

LG Electronics Inc.

Separate Interim Financial Statements

June 30, 2017 and 2016

LG Electronics Inc.

Index

June 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 June 30, 2017, and the related separate interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, and separate interim statements of changes in equity and cash flows for the six-month periods ended June 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.

August 14, 2017

Seoul, Korea

This report is effective as of August 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

June 30, 2017 and December 31, 2016

<i>(in millions of Korean won)</i>	Notes	June 30, 2017 (Unaudited)	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	4,29	1,494,338	1,181,725
Deposits held by financial institutions	4,29	80,500	80,500
Trade receivables	4,5,29	5,500,285	4,985,573
Loans and other receivables	4,5,29	388,653	492,178
Other financial assets	4,6,29	-	30,093
Inventories	7	1,466,268	1,186,521
Current income tax assets		635	1,518
Other current assets		393,363	344,551
Assets held for sale	30	207,993	8,906
		<u>9,532,035</u>	<u>8,311,565</u>
Non-current assets			
Deposits held by financial institutions	4,29	1,987	1,159
Loans and other receivables	4,5,29	320,303	306,113
Other financial assets	4,6,29	34,522	48,672
Property, plant and equipment	8	7,101,548	7,164,642
Intangible assets	8	1,336,430	1,234,531
Deferred income tax assets		733,854	884,654
Investments in subsidiaries, associates and joint ventures	9	8,107,412	7,995,665
Investment properties		95,961	96,615
Other non-current assets		508,565	555,459
		<u>18,240,582</u>	<u>18,287,510</u>
Total assets		<u>27,772,617</u>	<u>26,599,075</u>
Liabilities			
Current liabilities			
Trade payables	4,29	5,819,975	5,516,849
Borrowings	4,10,29	429,875	661,148
Other payables	4,29	1,968,226	2,080,451
Other financial liabilities	4,6,29	7,664	8,665
Provisions	12	1,019,431	392,948
Other current liabilities		1,932,356	1,883,065
		<u>11,177,527</u>	<u>10,543,126</u>
Non-current liabilities			
Borrowings	4,10,29	6,545,080	5,970,172
Other payables	4,29	485	5,552
Other financial liabilities	4,6,29	67,223	75,736
Net defined benefit liabilities	11	457,861	345,368
Provisions	12	84,671	811,036
Other non-current liabilities		86,272	82,633
		<u>7,241,592</u>	<u>7,290,497</u>
Total liabilities		<u>18,419,119</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	5,432,206	4,851,573
Accumulated other comprehensive income	15	(38,237)	(45,650)
Other components of equity	16	(32,819)	(32,819)
		<u>9,353,498</u>	<u>8,765,452</u>
Total equity		<u>9,353,498</u>	<u>8,765,452</u>
Total liabilities and equity		<u>27,772,617</u>	<u>26,599,075</u>

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Separate Interim Statements of Profit or Loss

Three-Month and Six-Month Periods Ended June 30, 2017 and 2016

(in millions of Korean won, except per share amounts)	Notes	Period Ended June 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Six months	Three months	Six months
Net sales	17	7,999,821	15,704,052	7,684,554	14,857,347
Cost of sales	18	6,102,503	12,137,477	5,894,710	11,552,987
Gross profit		1,897,318	3,566,575	1,789,844	3,304,360
Selling and marketing expenses	18,19	718,142	1,346,809	708,779	1,313,047
Administrative expenses	18,19	134,306	275,753	157,108	305,775
Research and development expenses	18,19	516,736	989,008	526,230	1,078,359
Service costs	18,19	126,214	255,791	206,889	335,103
Operating profit		401,920	699,214	190,838	272,076
Financial income	20	53,159	106,649	61,813	120,336
Financial expenses	21	85,977	225,207	109,538	234,906
Other non-operating income	22	196,184	584,010	398,238	880,296
Other non-operating expenses	23	105,713	337,261	178,510	645,349
Profit before income tax		459,573	827,405	362,841	392,453
Income tax expense		111,576	181,208	80,570	81,002
Profit for the period		347,997	646,197	282,271	311,451
Earnings per share during the period (in won):	24				
Earnings per ordinary share		1,931	3,586	1,566	1,727
Earnings per preferred share		1,944	3,611	1,579	1,752

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Separate Interim Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2017 and 2016

	Notes	Period Ended June 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Six months	Three months	Six months
<i>(in millions of Korean won)</i>					
Profit for the period		<u>347,997</u>	<u>646,197</u>	<u>282,271</u>	<u>311,451</u>
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	13	7,321	(60,996)	(121,159)
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Cash flow hedges	29	1,677	7,775	(21,084)	(44,086)
Available-for-sale financial assets	6	112	(362)	(1,487)	(1,513)
Other comprehensive income (loss) for the period, net of tax		<u>1,802</u>	<u>14,734</u>	<u>(83,567)</u>	<u>(166,758)</u>
Total comprehensive income for the period, net of tax		<u>349,799</u>	<u>660,931</u>	<u>198,704</u>	<u>144,693</u>

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Separate Interim Statements of Changes in Equity

Six-Month Periods Ended June 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	-	311,451	-	-	311,451
	Remeasurements of the net defined benefit liability	-	(121,159)	-	-	(121,159)
11	Cash flow hedges	-	-	(44,086)	-	(44,086)
29	Available-for-sale financial assets	-	-	(1,513)	-	(1,513)
6	Total comprehensive income (loss)	-	190,292	(45,599)	-	144,693
	Transactions with owners:					
	Dividends	-	(72,885)	-	-	(72,885)
14	Total transactions with owners	-	(72,885)	-	-	(72,885)
	Balance at June 30, 2016 (Unaudited)	3,992,348	5,163,511	(90,223)	(32,819)	9,032,817
	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	-	646,197	-	-	646,197
	Remeasurements of the net defined benefit liability	-	7,321	-	-	7,321
11	Cash flow hedges	-	-	7,775	-	7,775
29	Available-for-sale financial assets	-	-	(362)	-	(362)
6	Total comprehensive income	-	653,518	7,413	-	660,931
	Transactions with owners:					
	Dividends	-	(72,885)	-	-	(72,885)
14	Total transactions with owners	-	(72,885)	-	-	(72,885)
	Balance at June 30, 2017 (Unaudited)	3,992,348	5,432,206	(38,237)	(32,819)	9,353,498

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Separate Interim Statements of Cash Flows

