

LG Electronics

**Consolidated Interim Financial Statements
March 31, 2017 and 2016**

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Report on Review of Interim 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 consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as of March 31, 2017, and the related consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with 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 consolidated interim 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 consolidated interim financial statements based on our reviews.

We conducted our review in accordance with quarterly or 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 Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

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

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2016, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 9, 2017. The consolidated statement of financial position as of December 31, 2016, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2016.

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.

Seoul, Korea
May 12, 2017

This report is effective as of May 12, 2017, 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 consolidated 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.

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Consolidated Interim Statements of Financial Position

March 31, 2017 and December 31, 2016

<i>(in millions of Korean won)</i>	Note	March 31, 2017 (Unaudited)	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	5,30	3,031,859	3,015,137
Deposits held by financial institutions	5,30	80,559	80,559
Trade receivables	5,6,30	7,360,072	7,059,889
Loans and other receivables	5,6,30	518,025	545,766
Other financial assets	5,7,30	12,892	30,650
Inventories	8	5,392,008	5,171,015
Current income tax assets		113,130	147,221
Other current assets		961,794	931,420
Assets held for sale	31	4,599	8,906
		<u>17,474,938</u>	<u>16,990,563</u>
Non-current assets			
Deposits held by financial institutions	5,30	57,625	58,195
Loans and other receivables	5,6,30	481,525	490,178
Other financial assets	5,7,30	48,534	66,147
Property, plant and equipment	9	11,086,941	11,222,428
Intangible assets	9	1,610,436	1,571,087
Deferred income tax assets		1,424,232	1,554,594
Investments in associates and joint ventures	10	5,174,953	5,104,558
Investment properties		96,700	97,031
Net defined benefit assets	12	-	730
Other non-current assets		668,625	699,758
		<u>20,649,571</u>	<u>20,864,706</u>
Total assets		<u>38,124,509</u>	<u>37,855,269</u>
Liabilities			
Current liabilities			
Trade payables	5,30	7,613,174	6,746,361
Borrowings	5,11,30	1,379,519	1,650,511
Other payables	5,30	2,734,254	3,196,735
Other financial liabilities	5,7,30	20,131	21,115
Current income tax liabilities		87,087	74,263
Provisions	13	1,399,142	770,967
Other current liabilities		2,917,232	3,284,412
		<u>16,150,539</u>	<u>15,744,364</u>
Non-current liabilities			
Borrowings	5,11,30	7,249,684	7,008,500
Other payables	5,30	1,966	7,771
Other financial liabilities	5,7,30	72,038	73,226
Deferred income tax liabilities		8,912	9,586
Net defined benefit liabilities	12	578,986	511,252
Provisions	13	254,497	1,028,298
Other non-current liabilities		116,292	115,530
		<u>8,282,375</u>	<u>8,754,163</u>
Total liabilities		<u>24,432,914</u>	<u>24,498,527</u>
Equity attributable to owners of the Parent Company			
Paid-in capital:	14		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	15	9,962,297	9,233,416
Accumulated other comprehensive income	16	(1,424,848)	(1,028,962)
Other components of equity	17	(209,708)	(209,708)
		<u>12,320,089</u>	<u>11,987,094</u>
Non-controlling interests		<u>1,371,506</u>	<u>1,369,648</u>
Total equity		<u>13,691,595</u>	<u>13,356,742</u>
Total liabilities and equity		<u>38,124,509</u>	<u>37,855,269</u>

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Consolidated Interim Statements of Profit or Loss
Three-Month Periods Ended March 31, 2017 and 2016

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

	Note	Three-Month Period Ended March 31	
		2017 (Unaudited)	2016 (Unaudited)
Net sales	18	14,657,194	13,362,090
Cost of sales	19	10,962,990	10,038,408
Gross profit		3,694,204	3,323,682
Selling and marketing expenses	19,20	1,549,012	1,514,095
Administrative expenses	19,20	326,789	327,803
Research and development expenses	19,20	571,547	650,036
Service costs	19,20	325,320	326,585
Operating profit		921,536	505,163
Financial income	21	122,938	124,089
Financial expenses	22	232,114	244,965
Gain (loss) from equity method valuation	10	230,041	(22,370)
Other non-operating income	23	460,901	650,568
Other non-operating expenses	24	411,445	730,915
Profit before income tax		1,091,857	281,570
Income tax expense		256,166	83,502
Profit for the period		835,691	198,068
Profit for the period attributable to:			
Equity holders of the Parent Company		795,349	190,647
Non-controlling interests		40,342	7,421
		835,691	198,068
Earnings per share attributable to the equity holders of the Parent Company during the period (in won):	25		
Earnings per ordinary share		4,416	1,058
Earnings per preferred share		4,428	1,070

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Consolidated Interim Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2017 and 2016

(in millions of Korean won)

	Note	Three-Month Period Ended March 31	
		2017 (Unaudited)	2016 (Unaudited)
Profit for the period		835,691	198,068
Other comprehensive income(loss), net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	12	8,569	(72,254)
Share of remeasurements of associates	10	(1,376)	(658)
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income of associates and joint ventures	10	(96,768)	(4,661)
Cash flow hedges	30	6,303	(27,913)
Available-for-sale financial assets	7	(474)	(22)
Exchange differences on translation of foreign operations		(340,481)	(7,491)
Other comprehensive loss for the period, net of tax		(424,227)	(112,999)
Total comprehensive income for the period, net of tax		411,464	85,069
Total Comprehensive income for the period, net of tax, attributable to:			
Equity holders of the Parent Company		405,880	87,537
Non-controlling interests		5,584	(2,468)
Total comprehensive income for the period, net of tax		411,464	85,069

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Consolidated Interim Statements of Changes in Equity
Three-Month Periods Ended March 31, 2017 and 2016

Attributable to equity holders of the Parent Company								
<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2016		3,992,348	9,016,546	(1,171,979)	(210,343)	11,626,572	1,356,915	12,983,487
Total comprehensive income:								
Profit for the period		-	190,647	-	-	190,647	7,421	198,068
Remeasurements of the net defined benefit liability	12	-	(66,855)	-	-	(66,855)	(5,399)	(72,254)
Share of remeasurements of associates	10	-	(658)	-	-	(658)	-	(658)
Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(4,661)	-	(4,661)	-	(4,661)
Cash flow hedges	30	-	-	(27,913)	-	(27,913)	-	(27,913)
Available-for-sale financial assets	7	-	-	(22)	-	(22)	-	(22)
Exchange differences on translation of foreign operations		-	-	(3,001)	-	(3,001)	(4,490)	(7,491)
Total comprehensive income (loss)		-	123,134	(35,597)	-	87,537	(2,468)	85,069
Transactions with owners:								
Dividends	15	-	(72,885)	-	-	(72,885)	(4,904)	(77,789)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(751)	(751)
Total transactions with owners		-	(72,885)	-	-	(72,885)	(5,655)	(78,540)
Balance at March 31, 2016 (Unaudited)		3,992,348	9,066,795	(1,207,576)	(210,343)	11,641,224	1,348,792	12,990,016
Balance at January 1, 2017		3,992,348	9,233,416	(1,028,962)	(209,708)	11,987,094	1,369,648	13,356,742
Total comprehensive income:								
Profit for the period		-	795,349	-	-	795,349	40,342	835,691
Remeasurements of the net defined benefit liability	12	-	7,793	-	-	7,793	776	8,569
Share of remeasurements of associates	10	-	(1,376)	-	-	(1,376)	-	(1,376)
Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(96,768)	-	(96,768)	-	(96,768)
Cash flow hedges	30	-	-	6,303	-	6,303	-	6,303
Available-for-sale financial assets	7	-	-	(474)	-	(474)	-	(474)
Exchange differences on translation of foreign operations		-	-	(304,947)	-	(304,947)	(35,534)	(340,481)
Total comprehensive income (loss)		-	801,766	(395,886)	-	405,880	5,584	411,464
Transactions with owners:								
Dividends	15	-	(72,885)	-	-	(72,885)	(3,503)	(76,388)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(223)	(223)
Total transactions with owners		-	(72,885)	-	-	(72,885)	(3,726)	(76,611)
Balance at March 31, 2017 (Unaudited)		3,992,348	9,962,297	(1,424,848)	(209,708)	12,320,089	1,371,506	13,691,595

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Consolidated Interim Statements of Cash Flows

Three-Month Periods Ended March 31, 2017 and 2016

(in millions of Korean won)

	Note	Three-Month Period Ended March 31	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	26	985,995	803,932
Interest received		18,106	14,490
Interest paid		(99,094)	(114,983)
Dividend received		352	3,798
Income tax paid		(110,401)	(109,942)
Net cash inflow from operating activities		794,958	597,295
Cash flows from investing activities			
Decrease in deposits held by financial institutions		4,913	4,135
Decrease in loans and other receivables		58,304	36,635
Proceeds from redemption and disposal of other financial assets		4,875	18,582
Proceeds from disposal of property, plant and equipment		30,360	15,919
Proceeds from disposal of intangible assets		199	37
Proceeds from disposal of and recovery of investments in associates and joint ventures		1,898	-
Proceeds from disposal of assets held for sale		12,710	-
Transfer of business		-	3,606
Decrease in others		47	133
Increase in deposits held by financial institutions		(6,200)	(4,873)
Increase in loans and other receivables		(42,861)	(46,929)
Acquisition of other financial assets		(23,757)	(5,437)
Acquisition of property, plant and equipment		(640,111)	(314,351)
Acquisition of intangible assets		(138,188)	(117,891)
Acquisition of investments in associates and joint ventures		(13,019)	-
Business combination		-	(5,600)
Net cash outflow from investing activities		(750,830)	(416,034)
Cash flows from financing activities			
Proceeds from borrowings	26	661,274	578,923
Repayments of borrowings		(586,799)	(142,315)
Dividends paid		(223)	(498)
Net cash inflow from financing activities		74,252	436,110
Effects of exchange rate changes on cash and cash equivalents		(101,658)	(32,745)
Net increase in cash and cash equivalents		16,722	584,626
Cash and cash equivalents at the beginning of period		3,015,137	2,710,156
Cash and cash equivalents at the end of period		3,031,859	3,294,782

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Notes to the Consolidated Interim Financial Statements

March 31, 2017 and 2016 (Unaudited), and December 31, 2016

1. General Information

LG Electronics Inc. (the “Company” or “Parent Company”) was spun off from LG Electronics Investment Ltd. on April 1, 2002. The Parent Company’s shares were listed on the Korea Exchange on April 22, 2002, and some of its preferred shares, in the form of global depositary receipts (“GDRs”), are listed on the London Stock Exchange at the end of the reporting period. The Parent Company is domiciled in Korea at Yeoui-daero, Yeongdeungpo-gu, Seoul.

As of March 31, 2017, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (the “Group”) operate 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; Vehicle Components segment designs and manufactures automobile parts; and LG Innotek manufactures and sells LED, optics solutions, substrate materials, and automotive components businesses. As of March 31, 2017, the Parent Company has 124 subsidiaries (Note 1), 12 associates and joint ventures (Note 10).

