

LG Electronics

**Interim Consolidated Financial Statements
March 31, 2016 and 2015**

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Interim Consolidated Financial Statements	
Interim Consolidated Statements of Financial Position	3
Interim Consolidated Statements of Income	4
Interim Consolidated Statements of Comprehensive Income.....	5
Interim Consolidated Statements of Changes in Equity	6
Interim Consolidated Statements of Cash Flows	7
Notes to the Interim Consolidated Financial Statements	8 - 77



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 interim consolidated financial statements of LG Electronics Inc. and its subsidiaries (collectively the "Group"). These interim financial statements consist of the interim consolidated statement of financial position of the Group as of March 31, 2016, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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



Conclusion

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

Other matters

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

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

The image shows a handwritten signature in cursive script that reads "Samil PricewaterhouseCoopers". The signature is written in black ink and is positioned centrally on the page.

Seoul, Korea
May 16, 2016

This interim report is effective as of May 16, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim 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.

LG Electronics
Interim Consolidated Statements of Financial Position
March 31, 2016 and December 31, 2015

<i>(in millions of Korean won)</i>	Note	March 31, 2016 (Unaudited)	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	5,30	3,294,782	2,710,156
Financial deposits	5,30	87,649	87,454
Trade receivables	5,6,30	6,838,192	7,093,352
Loans and other receivables	5,6,30	564,178	654,141
Other financial assets	5,7,30	3,292	20,674
Inventories	8	5,417,754	4,872,676
Current income tax assets		162,060	161,314
Other current assets		993,416	794,227
Assets held for sale	32	17,536	3,619
		<u>17,378,859</u>	<u>16,397,613</u>
Non-current assets			
Financial deposits	5,30	70,407	69,970
Loans and other receivables	5,6,30	502,874	506,788
Other financial assets	5,7,30	78,265	84,810
Property, plant and equipment	9	10,359,786	10,460,298
Intangible assets	9	1,468,899	1,473,280
Deferred income tax assets		1,722,874	1,637,796
Investments in associates and joint ventures	10	4,768,307	4,841,861
Investment property		106,923	121,271
Other non-current assets		719,752	720,209
		<u>19,798,087</u>	<u>19,916,283</u>
Total assets		<u>37,176,946</u>	<u>36,313,896</u>
Liabilities			
Current liabilities			
Trade payables	5,30	6,561,359	6,086,975
Borrowings	5,11,30	2,973,157	2,326,128
Other payables	5,30	2,615,298	2,847,145
Other financial liabilities	5,7,30	32,237	13,823
Current income tax liabilities		94,519	76,575
Provisions	13	528,112	575,944
Other current liabilities		2,809,269	2,853,101
		<u>15,613,951</u>	<u>14,779,691</u>
Non-current liabilities			
Borrowings	5,11,30	6,318,521	6,501,122
Other payables	5,30	6,419	6,590
Other financial liabilities	5,7,30	99,283	69,926
Deferred income tax liabilities		4,780	5,800
Net defined benefit liabilities	12	965,893	787,610
Provisions	13	1,076,247	1,074,346
Other non-current liabilities		101,836	105,324
		<u>8,572,979</u>	<u>8,550,718</u>
Total liabilities		<u>24,186,930</u>	<u>23,330,409</u>
Equity attributable to owners of the Parent Company			
Paid-in capital:	14		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	15	9,066,795	9,016,546
Accumulated other comprehensive loss	16	(1,207,576)	(1,171,979)
Other components of equity	17	(210,343)	(210,343)
		<u>11,641,224</u>	<u>11,626,572</u>
Non-controlling interests		<u>1,348,792</u>	<u>1,356,915</u>
Total equity		<u>12,990,016</u>	<u>12,983,487</u>
Total liabilities and equity		<u>37,176,946</u>	<u>36,313,896</u>

LG Electronics
Interim Consolidated Statements of Income
Three-Month Periods Ended March 31, 2016 and 2015

<i>(in millions of Korean won, except per share amounts)</i>	Note	Three-Month Period Ended March 31	
		2016 (Unaudited)	2015 (Unaudited)
Continuing operations			
Net sales	18	13,362,090	13,994,449
Cost of sales	19	<u>10,038,408</u>	<u>10,906,191</u>
Gross profit		3,323,682	3,088,258
Selling and marketing expenses	19,20	1,514,095	1,541,019
Administrative expenses	19,20	327,803	354,510
Research and development expenses	19,20	650,036	616,071
Service costs	19,20	<u>326,585</u>	<u>271,413</u>
Operating income		505,163	305,245
Financial income	21	124,089	189,917
Financial expenses	22	244,965	292,816
Gain (loss) from equity method valuation	10	(22,370)	168,340
Other non-operating income	23	650,568	435,141
Other non-operating expenses	24	<u>730,915</u>	<u>756,119</u>
Profit before income tax		281,570	49,708
Income tax expense		<u>83,502</u>	<u>11,241</u>
Profit for the period from continuing operations		<u>198,068</u>	<u>38,467</u>
Discontinued operations			
Loss for the period from discontinued operations	33	<u>-</u>	<u>(32)</u>
Profit for the period		<u>198,068</u>	<u>38,435</u>
Profit (loss) for the period attributable to:			
Equity holders of the Parent Company			
Continuing operations		190,647	2,281
Discontinued operations		<u>-</u>	<u>(38)</u>
		<u>190,647</u>	<u>2,243</u>
Non-controlling interests			
Continuing operations		7,421	36,186
Discontinued operations		<u>-</u>	<u>6</u>
		<u>7,421</u>	<u>36,192</u>
Earnings per share attributable to the equity holders of the Parent Company during the period (in won):			
Earnings per share for profit attributable to the common equity holders of the Parent Company			
From continuing operations		1,058	11
From discontinued operations		-	-
Earnings per share for profit attributable to the preferred equity holders of the Parent Company			
From continuing operations		1,070	24
From discontinued operations		-	-

LG Electronics
Interim Consolidated Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2016 and 2015

(in millions of Korean won)

	Note	Three-Month Period Ended March 31	
		2016 (Unaudited)	2015 (Unaudited)
Profit for the period		198,068	38,435
Other comprehensive income (loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability	12	(72,254)	(92,662)
Share of remeasurements for the net defined benefit liability of associates	10	(658)	(624)
Items that will be reclassified subsequently to profit or loss:			
Other comprehensive income from associates and joint ventures	10	(4,661)	74
Cash flow hedges	30	(27,913)	(12,306)
Available-for-sale financial assets	7	(22)	1,710
Currency translation differences		(7,491)	(91,857)
Other comprehensive loss for the period, net of tax		(112,999)	(195,665)
Total comprehensive income (loss) for the period, net of tax		85,069	(157,230)
Comprehensive income (loss) for the period, net of tax, attributable to:			
Equity holders of the Parent Company		87,537	(190,629)
Non-controlling interests		(2,468)	33,399

LG Electronics
Interim Consolidated Statements of Changes in Equity
Three-Month Periods Ended March 31, 2016 and 2015

		Attributable to equity holders of the Parent Company						
		Paid-in	Retained	Accumulated Other Comprehensive	Other Components of Equity	Total	Non-controlling Interests	Total Equity
		Capital	Earnings	Income(loss)				
<i>(in millions of Korean won)</i>	Note							
Balance at January 1, 2015		3,992,348	9,081,044	(1,143,557)	(210,412)	11,719,423	1,271,674	12,991,097
Comprehensive income:								
Profit for the period		-	2,243	-	-	2,243	36,192	38,435
Remeasurements of the net defined benefit liability	12	-	(85,700)	-	-	(85,700)	(6,962)	(92,662)
Share of remeasurements for the net defined benefit liability of associates	10	-	(624)	-	-	(624)	-	(624)
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	10	-	-	74	-	74	-	74
Cash flow hedges	30	-	-	(12,306)	-	(12,306)	-	(12,306)
Available-for-sale financial assets	7	-	-	1,710	-	1,710	-	1,710
Currency translation differences		-	-	(96,026)	-	(96,026)	4,169	(91,857)
Total comprehensive income		-	(84,081)	(106,548)	-	(190,629)	33,399	(157,230)
Transactions with equity holders:								
Dividends	15	-	(72,885)	-	-	(72,885)	(6,792)	(79,677)
Total transactions with equity holders		-	(72,885)	-	-	(72,885)	(6,792)	(79,677)
Balance at March 31, 2015 (Unaudited)		3,992,348	8,924,078	(1,250,105)	(210,412)	11,455,909	1,298,281	12,754,190
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
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 for the net defined benefit liability of associates	10	-	(658)	-	-	(658)	-	(658)
Share of other comprehensive income (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)
Currency translation differences		-	-	(3,001)	-	(3,001)	(4,490)	(7,491)
Total comprehensive income		-	123,134	(35,597)	-	87,537	(2,468)	85,069
Transactions with equity holders:								
Dividends	15	-	(72,885)	-	-	(72,885)	(4,904)	(77,789)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(751)	(751)
Total transactions with equity holders		-	(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

LG Electronics
Interim Consolidated Statements of Cash Flows
Three-Month Periods Ended March 31, 2016 and 2015

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	26	803,932	59,088
Interest received		14,490	19,918
Interest paid		(114,983)	(116,628)
Dividends received		3,798	3,292
Income tax paid		(109,942)	(83,705)
Net cash inflow (outflow) from operating activities		597,295	(118,035)
Cash flows from investing activities			
Decrease in financial deposits		34,635	10,655
Decrease in loans and other receivables		36,635	58,597
Proceeds from disposal of other financial assets		18,582	21,206
Proceeds from disposal of property, plant and equipment		15,919	8,517
Proceeds from disposal of intangible assets		37	712
Transfer of business	26	3,606	-
Decrease in others		133	765
Increase in financial deposits		(35,373)	(8,395)
Increase in loans and other receivables		(46,929)	(44,558)
Acquisition of other financial assets		(5,437)	(13,851)
Acquisition of property, plant and equipment		(314,351)	(484,353)
Acquisition of intangible assets		(117,891)	(168,634)
Business combination	31	(5,600)	(7,691)
Net cash outflow from investing activities		(416,034)	(627,030)
Cash flows from financing activities			
Proceeds from borrowings		578,923	1,129,576
Repayments of borrowings		(142,315)	(538,113)
Dividends paid		(498)	-
Net cash inflow from financing activities		436,110	591,463
Exchange losses on cash and cash equivalents		(32,745)	(56,546)
Net increase (decrease) in cash and cash equivalents		584,626	(210,148)
Cash and cash equivalents at the beginning of period		2,710,156	2,244,406
Cash and cash equivalents at the end of period		3,294,782	2,034,258