Six-Month Periods Ended June 30, 2017 and 2016

<i>(in millions of Korean won)</i>	Notes	Six-Month Period Ended June 30	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	25	576,914	901,018
Interest received		5,363	5,902
Interest paid		(107,688)	(119,524)
Dividends received		270,561	284,568
Income tax paid		(34,216)	(40,763)
Net cash inflow from operating activities		710,934	1,031,201
Cash flows from investing activities			
Decrease in loans and other receivables		43,061	46,123
Proceeds from redemption and disposal of other financial assets		5,989	-
Proceeds from disposal of property, plant and equipment		32,191	7,042
Proceeds from disposal of intangible assets		31	1,450
Proceeds from redemption and disposal of investments in subsidiaries, associates and joint ventures		6,533	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		(828)	(784)
Increase in loans and other receivables		(39,597)	(34,902)
Acquisition of other financial assets		(1,430)	(5,400)
Acquisition of property, plant and equipment		(508,428)	(469,166)
Acquisition of intangible assets		(251,039)	(186,338)
Acquisition of investments in subsidiaries, associates and joint ventures		(26,679)	(28,618)
Net cash outflow from investing activities		(713,544)	(615,546)
Cash flows from financing activities			
Proceeds from borrowings		888,643	448,098
Repayments of borrowings		(500,535)	(493,751)
Dividend paid		(72,885)	(72,885)
Net cash inflow (outflow) from financing activities		315,223	(118,538)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		1,181,725	678,221
Cash and cash equivalents at the end of the period		1,494,338	975,338

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Notes to the Separate Interim Financial Statements

June 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 June 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 June 30, 2017, the Company operates manufacturing facilities mainly in Pyeongtaek, Changwon and Gumi in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in accordance with 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 six-month period ended June 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 June 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 June 30, 2017, and not early adopted by the Company

- 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 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 June 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	
<i>Hold the financial asset for the collection of the contractual cash flows and trading</i>	Measured at fair value through other comprehensive income ¹	Measured at fair value through profit or loss ²
<i>Hold for trading 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 June 30, 2017, the Company measured loans and receivables of ₩7,786,066 million at amortized costs. Based on

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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 June 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 June 30, 2017, the Company holds equity instruments of ₩31,992 million classified as financial assets available-for-sale, however, there is no unrealized gain or loss recycled to profit or loss for the six-month period ended June 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 June 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

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

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

Under Korean IFRS 1109 'expected credit loss' model, the 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 June 30, 2017, the Company owns financial instrument at amortized cost of ₩7,786,066 million (loans and receivables). And the Company recognized loss allowance of ₩45,290 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

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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.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

Korean IFRS 1115 *Revenue from Contracts with Customers* issued in November, 2015 is effective for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers*. The 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 June 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 June 30, 2017. The results of the assessment as of June 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

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service, of which contracts are generally separated, apart from sales of goods or products as of June 30, 2017.

Variable Consideration

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

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 June 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 Fulfil 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 June 30, 2017, the Company expects the application of Korean IFRS 1115 will result in an increase in assets and equity because the costs to fulfil a contract such as past research and development 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.

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Based on the results from the impact assessment as of June 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 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.

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(a) Revenue Recognition

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

(b) Impairment of Goodwill

The Company tests goodwill regularly for impairment. The recoverable amounts of cash-generating units have been determined based on 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 June 30, 2017 and December 31, 2016, are as follows:

June 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	-	1,494,338	-	-	-	1,494,338
Deposits held by financial institutions	-	82,487	-	-	-	82,487
Trade receivables	-	5,500,285	-	-	-	5,500,285
Loans and other receivables	-	708,956	-	-	-	708,956
Other financial assets	-	-	31,992	-	2,530	34,522
Total	-	7,786,066	31,992	-	2,530	7,820,588

June 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	-	5,819,975	-	5,819,975
Borrowings	-	6,974,955	-	6,974,955
Other payables	-	1,968,711	-	1,968,711
Other financial liabilities	-	-	74,887	74,887
Total	-	14,763,641	74,887	14,838,528

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 six-month periods ended June 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	-	9,075	-	-	-	9,075
Exchange differences	-	(209,039)	-	-	-	(209,039)
Bad debt expense	-	(6,934)	-	-	-	(6,934)
Loss on disposal of trade receivables	-	(1,455)	-	-	-	(1,455)
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)	-	-	(362)	-	-	(362)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	915	915
Others	-	3,852	-	-	-	3,852

<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	-	(91,584)	(8,751)	(100,335)
Exchange differences	-	273,277	(46,460)	226,817
Gain on derivatives, net of tax (through other comprehensive income)	-	-	6,860	6,860
Others	-	(540)	715	175

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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	-	9,767	-	-	-	9,767
Exchange differences	-	7,487	-	-	-	7,487
Bad debt expense	-	7,065	-	-	-	7,065
Loss on disposal of trade receivables	-	(2,271)	-	-	-	(2,271)
Dividend income	-	-	254	-	-	254
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(1,513)	-	-	(1,513)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	-	-	(3,217)	(3,217)
Others	-	7,341	-	-	-	7,341

<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	-	(107,161)	(10,699)	(117,860)
Exchange differences	-	16,592	(2,057)	14,535
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(40,869)	(40,869)
Others	-	-	427	427

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5. Trade Receivables and Other Receivables

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

(in millions of Korean won)

	June 30, 2017			December 31, 2016		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,536,835	(36,550)	5,500,285	5,014,606	(29,033)	4,985,573
Other receivables						
Current	397,382	(8,729)	388,653	501,493	(9,315)	492,178
Non-current	320,314	(11)	320,303	306,121	(8)	306,113

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

	2017			
	At January 1	Addition (Reversal)	Write-off and other	At June 30
(in millions of Korean won)				
Trade receivables	29,033	7,517	-	36,550
Other receivables				
Current	9,315	(586)	-	8,729
Non-current	8	3	-	11

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

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

	June 30, 2017				December 31, 2016			
	Trade receivable	Other receivables		Total	Trade receivable	Other receivables		Total
(in millions of Korean won)		Current	Non-current			Current	Non-current	
Receivables not past due	5,226,699	256,271	311,666	5,794,636	4,651,879	358,689	296,845	5,307,413
Past due but not impaired								
Up to 6 months	220,989	31,287	8,645	260,921	186,612	21,471	9,274	217,357
7 to 12 months	14,711	15,341	2	30,054	17,541	35,291	2	52,834
Over 1 year	62,150	83,170	1	145,321	147,937	75,796	-	223,733
Subtotal	297,850	129,798	8,648	436,296	352,090	132,558	9,276	493,924
Impaired	12,286	11,313	-	23,599	10,637	10,246	-	20,883
Total	5,536,835	397,382	320,314	6,254,531	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 June 30, 2017.

