

LG Electronics Inc.
Interim Separate Financial Statements
June 30, 2016 and 2015

LG Electronics Inc.

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June 30, 2016 and 2015

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Report on Review of Interim Separate Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying interim separate financial statements of LG Electronics Inc. (the "Company"). These financial statements consist of the interim separate statement of financial position of the Group as of June 30, 2016, and the related interim separate statements of income, comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, and interim separate statements of changes in equity and cash flows for the six-month periods ended June 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other matters

We have audited the separate statement of financial position of the Company as of December 31, 2015, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Korean Standards on Auditing. We expressed an unqualified opinion on those separate financial statements in our audit report dated March 10, 2016. These separate financial statements are not included in this review report. The separate statement of financial position as of December 31, 2015, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2015.

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

A large, stylized handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

Seoul, Korea
August 16, 2016

This interim report is effective as of August 16, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim separate financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.

Interim Separate Statements of Financial Position

June 30, 2016 and December 31, 2015

(in millions of Korean won)

	Note	June 30, 2016 (Unaudited)	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	4,29	975,338	678,221
Financial deposits	4,29	80,500	80,500
Trade receivables	4,5,29	5,624,155	5,607,126
Loans and other receivables	4,5,29	444,610	534,079
Other financial assets	4,6,29	18,746	-
Inventories	7	1,247,805	1,057,967
Current income tax assets		699	1,717
Other current assets		501,375	307,084
Assets held for sale	31	2,116	2,116
		<u>8,895,344</u>	<u>8,268,810</u>
Non-current assets			
Financial deposits	4,29	2,164	1,271
Loans and other receivables	4,5,29	326,501	339,859
Other financial assets	4,6,29	39,620	64,134
Property, plant and equipment	8	6,610,688	6,450,406
Intangible assets	8	1,182,672	1,154,910
Deferred income tax assets		962,678	948,457
Investments in subsidiaries, associates and joint ventures	9	7,972,813	7,963,467
Investment property		106,175	120,846
Other non-current assets		579,444	554,215
		<u>17,782,755</u>	<u>17,597,565</u>
Total assets		<u>26,678,099</u>	<u>25,866,375</u>
Liabilities			
Current liabilities			
Trade payables	4,29	5,267,480	5,015,038
Borrowings	4,10,29	1,261,320	1,041,603
Other payables	4,29	1,853,264	1,797,949
Other financial liabilities	4,6,29	12,372	14,553
Provisions	12	226,188	176,067
Other current liabilities		1,830,134	1,705,180
		<u>10,450,758</u>	<u>9,750,390</u>
Non-current liabilities			
Borrowings	4,10,29	5,311,878	5,577,300
Other financial liabilities	4,6,29	125,090	71,317
Net defined benefit liability	11	862,098	575,016
Provisions	12	815,182	847,647
Other non-current liabilities		80,276	83,696
		<u>7,194,524</u>	<u>7,154,976</u>
Total liabilities		<u>17,645,282</u>	<u>16,905,366</u>
Equity			
Paid-in capital:	13		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	14	5,163,511	5,046,104
Accumulated other comprehensive loss	15	(90,223)	(44,624)
Other components of equity	16	(32,819)	(32,819)
Total equity		<u>9,032,817</u>	<u>8,961,009</u>
Total liabilities and equity		<u>26,678,099</u>	<u>25,866,375</u>

LG Electronics Inc.

Interim Separate Statements of Income

Three-Month and Six-Month Periods Ended June 30, 2016 and 2015

(in millions of Korean won, except per share amounts)

	Note	2016 (Unaudited)		2015 (Unaudited)	
		Three months	Six months	Three months	Six months
Continuing operations					
Net sales	17	7,684,554	14,857,347	7,238,032	14,101,393
Cost of sales	18	5,894,710	11,552,987	5,717,497	11,302,903
Gross profit		1,789,844	3,304,360	1,520,535	2,798,490
Selling and marketing expenses	18,19	708,779	1,313,047	662,720	1,267,492
Administrative expenses	18,19	157,108	305,775	158,726	322,203
Research and development expenses	18,19	526,230	1,078,359	497,972	1,019,409
Service costs	18,19	206,889	335,103	111,429	196,680
Operating income(loss)		190,838	272,076	89,688	(7,294)
Financial income	20	61,813	120,336	35,569	86,128
Financial expenses	21	109,538	234,906	87,232	195,573
Other non-operating income	22	398,238	880,296	229,108	533,425
Other non-operating expenses	23	178,510	645,349	184,672	613,776
Profit(loss) before income tax(benefit)		362,841	392,453	82,461	(197,090)
Income tax expense(benefit)		80,570	81,002	20,454	(51,172)
Profit(loss) for the period from continuing operations		282,271	311,451	62,007	(145,918)
Discontinued operations					
Loss for the period from discontinued operations	32	-	-	(206)	(2,282)
Profit(loss) for the period		282,271	311,451	61,801	(148,200)
Earnings(loss) per share during the period (in Korean won)					
Earnings(loss) per share for profit attributable to the common equity holders of the Company	24				
From continuing operations		1,566	1,727	342	(826)
From discontinued operations		-	-	(1)	(13)
Earnings(loss) per share for profit attributable to the preferred equity holders of the Company		1,579	1,752	354	(801)
From continuing operations		1,579	1,752	355	(788)
From discontinued operations		-	-	(1)	(13)

LG Electronics Inc.**Interim Separate Statements of Comprehensive Income****Three-Month and Six-Month Periods Ended June 30, 2016 and 2015***(in millions of Korean won)*

	Note	2016 (Unaudited)		2015 (Unaudited)	
		Three months	Six months	Three months	Six months
Profit(loss) for the period		<u>282,271</u>	<u>311,451</u>	<u>61,801</u>	<u>(148,200)</u>
Other comprehensive income(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the net defined benefit liability	11	(60,996)	(121,159)	48,241	(31,739)
Items that will be reclassified subsequently to profit or loss:					
Cash flow hedges	29	(21,084)	(44,086)	5,739	(4,023)
Available-for-sale financial assets	6	<u>(1,487)</u>	<u>(1,513)</u>	<u>236</u>	<u>1,949</u>
Other comprehensive income(loss) for the period, net of tax		<u>(83,567)</u>	<u>(166,758)</u>	<u>54,216</u>	<u>(33,813)</u>
Total comprehensive income(loss) for the period, net of tax		<u>198,704</u>	<u>144,693</u>	<u>116,017</u>	<u>(182,013)</u>

LG Electronics Inc.
**Interim Separate Statements of Changes in Equity
Six-Month Periods Ended June 30, 2016 and 2015**

<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total
Balance at January 1, 2015		3,992,348	5,550,942	(21,771)	(32,819)	9,488,700
Comprehensive income(loss):						
Loss for the period		-	(148,200)	-	-	(148,200)
Remeasurements of the net defined benefit liability	11	-	(31,739)	-	-	(31,739)
Cash flow hedges	29	-	-	(4,023)	-	(4,023)
Available-for-sale financial assets	6	-	-	1,949	-	1,949
Total comprehensive loss		-	(179,939)	(2,074)	-	(182,013)
Transactions with equity holders:						
Dividends	14	-	(72,885)	-	-	(72,885)
Total transactions with equity holders		-	(72,885)	-	-	(72,885)
Balance at June 30, 2015 (Unaudited)		3,992,348	5,298,118	(23,845)	(32,819)	9,233,802
Balance at January 1, 2016		3,992,348	5,046,104	(44,624)	(32,819)	8,961,009
Comprehensive income(loss):						
Profit for the period		-	311,451	-	-	311,451
Remeasurements of the net defined benefit liability	11	-	(121,159)	-	-	(121,159)
Cash flow hedges	29	-	-	(44,086)	-	(44,086)
Available-for-sale financial assets	6	-	-	(1,513)	-	(1,513)
Total comprehensive income (loss)		-	190,292	(45,599)	-	144,693
Transactions with equity holders:						
Dividends	14	-	(72,885)	-	-	(72,885)
Total transactions with equity holders		-	(72,885)	-	-	(72,885)
Balance at June 30, 2016 (Unaudited)		3,992,348	5,163,511	(90,223)	(32,819)	9,032,817

LG Electronics Inc.

Interim Separate Statements of Cash Flows

Six-Month Periods Ended June 30, 2016 and 2015

<i>(in millions of Korean won)</i>	Note	Six-Month Period Ended June 30	
		2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	25	901,018	47,855
Interest received		5,902	6,854
Interest paid		(119,524)	(124,369)
Dividends received		284,568	90,633
Income tax refund(paid)		(40,763)	31,854
Net cash inflow from operating activities		1,031,201	52,827
Cash flows from investing activities			
Decrease in loans and other receivables		46,123	55,644
Proceeds from disposal of other financial assets		-	6,892
Proceeds from disposal of property, plant and equipment		7,042	35,142
Proceeds from disposal of intangible assets		1,450	134
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		33,194	54,181
Proceeds from disposal of investment property		21,853	-
Decrease in others		-	545
Increase in financial deposits		(784)	(1,098)
Increase in loans and other receivables		(34,902)	(36,337)
Acquisition of other financial assets		(5,400)	(340)
Acquisition of property, plant and equipment		(469,166)	(487,081)
Acquisition of intangible assets		(186,338)	(234,152)
Acquisition of investments in subsidiaries, associates and joint ventures		(28,618)	(8,057)
Business combination	30	-	(7,691)
Net cash outflow from investing activities		(615,546)	(622,218)
Cash flows from financing activities			
Proceeds from borrowings		448,098	1,326,933
Repayments of borrowings		(493,751)	(593,772)
Dividend paid		(72,885)	(72,885)
Net cash inflow (outflow) from financing activities		(118,538)	660,276
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		678,221	913,208
Cash and cash equivalents at the end of period		975,338	1,004,093

LG Electronics Inc.
Notes to the Interim Separate Financial Statements
June 30, 2016 and 2015(Unaudited), and December 31, 2015

1. General Information

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

As of June 30, 2016, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Mobile Communications segment manufactures and sells mobile communications equipment; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; and Vehicle Components segment designs and manufactures automobile parts. As of June 30, 2016, the Company operates manufacturing facilities mainly in Pyeongtaek, Changwon and Gumi in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

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

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

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027, ‘Separate Financial Statements’. The interim separate financial statements for the six-month period ended June 30, 2016, have been prepared in accordance with Korean IFRS 1034, ‘Interim Financial Reporting’. These interim separate financial statements have been prepared in accordance with the Korean IFRS which is effective as of June 30, 2016.