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

1. General Information

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

As of March 31, 2016, 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 five major business segments: Home Appliance & Air solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, 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 Co., Ltd. manufactures and sells LED, optics solutions, substrate materials, and automotive components businesses. The Parent Company has 127 subsidiaries as of March 31, 2016, which are as follows:

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

(a) Consolidated subsidiaries as of March 31, 2016 and December 31, 2015, are as follows:

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		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 II	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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		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)	100.0%	-	-	-	December	Production of Electronic products	More than half of voting rights
	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%	-	-	-	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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		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 Shenyang Inc.(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	33.3%	66.7%	33.3%	December	Production of Heater	More than half of voting rights
	China	LG Innotek Yantai Co., Ltd.(LGITYT) ¹	40.8%	59.2%	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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	India	LG Electronics India Pvt. Ltd.(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and Sales of Electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(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 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
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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
Europe	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGE SC)	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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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
	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.(LGECL)	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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) ¹	40.8%	59.2%	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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	80.0%	20.0%	80.0%	December	Sales of Electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	SOCIO VIP Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	C&S America Solutions	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	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	De-facto control
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	Hi.M Solutek HVAC Service and Maintenance LLC	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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

Territory	Location	Subsidiaries	March 31, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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

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

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

⁴ In the preparation of consolidated financial statements, the financial statements for the three-month period ended March 31, 2016, were used for those subsidiaries with different fiscal year ends.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(b) Financial information of major subsidiaries as of March 31, 2016 and December 31, 2015, and for the three-month periods ended March 31, 2016 and 2015, is as follows (Before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	March 31, 2016			2016	
	Assets	Liabilities	Equity	Sales	Net Income (loss)
LG Innotek Co., Ltd.	3,535,700	2,015,150	1,520,550	1,107,742	(22,628)
LG Electronics U.S.A., Inc.(LGEUS)	2,352,426	2,010,594	341,832	1,653,399	(32,608)
LG Electronics European Shared Service Center B.V.(LGESC)	1,281,531	1,250,398	31,133	67,323	3,165
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	1,035,986	901,331	134,655	1,591,615	11,062
Zenith Electronics Corporation(Zenith)	1,151,496	20,792	1,130,704	51,451	15,873
LG Electronics do Brasil Ltda.(LGEBR)	839,276	699,104	140,172	309,852	9
LG Electronics (China) Co. Ltd.(LGECH)	727,187	764,074	(36,887)	234,220	(5,411)
LG Electronics India Pvt. Ltd.(LGEIL)	910,144	424,702	485,442	605,766	61,429
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	608,609	472,998	135,611	714,361	11,363
LG Electronics Mlawa Sp. z o.o.(LGEMA)	598,990	238,200	360,790	364,448	3,354
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	697,722	587,649	110,073	375,465	33,177
LG Electronics RUS, LLC(LGERA)	555,802	215,506	340,296	312,796	25,935
LG Electronics Wroclaw Sp.z.o.o.(LGEWR)	462,928	278,584	184,344	394,503	7,334
LG Electronics Reynosa S.A. DE C.V.(LGERs)	628,609	282,346	346,263	541,511	65,321
LG Electronics Egypt S.A.E(LGEEG)	465,248	493,794	(28,546)	141,115	(32,998)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	528,504	275,391	253,113	319,700	16,647
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	484,009	334,901	149,108	278,856	13,671
Hiplaza Co., Ltd.	504,657	361,965	142,692	363,718	(1,401)
P.T. LG Electronics Indonesia(LGEIN)	453,545	177,108	276,437	312,158	18,961
LG Electronics Thailand Co., Ltd.(LGETH)	494,573	262,915	231,658	312,811	17,163
LG Electronics Mexico S.A. DE C.V.(LGEMS)	488,029	413,889	74,140	343,404	3,625
LG Electronics Nanjing New Technology Co., LTD(LGENT)	386,964	215,558	171,406	375,718	14,357

<i>(in millions of Korean won)</i>	December 31, 2015			2015	
	Assets	Liabilities	Equity	Sales	Net Income (loss)
LG Innotek Co., Ltd.	3,598,753	2,038,249	1,560,504	1,430,527	25,291
LG Electronics U.S.A., Inc.(LGEUS)	2,604,240	2,225,082	379,158	1,273,196	(2,159)
LG Electronics European Shared Service Center B.V.(LGESC)	1,463,216	1,435,769	27,447	55,423	1,591
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	1,422,461	1,296,625	125,836	1,649,356	2,575
Zenith Electronics Corporation(Zenith)	1,158,934	25,421	1,133,513	54,349	16,636
LG Electronics do Brasil Ltda.(LGEBR)	845,113	710,508	134,605	795,728	(4,110)
LG Electronics (China) Co. Ltd.(LGECH)	819,831	851,696	(31,865)	361,960	11,976
LG Electronics India Pvt. Ltd.(LGEIL)	721,565	289,990	431,575	567,811	35,918
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	711,388	586,285	125,103	722,360	15,271
LG Electronics Mlawa Sp. z o.o.(LGEMA)	660,449	309,582	350,867	477,377	13,716

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	December 31, 2015			2015	
	Assets	Liabilities	Equity	Sales	Net Income (loss)
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	622,130	543,409	78,721	118,418	(2,813)
LG Electronics RUS, LLC(LGERA)	582,293	287,013	295,280	334,241	(16,406)
LG Electronics Wroclaw Sp.z.o.o(LGEWR)	538,236	364,485	173,751	358,026	12,294
LG Electronics Reynosa S.A. DE C.V.(LGERS)	537,263	248,987	288,276	431,736	4,987
LG Electronics Egypt S.A.E(LGEEG)	500,455	497,945	2,510	129,274	(13,373)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	475,424	237,458	237,966	378,763	18,557
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	473,044	336,579	136,465	309,918	9,492
Hiplaza Co., Ltd.	471,017	324,739	146,278	298,192	(8,813)
P.T. LG Electronics Indonesia(LGEIN)	456,463	193,262	263,201	347,991	(1,519)
LG Electronics Thailand Co., Ltd.(LGETH)	411,732	198,365	213,367	300,599	9,619
LG Electronics Mexico S.A. DE C.V.(LGEMS)	370,466	300,400	70,066	376,213	14,689
LG Electronics Nanjing New Technology Co., LTD(LGENT)	373,211	215,085	158,126	320,836	4,613

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

- LG Innotek Co., Ltd. and its subsidiaries

i) Non-controlling interest rate of subsidiaries and accumulated non-controlling interest, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Non-controlling interest rate of subsidiaries	59.2%	59.2%
Accumulated non-controlling interest	1,022,266	1,048,029

ii) Profit and dividends attributed to non-controlling interest, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Profit attributed to non-controlling interest	(8,326)	15,963
Dividends to non-controlling interest	4,904	3,503

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current assets	3,812,151	3,914,338
Non-current assets	1,715,576	1,788,891
Total assets	2,096,575	2,125,447
Current liabilities	2,079,297	2,149,283
Non-current liabilities	1,387,908	1,295,457
Total liabilities	691,389	853,826
Equity of the owners of Parent Company	1,732,854	1,765,055
Non-controlling interest	1,732,852	1,765,053
Total equity	2	2

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

- iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2016 and 2015, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2016	2015
Net sales	1,195,035	1,541,267
Profit (loss) for the period	(12,119)	28,123
Other comprehensive loss, net of tax	(11,799)	(8,346)
Total comprehensive income (loss), net of tax	(23,918)	19,777

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interest for the three-month periods ended March 31, 2016 and 2015, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2016	2015
Cash flows from operating activities	93,239	242,043
Cash flows from investing activities	(100,805)	(111,313)
Cash flows from financing activities	19,764	(112,247)
Exchange gains on cash and cash equivalents	(492)	31
Net increase in cash and cash equivalents	11,706	18,514
Cash and cash equivalents at the beginning of the period	360,286	396,451
Cash and cash equivalents at the end of the period	371,992	414,965

(d) Significant restrictions on its subsidiaries

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

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

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

Subsidiaries	The nature and limitation of the protective rights for non-controlling interest
LG Hitachi Water Solution Co., Ltd.	<p>For the following special resolutions of the board of directors, consents from directors who were appointed by non-controlling interest holder are required.</p> <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 Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

<u>Subsidiaries</u>	<u>The nature and limitation of the protective rights for non-controlling interest</u>
LG-Shaker Co., Ltd.(LGESR)	Unanimous approval is required for the confirmation of financial statements and dividend declaration.

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

There are no changes in the Parent Company's interest in the subsidiaries without loss of control for the three-month periods ended March 31, 2016 and 2015.

- (f) Subsidiaries newly included in the consolidation for the three-month period ended March 31, 2016, are:

<u>Subsidiary</u>	<u>Reason</u>	<u>Country</u>	<u>Percentage of ownership</u>	<u>Closing month</u>	<u>Major business</u>
LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB)	Newly established	China	100.0%	December	Production of Electronic products
LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	Newly established	China	100.0%	December	Production of Electronic products
Hi.M Solutek HVAC Service and Maintenance LLC	Newly established	UAE	100.0%	December	Services

- (g) Subsidiary excluded from the consolidation for the three-month period ended March 31, 2016, is:

<u>Subsidiary</u>	<u>Reason</u>	<u>Country</u>
Innovation Investment Fund	Liquidation	Korea

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

During the period, no gain or loss was incurred from the loss of control over Innovation Investment Fund resulting from liquidation.

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 the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying interim consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

The interim consolidated financial statements for the three-month period ended March 31, 2016, have been prepared in accordance with Korean IFRS 1034, 'Interim Financial Reporting'. These

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

interim consolidated financial statements have been prepared in accordance with the Korean IFRS standards and interpretations effective at March 31, 2016.