6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Other financial assets		
Derivatives	2,530	46,184
Available-for-sale financial assets	31,992	32,581
Total	34,522	78,765
Current	-	30,093
Non-current	34,522	48,672

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Other financial liabilities		
Derivatives	65,447	73,226
Financial guarantee liability	9,440	11,175
Total	74,887	84,401
Current	7,664	8,665
Non-current	67,223	75,736

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

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	-	-	30,093	-
Non-current				
Currency swap	2,520	2,857	16,091	-
Interest rate swap	10	62,590	-	73,226
Subtotal	2,530	65,447	16,091	73,226
Total	2,530	65,447	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 six-month periods ended June 30, 2017 and 2016, are as follows:

2017						
<i>(in millions of Korean won)</i>	At January 1	Acquisition	Disposals	Valuation (OCI)	Impairment	At June 30
Listed equity securities	14,835	-	-	(478)	-	14,357
Unlisted equity securities	17,746	1,430	(1,291)	-	(250)	17,635
Total	32,581	1,430	(1,291)	(478)	(250)	31,992

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

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

7. Inventories

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

<i>(in millions of Korean won)</i>	June 30, 2017			December 31, 2016		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	625,228	(36,079)	589,149	529,151	(36,966)	492,185
Work-in-process	104,952	(1,730)	103,222	69,039	(2,097)	66,942
Raw materials and supplies	656,260	(33,244)	623,016	562,348	(81,985)	480,363
Other	172,052	(21,171)	150,881	179,067	(32,036)	147,031
Total	1,558,492	(92,224)	1,466,268	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 six-month periods ended June 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	466,895	474,819
Reclassification to assets held for sale	(207,993)	-
Disposals and others	(9,086)	(10,633)
Decrease due to transfer of business	(833)	-
Depreciation	(298,546)	(290,695)
Impairment	(13,531)	(13,209)
At June 30	7,101,548	6,610,688

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	231,763	220,863
Selling and marketing expenses	5,143	4,293
Administrative expenses	12,259	22,424
Research and development expenses	44,200	37,848
Service costs	2,667	2,605
Other non-operating expenses	2,514	2,662
Total	298,546	290,695

(c) Changes in intangible assets for the six-month periods ended June 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	90,959	76,401
Acquisitions through internal development	214,846	137,762
Disposals and others	(14,406)	(5,869)
Decrease due to transfer of business	(566)	-
Amortization	(188,903)	(179,802)
Impairment	(31)	(730)
At June 30	1,336,430	1,182,672

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	108,994	98,855
Selling and marketing expenses	8,954	7,139
Administrative expenses	36,536	37,950
Research and development expenses	33,732	35,049
Service costs	687	809
Total	188,903	179,802

9. Investments in Subsidiaries, Associates and Joint Ventures

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

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at June 30, 2017 (%)	Book amount	
				June 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 June 30, 2017 (%)	Book amount	
				June 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.(LGSII)	India	March	100.0	20,105	20,105
LGE Alliance Fund	Korea	December	96.2	6,200	7,910
V-ENS (M) Sdn. Bhd.	Malaysia	December	100.0	1,856	1,904
LG Alina Electronics(LGERI) ²	Russia	December	-	-	470
Others				225,293	225,293
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Ericsson-LG Co., Ltd.	Korea	December	25.0	51,098	51,098
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	120,668	120,668
LG Fuel Cell Systems Inc.	USA	December	29.7	83,035	69,375
Kiwigrid GmbH ^{1,3}	Germany	December	17.6	13,019	-
Korea Information Certificate Authority Inc. ³	Korea	December	6.5	2,088	2,378
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				8,107,412	7,995,665

¹ It was acquired during the six-month period ended June 30, 2017.

² It was liquidated during the six-month period ended June 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 six-month periods ended June 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	116,601	73,405
Disposal	(2,470)	(9,388)
Impairment	(2,384)	(54,671)
At June 30	8,107,412	7,972,813

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

June 30, 2017					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	37,100	5,031,688	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	165,000	1,592,775	541,538
Korea Information Certificate Authority Inc.	Associate	2,010,247	5,930	11,921	2,088

December 31, 2016					
	Type	Shares held (Unit: shares)	Price per share (Unit: 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 amount of borrowings as of June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Current		
Current portion of long-term borrowings	-	190,000
Current portion of debentures	429,875	471,148
Subtotal	429,875	661,148
Non-current		
Long-term borrowings	2,005,000	1,690,000
Debentures	4,540,080	4,280,172
Subtotal	6,545,080	5,970,172
Total	6,974,955	6,631,320

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at June 30, 2017 (%)	Carrying amount	
			June 30, 2017	December 31, 2016
Long-term borrowings in local currency				
Korea Development Bank and others ¹	2030.7.7	2.20 ~ 3.00	2,005,000	1,880,000
Local currency loans				
Public, non-guaranteed bonds	2030.2.2	1.48 ~ 4.44	3,840,000	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	1ML+0.90	113,960	241,700
Private, guaranteed bonds ²	2019.1.31	3ML+1.60	227,920	241,700
Less: discount on debentures			(11,925)	(12,080)
Total			6,974,955	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 June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Present value of funded obligations	2,333,554	2,265,932
Fair value of plan assets	(1,875,693)	(1,920,564)
Net defined benefit liabilities	457,861	345,368

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

<i>(in millions of Korean won)</i>	2017	2016
Current service cost	134,963	145,433
Net interest cost	4,680	7,705
Operating management cost	946	873
Total	140,589	154,011

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	71,847	73,840
Selling and marketing expenses	17,834	19,314
Administrative expenses	8,894	10,709
Research and development expenses	40,267	48,166
Service costs	1,747	1,982
Total	140,589	154,011

- (d) Changes in the present value of defined benefit obligations for the six-month periods ended June 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	134,963	145,433
Interest cost	29,956	29,265
Remeasurements for:		
- Actuarial loss (gain) arising from changes in financial assumptions	(18,349)	155,211
Benefits paid	(78,948)	(72,803)
At June 30	2,333,554	2,493,927

- (e) Changes in the fair value of plan assets for the six-month periods ended June 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	25,276	21,560
Remeasurements of plan assets	(8,690)	(4,628)
Benefits paid	(60,511)	(46,035)
Operating management cost	(946)	(873)
At June 30	1,875,693	1,631,829

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

	June 30, 2017	December 31, 2016
Discount rate	2.8%	2.7%
Expected salary growth rate	5.0%	5.0%

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

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(200,341)	231,962
Expected salary growth rate	224,200	(198,026)

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 six-month period ended June 30, 2017, amounts to ₩3,440 million (June 30, 2016: ₩2,544 million).

