

LG Electronics Inc.

**Separate Interim Financial Statements
September 30, 2017 and 2016**

LG Electronics Inc.

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September 30, 2017 and 2016

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of LG Electronics Inc. (referred to as the "Company"). These financial statements consist of the separate interim statement of financial position of the Company as of September 30, 2017, and the related separate interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, and separate interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2017 and 2016, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

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

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

November 14, 2017

Seoul, Korea

This report is effective as of November 14, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.

Separate Interim Statements of Financial Position September 30, 2017 and December 31, 2016

<i>(in millions of Korean won)</i>	Notes	September 30, 2017 (Unaudited)	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	4,29	1,447,429	1,181,725
Deposits held by financial institutions	4,29	80,500	80,500
Trade receivables	4,5,29	5,740,192	4,985,573
Loans and other receivables	4,5,29	432,684	492,178
Other financial assets	4,6,29	-	30,093
Inventories	7	1,428,015	1,186,521
Current income tax assets		1,123	1,518
Other current assets		390,148	344,551
Assets held for sale	30	368,735	8,906
		<u>9,888,826</u>	<u>8,311,565</u>
Non-current assets			
Deposits held by financial institutions	4,29	2,379	1,159
Loans and other receivables	4,5,29	310,443	306,113
Other financial assets	4,6,29	39,185	48,672
Property, plant and equipment	8	6,900,758	7,164,642
Intangible assets	8	1,403,202	1,234,531
Deferred income tax assets		738,551	884,654
Investments in subsidiaries, associates and joint ventures	9	8,097,273	7,995,665
Investment properties		95,634	96,615
Other non-current assets		485,812	555,459
		<u>18,073,237</u>	<u>18,287,510</u>
Total assets		<u>27,962,063</u>	<u>26,599,075</u>
Liabilities			
Current liabilities			
Trade payables	4,29	6,132,309	5,516,849
Borrowings	4,10,29	574,894	661,148
Other payables	4,29	2,211,546	2,080,451
Other financial liabilities	4,6,29	6,781	8,665
Provisions	12	308,557	392,948
Other current liabilities		1,922,867	1,883,065
		<u>11,156,954</u>	<u>10,543,126</u>
Non-current liabilities			
Borrowings	4,10,29	6,591,883	5,970,172
Other payables	4,29	265	5,552
Other financial liabilities	4,6,29	52,644	75,736
Net defined benefit liabilities	11	497,984	345,368
Provisions	12	90,849	811,036
Other non-current liabilities		78,455	82,633
		<u>7,312,080</u>	<u>7,290,497</u>
Total liabilities		<u>18,469,034</u>	<u>17,833,623</u>
Equity			
Paid-in capital:	13		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	14	5,560,510	4,851,573
Accumulated other comprehensive income	15	(27,010)	(45,650)
Other components of equity	16	(32,819)	(32,819)
		<u>9,493,029</u>	<u>8,765,452</u>
Total equity		<u>9,493,029</u>	<u>8,765,452</u>
Total liabilities and equity		<u>27,962,063</u>	<u>26,599,075</u>

LG Electronics Inc.

Separate Interim Statements of Profit or Loss

Three-Month and Nine-Month Periods Ended September 30, 2017 and 2016

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended September 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Net sales	17	8,228,178	23,932,230	7,008,767	21,866,114
Cost of sales	18	6,592,185	18,729,662	5,557,063	17,110,050
Gross profit		1,635,993	5,202,568	1,451,704	4,756,064
Selling and marketing expenses	18,19	708,916	2,055,725	587,953	1,901,000
Administrative expenses	18,19	155,256	431,009	155,761	461,536
Research and development expenses	18,19	493,557	1,482,565	535,533	1,613,892
Service costs	18,19	155,006	410,797	270,348	605,451
Operating profit (loss)		123,258	822,472	(97,891)	174,185
Financial income	20	69,443	176,092	48,393	168,729
Financial expenses	21	106,934	332,141	115,054	349,960
Other non-operating income	22	294,072	878,082	428,220	1,308,516
Other non-operating expenses	23	213,955	551,216	324,575	969,924
Profit (loss) before income tax		165,884	993,289	(60,907)	331,546
Income tax expense (benefit)		58,480	239,688	(17,332)	63,670
Profit (loss) for the period		107,404	753,601	(43,575)	267,876
Earnings (loss) per share during the period					
<i>(in Korean won):</i>	24				
Earnings (loss) per ordinary share		596	4,182	(243)	1,484
Earnings (loss) per preferred share		608	4,219	(230)	1,522

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Separate Interim Statements of Comprehensive Income

Three-Month and Nine-Month Periods Ended September 30, 2017 and 2016

(in millions of Korean won)	Notes	Period Ended September 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit (loss) for the period		107,404	753,601	(43,575)	267,876
Other comprehensive income (loss), net of tax					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	11	20,900	28,221	(10,728)	(131,887)
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Cash flow hedges	29	11,130	18,905	4,683	(39,403)
Available-for-sale financial assets	6	97	(265)	1,203	(310)
Other comprehensive income (loss) for the period, net of tax		32,127	46,861	(4,842)	(171,600)
Total comprehensive income (loss) for the period, net of tax		139,531	800,462	(48,417)	96,276

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Separate Interim Statements of Changes in Equity

Nine-Month Periods Ended September 30, 2017 and 2016

				Accumulated	Other	Total
		Paid-in	Retained	Other	Components	
		Capital	Earnings	Comprehensive	of Equity	
				Income		
<i>(in millions of Korean won)</i>						
Notes						
	Balance at January 1, 2016	3,992,348	5,046,104	(44,624)	(32,819)	8,961,009
	Total comprehensive income (loss):					
	Profit for the period	-	267,876	-	-	267,876
	Remeasurements of the net defined benefit liability	-	(131,887)	-	-	(131,887)
11	Cash flow hedges	-	-	(39,403)	-	(39,403)
29	Available-for-sale financial assets	-	-	(310)	-	(310)
6	Total comprehensive income (loss)	-	135,989	(39,713)	-	96,276
	Transactions with owners:					
	Dividends	-	(72,885)	-	-	(72,885)
14	Total transactions with owners	-	(72,885)	-	-	(72,885)
	Balance at September 30, 2016 (Unaudited)	3,992,348	5,109,208	(84,337)	(32,819)	8,984,400
	Balance at January 1, 2017	3,992,348	4,851,573	(45,650)	(32,819)	8,765,452
	Total comprehensive income (loss):					
	Profit for the period	-	753,601	-	-	753,601
	Remeasurements of the net defined benefit liability	-	28,221	-	-	28,221
11	Cash flow hedges	-	-	18,905	-	18,905
29	Available-for-sale financial assets	-	-	(265)	-	(265)
6	Total comprehensive income	-	781,822	18,640	-	800,462
	Transactions with owners:					
	Dividends	-	(72,885)	-	-	(72,885)
14	Total transactions with owners	-	(72,885)	-	-	(72,885)
	Balance at September 30, 2017 (Unaudited)	3,992,348	5,560,510	(27,010)	(32,819)	9,493,029

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Separate Interim Statements of Cash Flows

Nine-Month Periods Ended September 30, 2017 and 2016

<i>(in millions of Korean won)</i>	Notes	Nine-Month Period Ended September 30	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	25	611,342	1,316,044
Interest received		8,973	8,362
Interest paid		(163,999)	(176,831)
Dividends received		416,394	424,479
Income tax paid		(67,550)	(72,974)
Net cash inflow from operating activities		805,160	1,499,080
Cash flows from investing activities			
Decrease in loans and other receivables		64,650	78,608
Proceeds from redemption and disposal of other financial assets		5,989	50
Proceeds from disposal of property, plant and equipment		142,554	12,766
Proceeds from disposal of intangible assets		1,515	1,706
Proceeds from redemption and disposal of investments in subsidiaries, associates and joint ventures		19,033	33,194
Proceeds from disposal of investment properties		-	21,853
Proceeds from disposal of assets held for sale		12,710	-
Transfer of business	25	13,942	-
Increase in deposits held by financial institutions		(1,220)	(32)
Increase in loans and other receivables		(52,147)	(43,123)
Acquisition of other financial assets		(2,963)	(5,600)
Acquisition of property, plant and equipment		(825,668)	(810,291)
Acquisition of intangible assets		(392,191)	(286,278)
Acquisition of investments in subsidiaries, associates and joint ventures		(28,804)	(90,637)
Net cash outflow from investing activities		(1,042,600)	(1,087,784)
Cash flows from financing activities			
Proceeds from borrowings		1,206,564	1,006,258
Repayments of borrowings		(630,535)	(763,759)
Dividends paid		(72,885)	(72,885)
Net cash inflow from financing activities		503,144	169,614
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		265,704	580,910
Cash and cash equivalents at the end of the period		1,181,725	678,221
		1,447,429	1,259,131

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Notes to the Separate Interim Financial Statements

September 30, 2017 and 2016 (Unaudited), and December 31, 2016

1. General Information

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

As of September 30, 2017, LG Corp. owns 33.7% of the Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; and Vehicle Components segment designs and manufactures automobile parts. As of September 30, 2017, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

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

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. The separate interim financial statements for the nine-month period ended September 30, 2017, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These separate interim financial statements have been prepared in accordance with Korean IFRS which is effective as of September 30, 2017.

Changes in Accounting Policies and Disclosures

- (a) New and amended standards and interpretations effective for the financial year beginning January 1, 2017.
- i) The new and amended standards and interpretations adopted by the Company from the financial year 2017:

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

Amendments to Korean IFRS 1007 *Statement of Cash flows* require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The disclosures required by this amendment are provided in Note 25(b) "changes in liabilities from financing activities".