Changes in Accounting Policy and Disclosures

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

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

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

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

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

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

- Amendment to Korean IFRS 1110, 'Consolidated Financial Statements', Korean IFRS 1112, 'Disclosures of Interests in Other Entities: Exemption for consolidation of investee', and Korean IFRS 1028, Investments in Associates and Joint ventures (Date of amendment: May 2015)

Korean IFRS 1110, 'Consolidated Financial Statements', provides the exemption from preparing the consolidated financial statements in case an immediate parent company is also an investment entity, and clarifies that the investment entity is required to measure its investment in a subsidiary at fair value where that subsidiary provides services in support of the investment entity's activities. Korean IFRS 1028, 'Investments in Associates and Joint Ventures', provides the exemption from applying the equity method on the financial statements in case an immediate parent company is also an investment entity. When applying the equity method to an associate and a joint venture, which are also investment entities, these investment entities measure all of their subsidiaries based on their financial statements at fair value. Korean IFRS 1112, 'Disclosures of Interests in Other Entities' clarifies that an investment entity which does not prepare consolidated financial statements should provide disclosures relating to the investment entity required by Korean IFRS 1112. The application of this amendment does not have an impact on the accompanying consolidated financial statements.

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

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

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

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

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

through profit or loss is also permitted. The Group is in the process of determining the effects resulting from the adoption of the new standard.

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

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

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

Application of Accounting Policies

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

Income Tax Expense

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

3. Critical Accounting Estimates and Judgments

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

Critical Accounting Estimates and Assumptions

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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

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 data.

(f) Net Defined Benefit Liability

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis. 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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

Significant Judgment on Accounting Policies Adopted by the Group

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

4. Segment Information

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

Divisions	Products
Home 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, Security devices, Audio, Video and others
Vehicle Components (VC)	Vehicle components and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	LED, Display & Network, Substrate & Material, Optics solution, Auto & Motor and others
Other segments	Display materials, Lighting solutions, Solar energy systems and others

(a) The segment information for sales and operating income (loss) for the three-month periods ended March 31, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	2016							Total
	H&A	MC	HE	VC	Innotek	Other segments¹	Inter-segment transactions²	
Net 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 income (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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	2015							Total
	H&A	MC	HE	VC	Innotek	Other segments ¹	Inter-segment transactions ²	
Net sales	4,063,113	3,508,356	4,436,709	382,621	1,541,267	504,212	(441,829)	13,994,449
External sales	4,061,392	3,508,194	4,436,529	382,615	1,206,603	399,116	-	13,994,449
Internal sales	1,721	162	180	6	334,664	105,096	(441,829)	-
Operating income (loss) ³	229,486	56,842	(6,156)	(2,417)	69,036	(41,546)	-	305,245
Depreciation and amortization	115,881	74,692	99,650	18,476	123,999	44,633	-	477,331

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

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

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

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

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
H&A	11,928,394	7,729,614	11,339,667	7,378,446
MC	7,065,107	5,811,565	7,452,814	5,920,010
HE	10,508,865	10,214,223	10,590,961	10,559,044
VC	1,833,934	1,658,050	1,683,449	1,473,062
Innotek	3,812,151	2,079,297	3,914,338	2,149,283
Subtotal¹	35,148,451	27,492,749	34,981,229	27,479,845
Other segments and inter-segment transactions	2,028,495	(3,305,819)	1,332,667	(4,149,436)
Total	37,176,946	24,186,930	36,313,896	23,330,409

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

(c) External sales by geographic areas for the three-month periods ended March 31, 2016 and 2015, and non-current assets by geographic areas as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	External sales		Non-current assets ¹	
	2016	2015	March 31, 2016	December 31, 2015
Geographic areas				
Korea	3,350,481	3,615,543	9,461,460	9,544,117
North America	3,935,842	3,647,532	327,973	334,591
Asia	1,512,930	1,451,248	651,065	649,060
Europe	1,553,638	1,380,182	264,097	263,568
South America	785,212	1,278,091	160,011	154,903
Middle East & Africa	1,120,942	1,268,180	169,056	189,698
China	749,000	890,392	769,277	792,143
Others	354,045	463,281	132,669	126,769
Total	13,362,090	13,994,449	11,935,608	12,054,849

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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

- (d) There is no external customer representing more than 10% of net sales for the three-month periods ended March 31, 2016 and 2015.

5. Financial Instruments by Category

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

<i>(in millions of Korean won)</i>	March 31, 2016					
	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	-	3,294,782	-	-	-	3,294,782
Financial deposits	-	158,056	-	-	-	158,056
Trade receivables	-	6,838,192	-	-	-	6,838,192
Loans and other receivables	-	1,067,052	-	-	-	1,067,052
Other financial assets	786	-	57,613	2,623	20,535	81,557
Total	786	11,358,082	57,613	2,623	20,535	11,439,639

<i>(in millions of Korean won)</i>	March 31, 2016			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Trade payables	-	6,561,359	-	6,561,359
Borrowings	-	9,291,678	-	9,291,678
Other payables	-	2,621,717	-	2,621,717
Other financial liabilities	18,875	-	112,645	131,520
Total	18,875	18,474,754	112,645	18,606,274

<i>(in millions of Korean won)</i>	December 31, 2015					
	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	-	2,710,156	-	-	-	2,710,156
Financial deposits	-	157,424	-	-	-	157,424
Trade receivables	-	7,093,352	-	-	-	7,093,352
Loans and other receivables	-	1,160,929	-	-	-	1,160,929
Other financial assets	13,806	-	54,406	2,638	34,634	105,484
Total	13,806	11,121,861	54,406	2,638	34,634	11,227,345

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

December 31, 2015				
<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Trade payables	-	6,086,975	-	6,086,975
Borrowings	-	8,827,250	-	8,827,250
Other payables	-	2,853,735	-	2,853,735
Other financial liabilities	3,368	-	80,381	83,749
Total	3,368	17,767,960	80,381	17,851,709

(b) Income and expenses by category of financial instruments for the three-month periods ended March 31, 2016 and 2015, are as follows:

2016						
<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Held-to- maturity financial assets	Other	Total
Interest income	-	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
Gain on valuation of available- for-sale financial assets, net of tax (through other comprehensive income)	-	-	(22)	-	-	(22)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	(2,351)	(2,351)

2016				
<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(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 income)	-	-	(25,562)	(25,562)
Others	-	(735)	27	(708)

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	2015					Total
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	23,061	29	21	-	23,111
Exchange differences	-	(90,877)	-	-	-	(90,877)
Bad debt expenses	-	(23,493)	-	-	-	(23,493)
Loss on disposal of trade receivables	-	(6,128)	-	-	-	(6,128)
Gain on disposal of available-for-sale financial assets	-	-	521	-	-	521
Dividend income	-	-	284	-	-	284
Gain on derivatives (through profit or loss)	19,060	-	-	-	-	19,060
Gain for the period from discontinued operations	4	1,426	-	-	-	1,430
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	1,710	-	-	1,710
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	1,169	1,169

<i>(in millions of Korean won)</i>	2015			Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	
Interest expenses	-	(99,070)	(10,040)	(109,110)
Exchange differences	-	(288,256)	69,196	(219,060)
Loss on derivatives (through profit or loss)	(10,358)	-	-	(10,358)
Loss for the period from discontinued operations	(5)	(386)	-	(391)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(13,475)	(13,475)
Others	-	(4,525)	26	(4,499)

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

6. Trade Receivables, and Loans and Other Receivables

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

<i>(in millions of Korean won)</i>	March 31, 2016			December 31, 2015		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current						
Trade receivables	6,969,756	(131,564)	6,838,192	7,237,329	(143,977)	7,093,352
Loans and other receivables	581,263	(17,085)	564,178	670,776	(16,635)	654,141
Non-current						
Loans and other receivables	503,029	(155)	502,874	506,907	(119)	506,788

(b) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016				
	At Jan. 1	Addition (Reversal)	Write-off	Other	At Mar. 31
Trade receivables	143,977	(12,681)	(2,117)	2,385	131,564
Loans and other receivables					
Current	16,635	562	(211)	99	17,085
Non-current	119	36	-	-	155
<i>(in millions of Korean won)</i>	2015				
	At Jan. 1	Addition (Reversal)	Write-off	Other	At Mar. 31
Trade receivables	127,865	22,766	(7,088)	(1,143)	142,400
Loans and other receivables					
Current	19,180	(185)	(67)	(785)	18,143
Non-current	60	(8)	-	-	52

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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

<i>(in millions of Korean won)</i>	March 31, 2016				December 31, 2015			
	Trade receivables	Loans and other receivables		Total	Trade receivables	Loans and other receivables		Total
		Current	Non-current			Current	Non-current	
Current	6,198,776	502,364	492,165	7,193,305	6,039,338	606,189	504,877	7,150,404
Past due but not impaired								
Up to 6 months	616,896	45,683	9,416	671,995	998,920	21,653	1,985	1,022,558
7 to 12 months	48,410	11,738	1,443	61,591	86,335	21,091	1	107,427
Over 1 year	8,515	6,485	5	15,005	12,725	5,693	44	18,462
Subtotal	673,821	63,906	10,864	748,591	1,097,980	48,437	2,030	1,148,447
Impaired	97,159	14,993	-	112,152	100,011	16,150	-	116,161
Total	6,969,756	581,263	503,029	8,054,048	7,237,329	670,776	506,907	8,415,012

- (d) There are no financial assets transferred, but not derecognized in their entirety, and no associated liabilities recognized as of March 31, 2016.

7. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Other financial assets		
Derivatives	21,321	48,440
Available-for-sale	57,613	54,406
Held-to-maturity	2,623	2,638
Total	81,557	105,484
Current	3,292	20,674
Non-current	78,265	84,810
Other financial liabilities		
Derivatives	131,017	83,170
Financial guarantee liabilities	503	579
Total	131,520	83,749
Current	32,237	13,823
Non-current	99,283	69,926

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	786	18,875	13,806	3,368
Currency swap	-	13,141	4,347	10,184
Subtotal	786	32,016	18,153	13,552
Non-current				
Currency swap	20,535	-	30,287	-
Interest rate swap	-	99,001	-	69,618
Subtotal	20,535	99,001	30,287	69,618
Total	21,321	131,017	48,440	83,170

The details of derivative contracts are described in Note 30.