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Notes to the Consolidated Interim Financial Statements
March 31, 2017 and 2016 (Unaudited), and December 31, 2016

(a) Consolidated subsidiaries as of March 31, 2017 and December 31, 2016, are as follows:

Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and Retails of Electronic products	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and Sales of Air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing Services	More than half of voting rights
	Korea	LGE Alliance Fund	96.2%	3.8%	96.2%	3.8%	December	Investment	More than half of voting rights
	Korea	LG Innotek Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund ¹	40.4%	59.6%	40.4%	59.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Business facility maintenance	More than half of voting rights
	Korea	LGE Alliance Fund	98.7%	1.3%	98.7%	1.3%	December	Investment	More than half of voting rights
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights

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March 31, 2017 and 2016 (Unaudited), and December 31, 2016

Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Kunshan) Co., Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Battery Pack Co., Ltd.(LGENB) ²	50.0%	50.0%	50.0%	50.0%	December	Production of Electronic products	De-facto control
	China	LG Electronics Nanjing New Technology co., LTD(LGENT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Vehicle Components Co., Ltd.(LGENV)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	100.0%	-	December	Production of Casting	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	33.3%	66.7%	33.3%	December	Production of Heater	More than half of voting rights
	China	LG Innotek Yantai Co., Ltd.(LGITYT) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	China	LG INNOTEK HUIZHOU CO.,LTD(LGITHZ) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd(LGITSH) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	80.0%	20.0%	80.0%	20.0%	December	Water engineering	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	India	LG Electronics India Pvt. Ltd.(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and Sales of Electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) ⁴	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. ³	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	Indonesia	PT. LG INNOTEK INDONESIA(LGITIN) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Taiwan	LG INNOTEK (TAIWAN) CO., LTD.(LGITTW) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	Vietnam	LG Innotek Vietnam Hai Phong Co., Ltd.(LGITVH) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	99.8%	0.2%	December	Services	More than half of voting rights

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Notes to the Consolidated Interim Financial Statements

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Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.0%	-	-	-	December	Services	More than half of voting rights
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia, LLC(LGELA)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Finland	LG Electronics Finland Lab, Oy(LGEFL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Poland	LG Innotek Poland Sp. z.o. o.(LGITPO) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERs)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	Mexico	LG INNOTEK MEXICO SA DE CV(LGITMX) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Automotive materials	De-facto control
South America	Brazil	LG Armagem Geral Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	80.0%	20.0%	80.0%	December	Sales of Electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
Middle East and Africa	Nigeria	EASYTEC GLOBAL SERVICES INNOVATION LIMITED	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and Services of Electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of Electronic products	More than half of voting rights
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	Hi.M Solutek HVAC Service and Maintenance LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Other	Russia	LG Alina Electronics(LGERI)	95.0%	5.0%	95.0%	5.0%	December	Services	More than half of voting rights
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

¹ Although the Group owns less than half of the voting rights of LG Innotek Co., Ltd. which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).

² Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.

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³ Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.

⁴ In the preparation of the consolidated financial statements, the financial statements for the three-month period ended March 31, 2017 were used for those subsidiaries with different fiscal year ends.

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(b) Financial information of major subsidiaries as of March 31, 2017 and December 31, 2016, and for the three-month periods ended March 31, 2017 and 2016, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	March 31, 2017			2017	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	3,749,776	2,118,310	1,631,466	1,549,857	47,769
LG Electronics U.S.A., Inc.(LGEUS)	2,404,279	2,107,786	296,493	1,912,729	52,010
LG Electronics European Shared Service Center B.V.(LGESC)	1,475,010	1,445,663	29,347	40,700	2,391
Zenith Electronics Corporation(Zenith)	1,096,879	7,513	1,089,366	389	(12,337)
LG Electronics do Brasil Ltda.(LGEBR)	1,118,961	752,011	366,950	590,953	67,167
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	996,657	846,613	150,044	1,489,982	(3,168)
LG Electronics Mlawa Sp. z o.o(LGEMA)	899,423	542,447	356,976	638,399	788
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	871,967	698,774	173,193	645,837	38,961
LG Electronics RUS, LLC(LGERA)	724,702	186,055	538,647	335,819	33,318
LG Electronics Reynosa S.A. DE C.V.(LGERS)	849,725	405,598	444,127	559,161	22,765
LG Electronics India Pvt. Ltd.(LGEIL)	847,809	441,913	405,896	647,168	56,067
LG Electronics (China) Co. Ltd.(LGECH)	637,201	698,465	(61,264)	218,769	12,771
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	593,267	476,864	116,403	673,096	12,775
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	553,046	314,137	238,909	322,051	12,270
P.T. LG Electronics Indonesia(LGEIN)	477,026	176,644	300,382	246,711	8,629
Hiplaza Co., Ltd.	523,131	361,245	161,886	440,762	2,547
LG Electronics Nanjing New Technology co.,LTD(LGENT)	403,114	223,484	179,630	387,806	11,515
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	382,492	239,290	143,202	209,386	15,586
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	414,915	287,127	127,788	223,816	6,553
LG Electronics Thailand Co., Ltd.(LGETH)	400,686	179,291	221,395	281,650	3,108

<i>(in millions of Korean won)</i>	December 31, 2016			2016	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	4,022,157	2,433,816	1,588,341	1,107,742	(22,628)
LG Electronics U.S.A., Inc.(LGEUS)	2,633,459	2,366,409	267,050	1,653,399	(32,608)
LG Electronics European Shared Service Center B.V.(LGESC)	1,444,398	1,415,672	28,726	67,323	3,165
Zenith Electronics Corporation(Zenith)	1,212,373	20,036	1,192,337	51,451	15,873
LG Electronics do Brasil Ltda.(LGEBR)	1,034,097	717,671	316,426	309,852	9
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	986,534	820,799	165,735	1,591,615	11,062
LG Electronics Mlawa Sp. z o.o(LGEMA)	940,710	579,077	361,633	364,448	3,354
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	937,172	790,124	147,048	375,465	33,177
LG Electronics RUS, LLC(LGERA)	812,850	306,224	506,626	312,796	25,935
LG Electronics Reynosa S.A. DE C.V.(LGERS)	773,673	319,772	453,901	541,511	65,321
LG Electronics India Pvt. Ltd.(LGEIL)	695,674	333,974	361,700	605,766	61,429
LG Electronics (China) Co. Ltd.(LGECH)	641,967	720,244	(78,277)	234,220	(5,411)

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Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	593,009	482,014	110,995	714,361	11,363
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	522,949	280,595	242,354	319,700	16,647
P.T. LG Electronics Indonesia(LGEIN)	494,883	178,505	316,378	312,158	18,961
Hiplaza Co., Ltd.	472,980	313,725	159,255	363,718	(1,401)
LG Electronics Nanjing New Technology co.,LTD(LGENT)	426,337	246,416	179,921	375,718	14,357
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	421,504	284,497	137,007	278,856	13,671
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	416,489	286,817	129,672	171,832	7,760
LG Electronics Thailand Co., Ltd.(LGETH)	394,966	168,138	226,828	312,811	17,163

(c) Information of subsidiaries with material non-controlling interests is as follows:

- LG Innotek Co., Ltd. and its subsidiaries

i) Percentage of ownership of non-controlling interests and accumulated non-controlling interests

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,056,416	1,051,632

ii) Profit and dividends attributable to non-controlling interests for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Profit (loss) to non-controlling interests	20,752	(8,326)
Dividends to non-controlling interests	3,503	4,904

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

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Current assets	1,832,553	2,084,431
Non-current assets	2,199,840	2,239,288
Total assets	4,032,393	4,323,719
Current liabilities	1,167,958	1,733,745
Non-current liabilities	1,079,034	811,498
Total liabilities	2,246,992	2,545,243
Equity holders of Parent Company	1,785,399	1,778,474
Non-controlling interests	2	2
Total equity	1,785,401	1,778,476

- iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2017 and 2016, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2017	2016
Net sales	1,644,734	1,195,035
Profit (loss) for the period	36,567	(12,119)
Other comprehensive income, net of tax	(23,726)	(11,799)
Total comprehensive income, net of tax	12,841	(23,918)

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2017 and 2016, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2017	2016
Cash flows from operating activities	198,536	93,239
Cash flows from investing activities	(207,869)	(100,805)
Cash flows from financing activities	25,651	19,764
Effects of exchange rate changes on cash and cash equivalents	(5,721)	(492)
Net increase in cash and cash equivalents	10,597	11,706
Cash and cash equivalents at the beginning of the period	341,278	360,286
Cash and cash equivalents at the end of the period	351,875	371,992

- (d) Significant restrictions on subsidiaries

- i) Significant restrictions on ability to use the assets and settle the liabilities of the Group

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

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these countries.

The nature and extent to which the protective rights of non-controlling interest can restrict the use of the assets and settlement of the liabilities of the Group are as follows:

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

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

There are no changes in the Parent Company's interest in subsidiaries without loss of control for the three-month periods ended March 31, 2017 and 2016.

(f) Subsidiary newly included in the scope of preparation of consolidated financial statements for the three-month period ended March 31, 2017, is:

Subsidiary	Reason	Country	Percentage of ownership	Closing month	Major business
HI-M SOLUTEK VIETNAM CO., LTD.	Newly established	Vietnam	100.0%	December	Services

(g) Subsidiaries excluded from the scope of preparation of consolidated interim financial statements for the three-month period ended March 31, 2017, are:

During the period, there are no subsidiaries excluded from the scope of preparation of consolidated interim financial statements for the three-month period ended March 31, 2017.

(h) Gain or loss resulted from loss of control

During the period, no gain or loss was incurred from the loss of control.

2. Significant Accounting Policies

Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated

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interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The consolidated interim financial statements for the three-month period ended March 31, 2017, have been prepared in accordance with Korean IFRS 1034 '*Interim Financial Reporting*'. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as of March 31, 2017.

Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2017.

i) The new and amended standards and interpretations adopted by the Group from the financial year 2017:

- Amendments to Korean IFRS 1007, '*Statement of Cash Flows*'

Amendments to Korean IFRS 1007 *Statement of Cash flows* require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The disclosures required by this amendment are provided in Note 26(b) "changes in liabilities from financing activities".

- Amendments to Korean IFRS 1012, '*Income Tax*'

When assessing whether there is sufficient future taxable profit to assess the probability of realizing a deferred tax asset, amendments clarify that the future taxable profit should exclude tax deductions resulting from the reversal of those deductible temporary differences. In addition, the Group is required to assess a deductible temporary difference separated by and in combination with other deductible temporary differences of the appropriate type depending on whether tax law restricts the source of taxable profit. The application of this amendment does not have a significant impact on the accompanying consolidated financial statements.

(b) New and amended standards and interpretations issued, but not effective for March 31, 2017, and not early adopted by the Group

- Korean IFRS 1109, '*Financial Instruments*'

The new standard for financial instruments issued in September, 2015 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*. The Group will apply the standards for annual periods beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. Firstly, an entity is not required to restate prior period in relation to classification and measurement (including impairment) of financial instruments. Secondly, an entity is required to apply the hedge

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accounting requirements of this Standard prospectively except the accounting for time value of options and other exceptions.

Korean IFRS 1109 requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules are amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

An effective implementation of Korean IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the Group's consolidated financial statements due to the application of the standard is dependent on judgements made in applying the standard, financial instruments held by the Group and macroeconomic variables.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1109. The assessment was performed based on retainable information as of March 31, 2017. The Group plans to perform more detailed analysis on financial effects based on additional information in the future; therefore, the results of the assessment may change due to additional information that the Group may obtain after the assessment.

Classification and Measurement of Financial Assets

When implementing Korean IFRS 1109, the classification of financial assets will be driven by the Group's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, an embedded derivative is not separated from the host and the Group classifies the financial assets based on the entire hybrid contract.

