

LG Electronics
Interim Consolidated Financial Statements
June 30, 2016 and 2015

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



Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of LG Electronics Inc. and its subsidiaries (collectively the "Group"). These interim financial statements consist of the interim consolidated statement of financial position of the Group as of June 30, 2016, and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, and interim consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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



Conclusion

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

Other matters

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

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

A handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

Seoul, Korea
August 16, 2016

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

LG Electronics

Interim Consolidated Statements of Financial Position

June 30, 2016 and December 31, 2015

<i>(in millions of Korean won)</i>	Note	June 30, 2016 (Unaudited)	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	5,30	2,908,035	2,710,156
Financial deposits	5,30	80,500	87,454
Trade receivables	5,6,30	7,351,754	7,093,352
Loans and other receivables	5,6,30	534,653	654,141
Other financial assets	5,7,30	21,966	20,674
Inventories	8	5,209,514	4,872,676
Current income tax assets		140,601	161,314
Other current assets		1,021,154	794,227
Assets classified as held for sale	32	3,619	3,619
		<u>17,271,796</u>	<u>16,397,613</u>
Non-current assets			
Financial deposits	5,30	71,822	69,970
Loans and other receivables	5,6,30	510,309	506,788
Other financial assets	5,7,30	60,764	84,810
Property, plant and equipment	9	10,514,923	10,460,298
Intangible assets	9	1,509,091	1,473,280
Deferred income tax assets		1,759,424	1,637,796
Investments in associates and joint ventures	10	4,721,125	4,841,861
Investment property		106,593	121,271
Other non-current assets		719,197	720,209
		<u>19,973,248</u>	<u>19,916,283</u>
Total assets		<u>37,245,044</u>	<u>36,313,896</u>
Liabilities			
Current liabilities			
Trade payables	5,30	6,315,297	6,086,975
Borrowings	5,11,30	2,477,555	2,326,128
Other payables	5,30	2,668,251	2,847,145
Other financial liabilities	5,7,30	58,517	13,823
Current income tax liabilities		149,920	76,575
Provisions	13	576,734	575,944
Other current liabilities		3,103,811	2,853,101
		<u>15,350,085</u>	<u>14,779,691</u>
Non-current liabilities			
Borrowings	5,11,30	6,324,059	6,501,122
Other payables	5,30	3,563	6,590
Other financial liabilities	5,7,30	122,962	69,926
Deferred income tax liabilities		4,457	5,800
Net defined benefit liability	12	1,142,215	787,610
Provisions	13	1,061,019	1,074,346
Other non-current liabilities		108,380	105,324
		<u>8,766,655</u>	<u>8,550,718</u>
Total liabilities		<u>24,116,740</u>	<u>23,330,409</u>
Equity attributable to owners of the Parent Company			
Paid-in capital:	14		
Capital stock		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	15	9,269,609	9,016,546
Accumulated other comprehensive loss	16	(1,241,726)	(1,171,979)
Other components of equity	17	(210,343)	(210,343)
		<u>11,809,888</u>	<u>11,626,572</u>
Non-controlling interests		<u>1,318,416</u>	<u>1,356,915</u>
Total equity		<u>13,128,304</u>	<u>12,983,487</u>
Total liabilities and equity		<u>37,245,044</u>	<u>36,313,896</u>

LG Electronics
Interim Consolidated Statements of Income
Three-Month and Six-Month Periods Ended June 30, 2016 and 2015

<i>(in millions of Korean won, except per share amounts)</i>	Note	2016 (Unaudited)		2015 (Unaudited)	
		Three months	Six months	Three months	Six months
Continuing operations					
Net sales	18	14,002,942	27,365,032	13,925,658	27,920,107
Cost of sales	19	10,236,469	20,274,877	10,732,612	21,638,803
Gross profit		3,766,473	7,090,155	3,193,046	6,281,304
Selling and marketing expenses	19,20	1,783,296	3,297,391	1,688,673	3,229,692
Administrative expenses	19,20	345,304	673,107	358,330	712,840
Research and development expenses	19,20	620,001	1,270,037	595,999	1,212,070
Service costs	19,20	433,267	759,852	305,977	577,390
Operating income		584,605	1,089,768	244,067	549,312
Financial income	21	104,904	228,993	51,505	241,422
Financial expenses	22	186,392	431,357	149,554	442,370
Gain (loss) from equity method valuation	10	(26,182)	(48,552)	123,388	291,728
Other non-operating income	23	325,087	975,655	366,002	801,143
Other non-operating expenses	24	326,717	1,057,632	323,531	1,079,650
Profit before income tax		475,305	756,875	311,877	361,585
Income tax expense		206,794	290,296	83,256	94,497
Profit for the period from continuing operations		268,511	466,579	228,621	267,088
Discontinued operations					
Loss for the period from discontinued operations	33	-	-	(2,233)	(2,265)
Profit for the period		268,511	466,579	226,388	264,823
Profit(loss) for the period attributable to:					
Equity holders of the Parent Company					
Continuing operations		270,978	461,625	189,327	191,608
Discontinued operations		-	-	(2,233)	(2,271)
		270,978	461,625	187,094	189,337
Non-controlling interests					
Continuing operations		(2,467)	4,954	39,294	75,480
Discontinued operations		-	-	-	6
		(2,467)	4,954	39,294	75,486
Earnings per share attributable to the equity holders of the Parent Company during the period (in Korean won):					
25					
Earnings(loss) per share for profit attributable to the common equity holders of the Parent Company					
From continuing operations		1,503	2,561	1,038	1,049
From discontinued operations		-	-	(13)	(13)
Earnings(loss) per share for profit attributable to the preferred equity holders of the Parent Company					
From continuing operations		1,516	2,586	1,050	1,074
From discontinued operations		-	-	(13)	(13)

LG Electronics
Interim Consolidated Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2016 and 2015

(in millions of Korean won)

	Note	2016 (Unaudited)		2015 (Unaudited)	
		Three months	Six months	Three months	Six months
Profit for the period		268,511	466,579	226,388	264,823
Other comprehensive income(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the net defined benefit liability	12	(73,845)	(146,099)	56,503	(36,159)
Share of remeasurements for the net defined benefit liability of associates	10	(379)	(1,037)	(283)	(907)
Items that will be reclassified subsequently to profit or loss:					
Other comprehensive income(loss) (excluding remeasurements) from associates and joint ventures	10	(24,890)	(29,551)	32,308	32,382
Cash flow hedges	30	(20,888)	(48,801)	8,196	(4,110)
Available-for-sale financial assets	7	(1,498)	(1,520)	229	1,939
Currency translation differences		5,967	(1,524)	116,907	25,050
Other comprehensive income(loss) for the period, net of tax		<u>(115,533)</u>	<u>(228,532)</u>	<u>213,860</u>	<u>18,195</u>
Total comprehensive income for the period, net of tax		<u>152,978</u>	<u>238,047</u>	<u>440,248</u>	<u>283,018</u>
Comprehensive income for the period, net of tax, attributable to:					
Equity holders of the Parent Company		168,664	256,201	386,834	196,205
Non-controlling interests		<u>(15,686)</u>	<u>(18,154)</u>	<u>53,414</u>	<u>86,813</u>
Total comprehensive income for the period, net of tax		<u>152,978</u>	<u>238,047</u>	<u>440,248</u>	<u>283,018</u>

LG Electronics

Interim Consolidated Statements of Changes in Equity

Six-Month Periods Ended June 30, 2016 and 2015

		Attributable to equity holders of the Parent Company							
			Accumulated Other	Other					
		Paid-in Capital	Retained Earnings	Comprehensive Loss	Components of Equity	Total	Non-controlling Interests	Total Equity	
		Note							
<i>(in millions of Korean won)</i>									
Balance at January 1, 2015			3,992,348	9,081,044	(1,143,557)	(210,412)	11,719,423	1,271,674	12,991,097
Comprehensive income(loss):									
	Profit for the period		-	189,337	-	-	189,337	75,486	264,823
	Remeasurements of the net defined benefit liability	12	-	(33,495)	-	-	(33,495)	(2,664)	(36,159)
	Share of remeasurements for the net defined benefit liability of associates	10	-	(907)	-	-	(907)	-	(907)
	Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	32,382	-	32,382	-	32,382
	Cash flow hedges	30	-	-	(4,110)	-	(4,110)	-	(4,110)
	Available-for-sale financial assets	7	-	-	1,939	-	1,939	-	1,939
	Currency translation differences		-	-	11,059	-	11,059	13,991	25,050
Total comprehensive income			-	154,935	41,270	-	196,205	86,813	283,018
Transactions with equity holders:									
	Dividends	15	-	(72,885)	-	-	(72,885)	(17,078)	(89,963)
	Changes in controlling interests in subsidiaries		-	-	-	69	69	654	723
Total transactions with equity holders			-	(72,885)	-	69	(72,816)	(16,424)	(89,240)
Balance at June 30, 2015 (Unaudited)			3,992,348	9,163,094	(1,102,287)	(210,343)	11,842,812	1,342,063	13,184,875
Balance at January 1, 2016			3,992,348	9,016,546	(1,171,979)	(210,343)	11,626,572	1,356,915	12,983,487
Comprehensive income(loss):									
	Profit for the period		-	461,625	-	-	461,625	4,954	466,579
	Remeasurements of the net defined benefit liability	12	-	(134,640)	-	-	(134,640)	(11,459)	(146,099)
	Share of remeasurements for the net defined benefit liability of associates	10	-	(1,037)	-	-	(1,037)	-	(1,037)
	Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(29,551)	-	(29,551)	-	(29,551)
	Cash flow hedges	30	-	-	(48,801)	-	(48,801)	-	(48,801)
	Available-for-sale financial assets	7	-	-	(1,520)	-	(1,520)	-	(1,520)
	Currency translation differences		-	-	10,125	-	10,125	(11,649)	(1,524)
Total comprehensive income(loss)			-	325,948	(69,747)	-	256,201	(18,154)	238,047
Transactions with equity holders:									
	Dividends	15	-	(72,885)	-	-	(72,885)	(15,018)	(87,903)
	Issuance of common shares of subsidiaries		-	-	-	-	-	(5,327)	(5,327)
Total transactions with equity holders			-	(72,885)	-	-	(72,885)	(20,345)	(93,230)
Balance at June 30, 2016 (Unaudited)			3,992,348	9,269,609	(1,241,726)	(210,343)	11,809,888	1,318,416	13,128,304