(c) Available-for-sale financial assets

i) Changes in available-for-sale financial assets for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016							
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Reclassification	Impairment	Others	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

<i>(in millions of Korean won)</i>	2015							
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Reclassification ¹	Impairment	Others	At Mar. 31
Listed equity securities	13,107	-	-	2,261	(1,369)	-	-	13,999
Unlisted equity securities	34,356	1,321	(7)	-	-	-	(5)	35,665
Debt securities	1,422	-	(87)	(4)	-	-	25	1,356
Total	48,885	1,321	(94)	2,257	(1,369)	-	20	51,020

¹ Listed equity securities amounting to ₩1,369 million were reclassified as assets held for sale.

ii) As of March 31, 2016, there is no available-for-sale financial asset to be disposed of.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(d) Details of held-to-maturity financial assets as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Within 1 year	2,506	2,521
1 to 5 years	117	117
	<u>2,623</u>	<u>2,638</u>

The amount recognized as interest income in relation to held-to-maturity financial assets for the three-month period ended March 31, 2016, is ₩21 million (2015: ₩21 million). No impairment losses were recognized in relation to held-to-maturity financial assets.

8. Inventories

(a) Inventories as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016			December 31, 2015		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,087,927	(102,478)	2,985,449	2,945,563	(91,114)	2,854,449
Work-in-process	422,577	(10,286)	412,291	297,787	(9,474)	288,313
Raw materials and supplies	1,745,558	(40,618)	1,704,940	1,486,266	(50,777)	1,435,489
Other	347,964	(32,890)	315,074	326,974	(32,549)	294,425
Total	<u>5,604,026</u>	<u>(186,272)</u>	<u>5,417,754</u>	<u>5,056,590</u>	<u>(183,914)</u>	<u>4,872,676</u>

9. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	10,460,298	10,596,853
Acquisitions	280,383	376,058
Acquisitions from business combination	-	2,513
Transfer-in	-	1,282
Reclassification to assets held for sale	-	(25,201)
Disposals and others	(13,426)	(14,669)
Depreciation	(349,286)	(387,173)
Impairment	(13,816)	(11,264)
Exchange differences	(4,367)	(63,388)
At March 31	<u>10,359,786</u>	<u>10,475,011</u>

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(b) Line items including depreciation for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	279,754	303,308
Selling and marketing expenses	11,100	11,982
Administrative expenses	21,470	21,688
Research and development expense	27,477	32,971
Service costs	3,821	4,079
Other non-operating expenses	5,664	13,027
Subtotal	349,286	387,055
Discontinued operations	-	118
Total	349,286	387,173

(c) Changes in intangible assets for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,473,280	1,394,336
Acquisitions	36,122	39,016
Acquisitions through internal development	68,652	61,380
Acquisitions from business combination	-	5,121
Disposals and others	(3,316)	(7,296)
Amortization	(105,007)	(103,304)
Impairment	(1,418)	(1,317)
Exchange differences	586	(1,325)
At March 31	1,468,899	1,386,611

(d) Line items including amortization of intangible assets for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	55,832	52,895
Selling and marketing expenses	4,765	6,838
Administrative expenses	23,573	27,438
Research and development expenses	20,273	15,539
Service costs	564	593
Subtotal	105,007	103,303
Discontinued operations	-	1
Total	105,007	103,304

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

10. Investments in associates and joint ventures

(a) Details of investments in associates and joint ventures

- i) Carrying amounts of investments in associates and joint ventures as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Associates	4,571,896	4,648,197
Joint ventures	196,411	193,664
Total	4,768,307	4,841,861

- ii) Investments in associates as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016				December 31, 2015			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	4,549,421	(58,903)	4,490,518	679,218	4,621,566	(59,197)	4,562,369
Ericsson-LG Co., Ltd	26,629	74,590	(44)	74,546	26,629	78,983	(49)	78,934
Hitachi-LG Data Storage Inc.(HLDS)	51,184	(67,903)	(1,330)	-	51,184	(19,761)	(1,482)	-
Korea Information Certificate Authority Inc.	852	3,649	-	3,649	852	3,605	-	3,605
LG Fuel Cell Systems Inc.	44,051	(3,071)	-	-	44,051	(77)	-	-
SKT Vietnam PTE., Ltd.	72,194	780	-	-	72,194	793	-	-
One-Red, LLC ¹	3,128	3,183	-	3,183	3,128	3,289	-	3,289
Total	877,256	4,560,649	(60,277)	4,571,896	877,256	4,688,398	(60,728)	4,648,197

¹ The financial statements as of February 29, 2016, were used due to a different closing date.

- iii) Investments in joint ventures as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016				December 31, 2015			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	115,234	139,333	-	139,333	115,234	137,638	-	137,638
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	42,502	(775)	41,727	14,718	41,417	(134)	41,283
EIC PROPERTIES PTE LTD.	9,636	14,604	-	14,604	9,636	14,063	-	14,063
LG-MRI LLC	516	747	-	747	516	680	-	680
Total	140,104	197,186	(775)	196,411	140,104	193,798	(134)	193,664

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(b) Associates and joint ventures

i) Associates are as follows:

	Location	Closing Month	Percentage of ownership	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9%	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0%	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	Production and supply of data storages
Korea Information Certificate Authority Inc. ¹	Korea	December	7.5%	Certificate services
LG Fuel Cell Systems Inc.	USA	December	29.2%	R&D of fuel cell
SKT Vietnam PTE., Ltd.	Singapore	December	25.4%	Communication services
One-Red, LLC	USA	March	25.0%	DVD related patent licensing
Hi Logistics (China) Co.,Ltd. ²	China	December	35.0%	Services of Logistics

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

² Reclassified as assets held for sale (Note 32).

ii) Joint ventures are as follows:

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

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

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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

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

i) Changes in investments in associates for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Opening carrying amount	4,648,197	4,408,091
Gain from equity method ¹	612	166,409
Share of other comprehensive income (loss) of associates	(5,295)	3,636
Dividend/ recovery	(71,633)	(71,123)
Exchange differences	15	-
Reclassification to assets held for sale	-	(28,598)
Closing carrying amount	4,571,896	4,478,415

¹ The Group recognized additional equity method loss of ₩22,772 million and ₩2,994 million for loans of Hitachi-LG Data Storage Inc. and LG Fuel Cell Systems Inc., respectively.

ii) Changes in the carrying amount of investments in joint ventures for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Opening carrying amount	193,664	186,370
Gain from equity method	2,784	1,931
Share of other comprehensive loss of joint ventures	(24)	(4,093)
Exchange differences	(13)	-
Closing carrying amount	196,411	184,208

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

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current assets	22,177,943	22,577,160
Non-current assets	8,856,127	9,531,634
Total assets	13,321,816	13,045,526
Current liabilities	9,677,306	9,872,204
Non-current liabilities	5,776,163	6,606,712
Total liabilities	3,901,143	3,265,492
Equity of the owners of LG Display Co., Ltd.	12,500,637	12,704,956
Non-controlling interests	12,002,612	12,192,952
Total equity	498,025	512,004

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	2016	2015
Net sales	5,989,201	7,022,349
Profit for the period	1,187	475,751
Equity of the owners of LG Display Co., Ltd.		
Profit for the period	2,444	458,224
Other comprehensive income (loss), net of tax	(13,876)	7,484
Total comprehensive income (loss), net of tax	(11,432)	465,708
Dividends received from associates	67,813	67,813

(e) Reconciliations of the summarized financial information of an associate material to the reporting entity to the carrying amount of the Group's interest for the three-month periods ended March 31, 2016 and 2015, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2016	2015
Opening equity attributable to owners of LG Display Co., Ltd.	12,192,952	11,431,412
Profit for the period	2,444	458,224
Other comprehensive income (loss), net of tax	(13,876)	7,484
Dividends	(178,908)	(178,908)
Closing equity attributable to owners of LG Display Co., Ltd.	12,002,612	11,718,212
Group ownership(%)	37.9	37.9
The Group's share at the end of the reporting period	4,549,421	4,441,623
Unrealized gain	(58,903)	(56,271)
Carrying amount at the reporting date	4,490,518	4,385,352

(f) The Group's share in the operating results in the individually insignificant associates and joint ventures for the three-month periods ended March 31, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Associates	Joint ventures	Associates	Joint ventures
Profit (loss) for the period	(51,908)	3,444	(2,373)	2,623
Other comprehensive income (loss), net of tax	114	(42)	119	(4,092)
Total comprehensive income (loss), net of tax	(51,794)	3,402	(2,254)	(1,469)

(g) Accumulated comprehensive losses that were not recognized due to discontinuation of the equity method as of March 31, 2016 and December 31, 2015, and losses for the three-month period ended March 31, 2016 and the year ended December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Losses of the equity-method investees	Accumulated losses of the equity-method investees	Losses of the equity-method investees	Accumulated losses of the equity-method investees
Hitachi-LG Data Storage Inc.(HLDS)	25,218	46,461	17,666	21,243

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

(h) The fair value and book value of marketable associate securities as of March 31, 2016 and December 31, 2015, are as follows:

March 31, 2016					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book value
LG Display Co., Ltd.	Associate	135,625,000	26,600	3,607,625	4,490,518
Korea Information Certificate Authority Inc.	Associate	2,000,000	9,850	19,700	3,649
December 31, 2015					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book value
LG Display Co., Ltd.	Associate	135,625,000	24,550	3,329,594	4,562,369
Korea Information Certificate Authority Inc.	Associate	2,000,000	10,850	21,700	3,605

11. Borrowings

(a) Carrying amounts of borrowings as of March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current		
Short-term borrowings	901,915	910,031
Current portion of long-term borrowings	945,006	382,060
Current portion of debentures	1,126,236	1,034,037
Subtotal	2,973,157	2,326,128
Non-current		
Long-term borrowings	1,720,732	2,244,982
Debentures	4,597,789	4,256,140
Subtotal	6,318,521	6,501,122
Total	9,291,678	8,827,250

(b) Details of borrowings are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2016(%)	Carrying amount	
			March 31, 2016	December 31, 2015
Short-term borrowings in local currency				
Shinhan Bank and others	-	2.05 ~ 3.84	77,623	105,528
Short-term borrowings in foreign currency				
HSBC and others ¹	-	0.83 ~ 14.22	824,292	804,503
Long-term borrowings in local currency				
Kookmin Bank and others ²	2030.07.07	1.75 ~ 4.63	2,370,436	2,339,817
Long-term borrowings in foreign currency				

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2016(%)	Carrying amount	
			March 31, 2016	December 31, 2015
HSBC and others	2021.03.09	2.22 ~ 12.06	295,302	287,225
Local currency loans				
Public, non-guaranteed bonds	2030.02.02	1.88 ~ 5.10	4,220,000	3,780,000
Private, non-guaranteed bonds	2028.11.18	2.48 ~ 3.96	800,000	800,000
Foreign currency loans				
Public, non-guaranteed bonds ¹	2016.12.02	2.00	256,944	254,859
Private, non-guaranteed bonds ¹	2017.06.19	3ML+1.30	230,700	234,400
Private, guaranteed bonds ¹	2019.01.31	3ML+1.60	230,700	234,400
Less: discount on debentures			(14,319)	(13,482)
Total			9,291,678	8,827,250

¹ The Group entered into a cross-currency swap contract 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).

12. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Present value of funded obligations	2,859,863	2,705,167
Present value of unfunded obligations	34,463	30,927
Subtotal	2,894,326	2,736,094
Fair value of plan assets	(1,928,433)	(1,948,484)
Net defined benefit liability	965,893	787,610

(b) The amounts recognized in the consolidated statements of income for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Current service cost	95,874	89,831
Past service cost	-	419
Net interest cost	5,471	6,351
Managing cost	662	499
Total	102,007	97,100

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

- (c) Line items in which expenses are included for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Manufacturing cost	50,828	47,034
Selling and marketing expenses	15,538	17,130
Administrative expenses	5,591	7,580
Research and development expenses	28,026	22,484
Service costs	2,024	2,872
Subtotal	102,007	97,100
Discontinued operations	-	-
Total	102,007	97,100

- (d) Changes in the present value of defined benefit obligations for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	2,736,094	2,341,633
Current service cost	95,874	89,831
Past service cost	-	419
Interest expense	18,103	17,926
Remeasurements for:		
- Actuarial loss arising from changes in financial assumptions	92,832	119,667
Increase due to business combination	-	142
Benefits paid	(48,195)	(52,128)
Others	(382)	(692)
At March 31	2,894,326	2,516,798

- (e) Changes in the fair value of plan assets for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,948,484	1,543,183
Interest income	12,632	11,575
Remeasurements	(2,502)	(2,384)
Employer contributions	5,054	1,499
Increase due to business combination	-	133
Benefits paid	(34,451)	(34,002)
Managing cost	(662)	(499)
Others	(122)	87
At March 31	1,928,433	1,519,592

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Weighted average of discount rate	2.4%	2.7%
Weighted average of future salary increase	6.1%	6.1%

As of March 31, 2016, the discount rates applied to the Parent Company and subsidiaries are between 0.6%~9.4% (December 31, 2015: 0.6%~9.4%), and the expected rates of future salary increase are between 1.0%~11.0% (December 31, 2015: 1.0%~11.0%).

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of March 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(254,088)	295,472
Future salary increase	283,207	(249,273)

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

Defined Contribution Plan

Recognized expense related to the defined contribution plan for the three-month period ended March 31, 2016, is ₩2,583 million (2015: ₩2,314 million).

13. Provisions

(a) Changes in provisions for the three-month periods ended March 31, 2016 and 2015, are as follows:

	<u>2016</u>				
<i>(in millions of Korean won)</i>	<u>Warranty</u>	<u>Sales returns</u>	<u>Restoration</u>	<u>Litigation and others</u>	<u>Total</u>
At January 1, 2016	569,101	57,063	16,163	1,007,963	1,650,290
Additions	212,049	46,317	1,070	38,958	298,394
Utilizations	(249,794)	(59,561)	(197)	(41,988)	(351,540)
Exchange differences	1,903	279	(157)	5,190	7,215
At March 31, 2016	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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	2015				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1, 2015	663,239	69,941	13,409	969,115	1,715,704
Additions	147,843	46,922	1,534	52,215	248,514
Utilizations	(185,953)	(52,306)	(268)	(1,627)	(240,154)
Exchange differences	(22,937)	(2,710)	(236)	(16,867)	(42,750)
At March 31, 2015	602,192	61,847	14,439	1,002,836	1,681,314
Current	544,972	61,847	2,594	95,656	705,069
Non-current	57,220	-	11,845	907,180	976,245

14. Paid-in Capital

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

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

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

- (b) Share premium balance as of March 31, 2016, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying value of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of common shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of common shares in 2011.

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

15. Retained Earnings

(a) Retained earnings as of March 31, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Legal reserve ¹	167,767	160,478
Discretionary reserve	4,805,354	5,317,480
Unappropriated retained earnings ²	4,093,674	3,538,588
Total	9,066,795	9,016,546

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

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

16. Accumulated Other Comprehensive Income (loss)

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Accumulated other comprehensive loss of associates and joint ventures	(61,993)	(57,332)
Cash flow hedge	(80,838)	(52,925)
Available-for-sale financial assets	10,919	10,941
Currency translation differences	(1,075,664)	(1,072,663)
Total	(1,207,576)	(1,171,979)

17. Other Components of Equity

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group	(177,524)	(177,524)
Total	(210,343)	(210,343)

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

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

18. Net Sales

Details of net sales for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Sales of goods	13,150,364	13,753,138
Rendering of services	124,903	100,513
Royalty income	86,823	140,798
Subtotal	13,362,090	13,994,449
Discontinued operations	-	18,772
Total	13,362,090	14,013,221

19. Expenses by Nature

Expenses that are recorded by nature for the three-month periods ended March 31, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Changes in finished goods and work-in-process	(300,227)	(158,473)
Raw materials and merchandise used	8,404,231	9,107,482
Employee benefits	1,669,951	1,652,445
Depreciation and amortization	449,026	477,331
Advertising expense	227,578	197,421
Promotional expense	154,241	129,716
Freight expense	325,648	364,216
Commission expense	658,358	645,416
Other expenses	1,268,121	1,273,650
Subtotal¹	12,856,927	13,689,204
Discontinued operations	-	19,118
Total	12,856,927	13,708,322

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Salaries	739,093	731,424
Post-employment benefits	59,985	53,000
Employee benefits	149,665	144,239
Freight expense	321,912	360,822
Rental expense	113,321	105,054
Commission expense	472,994	465,909
Depreciation	64,265	70,720
Amortization	49,175	50,408
Taxes and dues	31,376	30,573
Advertising expense	227,578	197,421
Promotional expense	154,241	129,716
R&D expense	92,908	101,127
Service costs	183,529	128,509
Bad debt expense	(12,681)	23,686
Other	171,158	190,405
Subtotal	2,818,519	2,783,013
Discontinued operations	-	1,918
Total	2,818,519	2,784,931

21. Financial Income

Financial income for the three-month periods ended March 31, 2016 and 2015, consists of:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Interest income	24,190	23,111
Foreign exchange gain	98,888	165,518
Gain on derivatives	982	1,288
Other	29	-
Subtotal	124,089	189,917
Discontinued operations	-	-
Total	124,089	189,917

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

22. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Interest expense	105,055	109,110
Foreign exchange loss	134,310	172,978
Loss on derivatives	730	101
Loss on disposal of trade receivables	4,133	6,128
Other	737	4,499
Subtotal	244,965	292,816
Discontinued operations	-	-
Total	244,965	292,816

23. Other Non-operating Income

Other non-operating income for the three-month periods ended March 31, 2016 and 2015, consists of:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Dividend income	266	284
Exchange differences	630,834	334,390
Gain on derivatives	4,644	17,772
Gain on disposal of property, plant and equipment	4,685	1,692
Gain on disposal of intangible assets	-	69
Gain on disposal of available-for-sale financial assets	-	521
Other	10,139	80,413
Subtotal	650,568	435,141
Discontinued operations	-	1,766
Total	650,568	436,907

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

24. Other Non-operating Expenses

Other non-operating expenses for the three-month periods ended March 31, 2016 and 2015, consist of:

(in millions of Korean won)	2016	2015
Continuing operations:		
Exchange differences	636,217	636,867
Loss on derivatives	15,885	10,257
Loss on disposal of property, plant and equipment	3,466	10,042
Impairment loss on property, plant and equipment	13,816	11,264
Loss on disposal of intangible assets	3,279	6,653
Impairment loss on available-for-sale financial assets	358	-
Other	57,894	81,036
Subtotal	730,915	756,119
Discontinued operations	-	1,611
Total	730,915	757,730

25. Earnings per Share

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

(a) Basic earnings per common share for the three-month periods ended March 31, 2016 and 2015, is as follows:

	2016	2015
Profit(loss) attributable to common shares (in millions of won)	172,262	1,835
Continuing operations	172,262	1,869
Discontinued operations	-	(34)
Weighted average number of common shares outstanding (unit: shares)	162,884,643	162,884,643
Basic earnings (loss) per common share (in won)	1,058	11
Continuing operations	1,058	11
Discontinued operations	-	-

(b) Basic earnings per preferred share for the three-month periods ended March 31, 2016 and 2015, is as follows:

	2016	2015
Profit (loss) attributable to preferred shares (in millions of won)	18,385	408
Continuing operations	18,385	412
Discontinued operations	-	(4)

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

	<u>2016</u>	<u>2015</u>
Weighted average number of preferred shares outstanding (unit: shares)	17,181,302	17,181,302
Basic earnings (loss) per preferred share (in won)	1,070	24
Continuing operations	1,070	24
Discontinued operations	-	-

26. Information on Cash Flow

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, 2016 and 2015, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	<u>2016</u>	<u>2015</u>
Profit for the period	198,068	38,435
Adjustments:		
Interest expense, net	80,865	85,999
Foreign exchange loss, net	9,092	149,790
Loss (gain) on derivatives, net	10,989	(8,702)
Depreciation	349,286	387,055
Amortization	105,007	103,303
Loss on disposal of property, plant and equipment, intangible assets, net	2,060	14,934
Provisions for severance benefits	102,007	97,100
Provisions	298,394	248,514
Income tax expense	83,502	11,241
Loss (gain) from equity method	22,370	(168,340)
Other	76,127	72,279
Discontinued operations	-	(260)
	<u>1,139,699</u>	<u>992,913</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	47,768	(558,277)
Decrease in loans and other receivables	147,788	80,054
Increase in inventories	(591,214)	(299,010)
Increase in other assets	(228,972)	(79,947)
Increase in trade payables	718,699	458,988
Decrease in other payables	(201,589)	(317,879)
Decrease in provisions	(351,540)	(240,154)
Increase (decrease) in other liabilities	(46,509)	12,282
Payment of defined benefit liability	(13,744)	(18,126)
Deposit in plan assets, net	(14,522)	(10,191)
	<u>(533,835)</u>	<u>(972,260)</u>
Cash generated from operations	<u>803,932</u>	<u>59,088</u>

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

- (b) Significant non-cash transactions for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Reclassification of construction-in-progress of property, plant and equipment	97,404	228,883
Reclassification of intangible assets in progress	35,421	52,568
Reclassification of other assets to intangible assets	27,920	23,557
Reclassification of current maturities of borrowings and debentures	755,249	97,582
Other payables to acquire property, plant and equipment	169,760	92,259
Other payables to acquire intangible assets	3,491	1,699

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

- Transfer of Display Driver-IC design business

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

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

- Transfer of LG INNOTEK (FUZHOU) CO.,LTD.

