

LG Electronics Inc.
Interim Separate Financial Statements
March 31, 2016 and 2015

LG Electronics Inc.

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March 31, 2016 and 2015

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Report on Review of Interim Separate Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

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

Management' Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other matters

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

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

A handwritten signature in cursive script that reads "Samil PricewaterhouseCoopers". The signature is written in black ink and is positioned above the date and location information.

Seoul, Korea
May 16, 2016

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

LG Electronics Inc.

Interim Separate Statements of Financial Position

March 31, 2016 and December 31, 2015

<i>(in millions of Korean won)</i>	Note	March 31, 2016 (Unaudited)	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	4,29	1,280,730	678,221
Financial deposits	4,29	80,500	80,500
Trade receivables	4,5,29	5,299,146	5,607,126
Loans and other receivables	4,5,29	454,925	534,079
Inventories	7	1,456,203	1,057,967
Current income tax assets		2,018	1,717
Other current assets		466,447	307,084
Assets held for sale	31	16,033	2,116
		<u>9,056,002</u>	<u>8,268,810</u>
Non-current assets			
Financial deposits	4,29	2,366	1,271
Loans and other receivables	4,5,29	334,665	339,859
Other financial assets	4,6,29	57,581	64,134
Property, plant and equipment	8	6,427,062	6,450,406
Intangible assets	8	1,146,572	1,154,910
Deferred income tax assets		984,802	948,457
Investments in subsidiaries, associates and joint ventures	9	7,975,878	7,963,467
Investment property		106,502	120,846
Other non-current assets		554,088	554,215
		<u>17,589,516</u>	<u>17,597,565</u>
Total assets		<u>26,645,518</u>	<u>25,866,375</u>
Liabilities			
Current liabilities			
Trade payables	4,29	5,377,001	5,015,038
Borrowings	4,10,29	1,463,829	1,041,603
Other payables	4,29	1,811,801	1,797,949
Other financial liabilities	4,6,29	12,899	14,553
Provisions	12	171,916	176,067
Other current liabilities		1,698,730	1,705,180
		<u>10,536,176</u>	<u>9,750,390</u>
Non-current liabilities			
Borrowings	4,10,29	5,538,901	5,577,300
Other financial liabilities	4,6,29	101,049	71,317
Net defined benefit liability	11	720,632	575,016
Provisions	12	836,862	847,647
Other non-current liabilities		77,785	83,696
		<u>7,275,229</u>	<u>7,154,976</u>
Total liabilities		<u>17,811,405</u>	<u>16,905,366</u>
Equity			
Paid-in capital:	13		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	14	4,942,236	5,046,104
Accumulated other comprehensive loss	15	(67,652)	(44,624)
Other components of equity	16	(32,819)	(32,819)
		<u>8,834,113</u>	<u>8,961,009</u>
Total equity		<u>8,834,113</u>	<u>8,961,009</u>
Total liabilities and equity		<u>26,645,518</u>	<u>25,866,375</u>

LG Electronics Inc.**Separate Statements of Income****Three-Month Periods Ended March 31, 2016 and 2015**

<i>(in millions of Korean won, except per share amounts)</i>	Note	Three-Month Period Ended March 31	
		2016 (Unaudited)	2015 (Unaudited)
Continuing operations			
Net sales	17	7,172,793	6,863,361
Cost of sales	18	<u>5,658,277</u>	<u>5,585,406</u>
Gross profit		1,514,516	1,277,955
Selling and marketing expenses	18,19	604,268	604,772
Administrative expenses	18,19	148,667	163,477
Research and development expenses	18,19	552,129	521,437
Service costs	18,19	<u>128,214</u>	<u>85,251</u>
Operating income (loss)		81,238	(96,982)
Financial income	20	58,523	50,559
Financial expenses	21	125,368	108,341
Other non-operating income	22	482,058	304,317
Other non-operating expenses	23	<u>466,839</u>	<u>429,104</u>
Profit (loss) before income tax		29,612	(279,551)
Income tax expense (benefit)		<u>432</u>	<u>(71,626)</u>
Profit (loss) for the period from continuing operations		<u>29,180</u>	<u>(207,925)</u>
Discontinued operations			
Loss for the period from discontinued operations	32	<u>-</u>	<u>(2,076)</u>
Profit (loss) for the period		<u>29,180</u>	<u>(210,001)</u>
Earnings (loss) per share during the period (in won)			
Earnings (loss) per common share	24	161	(1,168)
From continuing operations		161	(1,156)
From discontinued operations		-	(12)
Earnings (loss) per preferred share		173	(1,155)
From continuing operations		173	(1,143)
From discontinued operations		-	(12)

LG Electronics Inc.**Separate Statements of Comprehensive Income****Three-Month Periods Ended March 31, 2016 and 2015**

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2016 (Unaudited)	2015 (Unaudited)
Profit (loss) for the period		<u>29,180</u>	<u>(210,001)</u>
Other comprehensive income (loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability	11	(60,163)	(79,980)
Items that will be reclassified subsequently to profit or loss:			
Cash flow hedges	29	(23,002)	(9,762)
Available-for-sale financial assets	6	<u>(26)</u>	<u>1,713</u>
Other comprehensive loss for the period, net of tax		<u>(83,191)</u>	<u>(88,029)</u>
Total comprehensive loss for the period, net of tax		<u>(54,011)</u>	<u>(298,030)</u>

LG Electronics Inc.**Interim Separate Statements of Cash Flows****Three-Month Periods Ended March 31, 2016 and 2015**

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities			
Cash provided by operations	25	530,584	(385,891)
Interest received		3,022	4,190
Interest paid		(55,519)	(57,897)
Dividends received		3,786	8,057
Income tax refund (paid)		(10,517)	41,480
Net cash inflow (outflow) from operating activities		471,356	(390,061)
Cash flows from investing activities			
Decrease in loans and other receivables		23,003	39,420
Proceeds from disposal of property, plant and equipment		3,138	922
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		6,225	131
Decrease in others		-	545
Increase in financial deposits		(1,095)	(1,023)
Increase in loans and other receivables		(10,411)	(30,002)
Acquisition of other financial assets		(2,400)	(140)
Acquisition of property, plant and equipment		(161,386)	(231,997)
Acquisition of intangible assets		(102,562)	(155,967)
Acquisition of investments in subsidiaries, associates and joint ventures		(11,440)	-
Business combination	30	-	(7,691)
Net cash outflow from investing activities		(256,928)	(385,802)
Cash flows from financing activities			
Proceeds from borrowings		448,098	936,934
Repayments of borrowings		(60,017)	(380,005)
Net cash inflow from financing activities		388,081	556,929
Net increase (decrease) in cash and cash equivalents		602,509	(218,934)
Cash and cash equivalents at the beginning of period		678,221	913,208
Cash and cash equivalents at the end of period		1,280,730	694,274

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1. General Information

General information about LG Electronics Inc. (the "Company") is as follows.

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

As of March 31, 2016, LG Corp. owns 33.7% of the Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Mobile Communications segment manufactures and sells mobile communications equipment; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; and Vehicle Components segment designs and manufactures automobile parts. As of March 31, 2016, the Company operates manufacturing facilities mainly in Pyeongtaek, Changwon and Gumi in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

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

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

The attached statements are the separate financial statements subject to Korean IFRS 1027, 'Separate Financial Statements'. The interim separate financial statements for the three-month period ended March 31, 2016, have been prepared in accordance with Korean IFRS 1034, 'Interim Financial Reporting'. These interim separate financial statements have been prepared in accordance with the Korean IFRS standards and interpretations effective at March 31, 2016.