LG Electronics
Interim Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2016 and 2015

<i>(in millions of Korean won)</i>	Note	Six-Month Period Ended June 30	
		2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	26	1,770,794	917,522
Interest received		39,925	36,772
Interest paid		(227,107)	(233,323)
Dividend received		71,919	71,897
Income tax paid		(231,773)	(194,595)
Net cash inflow from operating activities		1,423,758	598,273
Cash flows from investing activities			
Decrease in financial deposits		47,998	20,373
Decrease in loans and other receivables		68,965	91,483
Proceeds from disposal of other financial assets		27,125	33,391
Proceeds from disposal of property, plant and equipment		33,074	60,307
Proceeds from disposal of intangible assets		1,457	1,442
Proceeds from disposal of investments in associates and joint ventures		-	54,050
Proceeds from disposal of investment property		21,853	-
Transfer of business	26	3,606	-
Decrease in others		133	842
Increase in financial deposits		(43,477)	(14,070)
Increase in loans and other receivables		(86,262)	(71,204)
Acquisition of other financial assets		(41,343)	(25,704)
Acquisition of property, plant and equipment		(821,594)	(940,713)
Acquisition of intangible assets		(220,984)	(262,914)
Acquisition of investments in associates and joint ventures		(5,271)	-
Business combination	31	(8,400)	(7,691)
Net cash outflow from investing activities		(1,023,120)	(1,060,408)
Cash flows from financing activities			
Proceeds from borrowings		782,350	1,826,754
Issuance of common shares of subsidiaries		-	723
Repayments of borrowings		(853,655)	(933,583)
Dividends paid		(91,290)	(79,933)
Net cash inflow (outflow) from financing activities		(162,595)	813,961
Exchange losses on cash and cash equivalents		(40,164)	(19,773)
Net increase in cash and cash equivalents		197,879	332,053
Cash and cash equivalents at the beginning of period		2,710,156	2,244,406
Cash and cash equivalents at the end of period		2,908,035	2,576,459

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(Unaudited), and December 31, 2015

1. General Information

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

As of June 30, 2016, LG Corp. owns 33.7% of the Parent Company's total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (the "Group") operate the following business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, residential and commercial air conditioners; Mobile Communications segment manufactures and sells mobile communications equipment; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Vehicle Components segment designs and manufactures automobile parts; and LG Innotek Co., Ltd. manufactures and sells LED, optics solutions, substrate materials, and automotive components businesses. The Parent Company has 128 subsidiaries (Note 1) and 12 associates and joint ventures (Note 10).

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

(a) Consolidated subsidiaries as of June 30, 2016 and December 31, 2015, are as follows:

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and Retails of Electronic products	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and Sales of Air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing Services	More than half of voting rights
	Korea	LGE Alliance Fund	96.2%	3.8%	96.2%	3.8%	December	Investment	More than half of voting rights
	Korea	LG Innotek Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund ¹	40.4%	59.6%	40.4%	59.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Business facility maintenance	More than half of voting rights
	Korea	LGE Alliance Fund II	98.7%	1.3%	98.7%	1.3%	December	Investment	More than half of voting rights
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Kunshan) Co.,Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB)	100.0%	-	-	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing New Technology co.,LTD(LGENT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	100.0%	-	-	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	100.0%	-	December	Production of Casting	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Shanghai LG Electronics Co., Ltd.(LGESH)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	33.3%	66.7%	33.3%	December	Production of Heater	More than half of voting rights
	China	LG Innotek Yantai Co., Ltd.(LGITYT) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	China	LG INNOEK HUIZHOU CO.,LTD(LGITHZ) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd(LGITSH) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	80.0%	20.0%	80.0%	20.0%	December	Water engineering	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	India	LG Electronics India Pvt. Ltd.(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and Sales of Electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGEJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Vietnam	LG Electronics Vietnam Co., Ltd.(LGEVN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS) ⁴	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. ³	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	Indonesia	PT. LG INNOTEK INDONESIA(LGITIN) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electronic materials	De-facto control
	Taiwan	LG INNOTEK (TAIWAN) CO., LTD.(LGITTW) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	99.8%	0.2%	December	Services	More than half of voting rights
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	-	-	December	Services	More than half of voting rights
Europe	Austria	LG Electronics Austria GmbH(LGEAG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Czech Republic	LG Electronics CZ, s.r.o.(LGE CZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGE SC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia, LLC(LGELA)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z o.o(LGEMA)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. z o.o(LGEPL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Romania	LG Electronics Romania S.R.L.(LGERO)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp.z o.o(LGEWR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Finland	LG Electronics Finland Lab, Oy(LGEFL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Poland	LG Innotek Poland Sp z.o. o.(LGITPO) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAL)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERs)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	Mexico	LG INNOTEK MEXICO SA DE CV(LGITMX) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Automotive materials	De-facto control
South America	Brazil	LG Armagem Geral Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	80.0%	20.0%	80.0%	December	Sales of Electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	SOCIO VIP Ltda.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	C&S America Solutions	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
Middle East and Africa	Nigeria	EASYTEC GLOBAL SERVICES INNOVATION LIMITED	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and Services of Electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of Electronic products	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of Electronic products	De-facto control
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	Hi.M Solutek HVAC Service and Maintenance LLC	100.0%	-	-	-	December	Services	More than half of voting rights
Other	Russia	LG Alina Electronics(LGERI)	95.0%	5.0%	95.0%	5.0%	December	Services	More than half of voting rights

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Territory	Location	Subsidiaries	June 30, 2016		December 31, 2015		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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

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

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

⁴ In the preparation of consolidated financial statements, the financial statements for the six-month period ended June 30, 2016, were used for those subsidiaries with different fiscal year ends.

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(b) Financial information of major subsidiaries as of June 30, 2016 and December 31, 2015, and for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	June 30, 2016			2016			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Net Income (loss)	Sales	Net Income (loss)
LG Innotek Co., Ltd.	3,481,208	1,984,590	1,496,618	1,015,746	(13,883)	2,123,488	(36,511)
LG Electronics U.S.A., Inc.(LGEUS)	2,765,483	2,420,958	344,525	1,907,829	(497)	3,561,228	(33,105)
LG Electronics European Shared Service Center B.V.(LGESC)	1,240,737	1,209,221	31,516	73,299	675	140,622	3,840
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	979,348	841,738	137,610	1,400,262	1,385	2,991,877	12,447
Zenith Electronics Corporation(Zenith)	1,157,734	18,605	1,139,129	19,625	(2,549)	71,076	13,324
LG Electronics do Brasil Ltda.(LGEBR)	1,072,351	856,086	216,265	491,827	54,394	801,679	54,403
LG Electronics (China) Co. Ltd.(LGECH)	703,443	749,459	(46,016)	175,634	(9,900)	409,854	(15,311)
LG Electronics India Pvt. Ltd.(LGEIL)	793,602	385,833	407,769	755,303	78,671	1,361,069	140,100
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	756,193	606,392	149,801	843,022	16,790	1,557,383	28,153
LG Electronics Mlawa Sp. z o.o(LGEMA)	548,046	194,902	353,144	306,789	7,734	671,237	11,088
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	767,758	625,520	142,238	448,590	31,352	824,055	64,529
LG Electronics RUS, LLC(LGERA)	577,269	194,999	382,270	287,840	14,699	600,636	40,634
LG Electronics Wroclaw Sp.z o.o(LGEWR)	361,241	179,687	181,554	320,777	5,083	715,280	12,417
LG Electronics Reynosa S.A. DE C.V.(LGERs)	700,196	294,415	405,781	551,113	58,083	1,092,624	123,404
LG Electronics Egypt S.A.E(LGEEG)	484,890	507,836	(22,946)	102,243	5,841	243,358	(27,157)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	526,738	277,310	249,428	255,631	643	575,331	17,290
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	461,808	329,340	132,468	281,245	4,651	560,101	18,322
Hiplaza Co., Ltd.	510,448	365,427	145,021	429,501	4,426	793,219	3,025
P.T. LG Electronics Indonesia(LGEIN)	486,019	196,143	289,876	299,912	11,314	612,070	30,275
LG Electronics Thailand Co., Ltd.(LGETH)	432,829	202,896	229,933	268,140	(4,715)	580,951	12,448
LG Electronics Mexico S.A. DE C.V.(LGEMS)	643,749	576,943	66,806	399,425	(3,193)	742,829	432
LG Electronics Nanjing New Technology co.,LTD(LGENT)	349,323	181,395	167,928	292,982	8,829	668,700	23,186