- i) The Group transferred LG INNOTEK (FUZHOU) CO.,LTD., a subsidiary of the Group, to Yinoute Electronics HK on October 26, 2015.
- ii) Total consideration received and the assets and liabilities arising from the transfer of business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	5,158
Other receivables	6,457
Assets of the transferred business:	
Property, plant and equipment and other assets	11,568

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

- Transfer of Hi Logistics Co., Ltd. and its subsidiaries

- i) The Group transferred Hi Logistics Co., Ltd. and its subsidiaries, leading logistics management services business, to Pantos Logistics Co., Ltd. on November 2, 2015.
- ii) Total consideration received and the assets and liabilities arising from the transfer of business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	105,400
Assets of the transferred business:	
Cash and cash equivalents	19,701
Trade receivables and other receivables	50,993
Inventories	67
Property, plant and equipment and intangible assets	32,970
Other assets	3,475
Liabilities of the transferred business:	
Trade payables and other payables	10,741
Net defined benefit liabilities and other liabilities	18,349

Costs of disposal related to transfer of business amounting to ₩527 million was recognized as an expense as incurred

27. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by property, plant and equipment, including land, buildings and machinery with maximum value of ₩239,394 million (December 31, 2015: ₩242,497 million) and the book value of ₩256,831 million (December 31, 2015: ₩259,984 million). In addition, buildings held by the Group are provided to Nonghyup Bank and others, as creditors of land, in order to guarantee obligations of landlords with maximum value of ₩6,850 million (December 31, 2015: ₩6,850 million) and the book value of ₩505 million (December 31, 2015: ₩606 million). Furthermore, pledge is established on available-for-sale financial assets of some of subsidiaries.

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with guarantees of ₩170,109 million (December 31, 2015: ₩155,194 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal USD 200 million (December 31, 2015: USD 200 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

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

(d) In December 2012, the European Commission imposed a penalty on the Parent Company for

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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 535,808 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 countries including the United States, Canada and Europe, 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.

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

At the end of the reporting period, 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 litigation 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 ₩175,500 million (December 31, 2015: ₩175,500 million).

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩32,000 million (December 31, 2015: ₩32,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩222,617 million (December 31, 2015: ₩224,663 million).

Other overseas subsidiaries have overdraft facility agreements with a limit of ₩1,413,935 million (December 31, 2015: ₩1,339,424 million) with Citibank and others.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with Hana Bank and 24 other banks amounting to ₩2,829,620 million (December 31, 2015: ₩2,872,042 million). The Parent Company has sales agreements for domestic receivables with BTMU amounting to ₩300,000 million (December 31, 2015: ₩300,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including Hana Bank, amounting to ₩305,323 million (December 31, 2015: ₩308,616 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 227 million (December 31, 2015: USD 284 million), and has sales agreements for trade receivables with a limit of USD 420 million (December 31, 2015: USD 190 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 ₩26,000 million (December 31, 2015: ₩26,000 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 win-win payment services contracts with Shinhan Bank and eight other banks for up to ₩1,300,000 million (December 31, 2015: ₩1,320,000 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, LG Innotek Co., Ltd. and its subsidiaries have provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩164,921 million (December 31, 2015: ₩165,032 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 ₩53,000 million limit (December 31, 2015: ₩56,000 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 ₩40,000 million (December 31, 2015: ₩40,000 million).

In addition, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2015: ₩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 Hana Bank of up to ₩4,684,172 million (December 31, 2015: ₩4,620,485 million).

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(f) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Property, plant and equipment	786,750	670,641
Intangible assets	3,061	4,028
Total	789,811	674,669

(g) Operating lease commitments – the Group as lessee

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

<i>(in millions of Korean won)</i>	March 31, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Land	631	975	1,478	3,084
Buildings	246,423	361,953	36,590	644,966
Vehicles	35,589	34,075	-	69,664
Equipment and others	18,135	14,481	-	32,616
Total	300,778	411,484	38,068	750,330

Lease payment under operating lease recognized in the consolidated statement of income for the three-month period ended March 31, 2016, is ₩86,134 million (2015: ₩80,968 million).

As of March 31, 2016, total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to ₩18,193 million, and lease income related to the sublease for the three-month period ended March 31, 2016, amounts to ₩2,634 million (2015: ₩2,035 million).

(h) Operating lease commitments – the Group as lessor

- i) The Group has operating lease agreements regarding healthcare rental business that lends water purifiers to customers, and real estate rentals. 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, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Healthcare rental	99,820	146,918	-	246,738
Real estate rental	3,630	2,747	704	7,081
Total	103,450	149,665	704	253,819

- ii) The Group recognized ₩26,766 million (2015: ₩24,044 million) in lease income for the three-month period ended March 31, 2016.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(i) Finance lease commitments – the Group as lessee

At the end of the reporting period, the Group has entered into a finance lease agreement for vehicle lease and has recognized related assets and liabilities in the consolidated statements of financial position. Net book value of the leased assets amounts to ₩5,563 million, and the present value of the finance lease liabilities amounts to ₩2,991 million.

As of March 31, 2016, future minimum lease payments under the finance lease agreement are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	Gross investment	PV of minimum lease payments	Gross investment	PV of minimum lease payments
Within 1 year	1,797	1,671	1,663	1,551
1 to 5 years	1,395	1,320	1,682	1,579
Total	3,192	2,991	3,345	3,130

(j) Trademark license commitments

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

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

29. Related Party

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

Classification	Name		Note
	March 31, 2016	December 31, 2015	
Significantly influencing the Group	LG Corp.	LG Corp.	-
Associates	LG Display Co., Ltd. and its subs.	LG Display Co., Ltd. and its subs.	-
	Ericsson-LG Co., Ltd. and its subs.	Ericsson-LG Co., Ltd. and its subs.	-
	Hitachi-LG Data Storage Inc.(HLDS) and its subs.	Hitachi-LG Data Storage Inc.(HLDS) and its subs.	-
	LG Fuel Cell Systems Inc., and its subs.	LG Fuel Cell Systems Inc., and its subs.	-
	Korea Information Certificate Authority Inc.	Korea Information Certificate Authority Inc.	-
	SKT Vietnam PTE., Ltd.	SKT Vietnam PTE., Ltd.	-
	One-Red, LLC	One-Red, LLC	-
	Hi Logistics (China) Co., Ltd.	Hi Logistics (China) Co., Ltd.	-
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

Classification	Name		Note
	March 31, 2016	December 31, 2015	
	LG Holdings(HK) Ltd. and its subs.	LG Holdings(HK) Ltd. and its subs.	-
	EIC PROPERTIES PTE LTD.	EIC PROPERTIES PTE LTD.	-
	LG-MRI LLC	LG-MRI LLC	-
Other related parties	LG CNS Co., Ltd. and its subs.	LG CNS Co., Ltd. and its subs.	LG Corp.'s subsidiary
	SERVEONE Co., Ltd. and its subs.	SERVEONE Co., Ltd. and its subs.	LG Corp.'s subsidiary
	LG Siltron Incorporated and its subs.	LG Siltron Incorporated and its subs.	LG Corp.'s subsidiary
	LUSEM CO., LTD.	LUSEM CO., LTD.	LG Corp.'s subsidiary
	LG Management Development Institute	LG Management Development Institute	LG Corp.'s subsidiary
	LG SPORTS Ltd.	LG SPORTS Ltd.	LG Corp.'s subsidiary
	LG Holdings Japan Co., Ltd.	LG Holdings Japan Co., Ltd.	LG Corp.'s subsidiary
	LG MMA Ltd.	LG MMA Ltd.	LG Corp.'s joint venture

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

i) Major income and expense transactions with related parties

(in millions of Korean won)		2016					
		Income transactions			Expense transactions		
Classification	Name	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.	17,737	-	17,737	17,989	-	17,989
	LG HOLDINGS (HK) LIMITED 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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

		2016					
<i>(in millions of Korean won)</i>		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Other related parties	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
	LG CNS Co., Ltd. and its subsidiaries	13,254	-	13,254	38,219	86,715	124,934
	LG SPORTS Ltd.	-	-	-	-	905	905
	LG Management Development Institute	17	-	17	-	6,164	6,164
	LUSEM CO., LTD.	10,854	-	10,854	654	20	674
	LG Holdings Japan Co., Ltd.	5	-	5	-	911	911
	Subtotal	41,227	-	41,227	355,055	128,380	483,435
	Total	339,105	483	339,588	1,716,703	195,484	1,912,187

		2015					
<i>(in millions of Korean won)</i>		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	464	-	464	-	37,163	37,163
Associates	LG Display Co., Ltd. and its subsidiaries	220,422	-	220,422	1,687,922	3,680	1,691,602
	Ericsson-LG Co., Ltd. and its subsidiaries	2,307	-	2,307	1,448	-	1,448
	Hitachi-LG Data Storage Inc. and its subsidiaries.	5,899	-	5,899	37,724	-	37,724
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	Subtotal	228,628	-	228,628	1,727,094	3,681	1,730,775
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	19,730	-	19,730	26,337	-	26,337
	LG HOLDINGS (HK) LIMITED and its subsidiaries	-	-	-	-	550	550
	EIC PROPERTIES PTE LTD.	-	-	-	-	206	206
	Subtotal	19,730	-	19,730	26,337	756	27,093
Other related parties	SERVEONE Co., Ltd. and its subsidiaries	4,885	-	4,885	254,284	56,100	310,384
	LG Siltron Incorporated and its subsidiaries	1,497	-	1,497	3	-	3
	LG CNS Co., Ltd. and its subsidiaries	29,675	-	29,675	24,523	81,296	105,819
	LG SPORTS Ltd.	-	-	-	-	168	168
	LG Management Development Institute	164	-	164	75	6,260	6,335
	LUSEM CO., LTD.	10,946	-	10,946	3,730	78	3,808
	LG MMA Ltd.	111	-	111	106	1	107
	LG Holdings Japan Co., Ltd.	4	-	4	-	807	807
	Subtotal	47,282	-	47,282	282,721	144,710	427,431
	Total	296,104	-	296,104	2,036,152	186,310	2,222,462