12. Provisions

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

	2017				
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	397,950	272	14,185	791,577	1,203,984
Additions	165,532	19,689	1,122	58,632	244,975
Utilizations	(241,304)	(18,927)	(2,551)	(82,075)	(344,857)
At June 30	322,178	1,034	12,756	768,134	1,104,102
Current	310,198	1,034	2,131	706,068	1,019,431
Non-current	11,980	-	10,625	62,066	84,671

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

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13. Paid-in Capital

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

	Par value per share	June 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 June 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.

14. Retained Earnings

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

<i>(in millions of Korean won)</i>	June 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	653,617	(121,547)
Total	5,432,206	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 (2016 payments: ₩72,885 million).

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15. Accumulated Other Comprehensive Income

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Cash flow hedge	(48,448)	(56,223)
Available-for-sale financial assets	10,211	10,573
Total	(38,237)	(45,650)

16. Other Components of Equity

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

<i>(in millions of Korean won)</i>	June 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
At June 30,	(32,819)	(32,819)

¹ As of June 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.

17. Net Sales

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Sales of goods	7,806,497	15,335,178	7,517,235	14,520,134
Rendering of services	117,130	221,372	81,156	162,014
Royalty income	76,194	147,502	86,163	175,199
Total	7,999,821	15,704,052	7,684,554	14,857,347

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18. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Changes in finished goods and work-in-process	29,399	(119,659)	109,855	(105,231)
Raw materials and merchandise used	4,763,129	9,693,124	4,600,355	9,209,807
Employee benefit expense	982,579	1,936,864	944,321	1,915,604
Depreciation and amortization	249,833	485,589	230,440	468,556
Advertising expense	176,396	291,070	190,173	323,354
Promotion expense	65,477	137,250	78,812	145,703
Transportation expense	136,782	266,812	131,725	256,872
Commission expense	404,124	770,862	397,777	748,840
Other expenses	790,182	1,542,926	810,258	1,621,766
Total¹	7,597,901	15,004,838	7,493,716	14,585,271

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

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

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Salaries	365,467	726,049	364,533	754,240
Post-employment benefits	35,289	70,502	41,780	83,454
Employee benefits	58,249	118,469	62,350	120,904
Transportation expense	134,881	262,540	129,800	253,148
Rental expense	43,730	85,431	42,157	85,125
Commission expense	284,879	540,035	268,899	505,990
Depreciation	31,263	64,923	34,122	67,891
Amortization	39,633	79,909	40,899	80,947
Taxes and dues	2,473	4,685	3,275	5,977
Advertising expense	176,396	291,070	190,173	323,354
Promotional expense	65,477	137,250	78,812	145,703
R&D expense	99,293	158,316	102,046	216,367
Service costs	84,581	170,547	163,176	248,298
Bad debts expense	5,727	7,517	2,493	(7,725)
Other	68,060	150,118	74,491	148,611
Total	1,495,398	2,867,361	1,599,006	3,032,284

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20. Financial Income

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Interest income	4,727	9,075	4,805	9,767
Exchange differences	44,260	88,293	52,145	99,988
Other	4,172	9,281	4,863	10,581
Total	53,159	106,649	61,813	120,336

21. Financial Expenses

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Interest expense	51,120	100,335	58,385	117,860
Exchange differences	31,523	118,163	47,810	111,962
Loss on disposal of trade receivables	650	1,455	1,011	2,271
Other	2,684	5,254	2,332	2,813
Total	85,977	225,207	109,538	234,906

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22. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Dividend income	167,726	262,201	213,353	288,619
Exchange differences	64,032	281,951	145,757	546,113
Gain on disposal of property, plant and equipment	1,433	4,391	1,646	2,042
Gain on disposal of investment properties	-	-	7,903	7,903
Gain on disposal of assets held for sale	-	3,804	-	-
Gain on disposal of available-for-sale financial assets	(11)	5,398	-	-
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	4,016	18,622	20,955
Gain on transfer of business	4,882	4,882	-	-
Other	(41,878)	17,367	10,957	14,664
Total	196,184	584,010	398,238	880,296

23. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Exchange differences	35,344	234,303	142,861	512,117
Loss on disposal of property, plant and equipment	3,102	4,565	1,724	2,724
Impairment loss on disposal of property, plant and equipment	8,032	13,531	538	13,209
Loss on disposal of intangible assets	6,128	14,385	1,198	4,420
Impairment loss on disposal of available-for-sale financial assets	-	250	-	-
Impairment loss on investments in subsidiaries, associates and joint ventures	-	2,384	11,909	54,671
Other	53,107	67,843	20,280	58,208
Total	105,713	337,261	178,510	645,349

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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 per ordinary share for the three-month and six-month periods ended June 30, 2017 and 2016, is as follows:

	2017		2016	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares (in millions of Korean won)	314,598	584,151	255,144	281,345
Weighted average number of ordinary shares outstanding (unit: shares)	162,884,643	162,884,643	162,884,643	162,884,643
Basic earnings per ordinary share (in Korean won)	1,931	3,586	1,566	1,727

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

	2017		2016	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares (in millions of Korean won)	33,399	62,046	27,127	30,106
Weighted average number of preferred shares outstanding (unit: shares)	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings per preferred share (in Korean won)	1,944	3,611	1,579	1,752

25. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the six-month periods ended June 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	646,197	311,451
Adjustments:		
Interest expense, net	91,260	108,093
Exchange differences, net	(12,802)	8,105
Depreciation	298,546	290,695
Amortization	188,903	179,802
Loss on disposal of property, plant and equipment and intangible assets, net	14,559	5,102
Provisions for severance benefits	140,589	154,011
Provisions	244,975	298,665

