02-07	2017-02-07	4.21%	30,000	-
	40th public offering	2014-03-14	2017-03-14	4.37%	40,000	-
LG N Sys Co., Ltd.	1st public offering	2013-05-30	2015-05-30	3.89%	50,000	50,000
		Subtotal			920,000	1,070,000
		Discount on debentures			(1,553)	(2,247)
		Current debentures (*)			(359,749)	(309,825)
		Total			₩ 558,698	₩ 757,928

(*) Discounts on debentures have been deducted.

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2014					
Description	Beginning balance	Increase	Using	Reversal	Effect of foreign currency translation	Ending balance
Provision for construction (product) warranties	₩ 14,746	₩ 13,952	₩ (9,060)	₩ (1,924)	₩ -	₩ 17,714
Restoration liabilities (*)	8,630	431	(1,103)	(1,277)	(3)	6,678
Others	6,648	8,881	(2,990)	(5,558)	(37)	6,944
Total	₩ 30,024	₩ 23,264	₩ (13,153)	₩ (8,759)	₩ (40)	₩ 31,336

	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

(*) 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 and the previous period are ₩38,154 million and ₩38,184 million, respectively, and payable amounts related to defined contribution plans as of December 31, 2014 and 2013, are ₩4,212 million and ₩4,380 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, 2014 and 2013, amounts recognized in the consolidated statements of financial position related to retirement benefit obligation are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	₩ 290,416	₩ 244,528
Fair value of plan assets	(193,114)	(160,828)
Net defined benefit liability	₩ 97,302	₩ 83,700

2) Changes in defined benefit obligation for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ 244,528	₩ 210,203
Current service cost	42,280	42,556
Interest cost	9,068	7,298
Past service cost	(3,476)	473
Actuarial gain	16,628	(481)
Effect of foreign currency translation	3	(22)
Benefits paid	(20,962)	(11,942)
Others	2,347	(3,557)
Ending balance	₩ 290,416	₩ 244,528

3) Income and loss related to defined benefit plan for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Service cost	₩ 38,804	₩ 43,029
Current service cost	42,280	42,556

Past service cost	(3,476)	473
Net interest on the net defined benefit liability (asset)	3,230	3,268
Interest cost on defined benefit obligation	9,068	7,298
Comprising interest on plan assets	(5,838)	(4,030)
Others	371	282
Total	₩ 42,405	₩ 46,579

Total costs for the years ended December 31, 2014 and 2013, are included in cost of sales for ₩18,561 million and ₩21,440 million, respectively, in selling and administrative expenses for ₩23,844 million and ₩24,255 million, respectively. The costs for the year ended December 31, 2013 is included in profit (loss) from discontinued operations of ₩884 million.

4) Changes in plan assets for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ 160,828	₩ 119,705
Comprising interest on plan assets	5,838	4,030
Remeasurements-Return on plan assets	(995)	650
Effect of foreign currency translation	2	(22)
Contributions from the employer	44,550	47,456
Benefits paid	(16,652)	(8,307)
Others	(457)	(2,684)
Ending balance	₩ 193,114	₩ 160,828

5) All of the plan assets are invested in financial instruments that guarantee principal and interest rate as of December 31, 2014 and 2013.

6) Actuarial assumptions used as of December 31, 2014 and 2013, are as follows:

Description	December 31, 2014	December 31, 2013
Discount rate (%)	2.40-8.06	3.29–8.75
Expected rate of salary increase (%)	1.29-12.14	1.30–9.29

7) The sensitivity analysis of the defined benefit obligation as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

December 31, 2014

Description	Center scenario	+ 1%	- 1%
Change in discount rate	₩ 290,416	₩ 264,086	₩ 321,823
Change in rate of salary increase	290,416	320,454	264,615

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

December 31, 2013

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, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014		Year ended December 31, 2013	
Actuarial gains (losses) arising from changes in demographic assumptions	₩	4,307	₩	5,688
Actuarial gains (losses) arising from changes in financial assumptions		16,055		(9,823)
Actuarial gains (losses) arising from experience		(3,839)		4,713
Return on plan assets excluding amounts included in interest income		995		(650)
Actuarial gains (losses) arising from transfer in/out adjustments		105		(1,059)
Total	₩	17,623	₩	(1,131)

Meanwhile, the Group deducted ₩3,953 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):

	2015	
Estimated contributions to plan assets	₩	29,666

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014				December 31, 2013			
	Current		Non-current		Current		Non-current	
Advance receipts	₩	24,858	₩	-	₩	32,861	₩	-
Advances from lease revenue		131		6,423		-		6,997
VAT withheld		6,376		-		6,500		-
Withholdings		43,806		-		28,251		-
Unearned income		17,618		31,221		14,985		46,378
Due to customers for contract work		44,114		-		52,290		-
Government subsidy		4,633		-		4,665		-
Other long-term employee benefits		-		5,519		-		4,438
Total	₩	141,536	₩	43,163	₩	139,552	₩	57,813

18. FINANCE LEASE LIABILITIES:

Finance lease liabilities as of December 31, 2013, is as follows (Unit: Korean won 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.

19. CONSTRUCTION CONTRACTS:

Cost, income and loss and claimed construction costs from construction in progress as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Accumulated accrual cost	₩ 2,045,036	₩ 1,672,195
Accumulated income	258,805	247,546
Accumulated loss	(53,535)	(44,207)
Accumulated construction in process	2,250,306	1,875,534
Progress billing (*)	2,032,146	1,748,456
Gross amounts due from customers for contract work	262,274	179,368
Gross amounts due to customers for contract work	44,114	52,290

(*) Consolidated adjustments are included.

Advances received from construction contracts are ₩8,961 million and ₩22,079 million as of December 31, 2014 and 2013, respectively.

20. ISSUED CAPITAL:

Details of issued capital as of December 31, 2014, are as follows (Unit: Korean won in millions):

Type of stock	Number of authorized shares	Number of issued shares	Number of shares owned by related party	Par value (in Korean won)	Amount of issued capital
Common stock	700,000,000	172,557,131	83,753,496	₩ 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, 2014 and 2013, 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, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Asset revaluation reserve	₩ 337,386	₩ 337,386
Paid-in capital in excess of par value	898,266	898,266
Other capital surplus	1,127,054	1,129,702
Total	₩ 2,362,706	₩ 2,365,354

22. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of accumulated other comprehensive income (loss) as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Changes in investment valuation using equity method	₩ (152,618)	₩ (88,521)
Gain on AFS financial assets	30,896	35,149

Loss on AFS financial assets	(561)	(278)
Overseas operations translation	(15,317)	(4,647)
Loss on valuation of derivatives	(3,362)	(2,472)
Total	₩ (140,962)	₩ (60,769)

(2) Changes in investment valuation using equity method for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	(88,521)	9
Changes in capital of associates and joint ventures	(67,693)	(93,038)
Effect on income taxes	3,596	4,508
Ending balance	₩ (152,618)	₩ (88,521)