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Changes in Accounting Policy and Disclosures

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

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

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

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

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

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

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

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

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

Amendment to Korean IFRS 1001, 'Presentation of Financial Statements', clarifies that the disclosed line items can be omitted, added, or aggregated in the list according to their materiality. In addition, the amendment clarifies that the share in the other comprehensive income of associates and joint ventures accounted for under the equity method should be presented separately in the financial statements based on whether they will or will not

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subsequently be reclassified to profit or loss. Also, additional requirements for disclosures in the notes and others are provided. The application of this amendment does not have a significant impact on the accompanying separate financial statements.

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

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

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

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

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

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

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

- Korean IFRS 1115, 'Revenue from Contracts with Customers' (November 2015)

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

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

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for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Company is in the process of determining the effects resulting from the adoption of the new standard.

Application of Accounting Policies

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

Income Tax Expense

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

3. Critical Accounting Estimates and Judgments

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

Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

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(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 judgment 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 return as of the reporting date. The amounts are estimated based on historical data.

(f) Net defined benefit liability

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis. The assumptions used in determining the net cost(income) for pensions include the discount rate, which is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the 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 March 31, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016					Total
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	1,280,730	-	-	-	1,280,730
Financial deposits	-	82,866	-	-	-	82,866
Trade receivables	-	5,299,146	-	-	-	5,299,146
Loans and other receivables	-	789,590	-	-	-	789,590
Other financial assets	-	-	37,046	-	20,535	57,581
Total	-	7,452,332	37,046	-	20,535	7,509,913

<i>(in millions of Korean won)</i>	March 31, 2016			Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	
Trade payables	-	5,377,001	-	5,377,001
Borrowings	-	7,002,730	-	7,002,730
Other payables	-	1,811,801	-	1,811,801
Other financial liabilities	-	-	113,948	113,948
Total	-	14,191,532	113,948	14,305,480

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

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

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

2016						
<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Held-to- maturity financial assets	Other	Total
Interest income	-	4,962	-	-	-	4,962
Exchange differences	-	(50,493)	-	-	-	(50,493)
Bad debt expense	-	9,619	-	-	-	9,619
Loss on disposal of trade receivables	-	(1,260)	-	-	-	(1,260)
Dividend income	-	-	254	-	-	254
Loss on valuation of available- for-sale financial assets, net of tax (through other comprehensive income)	-	-	(26)	-	-	(26)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	-	(1,827)	(1,827)
Others	-	4,866	-	-	-	4,866

2015				
<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(53,815)	(5,660)	(59,475)
Exchange differences	-	70,564	(5,280)	65,284
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(21,175)	(21,175)
Others	-	-	371	371

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<i>(in millions of Korean won)</i>	2015					Total
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	5,977	-	-	-	5,977
Exchange differences	-	(171,332)	-	-	-	(171,332)
Bad debt expense	-	(26,960)	-	-	-	(26,960)
Loss on disposal of trade receivables	-	(970)	-	-	-	(970)
Dividend income	-	-	278	-	-	278
Profit for the period from discontinued operations	-	261	-	-	-	261
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	1,713	-	-	1,713
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	474	474
Others	-	5,155	-	-	-	5,155

<i>(in millions of Korean won)</i>	2015				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
Interest expenses	-	(56,331)	(4,195)		(60,526)
Exchange differences	-	(32,736)	9,022		(23,714)
Profit for the period from discontinued operations	-	169	-		169
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(10,236)		(10,236)
Others	-	-	395		395

5. Trade Receivables, and Loans and Other Receivables

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

<i>(in millions of Korean won)</i>	March 31, 2016			December 31, 2015		
	Original amount	Less : allowance for doubtful accounts	Carrying amount	Original amount	Less : allowance for doubtful accounts	Carrying amount
Current						
Trade receivables	5,390,380	(91,234)	5,299,146	5,708,568	(101,442)	5,607,126
Loans and other receivables	463,220	(8,295)	454,925	541,772	(7,693)	534,079
Non-current						
Loans and other receivables	334,675	(10)	334,665	339,872	(13)	339,859

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

<i>(in millions of Korean won)</i>	2016			
	At Jan. 1	Addition (Reversal)	Write-off	At Mar. 31
Trade receivables	101,442	(10,218)	10	91,234
Loans and other receivables				
Current	7,693	602	-	8,295
Non-current	13	(3)	-	10

<i>(in millions of Korean won)</i>	2015			
	At Jan. 1	Addition (Reversal)	Write-off	At Mar. 31
Trade receivables	85,226	25,977	-	111,203
Loans and other receivables				
Current	9,394	(7)	-	9,387
Non-current	32	(17)	-	15

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

<i>(in millions of Korean won)</i>	March 31, 2016				December 31, 2015			
	Trade receivables	Loans and other receivables		Total	Trade receivables	Loans and other receivables		Total
		Current	Non-current			Current	Non-current	
Current	4,717,389	315,772	325,018	5,358,179	4,873,999	411,186	337,050	5,622,235
Past due but not impaired								
Up to 6 months	425,845	60,830	9,151	495,826	554,227	37,091	2,777	594,095
7 to 12 months	108,541	27,488	501	136,530	143,506	42,831	1	186,338
Over 1 year	125,947	48,514	5	174,466	124,026	38,837	44	162,907
Subtotal	660,333	136,832	9,657	806,822	821,759	118,759	2,822	943,340
Impaired	12,658	10,616	-	23,274	12,810	11,827	-	24,637
Total	5,390,380	463,220	334,675	6,188,275	5,708,568	541,772	339,872	6,590,212

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

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6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Other financial assets		
Derivatives	20,535	30,288
Available-for-sale financial assets	37,046	33,846
Total	57,581	64,134
Non-current	57,581	64,134

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Other financial liabilities		
Derivatives	104,083	76,079
Financial guarantee liabilities	9,865	9,791
Total	113,948	85,870
Current	12,899	14,553
Non-current	101,049	71,317

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

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	-	5,082	-	6,461
Non-current				
Currency swap	20,535	-	30,288	-
Interest rate swap	-	99,001	-	69,618
Total	20,535	104,083	30,288	76,079

The details of derivative contracts are described in Note 29.

(c) Available-for-sale financial assets

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

<i>(in millions of Korean won)</i>	2016						
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Reclassification	Impairment	At Mar. 31
Listed equity securities	15,323	-	-	(33)	-	-	15,290
Unlisted equity securities	18,523	3,233	-	-	-	-	21,756
Total	33,846	3,233	-	(33)	-	-	37,046

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<i>(in millions of Korean won)</i>	2015						
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Reclassification ¹	Impairment	At Mar. 31
Listed equity securities	12,105	-	-	2,261	(1,369)	-	12,997
Unlisted equity securities	16,513	140	-	-	-	-	16,653
Total	28,618	140	-	2,261	(1,369)	-	29,650

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

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

7. Inventories

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

<i>(in millions of Korean won)</i>	March 31, 2016			December 31, 2015		
	Cost	Valuation Allowance	Carrying amount	Cost	Valuation Allowance	Carrying amount
Finished products and merchandise	556,170	(39,333)	516,837	493,082	(33,632)	459,450
Work-in-process	206,226	(7,145)	199,081	85,531	(8,004)	77,527
Raw materials and supplies	614,032	(30,535)	583,497	413,293	(38,783)	374,510
Other	180,710	(23,922)	156,788	167,565	(21,085)	146,480
Total	1,557,138	(100,935)	1,456,203	1,159,471	(101,504)	1,057,967

8. Property, Plant and Equipment, and Intangible Assets

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	6,450,406	6,244,197
Acquisitions	139,833	204,449
Acquisitions from business combination	-	2,513
Reclassification to assets held for sale	-	(25,537)
Disposals and others	(3,024)	(8,028)
Depreciation	(147,482)	(146,930)
Impairment	(12,671)	(10,902)
At March 31	6,427,062	6,259,762

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	112,789	106,726
Selling and marketing expenses	2,155	2,324
Administrative expenses	11,309	11,418
Research and development expenses	18,587	22,359
Service costs	1,324	1,326
Other non-operating expenses	1,318	2,777
Subtotal	147,482	146,930
Discontinued operations	-	-
Total	147,482	146,930