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Changes in Accounting Policy and Disclosures

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

i) The new and amended standards and interpretations adopted by the Company from the financial year 2016:

- Amendment to Korean IFRS 1016: 'Property, Plant and Equipment', and Korean IFRS 1038: 'Intangible Assets' (Date of amendment: September 2014)

Amendments to Korean IFRS 1016 and Korean IFRS 1038 clarify that the use of a revenue-based depreciation and amortization method is not permitted since the method are affected by factors, such as number of units sold and selling price, that are not directly related to the economic consumption of an asset. However, the revenue-based method is acceptable in limited circumstances in which intangible assets are measured based on revenue. The application of this amendment does not have a significant impact on the accompanying separate financial statements.

- Amendment to Korean IFRS 1111: 'Joint Arrangements' (Date of amendment: September 2014)

Amendment to Korean IFRS 1111 requires the acquirer of an interest in a joint operation, in which the activity constitutes a business, as defined in Korean IFRS 1103, 'Business Combinations', to apply all of the principles on business combinations accounting in Korean IFRS 1103 and other Korean IFRSs, and to disclose the information related to the business combination. The application of this amendment does not have a significant impact on the accompanying separate financial statements.

- Amendment to Korean IFRS 1027: 'Separate Financial Statements' (Date of amendment: November 2014)

Korean IFRS 1027, 'Separate Financial Statements', before amendment added the equity method, as described in Korean IFRS 1028, 'Investments in Associates and Joint Ventures' to the accounting requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The application of this amendment does not have an impact on the accompanying separate financial statements.

- Amendment to Korean IFRS 1001: 'Presentation of Financial Statements' (Date of amendment: May 2015)

Amendment to Korean IFRS 1001, 'Presentation of Financial Statements', clarifies that the disclosed line items can be omitted, added, or aggregated in the list according to their materiality. In addition, the amendment clarifies that the share in the other comprehensive income of associates and joint ventures accounted for under the equity method should be presented separately in the financial statements based on whether they will or will not subsequently be reclassified to profit or loss. Also, additional requirements for disclosures in the notes and others are provided. The application of this amendment does not have a

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significant impact on the accompanying separate financial statements.

- Annual improvements of Korean IFRS (Date of amendment: February, May 2015)

Korean IFRS 1105, 'Non-current assets held for sale and Discontinued operations',
Korean IFRS 1107, 'Financial Instruments: Disclosure',
Korean IFRS 1019, 'Employee benefits',
Korean IFRS 1034, 'Interim Financial Reporting'

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

- (b) New and amended standards and interpretations effective for the financial year after January 1, 2017.

- Korean IFRS 1109, 'Financial Instruments' (Date of enactment: September 2015)

The new standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, 'Financial Instruments: Recognition and Measurement'.

Korean IFRS 1109, 'Financial Instruments', requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics. The standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in those expected credit losses are recognized in profit or loss. The new standard is effective for the financial year initially beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Company is in the process of determining the effects resulting from the adoption of the new standard.

- Korean IFRS 1115, 'Revenue from Contracts with Customers' (Date of enactment: November 2015)

The new standard for the recognition of revenue issued in December 2015 will replace Korean IFRS 1018, 'Revenue', Korean IFRS 1011, 'Construction Contracts', and related Interpretations.

Korean IFRS 1115, 'Revenue from Contracts with Customers', will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Company is in the process of determining the effects resulting from the adoption of the

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new standard.

Application of Accounting Policies

The significant accounting policies and computation method used in the preparation of these interim separate financial statements are the same as the policies and methods adopted for the preparation of the financial statements for the year ended December 31, 2015, unless otherwise stated in Note 2.

Income Tax Expense

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

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

For the interim separate financial statements, the Company's management makes judgements, estimates and assumptions which affect accounting policies and its assets, liabilities, income and cost. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

The Company recognizes assets and liabilities for anticipated tax audit issues based on the best

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estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liability

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

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4. Financial Instruments by Category

(a) Categorizations of financial instruments as of June 30, 2016 and December 31, 2015, are as follows:

	June 30, 2016					
<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	975,338	-	-	-	975,338
Financial deposits	-	82,664	-	-	-	82,664
Trade receivables	-	5,624,155	-	-	-	5,624,155
Loans and other receivables	-	771,111	-	-	-	771,111
Other financial assets	-	-	35,083	-	23,283	58,366
Total	-	7,453,268	35,083	-	23,283	7,511,634

	June 30, 2016			
<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Trade payables	-	5,267,480	-	5,267,480
Borrowings	-	6,573,198	-	6,573,198
Other payables	-	1,853,264	-	1,853,264
Other financial liabilities	-	-	137,462	137,462
Total	-	13,693,942	137,462	13,831,404

	December 31, 2015					
<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	678,221	-	-	-	678,221
Financial deposits	-	81,771	-	-	-	81,771
Trade receivables	-	5,607,126	-	-	-	5,607,126
Loans and other receivables	-	873,938	-	-	-	873,938
Other financial assets	-	-	33,846	-	30,288	64,134
Total	-	7,241,056	33,846	-	30,288	7,305,190

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December 31, 2015				
<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Trade payables	-	5,015,038	-	5,015,038
Borrowings	-	6,618,903	-	6,618,903
Other payables	-	1,797,949	-	1,797,949
Other financial liabilities	-	-	85,870	85,870
Total	-	13,431,890	85,870	13,517,760

(b) Profit or loss by each category of financial instruments for the six-month periods ended June 30, 2016 and 2015, are as follows:

2016						
<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Held-to- maturity financial assets	Other	Total
Interest income	-	9,767	-	-	-	9,767
Exchange differences	-	7,487	-	-	-	7,487
Bad debt expense	-	7,065	-	-	-	7,065
Loss on disposal of trade receivables	-	(2,271)	-	-	-	(2,271)
Dividend income	-	-	254	-	-	254
Loss on valuation of available- for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(1,513)	-	-	(1,513)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	-	-	(3,217)	(3,217)
Others	-	7,341	-	-	-	7,341

2016				
<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(107,161)	(10,699)	(117,860)
Exchange differences	-	16,592	(2,057)	14,535
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(40,869)	(40,869)
Others	-	-	427	427

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<i>(in millions of Korean won)</i>	2015					
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Interest income	-	11,127	-	-	-	11,127
Exchange differences	-	(12,016)	-	-	-	(12,016)
Bad debt expense	-	(25,315)	-	-	-	(25,315)
Loss on disposal of trade receivables	-	(2,283)	-	-	-	(2,283)
Gain on disposal of available-for-sale financial assets	-	-	6,329	-	-	6,329
Dividend income	-	-	278	-	-	278
Profit for the period from discontinued operations	-	767	-	-	-	767
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	1,949	-	-	1,949
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	1,784	1,784
Others	-	10,782	-	-	-	10,782

<i>(in millions of Korean won)</i>	2015			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(109,744)	(11,473)	(121,217)
Exchange differences	-	(143,219)	31,933	(111,286)
Profit for the period from discontinued operations	-	165	-	165
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(5,807)	(5,807)
Others	-	-	454	454

5. Trade Receivables, and Loans and Other Receivables

(a) Trade receivables, and loans and other receivables, net of allowance for doubtful accounts, as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			December 31, 2015		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,717,882	(93,727)	5,624,155	5,708,568	(101,442)	5,607,126
Loans and other receivables						
Current	452,966	(8,356)	444,610	541,772	(7,693)	534,079
Non-current	326,511	(10)	326,501	339,872	(13)	339,859

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(b) Movements in allowance for doubtful accounts for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016			
	At January 1	Addition (reversal)	Write-off	At June 30
Trade receivables	101,442	(7,725)	10	93,727
Loans and other receivables				
Current	7,693	663	-	8,356
Non-current	13	(3)	-	10

<i>(in millions of Korean won)</i>	2015			
	At January 1	Addition (reversal)	Write-off	At June 30
Trade receivables	85,226	23,905	-	109,131
Loans and other receivables				
Current	9,394	(49)	-	9,345
Non-current	32	(18)	-	14

(c) The aging analysis of trade receivables and loans and other receivables as of June 30, 2016 and December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2016				December 31, 2015			
	Trade receivables	Loans and other receivables		Total	Trade receivables	Loans and other receivables		Total
		Current	Non-current			Current	Non-current	
Current	5,124,232	300,681	319,861	5,744,774	4,873,999	411,186	337,050	5,622,235
Past due but not impaired								
Up to 6 months	359,852	66,963	6,643	433,458	554,227	37,091	2,777	594,095
7 to 12 months	76,831	16,623	2	93,456	143,506	42,831	1	186,338
Over 1 year	145,645	58,168	5	203,818	124,026	38,837	44	162,907
Subtotal	582,328	141,754	6,650	730,732	821,759	118,759	2,822	943,340
Impaired	11,322	10,531	-	21,853	12,810	11,827	-	24,637
Total	5,717,882	452,966	326,511	6,497,359	5,708,568	541,772	339,872	6,590,212

(d) There are no financial assets transferred, but not derecognized in their entirety, and no associated liabilities recognized as of June 30, 2016.