- Amendments to Korean IFRS 1012 *Income Tax*

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

- Amendments to Korean IFRS 1112 *Disclosures of Interests in Other Entities*

Amendments to Korean IFRS 1112 clarify when an entity's interests in other entities is classified as held for sale or discontinued operations in accordance with Korean IFRS 1105, the entity is required to disclose other information except for summarized financial information in accordance with Korean IFRS 1112. The application of this amendment does not have a significant impact on the accompanying separate financial statements.

(b) New and amended standards and interpretations issued, but not effective for September 30, 2017, and not early adopted by the Company

- Enactments of Korean IFRS 1109 *Financial Instruments*

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

The standard requires retrospective application with some exceptions. Firstly, an entity is not required to restate prior period in relation to classification and measurement (including impairment) of financial instruments. Secondly, an entity is required to apply the hedge accounting requirements of this standard prospectively except the accounting for time value of options and other exceptions.

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

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hedging instruments and hedged items, qualifies for hedge accounting, and to change hedge effectiveness test method.

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

The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1109. The assessment was performed based on retainable information as of September 30, 2017. The Company plans to perform more detailed analysis on financial effects based on additional information in the future; therefore, the results of the assessment may change due to additional information that the Company may obtain after the assessment.

Classification and Measurement of Financial Assets

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

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

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

² An equity investment that is not held for trading can be designated as measured at fair value through other comprehensive income (irrevocable).

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest on the principal amount outstanding on a specified date. As of September 30, 2017, the Company measured loans and receivables of ₩8,013,627 million at amortized costs.

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Based on results from the impact assessment, the application of the new standard does not have a material impact on the Company's separate financial statements. This is because the Company holds the majority of financial assets measured at amortized cost that meets the both criteria: a) the contractual terms of the financial assets that the Company holds give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date, and b) the Company holds the financial assets in order to collect contractual cash flow.

According to Korean IFRS 1109, a debt instrument is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on the principal amount outstanding on a specified date under contract terms. As of September 30, 2017, the Company does not hold debt instruments classified as financial assets available-for-sale. Therefore, based on the results from the impact assessment, the Company expects application of Korean IFRS 1109 will not have a material impact on the accompanying separate financial statements.

According to Korean IFRS 1109, the Company can make an irrevocable election at initial recognition to classify the equity instruments that are not held for trading as assets measured at fair value through other comprehensive income. All subsequent changes in fair value of the instruments are recognized in other comprehensive income and not recycled to profit or loss. As of September 30, 2017, the Company holds equity instruments of ₩33,654 million classified as financial assets available-for-sale, however, there is no unrealized gain or loss recycled to profit or loss for the nine-month period ended September 30, 2017. Based on results from the impact assessment, the Company plans to designate equity instruments, which are classified in financial assets available-for-sale for long-term investment purpose, as instruments measured at fair value through other comprehensive income. Therefore, the Company expects these financial assets will not have a material impact on the accompanying separate financial statements.

Classification and Measurement of Financial Liabilities

Korean IFRS 1109 requires the amount of the change in the liability's fair value attributable to changes in the credit risk of that financial liability to be recognized in other comprehensive income, unless this treatment of the credit risk component creates or enlarges an accounting mismatch. Amounts presented in other comprehensive income are not subsequently recycled to profit or loss. Based on the results from the impact assessment of Korean IFRS 1109, the Company does not hold financial liabilities designated at fair value through profit or loss as of September 30, 2017. Therefore, the Company expects the application of Korean IFRS 1109 will not have a material impact on the accompanying separate financial statements.

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Impairment of Financial Assets and Contract Assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under Korean IFRS 1039. It applies to debt instruments measured at amortized cost and at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and financial guarantee contracts.

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

As of September 30, 2017, the Company owns financial instrument at amortized cost of ₩8,013,627 million (loans and receivables). And the Company recognized loss allowance of ₩34,834 million for these financial assets.

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

Hedge Accounting

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

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

- Enactments of Korean IFRS 1115 *Revenue from Contracts with Customers*

Korean IFRS 1115 *Revenue from Contracts with Customers* issued in November, 2015 is effective for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction*

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

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

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

As of September 30, 2017, for the preparation of implementing Korean IFRS 1115, the Company formed a task force team consisting of members from accounting FD, information strategy FD and other practical departments, if necessary. The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1115. The assessment was performed based on retainable information as of September 30, 2017. The results of the assessment as of September 30, 2017 may change due to additional information that the Company may obtain after the assessment.

Identification of Performance Obligation

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

The Company expects that identifying performance obligation will not have a material impact on the accompanying separate financial statements because the Company recognizes revenue from service, of which contracts are generally separated, apart from sales of goods or products as of September 30, 2017.

Variable Consideration

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

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

According to current Korean IFRS, the Company estimates an amount of promotional incentive and reverses sales and trade receivables. Instead, with implementation of Korean IFRS 1115, the Company will reverse sales but recognize a refund liability. The Company recognizes an amount of gross profit for products the Company expects to be returned as a return provision according to current Korean IFRS. While, with the implementation of Korean IFRS 1115, the Company will recognize expected amount of return as the refund liability and cost of sales as assets. Based on the result from the impact assessment as of September 30, 2017, the Company expects the application of Korean IFRS 1115 will not have a material impact on revenue while both assets and liabilities are expected to be increased at the same time.

Costs to Fulfill a Contract

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

Based on the result from the impact assessment as of September 30, 2017, the Company expects the application of Korean IFRS 1115 will result in an increase in assets and equity because the costs to fulfill a contract such as past expenses will be recognized as assets.

Warranties

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

Based on the results from the impact assessment as of September 30, 2017, the Company will not have a material impact because extended warranties beyond standard terms have been recognized as separate revenue from service which is distinct from standard term of warranties.

- Amendments to Korean IFRS 1102 Share-based Payment

Amendments to Korean IFRS 1102 clarify that accounting for a modification to the terms and conditions and fair value measurement of a cash-settled share-based payment are in the same

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way as an equity-settled share-based payment when it changes the classification of the transaction from cash-settled to equity-settled. This amendment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the amendments to have a significant impact on the accompanying separate financial statements.

- Enactments of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to these enactments, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. This enactment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the enactments to have a significant impact on the accompanying separate financial statements.

Application of Accounting Policies

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

Income Tax Expense

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

3. Critical Accounting Estimates and Judgements

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

(a) Revenue Recognition

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

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(b) Impairment of Goodwill

The Company 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 Company 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 Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

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4. Financial Instruments by Category

(a) Categorizations of financial instruments as of September 30, 2017 and December 31, 2016, are as follows:

September 30, 2017						
<i>(in millions of Korean won)</i>	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	1,447,429	-	-	-	1,447,429
Deposits held by financial institutions	-	82,879	-	-	-	82,879
Trade receivables	-	5,740,192	-	-	-	5,740,192
Loans and other receivables	-	743,127	-	-	-	743,127
Other financial assets	-	-	33,654	-	5,531	39,185
Total	-	8,013,627	33,654	-	5,531	8,052,812

September 30, 2017				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	6,132,309	-	6,132,309
Borrowings	-	7,166,777	-	7,166,777
Other payables	-	2,211,811	-	2,211,811
Other financial liabilities	-	-	59,425	59,425
Total	-	15,510,897	59,425	15,570,322

December 31, 2016						
<i>(in millions of Korean won)</i>	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	1,181,725	-	-	-	1,181,725
Deposits held by financial institutions	-	81,659	-	-	-	81,659
Trade receivables	-	4,985,573	-	-	-	4,985,573
Loans and other receivables	-	798,291	-	-	-	798,291
Other financial assets	-	-	32,581	-	46,184	78,765
Total	-	7,047,248	32,581	-	46,184	7,126,013

December 31, 2016				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	5,516,849	-	5,516,849
Borrowings	-	6,631,320	-	6,631,320
Other payables	-	2,086,003	-	2,086,003
Other financial liabilities	-	-	84,401	84,401
Total	-	14,234,172	84,401	14,318,573

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(b) Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017					Total
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	14,887	-	-	-	14,887
Exchange differences	-	(154,091)	-	-	-	(154,091)
Bad debt expense	-	3,522	-	-	-	3,522
Loss on disposal of trade receivables	-	(2,475)	-	-	-	(2,475)
Gain on disposal of available-for-sale financial assets	-	-	5,398	-	-	5,398
Impairment loss on available-for-sale financial assets	-	-	(250)	-	-	(250)
Dividend income	-	-	228	-	-	228
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(265)	-	-	(265)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	2,076	2,076
Others	-	1,927	-	-	-	1,927

<i>(in millions of Korean won)</i>	2017			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	
Interest expenses	-	(139,513)	(12,830)	(152,343)
Exchange differences	-	230,040	(44,334)	185,706
Gain on derivatives, net of tax (through other comprehensive income)	-	-	16,829	16,829
Others	-	(554)	2,121	1,567

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<i>(in millions of Korean won)</i>	2016					Total
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	14,375	-	-	-	14,375
Exchange differences	-	(291,841)	-	-	-	(291,841)
Bad debt expense	-	28,879	-	-	-	28,879
Loss on disposal of trade receivables	-	(2,485)	-	-	-	(2,485)
Gain on disposal of available-for-sale financial assets	-	-	50	-	-	50
Impairment loss on available-for-sale financial assets	-	-	(4,500)	-	-	(4,500)
Dividend income	-	-	254	-	-	254
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(310)	-	-	(310)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	896	896
Others	-	11,107	-	-	-	11,107