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,154,910	1,094,479
Acquisitions	30,672	30,321
Acquisitions through internal development	56,436	54,948
Acquisitions from business combination	-	5,121
Disposals and others	(3,222)	(6,639)
Amortization	(91,558)	(89,967)
Impairment	(666)	(71)
At March 31	1,146,572	1,088,192

(d) Line items including amortization of intangible assets are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	51,510	49,169
Selling and marketing expenses	3,856	5,815
Administrative expenses	18,613	22,288
Research and development expenses	17,207	12,286
Service costs	372	409
Subtotal	91,558	89,967
Discontinued operations	-	-
Total	91,558	89,967

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9. Investments in Subsidiaries, Associates and Joint Ventures

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

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

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at March 31, 2016	Carrying amount	
				March 31, 2016	December 31, 2015
LG Soft India Private Limited.(LGSi)	India	March	100.0%	20,105	20,105
LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB)	China	December	100.0%	6,636	-
LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	China	December	100.0%	4,804	-
Innovation Investment Fund ¹	Korea	December	-	-	1,054
Others				239,966	237,941
Associates					
LG Display Co., Ltd.	Korea	December	37.9%	3,480,623	3,480,623
Ericsson-LG Co., Ltd.	Korea	December	25.0%	81,755	81,755
Hitachi-LG Data Storage Inc.	Japan	December	49.0%	80,602	80,602
LG Fuel Cell Systems Inc.	USA	December	29.2%	44,051	44,051
Korea Information Certificate Authority Inc. ²	Korea	December	7.5%	1,242	1,242
Joint ventures					
LG Holdings (HK) Ltd.	China	December	49.0%	129,386	129,386
Arcelik-LG Klima Sanayi ve Ticaret A.S.	Turkey	December	50.0%	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2%	7,881	7,881
Total				7,975,878	7,963,467

¹ It was liquidated in 2016.

² Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise its voting rights through the Board of Directors.

(b) Changes in investments in subsidiaries, associates and joint ventures for the three-month periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	7,963,467	8,055,416
Acquisitions ¹	56,227	-
Reclassified as assets held for sale	-	(53,454)
Disposal	(1,054)	-
Impairment	(42,762)	(8,643)
At March 31	7,975,878	7,993,319

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

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(c) The fair value and book value of marketable subsidiaries, associates, and joint ventures securities as of March 31, 2016 and December 31, 2015, are as follows:

March 31, 2016					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book value
LG Display Co., Ltd.	Associate	135,625,000	26,600	3,607,625	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	79,300	765,497	541,538
Korea Information Certificate Authority Inc.	Associate	2,000,000	9,850	19,700	1,242

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

10. Borrowings

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Current		
Current portion of long-term borrowings	457,500	77,500
Current portion of debentures	1,006,329	964,103
Subtotal	1,463,829	1,041,603
Non-current		
Long-term borrowings	1,370,000	1,750,000
Debentures	4,168,901	3,827,300
Subtotal	5,538,901	5,577,300
Total	7,002,730	6,618,903

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(b) Details of borrowings are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2016 (%)	March 31, 2016	December 31, 2015
Long-term borrowings in local currency				
Korea Development Bank and others ¹	2030.07.07	3.00 ~ 4.63	1,827,500	1,827,500
Local currency loans				
Public, non-guaranteed bonds	2030.02.02	1.88 ~ 4.44	3,770,000	3,380,000
Private, non-guaranteed bonds	2028.11.18	3.11 ~ 3.96	700,000	700,000
Foreign currency loans				
Public, non-guaranteed bonds ²	2016.12.02	2.00	256,944	254,859
Private, non-guaranteed bonds ²	2017.06.19	3ML+1.30	230,700	234,400
Private, guaranteed bonds ²	2019.01.31	3ML+1.60	230,700	234,400
Less: discount on debentures			(13,114)	(12,256)
Total			7,002,730	6,618,903

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

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

11. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Present value of funded obligations	2,366,174	2,236,821
Fair value of plan assets	(1,645,542)	(1,661,805)
Net defined benefit liabilities	720,632	575,016

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

<i>(in millions of Korean won)</i>	2016	2015
Current service cost	72,716	66,814
Net interest cost	3,853	4,841
Managing cost	438	337
Total	77,007	71,992

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Manufacturing cost	38,354	35,293
Selling and marketing expenses	9,635	10,773
Administrative expenses	4,311	5,726
Research and development expenses	23,702	18,884
Service costs	1,005	1,316
Subtotal	77,007	71,992
Discontinued operations	-	-
Total	77,007	71,992

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	2,236,821	1,916,342
Current service cost	72,716	66,814
Interest expense	14,633	14,658
Remeasurements for:		
- Actuarial loss arising from changes in financial assumptions	77,126	103,867
Increase due to business combination	-	142
Benefits paid	(35,122)	(44,957)
At March 31	2,366,174	2,056,866

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,661,805	1,299,650
Interest income	10,780	9,817
Remeasurements	(2,243)	(1,648)
Increase due to business combination	-	133
Benefits paid	(24,362)	(29,248)
Managing cost	(438)	(337)
At March 31	1,645,542	1,278,367

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

	March 31, 2016	December 31, 2015
Discount rate	2.4%	2.7%
Future salary growth rate	6.0%	6.0%

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

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(210,188)	244,261
Salary growth rate	234,470	(206,516)

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

Defined Contribution Plan

Recognized expense related to the defined contribution plan for the three-month period ended March 31, 2016, is ₩1,367 million (2015: ₩1,104 million).

12. Provisions

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

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	70,325	5,148	82	29,718	105,273
Utilizations	(74,253)	(5,488)	(105)	(40,363)	(120,209)
At March 31	179,553	498	5,737	822,990	1,008,778
Current	171,176	498	242	-	171,916
Non-current	8,377	-	5,495	822,990	836,862

2015					
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	222,522	528	4,812	818,104	1,045,966
Additions	42,032	7,207	1,338	(14,119)	36,458
Utilizations	(55,339)	(6,719)	(45)	(170)	(62,273)
At March 31	209,215	1,016	6,105	803,815	1,020,151
Current	197,325	1,016	838	-	199,179
Non-current	11,890	-	5,267	803,815	820,972

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13. Paid-in Capital

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

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

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

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

14. Retained Earnings

Retained Earnings

(a) Retained earnings as of March 1, 2016 and December 31, 2015, consist of:

(in millions of Korean won)	March 31, 2016	December 31, 2015
Legal reserve ¹	167,767	160,478
Discretionary reserve	4,805,354	5,317,480
Accumulated deficit ²	(30,885)	(431,854)
Total	4,942,236	5,046,104

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

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

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15. Accumulated Other Comprehensive Income (loss)

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Cash flow hedge	(78,569)	(55,567)
Available-for-sale financial assets	10,917	10,943
Total	(67,652)	(44,624)

16. Other Components of Equity

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

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

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

17. Net Sales

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Sales of goods	7,002,899	6,650,492
Rendering of services	80,858	67,172
Royalty income	89,036	145,697
Subtotal	7,172,793	6,863,361
Discontinued operations	-	3,204
Total	7,172,793	6,866,565

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18. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Changes in finished goods and work-in-process	(215,086)	(100,135)
Raw materials and merchandise used	4,609,452	4,467,779
Employee salaries	971,283	934,125
Depreciation and amortization	238,116	234,120
Advertising expense	133,181	100,558
Promotional expense	66,891	39,225
Freight expense	125,147	136,197
Commission expense	351,063	333,397
Other expenses	811,508	815,077
Subtotal¹	7,091,555	6,960,343
Discontinued operations	-	5,565
Total	7,091,555	6,965,908