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6. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Other financial assets		
Derivatives	23,283	30,288
Available-for-sale	35,083	33,846
Total	58,366	64,134
Current	18,746	-
Non-current	39,620	64,134
Other financial liabilities		
Derivatives	127,519	76,079
Financial guarantee liability	9,943	9,791
Total	137,462	85,870
Current	12,372	14,553
Non-current	125,090	71,317

(b) Details of derivatives as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	18,746	4,813	-	6,461
Non-current				
Currency swap	4,537	-	30,288	-
Interest rate swap	-	122,706	-	69,618
Total	23,283	127,519	30,288	76,079

The details of major derivative contracts as of the reporting date are presented in Note 29.

(c) Changes in carrying amounts of available-for-sale financial assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016				
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	At Jun. 30
Listed equity securities	15,323	-	-	(1,996)	13,327
Unlisted equity securities	18,523	3,233	-	-	21,756
Total	33,846	3,233	-	(1,996)	35,083

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<i>(in millions of Korean won)</i>	2015			Valuation (OCI)	At Jun. 30
	At Jan. 1	Acquisition	Disposal		
Listed equity securities	12,105	-	(1,369)	3,940	14,676
Unlisted equity securities	16,513	340	(563)	-	16,290
Total	28,618	340	(1,932)	3,940	30,966

7. Inventories

Inventories as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016			December 31, 2015		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	526,392	(41,894)	484,498	493,082	(33,632)	459,450
Work-in-process	105,963	(1,086)	104,877	85,531	(8,004)	77,527
Raw materials and supplies	530,801	(26,351)	504,450	413,293	(38,783)	374,510
Other	177,762	(23,782)	153,980	167,565	(21,085)	146,480
Total	1,340,918	(93,113)	1,247,805	1,159,471	(101,504)	1,057,967

8. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	6,450,406	6,244,197
Acquisitions	474,819	469,056
Acquisitions from business combination	-	2,513
Transfer-out	-	(23,194)
Reclassification to assets held for sale	-	(647)
Disposals and others	(10,633)	(41,945)
Depreciation	(290,695)	(291,120)
Impairment	(13,209)	(12,409)
At June 30	6,610,688	6,346,451

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(b) Line items including depreciation in the statements of income for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	220,863	211,271
Selling and marketing expenses	4,293	4,598
Administrative expenses	22,424	24,063
Research and development expenses	37,848	43,575
Service costs	2,605	2,659
Other non-operating expenses	2,662	4,954
Subtotal	290,695	291,120
Discontinued operations	-	-
Total	290,695	291,120

(c) Changes in intangible assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,154,910	1,094,479
Acquisitions	76,401	81,511
Acquisitions through internal development	137,762	109,543
Acquisitions from business combination	-	5,121
Reclassification to assets held for sale	-	(23)
Disposals and others	(5,869)	(11,303)
Amortization	(179,802)	(179,988)
Impairment	(730)	(71)
At June 30	1,182,672	1,099,269

(d) Line items including amortization of intangible assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	98,855	98,324
Selling and marketing expenses	7,139	11,482
Administrative expenses	37,950	44,513
Research and development expenses	35,049	24,917
Service costs	809	752
Subtotal	179,802	179,988
Discontinued operations	-	-
Total	179,802	179,988

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9. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at June 30, 2016	Carrying amount	
				June 30, 2016	December 31, 2015
Subsidiaries					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0%	955,542	955,542
LG Innotek Co., Ltd.	Korea	December	40.8%	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0%	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0%	270,631	270,631
LG Electronics Mlawa Sp. z o.o(LGEMA)	Poland	December	100.0%	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0%	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Netherlands	December	100.0%	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0%	136,459	136,459
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4%	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0%	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Vietnam	December	100.0%	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0%	79,222	79,222
LG Electronics Wroclaw Sp.z o.o(LGEWR)	Poland	December	100.0%	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0%	68,721	68,721
LG Electronics Shenyang Inc.(LGESY)	China	December	56.3%	66,668	66,668
Hi Entech Co., Ltd.	Korea	December	100.0%	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0%	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0%	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.5%	48,624	48,624
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0%	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0%	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0%	38,744	38,744
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0%	32,112	32,112
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0%	26,614	26,614
LG Electronics Colombia Ltda.(LGECEB)	Colombia	December	60.7%	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0%	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0%	22,538	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0%	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0%	20,615	20,615
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0%	20,323	20,323
LG Soft India Private Limited.(LGSII)	India	March	100.0%	20,105	20,105

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at June 30, 2016	Carrying amount	
				June 30, 2016	December 31, 2015
LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB)	China	December	100.0%	6,636	-
LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	China	December	100.0%	4,804	-
Innovation Investment Fund ¹	Korea	December	-	-	1,054
LG Electronics Latvia, LLC(LGELA) ²	Latvia	December	-	-	1,656
LG Electronics Austria GmbH(LGEAG) ²	Austria	December	-	-	167
Others				231,630	236,118
Associates					
LG Display Co., Ltd.	Korea	December	37.9%	3,480,623	3,480,623
Ericsson-LG Co., Ltd.	Korea	December	25.0%	81,755	81,755
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	80,602	80,602
LG Fuel Cell Systems Inc.	USA	December	29.3%	49,322	44,051
Korea Information Certificate Authority Inc. ³	Korea	December	7.5%	1,242	1,242
Joint ventures					
LG Holdings (HK) Ltd.	China	December	49.0%	129,386	129,386
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0%	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2%	7,881	7,881
Total				7,972,813	7,963,467

¹ It was liquidated in 2016.

² All investments were disposed to a subsidiary during 2016.

³ Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

(b) Changes in investments in subsidiaries, associates and joint ventures for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Opening net book amount	7,963,467	8,055,416
Acquisitions ¹	73,405	8,057
Disposal	(9,388)	(53,454)
Impairment	(54,671)	(8,643)
Closing net book amount	7,972,813	8,001,376

¹ It includes the amount of debt for equity swaps of trade receivables from subsidiaries.

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- (c) The fair value and book value of marketable subsidiaries and associates as of June 30, 2016 and December 31, 2015, are as follows:

June 30, 2016					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book value
LG Display Co., Ltd.	Associate	135,625,000	26,400	3,580,500	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	78,800	760,671	541,538
Korea Information Certificate Authority Inc.	Associate	2,000,000	7,710	15,420	1,242

December 31, 2015					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book value
LG Display Co., Ltd.	Associate	135,625,000	24,550	3,329,594	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	98,500	950,838	541,538
Korea Information Certificate Authority Inc.	Associate	2,000,000	10,850	21,700	1,242

10. Borrowings

- (a) The carrying amounts of borrowings as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Current		
Current portion of long-term borrowings	403,750	77,500
Current portion of debentures	857,570	964,103
Subtotal	1,261,320	1,041,603
Non-current		
Long-term borrowings	1,370,000	1,750,000
Debentures	3,941,878	3,827,300
Subtotal	5,311,878	5,577,300
Total	6,573,198	6,618,903

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(b) Details of borrowings as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at June 30, 2016 (%)	June 30, 2016	December 31, 2015
Long-term borrowings in local currency				
Korea Development Bank and others ¹	2030.07.07	3.00 ~ 4.62	1,773,750	1,827,500
Local currency loans				
Public, non-guaranteed bonds	2030.02.02	1.88 ~ 4.44	3,390,000	3,380,000
Private, non-guaranteed bonds	2028.11.18	3.11 ~ 3.96	700,000	700,000
Foreign currency loans				
Public, non-guaranteed bonds ²	2016.12.02	2.00	255,678	254,859
Private, non-guaranteed bonds ²	2017.06.19	3ML+1.30	232,940	234,400
Private, guaranteed bonds ²	2019.01.31	3ML+1.60	232,940	234,400
Less: discount on debentures			(12,110)	(12,256)
Total			6,573,198	6,618,903

¹ The Company entered into interest rate swap contracts to hedge cash flow risk related to floating interest rates fluctuation (Note 29).

² The Company entered into cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of the debenture (Note 29).

11. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Present value of funded obligations	2,493,927	2,236,821
Fair value of plan assets	(1,631,829)	(1,661,805)
Net defined benefit liability	862,098	575,016

(b) The amounts recognized in the separate statements of income for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Current service cost	72,717	145,433	66,815	133,629
Past service cost	-	-	-	-
Net interest cost	3,852	7,705	4,841	9,682
Managing cost	435	873	333	670
Total	77,004	154,011	71,989	143,981

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(c) The line items in which expenses are included for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Manufacturing cost	38,918	77,272	35,560	70,854
Selling and marketing expenses	9,562	19,197	10,517	21,290
Administrative expenses	4,459	8,770	6,079	11,805
Research and development expenses	23,080	46,782	18,522	37,406
Service costs	985	1,990	1,311	2,626
Subtotal	77,004	154,011	71,989	143,981
Discontinued operations	-	-	-	-
Total	77,004	154,011	71,989	143,981

(d) Changes in the present value of defined benefit obligations for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	2,236,821	1,916,342
Current service cost	145,433	133,629
Interest expense	29,265	29,315
Remeasurements for:		
- Actuarial loss arising from changes in financial assumptions	155,211	38,379
Increase due to business combination	-	142
Benefits paid	(72,803)	(66,420)
Reclassification to liabilities held for sale	-	(1,908)
At June 30	2,493,927	2,049,479

(e) Changes in the fair value of plan assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,661,805	1,299,650
Interest income	21,560	19,633
Remeasurements	(4,628)	(3,493)
Increase due to business combination	-	133
Benefits paid	(46,035)	(47,861)
Managing cost	(873)	(670)
At June 30	1,631,829	1,267,392

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(f) The principal actuarial assumptions used as of June 30, 2016 and December 31, 2015, are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Discount rate	2.0%	2.7%
Salary growth rate	6.0%	6.0%

(g) The sensitivity analysis of defined benefit obligation to changes in principal assumptions as of June 30, 2016, is as follows:

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(221,536)	257,449
Salary growth rate	247,129	(217,666)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations.

Defined Contribution Plan

Recognized expense related to the defined contribution plan during the six-month period ended June 30, 2016, is ₩ 2,544 million (2015: ₩ 2,275 million).

12. Provisions

Changes in provisions for the six-month periods ended June 30, 2016 and 2015, are as follows:

	<u>2016</u>				
<i>(in millions of Korean won)</i>	<u>Warranty</u>	<u>Sales returns</u>	<u>Restoration</u>	<u>Litigation and others</u>	<u>Total</u>
At January 1	183,481	838	5,760	833,635	1,023,714
Additions	227,148	12,617	391	58,509	298,665
Utilizations	(177,251)	(12,813)	(233)	(90,712)	(281,009)
At June 30	233,378	642	5,918	801,432	1,041,370
Current	225,159	642	387	-	226,188
Non-current	8,219	-	5,531	801,432	815,182

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<i>(in millions of Korean won)</i>	2015				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	222,522	528	4,812	818,104	1,045,966
Additions	100,192	14,944	1,402	24,970	141,508
Utilizations	(121,820)	(14,275)	(151)	(11,959)	(148,205)
At June 30	200,894	1,197	6,063	831,115	1,039,269
Current	190,499	1,197	883	-	192,579
Non-current	10,395	-	5,180	831,115	846,690

13. Paid-in Capital

(a) As of June 30, 2016 and December 31, 2015, the number of shares authorized is 600 million.

	Par value per share	June 30, 2016		December 31, 2015	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Common stock	5,000	163,647,814	818,239	163,647,814	818,239
Preferred stock	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

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

(b) Share premium balance as of June 30, 2016, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying value of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of common shares (merged with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of common shares in 2011.

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14. Retained Earnings

Retained earnings as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Legal reserve ¹	167,767	160,478
Discretionary reserve	4,805,354	5,317,480
Unappropriated retained earnings (accumulated deficit) ²	190,390	(431,854)
Total	5,163,511	5,046,104

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit.

² Dividend for the year ended December 31, 2015, of ₩72,885 million was approved at the annual general meeting held on March 18, 2016 and paid in April 2016 (2015 payments: ₩72,885 million).

15. Accumulated Other Comprehensive Income(Loss)

Details of accumulated other comprehensive income (loss) as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Cash flow hedge	(99,653)	(55,567)
Available-for-sale financial assets	9,430	10,943
Total	(90,223)	(44,624)

16. Other Components of Equity

Details of other components of equity as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
At June 30	(32,819)	(32,819)

¹ As of June 30, 2016, the Company has treasury shares consisting of 763,171 common shares (December 31, 2015: 763,171 shares) and 4,690 preferred shares (December 31, 2015: 4,690 shares) at the reporting date. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

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17. Net Sales

Details of net sales for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Sales of goods	7,517,235	14,520,134	7,069,620	13,720,112
Rendering of services	81,156	162,014	68,209	135,381
Royalty income	86,163	175,199	100,203	245,900
Subtotal	7,684,554	14,857,347	7,238,032	14,101,393
Discontinued operations	-	-	2,584	5,788
Total	7,684,554	14,857,347	7,240,616	14,107,181

18. Expenses by Nature

Expenses that are recorded by nature for the three-month and six-month periods ended June 30, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Changes in finished goods and work-in-process	109,855	(105,231)	(1,195)	(101,330)
Raw materials and merchandise used	4,600,355	9,209,807	4,494,082	8,961,861
Employee benefit expense	944,321	1,915,604	898,176	1,832,301
Depreciation and amortization	230,440	468,556	232,101	466,221
Advertising expense	190,173	323,354	150,722	251,280
Promotion expense	78,812	145,703	51,946	91,171
Transportation expense	131,725	256,872	129,029	265,226
Commission expense	397,777	748,840	374,089	707,486
Other expenses	810,258	1,621,766	819,394	1,634,471
Subtotal¹	7,493,716	14,585,271	7,148,344	14,108,687
Discontinued operations	-	-	2,929	8,494
Total	7,493,716	14,585,271	7,151,273	14,117,181

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

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

Details of general operating expenses for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Salaries	364,533	754,240	350,808	734,819
Post-employment benefits	41,780	83,454	39,300	79,184
Employee benefits	62,350	120,904	55,784	111,286
Freight expense	129,800	253,148	127,767	262,668
Rental expense	42,157	85,125	43,023	81,940
Commission expense	268,899	505,990	262,207	492,531
Depreciation	34,122	67,891	37,535	74,962
Amortization	40,899	80,947	40,866	81,664
Taxes and dues	3,275	5,977	1,837	4,643
Advertising expense	190,173	323,354	150,722	251,280
Promotional expense	78,812	145,703	51,946	91,171
Direct R&D costs	102,046	216,367	105,352	222,393
Direct service costs	163,176	248,298	68,504	110,001
Bad debts expense	2,493	(7,725)	(1,602)	25,381
Other	74,491	148,611	96,798	181,861
Subtotal	1,599,006	3,032,284	1,430,847	2,805,784
Discontinued operations	-	-	(1,153)	(1,031)
Total	1,599,006	3,032,284	1,429,694	2,804,753

20. Financial Income

Financial income for the three-month and six-month periods ended June 30, 2016 and 2015, consists of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Interest income	4,805	9,767	5,150	11,127
Exchange differences	52,145	99,988	24,610	63,499
Other	4,863	10,581	5,809	11,502
Subtotal	61,813	120,336	35,569	86,128
Discontinued operations	-	-	-	-
Total	61,813	120,336	35,569	86,128

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21. Financial Expenses

Financial expenses for the three-month and six-month periods ended June 30, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Interest expense	58,385	117,860	60,691	121,217
Exchange differences	47,810	111,962	25,105	71,807
Loss on disposal of trade receivables	1,011	2,271	1,313	2,283
Other	2,332	2,813	123	266
Subtotal	109,538	234,906	87,232	195,573
Discontinued operations	-	-	-	-
Total	109,538	234,906	87,232	195,573

22. Other Non-operating Income

Other non-operating income for the three-month and six-month periods ended June 30, 2016 and 2015, consists of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Dividend income	213,353	288,619	19,648	105,510
Exchange differences	145,757	546,113	230,150	372,804
Gain on disposal of property, plant and equipment	1,646	2,042	2,111	2,596
Gain on disposal of investment property	7,903	7,903	-	-
Gain on disposal of available-for-sale financial assets	-	-	6,329	6,329
Gain on disposal of investments in subsidiaries, associates and joint ventures	18,622	20,955	596	596
Other	10,957	14,664	(29,726)	45,590
Subtotal	398,238	880,296	229,108	533,425
Discontinued operations	-	-	94	601
Total	398,238	880,296	229,202	534,026

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23. Other Non-operating Expenses

Other non-operating expenses for the three-month and six-month periods ended June 30, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Exchange differences	142,861	512,117	157,911	487,798
Loss on disposal of property, plant and equipment	1,724	2,724	1,098	8,712
Impairment loss on property, plant and equipment	538	13,209	1,507	12,409
Loss on disposal of intangible assets	1,198	4,420	4,530	11,169
Impairment loss on investments in subsidiaries, associates and joint ventures	11,909	54,671	-	8,643
Other	20,280	58,208	19,626	85,045
Subtotal	178,510	645,349	184,672	613,776
Discontinued operations	-	-	20	905
Total	178,510	645,349	184,692	614,681

24. Earnings per Share

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

(a) Basic earnings(loss) per common share for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows:

	2016		2015	
	Three months	Six months	Three months	Six months
Profit(loss) attributable to common shares (in millions of Korean won)	255,144	281,345	55,710	(134,448)
Continuing operations	255,144	281,345	55,896	(132,384)
Discontinued operations	-	-	(186)	(2,064)
Weighted average number of common shares outstanding (unit: shares)	162,884,643	162,884,643	162,884,643	162,884,643
Basic earnings(loss) per common share (in Korean won)	1,566	1,727	342	(826)
Continuing operations	1,566	1,727	343	(813)
Discontinued operations	-	-	(1)	(13)