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	December 31, 2015			2015			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Net Income (loss)	Sales	Net Income (loss)
LG Innotek Co., Ltd.	3,598,753	2,038,249	1,560,504	1,335,611	6,510	2,766,138	31,801
LG Electronics U.S.A., Inc.(LGEUS)	2,604,240	2,225,082	379,158	1,635,111	22,454	2,908,307	20,295
LG Electronics European Shared Service Center B.V.(LGESC)	1,463,216	1,435,769	27,447	60,294	3,533	115,717	5,124
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	1,422,461	1,296,625	125,836	1,565,643	(5,630)	3,214,999	(3,055)
Zenith Electronics Corporation(Zenith)	1,158,934	25,421	1,133,513	30,207	(189)	84,556	16,447
LG Electronics do Brasil Ltda.(LGEBR)	845,113	710,508	134,605	528,218	(32,579)	1,323,946	(36,689)
LG Electronics (China) Co. Ltd.(LGECH)	819,831	851,696	(31,865)	321,885	137	683,845	12,113
LG Electronics India Pvt. Ltd.(LGEIL)	721,565	289,990	431,575	661,651	46,280	1,229,462	82,198
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	711,388	586,285	125,103	787,251	10,892	1,509,611	26,163
LG Electronics Mlawa Sp. z o.o(LGEMA)	660,449	309,582	350,867	330,530	(962)	807,907	12,754
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	622,130	543,409	78,721	168,394	(2,553)	286,812	(5,366)
LG Electronics RUS, LLC(LGERA)	582,293	287,013	295,280	290,437	(1,030)	624,678	(17,436)
LG Electronics Wroclaw Sp.z o.o(LGEWR)	538,236	364,485	173,751	290,797	(7,509)	648,823	4,785
LG Electronics Reynosa S.A. DE C.V.(LGERES)	537,263	248,987	288,276	428,675	(1,896)	860,411	3,091
LG Electronics Egypt S.A.E(LGEEG)	500,455	497,945	2,510	147,710	5,448	276,984	(7,925)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	475,424	237,458	237,966	314,760	1,609	693,523	20,166
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	473,044	336,579	136,465	311,139	5,270	621,057	14,762
Hiplaza Co., Ltd.	471,017	324,739	146,278	351,001	(2,262)	649,193	(11,075)
P.T. LG Electronics Indonesia(LGEIN)	456,463	193,262	263,201	331,909	4,006	679,900	2,487
LG Electronics Thailand Co., Ltd.(LGETH)	411,732	198,365	213,367	266,853	4,204	567,452	13,823
LG Electronics Mexico S.A. DE C.V.(LGEMS)	370,466	300,400	70,066	470,082	490	846,295	15,179
LG Electronics Nanjing New Technology co.,LTD(LGENT)	373,211	215,085	158,126	249,453	9,313	570,289	13,926

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

- LG Innotek Co., Ltd. and its subsidiaries

i) Non-controlling interest rate and accumulated non-controlling interest

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Non-controlling interest rate	59.2%	59.2%
Accumulated non-controlling interest	996,446	1,048,029

ii) Profit(loss) attributed to non-controlling interest and dividend to non-controlling interest for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Profit(loss) attributed to non-controlling interest	(16,660)	(24,986)	19,095	35,058
Dividend to non-controlling interest	-	4,904	-	3,503

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

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Current assets	1,685,808	1,788,891
Non-current assets	2,081,283	2,125,447
Total assets	3,767,091	3,914,338
Current liabilities	1,215,773	1,295,457
Non-current liabilities	865,874	853,826
Total liabilities	2,081,647	2,149,283
Equity of the owners of Parent Company	1,685,442	1,765,053
Non-controlling interests	2	2
Total equity	1,685,444	1,765,055

iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Net sales	1,120,455	2,315,490	1,447,103	2,988,370
Profit(loss) for the period	(31,945)	(44,063)	31,389	59,512
Other comprehensive income(loss), net of tax	(15,466)	(27,265)	14,159	5,813
Total comprehensive income(loss), net of tax	(47,411)	(71,328)	45,548	65,325

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the six-month periods ended June 30, 2016 and 2015, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2016	2015
Cash flows from operating activities	185,224	418,570
Cash flows from investing activities	(187,077)	(196,010)
Cash flows from financing activities	(6,160)	(255,464)
Exchange gains(losses) on cash and cash equivalents	(1,404)	499
Net decrease in cash and cash equivalents	(9,417)	(32,405)
Cash and cash equivalents at the beginning of period	360,286	396,451
Cash and cash equivalents at the end of period	350,869	364,046

- (d) Significant restrictions on its subsidiaries

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

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

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

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

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

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

Changes in the Parent Company's interest in the subsidiaries without loss of control for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
HiEntech (Tianjin) Co., LTD.		
Decrease in the Parent Company's interest by issuance of common shares (A)	-	(654)
Consideration received from non-controlling interest (B)	-	723
Changes in the Parent Company's ownership interest (A+B)	-	69

(f) Subsidiaries newly included in the scope of preparation of interim consolidated financial statements for the six-month period ended June 30, 2016, are:

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

(g) Subsidiary excluded from the scope of preparation of consolidated financial statements for the six-month period ended June 30, 2016, is:

Subsidiary	Reason	Country
Innovation Investment Fund	Liquidation	Korea

(h) Gain or loss resulted from loss of control over a subsidiary

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

2. Significant Accounting Policies

Basis of Preparation

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

The interim consolidated financial statements for the six-month period ended June 30, 2016, have been prepared in accordance with Korean IFRS 1034, 'Interim Financial Reporting'. These interim consolidated financial statements have been prepared in accordance with the Korean IFRS standards and interpretations effective at June 30, 2016.

Changes in Accounting Policy and Disclosures

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

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

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

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

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

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

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

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

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

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

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

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

resulting from the adoption of the new standard.

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

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

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

Application of Accounting Policies

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

Income Tax Expense

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

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liability

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

Significant Judgement on Accounting Policies Adopted by the Group

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

4. Segment Information

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

Divisions	Products
Home Appliance & Air Solution (H&A)	Refrigerators, Washing machines, Residential and commercial air conditioners, Microwaves, Vacuum cleaners and others
Mobile Communications (MC)	Mobile communications
Home Entertainment (HE)	TVs, Monitors, PCs, Security devices, Audio, Video and others
Vehicle Components (VC)	Vehicle components and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	LED, Display & Network, Substrate & Material, Optics solution, Auto & Motor and others
Other segments	Display materials, Lighting solutions, Solar energy systems and others

(a) The segment information for sales and operating income(loss) for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	Three-month period ended June 30, 2016							Total
	H&A	MC	HE	VC	Innotek	Other segments ¹	Inter-segment transactions ²	
Sales	4,700,114	3,325,796	4,157,189	639,650	1,120,455	559,024	(499,286)	14,002,942
External sales	4,699,887	3,325,441	4,154,381	639,650	848,323	335,260	-	14,002,942
Internal sales	227	355	2,808	-	272,132	223,764	(499,286)	-
Operating income(loss) ³	433,666	(153,500)	356,679	(16,737)	(33,967)	(1,536)	-	584,605
Depreciation and amortization	114,422	67,342	85,266	30,065	85,192	45,576	-	427,863

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Six-month period ended June 30, 2016								
<i>(in millions of Korean won)</i>	H&A	MC	HE	VC	Innotek	Other segments ¹	Inter-segment transactions ²	Total
Sales	8,919,651	6,288,982	8,490,593	1,232,507	2,315,490	1,026,538	(908,729)	27,365,032
External sales	8,919,178	6,288,315	8,486,386	1,232,507	1,712,567	726,079	-	27,365,032
Internal sales	473	667	4,207	-	602,923	300,459	(908,729)	-
Operating income(loss) ³	841,459	(355,712)	691,926	(32,538)	(33,563)	(21,804)	-	1,089,768
Depreciation and amortization	232,180	138,560	174,957	60,380	177,782	93,030	-	876,889