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 periods ended March 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Salaries	389,707	384,011
Post-employment benefits	41,674	39,884
Employee benefits	58,554	55,502
Freight expense	123,348	134,901
Rental expense	42,968	38,917
Commission expense	237,091	230,324
Depreciation	33,769	37,427
Amortization	40,048	40,798
Taxes and dues	2,702	2,806
Advertising expense	133,181	100,558
Promotional expense	66,891	39,225
R&D expense	114,321	117,041
Service costs	85,122	41,497
Bad debts expense	(10,218)	26,983
Other	74,120	85,063
Subtotal	1,433,278	1,374,937
Discontinued operations	-	122
Total	1,433,278	1,375,059

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20. Financial Income

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Interest income	4,962	5,977
Exchange differences	47,843	38,889
Other	5,718	5,693
Subtotal	58,523	50,559
Discontinued operations	-	-
Total	58,523	50,559

21. Financial Expenses

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Interest expense	59,475	60,526
Exchange differences	64,152	46,702
Loss on disposal of trade receivables	1,260	970
Other	481	143
Subtotal	125,368	108,341
Discontinued operations	-	-
Total	125,368	108,341

22. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Dividend income	75,266	85,862
Exchange differences	400,356	142,654
Gain on disposal of investments in subsidiaries, associates and joint ventures	2,333	-
Gain on disposal of property, plant and equipment	396	485
Other	3,707	75,316
Subtotal	482,058	304,317
Discontinued operations	-	507
Total	482,058	304,824

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23. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Exchange differences	369,256	329,887
Loss on disposal of property, plant and equipment	1,000	7,614
Impairment loss on property, plant and equipment	12,671	10,902
Loss on disposal of intangible assets	3,222	6,639
Impairment loss on investments in subsidiaries, associates and joint ventures	42,762	8,643
Other	37,928	65,419
Subtotal	466,839	429,104
Discontinued operations	-	885
Total	466,839	429,989

24. Earnings per Share

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

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

	2016	2015
Profit (loss) attributable to common shares (in millions of won)	26,201	(190,158)
Continuing operations	26,201	(188,280)
Discontinued operations	-	(1,878)
Weighted average number of common shares outstanding (unit: shares)	162,884,643	162,884,643
Basic earnings (loss) per common share (in won per share)	161	(1,168)
Continuing operations	161	(1,156)
Discontinued operations	-	(12)

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

	<u>2016</u>	<u>2015</u>
Profit (loss) attributable to preferred shares (in millions of won)	2,979	(19,843)
Continuing operations	2,979	(19,645)
Discontinued operations	-	(198)
Weighted average number of preferred shares outstanding (unit: shares)	17,181,302	17,181,302
Basic earnings (loss) per preferred share (in won per share)	173	(1,155)
Continuing operations	173	(1,143)
Discontinued operations	-	(12)

25. Information on Cash Flow

Cash flows from operating activities are presented under the indirect method. Details of cash generated from operations for the three-month periods ended March 31, 2016 and 2015, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	<u>2016</u>	<u>2015</u>
Profit (loss) for the period	29,180	(210,001)
Adjustments:		
Interest expense, net	54,513	54,549
Exchange differences, net	(23,830)	84,885
Depreciation	147,482	146,930
Amortization	91,558	89,967
Loss on disposal of property, plant and equipment and intangible assets	3,826	13,768
Provisions for severance benefits	77,007	71,992
Provisions	105,273	36,458
Dividend income	(75,266)	(85,862)
Income tax expense (benefit)	432	(71,626)
Gain on disposal of investments in subsidiaries, associates and joint ventures	(2,333)	-
Impairment loss on investments in subsidiaries, associates and joint ventures	42,762	8,643
Other	41,380	56,549
Gain from discontinued operations	-	(1,515)
	<u>462,804</u>	<u>404,738</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	132,443	(252,392)
Decrease in loans and other receivables	136,853	40,687
Increase in inventories	(415,385)	(70,992)
Increase in other assets	(187,831)	(12,018)

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<i>(in millions of Korean won)</i>	2016	2015
Increase (decrease) in trade payables	498,654	(201,034)
Increase (decrease) in other payables	25,796	(131,762)
Decrease in provisions	(120,209)	(62,273)
Increase (decrease) in other liabilities	(12,862)	132,697
Payment of defined benefit liability	(10,760)	(15,709)
Deposit in plan assets, net	(8,099)	(7,832)
	<u>38,600</u>	<u>(580,628)</u>
Cash generated from operations	530,584	(385,891)

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

<i>(in millions of Korean won)</i>	2016	2015
Reclassification of construction-in-progress of property, plant and equipment	18,461	77,268
Reclassification of construction-in-progress of intangible assets	31,935	49,139
Reclassification of other assets to intangible assets	25,583	21,098
Reclassification of current maturities of borrowings and debentures	479,873	59,929
Other payables to acquire property, plant and equipment	41,349	17,639
Other payables to acquire intangible assets	3,491	1,699

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

i) Transfer of Display Driver-IC design business

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

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

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26. Contingencies

(a) As of March 31, 2016, the Company is provided with a performance guarantee of ₩116,014 million (December 31, 2015: ₩115,137 million) from Seoul Guarantee Insurance and two other banks relating to the performance guarantees. The Company is also provided with guarantee of principal USD 200 million (December 31, 2015: USD 200 million) and interests from Shinhan Bank for the guaranteed bond.

(b) As of March 31, 2016, the financial guarantees provided by the Company to subsidiaries amount to ₩4,796,487 million (December 31, 2015: ₩4,757,997 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	March 31, 2016	December 31, 2015
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	902,877	884,866
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	583,117	592,469
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	569,146	524,990
LG Electronics do Brasil Ltda.(LGEBR)	Citibank and others	526,315	484,651
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	HSBC and others	313,481	293,539
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	279,639	282,888
LG Electronics Peru S.A.(LGEPR)	Nova scotia and others	152,579	153,893
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	151,893	147,486
LG Electronics India Pvt. Ltd.(LGEIL)	HSBC and others	141,871	143,989
LG Electronics Colombia Ltda.(LGECL)	Citibank and others	130,245	131,288
LG Electronics RUS, LLC(LGERA)	Citibank	126,120	125,680
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank and others	106,371	108,492
LG-Shaker Co., Ltd.(LGESR)	BSF and others	99,255	100,756
LG Electronics Algeria SARL(LGEAS)	Societe Generale and others	95,712	100,250
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank and others	89,786	91,148
LG Electronics Morocco S.A.R.L(LGEMC)	Citibank and others	81,332	80,607
LG Electronics Ukraine Inc.(LGEUR)	CAG and others	71,679	73,867
LG Electronics Egypt S.A.E (LGEEG)	HSBC and others	63,443	64,460
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	61,817	56,832
LG Electronics Argentina S.A.(LGEAR)	Citibank and others	50,710	55,119
Other	Citibank and others	199,099	260,727
Total		4,796,487	4,757,997

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

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

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

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

27. Commitments

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

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

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and win-win payment services contracts with Shinhan Bank and eight other banks for up to ₩1,300,000 million (December 31, 2015: ₩1,320,000 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

(d) At the end of the reporting period, the Company has other trade financing agreements with financial institutions, including Hana Bank, of up to ₩137,267 million (December 31, 2015: ₩139,468 million).

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(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>	March 31, 2016	December 31, 2015
Property, plant and equipment	588,931	474,649
Intangible assets	3,021	3,881
Total	591,952	478,530

(f) Operating lease commitments – the Company as lessee

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

<i>(in millions of Korean won)</i>	March 31, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Buildings and offices	82,235	69,189	2,838	154,262
Vehicles	5,581	4,742	-	10,323
Equipment	13,662	9,580	-	23,242
Total	101,478	83,511	2,838	187,827

ii) Lease payment under operating lease recognized in the statement of income for the three-month period ended March 31, 2016, is ₩28,956 million (2015: ₩28,474 million).

iii) As of March 31, 2016, total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to ₩26,154 million, and lease income recognized related to the subleases for the three-month period ended March 31, 2016, amounts to ₩3,653 million (2015: ₩3,630 million).