<i>Business model for the contractual cash flows characteristics</i>	Solely represent payments of principal and interest	All other
<i>Hold the financial asset for the collection of the contractual cash flows</i>	Measured at amortized cost ¹	
<i>Hold the financial asset for the collection of the contractual cash flows and trading</i>	Measured at fair value through other comprehensive income ¹	Measured at fair value through profit or loss ²
<i>Hold for trading</i>	Measured at fair value through profit or loss	

¹ A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

² An equity investment that is not held for trading can be recorded in other comprehensive

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income (irrevocable).

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. As of March 31, 2017, the Group measured loans and receivables of \ 11,529,665 million and financial assets held-to-maturity of \ 117 million at amortized costs. Based on the results from the impact assessment of Korean IFRS 1109, the application of the new standard does not have a material impact on the Group's consolidated financial statements. This is because the Group holds the majority of financial assets measured at amortized cost that meets the both criteria: a) the contractual terms of the financial assets that the Group holds give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date, and b) the Group holds the financial assets in order to collect contractual cash flow.

According to Korean IFRS 1109, a debt instrument is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on a specific date under contract terms. As of March 31, 2017, the Group does not hold debt instruments classified as financial assets available-for-sale. Therefore, based on the results from the impact assessment of Korean IFRS 1109, the Group expects the application of the Korean IFRS 1109 will not have a material impact on the accompanying consolidated financial statements.

According to Korean IFRS 1109, the Group can make an irrevocable election at initial recognition to classify the equity instruments that are not held for trading instruments as assets measured at fair value through other comprehensive income. All subsequent changes in fair value of the instruments are recognized in other comprehensive income and not recycled to profit or loss. As of March 31, 2017, the Group holds equity instruments of \ 48,413 million classified as financial assets available-for-sale, however, there is no unrealized gain or loss recycled to profit or loss for the three-month period ended March 31, 2017. Based on results from the impact assessment of Korean IFRS 1109, the Group plans to designate equity instruments, which are classified in financial assets available-for-sale for long-term investment purpose, as instruments measured at fair value through other comprehensive income. Therefore, the Group expects these financial assets will not have a material impact on the accompanying consolidated financial statements.

Classification and Measurement of Financial Liabilities

Korean IFRS 1109 requires the amount of the change in the liability's fair value attributable to changes in the credit risk of that financial liability to be recognized in other comprehensive income, unless this treatment of the credit risk component creates or enlarges an accounting mismatch. Amounts presented in other comprehensive income are not subsequently recycled to profit or loss. Based on the results from the impact assessment of Korean IFRS 1109, the Group does not hold financial liabilities designated at fair value through profit or loss as of March 31, 2017. Therefore, the Group expects the application of Korean IFRS 1109 will not

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have a material impact on the accompanying consolidated financial statements.

Impairment of Financial Assets and Contract Assets

Korean IFRS 1109 sets out a new forward looking 'expected credit loss' impairment model which replaces the incurred loss model under Korean IFRS 1039 that impairs assets if there is an objective evidence and applies to:

- Debt investments measured at amortized cost
- Debt investments measured at fair value through other comprehensive income,
- Lease receivables
- Contract assets
- Loan commitments, and
- Financial guarantee contracts.

Under Korean IFRS 1109 'expected credit loss' model, the Group can recognize expected credit loss earlier than the incurred loss model under Korean IFRS 1039 because the Group shall measure a loss allowance for a financial instrument at the amount equal to the 12-month or lifetime expected credit loss. Korean IFRS 1109 clarifies an exception that a loss allowance for lifetime expected credit losses is required for a financial instrument if contract assets or trade receivables are not considered to contain a significant financing component.

As of March 31, 2017, the Group owns financial instruments at amortized cost of \ 11,529,782 million (loan and receivables of \ 11,529,665 million, financial asset held-to-maturity of \ 117 million). And, the Group recognized loss allowance of \ 107,851 million for these financial assets.

The Group performed an impact assessment with an assumption of using the practical expedient that the Group measures the loss allowance at an amount equal to lifetime expected credit losses at initial recognition for trade receivables and contract assets that do not contain a significant financing component. As the results of the impact assessment, the Group expects the application of Korean IFRS 1109 will not have a material impact on the accompanying consolidated financial statements.

Hedge Accounting

Hedge accounting mechanics required by Korean IFRS 1039 remains unchanged in Korean IFRS 1109, however, it changes from the complex and rule-based requirement in Korean IFRS 1039 for hedge accounting to principles-based approach that focuses on the Group's risk management practices. Korean IFRS 1109 allows more hedging instruments and hedged items to qualify for hedge accounting, and relaxes the hedge accounting requirement by removing quantitative (within range of 80-125 %) hedge effectiveness tests to ensure that the hedging relationship has been highly effective throughout the reporting period and is expected

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to be highly effective.

When the Group first applies Korean IFRS 1109, the Group plans to choose as its accounting policy choice to continue to apply all of the hedge accounting requirements of Korean IFRS 1039. Therefore, the Group expects the application of Korean IFRS 1109 will not have a material impact on the accompanying consolidated financial statements.

- Korean IFRS 1115, '*Revenue from Contracts with Customers*'

Korean IFRS 1115 *Revenue from Contracts with Customers* issued in November, 2015 is effective for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers*. The Group must apply Korean IFRS 1115 *Revenue from Contracts with Customers* within annual reporting periods beginning on or after January 1, 2018, and will apply cumulative effect of the standard implementation by recognizing adjustments on the beginning balance of retained earnings (or other appropriate equity components) in the annual reporting period of implementation. In accordance with the standard, the Group will apply the standard retrospectively to prior reporting period for uncompleted contracts upon implementation date and apply the practical expedient with no restatement for completed contracts and other.

According to the current Korean IFRS 1018, revenue is recognized in the form of the sales of goods, the rendering of services, interest, royalties, dividends, construction contracts and others. However, according to Korean IFRS 1115, five-step model must be applied for revenue recognition:

- Identify the contracts with customers
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations, and
- Recognize revenue when the entity satisfies a performance obligation

As of March 31, 2017, for the preparation of implementing Korean IFRS 1115, the Group formed a task force team consisting of members from accounting FD, information strategy FD and other practical departments if necessary. The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1115. The assessment was performed based on retainable information as of March 31, 2017. The results of the assessment as of March 31, 2017 may change due to additional information that the Group may obtain after the assessment.

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Identification of performance obligation

The Group sells home appliances, mobile communications equipment, TVs, monitors, automobile parts and others.

The Group expects that identifying performance obligation will not have a material impact on the accompanying consolidated financial statements because the Group recognizes revenue from service, of which contracts are generally separated, apart from sales of goods or products as of March 31, 2017.

Variable consideration

The Group may provide promotional incentive to enhance revenue or allow sales returns, which may cause variable consideration.

With implementation of Korean IFRS 1115, the Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

According to current Korean IFRS, the Group estimates an amount of promotional incentive and reverses sales and trade receivables. Instead, with implementation of Korean IFRS 1115, the Group will reverse sales but recognize a refund liability. The Group recognizes an amount of gross profit for products the Group expects to be returned as a return provision according to current Korean IFRS. While, with the implementation of Korean IFRS 1115, the Group will recognize expected amount of return as the refund liability and cost of sales as assets. Based on the result from the impact assessment as of March 31, 2017, the Group expects the application of Korean IFRS 1115 will not have a material impact on revenue while both assets and liabilities are expected to be increased at the same time.

Costs to fulfill a contract

The Group's Vehicle Components segment is contracted with car makers for a supply of auto parts and supplies the auto parts to the customers through research and development. If the costs incurred in fulfilling a contract are directly related to the contracts, generate or enhance resources of the entity that will be used in satisfying performance obligations in the future, are expected to be recovered, and are not within the scope of other standards, it is recognized as an asset. Recognized assets are amortized on a systematic basis consistent with the way in which the related goods or services are provided.

Based on the result from the impact assessment as of March 31, 2017, the Group expects the application of Korean IFRS 1115 will result in an increase in assets and equity because the costs to fulfill a contract such as past research and development expenses will be recognized as assets.

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Warranties

The Group has set standard warranty coverage periods per product and country considering warranty periods and others required by law when entering into contracts with customers for the sales of products. If the Group provides an extended warranty beyond the standard warranty coverage period or a customer has the option to purchase a warranty separately, the warranty is a distinct service according to Korean IFRS 1115.

Based on the results from the impact assessment as of March 31, 2017, the Group will not have a material impact because extended warranties beyond standard terms have been recognized as separate revenue from service which is distinct from standard term of warranties.

- Amendments to Korean IFRS 1102, '*Share-based Payment*'

Amendments to Korean IFRS 1102 clarify that accounting for a modification to the terms and conditions and fair value measurement of a cash-settled share-based payment are in the same way as an equity-settled share-based payment when it changes the classification of the transaction from cash-settled to equity-settled. This amendment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the amendments to have a significant impact on the accompanying consolidated financial statements.

Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2016, except for the changes due to the application of amendment and enactments of standards described in Note 2 and the one described below.

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.

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3. Critical Accounting Estimates and Judgements

Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

(e) Provisions

The Group recognizes provisions for product warranties and sales returns based on their historical

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data.

(f) Net Defined Benefit Liabilities

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis. 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 Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

Significant Judgment on Accounting Policies Adopted by the Group

In order to determine the Group's de-facto control, the Group considers percentage of ownership held by Group and ownership dispersion of the remaining shareholders, and also considers additional facts and circumstances including voting patterns at previous shareholders' meetings.

4. Segment Information

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

Operating segment	Type of products
Home Appliance & Air Solution (H&A)	Refrigerators, Washing machines, Residential and commercial air conditioners, Microwaves, Vacuum cleaners and others
Mobile Communications (MC)	Mobile communications
Home Entertainment (HE)	TVs, Monitors, PCs, Audio, Video and others
Vehicle Components (VC)	Vehicle components and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	LED, Camera modules, Substrate & Material, Motor/Sensor and others
Other segments	Display materials, Lighting solutions, Solar energy systems and others

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(a) The segment information for sales and operating profit(loss) for the three-month periods ended March 31, 2017 and 2016, is as follows:

2017								
<i>(in millions of Korean won)</i>	H&A	MC	HE	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	4,638,711	3,012,161	4,326,090	876,443	1,644,734	507,549	(348,494)	14,657,194
External sales	4,632,269	3,012,118	4,325,119	876,443	1,388,902	422,343	-	14,657,194
Internal sales	6,442	43	971	-	255,832	85,206	(348,494)	-
Operating profit(loss) ³	520,837	(161)	382,214	(14,499)	66,828	(33,683)	-	921,536
Depreciation and amortization	113,385	65,873	76,699	38,553	76,662	47,612	-	418,784

2016								
<i>(in millions of Korean won)</i>	H&A	MC	HE	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	4,219,537	2,963,186	4,333,404	592,857	1,195,035	467,514	(409,443)	13,362,090
External sales	4,219,291	2,962,874	4,332,005	592,857	864,244	390,819	-	13,362,090
Internal sales	246	312	1,399	-	330,791	76,695	(409,443)	-
Operating profit(loss) ³	407,793	(202,212)	335,247	(15,801)	404	(20,268)	-	505,163
Depreciation and amortization	117,758	71,218	89,691	30,315	92,590	47,454	-	449,026

¹ Other segments include operating segments that are not qualified as reportable segments and departments that support the operating segments and R&D.

² Sales between segments are accounted on terms equivalent to those that prevail in arm's length transactions.