Three-month period ended June 30, 2015								
<i>(in millions of Korean won)</i>	H&A	MC	HE	VC	Innotek	Other segments ¹	Inter-segment transactions ²	Total
Sales	4,485,328	3,544,838	3,934,745	450,835	1,447,103	578,357	(515,548)	13,925,658
External sales	4,484,661	3,544,774	3,934,105	450,831	1,118,108	393,179	-	13,925,658
Internal sales	667	64	640	4	328,995	185,178	(515,548)	-
Operating income(loss) ³	291,836	(19,241)	(82,725)	(1,467)	48,928	6,736	-	244,067
Depreciation and amortization	115,071	74,697	95,113	21,186	120,363	42,412	-	468,842

Six-month period ended June 30, 2015								
<i>(in millions of Korean won)</i>	H&A	MC	HE	VC	Innotek	Other segments ¹	Inter-segment transactions ²	Total
Sales	8,548,441	7,053,193	8,371,454	833,456	2,988,370	1,082,570	(957,377)	27,920,107
External sales	8,546,053	7,052,967	8,370,634	833,446	2,324,711	792,296	-	27,920,107
Internal sales	2,388	226	820	10	663,659	290,274	(957,377)	-
Operating income(loss) ³	521,322	37,601	(88,881)	(3,884)	117,964	(34,810)	-	549,312
Depreciation and amortization	230,952	149,390	194,763	39,662	244,362	87,044	-	946,173

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

² Accounting of sales between segments are accounted as arm's length transactions.

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

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

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
H&A	12,346,377	8,022,229	11,339,667	7,378,446
MC	7,033,713	5,969,244	7,452,814	5,920,010
HE	10,469,362	9,989,165	10,590,961	10,559,044
VC	1,934,686	1,798,460	1,683,449	1,473,062
Innotek	3,767,091	2,081,647	3,914,338	2,149,283
Subtotal¹	35,551,229	27,860,745	34,981,229	27,479,845
Other segments and inter-segment transactions	1,693,815	(3,744,005)	1,332,667	(4,149,436)
Total	37,245,044	24,116,740	36,313,896	23,330,409

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

(c) External sales by geographic areas for the three-month and six-month periods ended June 30, 2016 and 2015, and non-current assets by geographic areas as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	External sales				Non-current assets ¹	
	2016		2015		June 30, 2016	December 31, 2015
	Three months	Six months	Three months	Six months		
Korea	3,439,618	6,790,099	3,525,099	7,140,642	9,691,531	9,544,117
North America	4,039,941	7,975,783	3,980,327	7,627,859	312,941	334,591
Asia	1,797,830	3,310,760	1,566,446	3,017,694	652,465	649,060
Europe	1,554,198	3,107,836	1,299,229	2,679,411	249,567	263,568
South America	1,054,455	1,839,667	1,063,012	2,341,103	170,217	154,903
Middle East & Africa	1,109,160	2,230,102	1,296,876	2,565,056	168,051	189,698
China	691,744	1,440,744	840,042	1,730,434	744,179	792,143
Others	315,996	670,041	354,627	817,908	141,656	126,769
Total	14,002,942	27,365,032	13,925,658	27,920,107	12,130,607	12,054,849

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

(d) There is no external customer contributing to more than 10% of net sales for the six-month periods ended June 30, 2016 and 2015.

5. Financial Instruments by Category

(a) Categorizations of financial instruments as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	2,908,035	-	-	-	2,908,035
Financial deposits	-	152,322	-	-	-	152,322
Trade receivables	-	7,351,754	-	-	-	7,351,754
Loans and other receivables	-	1,044,962	-	-	-	1,044,962
Other financial assets	714	-	56,110	2,623	23,283	82,730
Total	714	11,457,073	56,110	2,623	23,283	11,539,803

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	June 30, 2016			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Trade payables	-	6,315,297	-	6,315,297
Borrowings	-	8,801,614	-	8,801,614
Other payables	-	2,671,814	-	2,671,814
Other financial liabilities	21,570	-	159,909	181,479
Total	21,570	17,788,725	159,909	17,970,204

<i>(in millions of Korean won)</i>	December 31, 2015					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	2,710,156	-	-	-	2,710,156
Financial deposits	-	157,424	-	-	-	157,424
Trade receivables	-	7,093,352	-	-	-	7,093,352
Loans and other receivables	-	1,160,929	-	-	-	1,160,929
Other financial assets	13,806	-	54,406	2,638	34,634	105,484
Total	13,806	11,121,861	54,406	2,638	34,634	11,227,345

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

(b) Profit or loss by each category of financial instruments for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Interest income	-	47,750	19	43	-	47,812
Exchange differences	-	70,299	-	-	-	70,299
Bad debt expenses	-	10,099	-	-	-	10,099
Loss on disposal of trade receivables	-	(7,546)	-	-	-	(7,546)
Impairment loss of available-for-sale financial assets	-	-	(358)	-	-	(358)

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	2016					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Dividend income	-	-	286	-	-	286
Gain on derivatives (through profit or loss)	14,292	-	-	-	-	14,292
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(1,520)	-	-	(1,520)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	-	-	(2,666)	(2,666)

<i>(in millions of Korean won)</i>	2016			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(192,347)	(23,128)	(215,475)
Exchange differences	-	(10,537)	(49,249)	(59,786)
Loss on derivatives (through profit or loss)	(50,159)	-	-	(50,159)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(46,135)	(46,135)
Others	-	(919)	53	(866)

<i>(in millions of Korean won)</i>	2015					
	Assets at fair value through profit or loss	Loans and receivables	Assets classified as available-for-sale	Held-to-maturity financial assets	Other	Total
Interest income	-	44,704	56	43	-	44,803
Exchange differences	-	82,675	-	-	-	82,675
Bad debt expenses	-	(21,378)	-	-	-	(21,378)
Loss on disposal of trade receivables	-	(13,086)	-	-	-	(13,086)
Gain on disposal of available-for-sale financial assets	-	-	7,297	-	-	7,297
Dividend income	-	-	775	-	-	775
Gain on derivatives (through profit or loss)	22,353	-	-	-	-	22,353
Gain for the period from discontinued operations	3	1,918	-	-	-	1,921
Gain on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	1,939	-	-	1,939
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	1,848	1,848

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	2015			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(198,830)	(24,043)	(222,873)
Exchange differences	-	(393,564)	83,717	(309,847)
Loss on derivatives (through profit or loss)	(20,211)	-	-	(20,211)
Loss for the period from discontinued operations	(4)	(362)	-	(366)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(5,958)	(5,958)
Others	-	(5,943)	53	(5,890)

6. Trade Receivables, and Loans and Other Receivables

(a) Trade receivables, and loans and other receivables, net of allowance for doubtful accounts, as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			December 31, 2015		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	7,489,306	(137,552)	7,351,754	7,237,329	(143,977)	7,093,352
Loans and other receivables						
Current	551,748	(17,095)	534,653	670,776	(16,635)	654,141
Non-current	510,441	(132)	510,309	506,907	(119)	506,788

(b) Movements in allowance for doubtful accounts for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016				
	At January 1	Addition (reversal)	Write-off	Other	At June 30
Trade receivables	143,977	(8,511)	(3,281)	5,367	137,552
Loans and other receivables					
Current	16,635	(1,680)	(214)	2,354	17,095
Non-current	119	92	-	(79)	132

<i>(in millions of Korean won)</i>	2015				
	At January 1	Addition (reversal)	Write-off	Other	At June 30
Trade receivables	127,865	20,256	(9,700)	3,501	141,922
Loans and other receivables					
Current	19,180	(234)	(196)	(458)	18,292
Non-current	60	(14)	-	(1)	45

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

- (c) The aging analysis of trade receivables and loans and other receivables as of June 30, 2016 and December 31, 2015, is as follows:

(in millions of Korean won)	June 30, 2016				December 31, 2015			
	Trade receivables	Loans and other receivables		Total	Trade receivables	Loans and other receivables		Total
		Current	Non-current			Current	Non-current	
Current	6,559,285	483,671	502,882	7,545,838	6,039,338	606,189	504,877	7,150,404
Past due but not impaired								
Up to 6 months	789,124	44,753	7,552	841,429	998,920	21,653	1,985	1,022,558
7 to 12 months	36,806	2,256	2	39,064	86,335	21,091	1	107,427
Over 1 year	11,668	6,174	5	17,847	12,725	5,693	44	18,462
Subtotal	837,598	53,183	7,559	898,340	1,097,980	48,437	2,030	1,148,447
Impaired	92,423	14,894	-	107,317	100,011	16,150	-	116,161
Total	7,489,306	551,748	510,441	8,551,495	7,237,329	670,776	506,907	8,415,012

- (d) There are no financial assets transferred, but not derecognized in their entirety, and no associated liabilities recognized as of June 30, 2016.