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(b) Basic earnings (loss) per preferred share for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows:

	2016		2015	
	Three months	Six months	Three months	Six months
Profit (loss) attributable to preferred shares (in millions of Korean won)	27,127	30,106	6,091	(13,752)
Continuing operations	27,127	30,106	6,111	(13,534)
Discontinued operations	-	-	(20)	(218)
Weighted average number of preferred shares outstanding (unit: shares)	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings (loss) per preferred share (in Korean won)	1,579	1,752	354	(801)
Continuing operations	1,579	1,752	355	(788)
Discontinued operations	-	-	(1)	(13)

25. Information on Cash Flow

Cash flows from operating activities are presented under the indirect method. Details of cash generated from operations for the six-month periods ended June 30, 2016 and 2015, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2016	2015
Profit(loss) for the period	311,451	(148,200)
Adjustments:		
Interest expense, net	108,093	110,090
Exchange differences, net	8,105	(5,832)
Depreciation	290,695	291,120
Amortization	179,802	179,988
Loss on disposal of property, plant and equipment and intangible assets, net	5,102	17,285
Provisions for severance benefits	154,011	143,981
Provisions	298,665	141,508
Dividend income	(288,619)	(105,510)
Income tax expense(income)	81,002	(51,172)
Other	79,610	86,385
Profit from discontinued operations	-	(2,103)
	916,466	805,740
Changes in operating assets and liabilities:		
Increase in trade receivables	(85,902)	(492,643)
Decrease in loans and other receivables	94,940	21,454
Increase in inventories	(205,582)	(26,192)
Increase in other assets	(271,940)	(40,143)

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<i>(in millions of Korean won)</i>	2016	2015
Increase(decrease) in trade payables	258,180	(251,060)
Increase(decrease) in other payables	86,350	(10,458)
Decrease in provisions	(281,009)	(148,205)
Increase in other liabilities	120,891	371,591
Payment of defined benefit liability	(26,768)	(18,559)
Deposit in plan assets, net	(16,059)	(15,470)
	<u>(326,899)</u>	<u>(609,685)</u>
Cash provided by operating activities	901,018	47,855

(b) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2016	2015
Reclassification of construction-in-progress to property, plant and equipment	68,904	141,406
Reclassification of construction-in-progress to intangible assets	76,804	125,287
Reclassification of other assets to intangible assets	53,816	41,986
Reclassification of current maturities of borrowings and debentures	712,135	493,378
Other payables to acquire property, plant and equipment	65,901	28,018
Other payables to acquire intangible assets	18,537	8,410

(c) Assets and liabilities arising from the transfer of business

i) Transfer of Display Driver-IC design business

- On July 1, 2015, assets and workforce of Display Driver-IC design business were transferred to Silicon Works Co., Ltd.
- Total consideration received, and assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	22,010
Assets of the transferred business:	
Trade and other receivables	8,199
Inventories	12,276
Property, plant and equipment, and intangible assets	670
Other assets	24
Liabilities of the transferred business:	
Trade and other payables	11,760
Other liabilities	7
Net defined benefit liabilities	437

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26. Contingencies

(a) At the end of the reporting period, the Company is provided with a performance guarantee of ₩114,705 million (December 31, 2015: ₩115,137 million) from Seoul Guarantee Insurance and two others relating to the sales contracts. The Company is also provided with guarantee of principal US\$ 200 million (December 31, 2015: US\$ 200 million) and interests from Shinhan Bank for the guaranteed bond.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩4,779,822 million (December 31, 2015: ₩4,757,997 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	June 30, 2016	December 31, 2015
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	898,223	884,866
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	588,779	592,469
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	540,317	524,990
LG Electronics do Brasil Ltda.(LGEBR)	Citibank and others	473,550	484,651
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	HSBC and others	320,563	293,539
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	279,507	282,888
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	157,455	147,486
LG Electronics Peru S.A.(LGEPR)	Nova scotia and others	157,178	153,893
LG Electronics India Pvt.Ltd.(LGEIL)	HSBC and others	133,093	143,989
LG Electronics Colombia Ltda.(LGECEB)	Citibank and others	132,570	131,288
LG Electronics RUS, LLC(LGERA)	Citibank and others	129,676	125,680
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank and others	111,270	108,492
LG Electronics Algeria SARL(LGEAS)	Societe Generale and others	95,793	100,250
LG Electronics Argentina S.A.(LGEAR)	ICBC and others	89,467	55,119
LG-Shaker Co., Ltd.(LGESE)	BSF and others	84,385	100,756
LG Electronics Morocco S.A.R.L(LGEMC)	Citibank and others	81,049	80,607
LG Electronics Ukraine Inc.(LGEUR)	CAG and others	72,968	73,867
LG Electronics Thailand Co., Ltd.(LGETH)	MIZUHO and others	67,374	91,148
LG Electronics Egypt S.A.E (LGEEG)	HSBC and others	64,059	64,460
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	62,200	56,832
Others	Citibank and others	240,346	260,727
Total		4,779,822	4,757,997

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(c) At the end of the reporting period, the financial guarantee for performance of guaranteed obligation provided by the Company to external parties other than related parties amounts to USD 24 million (December 31, 2015: USD 24 million). The Company is providing Hana Bank with a payment guarantee for buyers up to ₩66,000 million (December 31, 2015: ₩66,000 million)

(d) In December 2012, the European Commission imposed a penalty on the Company for anti-competitive activities among CRT (Cathode Ray Tube) manufacturers as a result of an investigation. The Company recognized such penalty amounting to EUR 491,567 thousand as expected loss. However, the Company appealed against the decision of the European Commission. The ultimate amount of loss resulting from the investigation may differ from the amount of penalty imposed and could be material. The Company is provided with a performance guarantee of EUR 535,808 thousand from HSBC and others for the above.

In addition, the Company is under investigation and has been named as a defendant in class actions in the United States, Canada Europe and others in connection with the alleged anti-competitive activities among CRT manufacturers. There are also a number of other legal actions, disputes, and investigations that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Company as of the statement of financial position date cannot be presently determined.

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

27. Commitments

(a) At the end of the reporting period, the Company has overdraft agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2015: ₩175,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with Hana Bank and 22 other banks amounting to ₩2,665,777 million (December 31, 2015: ₩2,872,042 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩400,000 million (December 31, 2015: ₩300,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and win-win payment services contracts with Shinhan Bank and seven other banks for up to ₩1,182,000 million (December 31, 2015: ₩1,320,000 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

(d) At the end of the reporting period, the Company has other trade financing agreements with financial institutions, including Hana Bank, of up to ₩138,599 million (December 31, 2015: ₩139,468 million).

(e) Contractual commitments for the acquisition of assets

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

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<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Property, plant and equipment	529,067	474,649
Intangible assets	10,409	3,881
Total	539,476	478,530

(f) Operating lease commitments – the Company as lessee

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

<i>(in millions of Korean won)</i>	June 30, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total
Buildings and offices	76,925	69,632	6,414	152,971
Vehicles	5,529	5,203	-	10,732
Equipment	13,499	9,609	-	23,108
Total	95,953	84,444	6,414	186,811

Lease payment under operating lease recognized in the statement of income during the six-month period ended June 30, 2016, is ₩58,415 million (2015: ₩57,616 million).

As of June 30, 2016, total future minimum sublease payments expected to be received under non-cancellable sublease agreements for some buildings amount to ₩27,683 million and lease income recognized related to the subleases for the six-month period ended June 30, 2016, amounts to ₩7,278 million (2015: ₩7,228 million).

(g) Operating lease commitments – the Company as lessor

The Company has non-cancellable operating lease agreements regarding healthcare rental business that lends water purifiers to customers and real estate rental business. The future aggregate lease receipts under operating leases at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total
Healthcare rental	102,492	152,737	-	255,229
Real estate rental	3,042	2,118	649	5,809
Total	105,534	154,855	649	261,038

The Company recognized ₩54,006 million (2015: ₩48,720 million) in lease income during the six-month period ended June 30, 2016.