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<i>(in millions of Korean won)</i>	2017	2016
Dividend income	(262,201)	(288,619)
Income tax expense	181,208	81,002
Gain on disposal of investments in subsidiaries, associates and joint ventures	(4,016)	(20,955)
Impairment loss on investments in subsidiaries, associates and joint ventures	2,384	54,671
Other	14,550	45,894
	<u>897,955</u>	<u>916,466</u>
Changes in operating assets and liabilities:		
Increase in trade receivables	(573,722)	(85,902)
Decrease in loans and other receivables	69,923	94,940
Increase in inventories	(270,788)	(205,582)
Increase in other assets	(65,063)	(271,940)
Increase in trade payables	263,288	258,180
Increase (decrease) in other payables	(41,281)	86,350
Decrease in provisions	(344,857)	(281,009)
Increase in other liabilities	29,339	120,891
Payment of defined benefit liability	(18,437)	(26,768)
Deposit in plan assets, net	(15,640)	(16,059)
	<u>(967,238)</u>	<u>(326,899)</u>
Cash generated from operations	<u>576,914</u>	<u>901,018</u>

(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 June 30, 2017
			Exchange differences (profit/loss)	Amortization	
Long-term borrowings	1,880,000	124,862	138	-	2,005,000
Debentures	4,751,320	263,246	(46,505)	1,894	4,969,955
Total	<u>6,631,320</u>	<u>388,108</u>	<u>(46,367)</u>	<u>1,894</u>	<u>6,974,955</u>

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2017	2016
Reclassification of construction-in-progress to property, plant and equipment	391,006	68,904
Reclassification of construction-in-progress to intangible assets	109,949	76,804
Reclassification of other assets to intangible assets	61,150	53,816
Reclassification of current portion of borrowings and debentures	299,867	712,135
Reclassification of current portion of provisions	722,608	-
Debt for equity swaps of trade receivables from subsidiaries	89,922	44,787
Other payables to acquire property, plant and equipment	80,169	65,901
Other payables to acquire intangible assets	9,144	18,537

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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 and liabilities 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

26. Contingencies

(a) As of June 30, 2017, the Company is provided with guarantees of ₩152,879 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 (December 31, 2016: US\$ 200 million) and interests from Shinhan Bank for the guaranteed private placement bond.

(b) As of June 30, 2017, the financial guarantees provided by the Company amount to ₩4,780,463 million (December 31, 2016: ₩5,027,123 million) on the indebtedness of its subsidiaries. Details are as follows:

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<i>(in millions of Korean won)</i>	Beneficiary	June 30, 2017	December 31, 2016
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	898,709	890,245
LG Electronics do Brasil Ltda.(LGEBR)	Citibank and others	619,930	544,517
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	576,742	611,612
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	449,332	505,191
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	VIETIN and others	404,882	426,178
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	269,936	283,498
LG Electronics Peru S.A.(LGEPR)	Nova scotia and others	205,142	211,703
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	159,886	172,587
LG Electronics Argentina S.A.(LGEAR)	BBVA and others	125,356	130,472
LG Electronics Colombia Ltda.(LGECEB)	Citibank and others	120,824	128,623
LG Electronics Algeria SARL(LGEAS)	Societe Generale and others	111,901	116,027
LG Electronics India Pvt. Ltd.(LGEIL)	Citibank and others	104,927	137,456
LG Electronics Egypt S.A.E(LGEEG)	Misr and others	97,078	66,468
LG Electronics Morocco S.A.R.L(LGEMC)	Citibank and others	91,122	92,900
LG Electronics RUS, LLC(LGERA)	Citibank and others	83,904	136,660
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank and others	78,244	90,651
LG Electronics Thailand Co., Ltd.(LGETH)	MIZUHO and others	60,332	69,831
LG-Shaker Co., Ltd.(LGESR)	SABB and others	44,449	103,983
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	Citibank	34,188	36,255
LG Electronics S.A. (Pty) Ltd.(LGESA)	Standard and others	33,856	34,438
Others	Citibank and others	209,723	237,828
Total		4,780,463	5,027,123

(c) As of June 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)

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

In addition, the Company is under investigation and has been named as a defendant in class actions in Europe and others in connection with the alleged anti-competitive activities among CRT manufacturers. There are also a number of other legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The

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ultimate effect of those lawsuits on the financial position of the Company as of the end of the reporting period cannot be presently determined.

There are pending lawsuits other than above. However, 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 ₩2,265,525 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 ₩1,163,000 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 ₩513,960 million (December 31, 2016: ₩820,850 million).

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Property, plant and equipment	218,897	335,455
Intangible assets	14,849	13,278
Total	233,746	348,733

(f) 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>	June 30, 2017			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Buildings	68,028	51,625	4,137	123,790
Vehicles	6,728	6,693	-	13,421
Equipment	13,435	10,509	-	23,944
Total	88,191	68,827	4,137	161,155

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- ii) Lease payment under operating lease recognized in the separate interim statement of profit or loss for the six-month period ended June 30, 2017, is ₩61,095 million (2016: ₩58,415 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 ₩27,324 million and lease income recognized related to the subleases for the six-month period ended June 30, 2017, amounts to ₩7,207 million (2016: ₩7,278 million).

(g) 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>	June 30, 2017			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Healthcare rental	172,226	291,846	-	464,072
Real estate rental	1,220	-	-	1,220
Total	173,446	291,846	-	465,292

- ii) The Company recognized ₩69,691 million (2016: ₩54,006 million) in lease income for the six-month period ended June 30, 2017.

(h) 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 six-month periods ended June 30, 2017 and 2016, and balances of receivables and payables from transaction with related parties as of June 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.	707	-	707	1	73,719	73,720
Subsidiaries	LG Innotek Co., Ltd.	101,573	-	101,573	310,818	4,866	315,684
	Hiplaza Co., Ltd.	724,802	-	724,802	28	8,233	8,261
	LG Electronics Vietnam Haiphong Co., Ltd.	608,705	288	608,993	16,358	4,818	21,176
	LG Electronics Mobilecomm U.S.A., Inc.	1,277,279	-	1,277,279	-	3,975	3,975
	LG Electronics Egypt S.A.E	119,723	189	119,912	-	148	148
	LG Electronics U.S.A., Inc.	1,826,901	-	1,826,901	2,146	58,824	60,970
	LG Electronics do Brasil Ltda.	423,808	-	423,808	1,518	959	2,477
	LG Electronics Gulf FZE	328,522	-	328,522	-	832	832
	Inspur LG Digital Mobile Communications Co., Ltd.	640,063	214	640,277	77,244	13,260	90,504
	LG Electronics Japan, Inc.	176,407	-	176,407	2,837	11,628	14,465
	LG Electronics (Kunshan) Co.,Ltd.	202,261	8	202,269	7,115	1,667	8,782
	LG Electronics RUS, LLC	150,556	184	150,740	3	740	743
	LG Electronics Australia Pty, Ltd.	191,475	-	191,475	7	1,074	1,081
	LG Electronics Mexico S.A. DE C.V.	164,747	-	164,747	57	317	374
	Qingdao LG Inspur Digital Communication Co., Ltd.	253,795	537	254,332	51,185	4,225	55,410
	LG Electronics (Levant) Jordan	197,727	-	197,727	549	2,704	3,253
	LG Electronics Philippines Inc.	39,867	-	39,867	-	408	408
	LG Electronics Colombia Ltda.	54,369	-	54,369	-	527	527
	LG Electronics Deutschland GmbH	150,965	-	150,965	682	15,248	15,930
	LG Electronics Nanjing New Technology co.,LTD	127,419	68	127,487	279,502	479	279,981
	LG Electronics Mlawa Sp. z. O.O.	140,398	170	140,568	633	2,455	3,088
	LG Electronics Canada, Inc.	259,111	-	259,111	47	2,339	2,386
	Others	2,121,992	603	2,122,595	228,189	203,334	431,523
	Subtotal	10,282,465	2,261	10,284,726	978,918	343,060	1,321,978
Associates	LG Display Co., Ltd. and its	597,784	-	597,784	846,925	6,989	853,914