7. Other Financial Assets and Liabilities

- (a) Details of other financial assets and liabilities as of June 30, 2016 and December 31, 2015, are as follows:

(in millions of Korean won)	June 30, 2016	December 31, 2015
Other financial assets		
Derivatives	23,997	48,440
Available-for-sale	56,110	54,406
Held-to-maturity	2,623	2,638
Total	82,730	105,484
Current	21,966	20,674
Non-current	60,764	84,810
Other financial liabilities		
Derivatives	181,051	83,170
Financial guarantee liability	428	579
Total	181,479	83,749
Current	58,517	13,823
Non-current	122,962	69,926

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(b) Details of derivatives as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency Forward	714	21,570	13,806	3,368
Currency Swap	18,746	36,775	4,347	10,184
Subtotal	19,460	58,345	18,153	13,552
Non-current				
Currency Swap	4,537	-	30,287	-
Interest Rate Swap	-	122,706	-	69,618
Subtotal	4,537	122,706	30,287	69,618
Total	23,997	181,051	48,440	83,170

The details of major derivative contracts as of the reporting date are presented in Note 30.

(c) Changes in carrying amounts of available-for-sale financial assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016						
	At Jan. 1	Acquisitions	Disposals	Valuation (OCI)	Impairment	Others	At Jun. 30
Listed equity securities	15,329	-	-	(1,996)	-	(3)	13,330
Unlisted equity securities	37,875	4,847	(1)	-	-	(213)	42,508
Debt securities	1,202	-	(476)	5	(358)	(101)	272
Total	54,406	4,847	(477)	(1,991)	(358)	(317)	56,110

<i>(in millions of Korean won)</i>	2015						
	At Jan. 1	Acquisitions	Disposals	Valuation (OCI)	Impairment	Others	At Jun. 30
Listed equity securities	13,107	-	(1,369)	3,942	-	-	15,680
Unlisted equity securities	34,356	3,268	(570)	-	-	114	37,168
Debt securities	1,422	-	(87)	(11)	-	34	1,358
Total	48,885	3,268	(2,026)	3,931	-	148	54,206

(d) Held-to-maturity financial assets as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Within 1 year	2,506	2,521
1 to 5 years	117	117
Total	2,623	2,638

The amount recognized as interest income in relation to held-to-maturity financial assets for the six-month period ended June 30, 2016, is ₩43 million (2015: ₩43 million). No impairment losses were recognized in relation to held-to-maturity financial assets for the six-month periods ended June 30, 2016 and 2015.

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

8. Inventories

Inventories as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016			December 31, 2015		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,140,033	(106,439)	3,033,594	2,945,563	(91,114)	2,854,449
Work-in-process	325,551	(6,022)	319,529	297,787	(9,474)	288,313
Raw materials and supplies	1,581,597	(36,448)	1,545,149	1,486,266	(50,777)	1,435,489
Other	344,709	(33,467)	311,242	326,974	(32,549)	294,425
Total	5,391,890	(182,376)	5,209,514	5,056,590	(183,914)	4,872,676

9. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	10,460,298	10,596,853
Acquisitions	783,705	829,776
Acquisitions due to business combination	-	2,513
Transfer-out	-	(23,194)
Reclassification to assets held for sale	-	(647)
Disposals and others	(31,693)	(61,049)
Depreciation	(681,169)	(760,132)
Impairment	(15,761)	(15,692)
Exchange differences	(457)	(17,868)
At June 30	10,514,923	10,550,560

(b) Line items including depreciation in the statements of income for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	541,894	598,525
Selling and marketing expenses	22,063	23,791
Administrative expenses	42,698	44,373
Research and development expense	55,233	64,357
Service costs	7,343	8,175
Other non-operating expenses	11,938	20,787
Subtotal	681,169	760,008
Discontinued operations	-	124
Total	681,169	760,132

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(c) Changes in intangible assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,473,280	1,394,336
Acquisitions	88,104	100,726
Acquisitions through internal development	163,043	124,137
Acquisitions from business combination	-	5,121
Reclassification to assets held for sale	-	(23)
Disposals and others	(6,003)	(13,262)
Amortization	(206,931)	(206,885)
Impairment	(3,017)	(1,670)
Exchange differences	615	(503)
At June 30	1,509,091	1,401,977

(d) Line items including amortization of intangible assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	107,639	105,755
Selling and marketing expenses	8,970	13,529
Administrative expenses	47,852	54,925
Research and development expenses	41,292	31,562
Service costs	1,178	1,113
Subtotal	206,931	206,884
Discontinued operations	-	1
Total	206,931	206,885

10. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures

i) Carrying amounts of investments in associates and joint ventures, as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Associates	4,521,588	4,648,197
Joint ventures	199,537	193,664
Total	4,721,125	4,841,861

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

ii) Investments in associates as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016				December 31, 2015			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	4,498,788	(58,782)	4,440,006	679,218	4,621,566	(59,197)	4,562,369
Ericsson-LG Co., Ltd	26,629	74,650	(39)	74,611	26,629	78,983	(49)	78,934
Hitachi-LG Data Storage Inc.(HLDS)	51,184	(74,531)	(1,398)	-	51,184	(19,761)	(1,482)	-
Korea Information Certificate Authority Inc.	852	3,760	-	3,760	852	3,605	-	3,605
LG Fuel Cell Systems Inc.	49,322	(2,019)	-	-	44,051	(77)	-	-
SKT Vietnam PTE., Ltd.	72,194	788	-	-	72,194	793	-	-
One-Red, LLC ¹	3,128	3,211	-	3,211	3,128	3,289	-	3,289
Total	882,527	4,504,647	(60,219)	4,521,588	877,256	4,688,398	(60,728)	4,648,197

¹ The financial statements as of May 31, 2016, were used due to a different closing date.

iii) Investments in joint ventures as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016				December 31, 2015			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	115,234	139,188	-	139,188	115,234	137,638	-	137,638
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	45,735	(1,177)	44,558	14,718	41,417	(134)	41,283
EIC PROPERTIES PTE LTD.	9,636	14,897	-	14,897	9,636	14,063	-	14,063
LG-MRI LLC	516	894	-	894	516	680	-	680
Total	140,104	200,714	(1,177)	199,537	140,104	193,798	(134)	193,664

(b) Associates and joint ventures

i) Associates as of June 30, 2016, are as follows:

	Location	Closing Month	Percentage of ownership	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9%	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0%	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	Production and supply of data storages
Korea Information Certificate Authority Inc. ¹	Korea	December	7.5%	Certificate services
LG Fuel Cell Systems Inc.	USA	December	29.3%	R&D of fuel cell
SKT Vietnam PTE., Ltd.	Singapore	December	25.4%	Communication services
One-Red, LLC	USA	March	25.0%	DVD related patent licensing
Hi Logistics (China) Co.,Ltd. ²	China	December	35.0%	Services of Logistics

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

ii) Joint ventures as of June 30, 2016, are as follows:

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

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

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

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

i) Changes in the carrying amounts of investments in associates for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Opening carrying amount	4,648,197	4,408,091
Acquisition	5,271	-
Gain(loss) from equity method ¹	(31,703)	283,880
Share of other comprehensive income(loss) of associates	(28,526)	29,506
Dividend/ recovery	(71,633)	(71,123)
Disposal	-	(28,598)
Exchange differences	(18)	11
Closing carrying amount	4,521,588	4,621,767

¹ The Group recognized additional equity method loss of ₩22,772 million and ₩2,019 million for loans of Hitachi-LG Data Storage Inc. and LG Fuel Cell Systems Inc., respectively.

ii) Changes in the carrying amounts of investments in joint ventures for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Opening carrying amount	193,664	186,370
Gain from equity method	7,942	7,848
Share of other comprehensive loss of joint ventures	(2,062)	(1,797)
Exchange differences	(7)	(42)
Closing carrying amount	199,537	192,379

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

- (d) Summary of the consolidated financial information on the associate important to the reporting entity as of June 30, 2016 and December 31, 2015, and for the three-month and six-month periods ended June 30, 2016 and 2015 is as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Current assets	9,157,471	9,531,634
Non-current assets	13,386,558	13,045,526
Total assets	22,544,029	22,577,160
Current liabilities	6,314,009	6,606,712
Non-current liabilities	3,883,521	3,265,492
Total liabilities	10,197,530	9,872,204
Equity of the owners of LG Display Co., Ltd.	11,869,029	12,192,952
Non-controlling interests	477,470	512,004
Total equity	12,346,499	12,704,956

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Net sales	5,855,142	11,844,343	6,707,585	13,729,934
Profit(loss) for the period	(83,916)	(82,729)	362,576	838,327
Equity of the owners of LG Display Co., Ltd.				
Profit(loss) for the period	(71,593)	(69,149)	334,996	793,220
Other comprehensive income (loss), net of tax	(61,990)	(75,866)	69,807	77,292
Total comprehensive income(loss) net of tax	(133,583)	(145,015)	404,803	870,512
Dividends from associates	-	67,813	-	67,813