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(h) Trademark license commitments

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

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

28. Related Party

(a) Major transactions for the six-month periods ended June 30, 2016 and 2015, and balances of receivables and payables from transaction with related parties as of June 30, 2016 and December 31, 2015, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

		2016					
		Income transactions			Expense transactions		
<u>Classification</u>	<u>Name</u>	<u>Sales</u>	<u>Others</u>	<u>Total</u>	<u>Purchases</u>	<u>Others</u>	<u>Total</u>
Significantly influencing the Company	LG Corp.	611	-	611	-	66,796	66,796
Subsidiaries	LG Innotek Co., Ltd.	45,405	-	45,405	456,495	5,110	461,605
	Hiplaza Co., Ltd.	545,013	-	545,013	73	5,387	5,460
	LG Electronics Mobilecomm U.S.A., Inc.	1,407,995	-	1,407,995	947	7,004	7,951
	LG Electronics Egypt S.A.E	109,608	71	109,679	-	416	416
	LG Electronics U.S.A., Inc.	1,600,207	-	1,600,207	2,484	47,362	49,846
	LG Electronics do Brasil Ltda.	313,611	-	313,611	4,147	772	4,919
	LG Electronics Vietnam Haiphong Co., Ltd.	427,742	21,933	449,675	10,956	1,691	12,647
	Inspur LG Digital Mobile Communications Co., Ltd.	849,960	-	849,960	22,642	19,734	42,376
	LG Electronics Gulf FZE	402,104	-	402,104	-	732	732
	LG Electronics United Kingdom Ltd.	86,173	-	86,173	1,086	3,716	4,802
	LG Electronics RUS, LLC	150,598	6	150,604	1,149	520	1,669
	LG Electronics (Kunshan) Co.,Ltd.	279,228	-	279,228	10,876	9	10,885
	LG Electronics Peru S.A.	77,910	-	77,910	-	171	171
	LG Electronics Mexico S.A. DE C.V.	226,989	-	226,989	-	319	319
	LG Electronics Espana S.A.	95,443	-	95,443	197	903	1,100
	LG Electronics (Levant) Jordan	228,353	-	228,353	507	7,120	7,627
	LG Electronics Deutschland GmbH	140,497	-	140,497	919	10,481	11,400
	LG Electronics Canada, Inc.	185,326	-	185,326	-	992	992
	LG Electronics Japan, Inc.	156,071	-	156,071	3,633	11,506	15,139
	LG Electronics Nanjing New	177,532	1	177,533	328,236	384	328,620

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(in millions of Korean won)

		2016					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	Technology co.,LTD						
	LG Electronics Reynosa S.A. DE C.V.	123,398	-	123,398	1,531	-	1,531
	LG Electronics Wroclaw Sp.z o.o	81,612	6	81,618	2,778	2,482	5,260
	Qingdao LG Inspur Digital Communication Co., Ltd.	238,390	51	238,441	62,977	3,100	66,077
	LG Electronics Mlawa Sp. z o.o	109,044	-	109,044	642	534	1,176
	P.T. LG Electronics Indonesia	89,746	-	89,746	72,474	98	72,572
	Others	2,270,952	21,243	2,292,195	166,866	169,629	336,495
	Subtotal	10,418,907	43,311	10,462,218	1,151,615	300,172	1,451,787
Associates	LG Display Co., Ltd. and its subsidiaries	301,092	-	301,092	845,821	18,499	864,320
	Ericsson-LG Co., Ltd. and its subsidiaries	4,049	-	4,049	2,333	-	2,333
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	437	-	437	10	-	10
	LG Fuel Cell Systems Inc. and its subsidiaries	104	-	104	39	-	39
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	Subtotal	305,682	-	305,682	848,203	18,500	866,703
Other related parties	LG CNS Co., Ltd. and its subsidiaries	20,896	-	20,896	82,013	116,081	198,094
	SERVEONE Co., Ltd. and its subsidiaries	4,734	-	4,734	445,320	37,285	482,605
	LG Siltron Incorporated and its subsidiaries	39	-	39	7	-	7
	LUSEM CO., LTD.	2	-	2	1,174	26	1,200
	LG Management Development Institute	18	-	18	-	12,204	12,204
	LG SPORTS Ltd.	18	-	18	-	5,625	5,625
	LG MMA Ltd.	260	-	260	-	-	-
	Subtotal	25,967	-	25,967	528,514	171,221	699,735
Total		10,751,167	43,311	10,794,478	2,528,332	556,689	3,085,021

(in millions of Korean won)

		2015					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	735	-	735	-	67,782	67,782
Subsidiaries	LG Innotek Co., Ltd.	18,722	-	18,722	501,569	5,966	507,535
	Hiplaza Co., Ltd.	492,696	-	492,696	17	6,028	6,045
	LG Electronics Mobilecomm U.S.A., Inc.	1,484,708	-	1,484,708	-	1,030	1,030
	LG Electronics Egypt S.A.E	146,173	6	146,179	-	151	151
	LG Electronics U.S.A., Inc.	1,132,818	-	1,132,818	2,708	36,599	39,307
	LG Electronics do Brasil	590,110	-	590,110	9,798	898	10,696

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		2015					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	Ltda.						
	LG Electronics Vietnam Haiphong Co., Ltd.	81,149	326	81,475	7,472	420	7,892
	Inspur LG Digital Mobile Communications Co., Ltd.	902,242	1,631	903,873	15,681	14,909	30,590
	LG Electronics Gulf FZE	359,687	-	359,687	-	99	99
	LG Electronics United Kingdom Ltd.	97,611	-	97,611	783	1,796	2,579
	LG Electronics RUS, LLC	134,625	-	134,625	2,710	1	2,711
	LG Electronics (Kunshan) Co.,Ltd.	233,530	-	233,530	2,471	-	2,471
	LG Electronics Peru S.A.	68,225	-	68,225	-	271	271
	LG Electronics Mexico S.A. DE C.V.	212,668	-	212,668	-	443	443
	LG Electronics Espana S.A.	71,315	-	71,315	-	263	263
	LG Electronics (Levant) Jordan	199,569	-	199,569	502	1,024	1,526
	LG Electronics Deutschland GmbH	78,181	-	78,181	1,482	7,296	8,778
	LG Electronics Canada, Inc.	168,500	-	168,500	-	722	722
	LG Electronics Japan, Inc.	277,190	-	277,190	3,128	9,050	12,178
	LG Electronics Nanjing New Technology co.,LTD	135,847	374	136,221	253,910	166	254,076
	LG Electronics Reynosa S.A. DE C.V.	111,876	-	111,876	3,097	97	3,194
	LG Electronics Wroclaw Sp.z o.o	70,565	-	70,565	1,581	697	2,278
	Qingdao LG Inspur Digital Communication Co., Ltd.	338,907	-	338,907	35,704	6,002	41,706
	LG Electronics Mlawa Sp. z o.o	109,746	-	109,746	2,295	228	2,523
	P.T. LG Electronics Indonesia	88,549	-	88,549	83,504	128	83,632
	Others	2,245,788	425	2,246,213	129,327	250,349	379,676
	Subtotal	9,850,997	2,762	9,853,759	1,057,739	344,633	1,402,372
Associates	LG Display Co., Ltd. and its subsidiaries	234,467	54,050	288,517	947,192	4,420	951,612
	Ericsson-LG Co., Ltd. and its subsidiaries	3,842	-	3,842	2,705	-	2,705
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,522	-	1,522	6	-	6
	LG Fuel Cell Systems Inc. and its subsidiaries	34	-	34	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	Subtotal	239,865	54,050	293,915	949,903	4,421	954,324
Other related parties	LG CNS Co., Ltd. and its subsidiaries	35,772	-	35,772	46,528	107,405	153,933
	SERVEONE Co., Ltd. and its	11,361	-	11,361	313,693	86,541	400,234

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		2015					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	subsidiaries						
	LG Siltron Incorporated and its subsidiaries	569	-	569	3	-	3
	LUSEM CO., LTD.	118	-	118	5,941	251	6,192
	LG Management Development Institute	168	-	168	99	12,156	12,255
	LG SPORTS Ltd.	18	-	18	-	6,633	6,633
	LG Holdings Japan Co., Ltd	-	-	-	-	66	66
	Subtotal	48,006	-	48,006	366,264	213,052	579,316
	Total	10,139,603	56,812	10,196,415	2,373,906	629,888	3,003,794

ii) The balances of receivables from and payables to related parties

(in millions of Korean won)

		June 30, 2016							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Company	LG Corp.	79	-	31,232	31,311	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	31,769	-	2,871	34,640	224,764	-	1,258	226,022
	Hiplaza Co., Ltd.	143,966	-	9,578	153,544	-	-	7,604	7,604
	LG Electronics Mobilecomm U.S.A., Inc.	270,825	-	49	270,874	178	-	8,217	8,395
	LG Electronics Egypt S.A.E	297,583	-	65,947	363,530	7,666	-	90	7,756
	LG Electronics U.S.A., Inc.	502,688	-	75	502,763	-	-	10,932	10,932
	LG Electronics do Brasil Ltda.	284,558	-	13,793	298,351	553	-	1,013	1,566
	LG Electronics Vietnam Haiphong Co., Ltd.	285,692	-	6,200	291,892	88,593	-	384	88,977
	Inspur LG Digital Mobile Communications Co., Ltd.	214,247	-	78	214,325	513,690	-	911	514,601
	LG Electronics Gulf FZE	189,467	-	-	189,467	-	-	233	233
	LG Electronics United Kingdom Ltd.	38,379	-	157	38,536	22	-	673	695
	LG Electronics RUS, LLC	73,944	-	18,344	92,288	2,238	-	139	2,377
	LG Electronics (Kunshan) Co.,Ltd.	120,463	-	-	120,463	46,548	-	110	46,658
	LG Electronics Peru S.A.	84,939	-	-	84,939	-	-	29	29
	LG Electronics Mexico S.A. DE C.V.	215,972	-	23	215,995	-	-	95	95
	LG Electronics Espana S.A.	41,310	-	27	41,337	149	-	331	480
	LG Electronics (Levant) Jordan	84,427	-	5	84,432	-	-	1,683	1,683
	LG Electronics	70,813	-	1,267	72,080	-	-	2,222	2,222