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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	3,844	-	3,844	1,819	-	1,819
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	520	-	520	11,459	695	12,154
	LG Fuel Cell Systems Inc. and its subsidiaries	1,784	-	1,784	-	-	-
	Korea Information Certificate Authority Inc	-	-	-	-	2	2
	Subtotal	603,932	-	603,932	860,203	7,686	867,889
Joint venture	LG-MRI LLC	272	-	272	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	31,120	-	31,120	53,464	139,853	193,317
	SERVEONE Co., Ltd. and its subsidiaries	30,693	-	30,693	322,609	113,534	436,143
	LG Siltron Incorporated and its subsidiaries	2,108	-	2,108	28	-	28
	LUSEM CO., LTD.	1	-	1	829	5	834
	LG Management Development Institute	-	-	-	109	11,422	11,531
	LG SPORTS Ltd.	19	-	19	-	5,638	5,638
	LG MMA Ltd.	299	-	299	-	-	-
	Subtotal	64,240	-	64,240	377,039	270,452	647,491
Others ¹	LG Chem Ltd. and its subsidiaries	297,155	2,065	299,220	342,566	1,273	343,839
	LG INTERNATIONAL CORP and its subsidiaries	63,998	-	63,998	759,164	335,442	1,094,606
	LG Uplus Corp and its subsidiaries	361,283	-	361,283	706	1,062	1,768
	LG HAUSYS,LTD. and its subsidiaries	9,233	-	9,233	6,902	248	7,150
	Silicon Works Co., Ltd	1,672	-	1,672	3,458	-	3,458
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,367	-	1,367	121	39	160
	G II R Inc. and its subsidiaries	346	-	346	69	92,677	92,746
	LG Hitachi Ltd.	1	-	1	-	-	-
	Subtotal	735,055	2,065	737,120	1,112,986	430,741	1,543,727
	Total	11,686,671	4,326	11,690,997	3,329,147	1,125,658	4,454,805

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		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	611	-	611	-	66,796	66,796
Subsidiaries	LG Innotek Co., Ltd.	45,405	-	45,405	456,495	5,110	461,605
	Hiplaza Co., Ltd.	545,013	-	545,013	73	5,387	5,460
	LG Electronics Vietnam Haiphong Co., Ltd.	427,742	21,933	449,675	10,956	1,691	12,647
	LG Electronics Mobilecomm U.S.A., Inc.	1,407,995	-	1,407,995	947	7,004	7,951
	LG Electronics Egypt S.A.E	109,608	71	109,679	-	416	416
	LG Electronics U.S.A., Inc.	1,600,207	-	1,600,207	2,484	47,362	49,846
	LG Electronics do Brasil Ltda.	313,611	-	313,611	4,147	772	4,919
	LG Electronics Gulf FZE	402,104	-	402,104	-	732	732
	Inspur LG Digital Mobile Communications Co., Ltd.	849,960	-	849,960	22,642	19,734	42,376
	LG Electronics Japan, Inc.	156,071	-	156,071	3,633	11,506	15,139
	LG Electronics (Kunshan) Co.,Ltd.	279,228	-	279,228	10,876	9	10,885
	LG Electronics RUS, LLC	150,598	6	150,604	1,149	520	1,669
	LG Electronics Australia Pty, Ltd.	179,565	-	179,565	397	430	827
	LG Electronics Mexico S.A. DE C.V.	226,989	-	226,989	-	319	319
	Qingdao LG Inspur Digital Communication Co., Ltd.	238,390	51	238,441	62,977	3,100	66,077
	LG Electronics (Levant) Jordan	228,353	-	228,353	507	7,120	7,627
	LG Electronics Philippines Inc.	49,130	-	49,130	-	739	739
	LG Electronics Colombia Ltda.	52,744	-	52,744	-	473	473
	LG Electronics Deutschland GmbH	140,497	-	140,497	919	10,481	11,400
	LG Electronics Nanjing New Technology co.,LTD	177,532	1	177,533	328,236	384	328,620
	LG Electronics Mlawa Sp. z. O.O.	109,044	-	109,044	642	534	1,176
	LG Electronics Canada, Inc.	185,326	-	185,326	-	992	992
	Others	2,543,796	21,249	2,565,045	244,535	175,358	419,893
	Subtotal	10,418,908	43,311	10,462,219	1,151,615	300,173	1,451,788
Associates	LG Display Co., Ltd. and its subsidiaries	301,092	-	301,092	845,821	18,499	864,320
	Ericsson-LG Co., Ltd. and its subsidiaries	4,049	-	4,049	2,333	-	2,333
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	437	-	437	10	-	10
	LG Fuel Cell Systems Inc.	104	-	104	39	-	39