- (e) Reconciliations of the summarized financial information of an associate material to the reporting entity to the carrying amount of the Group's interest for the six-month periods ended June 30, 2016 and 2015, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2016	2015
Opening equity attributable to owners of LG Display Co., Ltd.	12,192,952	11,431,412
Profit for the period	(69,149)	793,220
Other comprehensive income(loss), net of tax	(75,866)	77,292
Dividends	(178,908)	(178,908)
Closing equity attributable to owners of LG Display Co., Ltd.	11,869,029	12,123,016
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	4,498,788	4,595,058
Unrealized gain	(58,782)	(61,951)
Carrying amount at the reporting date	4,440,006	4,533,107

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	2016			
	Associates		Joint ventures	
	Three months	Six months	Three months	Six months
Profit(loss) for the period	(7,676)	(59,584)	5,543	8,987
Other comprehensive loss, net of tax	(3,016)	(2,902)	(2,022)	(2,064)
Total comprehensive income(loss), net of tax	(10,692)	(62,486)	3,521	6,923

<i>(in millions of Korean won)</i>	2015			
	Associates		Joint ventures	
	Three months	Six months	Three months	Six months
Profit(loss) for the period	(2,592)	(4,965)	5,225	7,848
Other comprehensive income(loss), net of tax	133	252	2,253	(1,839)
Total comprehensive income(loss), net of tax	(2,459)	(4,713)	7,478	6,009

- (g) Accumulated unrecognized changes in equity due to discontinued use of the equity method for the six-month period ended June 30, 2016, and the year ended December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	Unrecognized losses	Unrecognized accumulated losses	Unrecognized losses	Unrecognized accumulated losses
	Hitachi-LG Data Storage Inc.(HLDS)	31,914	53,157	17,666

- (h) The fair value of marketable investments in associates as of June 30, 2016 and December 31, 2015, are as follows:

	Type	June 30, 2016			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book value
LG Display Co., Ltd.	Associate	135,625,000	26,400	3,580,500	4,440,006
Korea Information Certificate Authority Inc.	Associate	2,000,000	7,710	15,420	3,760

	Type	December 31, 2015			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book value
LG Display Co., Ltd.	Associate	135,625,000	24,550	3,329,594	4,562,369
Korea Information Certificate Authority Inc.	Associate	2,000,000	10,850	21,700	3,605

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

11. Borrowings

(a) The carrying amounts of borrowings as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Current		
Short-term borrowings	804,648	910,031
Current portion of long-term borrowings	695,399	382,060
Current portion of debentures	977,508	1,034,037
Subtotal	2,477,555	2,326,128
Non-current		
Long-term borrowings	1,803,883	2,244,982
Debentures	4,520,176	4,256,140
Subtotal	6,324,059	6,501,122
Total	8,801,614	8,827,250

(b) Details of borrowings as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at June 30, 2016(%)	Carrying amount	
			June 30, 2016	December 31, 2015
Short-term borrowings in local currency				
Shinhan Bank and others	-	2.10 ~ 3.31	40,900	105,528
Short-term borrowings in foreign currency				
HSBC and others ¹	-	1.30 ~ 16.75	763,748	804,503
Long-term borrowings in local currency				
Korea Development Bank and others ²	2030.07.07	1.75 ~ 4.62	2,155,041	2,339,817
Long-term borrowings in foreign currency				
HSBC and others	2021.03.09	2.25 ~ 12.48	344,241	287,225
Local currency loans				
Public, non-guaranteed bonds	2030.02.02	1.88 ~ 4.90	3,940,000	3,780,000
Private, non-guaranteed bonds	2028.11.18	2.02 ~ 3.96	850,000	800,000
Foreign currency loans				
Public, non-guaranteed bonds ¹	2016.12.02	2.00	255,678	254,859
Private, non-guaranteed bonds ¹	2017.06.19	3ML+1.30	232,940	234,400
Private, guaranteed bonds ¹	2019.01.31	3ML+1.60	232,940	234,400
Less: discount on debentures			(13,874)	(13,482)
Total			8,801,614	8,827,250

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

² The Group entered into interest rate swap contracts to hedge cash flow risk related to floating interest rates fluctuation (Note 30).

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

12. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Present value of funded obligations	3,018,552	2,705,167
Present value of unfunded obligations	34,804	30,927
Subtotal	3,053,356	2,736,094
Fair value of plan assets	(1,911,141)	(1,948,484)
Net defined benefit liability	1,142,215	787,610

(b) The amounts recognized in the consolidated statements of income for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Current service cost	93,300	189,174	88,127	177,958
Past service cost	-	-	(521)	(102)
Net interest cost	5,436	10,907	6,359	12,710
Managing cost	489	1,151	411	910
Total	99,225	201,232	94,376	191,476

(c) Line items in which expenses are included for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Manufacturing cost	49,063	99,891	46,536	93,570
Selling and marketing expenses	15,504	31,042	15,898	33,028
Administrative expenses	5,255	10,846	7,197	14,777
Research and development expenses	27,448	55,474	22,438	44,922
Service costs	1,955	3,979	2,307	5,179
Subtotal	99,225	201,232	94,376	191,476
Discontinued operations	-	-	-	-
Total	99,225	201,232	94,376	191,476

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(d) Changes in the present value of defined benefit obligations for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	2,736,094	2,341,633
Current service cost	189,174	177,958
Past service cost	-	(102)
Interest expense	36,173	35,936
Remeasurements for:		
- Actuarial loss arising from changes in financial assumptions	186,844	44,598
Increase due to business combination	-	142
Benefits paid	(94,666)	(86,248)
Reclassification to assets held for sale	-	(1,908)
Others	(263)	(116)
At June 30	3,053,356	2,511,893

(e) Changes in the fair value of plan assets for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,948,484	1,543,183
Interest income	25,266	23,226
Remeasurements	(5,772)	(4,318)
Employer contributions	7,173	5,509
Increase due to business combination	-	133
Benefits paid	(62,663)	(61,497)
Managing cost	(1,151)	(910)
Others	(196)	170
At June 30	1,911,141	1,505,496

(f) The principal actuarial assumptions used as of June 30, 2016 and December 31, 2015, are as follows:

	June 30, 2016	December 31, 2015
Weighted average of discount rate of the Group	2.1%	2.7%
Weighted average of expected salary growth rate of the Group	6.1%	6.1%

As of June 30, 2016, the discount rates applied to the Parent Company and subsidiaries are between 0.6%~9.4% (2015: 0.6%~9.4%), and the expected salary growth rates are between 1.0%~11.0% (2015: 1.0%~11.0%).

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of June 30, 2016, is as follows:

<i>(in millions of Korean won)</i>	1% increase	1% decrease
Discount rate	(268,486)	311,625
Salary growth rate	294,749	(267,310)

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 during the six-month period ended June 30, 2016, amounts to ₩4,870 million (2015: ₩4,483 million).

13. Provisions

Changes in provisions for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1, 2016	569,101	57,063	16,163	1,007,963	1,650,290
Additions	557,630	107,103	1,577	75,643	741,953
Utilization	(546,870)	(122,037)	(883)	(97,439)	(767,229)
Exchange differences	2,308	(55)	(373)	10,859	12,739
At June 30, 2016	582,169	42,074	16,484	997,026	1,637,753
Current	531,480	42,074	1,200	1,980	576,734
Non-current	50,689	-	15,284	995,046	1,061,019

<i>(in millions of Korean won)</i>	2015				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1, 2015	663,239	69,941	13,409	969,115	1,715,704
Additions	330,744	104,771	4,551	91,188	531,254
Utilization	(386,237)	(114,539)	(978)	(13,536)	(515,290)
Exchange differences	(13,561)	(1,281)	66	(8,089)	(22,865)
At June 30, 2015	594,185	58,892	17,048	1,038,678	1,708,803
Current	537,726	58,892	1,716	98,146	696,480
Non-current	56,459	-	15,332	940,532	1,012,323

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

14. Paid-in Capital

(a) As of June 30, 2016 and December 31, 2015, the number of shares authorized is 600 million.

	Par value per share	June 30, 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 June 30, 2016, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying value of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of common shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of common shares in 2011.

15. Retained Earnings

Retained earnings as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Legal reserve ¹	167,767	160,478
Discretionary reserve	4,805,354	5,317,480
Unappropriated retained earnings ²	4,296,488	3,538,588
Total	9,269,609	9,016,546

¹ The above legal reserve is profit reserve, and the Commercial Code of the Republic of Korea requires the Parent Company to appropriate 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).