(3) Changes in gain on AFS financial assets for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ 35,149	₩ 33,465
Changes in gain on AFS financial assets	(5,612)	2,222
Effect on income taxes	1,359	(538)
Ending balance	₩ 30,896	₩ 35,149

(4) Changes in loss on AFS financial assets for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ (278)	₩ -
Changes in loss on AFS financial assets	(373)	(367)
Effect on income taxes	90	89
Ending balance	₩ (561)	₩ (278)

(5) Changes in overseas operations translation for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ (4,647)	₩ (4,754)
Changes in overseas operations translation	(10,670)	107
Ending balance	₩ (15,317)	₩ (4,647)

(6) Changes in loss on valuation of cash flow hedge derivatives for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ (2,472)	₩ (3,717)
Net gain (loss) on hedging instruments entered into for cash flow hedges	(2,674)	236
Interest rate swap	(3,496)	311

Income taxes by loss on valuation of cash flow hedging derivatives	822	(75)
Transfers to profit and loss (*)	1,139	1,009
Interest rate swap (transferred to non-operating expenses)	1,469	1,294
Income tax expenses	(330)	(285)
Ending balance	(4,007)	(2,472)
Consolidation adjustment	645	-
Balance after consolidation adjustment	₩ (3,362)	₩ (2,472)

(*) Loss on valuation of cash flow derivatives that are transferred to profit and loss from equity for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Non-operating expenses	₩ 1,469	₩ 1,294
Income tax expenses	(330)	(285)
Total	₩ 1,139	₩ 1,009

23. RETAINED EARNINGS AND DIVIDENDS:

Changes in retained earnings for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	₩ 8,574,840	₩ 7,860,772
Profit for the year attributable to the owners of the Company	844,548	896,117
Dividends (*)	(175,937)	(175,937)
Remeasurements of net defined benefit liability	(10,106)	(1,862)
Changes in retained earnings by equity method	(80,111)	(4,250)
Ending balance	₩ 9,153,234	₩ 8,574,840

(*) Details of dividends for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2014				
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)	Total dividends (Korean won 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

	Year ended December 31, 2013				
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)	Total dividends (Korean won 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

24. PROFIT (LOSS) FROM OPERATIONS:

Details of profit (loss) from operations for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Revenue and gain (loss) valuation by equity method		
Sales of goods	₩ 5,458,392	₩ 5,452,982
Sales of finished goods	1,204,920	1,336,840
Sales of merchandise	4,253,472	4,116,142
Service revenue	1,982,884	1,872,605
Construction revenue	1,447,442	1,419,587
Gain (loss) on valuation by equity method	574,095	661,285
Other revenue	402,589	392,754
	9,865,402	9,799,213
Cost of sales		
Cost of sales of goods	5,147,144	5,090,582
Cost of sales of service	1,712,442	1,617,448
Cost of sales of construction	1,281,368	1,260,732
Cost of sales of others	220,975	215,956
	8,361,929	8,184,718
Gross profit	1,503,473	1,614,495
Selling and administrative expenses		
Salaries and wages	194,525	180,960
Retirement benefits	20,936	22,136
Welfare	37,962	38,822
Amusement expenses	8,680	10,059
Depreciation	9,830	7,693
Amortization of intangible assets	11,819	11,270
Taxes and dues	11,800	9,537
Advertising expenses	4,852	4,675
Usual development expenses/survey and research	58,394	55,149
Commission	20,601	21,409
Insurance premium	2,119	2,161
Transportation expenses	15,880	14,803
Travel expenses	12,313	13,371
Service contract expenses	11,532	10,857
Rental expenses	14,254	15,166
Allowance (reversal) of bad debt	983	4,908
Allowance (reversal) of accrual of provision	3,454	12,998
Others	19,431	24,599
	459,365	460,573
Operating income	₩ 1,044,108	₩ 1,153,922

25. CLASSIFICATION OF EXPENSES BY NATURE:

Details of expenses by nature for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2014			
Account	Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 12,512	₩ -	₩ 4,184,907	₩ 4,197,419
Finished goods	20,334	-	-	20,334
Work in process	426	-	-	426
Merchandise	(11,610)	-	4,033,845	4,022,235
Semifinished goods	1,422	-	-	1,422
Other inventories	1,940	-	151,062	153,002
Used raw material	-	-	581,962	581,962
Employee benefits	-	253,423	812,581	1,066,004
Depreciation and amortization	-	21,649	281,181	302,830
Commission expenses	-	20,601	497,387	517,988
Lease expenses	-	14,254	86,447	100,701
Professional fees	-	11,532	1,233,337	1,244,869
Other expenses and consolidation adjustments	-	137,906	671,615	809,521
Total	₩ 12,512	₩ 459,365	₩ 8,349,417	₩ 8,821,294

	Year ended December 31, 2013			
Account	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

26. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014		Year ended December 31, 2013	
Other non-operating income				
Rental income	₩	437	₩	633
Commission income		101		19
Gain on foreign exchange translation		30,515		34,709
Gain on foreign currency transactions		6,740		2,430
Gain on disposals of tangible assets		1,781		1,869
Gain on disposals of intangible assets		242		10
Gain on transactions of derivatives		4,459		8,215
Gain on valuation of derivatives		1,497		254
Gain on disposals of investments in associates		22		823
Gain on disposals of investments in subsidiaries		743		285
Miscellaneous income		5,304		5,010
Reversal of impairment loss of intangible assets		89		-
Reversal of impairment loss of other assets		7		-
Other reversal of allowance for doubtful accounts		357		81
Others		1,888		638
Total	₩	54,182	₩	54,976
Other non-operating expenses				
Loss on foreign currency transactions	₩	27,308	₩	39,691
Loss on foreign exchange translation		6,417		5,909
Loss on disposals of tangible assets		2,542		3,865
Loss on disposals of investment assets		70		-
Loss on disposals of intangible assets		318		273
Loss on transactions of derivatives		6,324		7,944
Loss on valuation of derivatives		81		31
Loss on disposals of investments in associates		-		3,551
Donations and contributions		7,887		3,713
Other bad debt expenses		236		740
Impairment losses of tangible assets		2,536		316
Impairment losses of intangible assets		23,497		11,894
Impairment losses of other non-financial assets		810		-
Miscellaneous loss		1,453		1,784
Others		72		466
Total	₩	79,551	₩	80,177

27. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2014	Year ended December 31, 2013
Interest income	₩ 25,396	₩ 23,084
Dividend income	927	2,395
Gain on foreign currency transactions	11,090	15,020
Gain on foreign currency translation	1,169	9,984
Gain on disposals of AFS financial assets	354	-
Total	₩ 38,936	₩ 50,483

(2) Interest income included in financial income for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2014	Year ended December 31, 2013
Financial institution deposits and others	₩ 22,865	₩ 20,848
AFS financial assets	65	66
Other loans and receivables	2,524	2,364
Subtotal	25,454	23,278
Consolidation adjustment	(58)	(194)
Consolidated	₩ 25,396	₩ 23,084