(g) Operating lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	March 31, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Healthcare rental	100,337	147,679	-	248,016
Real estate rental	3,793	2,747	704	7,244
Total	104,130	150,426	704	255,260

ii) The Company recognized ₩26,954 million(2015: ₩24,022 million) in lease income for the three-month ended March 31, 2016.

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(h) Trademark licenses commitments

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

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

28. Related Party

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

<u>Territory</u>	<u>Location</u>	<u>Subsidiaries</u>	<u>Percentage of valid ownership</u>	
			<u>Mar. 31, 2016</u>	<u>Dec. 31, 2015</u>
Korea	Korea	Hiplaza Co., Ltd.	100.0%	100.0%
	Korea	Hi Entech Co., Ltd.	100.0%	100.0%
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	51.0%
	Korea	ACE R&A Co., Ltd.	100.0%	100.0%
	Korea	Hi M Solutek Co., Ltd.	100.0%	100.0%
	Korea	Hi Teleservice Co., Ltd.	100.0%	100.0%
	Korea	LGE Alliance Fund	96.2%	96.2%
	Korea	Innovation Investment Fund	-	83.3%
	Korea	LG Innotek Co., Ltd.	40.8%	40.8%
	Korea	LG Innotek Alliance Fund	40.4%	40.4%
	Korea	Innowith Co., Ltd.	40.8%	40.8%
	Korea	Hanuri Co., Ltd.	100.0%	100.0%
	Korea	LGE Alliance Fund II	98.7%	98.7%
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	70.0%
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	100.0%
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	100.0%
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	70.0%
	China	LG Electronics (Kunshan) Co.,Ltd.(LGEKS)	100.0%	100.0%
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	100.0%
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	100.0%
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	100.0%
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	80.0%
	China	LG Electronics Nanjing New Technology co.,LTD(LGENT)	70.0%	70.0%
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	100.0%
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	78.9%
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	80.0%
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	70.0%

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Territory	Location	Subsidiaries	Percentage of valid ownership	
			Mar. 31, 2016	Dec. 31, 2015
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	70.0%
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	70.0%
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	100.0%
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	66.7%
	China	LG Innotek Yantai Co.,Ltd.(LGITYT)	40.8%	40.8%
	China	LG INNOTEK HUIZHOU CO.,LTD(LGITHZ)	40.8%	40.8%
	China	LG Innotek Trading (Shanghai) Co., Ltd(LGITSH)	40.8%	40.8%
	China	HiEntech (Tianjin) Co., LTD.	80.0%	80.0%
	China	LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB)	100.0%	-
	China	LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	100.0%	-
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	100.0%
	India	LG Electronics India Pvt. Ltd.(LGEIL)	100.0%	100.0%
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	100.0%
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	100.0%
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	100.0%
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	100.0%
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	100.0%
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	100.0%
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	100.0%
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	100.0%
	India	LG Soft India Private Limited.(LGSII)	100.0%	100.0%
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	100.0%
	Philippines	LG Electronics Pasig Inc.	38.0%	38.0%
	Indonesia	PT. LG INNOTEK INDONESIA(LGITIN)	40.8%	40.8%
	Taiwan	LG INNOTEK (TAIWAN) CO.,LTD.(LGITTW)	40.8%	40.8%
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	100.0%
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	100.0%
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	99.8%
Europe	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	100.0%
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	100.0%
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	100.0%
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	100.0%
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	100.0%
	Netherlands	LG Electronics European Holdings B.V.(LGE EH)	100.0%	100.0%
	Netherlands	LG Electronics European Shared Service Center B.V.(LGE SC)	100.0%	100.0%
	Finland	LG Electronics Finland Lab, Oy(LGE FL)	100.0%	100.0%
	France	LG Electronics France S.A.S.(LGE FS)	100.0%	100.0%
	Greece	LG Electronics Hellas S.A.(LGE HS)	100.0%	100.0%
	Italy	LG Electronics Italia S.p.A(LGE IS)	100.0%	100.0%
	Latvia	LG Electronics Latvia, LLC(LGE LA)	100.0%	100.0%

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Territory	Location	Subsidiaries	Percentage of valid ownership	
			Mar. 31, 2016	Dec. 31, 2015
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	100.0%
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	100.0%
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	100.0%
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	100.0%
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	100.0%
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	100.0%
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	100.0%
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100.0%	100.0%
	Poland	LG Innotek Poland Sp. z. o..o.(LGITPO)	40.8%	40.8%
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	100.0%
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	100.0%
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	100.0%
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	100.0%
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	100.0%
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	100.0%
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	100.0%
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	100.0%
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERES)	100.0%	100.0%
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	100.0%
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	100.0%
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	100.0%
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	100.0%
	USA	Zenith Electronics Corporation(Zenith)	100.0%	100.0%
	USA	LG Innotek USA, Inc.(LGITUS)	40.8%	40.8%
Mexico	LG INNOTEK MEXICO SA DE CV(LGITMX)	40.8%	40.8%	
South America	Brazil	LG Armagem Geral Ltda.	100.0%	100.0%
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	100.0%
	Colombia	LG Electronics Colombia Ltda.(LGEGB)	100.0%	100.0%
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	100.0%
	Honduras	LG Electronics Honduras S.de R.L.	20.0%	20.0%
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	100.0%
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	100.0%
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	100.0%
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	100.0%
	Brazil	SOCIO VIP Ltda.	100.0%	100.0%
	Panama	C&S America Solutions	100.0%	100.0%
	Panama	LG Consulting corp.	100.0%	100.0%
	Guatemala	LG Electronics Guatemala S.A.	100.0%	100.0%
Middle East and Africa	Nigeria	EASYTEC GLOBAL SERVICES INNOVATION LIMITED	100.0%	100.0%
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	100.0%
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	100.0%
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	100.0%

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Territory	Location	Subsidiaries	Percentage of valid ownership	
			Mar. 31, 2016	Dec. 31, 2015
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	70.0%
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	100.0%
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	100.0%
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	100.0%
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	100.0%
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	100.0%
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	100.0%
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	100.0%
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	100.0%
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	100.0%
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	100.0%
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	51.0%
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	100.0%
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	100.0%
	UAE	Hi.M Solutek HVAC Service and Maintenance LLC	100.0%	-
Other	Russia	LG Alina Electronics(LGERI)	95.0%	95.0%
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	100.0%
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	100.0%
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	100.0%

(b) The related parties of the Company, other than subsidiaries, are as follows:

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

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

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

i) Major income and expense transactions with related parties

Classification	Name	2016					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
(in millions of Korean won)							
Significantly influencing the Company	LG Corp.	233	-	233	-	33,915	33,915
Subsidiaries	LG Innotek Co., Ltd.	8,712	-	8,712	254,491	4,343	258,834
	Hiplaza Co., Ltd.	276,213	-	276,213	54	2,686	2,740
	LG Electronics Mobilecomm U.S.A., Inc.	711,784	-	711,784	325	639	964
	LG Electronics Egypt S.A.E	68,470	71	68,541	-	169	169
	LG Electronics U.S.A., Inc.	770,206	-	770,206	1,254	16,900	18,154
	LG Electronics do Brasil Ltda.	124,383	-	124,383	2,298	386	2,684
	LG Electronics Vietnam Haiphong Co., Ltd.	187,828	695	188,523	5,788	550	6,338
	Inspur LG Digital Mobile Communications Co., Ltd.	395,561	-	395,561	5,621	7,937	13,558
	LG Electronics Gulf FZE	200,652	-	200,652	-	183	183
	LG Electronics United Kingdom Ltd.	27,162	-	27,162	433	981	1,414
	LG Electronics RUS, LLC	77,744	6	77,750	1,069	213	1,282