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

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

<i>(in millions of Korean won)</i>		March 31, 2016							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	-	-	33,692	33,692	-	-	22,049	22,049
Associates	LG Display Co., Ltd. and its subsidiaries	193,478	-	81,611	275,089	1,078,605	-	52,511	1,131,116
	Ericsson-LG Co., Ltd. and its subsidiaries	5	-	585	590	871	-	-	871
	Hitachi-LG Data Storage Inc. and its subsidiaries ¹	-	-	4	4	25,507	-	3	25,510
	LG Fuel Cell Systems Inc. and its subs. ¹	-	10,894	463	11,357	-	-	-	-
	Hi Logistics (China) Co., Ltd.	-	-	22	22	-	-	9,212	9,212
	Korea Information Certificate Authority Inc.	-	-	70	70	-	-	-	-
	Subtotal	193,483	10,894	82,755	287,132	1,104,983	-	61,726	1,166,709
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	8,686	-	904	9,590	15,003	-	2	15,005
	LG HOLDINGS (HK) LIMITED and its subs.	-	-	-	-	-	-	1,517	1,517
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	148	148
	Subtotal	8,686	-	904	9,590	15,003	-	1,667	16,670
Other related parties	SERVEONE Co., Ltd. and its subsidiaries	7,394	-	61,545	68,939	287,056	-	78,292	365,348
	LG Siltron Incorporated and its subsidiaries	878	-	-	878	-	-	3	3
	LG CNS Co., Ltd. and its subsidiaries	14,073	-	2,645	16,718	41,834	-	85,908	127,742
	LG SPORTS Ltd.	-	-	-	-	-	-	255	255
	LG Management Development Institute	-	-	17,864	17,864	1	-	964	965
	LUSEM CO., LTD.	7,571	-	-	7,571	571	-	38	609
	LG MMA Ltd.	30	-	-	30	-	-	-	-
	LG Holdings Japan Co., Ltd.	-	-	3,911	3,911	-	-	-	-
	Subtotal	29,946	-	85,965	115,911	329,462	-	165,460	494,922
	Total	232,115	10,894	203,316	446,325	1,449,448	-	250,902	1,700,350

¹ The Group recognized additional equity method loss of ₩22,772 million and ₩2,994 million for loans of Hitachi-LG Data Storage Inc. and LG Fuel Cell Systems Inc., respectively.

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

(in millions of Korean won)

		December 31, 2015							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	8	-	30,352	30,360	-	-	593	593
Associates	LG Display Co., Ltd. and its subsidiaries	197,862	-	40,168	238,030	1,004,655	-	35,697	1,040,352
	Ericsson-LG Co., Ltd. and its subsidiaries	5	-	330	335	897	-	150	1,047
	Hitachi-LG Data Storage Inc. and its subsidiaries	-	-	54	54	26,723	-	3	26,726
	LG Fuel Cell Systems Inc. and its subs.	-	14,111	224	14,335	-	-	-	-
	Hi Logistics (China) Co., Ltd.	-	-	104	104	-	-	10,232	10,232
	Subtotal	197,867	14,111	40,880	252,858	1,032,275	-	46,082	1,078,357
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.	6,227	-	1,734	7,961	2,497	-	2	2,499
	LG HOLDINGS (HK) LIMITED and its subs.	-	-	-	-	-	-	1,534	1,534
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	71	71
	Subtotal	6,227	-	1,734	7,961	2,497	-	1,607	4,104
Other related parties	SERVEONE Co., Ltd. and its subsidiaries	9,753	-	60,865	70,618	264,625	-	69,436	334,061
	LG Siltron Incorporated and its subsidiaries	941	-	-	941	-	-	2,502	2,502
	LG CNS Co., Ltd. and its subsidiaries	7,744	-	755	8,499	21,493	-	200,068	221,561
	LG SPORTS Ltd.	-	-	-	-	-	-	176	176
	LG Management Development Institute	-	-	17,864	17,864	8	-	1,094	1,102
	LUSEM CO., LTD.	6,055	-	-	6,055	364	-	2	366
	LG MMA Ltd.	41	-	-	41	-	-	9	9
	LG Holdings Japan Co., Ltd.	-	-	3,706	3,706	-	-	-	-
	Subtotal	24,534	-	83,190	107,724	286,490	-	273,287	559,777
	Total	228,636	14,111	156,156	398,903	1,321,262	-	321,569	1,642,831

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

iii) Significant capital transactions and others

(in millions of Korean won)

Classification Name	2016						
	Dividend income	Dividend paid	Cash investment (reduction)	Financing loan transaction		Financing borrowing transaction	
				Loan	Collection	Borrowing	Repayment
Significantly influencing the Group	-	22,038	-	-	-	-	-
LG Display Co., Ltd.	67,813	-	-	-	-	-	-
Ericsson-LG Co., Ltd.	3,750	-	-	-	-	-	-
Associates	70	-	-	-	-	-	-
Korea Information Certificate Authority Inc.	70	-	-	-	-	-	-
Hitachi-LG Data Storage Inc.	-	-	-	22,772	-	-	-
Total	71,633	22,038	-	22,772	-	-	-

(in millions of Korean won)

Classification Name	2015						
	Dividend income	Dividend paid	Cash investment (reduction)	Financing loan transaction		Financing borrowing transaction	
				Loan	Collection	Borrowing	Repayment
Significantly influencing the Group	-	22,038	-	-	-	-	-
LG Display Co., Ltd.	67,813	-	-	-	-	-	-
Associates	3,250	-	-	-	-	-	-
Ericsson-LG Co., Ltd.	3,250	-	-	-	-	-	-
Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
Total	71,123	22,038	-	-	-	-	-

- (c) Key management compensation costs of the Group for the three-month periods ended March 31, 2016 and 2015, consist of:

(in millions of Korean won)	2016	2015
Wages and salaries	6,309	6,662
Post-employment benefits	1,363	1,656
Other long-term benefits	39	24
Total	7,711	8,342

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

- (d) There is no payment guarantee provided by the Group for the funding sources of the related parties as of March 31, 2016.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

- (e) There is no collateral provided by the Group for the funding sources of the related parties as of March 31, 2016.
- (f) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties for the three-month period ended March 31, 2016.

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

hedges against its remaining exposure with derivative financial instruments and scrutinizes changes in foreign exchange exposure and the results of hedging activities on a monthly basis. Speculative foreign exchange trading is prohibited in principle.

As of March 31, 2016 and December 31, 2015, 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, 2016		December 31, 2015	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	27,886	(27,886)	19,679	(19,679)
EUR/KRW	46,139	(46,139)	49,706	(49,706)

ii) Interest rate risk

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

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

As of March 31, 2016 and December 31, 2015, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to financial deposits and borrowings with variable interest rates for the three-month periods are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	7,906	(7,906)	4,712	(4,712)
Interest expense	1,207	(1,207)	1,638	(1,638)

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

iii) Details of derivatives contracts are as follows:

Derivatives subject to hedge accounting

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

March 31, 2016	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Starting date	Expiration date
USD/KRW CRS	Shinhan Bank	USD200	USD/KRW 1,113.6	3ML+160bp	3.22%	2013.07.31	2019.01.31
	BNP PARIBAS and others	USD200	USD/KRW 1,052.1	3ML+130bp	3.42%	2013.12.19	2017.06.19
CHF/KRW CRS	BNP PARIBAS and others	CHF215	CHF/KRW 1,213.6	2.00%	3.64% ~ 3.74%	2012.07.02	2016.12.02
USD/BRL CRS	Standard Chartered	USD27	USD/BRL 3,6450	2.54%	13.20%	2016.03.15	2017.03.15
		USD50	USD/BRL 3,6690	2.06%	12.90%	2016.03.21	2016.09.21
		USD27	USD/BRL 3,6240	1.30%	11.15%	2016.03.23	2016.06.23
		USD25	USD/BRL 3,6750	1.00%	11.15%	2016.03.30	2016.05.27
	Citibank	USD25	USD/BRL 3,7485	1.00%	12.03%	2015.11.24	2016.06.21
		USD35	USD/BRL 3,6800	2.38%	13.17%	2016.03.14	2016.09.14
		USD33	USD/BRL 3,6550	2.14%	12.45%	2016.03.30	2016.08.30

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

March 31, 2016	Contractor	Contracted amount (in millions of Korean won)	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
KRW interest rate swap	Hana Bank	200,000	3M CD+98bp	4.53%	2014.01.03	2024.01.03
	Kookmin Bank	200,000	3M CD+114bp	4.52%	2014.04.30	2029.04.30
	Kookmin Bank	190,000	3M CD+91bp	3.15%	2015.01.28	2027.01.28
	Woori Bank	390,000	3M CD+82bp	3.07%	2015.04.15	2030.04.15
	Nonghyup Bank	190,000	3M CD+105bp	3.39%	2015.07.07	2030.07.07

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 ₩56,093 million for the three-month period ended March 31, 2016 (2015: gain on valuation amounting to ₩27,189 million) after applying the tax effect, is recognized in other comprehensive income (loss). The Group has reclassified ₩28,180 million to loss from equity for the three-month period ended March 31, 2016 (2015: ₩39,495 million to income from equity). Therefore, other comprehensive loss from cash flow hedges amounts to ₩27,913 million for the three-month period ended March 31, 2016 (2015: other comprehensive loss of ₩12,306 million) after applying the tax effect.

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

Derivatives not subject to hedge accounting

The Group entered into the currency forward contracts to hedge against possible future changes in foreign exchange rates. The subsidiaries' currency forward contracts as of March 31, 2016, and related profit or loss for the three-month period ended March 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Loss on valuation	Gain on transaction
Currency forward	382,012	401,446	22,871	11,882

iv) Price risk

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

The listed securities owned by the Group are traded in the public market, and related to KOSDAQ 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 constant and the listed securities owned by the Group have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,834	(3,834)	3,673	(3,673)

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 exposure.