³ Other income or expenses items not included in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

(b) Segment assets and liabilities as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
H&A	12,581,296	7,855,734	12,355,002	7,926,267
MC	5,834,806	5,752,796	5,604,855	5,444,083
HE	11,009,992	10,075,029	11,131,637	10,349,986
VC	2,410,996	2,376,449	2,340,361	2,232,074
Innotek	4,032,393	2,246,992	4,323,719	2,545,243
Subtotal¹	35,869,483	28,307,000	35,755,574	28,497,653
Other segments and inter-segment transactions	2,255,026	(3,874,086)	2,099,695	(3,999,126)
Total	38,124,509	24,432,914	37,855,269	24,498,527

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

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- (c) External sales by geographic area for the three-month periods ended March 31, 2017 and 2016, and non-current assets by geographic area as of March 31, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)

Geographic areas	External sales		Non-current assets ¹	
	2017	2016	March 31, 2017	December 31, 2016
Korea	4,522,687	3,350,481	10,427,584	10,384,327
North America	3,942,030	3,935,842	321,094	325,580
Asia	1,737,130	1,512,930	681,970	719,581
Europe	1,391,873	1,553,638	246,233	246,580
South America	1,057,660	785,212	150,917	160,959
Middle East & Africa	901,657	1,120,942	104,985	116,334
China	721,384	749,000	707,550	781,036
Others	382,773	354,045	153,744	156,149
Total	14,657,194	13,362,090	12,794,077	12,890,546

¹ Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

- (d) There is no external customer contributing to more than 10% of net sales for the three-month periods ended March 31, 2017 and 2016.

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5. Financial Instruments by Category

(a) Categorizations of financial instruments as of March 31, 2017 and December 31, 2016, are as follows:

March 31, 2017						
<i>(in millions of Korean won)</i>	Financial 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	-	3,031,859	-	-	-	3,031,859
Deposits held by financial institutions	-	138,184	-	-	-	138,184
Trade receivables	-	7,360,072	-	-	-	7,360,072
Loans and other receivables	-	999,550	-	-	-	999,550
Other financial assets	474	-	48,413	117	12,422	61,426
Total	474	11,529,665	48,413	117	12,422	11,591,091

March 31, 2017				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	7,613,174	-	7,613,174
Borrowings	-	8,629,203	-	8,629,203
Other payables	-	2,736,220	-	2,736,220
Other financial liabilities	5,281	-	86,888	92,169
Total	5,281	18,978,597	86,888	19,070,766

December 31, 2016						
<i>(in millions of Korean won)</i>	Financial 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	-	3,015,137	-	-	-	3,015,137
Deposits held by financial institutions	-	138,754	-	-	-	138,754
Trade receivables	-	7,059,889	-	-	-	7,059,889
Loans and other receivables	-	1,035,944	-	-	-	1,035,944
Other financial assets	557	-	49,939	117	46,184	96,797
Total	557	11,249,724	49,939	117	46,184	11,346,521

December 31, 2016				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	6,746,361	-	6,746,361
Borrowings	-	8,659,011	-	8,659,011
Other payables	-	3,204,506	-	3,204,506
Other financial liabilities	8,041	-	86,300	94,341
Total	8,041	18,609,878	86,300	18,704,219

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(b) Net gains or losses on each category of financial instruments for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017					Total
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	21,826	-	1	-	21,827
Exchange differences	-	(479,923)	-	-	-	(479,923)
Bad debt expenses	-	(9,875)	-	-	-	(9,875)
Loss on disposal of trade receivables	-	(2,886)	-	-	-	(2,886)
Gain on disposal of available-for-sale financial assets	-	-	5,394	-	-	5,394
Impairment loss of available-for-sale financial assets	-	-	(250)	-	-	(250)
Dividend income	-	-	248	-	-	248
Gain on derivatives (through profit or loss)	3,812	-	-	-	-	3,812
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	(474)	-	-	(474)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	-	-	621	621

<i>(in millions of Korean won)</i>	2017			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	
Interest expenses	-	(81,776)	(8,903)	(90,679)
Exchange differences	-	518,845	(45,999)	472,846
Loss on derivatives (through profit or loss)	(20,114)	-	-	(20,114)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	5,682	5,682
Others	-	(532)	-	(532)

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<i>(in millions of Korean won)</i>	2016					
	Financial 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	-	24,156	13	21	-	24,190
Exchange differences	-	(83,586)	-	-	-	(83,586)
Bad debt expenses	-	12,083	-	-	-	12,083
Loss on disposal of trade receivables	-	(4,133)	-	-	-	(4,133)
Impairment loss of available-for-sale financial assets	-	-	(358)	-	-	(358)
Dividend income	-	-	266	-	-	266
Gain on derivatives (through profit or loss)	5,626	-	-	-	-	5,626
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	(22)	-	-	(22)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	-	(2,351)	(2,351)

<i>(in millions of Korean won)</i>	2016			
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Interest expenses	-	(91,807)	(13,248)	(105,055)
Exchange differences	-	68,094	(25,313)	42,781
Loss on derivatives (through profit or loss)	(16,615)	-	-	(16,615)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(25,562)	(25,562)
Others	-	(735)	27	(708)

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6. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017			December 31, 2016		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	7,452,327	(92,255)	7,360,072	7,146,370	(86,481)	7,059,889
Other receivables						
Current	533,489	(15,464)	518,025	562,105	(16,339)	545,766
Non-current	481,657	(132)	481,525	490,293	(115)	490,178

(b) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017				
	At Jan. 1	Addition (reversal)	Write-off	Other	At Mar. 31
Trade receivables	86,481	10,285	(2,222)	(2,289)	92,255
Other receivables					
Current	16,339	(430)	(1)	(444)	15,464
Non-current	115	20	-	(3)	132

<i>(in millions of Korean won)</i>	2016				
	At Jan. 1	Addition	Write-off	Other	At Mar. 31
Trade receivables	143,977	(12,681)	(2,117)	2,385	131,564
Other receivables					
Current	16,635	562	(211)	99	17,085
Non-current	119	36	-	-	155

(c) The aging analysis of trade receivables and other receivables as of March 31, 2017 and December 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2017				December 31, 2016			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
	Current	Non-current	Current		Non-current			
Receivables not past due	6,728,353	502,609	470,830	7,701,792	6,298,870	523,760	480,884	7,303,514
Past due but not impaired								
Up to 6 months	587,304	5,630	10,826	603,760	712,345	10,261	9,407	732,013
7 to 12 months	32,346	7,450	1	39,797	15,324	9,087	2	24,413
Over 1 year	10,800	3,630	-	14,430	11,461	6,014	-	17,475
Subtotal	630,450	16,710	10,827	657,987	739,130	25,362	9,409	773,901
Impaired	93,524	14,170	-	107,694	108,370	12,983	-	121,353
Total	7,452,327	533,489	481,657	8,467,473	7,146,370	562,105	490,293	8,198,768

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(d) There are no financial assets transferred but not derecognized in their entirety, and no associated liabilities recognized as of March 31, 2017.

7. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Other financial assets		
Derivatives	12,896	46,741
Available-for-sale	48,413	49,939
Held-to-maturity	117	117
Total	61,426	96,797
Current	12,892	30,650
Non-current	48,534	66,147
Other financial liabilities		
Derivatives	92,089	94,227
Financial guarantee liability	80	114
Total	92,169	94,341
Current	20,131	21,115
Non-current	72,038	73,226

(b) Details of derivatives as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency Forward	474	5,281	557	8,041
Currency Swap	12,418	14,770	30,093	12,960
Subtotal	12,892	20,051	30,650	21,001
Non-current				
Currency Swap	-	7,502	16,091	-
Interest Rate Swap	4	64,536	-	73,226
Subtotal	4	72,038	16,091	73,226
Total	12,896	92,089	46,741	94,227

The details of major derivative contracts at the end of the reporting period are presented in Note 30.

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(c) Available-for-sale financial assets

- i) Changes in available-for-sale financial assets for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017						
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Other	At Mar. 31
Listed equity securities	14,837	-	-	(626)	-	-	14,211
Unlisted equity securities	35,102	1,200	(1,153)	-	(250)	(697)	34,202
Total	49,939	1,200	(1,153)	(626)	(250)	(697)	48,413

<i>(in millions of Korean won)</i>	2016						
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Other	At Mar. 31
Listed equity securities	15,329	-	-	(33)	-	(3)	15,293
Unlisted equity securities	37,875	3,985	(1)	-	-	(288)	41,571
Debt securities	1,202	-	-	3	(358)	(98)	749
Total	54,406	3,985	(1)	(30)	(358)	(389)	57,613

- ii) There is no available-for-sale financial assets held for sale as of March 31, 2017.

(d) Held-to-maturity financial assets

- i) Maturity analysis of held-to-maturity financial assets as of March 31, 2017 and December 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Within 1 year	-	-
1 to 5 years	117	117

- ii) The amount recognized as interest income in relation to held-to-maturity financial assets for the three-month period ended March 31, 2017, is \ 1 million (2016: \ 21 million). No impairment losses were recognized in relation to held-to-maturity financial assets for the three-month periods ended March 31, 2017 and 2016.

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8. Inventories

(a) Inventories as of March 31, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	March 31, 2017			December 31, 2016		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,120,994	(108,824)	3,012,170	3,045,592	(115,657)	2,929,935
Work-in-process	355,111	(11,253)	343,858	340,980	(13,851)	327,129
Raw materials and supplies	1,791,977	(91,992)	1,699,985	1,679,482	(90,740)	1,588,742
Other	373,139	(37,144)	335,995	366,335	(41,126)	325,209
Total	5,641,221	(249,213)	5,392,008	5,432,389	(261,374)	5,171,015

9. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	11,222,428	10,460,298
Acquisitions	328,259	280,383
Reclassification to assets held for sale	(55)	-
Disposals and others	(19,838)	(13,426)
Depreciation	(314,100)	(349,286)
Impairment	(6,265)	(13,816)
Exchange differences	(123,488)	(4,367)
At March 31	11,086,941	10,359,786

(b) Line items including depreciation in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	248,994	279,754
Selling and marketing expenses	11,537	11,100
Administrative expenses	16,367	21,470
Research and development expense	29,538	27,477
Service costs	3,427	3,821
Other non-operating expenses	4,237	5,664
Total	314,100	349,286

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(c) Changes in intangible assets for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	1,571,087	1,473,280
Acquisitions	45,350	36,122
Acquisitions through internal development	114,740	68,652
Reclassification to assets held for sale	(5)	-
Disposals and others	(8,441)	(3,316)
Amortization	(108,590)	(105,007)
Impairment	(1,385)	(1,418)
Exchange differences	(2,320)	586
At March 31	1,610,436	1,468,899

(d) Line items including amortization of intangible assets for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	58,642	55,832
Selling and marketing expenses	5,400	4,765
Administrative expenses	23,609	23,573
Research and development expenses	20,391	20,273
Service costs	548	564
Total	108,590	105,007

10. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures

i) Carrying amounts of investments in associates and joint ventures, as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Associates	4,990,827	4,906,450
Joint ventures	184,126	198,108
Total	5,174,953	5,104,558

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ii) Investments in associates as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017				December 31, 2016			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	4,994,688	(80,150)	4,914,538	679,218	4,910,781	(72,971)	4,837,810
Ericsson-LG Co., Ltd	26,629	49,282	(25)	49,257	26,629	50,796	(30)	50,766
Hitachi-LG Data Storage Inc.(HLDS)	91,250	(12,353)	(1,352)	-	91,250	(17,640)	(1,496)	-
Korea Information Certificate Authority Inc.	1,745	4,620	-	4,620	1,988	5,167	-	5,167
LG Fuel Cell Systems Inc.	69,375	6,683	-	6,683	69,375	9,222	-	9,222
SKT Vietnam PTE., Ltd.	72,194	753	-	-	72,194	815	-	-
One-Red, LLC ¹	3,128	3,370	-	3,370	3,128	3,485	-	3,485
Kiwigrd GmbH ¹	13,019	12,359	-	12,359	-	-	-	-
Total	956,558	5,059,402	(81,527)	4,990,827	943,782	4,962,626	(74,497)	4,906,450