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<i>(in millions of Korean won)</i>		2016					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	and its subsidiaries						
	Korea Information Certificate Authority Inc	-	-	-	-	1	1
	Subtotal	305,682	-	305,682	848,203	18,500	866,703
Other related parties	LG CNS Co., Ltd. and its subsidiaries	20,896	-	20,896	82,013	116,081	198,094
	SERVEONE Co., Ltd. and its subsidiaries	4,734	-	4,734	445,320	37,284	482,604
	LG Siltron Incorporated and its subsidiaries	39	-	39	7	-	7
	LUSEM CO., LTD.	2	-	2	1,174	26	1,200
	LG Management Development Institute	18	-	18	-	12,204	12,204
	LG SPORTS Ltd.	18	-	18	-	5,625	5,625
	LG MMA Ltd.	260	-	260	-	-	-
	Subtotal	25,967	-	25,967	528,514	171,220	699,734
Others ¹	LG Chem Ltd. and its subsidiaries	125,569	-	125,569	156,836	1,220	158,056
	LG INTERNATIONAL CORP and its subsidiaries	40,823	-	40,823	1,036,482	301,312	1,337,794
	LG Uplus Corp and its subsidiaries	431,845	-	431,845	487	4,016	4,503
	LG HAUSYS,LTD. and its subsidiaries	11,647	-	11,647	8,726	-	8,726
	Silicon Works Co., Ltd	1,586	-	1,586	768	-	768
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,718	-	1,718	132	119	251
	LG LIFE SCIENCES, LTD.	1,602	-	1,602	1	-	1
	GIR Inc. and its subsidiaries	49	-	49	10	66,542	66,552
	LG Hitachi Ltd.	12	-	12	-	-	-
	Subtotal	614,851	-	614,851	1,203,442	373,209	1,576,651
	Total	11,366,019	43,311	11,409,330	3,731,774	929,898	4,661,672

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 within the Company in accordance with the Monopoly Regulation and Fair Trade Act.

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

(in millions of Korean won)

		June 30, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		38	-	24,748	24,786	-	-	3,015	3,015
Subsidiaries	LG Innotek Co., Ltd.	103,149	-	2,364	105,513	127,410	-	17,484	144,894
	Hiplaza Co., Ltd.	190,933	-	20,647	211,580	-	-	8,089	8,089
	LG Electronics Vietnam Haiphong Co., Ltd.	291,372	-	1,312	292,684	169,035	-	11,189	180,224
	LG Electronics Mobilecomm U.S.A., Inc.	233,867	-	61	233,928	-	-	22,213	22,213
	LG Electronics Egypt S.A.E	152,961	-	65,996	218,957	14,813	-	25	14,838
	LG Electronics U.S.A., Inc.	498,546	-	92	498,638	-	-	8,349	8,349
	LG Electronics do Brasil Ltda.	242,459	-	23,116	265,575	816	-	1,052	1,868
	LG Electronics Gulf FZE	145,960	-	98	146,058	-	-	144	144
	Inspur LG Digital Mobile Communications Co., Ltd.	85,395	-	-	85,395	326,336	-	885	327,221
	LG Electronics Japan, Inc.	68,887	-	41	68,928	-	-	2,424	2,424
	LG Electronics (Kunshan) Co.,Ltd.	79,606	-	-	79,606	50,058	-	250	50,308
	LG Electronics RUS, LLC	65,892	-	7,388	73,280	59	-	119	178
	LG Electronics Australia Pty, Ltd.	46,952	-	-	46,952	-	-	123	123
	LG Electronics Mexico S.A. DE C.V.	83,027	-	28	83,055	-	-	44	44
	Qingdao LG Inspur Digital Communication Co., Ltd.	33,223	-	-	33,223	137,693	-	2	137,695
	LG Electronics (Levant) Jordan	100,170	-	96	100,266	-	-	436	436
	LG Electronics Philippines Inc.	65,802	-	6	65,808	-	-	51	51
	LG Electronics Colombia Ltda.	97,516	-	6	97,522	-	-	124	124
	LG Electronics Deutschland GmbH	77,724	-	1,136	78,860	-	-	4,361	4,361
	LG Electronics Nanjing New Technology co.,LTD	15,352	-	208	15,560	135,237	-	2	135,239
	LG Electronics Mlawa Sp. z o.o	36,235	-	143	36,378	557,047	-	686	557,733
	LG Electronics Canada, Inc.	57,417	-	-	57,417	-	-	264	264
	Others	1,020,529	-	76,858	1,097,387	833,335	-	49,521	882,856
	Subtotal	3,792,974	-	199,596	3,992,570	2,351,839	-	127,837	2,479,676
Associates	LG Display Co., Ltd. and	336,315	-	15,840	352,155	401,440	-	79,683	481,123

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		June 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	250	-	480	730	337	-	-	337
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	-	-	8,541	-	324	8,865
	LG Fuel Cell Systems Inc. and its subsidiaries	381	-	-	381	-	-	-	-
	Subtotal	336,946	-	16,320	353,266	410,318	-	80,007	490,325
Joint venture	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	22,733	-	-	22,733
	LG-MRI LLC	214	-	-	214	-	-	-	-
	Subtotal	214	-	-	214	22,733	-	-	22,733
Other related parties	LG CNS Co., Ltd. and its subsidiaries	28,107	-	-	28,107	-	-	114,049	114,049
	SERVEONE Co., Ltd. and its subsidiaries	12,245	-	54,204	66,449	140,524	-	113,713	254,237
	LG Siltron Incorporated and its subsidiaries	2,434	-	-	2,434	-	-	1,818	1,818
	LUSEM CO., LTD.	-	-	-	-	319	-	41	360
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,110	1,110
	LG SPORTS Ltd.	-	-	-	-	-	-	722	722
	Subtotal	42,786	-	69,864	112,650	140,843	-	231,453	372,296
Others ¹	LG Chem Ltd. and its subsidiaries	302,117	-	2,358	304,475	238,574	-	8,166	246,740
	LG INTERNATIONAL CORP and its subsidiaries	20,116	-	1,534	21,650	382,806	-	116,433	499,239
	LG Uplus Corp and its subsidiaries	48,597	-	1,807	50,404	-	-	290	290
	LG HAUSYS,LTD. and its associates/subsidiaries	5,176	-	308	5,484	3,605	-	222	3,827
	Silicon Works Co., Ltd	-	-	40	40	1,978	-	-	1,978
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	220	-	-	220	-	-	961	961
	GIR Inc. and its subsidiaries	186	-	3	189	-	-	140,345	140,345
	Subtotal	376,412	-	6,050	382,462	626,963	-	266,417	893,380
	Total	4,549,370	-	316,578	4,865,948	3,552,696	-	708,729	4,261,425

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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 associates/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 within the Company in accordance with the Monopoly Regulation and Fair Trade Act.