In regard to trade 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 trade receivable credit risk, the Group applies the credit rating of the counterparty when determining the insurance coverage. In addition, the Group performs stringent credit risk managements based on credit valuation criteria for trade receivables without insurance coverage or collateral.

At the end of reporting period, trade receivable balance of the Group is ₩6,969,756 million (December 31, 2015: ₩7,237,329 million) and its risk is managed appropriately within insurer's credit limit of ₩28,161,251 million (December 31, 2015: ₩29,314,676 million). Therefore, the Group estimates credit risk exposure to itself as limited.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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 base 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 Woori Bank, Kookmin Bank, and Shinhan Bank to cope with potential financial distress.

In addition, the Group is able to source funds any time in the domestic and international financial markets as of the end of reporting period because it has good investment credit grades of AA from Korea Investors Service, Korea Ratings and NICE Information Service, BBB from Standard & Poors, and Baa3 from Moody's as of March 31, 2016, respectively.

i) Cash flow information on maturity of borrowings as of March 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2016				
	Total	Less than 1 year	Between 1 year and 2 years	Between 2 year and 5 years	Over 5 years
Trade payables	6,561,359	6,561,359	-	-	-
Borrowings	10,626,601	3,291,412	1,082,334	3,076,215	3,176,640
Other payables	2,623,824	2,615,959	6,132	1,533	200
Other financial liabilities	18,875	18,875	-	-	-
Total	19,830,659	12,487,605	1,088,466	3,077,748	3,176,840

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 ₩18,875 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.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

- ii) The maturity analysis of financial guarantee contracts provided by the Group to third party companies as of March 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016				
	Total	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	94,117	94,117	-	-	-

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

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 optimize the capital structure.

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

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2016	December 31, 2015
Liability (A)	24,186,930	23,330,409
Equity (B)	12,990,016	12,983,487
Cash and cash equivalents (C)	3,294,782	2,710,156
Borrowings (D)	9,291,678	8,827,250
Liability-to-equity ratio (A/B)	186.2%	179.7%
Net borrowings ratio ((D-C)/B)	46.2%	47.1%

Fair Value Estimation

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

<i>(in millions of Korean won)</i>	March 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	786	786	-	-
Derivatives for hedging purposes				
Other financial assets	-	-	20,535	20,535
Available-for-sale financial assets				
Other financial assets	-	-	16,042	16,042
[Assets at amortized cost]				

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	March 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Loans and other receivables				
Cash and cash equivalents	3,294,782	1	-	-
Financial deposits	87,649	1	70,407	70,407
Trade receivables	6,838,192	1	-	-
Other receivables	564,178	1	502,874	488,878
Held-to-maturity financial assets				
Other financial assets	2,506	1	117	1
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	-	-	41,571	2
Total	10,788,093		651,546	

<i>(in millions of Korean won)</i>	December 31, 2015			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Assets at fair value]				
Financial assets at fair value through profit or loss				
Other financial assets	13,806	13,806	-	-
Derivatives for hedging purposes				
Other financial assets	4,347	4,347	30,287	30,287
Available-for-sale financial assets				
Other financial assets	-	-	16,531	16,531
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	2,710,156	1	-	-
Financial deposits	87,454	1	69,970	69,970
Trade receivables	7,093,352	1	-	-
Other receivables	654,141	1	506,788	497,253
Held-to-maturity financial assets				
Other financial assets	2,521	1	117	1
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	-	-	37,875	2
Total	10,565,777		661,568	

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	March 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	18,875	18,875	-	-
Derivatives for hedging purposes				
Other financial liabilities	13,141	13,141	99,001	99,001
[Liabilities at amortized cost]				
Trade payables	6,561,359	¹	-	-
Borrowings	2,973,157	¹	6,318,521	6,692,292
Other payables	2,615,298	¹	6,419	6,475
[Other liabilities]				
Other financial liabilities	221	³	282	³
Total	12,182,051		6,424,223	

<i>(in millions of Korean won)</i>	December 31, 2015			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	3,368	3,368	-	-
Derivatives for hedging purposes				
Other financial liabilities	10,184	10,184	69,618	69,618
[Liabilities at amortized cost]				
Trade payables	6,086,975	¹	-	-
Borrowings	2,326,128	¹	6,501,122	7,064,295
Other payables	2,847,145	¹	6,590	6,656
[Other liabilities]				
Other financial liabilities	271	³	308	³
Total	11,274,071		6,577,638	

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.

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'.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	15,293	-	-	15,293
- Debt securities	-	-	749	749
Financial assets at fair value through profit or loss	-	786	-	786
Derivatives for hedging purposes	-	20,535	-	20,535
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	18,875	-	18,875
Derivatives for hedging purposes	-	112,142	-	112,142
December 31, 2015				
<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	15,329	-	-	15,329
- Debt securities	-	-	1,202	1,202
Financial assets at fair value through profit or loss	-	13,806	-	13,806
Derivatives for hedging purposes	-	34,634	-	34,634
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	3,368	-	3,368
Derivatives for hedging purposes	-	79,802	-	79,802

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2016	December 31, 2015		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	786	13,806	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	20,535	34,634	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	18,875	3,368	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	112,142	79,802	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, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,202	1,422
Total gain (loss) for the period		
Gain (loss) included in profit for the period ¹	(354)	25
Gain (loss) included in other comprehensive income	3	(4)
Purchase, issue, sales and settlement		
Purchase	-	-
Sale	(102)	(87)
At March 31	749	1,356

¹ Gain and loss included in profit for the period are interest income amounting to ₩4 million and impairment loss ₩358 million for the three-month period ended March 31, 2016 (2015: interest income ₩25 million).

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	March 31, 2016	December 31, 2015				
Other financial assets						
Available-for-sale financial assets						
- Debt securities	749	1,202	Discounted cash flow	Discount rate	Discount rate (credit spread)	3.2% ~ 4.7%

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, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposits	-	-	70,407	70,407
Non-current other receivables	-	-	488,878	488,878
Liabilities				
Non-current borrowings	-	-	6,692,292	6,692,292
Non-current other payables	-	-	6,475	6,475
<i>(in millions of Korean won)</i>	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposits	-	-	69,970	69,970
Non-current other receivables	-	-	497,253	497,253
Liabilities				
Non-current borrowings	-	-	7,064,295	7,064,295
Non-current other payables	-	-	6,656	6,656

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

As of March 31, 2016, 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.

- 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, 2016 and December 31, 2015, are as follows:

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current financial deposits	70,407	70,407	69,970	69,970	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 4.1%
Non-current other receivables	502,874	488,878	506,788	497,253	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.1% ~ 3.8%
Liabilities								
Non-current borrowings	6,318,521	6,692,292	6,501,122	7,064,295	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7% ~ 3.8%
Non-current other payables	6,419	6,475	6,590	6,656	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.6% ~ 6.1%

31. Business Combinations

- (a) The Parent Company acquired the Power Conditioning System business from LG U plus Co., Ltd. on February 2, 2015, in order to maximize its market responsiveness by enhancing business capabilities in the energy storage system business, the Parent Company's future strategic business.

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

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

The acquisition-related cost amounting to ₩147 million was recognized as an expense in the period in which they were incurred and the above fair value of trade receivables is the same as the contractual amounts in gross.

LG Electronics
Notes to the Interim Consolidated Financial Statements
March 31, 2016 and 2015 (unaudited), and December 31, 2015

- (b) The Group acquired 100% ownership of LPRFIC Oy on July 1, 2015, in order to secure wireless high-frequency integrated circuit technology for modem solutions.

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

<i>(in millions of Korean won)</i>	Amount
Consideration ¹	
Cash and cash equivalents	6,934
Contingent consideration ²	3,131
Recognized amounts of identifiable assets acquired	
Current assets	
Cash and cash equivalents	3
Non-current assets	
Intangible assets	10,062
Total net assets	10,065

¹ Consideration transferred during the measurement period.

² The fair value of consideration, a part of payment for acquisition of shares held by employees of LPRFIC Oy, is contingent on completion of technology, and the nominal amount is ₩3,802 million.

The acquisition-related cost amounting to ₩214 million was recognized as an expense in the period in which they were incurred.

LG Electronics Finland Lab, Oy(LGEFL), a subsidiary of the Group, merged with LPRFIC Oy on December 31, 2015. The merger does not have an impact on these consolidated financial statements.

- (c) On December 31, 2015, LG Innotek Co., Ltd., a subsidiary of the Group, acquired the metal power inductor business of Changsung Corporation, which excels in magnetic materials manufacturing technique for ₩14,000 million, in order to concentrate on fostering material/device business.

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

<i>(in millions of Korean won)</i>	Amount
Consideration ¹	
Cash and cash equivalents	4,200
Other payables	9,800
Recognized amounts of identifiable assets acquired	
Non-current assets	
Property, plant and equipment	8,505
Intangible assets	1,228
Total identifiable net assets	9,733
Goodwill	4,267

¹ Consideration transferred during the measurement period.

LG Electronics

Notes to the Interim Consolidated Financial Statements

March 31, 2016 and 2015 (unaudited), and December 31, 2015

32. Assets and Liabilities Held for sale

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Assets classified as held for sale		
Investment in associates and joint ventures ¹	3,619	3,619
Investment property ²	13,917	-
Total	17,536	3,619

¹ In accordance with the resolution of the Board of Directors dated October 28, 2015, the Group decided to dispose of its entire shareholdings in Hi Logistics (China) Co., Ltd., in which the Group owns 35%, for the purpose of logistics cost reduction and superior customer responsiveness. The sale is expected to be completed in the first half of 2016.

² The Group entered into a sales contract of real estate on March 30, 2016. The sale is expected to be completed in the first half of 2016.

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

33. Discontinued Operations

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

- (a) Loss for the period from discontinued operations for the three-month period ended March 31, 2015, consists of:

<i>(in millions of Korean won)</i>	2015
Net sales	18,772
Operating loss	(346)
Loss for the period before tax	(191)
Income tax benefit	(159)
Loss for the period, net of tax	(32)

- (b) Cash generated from discontinued operations for the three-month period ended March 31, 2015, consists of:

<i>(in millions of Korean won)</i>	2015
Net cash flows from operating activities	65,546
Net cash flows from investing activities	-
Net cash flow from discontinued operations	65,546