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

16. Accumulated Other Comprehensive Income(loss)

Details of accumulated other comprehensive income(loss) as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Accumulated other comprehensive loss of associates and joint ventures	(86,883)	(57,332)
Cash flow hedge	(101,726)	(52,925)
Available-for-sale financial assets	9,421	10,941
Currency translation differences	(1,062,538)	(1,072,663)
Total	(1,241,726)	(1,171,979)

17. Other Components of Equity

Details of other components of equity as of June 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group	(177,524)	(177,524)
Total	(210,343)	(210,343)

¹ As of June 30, 2016, the Parent Company has treasury shares consisting of 763,171 common shares (December 31, 2015: 763,171 shares) and 4,690 preferred shares (December 31, 2015: 4,690 shares) at the reporting date. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

18. Net Sales

Details of net sales for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Sales of goods	13,823,527	26,973,891	13,733,238	27,486,376
Rendering of services	126,194	251,097	118,700	219,213
Royalty income	53,221	140,044	73,720	214,518
Subtotal	14,002,942	27,365,032	13,925,658	27,920,107
Discontinued operations	-	-	1,673	20,445
Total	14,002,942	27,365,032	13,927,331	27,940,552

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

19. Expenses by Nature

Expenses that are recorded by nature for the three-month and six-month periods ended June 30, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Changes in finished goods and work-in-process	36,211	(264,016)	37,202	(121,271)
Raw materials and merchandise used	8,289,455	16,693,686	8,747,745	17,855,227
Employee benefit expense	1,653,079	3,323,030	1,601,546	3,253,991
Depreciation and amortization	427,863	876,889	468,842	946,173
Advertising expense	373,141	600,719	291,931	489,352
Promotion expense	213,300	367,541	180,698	310,414
Transportation expense	354,331	679,979	350,160	714,376
Commission expense	708,506	1,366,864	690,712	1,336,128
Other expenses	1,362,451	2,630,572	1,312,755	2,586,405
Subtotal¹	13,418,337	26,275,264	13,681,591	27,370,795
Discontinued operations	-	-	4,153	23,271
Total	13,418,337	26,275,264	13,685,744	27,394,066

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

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

Details of general operating expenses for the three-month and six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Salaries	724,252	1,463,345	709,092	1,440,516
Post-employment benefits	56,639	116,624	50,606	103,606
Employee benefits	154,844	304,509	147,522	291,761
Freight expense	350,765	672,677	346,931	707,753
Rental expense	109,879	223,200	109,515	214,569
Commission expense	504,474	977,468	501,409	967,318
Depreciation	63,799	128,064	70,044	140,764
Amortization	50,117	99,292	50,721	101,129
Taxes and dues	34,956	66,332	35,561	66,134
Advertising expense	373,141	600,719	291,931	489,352
Promotional expense	213,300	367,541	180,698	310,414
R&D expense	79,657	172,565	88,959	190,086
Service costs	289,156	472,685	163,025	291,534

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Bad debts expense	4,170	(8,511)	(2,060)	21,626
Other	172,719	343,877	205,025	395,430
Subtotal	3,181,868	6,000,387	2,948,979	5,731,992
Discontinued operations	-	-	692	2,610
Total	3,181,868	6,000,387	2,949,671	5,734,602

21. Financial Income

Financial income for the three-month and six-month periods ended June 30, 2016 and 2015, consists of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Interest income	23,622	47,812	21,692	44,803
Foreign exchange gain	80,235	179,123	29,051	194,569
Gain on derivatives	1,021	2,003	744	2,032
Other	26	55	18	18
Subtotal	104,904	228,993	51,505	241,422
Discontinued operations	-	-	-	-
Total	104,904	228,993	51,505	241,422

22. Financial Expenses

Financial expenses for the three-month and six-month periods ended June 30, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Interest expense	110,420	215,475	113,763	222,873
Foreign exchange loss	71,885	206,195	27,105	200,083
Loss on derivatives	490	1,220	319	420
Loss on disposal of trade receivables	3,413	7,546	6,958	13,086
Other	184	921	1,409	5,908
Subtotal	186,392	431,357	149,554	442,370
Discontinued operations	-	-	-	-
Total	186,392	431,357	149,554	442,370

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

23. Other Non-operating Income

Other non-operating income for the three-month and six-month periods ended June 30, 2016 and 2015, consists of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Dividend income	20	286	491	775
Exchange differences	295,735	926,569	353,117	687,507
Gain on derivatives	7,645	12,289	2,549	20,321
Gain on disposal of property, plant and equipment	4,316	9,001	4,332	6,024
Gain on disposal of intangible assets	-	-	4	73
Gain on disposal of investment property	7,903	7,903	-	-
Gain on disposal of available-for-sale financial assets	-	-	6,776	7,297
Gain on disposal of investments in associates and joint ventures	-	-	21,685	21,685
Other	9,468	19,607	(22,952)	57,461
Subtotal	325,087	975,655	366,002	801,143
Discontinued operations	-	-	124	1,890
Total	325,087	975,655	366,126	803,033

24. Other Non-operating Expenses

Other non-operating expenses for the three-month and six-month periods ended June 30, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Six months	Three months	Six months
Continuing operations:				
Exchange differences	252,767	888,984	272,298	909,165
Loss on derivatives	33,054	48,939	9,534	19,791
Loss on disposal of property, plant and equipment	4,475	7,941	4,679	14,721
Impairment loss on disposal of property, plant and equipment	1,945	15,761	4,395	15,659
Loss on disposal of intangible assets	1,267	4,546	5,217	11,870
Impairment loss on disposal of available-for-sale financial assets	-	358	-	-
Other	33,209	91,103	27,408	108,444
Subtotal	326,717	1,057,632	323,531	1,079,650
Discontinued operations	-	-	99	1,710
Total	326,717	1,057,632	323,630	1,081,360

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

25. Earnings per Share

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

(a) Basic earnings(loss) per common share for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows:

	2016		2015	
	Three months	Six months	Three months	Six months
Profit attributable to common shares (in millions of Korean won)	244,928	417,190	169,048	170,883
Continuing operations	244,928	417,190	171,068	172,937
Discontinued operations	-	-	(2,020)	(2,054)
Weighted average number of common shares outstanding	162,884,643 shares	162,884,643 shares	162,884,643 shares	162,884,643 shares
Basic earnings per common share (in Korean won)	1,503	2,561	1,038	1,049
Continuing operations	1,503	2,561	1,051	1,062
Discontinued operations	-	-	(13)	(13)

(b) Basic earnings(loss) per preferred share for the three-month and six-month periods ended June 30, 2016 and 2015, is as follows:

	2016		2015	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares (in millions of Korean won)	26,050	44,435	18,046	18,454
Continuing operations	26,050	44,435	18,259	18,671
Discontinued operations	-	-	(213)	(217)
Weighted average number of preferred shares outstanding	17,181,302 shares	17,181,302 shares	17,181,302 shares	17,181,302 shares
Basic earnings per preferred share (in Korean won)	1,516	2,586	1,050	1,074
Continuing operations	1,516	2,586	1,063	1,087
Discontinued operations	-	-	(13)	(13)

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

26. Information on Cash Flow

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the six-month periods ended June 30, 2016 and 2015, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2016	2015
Profit for the period	466,579	264,823
Adjustments:		
Interest expense, net	167,663	178,070
Foreign exchange loss, net	17,935	31,806
Loss(gain) on derivatives, net	35,867	(2,142)
Depreciation	681,169	760,008
Amortization	206,931	206,884
Loss on disposal of property, plant and equipment, intangible assets, net	3,486	20,494
Provisions for severance benefits	201,232	191,476
Provisions	741,953	531,254
Income tax expense	290,296	94,497
Loss(gain) from equity method	48,552	(291,728)
Other	114,198	130,128
Profit from discontinued operations	-	(1,525)
	<u>2,509,282</u>	<u>1,849,442</u>
Increase in trade receivables	(225,858)	(470,780)
Decrease in loans and other receivables	115,756	63,175
Decrease(increase) in inventories	(385,772)	10,855
Increase in other assets	(287,174)	(135,666)
Increase(decrease) in trade payables	244,875	(321,414)
Decrease in other payables	(99,202)	(115,975)
Decrease in provisions	(767,229)	(515,290)
Increase in other liabilities	257,056	336,610
Payment of defined benefit liability	(32,003)	(24,751)
Deposit in plan assets, net	(25,516)	(23,507)
	<u>(1,205,067)</u>	<u>(1,196,743)</u>
Cash generated from operations	<u>1,770,794</u>	<u>917,522</u>

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

- (b) Significant transactions not affecting cash flows for the six-month periods ended June 30, 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	211,565	372,799
Reclassification of intangible assets in progress	91,999	138,253
Reclassification of other assets to intangible assets	56,154	47,985
Reclassification of current maturities of borrowings and debentures	959,135	549,284
Other payables to acquire property, plant and equipment	161,992	89,235
Other payables to acquire intangible assets	18,537	8,410

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

- Transfer of Display Driver-IC design business

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

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

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

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

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

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

27. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by property, plant and equipment(land, buildings and machinery) with maximum value of ₩234,933 million (December 31, 2015: ₩242,497 million) and the book value of ₩252,587 million (December 31, 2015: ₩259,984 million). In addition, buildings held by the Group are provided to Nonghyup Bank and others, as creditors of land, in order to guarantee obligations of landlords with maximum value of ₩9,120 million (December 31, 2015: ₩6,850 million) and the book value of ₩426 million (December 31, 2015: ₩606 million). Furthermore, pledge is established on available-for-sale financial assets of some of subsidiaries.