<i>(in millions of Korean won)</i>	2016			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	
Interest expenses	-	(156,347)	(16,702)	(173,049)
Exchange differences	-	272,667	(40,930)	231,737
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(40,299)	(40,299)
Others	-	-	2,139	2,139

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5. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017			December 31, 2016		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,765,660	(25,468)	5,740,192	5,014,606	(29,033)	4,985,573
Other receivables						
Current	441,369	(8,685)	432,684	501,493	(9,315)	492,178
Non-current	311,124	(681)	310,443	306,121	(8)	306,113

(b) Movements in allowance for doubtful accounts for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017			
	At January 1	Addition (Reversal)	Write-off and other	At September 30
Trade receivables	29,033	(3,565)	-	25,468
Other receivables				
Current	9,315	(630)	-	8,685
Non-current	8	673	-	681

<i>(in millions of Korean won)</i>	2016			
	At January 1	Addition (Reversal)	Write-off and other	At September 30
Trade receivables	101,442	(29,571)	10	71,881
Other receivables				
Current	7,693	697	-	8,390
Non-current	13	(5)	-	8

(c) The aging analysis of trade receivables and other receivables as of September 30, 2017 and December 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2017				December 31, 2016			
	Trade receivable	Other receivables		Total	Trade receivable	Other receivables		Total
	Current	Non-current			Current	Non-current		
Receivables not past due	5,545,750	295,531	303,716	6,144,997	4,651,879	358,689	296,845	5,307,413
Past due but not impaired								
Up to 6 months	175,052	21,720	6,660	203,432	186,612	21,471	9,274	217,357
7 to 12 months	5,894	22,794	748	29,436	17,541	35,291	2	52,834
Over 1 year	26,839	90,268	-	117,107	147,937	75,796	-	223,733
Subtotal	207,785	134,782	7,408	349,975	352,090	132,558	9,276	493,924
Impaired	12,125	11,056	-	23,181	10,637	10,246	-	20,883
Total	5,765,660	441,369	311,124	6,518,153	5,014,606	501,493	306,121	5,822,220

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- (d) There are no financial assets transferred but not derecognized in their entirety, and no associated liabilities recognized as of September 30, 2017.

6. Other Financial Assets and Liabilities

- (a) Details of other financial assets and liabilities as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Other financial assets		
Derivatives	5,531	46,184
Available-for-sale financial assets	33,654	32,581
Total	39,185	78,765
Current	-	30,093
Non-current	39,185	48,672

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Other financial liabilities		
Derivatives	50,994	73,226
Financial guarantee liability	8,431	11,175
Total	59,425	84,401
Current	6,781	8,665
Non-current	52,644	75,736

- (b) Details of derivatives as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	-	-	30,093	-
Non-current				
Currency swap	4,697	2,055	16,091	-
Interest rate swap	834	48,939	-	73,226
Subtotal	5,531	50,994	16,091	73,226
Total	5,531	50,994	46,184	73,226

The details of major derivative contracts at the end of the reporting period are presented in Note 29.

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(c) Available-for-sale financial assets

i) Changes in carrying amount of available-for-sale financial assets for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017					
	At	Valuation				At
	January 1	Acquisition	Disposals	(OCI)	Impairment	September 30
Listed equity securities	14,835	-	-	(349)	-	14,486
Unlisted equity securities	17,746	2,963	(1,291)	-	(250)	19,168
Total	32,581	2,963	(1,291)	(349)	(250)	33,654

<i>(in millions of Korean won)</i>	2016					
	At	Valuation				At
	January 1	Acquisition	Disposals	(OCI)	Impairment	September 30
Listed equity securities	15,323	-	-	(409)	-	14,914
Unlisted equity securities	18,523	6,433	-	-	(4,500)	20,456
Total	33,846	6,433	-	(409)	(4,500)	35,370

ii) There are no available-for-sale financial assets held for sale as of September 30, 2017.

7. Inventories

(a) Inventories as of September 30, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	September 30, 2017			December 31, 2016		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	626,685	(41,995)	584,690	529,151	(36,966)	492,185
Work-in-process	132,657	(1,186)	131,471	69,039	(2,097)	66,942
Raw materials and supplies	611,872	(40,224)	571,648	562,348	(81,985)	480,363
Other	157,278	(17,072)	140,206	179,067	(32,036)	147,031
Total	1,528,492	(100,477)	1,428,015	1,339,605	(153,084)	1,186,521

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8. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	7,164,642	6,450,406
Acquisitions	730,004	809,906
Reclassification to assets held for sale	(368,735)	-
Disposals and others	(98,764)	(13,226)
Decrease due to transfer of business	(833)	-
Depreciation	(455,549)	(434,391)
Impairment	(70,007)	(14,570)
At September 30	6,900,758	6,798,125

(b) Line items including depreciation in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	361,158	330,993
Selling and marketing expenses	7,393	7,318
Administrative expenses	15,114	31,362
Research and development expenses	64,473	56,700
Service costs	3,947	3,955
Other non-operating expenses	3,464	4,063
Total	455,549	434,391

(c) Changes in intangible assets for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	1,234,531	1,154,910
Acquisitions	136,826	125,050
Acquisitions through internal development	340,921	205,784
Disposals and others	(24,805)	(9,451)
Decrease due to transfer of business	(566)	-
Amortization	(281,414)	(272,274)
Impairment	(2,291)	(1,598)
At September 30	1,403,202	1,202,421

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(d) Line items including amortization of intangible assets in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	161,017	151,130
Selling and marketing expenses	13,036	9,766
Administrative expenses	54,380	56,861
Research and development expenses	52,008	53,304
Service costs	973	1,213
Total	281,414	272,274

9. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at September 30, 2017 (%)	Book amount	
				September 30, 2017	December 31, 2016
Subsidiaries					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	20,323
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd (LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O. (LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
LG Electronics Shenyang Inc.(LGESY)	China	December	56.3	64,079	66,415
Hi Entech Co., Ltd.	Korea	December	100.0	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.5	48,624	48,624
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0	38,744	38,744

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at September 30, 2017 (%)	Book amount	
				September 30, 2017	December 31, 2016
LG Electronics S.A. (Pty) Ltd.(LGESA)	South Africa	December	100.0	32,112	32,112
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Colombia Ltda.(LGECEB)	Colombia	December	60.7	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	UAE	December	100.0	22,538	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGSi)	India	March	100.0	20,105	20,105
LG Electronics Finland Lab Oy(LGEFL)	Finland	December	100.0	12,061	9,956
LGE Alliance Fund	Korea	December	96.2	6,200	7,910
V-ENS (M) Sdn. Bhd.	Malaysia	December	100.0	1,856	1,904
Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	China	December	100.0	226	206
LG Alina Electronics(LGERI) ²	Russia	December	-	-	470
Others				215,131	215,131
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	120,668	120,668
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	51,098
LG Fuel Cell Systems Inc.	USA	December	29.7	83,035	69,375
Kiwigrig GmbH ^{1,3}	Germany	December	17.6	13,019	-
Korea Information Certificate Authority Inc. ³	Korea	December	6.5	2,088	2,378
SKT Vietnam PTE., Ltd.	Singapore	December	25.4	-	-
Joint ventures					
LG Holdings (HK) Ltd.	China	December	49.0	129,386	129,386
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
Total				8,097,273	7,995,665

¹ It was newly acquired during the nine-month period ended September 30, 2017.

² It was liquidated during the nine-month period ended September 30, 2017.

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

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(b) Changes in investments in subsidiaries, associates and joint ventures for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	7,995,665	7,963,467
Acquisitions ¹	118,726	135,424
Disposal	(14,734)	(9,388)
Impairment	(2,384)	(54,671)
At September 30	8,097,273	8,034,832

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

(c) Details of marketable investments in subsidiaries and associates as of September 30, 2017 and December 31, 2016, are as follows:

September 30, 2017					
	Type	Shares held (Unit: shares)	Price per share (Unit: Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	30,550	4,143,344	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	154,000	1,486,590	541,538
Korea Information Certificate Authority Inc.	Associate	2,010,247	5,030	10,112	2,088

December 31, 2016					
	Type	Shares held (Unit: shares)	Price per share (Unit: Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	31,450	4,265,406	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	88,400	853,341	541,538
Korea Information Certificate Authority Inc.	Associate	2,289,708	5,660	12,960	2,378

10. Borrowings

(a) The carrying amounts of borrowings as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Current		
Short-term borrowings	135,087	-
Current portion of long-term borrowings	-	190,000
Current portion of debentures	439,807	471,148
Subtotal	574,894	661,148
Non-current		
Long-term borrowings	2,055,000	1,690,000
Debentures	4,536,883	4,280,172
Subtotal	6,591,883	5,970,172
Total	7,166,777	6,631,320

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(b) Details of borrowings as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Last maturity date	Annual interest rate at September 30, 2017 (%)	Carrying amount	
			September 30, 2017	December 31, 2016
Short-term borrowings in foreign currency				
LG Electronics European Shared Service Center B.V. (LGESC)	2018. 9.20	0.72	135,087	-
Long-term borrowings in local currency				
Korea Development Bank and others ¹	2030. 7. 7	2.20 ~ 3.00	2,055,000	1,880,000
Local currency loans				
Public, non-guaranteed bonds	2030. 2. 2	1.48 ~ 4.44	3,710,000	3,580,000
Private, non-guaranteed bonds	2028.11.18	3.11 ~ 3.96	800,000	700,000
Foreign currency loans				
Private, non-guaranteed bonds ²	2022. 2. 2	2.14	114,670	241,700
Private, guaranteed bonds ^{1,2}	2023. 2.24	0.37 ~ 2.94	364,427	241,700
Less: discount on debentures			(12,407)	(12,080)
Total			7,166,777	6,631,320