(3) Financial expenses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2014	Year ended December 31, 2013
Interest expenses	₩ 85,872	₩ 78,293
Loss on foreign currency transactions (non-operating)	12,837	11,492
Loss on foreign currency translation (non-operating)	2,044	8,491
Loss on transactions of derivatives	117	-
Loss on valuation of derivatives	20	18
Loss on disposals of AFS financial assets	131	11
Impairment loss on AFS financial assets	565	140
Loss on disposals of trade receivables	266	1,730
Loss on redemption of bonds	93	-
Total	₩ 101,945	₩ 100,175

(4) Interest expenses included in financial expenses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2014	Year ended December 31, 2013
Bank overdrafts and loan interest	₩ 36,506	₩ 26,333
Finance lease liabilities' interest	19	12
Interest expenses (discount on bonds payable)	41,022	42,794
Other interest expenses	15,161	14,368
Less: Capitalized interest expenses included in qualified assets (*)	(6,281)	(4,544)
Subtotal	86,427	78,963
Consolidation adjustment	(555)	(670)
Consolidated	₩ 85,872	₩ 78,293

(*) Capitalization interest rates used for the years ended December 31, 2014 and 2013, are 1.75%–5.26% and 2.91%–4.66%, respectively.

28. NET GAINS (LOSSES) FROM FINANCIAL INSTRUMENTS:

Net gains (losses) from financial instruments for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in thousands):

Description		Year ended December 31, 2014		Year ended December 31, 2013
Financial assets				
Financial assets at FVTPL	₩	6,000	₩	1,018
AFS financial assets		(3,950)		3,658
Loans and other receivables (*)		23,545		8,381
Subtotal		25,595		13,057
Financial liabilities				
Financial liabilities at FVTPL		(6,405)		(484)
Derivative liabilities designated as a hedging instrument		(2,164)		(49)
Financial liabilities measured at amortized cost		(84,716)		(72,612)
Subtotal		(93,285)		(73,145)
Total	₩	(67,690)	₩	(60,088)

(*) 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, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2014		Year ended December 31, 2013
Current income tax	₩	148,779	₩	119,888
Adjustment related to prior income tax expense		(3,544)		(3,492)
Changes in deferred tax assets:		(18,114)		6,355
Foreign currency translation effects		(22)		19
Beginning deferred tax assets due to temporary differences		(129,238)		(126,275)
Ending deferred tax assets due to temporary differences		(101,640)		(129,238)
Deferred tax directly reflected in equity		9,506		3,373
Others and consolidation adjustments		(57)		(9)
Income tax expense for continuing operations	₩	127,064	₩	122,742

(2) Changes in deferred tax assets (liabilities) for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014					
Description		Beginning balance		Reflected in income (loss) or in equity		Ending balance
Temporary differences						
Cash flow hedging	₩	597	₩	313	₩	910
Investments in subsidiaries, associates and joint ventures		(130,854)		-		(130,854)
Property, plant and equipment		32,146		(12,248)		19,898

Description	December 31, 2014 Beginning balance	Reflected in income (loss) or in equity	Ending balance
Intangible assets	4,554	841	5,395
AFS financial assets	(5,102)	1,831	(3,271)
Provisions	28,674	7,098	35,772
Doubtful receivables	304	643	947
Other financial liabilities	1,592	(162)	1,430
Others	5,405	861	6,266
Tax deficit and tax credits			
Tax deficit	26,635	33,996	60,631
Others	4,827	2,241	7,068
Deferred tax assets (liabilities)	(31,222)	35,414	4,192
Consolidation adjustment	(98,016)	(7,816)	(105,832)
Consolidated balance	₩ (129,238)	₩ 27,598	₩ (101,640)

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)

(3) Details of income tax that are directly reflected to the capital for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Valuation gain (loss) of derivatives for cash flow hedge	₩ 492	₩ (360)
Valuation gain (loss) of AFS financial assets	1,465	(433)
Remeasurements of defined benefit plans	3,953	(342)
Change of capital from equity method	3,596	4,508
Total	₩ 9,506	₩ 3,373

(4) As of December 31, 2014, deferred tax assets (liabilities) that are recognized for assets (liabilities) held for sale are ₩178 million.

(5) As of December 31, 2014 and 2013, unrecognized deferred tax assets, excluding investment assets, are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Temporary differences	₩ 19,242	₩ 2,208
Tax deficit	34,483	5,968
Tax credits unused	37,353	38,390

(6) As of December 31, 2014 and 2013, the temporary differences related to investment assets and equity interest not recognized as deferred tax assets (liabilities) are as follows (Unit: Korean won in millions):

Description	December 31, 2014	December 31, 2013
Investments in subsidiaries	₩ (1,354942)	₩ (1,316,979)
Investments in associates and joint ventures	1,211,290	1,200,639
Total	₩ (143,652)	₩ (116,340)

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, 2014 and 2013, are calculated as follows (Unit: Korean won in millions, except for earnings per share and number of shares):

	December 31, 2014		
	Continuing operations' earnings per share	Discontinued operations' earnings per share	Total earnings per share
Profit for the year attributable to owners of the parent	₩ 841,147	₩ 3,401	₩ 844,548
Less: Net income of preferred stock	3,473	-	3,473
Preferred stock portion subject to additional dividends	12,583	-	12,583
Net income of common stock	825,091	3,401	828,492
Weighted-average number of common shares outstanding	172,463,342	172,463,342	172,463,342
Basic earnings per share (in Korean won)	₩ 4,784	₩ 20	₩ 4,804
Diluted earnings per share (in Korean won)(*)	₩ 4,784	₩ 20	₩ 4,804

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

	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 Group	₩ 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 Korean won)	₩ 5,462	₩ (365)	₩ 5,097
Diluted earnings per share (in Korean won)(*)	₩ 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.

31. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2014 and 2013, are as follows:

December 31, 2014

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.	T-money America, Inc. and others
Songdo U-Life LLC.	U Life Solutions	
	Songdo International Sports Club LLC.	
Recaudo Bogota S.A.S.		
Petro Cornergy Co., Ltd.		
Dongnam Solar Energy Co., Ltd.		
Zephyr Logic, Inc.		
Combustion Synthesis Co., Ltd.		
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Innovation Investment	
	Hi 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 Innotek Alliance Fund	
LG Chem Ltd.	Haengboknuri	Tianjin LG DAGU Chemical Co., Ltd. and others
LG Hausys, Ltd.	LG Hausys ENG., Ltd.	LG Hausys America, Inc. and others
	LG Hausys Interpane	
LG Uplus Corp.	CS Leader	DACOM America Inc.
	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.	