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iii) Significant capital transactions and other transactions with related parties

(in millions of Korean won)

Classification	Name	2017						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the 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	-	-	-	-	-	-
	Subtotal	194,045	-	89,922	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	-	13,661	-	-	-	-
	Subtotal	67,927	-	13,661	-	-	-	-
	Total	261,972	22,038	103,583	-	-	-	-

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(in millions of Korean won)

Classification	Name	2016						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	
Subsidiaries	LG Electronics Ukraine Inc. ¹	-	-	56,694	-	-	-	
	LG Innotek Co., Ltd.	3,379	-	-	-	-	-	
	LG Electronics Australia Pty, Ltd.	42,658	-	-	-	-	-	
	NanJing LG-Panda Appliances Co., Ltd.	9,622	-	-	-	-	-	
	LG Electronics India Pvt. Ltd.	153,199	-	-	-	-	-	
	LG Electronics Nanjing New Technology co.,LTD	3,823	-	-	-	-	-	
	LG Electronics Huizhou Ltd.	3,805	-	-	-	-	-	
	LG Electronics (Hangzhou) Co., Ltd.	246	-	-	-	-	-	
	Subtotal	216,732	-	56,694	-	-	-	
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	
	Ericsson-LG Co., Ltd.	3,750	-	-	-	-	-	
	Korea Information Certificate Authority Inc.	70	-	-	-	-	-	
	LG Fuel Cell Systems Inc.	-	-	5,271	-	-	-	
	Subtotal	71,633	-	5,271	-	-	-	
	Total	288,365	22,038	61,965	-	-	-	

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

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

(in millions of Korean won)	2017	2016
Wages and salaries	10,068	9,263
Post-employment benefits	2,380	2,195
Other long-term benefits	68	78
Total	12,516	11,536

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.

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- (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.

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.

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As of June 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 income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	35,653	(35,653)	7,908	(7,908)
EUR/KRW	36,243	(36,243)	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 fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the six-month periods ended June 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	7,472	(7,472)	4,877	(4,877)
Interest expense	-	-	-	-

There are no borrowings with variable interest rates and related interest expenses exposed to interest rate risk as of June 30, 2017 and 2016.

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.

June 30, 2017	Contractor	Contracted amount <i>(in millions)</i>	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

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At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩34,075 million for the six-month period ended June 30, 2017 (2016: loss on valuation amounting to ₩53,755 million) after applying the tax effect, is recognized in other comprehensive income (loss). The Company reclassified ₩41,850 million to loss from equity for the six-month period ended June 30, 2017 (2016: ₩9,669 million to loss from equity). Therefore, other comprehensive income from cash flow hedges amounts to the gain on valuation amounting to ₩7,775 million for the six-month period ended June 30, 2017 (2016: other comprehensive loss of ₩44,086 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.

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,294	(3,294)	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.

(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 ₩1,743,861 million (December 31, 2016: ₩1,191,284 million) and its risk is managed appropriately within insurer's credit limit of ₩3,029,674 million (December 31, 2016: ₩2,900,469 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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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 June 30, 2017, respectively.

i) Cash flow information on maturity of financial liabilities as of June 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	5,819,975	5,819,975	-	-	-
Borrowings	8,193,126	643,878	1,192,878	2,784,013	3,572,357
Other payables	1,968,711	1,968,226	470	15	-
Total	15,981,812	8,432,079	1,193,348	2,784,028	3,572,357

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

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	4,826,463	4,453,757	204,126	168,580	-

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.

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

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2017	December 31, 2016
Liability (A)	18,419,119	17,833,623
Equity (B)	9,353,498	8,765,452
Cash and cash equivalents (C)	1,494,338	1,181,725
Borrowings (D)	6,974,955	6,631,320
Debt-to-equity ratio (A/B)	196.9%	203.5%
Net borrowings ratio ((D-C)/B)	58.6%	62.2%

Fair Value Estimation

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

<i>(in millions of Korean won)</i>	June 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Derivatives for hedging purposes				
Other financial assets	-	-	2,530	2,530
Available-for-sale financial assets				
Other financial assets	-	-	14,357	14,357
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	1,494,338	1	-	-
Deposits held by financial institutions	80,500	1	1,987	1,987
Trade receivables	5,500,285	1	-	-
Other receivables	388,653	1	320,303	301,325
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	17,635	2
Total	7,463,776		356,812	

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<i>(in millions of Korean won)</i>	June 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	65,447	65,447
Liabilities at amortized cost				
Trade payables	5,819,975	1	-	-
Borrowings	429,875	1	6,545,080	6,572,093
Other payables	1,968,226	1	485	473
Other liabilities				
Other financial liabilities	7,664	3	1,776	3
Total	8,225,740		6,612,788	

<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	

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

² Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As of June 30, 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 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'. There are no assets or liabilities categorized within 'level 3'.

The fair value of financial instruments traded in active markets is based on quoted market prices at the 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

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

June 30, 2017				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,357	-	-	14,357
Derivatives for hedging purposes	-	2,530	-	2,530
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	65,447	-	65,447

December 31, 2016				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,835	-	-	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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2017	December 31, 2016		
Assets				
Other financial assets				
Derivatives for hedging purposes	2,530	46,184	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	65,447	73,226	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

As of June 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 June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,987	1,987
Non-current other receivables	-	-	301,325	301,325
Liabilities				
Non-current borrowings	-	-	6,572,093	6,572,093
Non-current other payables	-	-	473	473
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 June 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 June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 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	1,987	1,987	1,159	1,159	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	320,303	301,325	306,113	296,919	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3%~4.3%
Liabilities								
Non-current borrowings	6,545,080	6,572,093	5,970,172	6,062,632	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7%~3.7%
Non-current other payables	485	473	5,552	4,705	Discounted cash flow	Discount rate	Discount rate	1.7%~2.0%

30. Assets Classified as Held for Sale

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Assets classified as held for sale		
Property, plant and equipment ¹	207,993	-
Investment property ²	-	8,906

¹ As of June 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 in impairment loss of ₩5,809 million recognized.

31. Events After the Reporting Period

(a) In accordance with the resolution of the Board of Directors dated July 26, 2017, the Company plans to provide financial guarantee amounting to ₩552,044 million to insurance companies for the purpose of receiving guarantee securities to appeal against the transfer pricing assessment of LG Electronics do Brasil Ltda., a subsidiary.

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- (b) In accordance with the resolution of the Board of Directors dated July 26, 2017, the Company plans to sell its property, plant and equipment, of which book amount is ₩222,321 million, to SERVEONE Co., Ltd., a related party, for ₩223,000 million.