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		June 30, 2016							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Deutschland GmbH								
	LG Electronics Canada, Inc.	84,133	-	8	84,141	-	-	349	349
	LG Electronics Japan, Inc.	104,859	-	1	104,860	-	-	3,205	3,205
	LG Electronics Nanjing New Technology co.,LTD	22,055	-	226	22,281	101,281	-	23	101,304
	LG Electronics Reynosa S.A. DE C.V.	14,715	-	3,001	17,716	68,672	-	-	68,672
	LG Electronics Wroclaw Sp.z o.o	33,237	-	21	33,258	155,270	-	605	155,875
	Qingdao LG Inspur Digital Communication Co.,Ltd.	30,438	-	51	30,489	163,389	-	38	163,427
	LG Electronics Mlawa Sp. z o.o	37,273	-	173	37,446	277,867	-	140	278,007
	P.T. LG Electronics Indonesia	19,645	-	822	20,467	104,261	-	55	104,316
	Others	1,174,326	-	59,484	1,233,810	518,265	-	44,691	562,956
	Subtotal	4,471,723	-	182,201	4,653,924	2,273,406	-	85,030	2,358,436
Associates	LG Display Co., Ltd. and its subsidiaries	161,299	-	4,009	165,308	426,640	-	97,974	524,614
	Ericsson-LG Co., Ltd. and its subsidiaries	62	-	241	303	698	-	-	698
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	-	-	-	-	3	3
	LG Fuel Cell Systems Inc. and its subsidiaries	53	-	-	53	-	-	-	-
	Subtotal	161,414	-	4,250	165,664	427,338	-	97,977	525,315
Other related parties	LG CNS Co., Ltd. and its subsidiaries	7,580	-	711	8,291	18,273	-	82,882	101,155
	SERVEONE Co., Ltd. and its subsidiaries	1,819	-	53,923	55,742	223,975	-	63,052	287,027
	LG Siltron Incorporated and its subsidiaries	138	-	-	138	-	-	110	110
	LUSEM CO., LTD.	-	-	-	-	451	-	1	452
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,480	1,480
	LG SPORTS Ltd.	-	-	-	-	-	-	787	787
	LG MMA Ltd.	286	-	-	286	-	-	-	-
	Subtotal	9,823	-	70,294	80,117	242,699	-	148,312	391,011
	Total	4,643,039	-	287,977	4,931,016	2,943,443	-	331,319	3,274,762

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		December 31, 2015							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Company	LG Corp.	-	-	29,683	29,683	-	-	580	580
Subsidiaries	LG Innotek Co., Ltd.	21,454	-	6,877	28,331	272,073	-	2,451	274,524
	Hiplaza Co., Ltd.	80,935	-	18,930	99,865	-	-	9,869	9,869
	LG Electronics Mobilecomm U.S.A., Inc.	440,497	-	-	440,497	126	-	20,514	20,640
	LG Electronics Egypt S.A.E	309,455	-	53,414	362,869	16,325	-	32	16,357
	LG Electronics U.S.A., Inc.	350,051	-	4	350,055	-	-	23,195	23,195
	LG Electronics do Brasil Ltda.	213,816	-	14,416	228,232	3,497	-	444	3,941
	LG Electronics Vietnam Haiphong Co., Ltd.	203,674	-	5,394	209,068	9,933	-	48	9,981
	Inspur LG Digital Mobile Communications Co., Ltd.	203,599	-	29	203,628	418,213	-	1,089	419,302
	LG Electronics Gulf FZE	184,739	-	-	184,739	-	-	83	83
	LG Electronics United Kingdom Ltd.	184,502	-	-	184,502	-	-	433	433
	LG Electronics RUS, LLC	125,164	-	12,001	137,165	1,676	-	56	1,732
	LG Electronics (Kunshan) Co.,Ltd.	110,414	-	-	110,414	54,169	-	75	54,244
	LG Electronics Peru S.A.	110,342	-	50	110,392	-	-	58	58
	LG Electronics Mexico S.A. DE C.V.	105,052	-	-	105,052	-	-	72	72
	LG Electronics Espana S.A.	104,358	-	-	104,358	61	-	65	126
	LG Electronics (Levant) Jordan	87,519	-	-	87,519	-	-	570	570
	LG Electronics Deutschland GmbH	75,433	-	2,356	77,789	-	-	22,801	22,801
	LG Electronics Canada, Inc.	75,741	-	-	75,741	-	-	90	90
	LG Electronics Japan, Inc.	67,988	-	-	67,988	-	-	3,410	3,410
	LG Electronics Nanjing New Technology co.,LTD	59,549	-	509	60,058	97,239	-	190	97,429
	LG Electronics Reynosa S.A. DE C.V.	12,748	-	44,979	57,727	46,624	-	-	46,624
	LG Electronics Wroclaw Sp.z o.o	55,044	-	272	55,316	290,678	-	146	290,824
	Qingdao LG Inspur Digital Communication Co.,Ltd.	50,495	-	-	50,495	163,850	-	63	163,913
	LG Electronics Mlawa Sp. z o.o	24,525	-	-	24,525	397,917	-	84	398,001
	P.T. LG Electronics Indonesia	19,253	-	778	20,031	131,843	-	96	131,939
	Others	1,257,377	-	75,045	1,332,422	445,365	-	39,900	485,265
	Subtotal	4,533,724	-	235,054	4,768,778	2,349,589	-	125,834	2,475,423

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		December 31, 2015							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Associates	LG Display Co., Ltd. and its subsidiaries	99,698	-	39,988	139,686	407,370	-	35,342	442,712
	Ericsson-LG Co., Ltd. and its subsidiaries	5	-	330	335	897	-	150	1,047
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	54	54	7	-	3	10
	Subtotal	99,703	-	40,372	140,075	408,274	-	35,495	443,769
Other related parties	LG CNS Co., Ltd. and its subsidiaries	7,094	-	262	7,356	12,773	-	136,341	149,114
	SERVEONE Co., Ltd. and its subsidiaries	1,207	-	54,239	55,446	161,734	-	51,093	212,827
	LG Siltron Incorporated and its subsidiaries	44	-	-	44	-	-	2,502	2,502
	LUSEM CO., LTD.	-	-	-	-	364	-	-	364
	LG Management Development Institute	-	-	15,660	15,660	-	-	939	939
	LG SPORTS Ltd.	-	-	-	-	-	-	121	121
	LG MMA Ltd.	30	-	-	30	-	-	-	-
	Subtotal	8,375	-	70,161	78,536	174,871	-	190,996	365,867
Total	4,641,802	-	375,270	5,017,072	2,932,734	-	352,905	3,285,639	

iii) Significant capital transactions with related parties and others for the six-month periods ended June 30, 2016 and 2015, are as follows:

(in millions of Korean won)

		2016						
Classification	Name	Dividend income	Dividend paid	Cash investment and others	Financing loan transaction		Financing borrowing transaction	
					Loan	Collection	Borrowing	Repayment
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Electronics Ukraine Inc. ¹	-	-	56,694	-	-	-	-
	LG Innotek Co., Ltd.	3,379	-	-	-	-	-	-
	LG Electronics Australia Pty, Ltd.	42,658	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	9,622	-	-	-	-	-	-
	LG Electronics India Pvt. Ltd.	153,199	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	3,823	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	3,805	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	246	-	-	-	-	-	-
Subtotal	216,732	-	56,694	-	-	-	-	
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Ericsson-LG Co., Ltd.	3,750	-	-	-	-	-	-

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Korea Information Certificate Authority Inc.	70	-	-	-	-	-	-
LG FUEL CELL SYSTEM Inc.	-	-	5,271	-	-	-	-
Subtotal	71,633	-	5,271	-	-	-	-
Total	288,365	22,038	61,965	-	-	-	-

¹ It is the amount of debt for equity swaps of trade receivables.

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash investment and others	2015		2015	
					Financing loan transaction	Collection	Financing borrowing transaction	Repayment
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Electronics (Hangzhou) Co., Ltd.	989	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	9,583	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	1,956	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	12,048	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	7,121	-	-	-	-	-	-
	LG Electronics Finland Lab	-	-	8,054	-	-	-	-
	LG Innotek Co., Ltd.	2,413	-	-	-	-	-	-
	Subtotal	34,110	-	8,054	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Ericsson-LG Co., Ltd.	3,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	Subtotal	71,123	-	-	-	-	-	-
Total	105,233	22,038	8,054	-	-	-	-	

- (b) The compensation paid or payable to key management personnel for the six-month periods ended June 30, 2016 and 2015, consist of:

(in millions of Korean won)	2016	2015
Wages and salaries	9,263	9,521
Post-employment benefits	2,195	2,942
Other long-term benefits	78	42
Total	11,536	12,505

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

- (c) The payment guarantees for the funding sources of related parties at the end of the reporting period are presented in Note 26.

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- (d) There is no collateral provided by the Company for the funding sources of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

29. Risk Management

Financial Risk Management

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

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

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

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

(a) Market risk

i) Foreign exchange risk

Due to its multinational business operations, the Company is mainly exposed to foreign exchange risk on the US Dollar and Euro.