December 31, 2014		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
	HTB Co., Ltd.	
	Future Co., Ltd	
	CNP Cosmetics 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.		
Silicon Works Co., Ltd.		Silicon Works Inc.
LG Fuel Cell Systems Inc.	LG Fuel Cell Systems (Korea) Inc.	
Joint ventures:		
LG MMA Corp.		
Serveone Cenyar Services Co.		

(*): Joint ventures of associates are excluded.

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 Innotek Alliance Fund	
LG Chem Ltd.	Haengboknuri	Tianjin LG DAGU Chemical Co., Ltd. and others
LG Hausys, Ltd.	LG Hausys ENG., Ltd.	LG Hausys America, Inc. and others
	LG Hausys Interpane	
LG Uplus Corp.	CS Leader	DACOM America Inc.
	Ain Teleservice	
	CS One Partner	
	MEDIA LOG Co., Ltd.	
	With U Co., Ltd.	

Entities with direct ownership	December 31, 2013 Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
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	
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.

(2) Transactions within the Group and subsidiaries are eliminated before consolidation, and the details of other transactions with related parties as of December 31, 2014 and 2013, are as follows:

1) Transactions with related parties for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014 Revenue and others	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.(*1)	₩ 43,581	₩ -	₩ -	₩ 5,214
Nanum Lotto Co., Ltd.(*2)	-	-	-	-
LG Chem Ltd (*1)	883,798	29,016	8	11,305
LG Household & Health Care Ltd. (*1)	103,208	1,351	-	8,241
LG Electronics Inc. (*1)	2,192,179	17,787	1,284	91,973
LG Uplus Corp. (*1)	444,303	1,184	379	54,906
LG Life Science Co., Ltd. (*1)	25,184	50	-	403
LG Hitachi Co., Ltd.	3,354	224	-	2,518
GIIR Corporation (*1)	6,273	98	208	24,708
LG Hausys, Ltd. (*1)	147,385	3,262	8	13,632
Siliconworks Co., Ltd.(*1)	5,370	-	57	43,586
Gumi Ochang Sunlight Solar Co., Ltd.(*3)	275	-	-	-
Recaudo Bogota S.A.S.	17,480	-	-	-
Zephyr Logic, Inc.	-	-	3,467	2,621
Petro Conergy Co., Ltd.	10,386	-	-	-
Songdo U-Life LLC.(*1)	12,453	-	-	-
Dongnam Solar Energy Co., Ltd.	10,973	-	-	-
LG Fuel Cell systems Inc.	45	-	-	-
Joint ventures:				
LG MMA Corp.	18,850	16	-	-
Total	₩ 3,925,097	₩ 52,988	₩ 5,411	₩ 259,107

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.(*1)	₩ 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)	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)	133,153	876	88	10,295
Gumi Ochang Sunlight Solar Co., Ltd.(*3)	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	₩ 3,877,276	₩ 35,278	₩ 22,314	₩ 223,997

(*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) It has changed from associate to subsidiary through the acquisition of shares during the current period.

2) Outstanding receivables and payables from transactions with related parties as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014 Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.(*3)	₩ 6,473	₩ -	₩ 1,634	₩ -
LG Chem Ltd (*3)	212,534	-	44,622	-
LG Household & Health Care Ltd. (*3)	19,497	-	19,113	-
LG Electronics Inc. (*3)	657,290	-	119,431	-
LG Uplus Corp. (*3)	166,223	-	32,134	-
LG Life Science Co., Ltd. (*3)	4,104	-	5,276	-
LG Hitachi Co., Ltd.	2,075	-	619	-
GIIR Corporation (*3)	6,032	-	24,994	-
LG Hausys, Ltd. (*3)	34,022	-	10,714	-
Zhyper Logic, Inc.	-	-	543	-
Recaudo Bogota S.A.S.	17,762	-	-	-
Songdo U-Life LLC.(*3)	478	-	-	-
Petro Conergy Co., Ltd.	1,066	-	-	-
Dongnam Solar Energy Co., Ltd.	11,858	-	-	-
Siliconworks Co., Ltd.(*3)	2,219	-	17,155	-

Description	December 31, 2014 Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
LG Fuel Cell Systems Inc.	42	7,420	-	-
Joint ventures:				
LG MMA Corp.	4,509	-	562	-
Serveone Cenyar Services Co.	-	849	-	-
Total	₩ 1,146,184	₩ 8,269	₩ 276,797	₩ -

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	₩ -
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)	48,974	-	14,094	-
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	₩ 1,053,561	₩ -	₩ 262,993	₩ -

(*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.

3) Fund transactions with the related parties for the years ended December 31, 2014 and 2013, are as follows: (Unit: Korean won in millions):

Description	Year ended December 31, 2014 Payment in cash (Reduction of capital)	Sale of interests	Loans		Borrowings	
			Loans	Payback	Borrowings	Repayments
Associates:						
LG Fuel Cell Systems Inc.(*1)	₩ 12,266	₩ -	₩ 7,420	₩ -	₩ -	₩ -
Dongnam Solar Energy Co., Ltd..	119	-	-	-	-	-
Korea Smart Card Co., Ltd.	(4,766)	-	-	-	-	-
Joint venture:						

Description	Payment in cash (Reduction of capital)	Sale of interests	Loans	Payback	Borrowings	Repayments
Serveone Cenyar Services Co.	-	-	849			
Total	₩ 7,619	₩ -	₩ 8,269	₩ -	₩ -	₩ -

(*1) Details of transaction about associates' subsidiaries are included.

Description	Year ended December 31, 2013					
	Payment in cash (Reduction of capital)	Sale of interests	Loans		Borrowings	
			Loans	Payback	Borrowings	Repayments
Associates:						
LG Electronics Inc.(*1)	₩ -	₩ (16,874)	₩ -	₩ -	₩ -	₩ -
LG Fuel Cell Systems Inc.	4,337	-	-	-	-	-
Recaudo Bogota S.A.S.	48	-	-	-	-	-
Nanum Lotto Co., Ltd.	(10,756)	-	-	-	-	-
Total	₩ (6,371)	₩(16,874)	₩ -	₩ -	₩ -	₩ -

(*1) Details of transaction about associates' subsidiaries are included.

(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, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	Year ended December 31, 2013
Short-term employee benefits	₩ 49,441	₩ 52,213
Severance benefits	11,106	11,072
Other long-term employee benefits	7	79
Total	₩ 60,554	₩ 63,364

(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 equipment. As of December 31, 2014, the amount of the borrowing in relation to this contract 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.