¹ The financial statements as of February 28, 2017 were used due to a different closing date.

iii) Investments in joint ventures as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017				December 31, 2016			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	115,234	133,367	-	133,367	115,234	141,768	-	141,768
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	36,615	(539)	36,076	14,718	41,377	(726)	40,651
EIC PROPERTIES PTE LTD.	9,636	13,893	-	13,893	9,636	14,493	-	14,493
LG-MRI LLC	516	798	(8)	790	516	1,196	-	1,196
Total	140,104	184,673	(547)	184,126	140,104	198,834	(726)	198,108

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(b) Associates and joint ventures

i) Associates as of March 31, 2017, are as follows:

Name of associate	Location	Closing month	Percentage of ownership	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9%	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0%	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	Production and supply of data storages
Korea Information Certificate Authority Inc. ¹	Korea	December	6.5%	Certificate services
LG Fuel Cell Systems Inc.	USA	December	32.2%	R&D of fuel cell
SKT Vietnam PTE., Ltd.	Singapore	December	25.4%	Communication services
One-Red, LLC	USA	March	25.0%	DVD related patent licensing
Kiwigrind GmbH ¹	Germany	December	17.6%	Supply of energy management solutions

¹ Classified as an associate although the percentage of ownership is less than 20% because the Group can exercise a significant influence in the Board of Directors of the investee.

ii) Joint ventures as of March 31, 2017, are as follows:

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

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

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

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(c) Changes in investments in associates and joint ventures

- i) Changes in the carrying amounts of investments in associates for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Opening carrying amount	4,906,450	4,648,197
Acquisition	13,019	-
Gain from equity method ¹	222,748	612
Share of other comprehensive loss of associates	(82,670)	(5,295)
Dividend/ recovery	(68,551)	(71,633)
Exchange differences	(169)	15
Closing carrying amount	4,990,827	4,571,896

¹ The Group recognized additional equity method gain of \5,431 million (2016: equity method loss of \22,772 million) for loans provided to Hitachi-LG Data Storage Inc. for the three-month period ended March 31, 2017. The Group recognized equity method loss of \2,994 million for loans provided to LG Fuel Cell Systems Inc. for the three-month period ended March 31, 2016.

- ii) Changes in the carrying amounts of investments in joint ventures for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Opening carrying amount	198,108	193,664
Gain from equity method	1,862	2,784
Share of other comprehensive loss of joint ventures	(15,474)	(24)
Dividend/ recovery	(296)	-
Exchange differences	(74)	(13)
Closing carrying amount	184,126	196,411

- (d) Summarized financial information of the associates that are material to the reporting entity as of March 31, 2017 and December 31, 2016, and for the three-month periods ended March 31, 2017 and 2016, is as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Current assets	9,642,001	10,484,186
Non-current assets	15,138,325	14,400,150
Total assets	24,780,326	24,884,336
Current liabilities	6,864,092	7,058,219
Non-current liabilities	4,227,034	4,363,729
Total liabilities	11,091,126	11,421,948
Equity attributable to the owners of LG Display Co., Ltd.	13,177,349	12,955,997
Non-controlling interests	511,851	506,391
Total equity	13,689,200	13,462,388

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<i>(in millions of Korean won)</i>	2017	2016
Net sales	7,062,162	5,989,201
Profit for the period	659,386	1,187
Equity attributable to the owners of LG Display Co., Ltd.		
Profit for the period	620,546	2,444
Other comprehensive income, net of tax	(220,286)	(13,876)
Total comprehensive income (loss), net of tax	400,260	(11,432)
Dividends from associates	67,813	67,813

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the three-month periods ended March 31, 2017 and 2016, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2017	2016
Opening equity attributable to owners of LG Display Co., Ltd.	12,955,997	12,192,952
Profit for the period	620,546	2,444
Other comprehensive income, net of tax	(220,286)	(13,876)
Dividends	(178,908)	(178,908)
Closing equity attributable to owners of LG Display Co., Ltd.	13,177,349	12,002,612
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	4,994,688	4,549,421
Unrealized loss	(80,150)	(58,903)
Carrying amount at the end of the reporting period	4,914,538	4,490,518

- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month periods ended March 31, 2017 and 2016, is as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Associates	Joint ventures	Associates	Joint ventures
Profit(loss) for the period	2,471	1,700	(51,908)	3,444
Other comprehensive income(loss), net of tax	(1,708)	(15,491)	114	(42)
Total comprehensive income(loss), net of tax	763	(13,791)	(51,794)	3,402

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- (g) Accumulated unrecognized changes in equity due to discontinued use of the equity method as of March 31, 2017 and December 31, 2016 are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017		December 31, 2016	
	Unrecognized losses	Unrecognized accumulated losses	Unrecognized losses	Unrecognized accumulated losses
Hitachi-LG Data Storage Inc.(HLDS)	-	-	(21,243)	-

- (h) The fair value of marketable investments in associates as of March 31, 2017 and December 31, 2016, are as follows:

	March 31, 2017				
	Type	Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	30,250	4,102,656	4,914,538
Korea Information Certificate Authority Inc.	Associate	2,010,247	6,950	13,971	4,620

	December 31, 2016				
	Type	Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	31,450	4,265,406	4,837,810
Korea Information Certificate Authority Inc.	Associate	2,289,708	5,660	12,960	5,167

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11. Borrowings

(a) The carrying amount of borrowings as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Current		
Short-term borrowings	508,501	596,541
Current portion of long-term borrowings	98,329	422,944
Current portion of debentures	772,689	631,026
Subtotal	1,379,519	1,650,511
Non-current		
Long-term borrowings	2,308,246	2,199,764
Debentures	4,941,438	4,808,736
Subtotal	7,249,684	7,008,500
Total	8,629,203	8,659,011

(b) Details of borrowings as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2017(%)	Carrying amount	
			March 31, 2017	December 31, 2016
Short-term borrowings in local currency				
Shinhan Bank and others	-	1.97 ~ 4.34	45,140	44,800
Short-term borrowings in foreign currency				
HSBC and others ¹	-	1.30 ~ 14.43	463,361	551,741
Long-term borrowings in local currency				
Korea Development Bank and others ²	2030. 7. 7	1.75 ~ 3.76	2,071,654	2,271,835
Long-term borrowings in foreign currency				
HSBC and others	2021. 7. 12	2.36 ~ 12.48	334,921	350,873
Local currency loans				
Public, non-guaranteed bonds	2030. 2. 2	1.48 ~ 4.44	4,160,000	4,060,000
Private, non-guaranteed bonds	2028.11.18	1.95 ~ 3.96	1,010,000	910,000
Foreign currency loans				
Private, non-guaranteed bonds ¹	2022. 2. 2	1.88 ~ 2.45	334,830	241,700
Private, guaranteed bonds ¹	2019. 1.31	3ML+1.60	223,220	241,700
Less: discount on debentures			<u>(13,923)</u>	<u>(13,638)</u>
Total			8,629,203	8,659,011

¹ The Group entered into cross-currency swap contracts to hedge cash flow risk related to foreign exchange rate and floating interest rate of some portion of borrowings (Note 30).

² The Group entered into interest rate swap contracts to hedge cash flow risk related to floating interest rates of these long-term borrowings (Note 30).

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12. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Present value of funded obligations	2,791,760	2,755,266
Present value of unfunded obligations	33,018	33,165
Subtotal	2,824,778	2,788,431
Fair value of plan assets	(2,245,792)	(2,277,909)
Net defined benefit liabilities¹	578,986	510,522

¹ Net defined benefit assets are included.

(b) The amounts recognized in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Current service cost	89,093	95,874
Net interest cost	3,596	5,471
Operating management cost	767	662
Total	93,456	102,007

(c) Line items in which expenses are included for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Manufacturing costs	49,211	50,828
Selling and marketing expenses	14,702	15,538
Administrative expenses	5,281	5,591
Research and development expenses	22,478	28,026
Service costs	1,784	2,024
Total	93,456	102,007

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(d) Changes in the present value of defined benefit obligations for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	2,788,431	2,736,094
Current service cost	89,093	95,874
Interest expense	18,588	18,103
Remeasurements for:		
- Actuarial loss(gain) arising from changes in financial assumptions	(16,274)	92,832
Benefits paid	(52,441)	(48,195)
Others	(2,619)	(382)
At March 31	2,824,778	2,894,326

(e) Changes in the fair value of plan assets for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	2,277,909	1,948,484
Interest income	14,992	12,632
Remeasurements of plan assets	(4,896)	(2,502)
Employer contributions	1,662	5,054
Benefits paid	(42,784)	(34,451)
Operating management cost	(767)	(662)
Others	(324)	(122)
At March 31	2,245,792	1,928,433

(f) The principal actuarial assumptions used as of March 31, 2017 and December 31, 2016, are as follows:

	March 31, 2017	December 31, 2016
Weighted average of discount rate of the Group	2.8%	2.8%
Weighted average of expected salary growth rate of the Group	5.1%	5.1%

As of March 31, 2017, the discount rates applied to the Parent Company and subsidiaries are between 0.4%~8.4% (2016: 0.4%~8.4%), and the expected salary growth rates are between 1.0%~11.0% (2016: 1.0%~11.0%).

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of March 31, 2017, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(239,725)	277,827
Expected salary growth rate	262,514	(241,691)

The above sensitivity analysis 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

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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 for the three-month period ended March 31, 2017, amounts to \ 3,321 million (2016: \ 2,583 million).

13. Provisions

(a) Changes in provisions for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	756,509	39,071	24,985	978,700	1,799,265
Additions	271,419	59,977	1,156	(31,279)	301,273
Utilization	(318,484)	(61,474)	(138)	(33,911)	(414,007)
Exchange differences	(21,058)	(2,262)	(250)	(9,322)	(32,892)
At March 31	688,386	35,312	25,753	904,188	1,653,639
Current	641,347	35,312	7,001	715,482	1,399,142
Non-current	47,039	-	18,752	188,706	254,497

<i>(in millions of Korean won)</i>	2016				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	569,101	57,063	16,163	1,007,963	1,650,290
Additions	212,049	46,317	1,070	38,958	298,394
Utilization	(249,794)	(59,561)	(197)	(41,988)	(351,540)
Exchange differences	1,903	279	(157)	5,190	7,215
At March 31	533,259	44,098	16,879	1,010,123	1,604,359
Current	482,059	44,098	294	1,661	528,112
Non-current	51,200	-	16,585	1,008,462	1,076,247

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14. Paid-in Capital

- (a) As of March 31, 2017 and December 31, 2016, the number of shares authorized is 600 million.

	Par value per share	March 31, 2017		December 31, 2016	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	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 ordinary shares. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have same rights on the remaining assets as ordinary shareholders. Repayment and conversion are not applicable to preferred shares.

- (b) Share premium balance as of March 31, 2017, is \ 3,088,179 million. The share premium of \ 1,876,153 million was recognized, which is \ 2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of \ 783,961 million and less the Parent Company's capital adjustment of \ 155,593 million. In addition, the amount of \ 331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to \ 880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

15. Retained Earnings

- (a) Retained earnings as of March 31, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Legal reserve ¹	175,054	167,766
Discretionary reserve	4,603,535	4,805,354
Unappropriated retained earnings ²	5,183,708	4,260,296
Total	9,962,297	9,233,416

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

² Dividend for the year ended December 31, 2016, of \ 72,885 million was approved at the annual general meeting held on March 17, 2017, and paid in April 2017 (2016 payments: \ 72,885 million).