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

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

As of June 30, 2016 and December 31, 2015, if the foreign exchange rate of the Korean won for monetary assets and liabilities denominated in major foreign currency other than functional

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currency fluctuated by 10% while other variables were fixed, the effects on income(loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	26,198	(26,198)	37,374	(37,374)
EUR/KRW	30,663	(30,663)	47,219	(47,219)

ii) Interest rate risk

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

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

At the end of the reporting period, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	4,877	(4,877)	5,020	(5,020)
Interest expense	-	-	-	-

There are no borrowings with variable interest rates exposed to interest rate risk as of June 30, 2016 and 2015.

iii) Details of derivatives contracts are as follows:

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

June 30, 2016	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate <i>(received)</i>	Interest rate <i>(paid)</i>	Contract date	Expiration date
USD/KRW CRS	Shinhan Bank and others	USD 400	1,052.1 ~ 1,113.6	3ML+1.30 ~3ML+1.60	3.22 ~ 3.42	2013.07.31~ 2013.12.19	2017.06.19~ 2019.01.31
CHF/KRW CRS	BNP PARIBAS and others	CHF 215	1,213.6	2.00	3.64 ~ 3.74	2012.07.02	2016.12.02
KRW Interest rate swap	Woori bank and others	KRW 1,170,000	-	3M CD+0.82 ~ 3M CD+1.14	3.07 ~ 4.53	2014.01.03~ 2015.07.07	2024.01.03~ 2030.07.07

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At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩53,755 million in 2016 (2015: gain on valuation amounting to ₩11,486 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Company reclassified ₩9,669 million to loss from equity in 2016 and ₩15,509 million to gain from equity in 2015, and the loss on valuation amounting to ₩44,086 million in 2016 (2015: ₩4,023 million) after applying the tax effect, is recognized in other comprehensive income(loss).

iv) Price risk

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

The listed securities owned by the Company are traded in the public market, and related to KOSDAQ Index.

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

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,344	(3,344)	3,673	(3,673)

The valuation and the reclassified amounts of the available-for-sale financial asset related to the market risk above are presented in Note 6.

(b) Credit risk

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

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

As of June 30, 2016, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,246,159 million (December 31, 2015: ₩1,174,844 million) and its risk is managed appropriately with insurer's credit limit of ₩2,340,944 million (December 31, 2015: ₩2,381,611 million). Therefore, the Company estimates credit risk exposure to itself as limited.

As of June 30, 2016, the carrying value of financial assets represents net of impairment loss to reflect Company's maximum exposure to the credit risk.

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(c) Liquidity risk

The Company forecasts its cash flow and liquidity status and sets action plans on a regular base to manage liquidity risk proactively. The Company systematically works with experts in four RTCs to carry out fund and liquidity management that can react proactively to the changing global financial environment.

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

In addition, the Company is able to source funds any time in domestic and international financial markets because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB Stable from Standard & Poors, and Baa3 Stable from Moody's as of June 30, 2016, respectively.

i) Cash flow information on maturity of financial liabilities as of June 30, 2016, are as follows:

<i>(in millions of Korean won)</i>	Total	Less than 1 year	1 to 2 years	3 to 5 years	Over 5 years
Trade payables	5,267,480	5,267,480	-	-	-
Borrowings	7,686,499	1,454,120	602,544	2,638,813	2,991,022
Other payables	1,853,264	1,853,264	-	-	-
Total	14,807,243	8,574,864	602,544	2,638,813	2,991,022

The above cash flows are calculated at nominal value based on the earliest maturity dates, and include cash flows of principal and interests. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies as of June 30, 2016, are as follows:

<i>(in millions of Korean won)</i>	Total	Less than 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	4,874,211	4,445,901	163,270	265,040	-

The financial guarantee contracts provided to the subsidiaries are analysed by their maturities according to the residual periods. And, the financial guarantee contracts provided to the their parties are analysed at the maximum amount of guarantees allocated to earliest period in which the Company can be required to make the payment.

Capital Risk Management

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

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Debt-to-equity ratio and net borrowing ratio as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2016	December 31, 2015
Liability (A)	17,645,282	16,905,366
Equity (B)	9,032,817	8,961,009
Cash and cash equivalents (C)	975,338	678,221
Borrowings (D)	6,573,198	6,618,903
Debt-to-equity ratio (A/B)	195.3%	188.7%
Net borrowings ratio ((D-C)/B)	62.0%	66.3%

Fair Value Estimation

(a) The book values and fair values of the Company's financial assets and liabilities as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Assets at fair value]				
Derivatives for hedging purposes				
Other financial assets	18,746	18,746	4,537	4,537
Available-for-sale financial assets				
Other financial assets	-	-	13,327	13,327
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	975,338	1	-	-
Financial deposits	80,500	1	2,164	2,164
Trade receivables	5,624,155	1	-	-
Other receivables	444,610	1	326,501	314,544
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	-	-	21,756	2
Total	7,143,349		368,285	

<i>(in millions of Korean won)</i>	June 30, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Liabilities at fair value]				
Derivatives for hedging purposes				
Other financial liabilities	4,813	4,813	122,706	122,706
[Liabilities at amortized cost]				
Trade payables	5,267,480	1	-	-
Borrowings	1,261,320	1	5,311,878	5,593,234
Other payables	1,853,264	1	-	-
[Other liabilities]				

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<i>(in millions of Korean won)</i>	June 30, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Other financial liabilities	7,559	³	2,384	³
Total	8,394,436		5,436,968	

<i>(in millions of Korean won)</i>	December 31, 2015			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Assets at fair value]				
Derivatives for hedging purposes				
Other financial assets	-	-	30,288	30,288
Available-for-sale financial assets				
Other financial assets	-	-	15,323	15,323
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	678,221	¹	-	-
Financial deposits	80,500	¹	1,271	1,271
Trade receivables	5,607,126	¹	-	-
Other receivables	534,079	¹	339,859	330,143
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	-	-	18,523	²
Total	6,899,926		405,264	

<i>(in millions of Korean won)</i>	December 31, 2015			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Liabilities at fair value]				
Derivatives for hedging purposes				
Other financial liabilities	6,461	6,461	69,618	69,618
[Liabilities at amortized cost]				
Trade payables	5,015,038	¹	-	-
Borrowings	1,041,603	¹	5,577,300	5,719,193
Other payables	1,797,949	¹	-	-
[Other liabilities]				
Other financial liabilities	8,092	³	1,699	³
Total	7,869,143		5,648,617	

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

² Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As of June 30, 2016, there is no asset to be disposed of in near future.

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

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

- Level 3: When financial instruments are measured by using a discounted cash flow analysis, if one or more of the significant inputs are unobservable market data, the instrument is included in 'level 3'. There are no assets or liabilities categorized within 'level 3'.

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

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

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

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ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	13,327	-	-	13,327
Derivatives for hedging purposes	-	23,283	-	23,283
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	127,519	-	127,519

<i>(in millions of Korean won)</i>	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	15,323	-	-	15,323
Derivatives for hedging purposes	-	30,288	-	30,288
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	76,079	-	76,079

The above fair value amounts are recurring fair value measurements.

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

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

Valuation technique and inputs for fair value measurements categorized within level 2 as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2016	December 31, 2015		
Assets				
Other financial assets				
Derivatives for hedging purposes	23,283	30,288	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	127,519	76,079	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within level 3

As of June 30, 2016, no financial instruments measured at fair value are categorized within level 3.

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

Financial instruments not measured at fair value but for which the fair value is disclosed as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposit	-	-	2,164	2,164
Non-current other receivables	-	-	314,544	314,544
Liabilities				
Non-current borrowings	-	-	5,593,234	5,593,234

<i>(in millions of Korean won)</i>	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposit	-	-	1,271	1,271
Non-current other receivables	-	-	330,143	330,143
Liabilities				
Non-current borrowings	-	-	5,719,193	5,719,193

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

As of June 30, 2016, there are no financial instruments that are not measured at fair value but

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for which the fair value is disclosed and categorized within level 2.

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within level 3 as of June 30, 2016 and December 31, 2015, are as of follows:

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current financial deposits	2,164	2,164	1,271	1,271	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	326,501	314,544	339,859	330,143	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.0% ~ 3.7%
Liabilities								
Non-current borrowings	5,311,878	5,593,234	5,577,300	5,719,193	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.4% ~ 3.0%

30. Business Combination

- i) The Company acquired the Power Conditioning System business from LG U plus Co., Ltd. on February 2, 2015, in order to maximize its market responsiveness by enhancing business capabilities in Energy Storage System business, the Company's future strategic business.
- ii) The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	7,700
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	9
Trade receivables	66
Non-current assets	
Property, plant and equipment	2,513
Intangible assets	3,907
Non-current liabilities	
Net defined benefit liability	9
Total identifiable net assets	6,486
Goodwill	1,214

- iii) The acquisition-related cost amounting to ₩147 million was recognized as an expense in the period in which they were incurred.

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

31. Assets Classified as Held for Sale

- (a) Details of assets classified as held for sale as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Assets classified as held for sale		
Investment in subsidiaries, associates and joint ventures ¹	2,116	2,116

¹ In accordance with the resolution of the Board of Directors dated October 28, 2015, the Company decided to dispose of its entire shareholdings in Hi Logistics (China) Co., Ltd., in which the Company owns 25%, for the purpose of logistics cost reduction and superior customer responsiveness. The sale is expected to be completed in the second half of 2016.

- (b) Assets held for sale are measured at fair value less costs to sell before the reclassification, and there is no impairment loss recorded as a result.

32. Discontinued Operations

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

- (a) Loss for the period from discontinued operations for the three-month and six-month periods ended June 30, 2015, consists of:

<i>(in millions of Korean won)</i>	2015	
	Three months	Six months
Sales	2,584	5,788
Operating loss	(345)	(2,706)
Loss for the period before income tax benefit	(271)	(3,010)
Income tax benefit	(65)	(728)
Loss for the period from discontinued operations	(206)	(2,282)

- (b) Cash generated from discontinued operations for the six-month period ended June 30, 2015, are as follows:

<i>(in millions of Korean won)</i>	2015
Net cash flows from operating activities	8,824
Net cash flows from investing activities	15
Net cash flow from discontinued operations	8,839