32. FUNDING ARRANGEMENTS AND PLEDGING:

(1) As of December 31, 2014, commitments related to the Group's funding are as follows (Unit: Korean won in millions):

Category	Limit	Used
Comprehensive import and export	₩ 257,880	₩ 26,200
Import	214,402	26,951
Export	81,341	16,334
Commercial paper	100,000	-
Overdraft	75,000	10,286
Credit line	311,000	50,118
Corporate facility fund borrowings	283,544	283,532
Working capital borrowings	533,913	286,640
Forwards	53,311	5,027
Receivable-backed borrowings	437,500	67,254
Other borrowing agreements	158,000	5,163

Others	325,000	-

(2) Restricted financial assets as of December 31, 2014, are as follows (Unit: Korean won in millions):

Account	December 31, 2014	Remark
Cash and cash equivalents	₩ 1,774	Deposits for issuing notes and pledges against borrowings
Financial institution deposits	18,172	Pledges against borrowings and L/C agreements
Long-term deposits	138	Deposits for overdraft accounts

(3) Details of pledging as of December 31, 2014, are as follows:

Provider	Recipient	Details
LG Corp.	Woori Bank and one other	Collateral for rent deposit (blank bill, two notes).
Serveone Co., Ltd.	LG Electronics Inc. and 7 others	12 mortgage notes (face value: ₩41,300 million) and two regular deposits (face value: ₩2.600 million) pledged to guarantee performance and warranty.
	The Korea Development Bank and 21 others	Stock collateral security pledged ₩4,383 million with respect to BTL (Build Transfer Lease) projects
Gumi Ochang Sunlight Solar Co., Ltd.	Busan Bank	Deposits were provided as pledged in terms of preceding loans (six accounts) according to the borrowings agreement for the facility fund (amount of agreement:₩17,200 million). Collateral for transfer (four contracts, two warranties, one structure), right to collateral security for divided surface rights (the amount limit: ₩3,600 million). Insurance was provided as pledged (limit of collateral: ₩22,400 million). Shares were provided as pledged (Total issued shares 5,760,000, limit of collateral: ₩22,400 million).
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.
	Engineering Financial Cooperative	₩779 million of capital stock investment provided a combination as mortgage.
Oneseen skytech	Shinhan Bank	Provide land and buildings as collateral (the book value: ₩1,028 million, the amount limit: ₩2,000 million)
Korea Elecom Co., Ltd.	Shinhan Bank	Provide land and buildings as collateral (the book value: ₩3,450 million, the amount limit: ₩4,500 million)
	SSangyong Information &Communications Corp.	Receivables of patent rights are provided as collateral (Amount: ₩6,500 million)
LG N Sys Inc.	Seoul Guarantee Insurance	Pledged ₩50 million
LG Solar Energy Inc.	Kookmin Bank	Provide land, buildings and mechanical equipment as collateral (the book value: ₩53,723 million, the amount limit: ₩96,200 million)
LG Siltron Inc.	The Korea Development Bank	Provide land and buildings as collateral (the book value: ₩364,299 million, the amount limit: ₩232,502 million)
LG Holdings Japan Co., Ltd.	SMBC	Provide land and building as collateral for the long-term borrowings (the book value: JPY 19,700 million)
LG sports Co., Ltd.	Kookmin Bank	Provide land as collateral (the book value: ₩110,941 million, the amount limit: ₩48,000 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, 2014 (Unit: Korean won in millions):

Description	Provider	Amounts of guarantees		Insurance company
Guarantee of contract and warranties, etc.	LG CNS Co., Ltd.	₩	483,329	Korea Software Financial Cooperative
			53,850	Engineering Financial Cooperative
			4,650	The Export-Import Bank of Korea
			84,321	Korea Exchange Bank and others
	Serveone Co., Ltd.		170,725	Seoul Guarantee Insurance
Total		₩	796,875	

33. 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, 2014 and 2013, is as follows (Unit: Korean won in millions):

	December 31, 2014							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 32 others	₩	37,931	₩	60,096	₩	1,428	₩	99,455

	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

2) The Group recognized rental expense related to operating lease contracts for the years ended December 31, 2014 and 2013, for the amounts of ₩100,701 million and ₩75,230 million, respectively. In relation to the substance of transactions involving the legal form of lease, the Group paid ₩3,055 million, which includes payments for other than the substance of transactions involving the lease for the year ended December 31, 2013.

(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, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 7 others	₩	32,516	₩	30,805	₩	68,329	₩	131,650

	December 31, 2013							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 6 others	₩	33,491	₩	31,402	₩	75,563	₩	140,456

3) The Group recognized rental profit related to operating lease contracts for the years ended December 31, 2014 and 2013, in the amounts of ₩92,205 million and ₩84,216 million, respectively.

34. PENDING LITIGATIONS:

Pending litigations as of December 31, 2014, are claims for return of unjust enrichment (Defendant: Ministry of National Defense, the amount of lawsuit: ₩1,472 million) and 12 others and the total amount of lawsuits is ₩6,155 million and the cases that the Group is sued are the claim for the excess usage of SW license (Plaintiff: Info (US), Inc., the amount of lawsuit: ₩4,000 million) and 20 others and the total amount of lawsuits is ₩12,793 million. Meanwhile, the results of lawsuits and the effects on the consolidated financial statements cannot be reasonably predicted at the end of the reporting date.

35. 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, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014	December 31, 2013
Total borrowings	₩ 1,877,418	₩ 1,750,832
Less: Cash and cash equivalents	(497,211)	(682,142)
Borrowings, net	1,380,207	1,068,690
Total equity	12,585,835	12,105,291
Debt-to-equity ratio	10.97%	8.83%

(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, 2014, is as follows (Unit: Korean won in millions):

Currency	Assets	Liabilities
USD	₩ 271,821	₩ 177,251
EUR	11,683	550
JPY	28,662	25,206
CNY	1,495	296
Others	38,144	1,490
Total	₩ 351,805	₩ 204,793

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 Korean won (functional currency of the Group) against major foreign currencies as of December 31, 2014, is as follows (Unit: Korean won in millions):

Currency	10% increase against foreign currency	10% decrease against foreign currency
USD	₩ 7,170	₩ (7,170)
EUR	845	(845)
JPY	265	(265)
CNY	91	(91)
Others	2,778	(2,778)
Total	₩ 11,149	₩ (11,149)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2014.

As of December 31, 2014, 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, 2014, is as follows (Unit: Korean won in millions):

Description	Notional amount	Valuation gain and loss		Accumulated other comprehensive income	Fair value	
		Gain	Loss		Assets	Liabilities
Currency forward	₩ 108,124	₩ 1,497	₩ 81	₩ -	₩ 1,409	₩ 81

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, 2014, is as follows (Unit: Korean won in millions):

Description	December 31, 2014
AFS financial assets (debt securities)	₩ 22
Borrowings	269,798
Derivatives related to interest rate	5,281
Subtotal	₩ 275,101

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, 2014, is as follows (Unit: Korean won in millions):

Description	1% increase		1% decrease	
	Gain (loss)	Net assets	Gain (loss)	Net assets
Borrowings	₩ (1,903)	₩ -	₩ 1,903	₩ -
Derivatives related to interest rate	1,278	1,904	(1,278)	(1,904)
Subtotal	₩ (625)	₩ 1,904	₩ 625	₩ (1,904)

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, 2014, is as follows (Unit: Korean won in millions):

Description	Notional amount	Valuation gain and loss: Gain	Valuation gain and loss: Loss	Accumulated other comprehensive income	Fair value: Assets	Fair value: Liabilities
Interest rate swap	₩ 117,000	₩ -	₩ -	₩ (3,362)	₩ -	₩ 5,281

3) Price risk

The Group is exposed to price risks from AFS equity instruments. As of December 31, 2014, the fair value of AFS equity instruments is ₩43,223 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 ₩3,276 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 31(4) is ₩23,000 million.