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16. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of March 31, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Accumulated other comprehensive loss of associates and joint ventures	(194,111)	(97,343)
Cash flow hedge	(49,568)	(55,871)
Available-for-sale financial assets	10,090	10,564
Exchange difference on translation of foreign operations	(1,191,259)	(886,312)
Total	(1,424,848)	(1,028,962)

17. Other Components of Equity

Other components of equity as of March 31, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group	(176,889)	(176,889)
Total	(209,708)	(209,708)

¹ As of March 31, 2017, the Parent Company has treasury shares consisting of 763,171 ordinary shares (December 31, 2016: 763,171 shares) and 4,690 preferred shares (December 31, 2016: 4,690 shares) at the end of the reporting period. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

18. Net Sales

Details of net sales for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Sales of goods	14,469,136	13,150,364
Rendering of services	164,503	124,903
Royalty income	23,555	86,823
Total	14,657,194	13,362,090

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19. Expenses by Nature

Expenses that are recorded by nature for the three-month periods ended March 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017	2016
Changes in finished goods and work-in-process	(99,918)	(300,227)
Raw materials and merchandise used	9,104,046	8,404,231
Employee benefit expense	1,637,912	1,669,951
Depreciation and amortization	418,784	449,026
Advertising expense	193,140	227,578
Promotion expense	164,133	154,241
Transportation expense	344,825	325,648
Commission expense	668,333	658,358
Other expenses	1,304,403	1,268,121
Total	13,735,658	12,856,927

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

20. 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 periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Salaries	718,082	739,093
Post-employment benefits	46,919	59,985
Employee benefits	147,911	149,665
Freight expense	340,707	321,912
Rental expense	109,426	113,321
Commission expense	487,065	472,994
Depreciation	61,200	64,265
Amortization	49,948	49,175
Taxes and dues	29,374	31,376
Advertising expense	193,140	227,578
Promotional expense	164,133	154,241
R&D expense	47,626	92,908
Service costs	188,700	183,529
Bad debts expense	10,285	(12,681)
Other	178,152	171,158
Total	2,772,668	2,818,519

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21. Financial Income

Financial income for the three-month periods ended March 31, 2017 and 2016, consists of:

<i>(in millions of Korean won)</i>	2017	2016
Interest income	21,827	24,190
Exchange differences	98,534	98,888
Gain on derivatives	2,577	982
Other	-	29
Total	122,938	124,089

22. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017	2016
Interest expense	90,679	105,055
Exchange differences	137,858	134,310
Loss on derivatives	159	730
Loss on disposal of trade receivables	2,886	4,133
Other	532	737
Total	232,114	244,965

23. Other Non-operating Income

Other non-operating income for the three-month periods ended March 31, 2017 and 2016, consists of:

<i>(in millions of Korean won)</i>	2017	2016
Dividend income	248	266
Exchange differences	379,885	630,834
Gain on derivatives	1,235	4,644
Gain on disposal of property, plant and equipment	10,731	4,685
Gain on disposal of intangible assets	13	-
Gain on disposal of assets held for sale	3,804	-
Gain on disposal of available-for-sale financial assets	5,394	-
Gain on disposal of investments in associates and joint ventures	1,260	-
Other	58,331	10,139
Total	460,901	650,568

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24. Other Non-operating Expenses

Other non-operating expenses for the three-month periods ended March 31, 2017 and 2016, consist of:

(in millions of Korean won)	2017	2016
Exchange differences	347,638	636,217
Loss on derivatives	19,955	15,885
Loss on disposal of property, plant and equipment	4,340	3,466
Impairment loss on disposal of property, plant and equipment	6,267	13,816
Loss on disposal of intangible assets	8,255	3,279
Impairment loss on disposal of available-for-sale financial assets	250	358
Other	24,740	57,894
Total	411,445	730,915

25. Earnings per Share

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

(a) Basic earnings per ordinary share for the three-month periods ended March 31, 2017 and 2016, is as follows:

	2017	2016
Profit attributable to ordinary shares (in millions of Korean won)	719,266	172,262
Weighted average number of ordinary shares outstanding (unit: shares)	162,884,643	162,884,643
Basic earnings per ordinary share (in Korean won)	4,416	1,058

(b) Basic earnings per preferred share for the three-month periods ended March 31, 2017 and 2016, is as follows:

	2017	2016
Profit attributable to preferred shares (in millions of Korean won)	76,083	18,385
Weighted average number of preferred shares outstanding (unit: shares)	17,181,302	17,181,302
Basic earnings per preferred share (in Korean won)	4,428	1,070

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26. Cash Flow Information

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the three-month periods ended March 31, 2017 and 2016, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2017	2016
Profit for the period	835,691	198,068
Adjustments:		
Interest expense, net	68,852	80,865
Exchange differences, net	(21,642)	9,092
Loss on derivatives, net	16,302	10,989
Depreciation	314,100	349,286
Amortization	108,590	105,007
Loss on disposal of property, plant and equipment, intangible assets, net	1,851	2,060
Provisions for severance benefits	93,456	102,007
Provisions	301,273	298,394
Income tax expense	256,166	83,502
Loss (gain) from equity method	(230,041)	22,370
Other	49,408	76,127
	<u>958,315</u>	<u>1,139,699</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(900,026)	47,768
Decrease in loans and other receivables	47,343	147,788
Increase in inventories	(470,766)	(591,214)
Increase in other assets	(55,874)	(228,972)
Increase in trade payables	1,435,588	718,699
Decrease in other payables	(99,487)	(201,589)
Decrease in provisions	(399,708)	(351,540)
Decrease in other liabilities	(344,433)	(46,509)
Payment of defined benefit liability	(9,657)	(13,744)
Deposit in plan assets, net	(10,991)	(14,522)
	<u>(808,011)</u>	<u>(533,835)</u>
Cash generated from operations	<u>985,995</u>	<u>803,932</u>

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(b) Changes in liabilities from financing activities

<i>(in millions of Korean won)</i>	At Jan.1, 2017	Net cash flow from financing activities	Non-cash transactions			At Mar.31, 2017
			Exchange differences (profit/loss)	Amortization	Effects of exchange rate changes	
Short-term borrowings	596,541	(56,127)	(5,221)	-	(26,692)	508,501
Long-term borrowings	2,622,708	(183,399)	(3,750)	-	(28,984)	2,406,575
Debentures	5,439,762	314,001	(40,725)	1,089	-	5,714,127
Total	8,659,011	74,475	(49,696)	1,089	(55,676)	8,629,203

(c) Significant non-cash transactions:

<i>(in millions of Korean won)</i>	2017	2016
Reclassification of construction-in-progress to property, plant and equipment	284,819	97,404
Reclassification of construction-in-progress to intangible assets	71,560	35,421
Reclassification of other assets to intangible assets	31,449	27,920
Reclassification of current portion of borrowings and debentures	355,720	755,249
Reclassification of current portion of provisions	710,843	-
Other payables to acquire property, plant and equipment	156,621	169,760
Other payables to acquire intangible assets	5,979	3,491

27. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment including land, buildings and machinery with maximum amount of ₩ 224,325 million (December 31, 2016: ₩ 237,345 million) and the book amount of pledged assets is ₩ 238,907 million (December 31, 2016: ₩ 248,106 million). In addition, the Group provided buildings to Nonghyup Bank and others, which are provided with land as collaterals, as collaterals in order to guarantee obligations of landlords up to ₩ 9,120 million (December 31, 2016: ₩ 9,120 million) and the book amount of pledged assets is ₩ 186 million (December 31, 2016: ₩ 266 million). Furthermore, available-for-sale financial assets of certain subsidiaries are also provided as collaterals.

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩ 259,397 million (December 31, 2016: ₩ 221,261 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal US\$ 200 million (December 31, 2016: US\$ 200 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a payment guarantee for customers of up to ₩ 46,000 million (December 31, 2016: ₩ 46,000 million). Also, domestic subsidiaries provide joint performance guarantee amounting to ₩ 67,545 million (December 31, 2016: ₩ 61,499 million).

(d) At the end of the reporting period, the Group is obliged to collect a portion of the waste generated from products sold in India in the past to comply with the E-Waste (Management) Rule

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of India. This may affect certain items in general operating expenses or provisions. However, the potential impact on the consolidated financial statements may materially vary depending on the approval of the Indian Government on the waste collection plan submitted by the Group or subsequent guidance of other relevant legislations.

(e) In December 2012, the European Commission imposed a penalty on the Parent Company for anti-competitive activities among CRT (Cathode Ray Tube) manufacturers as a result of an investigation. The Parent Company recognized such penalty amounting to EUR 491,567 thousand as expected loss. However, the Parent Company appealed against the decision of the European Commission. The ultimate amount of loss resulting from the investigation may differ from the amount of penalty imposed and could be material. The Parent Company is provided with a performance guarantee of EUR 546,868 thousand from HSBC and others for the above.

In addition, the Parent Company is under investigation and has been named as a defendant in class actions in the United States, 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 arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Group as of the statement of financial position date cannot be presently determined.

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

At the end of the reporting period, the European Commission imposed a penalty amounting to EUR 37,121 thousand on Hitachi-LG Data Storage Inc. (HLDS), an associate of the Group, for anti-competitive activities among Optical Disk Drive (ODD) manufactures as a result of an investigation. However, HLDS appealed against the decision of the European Commission. The outcome of the investigation may affect gain or loss from equity method valuation. The Group does not have individual responsibility in the case above.

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

28. Commitments

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of \ 162,000 million (December 31, 2016: \ 165,500 million).

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of \ 27,000 million (December 31, 2016: \ 27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is \ 185,732 million (December 31, 2016: \ 201,888 million).

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Other subsidiaries have overdraft facility agreements with a limit of ₩1,611,535 million (December 31, 2016: ₩1,591,226 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,218,807 million (December 31, 2016: ₩2,535,433 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩500,000 million (December 31, 2016: ₩500,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including KEB Hana Bank, amounting to ₩228,801 million (December 31, 2016: ₩245,326 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to US\$ 246 million (December 31, 2016: US\$ 262 million), and have sales agreements for trade receivables with a limit of US\$ 420 million (December 31, 2016: US\$ 420 million) with BTMU. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩48,000 million (December 31, 2016: ₩48,000 million) in connection with the collection of the trade receivables.

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,153,000 million (December 31, 2016: ₩1,150,000 million) which guarantee the payment of trade payable in case the suppliers sell their trade receivables.

In addition, LG Innotek Co., Ltd. and its subsidiaries have provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩145,697 million (December 31, 2016: ₩146,251 million) in connection with the discounting of notes which are paid to their suppliers.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩64,000 million limit (December 31, 2016: ₩64,000 million) to guarantee the payment of trade accounts payable.

(d) LG Innotek Co., Ltd., a subsidiary, has an agreement for underwriting commercial paper with a limit of ₩30,000 million (December 31, 2016: ₩30,000 million).

In addition, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2016: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩4,182,060 million (December 31, 2016: ₩4,848,826 million).