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		2016					
<i>(in millions of Korean won)</i>		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	LG Electronics (Kunshan) Co.,Ltd.	136,830	-	136,830	5,258	-	5,258
	LG Electronics Peru S.A.	27,165	-	27,165	-	78	78
	LG Electronics Mexico S.A. DE C.V.	108,349	-	108,349	-	174	174
	LG Electronics Espana S.A.	40,440	-	40,440	48	300	348
	LG Electronics (Levant) Jordan	120,899	-	120,899	248	2,338	2,586
	LG Electronics Deutschland GmbH	54,186	-	54,186	407	4,403	4,810
	LG Electronics Canada, Inc.	84,494	-	84,494	-	255	255
	LG Electronics Japan, Inc.	54,014	-	54,014	1,685	5,200	6,885
	LG Electronics Nanjing New Technology co.,LTD	108,430	1	108,431	205,238	94	205,332
	LG Electronics Reynosa S.A. DE C.V.	68,142	-	68,142	294	-	294
	LG Electronics Wroclaw Sp.z o.o	46,401	6	46,407	930	1,234	2,164
	Qingdao LG Inspur Digital Communication Co., Ltd.	108,719	-	108,719	39,377	904	40,281
	LG Electronics Mlawa Sp. z o.o	52,478	-	52,478	410	327	737
	P.T. LG Electronics Indonesia	40,000	-	40,000	40,252	18	40,270
	Others	1,087,099	859	1,087,958	71,032	87,967	158,999
	Subtotal	4,986,361	1,638	4,987,999	636,512	138,279	774,791
Associates	LG Display Co., Ltd. and its subsidiaries	172,168	-	172,168	458,206	10,055	468,261
	Ericsson-LG Co., Ltd. and its subsidiaries	2,051	-	2,051	1,239	-	1,239
	Hitachi-LG Data Storage Inc. and its subsidiaries	347	-	347	10	-	10
	LG Fuel Cell Systems Inc. and its subsidiaries	38	-	38	-	-	-
	Subtotal	174,604	-	174,604	459,455	10,055	469,510
Other related parties	LG CNS Co., Ltd. and its subsidiaries	11,448	-	11,448	32,494	51,561	84,055
	SERVEONE Co., Ltd. and its subsidiaries	1,804	-	1,804	205,554	22,439	227,993
	LG Siltron Incorporated and its subsidiaries	-	-	-	6	-	6
	LUSEM CO., LTD.	1	-	1	654	20	674
	LG Management Development Institute	17	-	17	-	5,383	5,383
	LG SPORTS Ltd.	-	-	-	-	905	905
	Subtotal	13,270	-	13,270	238,708	80,308	319,016
	Total	5,174,468	1,638	5,176,106	1,334,675	262,557	1,597,232

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		2015					
<i>(in millions of Korean won)</i>		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	464	-	464	-	34,063	34,063
Subsidiaries	LG Innotek Co., Ltd.	3,849	-	3,849	242,634	3,728	246,362
	Hiplaza Co., Ltd.	249,572	-	249,572	4	3,056	3,060
	LG Electronics Mobilecomm U.S.A., Inc.	662,425	-	662,425	-	675	675
	LG Electronics Egypt S.A.E	66,752	-	66,752	-	33	33
	LG Electronics U.S.A., Inc.	508,531	-	508,531	1,072	13,858	14,930
	LG Electronics do Brasil Ltda.	376,508	-	376,508	2,613	333	2,946
	LG Electronics Vietnam Haiphong Co., Ltd.	27,624	63	27,687	3,186	151	3,337
	Inspur LG Digital Mobile Communications Co., Ltd.	422,774	-	422,774	5,700	4,863	10,563
	LG Electronics Gulf FZE	162,062	-	162,062	-	2	2
	LG Electronics United Kingdom Ltd.	33,693	-	33,693	351	18	369
	LG Electronics RUS, LLC	83,591	-	83,591	32	1	33
	LG Electronics (Kunshan) Co.,Ltd.	116,862	-	116,862	1,008	-	1,008
	LG Electronics Peru S.A.	40,910	-	40,910	-	21	21
	LG Electronics Mexico S.A. DE C.V.	109,278	-	109,278	-	154	154
	LG Electronics Espana S.A.	17,978	-	17,978	-	65	65
	LG Electronics (Levant) Jordan	115,210	-	115,210	208	457	665
	LG Electronics Deutschland GmbH	46,191	-	46,191	1,019	2,755	3,774
	LG Electronics Canada, Inc.	71,762	-	71,762	-	58	58
	LG Electronics Japan, Inc.	114,649	-	114,649	1,602	4,561	6,163
	LG Electronics Nanjing New Technology co.,LTD	82,882	374	83,256	153,602	58	153,660
	LG Electronics Reynosa S.A. DE C.V.	55,689	-	55,689	540	97	637
	LG Electronics Wroclaw Sp.z o.o	38,882	-	38,882	134	397	531
	Qingdao LG Inspur Digital Communication Co., Ltd.	182,949	-	182,949	21,113	1,389	22,502
	LG Electronics Mlawa Sp. z o.o	66,784	-	66,784	1,920	51	1,971
	P.T. LG Electronics Indonesia	45,303	-	45,303	42,100	113	42,213
	Others	1,018,161	181	1,018,342	61,624	120,032	181,656
	Subtotal	4,720,871	618	4,721,489	540,462	156,926	697,388
Associates	LG Display Co., Ltd. and its subsidiaries	100,321	-	100,321	538,745	3,306	542,051
	Ericsson-LG Co., Ltd. and its subsidiaries	1,907	-	1,907	1,448	-	1,448
	Hitachi-LG Data Storage Inc. and its subsidiaries	476	-	476	6	-	6

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		2015					
<i>(in millions of Korean won)</i>		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	Subtotal	102,704	-	102,704	540,199	3,306	543,505
Other related parties	LG CNS Co., Ltd. and its subsidiaries	27,678	-	27,678	20,092	48,195	68,287
	SERVEONE Co., Ltd. and its subsidiaries	3,308	-	3,308	155,624	45,125	200,749
	LG Siltron Incorporated and its subsidiaries	-	-	-	3	-	3
	LUSEM CO., LTD.	21	-	21	3,730	78	3,808
	LG Management Development Institute	164	-	164	75	5,356	5,431
	LG SPORTS Ltd.	-	-	-	-	168	168
	LG Holdings Japan Co., Ltd	-	-	-	-	66	66
	Subtotal	31,171	-	31,171	179,524	98,988	278,512
	Total	4,855,210	618	4,855,828	1,260,185	293,283	1,553,468

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

		March 31, 2016							
<i>(in millions of Korean won)</i>		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Company	LG Corp.	-	-	32,181	32,181	-	-	22,038	22,038
Subsidiaries	LG Innotek Co., Ltd.	20,837	-	6,396	27,233	269,078	-	1,528	270,606
	Hiplaza Co., Ltd.	110,877	-	18,359	129,236	-	-	10,092	10,092
	LG Electronics Mobilecomm U.S.A., Inc.	289,733	-	-	289,733	179	-	4,556	4,735
	LG Electronics Egypt S.A.E	308,665	-	59,805	368,470	20,321	-	110	20,431
	LG Electronics U.S.A., Inc.	303,752	-	-	303,752	-	-	6,379	6,379
	LG Electronics do Brasil Ltda.	159,258	-	13,836	173,094	1,057	-	2,021	3,078
	LG Electronics Vietnam Haiphong Co., Ltd.	229,315	-	2,022	231,337	44,849	-	240	45,089
	Inspur LG Digital Mobile Communications Co., Ltd.	146,542	-	74	146,616	373,942	-	1,088	375,030
	LG Electronics Gulf FZE	191,365	-	-	191,365	-	-	90	90
	LG Electronics United Kingdom Ltd.	62,379	-	-	62,379	-	-	500	500
	LG Electronics RUS, LLC	87,165	-	11,621	98,786	1,887	-	131	2,018
	LG Electronics (Kunshan) Co.,Ltd.	108,190	-	412	108,602	53,226	-	123	53,349
	LG Electronics Peru S.A.	78,827	-	-	78,827	-	-	29	29