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

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

11. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Present value of funded obligations	2,368,595	2,265,932
Fair value of plan assets	(1,870,611)	(1,920,564)
Net defined benefit liabilities	497,984	345,368

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(b) The amounts recognized in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Current service cost	202,445	218,150
Net interest cost	7,020	11,558
Operating management cost	1,416	1,310
Total	210,881	231,018

(c) Line items in which expenses are included for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	107,730	111,038
Selling and marketing expenses	26,726	28,903
Administrative expenses	13,508	16,194
Research and development expenses	60,295	71,893
Service costs	2,622	2,990
Total	210,881	231,018

(d) Changes in the present value of defined benefit obligations for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	2,265,932	2,236,821
Current service cost	202,445	218,150
Interest cost	44,934	43,898
Remeasurements for:		
- Actuarial loss (gain) arising from changes in financial assumptions	(50,324)	166,902
Benefits paid	(94,392)	(94,945)
At September 30	2,368,595	2,570,826

(e) Changes in the fair value of plan assets for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	1,920,564	1,661,805
Interest income	37,914	32,340
Remeasurements of plan assets	(13,092)	(7,090)
Benefits paid	(73,359)	(60,364)
Operating management cost	(1,416)	(1,310)
At September 30	1,870,611	1,625,381

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- (f) The principal actuarial assumptions used as of September 30, 2017 and December 31, 2016, are as follows:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Discount rate	3.0%	2.7%
Expected salary growth rate	5.0%	5.0%

- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of September 30, 2017, is as follows:

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(203,349)	235,445
Expected salary growth rate	227,567	(201,000)

The above sensitivity analysis is 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 nine-month period ended September 30, 2017, amounts to ₩5,182 million (September 30, 2016: ₩3,963 million).

12. Provisions

Changes in provisions for the nine-month periods ended September 30, 2017 and 2016, are as follows:

	<u>2017</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	397,950	272	14,185	791,577	1,203,984
Additions	271,960	31,791	1,170	81,944	386,865
Utilizations	(353,461)	(31,566)	(2,599)	(803,817)	(1,191,443)
At September 30	316,449	497	12,756	69,704	399,406
Current	302,546	497	2,033	3,481	308,557
Non-current	13,903	-	10,723	66,223	90,849

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<i>(in millions of Korean won)</i>	2016				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	183,481	838	5,760	833,635	1,023,714
Additions	446,216	22,795	8,988	54,728	532,727
Utilizations	(321,539)	(23,245)	(456)	(108,727)	(453,967)
At September 30	308,158	388	14,292	779,636	1,102,474
Current	298,993	388	2,721	-	302,102
Non-current	9,165	-	11,571	779,636	800,372

13. Paid-in Capital

- (a) As of September 30, 2017 and December 31, 2016, the number of shares authorized is 600 million.

	Par value per share	September 30, 2017		December 31, 2016	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

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

- (b) Share premium balance as of September 30, 2017, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merged with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

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14. Retained Earnings

(a) Retained earnings as of September 30, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Legal reserve ¹	175,054	167,766
Discretionary reserve	4,603,535	4,805,354
Unappropriated retained earnings (undisposed accumulated deficit) ²	781,921	(121,547)
Total	5,560,510	4,851,573

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

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

15. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of September 30, 2017 and December 31, 2016, consists of:

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Cash flow hedge	(37,318)	(56,223)
Available-for-sale financial assets	10,308	10,573
Total	(27,010)	(45,650)

16. Other Components of Equity

Other components of equity as of September 30, 2017 and December 31, 2016, consist of:

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Total	(32,819)	(32,819)

¹ As of September 30, 2017, the Company has treasury shares consisting of 763,171 ordinary shares (December 31, 2016: 763,171 shares) and 4,690 preferred shares (December 31, 2016: 4,690 shares) at the end of the reporting period. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

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17. Net Sales

Details of net sales for the three-month and nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Sales of goods	7,744,172	23,079,350	6,842,735	21,362,869
Rendering of services	124,050	345,422	88,996	251,010
Royalty income	359,956	507,458	77,036	252,235
Total	8,228,178	23,932,230	7,008,767	21,866,114

18. Expenses by Nature

Expenses that are recorded by nature for the three-month and nine-month periods ended September 30, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	(46,057)	(165,716)	6,427	(98,804)
Raw materials and merchandise used	4,993,577	14,686,701	4,267,239	13,477,046
Employee benefit expense	992,967	2,929,831	952,928	2,868,532
Depreciation and amortization	248,891	734,480	235,094	703,650
Advertising expense	140,046	431,116	126,083	449,437
Promotion expense	84,413	221,663	64,739	210,442
Transportation expense	151,172	417,984	135,030	391,902
Commission expense	419,603	1,190,465	374,834	1,123,674
Other expenses	1,120,308	2,663,234	944,284	2,566,050
Total¹	8,104,920	23,109,758	7,106,658	21,691,929

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

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

Details of general operating expenses for the three-month and nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Salaries	362,549	1,088,598	367,204	1,121,444
Post-employment benefits	36,648	107,150	41,616	125,070
Employee benefits	62,331	180,800	57,444	178,348
Transportation expense	149,320	411,860	133,332	386,480
Rental expense	42,567	127,998	43,118	128,243
Commission expense	298,340	838,375	253,231	759,221
Depreciation	26,985	91,908	32,492	100,383
Amortization	40,488	120,397	40,197	121,144
Taxes and dues	26,430	31,115	7,294	13,271
Advertising expense	140,046	431,116	126,083	449,437
Promotional expense	84,413	221,663	64,739	210,442
R&D expense	69,318	227,634	112,091	328,458
Service costs	110,831	281,378	223,741	472,039
Bad debts expense	(11,082)	(3,565)	(21,846)	(29,571)
Other	73,551	223,669	68,859	217,470
Total	1,512,735	4,380,096	1,549,595	4,581,879

20. Financial Income

Financial income for the three-month and nine-month periods ended September 30, 2017 and 2016, consists of:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Interest income	5,812	14,887	4,608	14,375
Exchange differences	60,646	148,939	36,797	136,785
Other	2,985	12,266	6,988	17,569
Total	69,443	176,092	48,393	168,729

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21. Financial Expenses

Financial expenses for the three-month and nine-month periods ended September 30, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Interest expense	52,008	152,343	55,189	173,049
Exchange differences	50,388	168,551	58,141	170,103
Loss on disposal of trade receivables	1,020	2,475	214	2,485
Other	3,518	8,772	1,510	4,323
Total	106,934	332,141	115,054	349,960

22. Other Non-operating Income

Other non-operating income for the three-month and nine-month periods ended September 30, 2017 and 2016, consists of:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Dividend income	167,979	430,180	179,776	468,395
Exchange differences	116,137	398,088	221,835	767,948
Gain on disposal of property, plant and equipment	3,696	8,087	289	2,331
Gain on disposal of investment properties	-	-	-	7,903
Gain on disposal of assets held for sale	-	3,804	-	-
Gain on disposal of available-for-sale financial assets	-	5,398	50	50
Gain on disposal of investments in subsidiaries, associates and joint ventures	237	4,253	-	20,955
Gain on transfer of business	-	4,882	-	-
Other	6,023	23,390	26,270	40,934
Total	294,072	878,082	428,220	1,308,516

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23. Other Non-operating Expenses

Other non-operating expenses for the three-month and nine-month periods ended September 30, 2017 and 2016, consist of:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Exchange differences	112,558	346,861	282,617	794,734
Loss on disposal of property, plant and equipment	5,980	10,545	2,034	4,758
Impairment loss on disposal of property, plant and equipment	56,476	70,007	1,361	14,570
Loss on disposal of intangible assets	8,916	23,301	3,325	7,745
Impairment loss on disposal of available-for-sale financial assets	-	250	4,500	4,500
Impairment loss on investments in subsidiaries, associates and joint ventures	-	2,384	-	54,671
Other	30,025	97,868	30,738	88,946
Total	213,955	551,216	324,575	969,924

24. Earnings per Share

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

(a) Basic earnings (loss) per ordinary share for the three-month and nine-month periods ended September 30, 2017 and 2016, is as follows:

	2017		2016	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to ordinary shares <i>(in millions of Korean won)</i>	96,961	681,112	(39,612)	241,733
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,643	162,884,643	162,884,643	162,884,643
Basic earnings (loss) per ordinary share <i>(in Korean won)</i>	596	4,182	(243)	1,484

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- (b) Basic earnings (loss) per preferred share for the three-month and nine-month periods ended September 30, 2017 and 2016, is as follows:

	2017		2016	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to preferred shares <i>(in millions of Korean won)</i>	10,443	72,489	(3,963)	26,143
Weighted average number of preferred shares outstanding <i>(unit: shares)</i>	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings (loss) per preferred share <i>(in Korean won)</i>	608	4,219	(230)	1,522

25. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2017 and 2016, are as follows:

- (a) Cash generated from operations

<i>(in millions of Korean won)</i>	2017	2016
Profit for the period	753,601	267,876
Adjustments:		
Interest expense, net	137,456	158,674
Exchange differences, net	(11,108)	22,878
Depreciation	455,549	434,391
Amortization	281,414	272,274
Loss on disposal of property, plant and equipment and intangible assets, net	25,759	10,172
Provisions for severance benefits	210,881	231,018
Provisions	386,865	532,727
Dividend income	(430,180)	(468,395)
Income tax expense	239,688	63,670
Gain on disposal of investments in subsidiaries, associates and joint ventures	(4,253)	(20,955)
Impairment loss on investments in subsidiaries, associates and joint ventures	2,384	54,671
Other	89,484	103,176
	1,383,939	1,394,301
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	(834,731)	328,602
Decrease in loans and other receivables	51,700	141,142
Increase in inventories	(248,411)	(360,421)
Increase in other assets	(72,227)	(215,985)
Increase in trade payables	568,846	148,171
Increase in other payables	255,868	39,237
Decrease in provisions	(1,191,443)	(453,967)
Increase (decrease) in other liabilities	(11,361)	85,609

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<i>(in millions of Korean won)</i>	2017	2016
Payment of defined benefit liability	(21,033)	(34,581)
Deposit in plan assets, net	(23,406)	(23,940)
	(1,526,198)	(346,133)
Cash generated from operations	611,342	1,316,044

(b) Changes in liabilities from financing activities

<i>(in millions of Korean won)</i>	At January 1, 2017	Net cash flow from financing activities	Non-cash transactions		At September 30, 2017
			Exchange differences (profit/loss)	Amortization	
Short-term borrowings	-	135,549	(462)	-	135,087
Long-term borrowings	1,880,000	174,862	138	-	2,055,000
Debentures	4,751,320	265,618	(42,928)	2,680	4,976,690
Total	6,631,320	576,029	(43,252)	2,680	7,166,777

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2017	2016
Reclassification of construction-in-progress to property, plant and equipment	914,796	167,950
Reclassification of construction-in-progress to intangible assets	158,686	130,636
Reclassification of other assets to intangible assets	94,362	82,636
Reclassification of current portion of borrowings and debentures	439,746	843,479
Debt for equity swaps of trade receivables from subsidiaries	89,922	44,787
Other payables to acquire property, plant and equipment	22,503	56,403
Other payables to acquire intangible assets	6,721	6,448

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

– Transfer of Set-top Box business

i) On May 17, 2017, assets and workforce of set-top Box product business of Home Entertainment segment were transferred to Technicolor SA.

ii) Total consideration received and assets of the transferred business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	13,942
Assets of the transferred business:	
Trade receivables and other receivables	4,481
Inventories	3,180
Property, plant and equipment and intangible assets	1,399

– Transfer of CCTV and home security product business

i) On December 9, 2016, assets and workforce of CCTV and home security product business were transferred to LG INNOTEK CO., LTD.

ii) Total consideration received, and assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	1,298
Assets of the transferred business:	
Inventories	1,136
Property, plant and equipment and intangible assets	1,154
Other assets	50
Liabilities of the transferred business:	
Net defined benefit liabilities	1,042

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26. Contingencies

(a) As of September 30, 2017, the Company is provided with guarantees of ₩177,679 million (December 31, 2016: ₩124,076 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Company is provided with guarantee of principal US\$ 200 million and EUR 100 million (December 31, 2016: US\$ 200 million) and interests from Shinhan Bank for the guaranteed private placement bond.

(b) As of September 30, 2017, the financial guarantees provided by the Company amount to ₩4,317,976 million (December 31, 2016: ₩5,027,123 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	September 30, 2017	December 31, 2016
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	884,904	890,245
LG Electronics Ticaret A.S.(LGETK)	Citibank and others	481,229	505,191
LG Electronics do Brasil Ltda.(LGEBR)	Citibank and others	442,780	544,517
LG Electronics Vietnam Haiphong Co., LTD.(LGEVH)	VIETIN and others	397,290	426,178
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	287,927	611,612
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	273,691	283,498
LG Electronics Peru S.A.(LGEPR)	Nova scotia and others	200,032	211,703
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	166,979	172,587
LG Electronics Argentina S.A.(LGEAR)	BBVA and others	126,137	130,472
LG Electronics Colombia Ltda.(LGECEB)	Citibank and others	111,255	128,623
LG Electronics Algeria SARL(LGEAS)	Societe Generale and others	110,684	116,027
LG Electronics India Pvt. Ltd.(LGEIL)	Citibank and others	104,272	137,456
LG Electronics Egypt S.A.E(LGEEG)	Misr and others	99,411	66,468
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	93,655	92,900
LG Electronics RUS, LLC(LGERA)	Citibank and others	85,468	136,660
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank and others	78,429	90,651
LG Electronics Thailand Co., Ltd.(LGETH)	MIZUHO and others	60,769	69,831
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	51,257	54,624
LG-Shaker Co., Ltd.(LGESR)	SABB and others	37,442	103,983
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	Citibank	34,401	36,255
Others	Citibank and others	189,964	217,642
Total		4,317,976	5,027,123

(c) As of September 30, 2017, the Company is providing KEB Hana Bank with a payment guarantee for buyers up to ₩46,000 million (December 31, 2016: ₩46,000 million).

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(d) As of September 30, 2017, there are a number of 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 Company at the end of the reporting period cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Company's financial position.

27. Commitments

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

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,096,168 million (December 31, 2016: ₩2,535,433 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩500,000 million (December 31, 2016: ₩500,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,160,000 million (December 31, 2016: ₩1,150,000 million) which guarantee the payment of trade payables in case the suppliers sell their trade receivables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩514,670 million (December 31, 2016: ₩820,850 million).

(e) At the end of the reporting period, the Company has agreements with insurance companies, including Chubb, of up to 120% of the guaranteed insurance amount to appeal against the transfer pricing assessment on LG Electronics do Brasil Ltda., a subsidiary.

(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>	September 30, 2017	December 31, 2016
Property, plant and equipment	159,680	335,455
Intangible assets	24,001	13,278
Total	183,681	348,733

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

i) The total of future minimum lease payments under non-cancellable operating leases at the end of the reporting period, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2017			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Buildings	53,529	53,469	4,618	111,616
Vehicles	6,536	5,624	-	12,160
Equipment	13,139	10,166	-	23,305
Total	73,204	69,259	4,618	147,081

ii) Lease payment under operating lease recognized in the separate interim statement of profit or loss for the nine-month period ended September 30, 2017, is ₩92,335 million (2016: ₩87,958 million).

iii) At the end of the reporting period, the total of future minimum sublease payments expected to be received under non-cancellable sublease agreements for some buildings amount to ₩25,688 million and lease income recognized related to the subleases for the nine-month period ended September 30, 2017, amounts to ₩10,762 million (2016: ₩10,935 million).

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

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

<i>(in millions of Korean won)</i>	September 30, 2017			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Healthcare rental	201,747	346,486	-	548,233
Real estate rental	576	-	-	576
Total	202,323	346,486	-	548,809

ii) The Company recognized ₩111,790 million (2016: ₩82,472 million) in lease income for the nine-month period ended September 30, 2017.

(i) Trademark license commitments

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

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

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28. Related Party

(a) Major transactions for the nine-month periods ended September 30, 2017 and 2016, and balances of receivables and payables from transaction with related parties as of September 30, 2017 and December 31, 2016, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

		2017					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	1,429	13	1,442	2	109,875	109,877
Subsidiaries	LG Innotek Co., Ltd.	464,727	-	464,727	454,895	6,872	461,767
	Hiplaza Co., Ltd.	1,149,662	-	1,149,662	40	14,462	14,502
	LG Electronics Vietnam Haiphong Co., Ltd.	912,282	405	912,687	25,022	11,513	36,535
	LG Electronics Mobilecomm U.S.A., Inc.	1,624,685	-	1,624,685	-	5,421	5,421
	LG Electronics Egypt S.A.E	195,380	194	195,574	-	208	208
	LG Electronics U.S.A., Inc.	3,032,452	-	3,032,452	4,308	93,618	97,926
	LG Electronics do Brasil Ltda.	594,359	-	594,359	3,347	1,255	4,602
	LG Electronics Gulf FZE	445,264	-	445,264	-	1,189	1,189
	Inspur LG Digital Mobile Communications Co., Ltd.	987,220	3,031	990,251	119,230	17,149	136,379
	LG Electronics Japan, Inc.	238,353	-	238,353	4,301	18,149	22,450
	LG Electronics (Kunshan) Co.,Ltd.	317,006	7	317,013	10,029	2,756	12,785
	LG Electronics RUS, LLC	248,837	185	249,022	3	1,154	1,157
	LG Electronics Australia Pty, Ltd.	268,699	-	268,699	7	1,658	1,665
	LG Electronics Mexico S.A. DE C.V.	201,720	-	201,720	57	429	486
	Qingdao LG Inspur Digital Communication Co.,Ltd.	348,038	537	348,575	62,834	4,892	67,726
	LG Electronics (Levant) Jordan	264,956	-	264,956	815	3,835	4,650
	LG Electronics Philippines Inc.	46,422	-	46,422	-	524	524
	LG Electronics Colombia Ltda.	74,453	-	74,453	116	742	858
	LG Electronics Deutschland GmbH	242,654	-	242,654	1,065	26,108	27,173
	LG Electronics Nanjing New Technology co.,LTD	175,751	68	175,819	361,089	1,091	362,180
	LG Electronics Mlawa Sp. z. O.O.	218,642	170	218,812	1,043	3,994	5,037
	LG Electronics Canada, Inc.	387,489	-	387,489	47	3,492	3,539
	Others	3,224,914	1,254	3,226,168	356,437	289,649	646,086
	Subtotal	15,663,965	5,851	15,669,816	1,404,685	510,160	1,914,845
Associates	LG Display Co., Ltd. and its	919,523	-	919,523	1,166,738	12,464	1,179,202