Meanwhile, maximum exposure amounts of credit risk of the consolidated entity for the loss of non-consolidation structured entity that is explained in Note 39 are ₩67,536 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, 2014, is as follows (Unit: Korean won in millions):

Description	Within a year	1–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 1,967,963	₩ 270,430	₩ 11,391	₩ 2,249,784
Floating rate financial instrument	27,948	193,512	68,713	290,173
Fixed rate financial instrument	702,280	979,209	7,318	1,688,807
Other contract (*)	3,710	14,839	11,129	29,678
Total	₩ 2,701,901	₩ 1,457,990	₩ 98,551	₩ 4,258,442

(*) The limit of the other contract mentioned in Note 31(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, 2014, is as follows (Unit: Korean won in millions):

Description	Flow	Within a year	1–5 years	Total
Derivatives for trading:				
Foreign currency derivatives	Outflow	₩ (107,390)	₩ -	₩ (107,390)
	Inflow	108,718	-	108,718
Subtotal		1,328	-	1,328
Derivatives designated and hedging instruments:				
Interest rate derivatives	Outflow	(2,262)	(3,161)	(5,423)
Subtotal		(2,262)	(3,161)	(5,423)
Total		₩ (934)	₩ (3,161)	₩ (4,095)

(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.

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, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014 Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative assets for trading	₩ -	₩ 1,409	₩ 93	₩ 1,502
AFS financial assets	43,223	22	52,389	95,634
Total	43,223	1,431	52,482	97,136
Financial liabilities:				
Derivative liabilities for trading	-	81	-	81
Derivative liabilities designated as a hedging instrument	-	5,281	-	5,281
Total	₩ -	₩ 5,362	₩ -	₩ 5,362

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	24	54,637	102,397
Total	47,736	278	54,750	102,764
Financial liabilities:				
Derivative liabilities for trading	-	31	-	31
Derivative liabilities designated as a hedging instrument	-	3,254	-	3,254
Total	₩ -	₩ 3,285	₩ -	₩ 3,285

There is no significant transfer between level 1 and level 2 during the current period and the prior period.

2) Valuation method and input variables that are classified as Level 2 from the financial instruments that are subsequently measured as fair values are as follows (Unit: Korean won in millions):

	Fair values as of December 31, 2014	Valuation technique	Input variables
Financial assets			
Derivative instrument assets held for sale	₩ 1,409	Decision model for future prices	Discount rate and exchange rate
AFS financial assets	22	Discounted cash flow method	Discount rate
Financial liabilities			
Liabilities of derivative instruments for the purpose of sale	81	Decision model for future prices	Discount rate and exchange rate
Liabilities of derivative instruments designated as hedging instruments	₩ 5,281	Discounted cash flow method	Discount rate

3) The fair value hierarchy of financial instruments with fair value that cannot be reliably measured at fair value in the statements of financial position as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description	December 31, 2014				
	Fair value				Book value
	Level 1	Level 2	Level 3	Total	
Loans and receivables					
Financial institution deposits	₩ -	₩ -	₩ 335,558	₩ 335,558	₩ 335,558
Trade receivables (*)			2,270,630	2,270,630	2,270,630
Loans (*)	-	-	15,779	15,779	15,779
Other account receivables (*)	-	-	54,051	54,051	54,051
Accrued income (*)	-	-	3,918	3,918	3,918
Deposits (*)	-	-	23,159	23,159	23,159
Total	-	-	2,703,095	2,703,095	2,703,095
Financial liabilities measured at amortized cost					
Trade payables (*)	-	-	1,371,962	1,371,962	1,371,962
Borrowings	-	-	958,971	958,971	958,971
Other accounts payables (*)	-	-	232,792	232,792	232,792
Accrued expenses (*)	-	-	118,912	118,912	118,912
Accrued dividends (*)	-	-	319	319	319
Deposits received	-	490,134	-	490,134	472,886
Debentures	-	934,656	-	934,656	918,447
Finance lease obligation (*)	-	-	-	-	-
Total	₩ -	₩1,424,790	₩ 2,682,956	₩ 4,107,746	₩ 4,074,289

Description	December 31, 2013				
	Fair value				Book value
	Level 1	Level 2	Level 3	Total	
Loans and receivables					
Financial institution deposits	₩ -	₩ -	₩ 310,031	₩ 310,031	₩ 310,031
Trade receivables (*)	-		2,014,859	2,014,859	2,014,859
Loans (*)	-	-	7,427	7,427	7,427
Other account receivables (*)	-	-	44,573	44,573	44,573
Accrued income (*)	-	-	5,092	5,092	5,092
Deposits (*)	-	-	38,781	38,781	38,781
Total	-	-	2,420,763	2,420,763	2,420,763
Financial liabilities measured at amortized cost					
Trade payables (*)	-	-	1,253,987	1,253,987	1,253,987
Borrowings	-	-	683,079	683,079	683,079
Other accounts payables (*)	-	-	246,915	246,915	246,915
Accrued expenses (*)	-	-	96,992	96,992	96,992
Accrued dividends (*)	-	-	309	309	309
Deposits received	-	463,412	-	463,412	450,521
Debentures	-	1,073,545	-	1,073,545	1,067,753
Finance lease obligation (*)	-	-	134	134	134
Total	₩ -	₩1,536,957	₩ 2,281,416	₩ 3,818,373	₩ 3,799,690

(*) Short-term receivables and short-term payment obligations denominated in Level 3 are measured at original amount since the discount effect is not significant.

4) Changes in Level 3 financial assets for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Year ended December 31, 2014

Description	Beginning balance	Net income (loss)	Comprehensive income (loss)	Purchases	Disposals	Ending balance	Unrealized holding gain or loss
Derivative assets for trading	₩ 113	₩ (20)	₩ -	₩ -	₩ -	₩ 93	₩ -
AFS financial assets	54,637	-	(1,411)	-	(837)	52,389	11,678
Total	₩ 54,750	₩ (20)	₩ (1,411)	₩ -	₩ (837)	₩ 52,482	₩ 11,678

Year ended December 31, 2013

Description	Beginning balance	Net income (loss)	Comprehensive income (loss)	Purchases	Disposals	Ending balance	Unrealized holding gain or loss
Derivative assets for trading	₩ 131	₩ (18)	₩ -	₩ -	₩ -	₩ 113	₩ -
AFS financial assets	50,424	-	3,267	946	-	54,637	13,155
Total	₩ 50,555	₩ (18)	₩ 3,267	₩ 946	₩ -	₩ 54,750	₩ 13,155

The amount related to assets and liabilities that are held as of December 31, 2014 and 2013, from the recognized income (loss) are ₩20 million and ₩18 million, respectively. Income (loss) from the change in fair values of related assets and liabilities are included in other operating income and other operating expenses (see Note 26).