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		March 31, 2016							
<i>(in millions of Korean won)</i>		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Mexico S.A. DE C.V.	195,612	-	-	195,612	-	-	100	100
	LG Electronics Espana S.A.	44,113	-	-	44,113	34	-	82	116
	LG Electronics (Levant) Jordan	111,647	-	-	111,647	-	-	1,277	1,277
	LG Electronics Deutschland GmbH	99,470	-	3,849	103,319	-	-	22,371	22,371
	LG Electronics Canada, Inc.	80,786	-	-	80,786	-	-	72	72
	LG Electronics Japan, Inc.	35,558	-	-	35,558	-	-	2,628	2,628
	LG Electronics Nanjing New Technology co.,LTD	43,667	-	514	44,181	94,476	-	84	94,560
	LG Electronics Reynosa S.A. DE C.V.	16,170	-	2,489	18,659	77,901	-	-	77,901
	LG Electronics Wroclaw Sp.z o.o	43,953	-	6	43,959	206,556	-	383	206,939
	Qingdao LG Inspur Digital Communication Co., Ltd.	22,951	-	-	22,951	126,878	-	96	126,974
	LG Electronics Mlawa Sp. z o.o	27,218	-	-	27,218	342,089	-	38	342,127
	P.T. LG Electronics Indonesia	9,240	-	682	9,922	118,568	-	32	118,600
	Others	1,260,465	-	53,139	1,313,604	550,635	-	49,597	600,232
	Subtotal	4,087,755	-	173,204	4,260,959	2,281,676	-	103,647	2,385,323
Associates	LG Display Co., Ltd. and its subsidiaries	109,449	-	76,590	186,039	492,952	-	50,643	543,595
	Ericsson-LG Co., Ltd. and its subsidiaries	5	-	585	590	871	-	-	871
	Hitachi-LG Data Storage Inc. and its subsidiaries	-	-	4	4	10	-	3	13
	Korea Information Certificate Authority Inc.	-	-	70	70	-	-	-	-
	Subtotal	109,454	-	77,249	186,703	493,833	-	50,646	544,479
Other related parties	LG CNS Co., Ltd. and its subsidiaries	13,148	-	2,159	15,307	28,265	-	47,777	76,042
	SERVEONE Co., Ltd. and its subsidiaries	788	-	54,387	55,175	178,647	-	59,742	238,389
	LG Siltron Incorporated and its subsidiaries	-	-	-	-	-	-	3	3
	LUSEM CO., LTD.	-	-	-	-	571	-	38	609
	LG Management Development Institute	-	-	15,660	15,660	-	-	838	838
	LG SPORTS Ltd.	-	-	-	-	-	-	255	255
	LG MMA Ltd.	30	-	-	30	-	-	-	-
	Subtotal	13,966	-	72,206	86,172	207,483	-	108,653	316,136
	Total	4,211,175	-	354,840	4,566,015	2,982,992	-	284,984	3,267,976

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		December 31, 2015							
<i>(in millions of Korean won)</i>		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Company	LG Corp.	-	-	29,683	29,683	-	-	580	580
Subsidiaries	LG Innotek Co., Ltd.	21,454	-	6,877	28,331	272,073	-	2,451	274,524
	Hiplaza Co., Ltd.	80,935	-	18,930	99,865	-	-	9,869	9,869
	LG Electronics Mobilecomm U.S.A., Inc.	440,497	-	-	440,497	126	-	20,514	20,640
	LG Electronics Egypt S.A.E	309,455	-	53,414	362,869	16,325	-	32	16,357
	LG Electronics U.S.A., Inc.	350,051	-	4	350,055	-	-	23,195	23,195
	LG Electronics do Brasil Ltda.	213,816	-	14,416	228,232	3,497	-	444	3,941
	LG Electronics Vietnam Haiphong Co., Ltd.	203,674	-	5,394	209,068	9,933	-	48	9,981
	Inspur LG Digital Mobile Communications Co., Ltd.	203,599	-	29	203,628	418,213	-	1,089	419,302
	LG Electronics Gulf FZE	184,739	-	-	184,739	-	-	83	83
	LG Electronics United Kingdom Ltd.	184,502	-	-	184,502	-	-	433	433
	LG Electronics RUS, LLC	125,164	-	12,001	137,165	1,676	-	56	1,732
	LG Electronics (Kunshan) Co.,Ltd.	110,414	-	-	110,414	54,169	-	75	54,244
	LG Electronics Peru S.A.	110,342	-	50	110,392	-	-	58	58
	LG Electronics Mexico S.A. DE C.V.	105,052	-	-	105,052	-	-	72	72
	LG Electronics Espana S.A.	104,358	-	-	104,358	61	-	65	126
	LG Electronics (Levant) Jordan	87,519	-	-	87,519	-	-	570	570
	LG Electronics Deutschland GmbH	75,433	-	2,356	77,789	-	-	22,801	22,801
	LG Electronics Canada, Inc.	75,741	-	-	75,741	-	-	90	90
	LG Electronics Japan, Inc.	67,988	-	-	67,988	-	-	3,410	3,410
	LG Electronics Nanjing New Technology co.,LTD	59,549	-	509	60,058	97,239	-	190	97,429
	LG Electronics Reynosa S.A. DE C.V.	12,748	-	44,979	57,727	46,624	-	-	46,624
	LG Electronics Wroclaw Sp.z o.o	55,044	-	272	55,316	290,678	-	146	290,824
	Qingdao LG Inspur Digital Communication Co., Ltd.	50,495	-	-	50,495	163,850	-	63	163,913
	LG Electronics Mlawa Sp. z o.o	24,525	-	-	24,525	397,917	-	84	398,001
	P.T. LG Electronics Indonesia	19,253	-	778	20,031	131,843	-	96	131,939
	Others	1,257,377	-	75,045	1,332,422	445,365	-	39,900	485,265
	Subtotal	4,533,724	-	235,054	4,768,778	2,349,589	-	125,834	2,475,423
Associates	LG Display Co., Ltd. and its subsidiaries	99,698	-	39,988	139,686	407,370	-	35,342	442,712

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

iii) Significant capital transactions with related parties

<i>(in millions of Korean won)</i>		2016					
Name	Dividend income	Dividend paid	Cash investment (reduction) and others	Financing loan transaction		Financing borrowing transaction	
				Loan	Collection	Borrowing	Repayment
Significantly influencing the Company							
LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries							
LG Electronics Ukraine Inc. ¹	-	-	44,787	-	-	-	-
LG Innotek Co., Ltd.	3,379	-	-	-	-	-	-
Subtotal	3,379	-	44,787	-	-	-	-
Associates							
LG Display Co., Ltd.	67,813	-	-	-	-	-	-
Ericsson-LG Co., Ltd.	3,750	-	-	-	-	-	-
Korea Information Certificate Authority Inc.	70	-	-	-	-	-	-
Subtotal	71,633	-	-	-	-	-	-
Total	75,012	22,038	44,787	-	-	-	-

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

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		2015						
		Dividend income	Dividend paid	Cash investment (reduction) and others	Financing loan transaction		Financing borrowing transaction	
Name					Loan	Collection	Borrowing	Repayment
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Electronics Tianjin Appliances Co., Ltd.	12,048	-	-	-	-	-	-
	LG Innotek Co., Ltd.	2,413	-	-	-	-	-	-
	Subtotal	14,461	-	-	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Ericsson-LG Co., Ltd.	3,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	Subtotal	71,123	-	-	-	-	-	-
Total	85,584	22,038	-	-	-	-	-	

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

(in millions of Korean won)	2016	2015
Wages and salaries	6,309	5,781
Post-employment benefits	1,363	1,471
Other long-term benefits	39	21
Total	7,711	7,273

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

- (e) The payment guarantees for the funding sources of related parties at the end of the reporting period are presented in Note 26.
- (f) There is no collateral provided by the Company for the funding sources of related parties at the end of the reporting period.
- (g) The Company has not recognized any bad debt expense or allowance for trade receivables due from related parties for the three-month period ended March 31, 2016.