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		2017					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	subsidiaries						
	Ericsson-LG Co., Ltd. and its subsidiaries	5,793	-	5,793	2,965	-	2,965
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	553	-	553	13,082	695	13,777
	LG Fuel Cell Systems Inc. and its subsidiaries	2,187	-	2,187	-	-	-
	Korea Information Certificate Authority Inc	-	-	-	-	14	14
	Subtotal	928,056	-	928,056	1,182,785	13,173	1,195,958
Joint venture	LG-MRI LLC	360	-	360	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	52,345	-	52,345	76,916	225,204	302,120
	SERVEONE Co., Ltd. and its subsidiaries	60,562	-	60,562	479,116	189,878	668,994
	LUSEM CO., LTD.	2	-	2	1,346	23	1,369
	LG Management Development Institute	35	-	35	138	18,239	18,377
	LG SPORTS Ltd.	19	-	19	-	9,690	9,690
	LG MMA Ltd.	1,229	-	1,229	-	-	-
	Subtotal	114,192	-	114,192	557,516	443,034	1,000,550
Others ¹	LG Chem, Ltd. and its subsidiaries	415,915	2,065	417,980	517,922	2,234	520,156
	LG INTERNATIONAL CORP and its subsidiaries	100,596	-	100,596	1,183,620	526,994	1,710,614
	LG Uplus Corp and its subsidiaries	554,586	-	554,586	1,187	3,263	4,450
	LG Hausys, Ltd. and its subsidiaries	26,579	-	26,579	9,904	250	10,154
	Silicon Works Co., Ltd	2,645	-	2,645	7,067	-	7,067
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,377	-	3,377	182	44	226
	G II R Inc. and its subsidiaries	544	-	544	3,737	147,173	150,910
	LG Hitachi Ltd.	1	-	1	-	-	-
	SK Siltron Co., Ltd. and its subsidiaries ²	3,169	-	3,169	28	-	28
	Subtotal	1,107,412	2,065	1,109,477	1,723,647	679,958	2,403,605
	Total	17,815,414	7,929	17,823,343	4,868,635	1,756,200	6,624,835

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		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	1,235	-	1,235	-	98,263	98,263
Subsidiaries	LG Innotek Co., Ltd.	137,780	-	137,780	610,019	5,778	615,797
	Hiplaza Co., Ltd.	888,136	-	888,136	64	9,593	9,657
	LG Electronics Vietnam Haiphong Co., Ltd.	738,391	22,198	760,589	18,737	2,788	21,525
	LG Electronics Mobilecomm U.S.A., Inc.	1,859,365	-	1,859,365	2,249	11,466	13,715
	LG Electronics Egypt S.A.E	167,664	71	167,735	-	487	487
	LG Electronics U.S.A., Inc.	2,413,430	-	2,413,430	3,632	75,272	78,904
	LG Electronics do Brasil Ltda.	476,832	-	476,832	5,970	1,817	7,787
	LG Electronics Gulf FZE	547,590	-	547,590	39	1,372	1,411
	Inspur LG Digital Mobile Communications Co., Ltd.	1,201,086	-	1,201,086	40,131	25,765	65,896
	LG Electronics Japan, Inc.	241,100	-	241,100	5,554	18,699	24,253
	LG Electronics (Kunshan) Co.,Ltd.	406,789	-	406,789	16,492	230	16,722
	LG Electronics RUS, LLC	252,905	19	252,924	1,149	947	2,096
	LG Electronics Australia Pty, Ltd.	262,828	-	262,828	552	825	1,377
	LG Electronics Mexico S.A. DE C.V.	338,207	-	338,207	96	551	647
	Qingdao LG Inspur Digital Communication Co., Ltd.	348,229	51	348,280	76,996	4,471	81,467
	LG Electronics (Levant) Jordan	314,948	-	314,948	729	16,773	17,502
	LG Electronics Philippines Inc.	68,311	-	68,311	-	1,051	1,051
	LG Electronics Colombia Ltda.	80,667	-	80,667	-	656	656
	LG Electronics Deutschland GmbH	168,011	-	168,011	1,284	17,863	19,147
	LG Electronics Nanjing New Technology co.,LTD	235,714	1	235,715	426,093	577	426,670
	LG Electronics Mlawa Sp. z. O.O.	183,795	-	183,795	1,807	616	2,423
	LG Electronics Canada, Inc.	319,939	-	319,939	-	2,097	2,097
	Others	3,582,032	21,330	3,603,362	365,998	287,921	653,919
	Subtotal	15,233,749	43,670	15,277,419	1,577,591	487,615	2,065,206
Associates	LG Display Co., Ltd. and its subsidiaries	634,598	-	634,598	1,216,731	18,774	1,235,505
	Ericsson-LG Co., Ltd. and its subsidiaries	6,070	-	6,070	3,462	-	3,462
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	828	-	828	13	-	13
	LG Fuel Cell Systems Inc.	450	-	450	39	-	39

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		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	and its subsidiaries						
	Korea Information Certificate Authority Inc	-	-	-	-	1	1
	Subtotal	641,946	-	641,946	1,220,245	18,775	1,239,020
Joint venture	LG-MRI LLC	167	-	167	81	-	81
Other related parties	LG CNS Co., Ltd. and its subsidiaries	38,714	-	38,714	143,683	151,161	294,844
	SERVEONE Co., Ltd. and its subsidiaries	8,754	-	8,754	695,861	59,990	755,851
	LG Siltron Incorporated and its subsidiaries	58	-	58	9	-	9
	LUSEM CO., LTD.	3	-	3	1,708	38	1,746
	LG Management Development Institute	19	-	19	-	19,529	19,529
	LG SPORTS Ltd.	18	-	18	-	9,391	9,391
	LG MMA Ltd.	494	-	494	-	-	-
	Subtotal	48,060	-	48,060	841,261	240,109	1,081,370
Others ¹	LG Chem, Ltd. and its subsidiaries	160,175	-	160,175	250,935	6,057	256,992
	LG INTERNATIONAL CORP and its subsidiaries	62,179	-	62,179	1,487,577	459,271	1,946,848
	LG Uplus Corp and its subsidiaries	554,140	-	554,140	776	5,032	5,808
	LG Hausys, Ltd. and its subsidiaries	21,410	-	21,410	13,934	-	13,934
	Silicon Works Co., Ltd	3,616	-	3,616	1,185	-	1,185
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,999	-	1,999	185	129	314
	LG LIFE SCIENCES, LTD.	3,332	-	3,332	1	-	1
	GIR Inc. and its subsidiaries	290	-	290	10	106,243	106,253
	LG Hitachi Ltd.	12	-	12	-	-	-
	Subtotal	807,153	-	807,153	1,754,603	576,732	2,331,335
	Total	16,732,310	43,670	16,775,980	5,393,781	1,421,494	6,815,275

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

² All shares of LG Siltron Incorporated were sold to SK Holdings Co., Ltd. on August 17, 2017, and the name of LG Siltron Incorporated was changed to SK Siltron Co., Ltd. As of September 30, 2017, SK Siltron Co., Ltd. belongs to LG Group as defined by the Fair Trade Commission.

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

(in millions of Korean won)

		September 30, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		305	-	24,786	25,091	-	-	10,464	10,464
Subsidiaries	LG Innotek Co., Ltd.	345,267	-	4,385	349,652	149,142	-	10,477	159,619
	Hiplaza Co., Ltd.	165,916	-	19,252	185,168	-	-	8,266	8,266
	LG Electronics Vietnam Haiphong Co., Ltd.	235,570	-	980	236,550	190,173	-	1,398	191,571
	LG Electronics Mobilecomm U.S.A., Inc.	180,933	-	-	180,933	-	-	6,906	6,906
	LG Electronics Egypt S.A.E	76,155	-	69,117	145,272	24,791	-	15	24,806
	LG Electronics U.S.A., Inc.	361,198	-	-	361,198	-	-	13,035	13,035
	LG Electronics do Brasil Ltda.	226,348	-	23,421	249,769	1,783	-	142	1,925
	LG Electronics Gulf FZE	136,120	-	-	136,120	-	-	120	120
	Inspur LG Digital Mobile Communications Co., Ltd.	140,212	-	24,055	164,267	387,544	-	653	388,197
	LG Electronics Japan, Inc.	49,511	-	-	49,511	-	-	2,407	2,407
	LG Electronics (Kunshan) Co.,Ltd.	102,187	-	-	102,187	49,992	-	280	50,272
	LG Electronics RUS, LLC	63,617	-	10,121	73,738	-	-	92	92
	LG Electronics Australia Pty, Ltd.	27,186	-	-	27,186	-	-	156	156
	LG Electronics Mexico S.A. DE C.V.	58,100	-	-	58,100	-	-	39	39
	Qingdao LG Inspur Digital Communication Co., Ltd.	31,411	-	-	31,411	116,993	-	13	117,006
	LG Electronics (Levant) Jordan	62,166	-	97	62,263	-	-	566	566
	LG Electronics Philippines Inc.	46,826	-	10	46,836	-	-	25	25
	LG Electronics Colombia Ltda.	92,965	-	9	92,974	-	-	256	256
	LG Electronics Deutschland GmbH	126,445	-	503	126,948	-	-	4,532	4,532
	LG Electronics Nanjing New Technology co.,LTD	20,276	-	171	20,447	142,981	-	112	143,093
	LG Electronics Mlawa Sp. z.O.O	51,640	-	-	51,640	548,957	-	437	549,394
	LG Electronics Canada, Inc.	62,095	-	-	62,095	-	-	386	386
	Others	1,121,643	-	60,857	1,182,500	940,209	135,087	48,388	1,123,684
	Subtotal	3,783,787	-	212,978	3,996,765	2,552,565	135,087	98,701	2,786,353
Associates	LG Display Co., Ltd. and	232,101	-	16,121	248,222	345,155	-	80,966	426,121