(f) Contractual commitments for the acquisition of assets

The property, plant and equipment and intangible assets contracted for, but not yet acquired at

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the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Property, plant and equipment	501,217	502,666
Intangible assets	27,895	28,591
Total	529,112	531,257

(g) Operating lease commitments – the Group as a lessee

i) 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>	March 31, 2017			
	Within 1 year	1 to 5 years	Over 5 years	Total lease payments
Land	249	962	1,208	2,419
Buildings	246,538	359,307	41,429	647,274
Vehicles	29,732	30,564	-	60,296
Equipment and others	17,141	15,081	-	32,222
Total	293,660	405,914	42,637	742,211

ii) Lease payment under operating lease recognized in the consolidated interim statement of profit or loss for the three-month period ended March 31, 2017, is \ 85,664 million (2016: \ 86,134 million).

iii) As of March 31, 2017, total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to \ 15,513 million and lease income recognized related to the sublease for the three-month period ended March 31, 2017, amounts to \ 2,415 million (2016: \ 2,634 million).

(h) Operating lease commitments – the Group as a lessor

i) The Group has non-cancellable operating lease agreements regarding healthcare rental business that lends water purifiers to customers and real estate rentals 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>	March 31, 2017			
	Within 1 year	1 to 5 years	Over 5 years	Total lease payments
Healthcare rental	139,634	223,650	-	363,284
Real estate rental	2,073	23	-	2,096
Total	141,707	223,673	-	365,380

ii) The Group recognized \ 33,118 million (2016: \ 26,766 million) in lease income for the three-month period ended March 31, 2017.

(i) Finance lease commitments – the Group as a lessee

At the end of the reporting period, the Group has entered into a finance lease agreement for

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vehicle lease and has recognized related assets and liabilities in the consolidated statements of financial position. Net book amount of the leased assets amounts to \ 3,226 million, and the present value of the finance lease liabilities amounts to \ 1,730 million.

As of March 31, 2017, future minimum lease payments under the finance lease agreement are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017		December 31, 2016	
	Minimum lease payments	PV of minimum lease payments	Minimum lease payments	PV of minimum lease payments
Within 1 year	1,085	1,014	1,527	1,437
1 to 5 years	758	716	1,045	991
Total	1,843	1,730	2,572	2,428

(j) Trademark license commitments

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

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

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29. Related Party

(a) Major transactions for the three-month periods ended March 31, 2017 and 2016, and balances of receivables and payables from transaction with related parties as of March 31, 2017 and December 31, 2016, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2017					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	315	-	315	16	38,253	38,269
Associates	LG Display Co., Ltd. and its subsidiaries	530,276	-	530,276	1,497,325	1,932	1,499,257
	Ericsson-LG Co., Ltd. and its subsidiaries	1,914	-	1,914	1,123	-	1,123
	Hitachi-LG Data Storage Inc. and its subsidiaries	486	61	547	36,288	72	36,360
	LG Fuel Cell Systems Inc. and its subsidiaries	340	240	580	-	-	-
	Subtotal	533,016	301	533,317	1,534,736	2,004	1,536,740
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	23,666	-	23,666	3,786	7,415	11,201
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	651	651
	EIC PROPERTIES PTE LTD.	-	-	-	-	191	191
	LG-MRI LLC	70	-	70	6,899	2	6,901
	Subtotal	23,736	-	23,736	10,685	8,259	18,944
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,942	-	19,942	23,224	80,437	103,661
	SERVEONE Co., Ltd. and its subsidiaries	19,145	-	19,145	283,091	88,685	371,776
	LG Siltron Incorporated and its subsidiaries	1,007	-	1,007	19	-	19
	LUSEM CO., LTD.	9,940	-	9,940	394	-	394
	LG Management Development Institute	-	-	-	2	6,012	6,014
	LG SPORTS Ltd.	-	-	-	-	1,223	1,223
	LG MMA Ltd.	300	-	300	13	-	13
	LG Holdings Japan Co., Ltd.	5	-	5	-	887	887
Subtotal	50,339	-	50,339	306,743	177,244	483,987	
Others ¹	LG Chem Ltd. and its subsidiaries and associates	164,324	-	164,324	239,333	863	240,196
	LG INTERNATIONAL CORP and its subsidiaries	66,799	-	66,799	845,492	421,335	1,266,827
	LG Uplus Corp and its subsidiaries	235,369	-	235,369	16,902	813	17,715
	LG HAUSYS,LTD. and its subsidiaries and associates	5,274	-	5,274	9,238	249	9,487
	Silicon Works Co., Ltd.	2,563	-	2,563	2,547	-	2,547
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	574	-	574	67	48	115
	G R Inc. and its subsidiaries	507	-	507	22	54,678	54,700

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(in millions of Korean won)

		2017					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	Subtotal	475,410	-	475,410	1,113,601	477,986	1,591,587
	Total	1,082,816	301	1,083,117	2,965,781	703,746	3,669,527

(in millions of Korean won)

		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	235	-	235	-	36,323	36,323
Associates	LG Display Co., Ltd. and its subsidiaries	277,426	-	277,426	1,313,789	14,479	1,328,268
	Ericsson-LG Co., Ltd. and its subsidiaries	2,051	-	2,051	1,239	-	1,239
	Hitachi-LG Data Storage Inc. and its subsidiaries	347	-	347	28,631	-	28,631
	LG Fuel Cell Systems Inc. and its subsidiaries	38	483	521	-	-	-
	Hi Logistics (China) Co., Ltd.	42	-	42	-	15,299	15,299
	Subtotal	279,904	483	280,387	1,343,659	29,778	1,373,437
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	17,737	-	17,737	17,989	-	17,989
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	785	785
	EIC PROPERTIES PTE LTD.	-	-	-	-	218	218
	LG-MRI LLC	2	-	2	-	-	-
	Subtotal	17,739	-	17,739	17,989	1,003	18,992
Other related parties	LG CNS Co., Ltd. and its subsidiaries	13,254	-	13,254	38,219	86,715	124,934
	SERVEONE Co., Ltd. and its subsidiaries	16,039	-	16,039	316,176	33,665	349,841
	LG Siltron Incorporated and its subsidiaries	1,058	-	1,058	6	-	6
	LUSEM CO., LTD.	10,854	-	10,854	654	20	674
	LG Management Development Institute	17	-	17	-	6,164	6,164
	LG SPORTS Ltd.	-	-	-	-	905	905
	LG Holdings Japan Co., Ltd.	5	-	5	-	911	911
	Subtotal	41,227	-	41,227	355,055	128,380	483,435
Others ¹	LG Chem Ltd. and its subsidiaries and associates	93,543	-	93,543	139,175	974	140,149
	LG INTERNATIONAL CORP and its subsidiaries	30,880	-	30,880	976,699	308,182	1,284,881
	LG Uplus Corp and its subsidiaries	179,040	-	179,040	8,362	3,190	11,552
	LG HAUSYS,LTD. and its subsidiaries and associates	7,150	1	7,151	11,615	61	11,676
	Silicon Works Co., Ltd.	1,134	-	1,134	935	-	935
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	401	-	401	66	83	149
	LG LIFE SCIENCES, LTD. and its subsidiaries	965	-	965	-	-	-
	G R Inc. and its subsidiaries	879	-	879	4	27,839	27,843

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(in millions of Korean won)

		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Hitachi Ltd.	12	-	12	-	-	-
	Subtotal	314,004	1	314,005	1,136,856	340,329	1,477,185
	Total	653,109	484	653,593	2,853,559	535,813	3,389,372

¹ Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

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

(in millions of Korean won)

		March 31, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	35	-	32,042	32,077	-	-	23,054	23,054
Associates	LG Display Co., Ltd. and its subsidiaries	475,818	-	68,260	544,078	1,148,204	-	94,129	1,242,333
	Ericsson-LG Co., Ltd. and its subsidiaries	44	-	212	256	1,121	-	-	1,121
	Hitachi-LG Data Storage Inc. and its subsidiaries ¹	-	1,277	105	1,382	33,787	-	476	34,263
	LG Fuel Cell Systems Inc. and its subsidiaries	-	13,438	708	14,146	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	100	100	-	-	-	-
	Subtotal	475,862	14,715	69,385	559,962	1,183,112	-	94,605	1,277,717
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	18,075	-	-	18,075	10,375	-	-	10,375
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,125	1,125
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	64	64
	LG-MRI LLC	62	-	185	247	5,851	-	2	5,853
	Subtotal	18,137	-	185	18,322	16,226	-	1,191	17,417
Other related parties	LG CNS Co., Ltd. and its subsidiaries	25,583	-	300	25,883	5,024	-	116,023	121,047
	SERVEONE Co., Ltd. and its subsidiaries	26,990	-	60,799	87,789	263,002	-	190,137	453,139
	LG Siltron Incorporated and its subsidiaries	960	-	-	960	-	-	-	-
	LUSEM CO., LTD.	10,933	-	-	10,933	267	-	26	293
	LG Management Development Institute	-	-	17,864	17,864	-	-	829	829
	LG SPORTS Ltd.	-	-	-	-	-	-	625	625
	LG MMA Ltd.	381	-	-	381	13	-	-	13
	LG Holdings Japan Co., Ltd.	-	-	3,806	3,806	-	-	-	-
	Subtotal	64,847	-	82,769	147,616	268,306	-	307,640	575,946

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		March 31, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Others ²	LG Chem Ltd. and its subsidiaries and associates	232,698	-	1,782	234,480	296,666	-	5,793	302,459
	LG INTERNATIONAL CORP and its subsidiaries	38,088	-	1,859	39,947	378,282	-	238,601	616,883
	LG Uplus Corp and its subsidiaries	176,783	-	2,001	178,784	2,402	-	172	2,574
	LG HAUSYS,LTD. and its subsidiaries and associates	5,808	-	624	6,432	8,494	-	2,316	10,810
	Silicon Works Co., Ltd.	891	-	-	891	2,361	-	-	2,361
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,005	-	-	1,005	82	-	1,122	1,204
	G R Inc. and its subsidiaries	157	-	643	800	-	-	139,319	139,319
	Subtotal	455,430	-	6,909	462,339	688,287	-	387,323	1,075,610
	Total	1,014,311	14,715	191,290	1,220,316	2,155,931	-	813,813	2,969,744

(in millions of Korean won)

		December 31, 2016							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	745	-	28,484	29,229	-	-	62	62
Associates	LG Display Co., Ltd. and its subsidiaries	415,581	-	22,056	437,637	958,168	-	81,919	1,040,087
	Ericsson-LG Co., Ltd. and its subsidiaries	235	-	529	764	706	-	-	706
	Hitachi-LG Data Storage Inc. and its subsidiaries	-	3,259	154	3,413	27,992	-	388	28,380
	LG Fuel Cell Systems Inc. and its subsidiaries	245	14,551	516	15,312	-	-	-	-
	Subtotal	416,061	17,810	23,255	457,126	986,866	-	82,307	1,069,173
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	4,082	-	421	4,503	344	-	-	344
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,180	1,180
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	72	72
	LG-MRI LLC	341	-	-	341	8,218	-	-	8,218
	Subtotal	4,423	-	421	4,844	8,562	-	1,252	9,814
Other related parties	LG CNS Co., Ltd. and its subsidiaries	12,306	-	606	12,912	13,268	-	160,882	174,150
	SERVEONE Co., Ltd. and its subsidiaries	31,598	-	60,826	92,424	232,796	-	228,632	461,428
	LG Siltron Incorporated and its subsidiaries	1,186	-	-	1,186	-	-	30	30
	LUSEM CO., LTD.	7,166	-	-	7,166	299	-	21	320
	LG Management Development Institute	-	-	17,875	17,875	-	-	1,552	1,552

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		December 31, 2016							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG MMA Ltd.	321	-	-	321	7	-	15	22
	LG Holdings Japan Co., Ltd.	-	-	3,952	3,952	-	-	8	8
	Subtotal	52,577	-	83,259	135,836	246,370	-	391,140	637,510
Others ²	LG Chem Ltd. and its subsidiaries and associates	102,241	-	32,789	135,030	256,563	-	6,139	262,702
	LG INTERNATIONAL CORP and its subsidiaries	58,437	-	15,539	73,976	227,331	-	229,847	457,178
	LG Uplus Corp and its subsidiaries	61,117	-	1,389	62,506	689	-	253	942
	LG HAUSYS,LTD. and its subsidiaries and associates	5,193	-	500	5,693	4,849	-	3,134	7,983
	Silicon Works Co., Ltd.	2,366	-	9	2,375	734	-	328	1,062
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,310	-	-	1,310	39	-	870	909
	LG LIFE SCIENCES, LTD. and its subsidiaries	1,224	-	-	1,224	-	-	-	-
	G R Inc. and its subsidiaries	139	-	-	139	26,805	-	132,793	159,598
	Subtotal	232,027	-	50,226	282,253	517,010	-	373,364	890,374
	Total	705,833	17,810	185,645	909,288	1,758,808	-	848,125	2,606,933

¹ During the period, the Group recognized additional equity method loss of \ 5,431 million for loans provided to Hitachi-LG Data Storage Inc. and others.

² Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

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- iii) Significant capital transactions with related parties and others for the three-month periods ended March 31, 2017 and 2016, are as follows:

(in millions of Korean won)

Classification Name		2017						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	-	-	7,413	-	-
Total		67,913	22,038	-	-	7,413	-	-

(in millions of Korean won)

Classification Name		2016						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Ericsson-LG Co., Ltd.	3,750	-	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	70	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	-	22,772	-	-	-
Total		71,633	22,038	-	22,772	-	-	-

- (b) The compensation paid or payable to key management personnel for the three-month periods ended March 31, 2017 and 2016, consist of:

(in millions of Korean won)	2017	2016
Wages and salaries	6,946	6,309
Post-employment benefits	1,197	1,363
Other long-term benefits	34	39
Total	8,177	7,711

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

- (c) There is no payment guarantee provided by the Group for the financial support of the related parties other than subsidiaries at the end of the reporting period.
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.

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- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

30. Risk Management

Financial Risk Management

The Group'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 Group to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

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

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

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

The carrying amount and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 5 and Note 11, respectively.

(a) Market risk

i) Foreign exchange risk

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

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

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

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As of March 31, 2017 and December 31, 2016, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency 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>	March 31, 2017		December 31, 2016	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(14,508)	14,508	(12,382)	12,382
EUR/KRW	35,938	(35,938)	31,934	(31,934)

ii) Interest rate risk

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

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

If interest rates fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	7,332	(7,332)	7,906	(7,906)
Interest expense	895	(895)	1,207	(1,207)

iii) Details of derivatives contracts are as follows:

Hedging purposes

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

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March 31, 2017	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Starting date	Expiration date
USD/KRW CRS	Shinhan Bank and others	USD 500	1,052.1 ~ 1,155.2	1ML+0.90 ~ 3ML+1.60	2.17 ~ 3.42	2013. 7.31 ~ 2017. 2. 2	2017. 6.19 ~ 2022. 2. 2
USD/BRL CRS	Standard Chartered and others	USD 90	3.2560 ~ 3.5670	1.30 ~ 2.14	11.40 ~ 12.89	2016. 4.22 ~ 2017. 1. 5	2017. 4.20 ~ 2017.12.29
KRW Interest rate swap	Woori Bank and others	KRW 1,270,000	-	3M CD+0.82 ~ 3M CD+1.14	2.75 ~ 4.53	2014. 1. 3 ~ 2017. 1.16	2024. 1. 3 ~ 2030. 7. 7

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 \ 35,414 million for the three-month period ended March 31, 2017 (2016: loss on valuation amounting to \ 56,093 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Group has reclassified \ 41,717 million to loss from equity for the three-month period ended March 31, 2017 (2016: \ 28,180 million to loss from equity). Therefore, other comprehensive gain from cash flow hedges amounts to \ 6,303 million for the three-month period ended March 31, 2017 (2016: loss on valuation amounting to \ 27,913 million) after applying the tax effect.

Trading purposes

The Group entered into the currency forward contracts to manage the risk against possible future changes in foreign exchange rates. The subsidiaries' currency forward contracts as of March 31, 2017, and related profit or loss for the three-month period ended March 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Loss on valuation	Loss on transaction
Currency forward	356,785	362,974	477	15,825

iv) Price risk

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

The listed securities owned by the Group are traded in the open 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 Group have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	March 31, 2017		December 31, 2016	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,350	(3,350)	3,575	(3,575)

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The valuation and the reclassified amounts of the available-for-sale financial assets related to the market risk above are presented in Note 7.

(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Group is \ 7,452,327 million (December 31, 2016: \ 7,146,370 million) and its risk is managed appropriately within insurer's credit limit of \ 27,956,799 million (December 31, 2016: \ 30,364,413 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

At the end of reporting period, the carrying value of financial assets represents net of impairment loss to reflect Group's maximum exposure to the credit risk.

(c) Liquidity risk

The Group forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively. The Group 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 Group maintains adequate amount of cash and committed credit facilities in Kookmin Bank, Shinhan Bank and others to cope with potential financial distress.

In addition, the Group is able to source funds any time in the domestic and international financial markets as of the end of reporting period because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB from Standard & Poors, and Baa3 from Moody's as of March 31, 2017.

- i) Cash flow information on maturity of financial liabilities as of March 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Trade payables	7,613,174	7,613,174	-	-	-
Borrowings	9,932,737	1,645,276	1,304,453	3,660,499	3,322,509
Other payables	2,736,359	2,734,319	1,044	750	246
Derivative liabilities	5,281	5,281	-	-	-
Total	20,287,551	11,998,050	1,305,497	3,661,249	3,322,755

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The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative liabilities that are not qualified for hedge accounting have been included at their fair value of ₩8,041 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. 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 Group to third party companies as of March 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	46,000	46,000	-	-	-

The above cash flow is the maximum amount of guarantees allocated to earliest period in which the Group can be required to make payments.

Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2017	December 31, 2016
Liability (A)	24,432,914	24,498,527
Equity (B)	13,691,595	13,356,742
Cash and cash equivalents (C)	3,031,859	3,015,137
Borrowings (D)	8,629,203	8,659,011
Debt-to-equity ratio (A/B)	178.5%	183.4%
Net borrowings ratio ((D-C)/B)	40.9%	42.3%

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Fair Value Estimation

(a) The book amount and fair value of the Group's financial assets and liabilities as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	474	474	-	-
Derivatives for hedging purposes				
Other financial assets	12,418	12,418	4	4
Available-for-sale financial assets				
Other financial assets	-	-	14,211	14,211
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	3,031,859	1	-	-
Deposits held by financial institutions	80,559	1	57,625	57,625
Trade receivables	7,360,072	1	-	-
Other receivables	518,025	1	481,525	466,863
Held-to-maturity financial assets				
Other financial assets	-	1	117	1
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	34,202	2
Total	11,003,407		587,684	

<i>(in millions of Korean won)</i>	March 31, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	5,281	5,281	-	-
Derivatives for hedging purposes				
Other financial liabilities	14,770	14,770	72,038	72,038
Liabilities at amortized cost				
Trade payables	7,613,174	1	-	-
Borrowings	1,379,519	1	7,249,684	7,374,681
Other payables	2,734,254	1	1,966	1,993
Other liabilities				
Other financial liabilities	80	3	-	3
Total	11,747,078		7,323,688	

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<i>(in millions of Korean won)</i>	December 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	557	557	-	-
Derivatives for hedging purposes				
Other financial assets	30,093	30,093	16,091	16,091
Available-for-sale financial assets				
Other financial assets	-	-	14,837	14,837
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	3,015,137	1	-	-
Deposits held by financial institutions	80,559	1	58,195	58,195
Trade receivables	7,059,889	1	-	-
Other receivables	545,766	1	490,178	477,590
Held-to-maturity financial assets				
Other financial assets	-	1	117	1
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	35,102	2
Total	10,732,001		614,520	

<i>(in millions of Korean won)</i>	December 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	8,041	8,041	-	-
Derivatives for hedging purposes				
Other financial liabilities	12,960	12,960	73,226	73,226
Liabilities at amortized cost				
Trade payables	6,746,361	1	-	-
Borrowings	1,650,511	1	7,008,500	7,194,685
Other payables	3,196,735	1	7,771	6,923
Other liabilities				
Other financial liabilities	114	3	-	3
Total	11,614,722		7,089,497	

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 March 31, 2017, 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. When measuring fair value using valuation techniques, the Group maximizes the use of market information and minimizes the use of unobservable inputs.

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

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

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. 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 Group 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 Group uses various valuation techniques that the company develops or figures that external valuation agencies provide, 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

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including discounting cash flow method.

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 March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,211	-	-	14,211
Financial assets at fair value through profit or loss	-	474	-	474
Derivatives for hedging purposes	-	12,422	-	12,422
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	5,281	-	5,281
Derivatives for hedging purposes	-	86,808	-	86,808
December 31, 2016				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,837	-	-	14,837
Financial assets at fair value through profit or loss	-	557	-	557
Derivatives for hedging purposes	-	46,184	-	46,184
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	8,041	-	8,041
Derivatives for hedging purposes	-	86,186	-	86,186

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.

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

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Valuation technique and inputs for fair value measurements categorized within 'level 2' as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2017	December 31, 2016		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	474	557	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	12,422	46,184	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	5,281	8,041	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	86,808	86,186	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

Changes in financial assets and financial liabilities that are measured at fair value and categorized within 'level 3' for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	-	1,202
Total gain(loss) for the period		
Loss included in profit for the period ¹	-	(354)
Gain included in other comprehensive income	-	3
Purchase, issue, sales and settlement		
Purchase	-	-
Sale and others	-	(102)
At March 31	-	749

¹ No gain and loss is included in profit for the period for the three-month period ended March 31, 2017 (2016: interest income \ 4 million and impairment loss \ 358 million).

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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 March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	57,625	57,625
Non-current other receivables	-	-	466,863	466,863
Liabilities				
Non-current borrowings	-	-	7,374,681	7,374,681
Non-current other payables	-	-	1,993	1,993

<i>(in millions of Korean won)</i>	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	58,195	58,195
Non-current other receivables	-	-	477,590	477,590
Liabilities				
Non-current borrowings	-	-	7,194,685	7,194,685
Non-current other payables	-	-	6,923	6,923

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

As of March 31, 2017, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 2'.

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017		December 31, 2016		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	57,625	57,625	58,195	58,195	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.8%
Non-current other receivables	481,525	466,863	490,178	477,590	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3% ~ 3.6%
Liabilities								
Non-current borrowings	7,249,684	7,374,681	7,008,500	7,194,685	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.6% ~ 3.4%
Non-current other payables	1,966	1,993	7,771	6,923	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7% ~ 2.5%

31. Assets Classified as Held for Sale

(a) Details of assets classified as held for sale as of March 31, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2017	December 31, 2016
Assets classified as held for sale		
Trade receivables ¹	4,464	-
Inventories ¹	75	-
Property, plant and equipment ¹	60	-
Investment property ²	-	8,906

¹ The Group plans to transfer certain assets and personnel from Home Entertainment segment to an entity in France within the first half of the year, 2017, for the improvement of business structure.

² The Group entered into a sales contract on December 2, 2016, and the investment property was sold in January 2017.

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