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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.

As of March 31, 2016 and December 31, 2015, if the foreign exchange rate of the Korean won for monetary assets and liabilities denominated in major foreign currency other than functional currency fluctuated by 10% while other variables were fixed, the effects on income(loss) before tax would be as follows:

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<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	27,288	(27,288)	37,374	(37,374)
EUR/KRW	48,711	(48,711)	47,219	(47,219)

ii) Interest rate risk

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

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

As of March 31, 2016 and December 31, 2015, if interest rates fluctuate by 1% without other variables changing, the effects on income and expenses related to financial deposits and borrowings with variable interest rates for the three-month periods are as follows:

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	3,202	(3,202)	1,736	(1,736)
Interest expense	-	-	-	-

There are no borrowings with variable interest rates and related interest expenses exposed to interest rate risk as of March 31, 2016 and December 31, 2015.

iii) Details of derivatives contracts are as follows:

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

March 31, 2016	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate <i>(received)</i>	Interest rate <i>(paid)</i>	Contract date	Expiration date
USD/KRW CRS	Shinhan Bank	USD 200	USD/KRW 1,113.6	3ML+160bp	3.22%	2013.07.31	2019.01.31
	BNP PARIBAS and others	USD 200	USD/KRW 1,052.1	3ML+130bp	3.42%	2013.12.19	2017.06.19
CHF/KRW CRS	BNP PARIBAS and others	CHF 215	CHF/KRW 1,213.6	2.00%	3.64 ~ 3.74%	2012.07.02	2016.12.02

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

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

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩31,295 million for the three-month period ended March 31, 2016 (2015: loss on valuation amounting to ₩6,103 million) after applying the tax effect, is recognized in other comprehensive loss. The Company reclassified ₩8,293 million to loss from equity for the three-month period ended March 31, 2016 (2015: ₩3,659 million to income from equity). Therefore, other comprehensive loss from cash flow hedges amounts to the loss on valuation amounting to ₩23,002 million for the three-month period ended March 31, 2016 (2015: other comprehensive loss of ₩9,762 million) after applying the tax effect.

iv) Price risk

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

The listed securities owned by the Company are traded in the public market, and related to KOSDAQ Index at the end of reporting period.

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

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

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

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(b) Credit risk

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

In regard to trade 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 trade 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 trade receivables without insurance coverage or collateral.

As of March 31, 2016, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,302,625 million (December 31, 2015: ₩1,174,844 million) and its risk is managed appropriately within insurer's credit limit of ₩2,138,931 million (December 31, 2015: ₩2,381,611 million). Therefore, the Company estimates credit risk exposure to itself as limited.

As of March 31, 2016, 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 Woori Bank, Kookmin Bank, and Shinhan Bank to cope with potential financial distress.

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

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

<i>(in millions of Korean won)</i>	March 31, 2016				
	Total	Less than 1 year	Between 1 year and 2 years	Between 2 year and 5 years	Over 5 years
Trade payables	5,377,001	5,377,001	-	-	-
Borrowings	8,184,270	1,695,154	818,162	2,494,314	3,176,640
Other payables	1,811,801	1,811,801	-	-	-
Total	15,373,072	8,883,956	818,162	2,494,314	3,176,640

The above cash flows are calculated at nominal value based on the earliest maturity dates,

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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 third party companies as of March 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	Total	Less than 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	4,890,604	4,464,459	207,388	218,757	-

Financial guarantee contracts provided to subsidiaries were analyzed into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Financial guarantee contracts provided to a third party are the maximum amount of guarantees allocated to earliest period in which the Company can be required to pay.

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 optimize the capital structure.

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

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2016	December 31, 2015
Liability (A)	17,811,405	16,905,366
Equity (B)	8,834,113	8,961,009
Cash and cash equivalents (C)	1,280,730	678,221
Borrowings (D)	7,002,730	6,618,903
Liability-to-equity ratio (A/B)	201.6%	188.7%
Net borrowings ratio ((D-C)/B)	64.8%	66.3%

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Fair Value Estimation

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

<i>(in millions of Korean won)</i>	March 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Assets at fair value]				
Derivatives for hedging purposes				
Other financial assets	-	-	20,535	20,535
Available-for-sale financial assets				
Other financial assets	-	-	15,290	15,290
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	1,280,730	1	-	-
Financial deposits	80,500	1	2,366	2,366
Trade receivables	5,299,146	1	-	-
Other receivables	454,925	1	334,665	323,410
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	-	-	21,756	2
Total	7,115,301		394,612	

<i>(in millions of Korean won)</i>	March 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Liabilities at fair value]				
Derivatives for hedging purposes				
Other financial liabilities	5,082	5,082	99,001	99,001
[Liabilities at amortized cost]				
Trade payables	5,377,001	1	-	-
Borrowings	1,463,829	1	5,538,901	5,851,617
Other payables	1,811,801	1	-	-
[Other liabilities]				
Other financial liabilities	7,817	3	2,048	3
Total	8,665,530		5,639,950	

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

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

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

² Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

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

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair value of assets or liabilities are either measured through internally developed evaluation model or provided by independent external evaluation agencies. The Company utilizes discounted cash flow method and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.

If one or more of the significant inputs are not based on observable market data, the

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instrument is included in 'level 3'. Financial instrument included 'level 3' uses discounted cash flow method.

ii) Financial instruments measured at fair value

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

<i>(in millions of Korean won)</i>	March 31, 2016			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	15,290	-	-	15,290
Derivatives for hedging purposes	-	20,535	-	20,535
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	104,083	-	104,083

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

The above fair value amounts are recurring fair value measurements.

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

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2016	December 31, 2015		
Assets				
Other financial assets				
Derivatives for hedging purposes	20,535	30,288	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	104,083	76,079	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within level 3

As of March 31, 2016, no financial instruments measured at fair value are categorized within level 3.

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

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

<i>(in millions of Korean won)</i>	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposit	-	-	2,366	2,366
Non-current other receivables	-	-	323,410	323,410
Liabilities				
Non-current borrowings	-	-	5,851,617	5,851,617

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

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

As of March 31, 2016, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within level 2.

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

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

<i>(in millions of Korean won)</i>	March 31, 2016		December 31, 2015		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current financial deposits	2,366	2,366	1,271	1,271	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	334,665	323,410	339,859	330,143	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.1% ~ 3.8%
Liabilities								
Non-current borrowings	5,538,901	5,851,617	5,577,300	5,719,193	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7% ~ 3.3%

30. Business Combination

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

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

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

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

31. Assets Held for sale

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

<i>(in millions of Korean won)</i>	March 31, 2016	December 31, 2015
Assets classified as held for sale		
Investment in associates and joint ventures ¹	2,116	2,116
Investment property ²	13,917	-
Total	16,033	2,116

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

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

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

32. Discontinued Operations

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

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

<i>(in millions of Korean won)</i>	2015
Net sales	3,204
Operating loss	(2,361)
Loss for the period before tax	(2,739)
Income tax benefit	(663)
Loss for the period, net of tax	(2,076)

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

<i>(in millions of Korean won)</i>	2015
Net cash flows from operating activities	9,466
Net cash flows from investing activities	-
Net cash flow from discontinued operations	9,466