Total income (loss) that are recognized as other comprehensive income (loss) are related to non-listed shares that are held as of December 31, 2014, and they are recognized as the change in valuation gain (loss) of AFS financial assets (see Note 22).

5) 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 estimation 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 nonobservable 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 information in the market.

- Unlisted securities and unlisted securities-linked convertible securities
The fair value of non-listed shares and unlisted securities linked convertible securities, 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.

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

7) The table below explains the quantitative information of fair value measurement (Level 3) that uses the input variables that are significant, but unobservable and the relationship between unobservable input variables and the fair value measurements.

Description	Fair values as of December 31, 2014	Valuation technique	Unobservable inputs	Range	Disposals
Derivative assets for trading	₩ 93	Decision model of option prices	Variation in stock prices of similar listed companies	31.59%	Increase (decrease) in fair values due to increase (decrease) in variation
AFS financial assets	48,151	Discounted cash flow method	Growth rate	0%	Increase (decrease) in fair values due to increase (decrease) in growth rate
			Discount rate	6.91%~7.89%	Increase (decrease) in fair values due to increase (decrease) in discount rate

8) 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 the 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 data reflected for the purpose of the issuer of the shares; and capital structure based on the equity data of comparable public companies that has been derived based on the CAPM.

9) Impact on net income and other comprehensive income (loss) due to the change in reasonably available and unobservable input variables under the conditions that other input variables are constant is as follows (Unit: Korean won in millions):

Description	Unobservable input(s)	Changes of reasonably possible unobservable input	Net income		Other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Derivative instrument assets held for sale (*)	Variation in stock prices of similar listed companies	+/-10%	-	-	-	-
AFS financial assets	Growth rate	+/-1%	-	-	4,258	(3,212)
	Discount rate	+/-1%	-	-	5,586	(4,208)

(*) There is no effect as the value of stock prices are less than the conversion value (₩1,462) and the claim period for conversion is from August 2015.

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

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

36. MERGER (BUSINESS COMBINATION):

(1) Business combination that occurred for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description	Operating activities	Acquisition date (*1)	Acquisition ownership (%)	Consideration transferred (million)	
Year ended December 31, 2014					
Gumi Ochang Sunlight Solar Co., Ltd.	Sunlight Solar Development	2014.11.27	100%	₩	4,723
Year ended December 31, 2013					
Oneseen Skytech	Manufacturing unmanned helicopter	2013.04.10	63,99%	₩	5,318

(*1) Regarded acquisition date of Gumi Ochang Sunlight Solar Co., Ltd. and Oneseen Skytech is December 31, 2014, and April 1, 2013, respectively.

(2) Contributed revenue by merger

1) Gumi Ochang Sunlight Solar Co., Ltd.
There is no contributed revenue from Gumi Ochang Sunlight Solar Co., Ltd. as of December 31, 2014. If Gumi Ochang Sunlight Solar Co., Ltd. had been included in the scope of consolidation starting from January 1, 2014, ₩502 million of net income would have been included in the consolidated statement of comprehensive income for the year ended December 31, 2014.

2) 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.

(3) Identifiable assets, liabilities and goodwill as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	December 31, 2014 Gumi Ochang Sunlight Solar Co., Ltd.		December 31, 2013 Oneseen Skytech	
Identifiable assets at their fair values	₩	19,522	₩	8,110
Cash and cash equivalents		-		4,664
Trade receivables		2,842		-
Other receivables		165		26
Inventories		-		180
Property, plant and equipment		16,426		1,132
Intangible assets		89		2,090
Other assets		-		18
Identifiable liabilities at their fair values		14,799		7,352
Trade payables		79		60
Borrowings		14,635		5,561
Other liabilities		85		1,731
Total identifiable net book value at fair values		4,723		758
Non-controlling interests (equity)		-		273
Acquired controlling interests (equity)		4,723		485
Acquisition cost		4,723		5,318
Goodwill	₩	-	₩	4,833

(4) Fair values for the compensation of transfer of business combinations that are incurred for the years ended December 31, 2014 and 2013, are as follows:

Description	December 31, 2014 Gumi Ochang Sunlight Solar Co., Ltd.		December 31, 2013 Oneseen Skytech	
Cash	₩	3,353	₩	4,678
Fair values of equity instruments that the acquiree holds		1,370		-
Fair values of convertible bonds that the acquiree holds		-		640
Goodwill	₩	4,723	₩	5,318

37. 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 of V-ENS Co., Ltd. was transferred to LG Electronics, Inc. as 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. entered into disposal contract for the main assets held for sale as of December 31, 2013; so, part of tangible assets from Solar operating segment are disposed as of December 31, 2014, and the Company will use the residual assets or will continually look for the chance to dispose them.

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

In December 19, 2014, 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. entered into disposal contract for the main assets held for sale of Sapphire operating segment in the current period; so, most of the tangible assets of Sapphire operating segment are disposed as of December 31, 2014, and the residual assets are classified as assets that the disposal and unavailable as all of them are scrapped.

(4) Analysis of profit and loss from discontinued operations

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

1) Profit from discontinued operations for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2014		
Description	LG Siltron Inc.	HNIP	Total
Sales	₩ -	₩ -	₩ -
Cost of sales	-	-	-
Selling and administrative expenses	-	(1,586)	(1,586)
Operating income	-	1,586	1,586
Financial income	-	20	20
Financial expenses	-	-	-
Other operating income	2,159	-	2,159
Other operating expenses	-	-	-
Profit before income tax expense	2,159	1,606	3,765
Income tax expense	-	-	-
Subtotal	2,159	1,606	3,765
Loss on valuation of property, plant and equipment/intangible assets – net of fair value	1,833	-	1,833
Subtotal	1,833	-	1,833
Profit from discontinued operations	3,992	1,606	5,598
Owners of the parent	2,036	1,365	3,401
Non-controlling interests	₩ 1,956	₩ 241	₩ 2,197

Description	Year ended December 31, 2013 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 income tax expense	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)

2) Cash flows arising from discontinued operations for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014 LG Siltron Inc.	HNIP	Total
Cash flows from operating activities	₩ -	₩ 1,606	₩ 1,606
Cash flows from investing activities	9,840	-	9,840
Cash flows from financing activities	-	-	-
Net cash flows	₩ 9,840	₩ 1,606	₩ 11,446

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)

38. ASSETS HELD FOR SALE:

As of December 31, 2014, assets (liabilities) held for sale are as follows (Unit: Korean won in millions):