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		September 30, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	its subsidiaries								
	Ericsson-LG Co., Ltd. and its subsidiaries	285	-	466	751	761	-	-	761
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	-	-	13,353	-	205	13,558
	LG Fuel Cell Systems Inc. and its subsidiaries	368	-	-	368	-	-	-	-
	Subtotal	232,754	-	16,587	249,341	359,269	-	81,171	440,440
Joint venture	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	8,074	-	-	8,074
	LG-MRI LLC	234	-	-	234	-	-	-	-
	Subtotal	234	-	-	234	8,074	-	-	8,074
Other related parties	LG CNS Co., Ltd. and its subsidiaries	24,747	-	2	24,749	578	-	100,817	101,395
	SERVEONE Co., Ltd. and its subsidiaries	43,200	-	54,320	97,520	146,333	-	131,238	277,571
	LUSEM CO., LTD.	-	-	-	-	351	-	19	370
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,921	1,921
	LG SPORTS Ltd.	-	-	-	-	-	-	583	583
	LG MMA Ltd.	1,023	-	-	1,023	-	-	-	-
	Subtotal	68,970	-	69,982	138,952	147,262	-	234,578	381,840
Others ¹	LG Chem, Ltd. and its subsidiaries	308,793	-	1,500	310,293	238,841	-	7,462	246,303
	LG INTERNATIONAL CORP and its subsidiaries	22,918	-	1,689	24,607	322,180	-	136,684	458,864
	LG Uplus Corp and its subsidiaries	79,904	-	1,307	81,211	-	-	539	539
	LG Hausys, Ltd. and its subsidiaries	15,525	-	206	15,731	3,759	-	2,840	6,599
	Silicon Works Co., Ltd	2	-	-	2	3,610	-	-	3,610
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	847	-	-	847	-	-	1,353	1,353
	GIR Inc. and its subsidiaries	140	-	6	146	-	-	132,187	132,187
	SK Siltron Co., Ltd. and its subsidiaries ²	3,101	-	-	3,101	-	-	234	234
	Subtotal	431,230	-	4,708	435,938	568,390	-	281,299	849,689
	Total	4,517,280	-	329,041	4,846,321	3,635,560	135,087	706,213	4,476,860

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		December 31, 2016							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		745	-	27,706	28,451	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	139,457	-	6,541	145,998	200,056	-	9,063	209,119
	Hiplaza Co., Ltd.	110,446	-	19,281	129,727	-	-	7,240	7,240
	LG Electronics Vietnam Haiphong Co., Ltd.	352,021	-	2,197	354,218	130,138	-	961	131,099
	LG Electronics Mobilecomm U.S.A., Inc.	324,799	-	-	324,799	-	-	39,152	39,152
	LG Electronics Egypt S.A.E	243,230	-	79,399	322,629	15,692	-	37	15,729
	LG Electronics U.S.A., Inc.	296,145	-	-	296,145	-	-	23,006	23,006
	LG Electronics do Brasil Ltda.	241,705	-	24,536	266,241	839	-	942	1,781
	LG Electronics Gulf FZE	137,992	-	-	137,992	-	-	79	79
	Inspur LG Digital Mobile Communications Co., Ltd.	128,037	-	4	128,041	408,187	-	1,093	409,280
	LG Electronics Japan, Inc.	121,762	-	-	121,762	-	-	3,493	3,493
	LG Electronics (Kunshan) Co.,Ltd.	120,088	-	-	120,088	40,645	-	304	40,949
	LG Electronics RUS, LLC	100,719	-	13,773	114,492	969	-	145	1,114
	LG Electronics Australia Pty, Ltd.	95,585	-	-	95,585	-	-	10,710	10,710
	LG Electronics Mexico S.A. DE C.V.	74,896	-	-	74,896	300	-	98	398
	Qingdao LG Inspur Digital Communication Co., Ltd.	72,278	-	47	72,325	171,963	-	4	171,967
	LG Electronics (Levant) Jordan	70,831	-	1	70,832	-	-	3,346	3,346
	LG Electronics Philippines Inc.	67,066	-	3	67,069	-	-	62	62
	LG Electronics Colombia Ltda.	65,570	-	62	65,632	-	-	111	111
	LG Electronics Deutschland GmbH	55,816	-	6,350	62,166	-	-	3,375	3,375
	LG Electronics Nanjing New Technology co.,LTD	46,629	-	215	46,844	192,212	-	23	192,235
	LG Electronics Mlawa Sp. z.O.O	42,164	-	-	42,164	735,091	-	310	735,401
	LG Electronics Canada, Inc.	22,729	-	-	22,729	-	-	7,080	7,080
	Others	893,357	-	74,547	967,904	684,676	-	77,820	762,496
	Subtotal	3,823,322	-	226,956	4,050,278	2,580,768	-	188,454	2,769,222
Associates	LG Display Co., Ltd. and its subsidiaries	242,382	-	19,939	262,321	355,274	-	74,923	430,197
	Ericsson-LG Co., Ltd. and	235	-	529	764	706	-	-	706

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		December 31, 2016							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	its subsidiaries								
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	-	-	-	-	340	340
	LG Fuel Cell Systems Inc. and its subsidiaries	245	-	-	245	-	-	-	-
	Subtotal	242,862	-	20,468	263,330	355,980	-	75,263	431,243
Joint venture	LG-MRI LLC	341	-	-	341	179	-	-	179
Other related parties	LG CNS Co., Ltd. and its subsidiaries	10,259	-	180	10,439	14	-	111,971	111,985
	SERVEONE Co., Ltd. and its subsidiaries	22,028	-	54,227	76,255	115,678	-	189,420	305,098
	LG Siltron Incorporated and its subsidiaries	138	-	-	138	-	-	30	30
	LUSEM CO., LTD.	-	-	-	-	299	-	21	320
	LG Management Development Institute	-	-	15,671	15,671	-	-	1,391	1,391
	LG MMA Ltd.	286	-	-	286	-	-	-	-
	Subtotal	32,711	-	70,078	102,789	115,991	-	302,833	418,824
Others ¹	LG Chem, Ltd. and its subsidiaries	70,959	-	32,433	103,392	185,414	-	6,116	191,530
	LG INTERNATIONAL CORP and its subsidiaries	44,559	-	15,098	59,657	53,254	-	95,620	148,874
	LG Uplus Corp and its subsidiaries	55,266	-	1,389	56,655	-	-	218	218
	LG Hausys, Ltd. and its subsidiaries	5,181	-	494	5,675	2,301	-	3,134	5,435
	Silicon Works Co., Ltd	1,302	-	9	1,311	470	-	328	798
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,309	-	-	1,309	-	-	867	867
	LG LIFE SCIENCES, LTD	1,107	-	-	1,107	-	-	-	-
	GIR Inc. and its subsidiaries	139	-	-	139	22,868	-	130,540	153,408
	Subtotal	179,822	-	49,423	229,245	264,307	-	236,823	501,130
	Total	4,279,803	-	394,631	4,674,434	3,317,225	-	803,373	4,120,598

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

² All shares of LG Siltron Incorporated were sold to SK Holdings Co., Ltd. on August 17, 2017, and the name of LG Siltron Incorporated was changed to SK Siltron Co., Ltd. As of September 30, 2017, SK Siltron Co., Ltd. belongs to LG Group as defined by the Fair Trade Commission.

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iii) Significant capital transactions and other transactions with related parties

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Classification	Name	2017						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Electronics Egypt S.A.E ¹	-	-	89,922	-	-	-	-
	LG Innotek Co., Ltd.	2,413	-	-	-	-	-	-
	LG Soft India Private Limited.	23,921	-	-	-	-	-	-
	LG Electronics RUS, LLC	62,944	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	8,127	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	252	-	-	-	-	-	-
	P.T. LG Electronics Indonesia	75,560	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	6,174	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	11,032	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	3,622	-	-	-	-	-	-
	LG Electronics India Pvt. Ltd.	145,581	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	22,398	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	135,549	-
	Subtotal	362,024	-	89,922	-	-	135,549	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	-	13,660	-	-	-	-
	Tianjin Lijie cartridge heater Co., Ltd.	-	-	20	-	-	-	-
	LG Electronics Finland Lab Oy	-	-	2,105	-	-	-	-
	Ericsson-LG Co., Ltd. and its subsidiaries	-	-	(12,500)	-	-	-	-
	Subtotal	67,927	-	3,285	-	-	-	-
	Total	429,951	22,038	93,207	-	-	135,549	-

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Classification Name	2016						
	Dividend income	Dividend paid	Cash distribution	Financing loan transactions		Financing borrowing transactions	
				Loans	Collections	Borrowings	Repayments
Significantly influencing the Company							
LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries							
LG Electronics Ukraine Inc. ¹	-	-	56,694	-	-	-	-
LG Innotek Co., Ltd.	3,379	-	-	-	-	-	-
LG Electronics Australia Pty, Ltd.	42,658	-	-	-	-	-	-
NanJing LG-Panda Appliances Co., Ltd.	9,622	-	-	-	-	-	-
LG Electronics India Pvt. Ltd.	289,059	-	-	-	-	-	-
LG Electronics Nanjing New Technology co.,LTD	3,823	-	-	-	-	-	-
LG Electronics Huizhou Ltd.	3,805	-	-	-	-	-	-
LG Electronics (Hangzhou) Co., Ltd.	246	-	-	-	-	-	-
Inspur LG Digital Mobile Communications Co., Ltd.	29,894	-	-	-	-	-	-
Qingdao LG Inspur Digital Communication Co., Ltd.	14,022	-	-	-	-	-	-
LG Electronics Finland Lab, Oy	-	-	1,900	-	-	-	-
Subtotal	396,508	-	58,594	-	-	-	-
Associates							
LG Display Co., Ltd.	67,813	-	-	-	-	-	-
Ericsson-LG Co., Ltd.	3,750	-	-	-	-	-	-
Korea Information Certificate Authority Inc.	70	-	-	-	-	-	-
Hitachi-LG Data Storage Inc.(HLDS)	-	-	40,066	-	-	-	-
LG Fuel Cell Systems Inc.	-	-	25,324	-	-	-	-
Subtotal	71,633	-	65,390	-	-	-	-
Total	468,141	22,038	123,984	-	-	-	-

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

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- (b) The compensation paid or payable to key management personnel for the nine-month periods ended September 30, 2017 and 2016, consists of:

<i>(in millions of Korean won)</i>	2017	2016
Wages and salaries	13,193	12,222
Post-employment benefits	3,529	3,252
Other long-term benefits	102	118
Total	16,824	15,592

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 26.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

29. Risk Management

Financial Risk Management

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

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

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

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

- (a) Market risk
- i) Foreign exchange risk

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

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

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

As of September 30, 2017 and December 31, 2016, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on profit (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(1,925)	1,925	7,908	(7,908)
EUR/KRW	5,809	(5,809)	27,491	(27,491)

ii) Interest rate risk

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

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

If interest rates fluctuated by 1%p while other variables were fixed, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	10,856	(10,856)	9,443	(9,443)
Interest expense	1,013	(1,013)	-	-

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iii) Details of derivatives contracts are as follows:

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

September 30, 2017	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received) (%)	Interest rate (paid) (%)	Start date	Expiration date
USD/KRW CRS	Shinhan Bank and others	USD 300	1,113.6 ~ 1,155.2	1ML+0.90 ~ 3ML+1.60	2.17 ~ 3.22	2013. 7.31~ 2017. 2. 2	2019. 1.31 ~ 2022. 2. 2
KRW Interest rate swap	Woori bank and others	KRW 1,270,000	-	3M CD+0.82 ~ 3M CD+1.14	2.75 ~ 4.53	2014. 1. 3 ~ 2017. 1.16	2024. 1. 3 ~ 2030. 7. 7
	Shinhan Bank	EUR 100	-	Max[3M EURIBOR, -0.75%] + 0.75%	1.00	2017. 8.24	2023. 2.24

At the end of the reporting period, the swap contracts above and cross-currency swap expired during the nine-month period ended September 30, 2017 are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩24,425 million for the nine-month period ended September 30, 2017 (2016: loss on valuation amounting to ₩83,088 million) after applying the tax effect, is recognized in other comprehensive income (loss). The Company reclassified ₩43,330 million to loss from equity for the nine-month period ended September 30, 2017 (2016: ₩43,685 million to loss from equity). Therefore, other comprehensive income from cash flow hedges amounts to ₩18,905 million for the nine-month period ended September 30, 2017 (2016: other comprehensive loss of ₩39,403 million) after applying the tax effect.

iv) Price risk

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

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

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

(in millions of Korean won)	September 30, 2017		December 31, 2016	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,377	(3,377)	3,575	(3,575)

The changes in carrying amounts of the available-for-sale financial assets related to the market risk above are presented in Note 6.

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(b) Credit risk

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

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

At the end of the reporting period, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,981,873 million (December 31, 2016: ₩1,191,284 million) and its risk is managed appropriately within insurer's credit limit of ₩3,358,765 million (December 31, 2016: ₩2,900,469 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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

(c) Liquidity risk

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

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

In addition, the Company is able to source funds any time in domestic and international financial markets because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB from Standard & Poors, and Baa3 from Moody's as of September 30, 2017.

- i) Cash flow information on maturity of financial liabilities as of September 30, 2017, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Trade payables	6,132,309	6,132,309	-	-	-
Borrowings	8,325,626	789,266	1,147,456	2,714,661	3,674,243
Other payables	2,211,811	2,211,546	250	15	-
Total	16,669,746	9,133,121	1,147,706	2,714,676	3,674,243

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

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interest rate and exchange rate are reflected in the cash flows of related borrowings.

- ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies as of September 30, 2017, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	4,363,976	3,951,993	208,816	203,167	-

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

Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2017	December 31, 2016
Liability (A)	18,469,034	17,833,623
Equity (B)	9,493,029	8,765,452
Cash and cash equivalents (C)	1,447,429	1,181,725
Borrowings (D)	7,166,777	6,631,320
Debt-to-equity ratio (A/B)	194.6%	203.5%
Net borrowings ratio ((D-C)/B)	60.2%	62.2%

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Fair Value Estimation

(a) The book amount and fair value of the Company's financial assets and liabilities as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Derivatives for hedging purposes				
Other financial assets	-	-	5,531	5,531
Available-for-sale financial assets				
Other financial assets	-	-	14,486	14,486
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	1,447,429	1	-	-
Deposits held by financial institutions	80,500	1	2,379	2,379
Trade receivables	5,740,192	1	-	-
Other receivables	432,684	1	310,443	292,271
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	19,168	2
Total	7,700,805		352,007	

<i>(in millions of Korean won)</i>	September 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	50,994	50,994
Liabilities at amortized cost				
Trade payables	6,132,309	1	-	-
Borrowings	574,894	1	6,591,883	6,567,353
Other payables	2,211,546	1	265	258
Other liabilities				
Other financial liabilities	6,781	3	1,650	3
Total	8,925,530		6,644,792	

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<i>(in millions of Korean won)</i>	December 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Derivatives for hedging purposes				
Other financial assets	30,093	30,093	16,091	16,091
Available-for-sale financial assets				
Other financial assets	-	-	14,835	14,835
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	1,181,725	1	-	-
Deposits held by financial institutions	80,500	1	1,159	1,159
Trade receivables	4,985,573	1	-	-
Other receivables	492,178	1	306,113	296,919
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	17,746	2
Total	6,770,069		355,944	

<i>(in millions of Korean won)</i>	December 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	73,226	73,226
Liabilities at amortized cost				
Trade payables	5,516,849	1	-	-
Borrowings	661,148	1	5,970,172	6,062,632
Other payables	2,080,451	1	5,552	4,705
Other liabilities				
Other financial liabilities	8,665	3	2,510	3
Total	8,267,113		6,051,460	

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

² Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As of September 30, 2017, there is no asset to be disposed of in near future.

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

(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

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is to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. When measuring fair value using valuation techniques, the Company 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 price in an active market for identical assets or liabilities are included in 'level 1'. Assets or liabilities categorized within 'level 1' include financial instruments such as marketable equity securities traded.

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

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

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

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

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as of September 30, 2017 and December 31, 2016, are as follows:

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<i>(in millions of Korean won)</i>	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,486	-	-	14,486
Derivatives for hedging purposes	-	5,531	-	5,531
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	50,994	-	50,994

<i>(in millions of Korean won)</i>	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,835	-	-	14,835
Derivatives for hedging purposes	-	46,184	-	46,184
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	73,226	-	73,226

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 September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2017	December 31, 2016		
Assets				
Other financial assets				
Derivatives for hedging purposes	5,531	46,184	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	50,994	73,226	Discounted cash flow	Discount rate and exchange rate

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- Fair value measurements categorized within 'level 3'

As of September 30, 2017, no financial instruments measured at fair value are categorized within 'level 3'.

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

Financial instruments not measured at fair value but for which the fair value is disclosed as of September 30, 2017 and December 31, 2016, are as follows:

	September 30, 2017			
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	2,379	2,379
Non-current other receivables	-	-	292,271	292,271
Liabilities				
Non-current borrowings	-	-	6,567,353	6,567,353
Non-current other payables	-	-	258	258

	December 31, 2016			
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,159	1,159
Non-current other receivables	-	-	296,919	296,919
Liabilities				
Non-current borrowings	-	-	6,062,632	6,062,632
Non-current other payables	-	-	4,705	4,705

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

As of September 30, 2017, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 2'.

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as of September 30, 2017 and December 31, 2016, are as of follows:

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	2,379	2,379	1,159	1,159	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	310,443	292,271	306,113	296,919	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3% ~ 4.3%
Liabilities								
Non-current borrowings	6,591,883	6,567,353	5,970,172	6,062,632	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.9% ~ 3.7%
Non-current other payables	265	258	5,552	4,705	Discounted cash flow	Discount rate	Discount rate	1.9% ~ 2.2%

30. Assets Classified as Held for Sale

(a) Details of assets classified as held for sale as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Assets classified as held for sale		
Property, plant and equipment ¹	368,735	-
Investment property ²	-	8,906

¹ As of September 30, 2017, sales procedure of the assets is in progress and the sale is expected to be completed by December 2017.

² The investment property was sold in January 2017.

(b) At the end of the reporting period, assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell before the reclassification, which resulted to recognize impairment loss of ₩5,809 million.