Description	December 31, 2014	
Machinery of Lusem (*1)	₩	329
Asset of LG CNS Tianjin Inc. (*2)		1,190
Total assets that are classified as held for sale		1,519
Liabilities of LG CNS Tianjin Inc. (*2)		1,615
Total liabilities that are classified as held for sale		1,615
Net assets that are classified as held for sale	₩	(96)

(*1) Lusem Co., Ltd. is planning to dispose of some machinery within 12 months, and classified these machinery as assets held for sale after evaluating their fair value.
(*2) LG CNS Tianjin Inc. is to be disposed and the negotiation with the purchaser is in process; it is predicted that the disposal will be completed in the first half of 2015. Major assets and liabilities of LG CNS Tianjin Inc. are as follows (Unit: Korean won in millions):

Description	December 31, 2014	
Cash and cash equivalents	₩	318
Loans and receivables		5
Other current assets		2
Inventories		857
Property, plant and equipment		8
Total assets related to the LG CNS Tianjin Inc. classified as held for sale		1,190
Trade payables and other payables		1,523
Other current liabilities		92
Total liabilities related to the LG CNS Tianjin Inc. classified as held for sale		1,615
Total	₩	(425)

39. UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2014, information about the nature and risks associated with interests in unconsolidated structured entities held by the Group is as follows (Unit: Korean won 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 interest	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 University)	AFS financial assets	₩ 319	₩ -
		Loan commitments	-	7,266
	Mileseum I (Ulsan National Institute of Science and Technology)	AFS financial assets	894	-
		Loan commitments	-	21,819
	Mileseum II (Ulsan National Institute of Science and Technology)	AFS financial assets	121	-
		Loan commitments	-	640
	Mileseum III (Ulsan National Institute of Science and Technology)	AFS financial assets	85	-
		Loan commitments	-	1,631
	Mileseum IV (*3) (Ulsan National Institute of Science and Technology)	AFS financial assets	1,045	-
		Loan commitments	-	-
	Heemangseum (Daegu Gyeongbuk Institute of Science and Technology)	AFS financial assets	1,918	-
		Loan commitments	-	36,180
	Total	AFS financial assets	4,382	-
		Loan commitments	₩ -	₩ 67,536

40. DISPOSAL OF SUBSIDIARIES:

The Group disposed V-ENS Co., Ltd. as of December 31, 2013.

(1) Fair values for the compensation of disposal are as follows (Unit: Korean won in millions):

Description	December 31, 2013	
Compensation received for cash and cash equivalents	₩	16,874

(2) The carrying value of assets and liabilities of the subsidiary at the date of losing the controlling power are as follows (Unit: Korean won in millions):

Description	December 31, 2014	
Current assets	₩	49,237
Cash and cash equivalents		12,856
Financial institution deposits		629
Loans and receivables		30,065
Inventories		1,017
Other current assets		4,670
Non-current assets		12,169
Property, plant and equipment		6,045
Intangible assets		5,646
Other non-current assets		478
Current liabilities		43,941
Trade payables and other payables		16,728
Provisions		131
Other current liabilities		27,082
Non-current liabilities		725
Total carrying value of net assets that are disposed	₩	16,740

(3) Gain on disposal of subsidiaries is as follows (Unit: Korean won in millions):

Description	December 31, 2014
Fair value for the compensation of disposal	₩ 16,874
Carrying value of net assets that are disposed	16,740
Accumulated translation difference between net assets of subsidiaries that are reclassified in the capital when losing the controlling power and hedging instruments for the related risk	151
Gain on disposal	₩ 285

(4) Net cash flow due to the disposal of subsidiaries is as follows (Unit: Korean won in millions):

Description	December 31, 2014
Compensation received for cash and cash equivalents	₩ 16,874
Deduction: Disposal amount of cash and cash equivalents	12,856
Net cash flow	₩ 4,018

41. EVENTS AFTER THE REPORTING PERIOD:

(1) Serveone Co., Ltd., a subsidiary of the Group, passed a resolution to merge with Gumi Ochang Sunlight Solar Co., Ltd. at the Board of Directors' meeting on December 23, 2014, for the efficiency of business, operation with the group efficiency and eliminating the duplicated expenses.

(2) LG CNS Co., Ltd., a subsidiary of the Group, repassed a resolution to establish the local branch in Greece for the purpose of the establishment of Athens' AFC System and operating business at the Board of Directors' meeting on January 6, 2015.

Disclosure on Execution of External Audit

We attach required disclosure on the execution of external audit performed in in accordance with ***Article 7-2 of the Act on External Audit of Stock Companies***.

1. Company and Reporting Period subject to External Audit

Company	LG Corp.			
Reporting Period	2014/1/1	From	2014/12/31	To

2. Number of Participants and Details on the Hours Executed in Audit

(Unit: Number of Participant, Hour Executed)

Participant(s) ＼ Number and Hour(s)		Engagement Quality Reviewer(s) (Including QRM, etc...)	Audit Professional(s)			IT Specialist(s), Tax Specialist(s), Valuation Specialist(s)	Total
			Engagement Partner(s)	KICPA (Registered)	KICPA (Non-Registered)		
Number of Participant(s)		2	1	12	4	5	24
Hours Executed	Quarterly Review, 6-month Review	24	125	1,935	278	-	2,362
	Audit	26	68	1,062	153	33	1,342
	Total	50	193	2,997	431	33	3,704

3. Key Disclosure on Execution of External Audit

Title	Detail			
Audit Planning Stage	Dates Performed	April ~ September, 2014	3	Days
	Main Planning Work Performed	Understanding the Company and business environments, Composing the audit member, Identifying and evaluating		

		significant risk of material misstatements, Deciding the nature/timing/extent of an audit, Reviewing the application of professionals, Determining the materiality in the application of an audit						
Field Work Performed	Dates Performed			Number of Participant(s)				Main Field Work Performed
				On Site		Off Site		
			Days		Number of Participant(s)		Number of Participant(s)	
	2014/12/08~2014/12/10		3		3		2	Interim audit(Understanding the transaction type of each process, Control testing)
	2015/1/12~2015/1/30		12		4		2	External audit(Substantive procedure for the material account balances and transactions, consolidation audit)
Physical Counts - Inventory (Observation)	Time (When Performed)	-					-	Day(s)
	Place (Where Performed)	-						
	Inventory subjected to Counts	-						
Physical Counts - Financial Instruments (Observation)	Time (When Performed)	2015/1/2				1	Day(s)	
	Place (Where Performed)	LG Corp. headquarters						
	Financial Instruments subjected to Counts	Cash, investment securities, memberships and others						
External	Bank Confirmation	O	Accounts		O		Legal	O

Confirmation			Receivable/Payable Confirmation		Confirmation	
	Other Confirmation	N/A				
Communications with Those Charged with Governance	Number of Communications	6	Time(s) Performed			
	Time (When Performed)	2014/4/11, 2014/4/25, 2014/08/07, 2014/11/06, 2015/01/21, 2015/02/13				