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with guarantees of ₩179,247 million (December 31, 2015: ₩155,194 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal USD 200 million (December 31, 2015: USD 200 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

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

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

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

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

28. Commitments

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2015: ₩175,500 million).

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2015: ₩32,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩221,267 million (December 31, 2015: ₩224,663 million).

Other overseas subsidiaries have overdraft facility agreements with a limit of ₩1,501,760 million (December 31, 2015: ₩1,339,424 million) with Citibank and others.

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with Hana Bank and 22 other banks amounting to ₩2,665,777 million (December 31, 2015: ₩2,872,042 million). The Parent Company has sales agreements for domestic receivables with BTMU amounting to ₩400,000 million (December 31, 2015: ₩300,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including Hana Bank, amounting to ₩307,317 million (December 31, 2015: ₩308,616 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 256 million (December 31, 2015: USD 284 million), and has sales agreements for trade receivables with a limit of USD 390 million (December 31, 2015: USD 190 million) with BTMU. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩26,000 million (December 31, 2015: ₩26,000 million) in connection with the collection of the trade receivables.

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts and win-win payment services contracts with Shinhan Bank and seven other banks for up to ₩1,182,000 million (December 31, 2015: ₩1,320,000 million) which guarantee the payment of trade accounts payable in case the suppliers sell their trade receivables.

In addition, LG Innotek Co., Ltd. and its subsidiaries have provided payment guarantees to financial institutions, including Woori Bank, amounting to ₩155,988 million (December 31, 2015: ₩165,032 million) in connection with the discounting of notes which are paid to their suppliers.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩49,000 million limit (December 31, 2015: ₩56,000 million) to guarantee the payment of trade accounts payable.

(d) LG Innotek Co., Ltd., a subsidiary, has an agreement for underwriting commercial paper with a limit of ₩30,000 million (December 31, 2015: ₩40,000 million).

In addition, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2015: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Hana Bank of up to ₩4,474,052 million (December 31, 2015: ₩4,620,485 million).

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(f) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Property, plant and equipment	725,177	670,641
Intangible assets	10,409	4,028
Total	735,586	674,669

(g) Operating lease commitments – the Group as lessee

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

<i>(in millions of Korean won)</i>	June 30, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Land	252	983	1,435	2,670
Buildings	233,445	349,733	38,564	621,742
Vehicles	31,719	37,560	-	69,279
Equipment and others	17,777	14,424	-	32,201
Total	283,193	402,700	39,999	725,892

Lease payment under operating lease recognized in the consolidated statement of income for the six-month period ended June 30, 2016, is ₩170,680 million (2015: ₩159,247 million).

As of June 30, 2016, total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to ₩19,041 million, and lease income related to the sublease for the six-month period ended June 30, 2016, amounts to ₩5,260 million (2015: ₩4,313 million).

(h) Operating lease commitments – the Group as lessor

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

<i>(in millions of Korean won)</i>	June 30, 2016			
	No later than 1 year	Later than 1 year and no later than 5 years	Over 5 years	Total lease payments
Healthcare rental	102,225	152,339	-	254,564
Real estate rental	3,041	2,118	649	5,808
Total	105,266	154,457	649	260,372

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

- ii) The Group recognized ₩53,816 million (2015: ₩48,729 million) in lease income for the six-month period ended June 30, 2016.

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

At the end of the reporting period, the Group has entered into a finance lease agreement for vehicle lease and has recognized related assets and liabilities in the consolidated statements of financial position. Net book value of the leased assets amounts to ₩5,786 million, and the present value of the finance lease liabilities amounts to ₩2,783 million.

As of June 30, 2016, future minimum lease payments under the finance lease agreement are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	Gross investment	PV of minimum lease payments	Gross investment	PV of minimum lease payments
Within 1 year	1,683	1,577	1,663	1,551
1 to 5 years	1,285	1,206	1,682	1,579
Total	2,968	2,783	3,345	3,130

- (j) Trademark license commitments

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

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

29. Related Party

- (a) Major transactions for the six-month periods ended June 30, 2016 and 2015, and balances of receivables and payables from transaction with related parties as of June 30, 2016 and December 31, 2015, are as follows:

- i) Major income and expense transactions with related parties

<i>(in millions of Korean won)</i>		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	613	-	613	-	71,474	71,474
Associates	LG Display Co., Ltd., and subs	500,707	-	500,707	2,422,849	25,501	2,448,350
	Ericsson-LG Co., Ltd., and subs	4,049	-	4,049	2,333	-	2,333
	Hitachi LG Data Storage Inc.,	437	147	584	59,884	-	59,884

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

(in millions of Korean won)

		2016					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	and subs						
	LG Fuel Cell Systems Inc. and subs	104	496	600	39	-	39
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	Hi Logistics (China) Co., Ltd.	191	-	191	-	28,795	28,795
	Subtotal	505,488	643	506,131	2,485,105	54,297	2,539,402
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	35,064	-	35,064	28,900	-	28,900
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	-	1,496	1,496
	EIC PROPERTIES PTE, LTD.	-	-	-	-	439	439
	LG-MRI LLC	2	-	2	-	-	-
	Subtotal	35,066	-	35,066	28,900	1,935	30,835
Other related parties	LG CNS Co., Ltd., and subs	28,838	-	28,838	94,467	196,329	290,796
	SERVEONE Co., Ltd., and subs	32,688	-	32,688	663,610	70,611	734,221
	LG Siltron Incorporated	2,461	-	2,461	7	-	7
	LUSEM CO., LTD.	21,140	-	21,140	1,174	29	1,203
	LG Management Development Institute	18	-	18	-	14,196	14,196
	LG SPORTS Ltd.	24	-	24	-	5,625	5,625
	LG MMA Ltd.	290	-	290	14	-	14
	LG Holdings Japan Co., Ltd.	10	-	10	-	1,849	1,849
	Subtotal	85,469	-	85,469	759,272	288,639	1,047,911
Total		626,636	643	627,279	3,273,277	416,345	3,689,622

(in millions of Korean won)

		2015					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	735	-	735	-	73,806	73,806
Associates	LG Display Co., Ltd., and subs	460,655	54,050	514,705	2,882,183	5,295	2,887,478
	Ericsson-LG Co., Ltd., and subs	4,666	-	4,666	2,705	-	2,705
	Hitachi LG Data Storage Inc., and subs	12,232	-	12,232	63,281	-	63,281
	LG Fuel Cell Systems Inc. and subs	34	-	34	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

(in millions of Korean won)

		2015					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	Subtotal	477,587	54,050	531,637	2,948,169	5,296	2,953,465
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	42,726	-	42,726	50,582	-	50,582
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	-	1,527	1,527
	EIC PROPERTIES PTE, LTD.	-	-	-	-	425	425
	Subtotal	42,726	-	42,726	50,582	1,952	52,534
Other related parties	LG CNS Co., Ltd., and subs	38,787	-	38,787	55,268	185,655	240,923
	SERVEONE Co., Ltd., and subs	14,160	-	14,160	504,608	115,777	620,385
	LG Siltron Incorporated	3,468	-	3,468	3	-	3
	LUSEM CO., LTD.	23,196	-	23,196	5,943	252	6,195
	LG Management Development Institute	168	-	168	99	14,066	14,165
	LG SPORTS Ltd.	18	-	18	-	6,633	6,633
	LG MMA Ltd.	267	-	267	123	1	124
	LG Holdings Japan Co., Ltd.	8	-	8	-	1,663	1,663
	Subtotal	80,072	-	80,072	566,044	324,047	890,091
Total		601,120	54,050	655,170	3,564,795	405,101	3,969,896

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

(in millions of Korean won)

		June 30, 2016							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	79	-	32,751	32,830	-	-	24	24
Associates	LG Display Co., Ltd., and subsidiaries	259,718	-	4,312	264,030	895,360	-	107,343	1,002,703
	Ericsson-LG Co., Ltd., and subsidiaries	62	-	241	303	698	-	-	698
	Hitachi-LG Data Storage Inc., and subsidiaries ¹	-	-	164	164	28,317	-	3	28,320
	LG Fuel Cell Systems Inc. and subsidiaries ¹	53	12,003	3	12,059	-	-	-	-
	Hi Logistics (China) Co., Ltd.	147	-	4	151	-	-	8,156	8,156
	Subtotal	259,980	12,003	4,724	276,707	924,375	-	115,502	1,039,877
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	10,248	-	914	11,162	9,656	-	-	9,656

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

(in millions of Korean won)

		June 30, 2016							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG HOLDINGS (HK) LIMITED and subs	-	-	-	-	-	-	1,473	1,473
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	74	74
	Subtotal	10,248	-	914	11,162	9,656	-	1,547	11,203
Other related parties	LG CNS Co., Ltd., and subs	9,787	-	1,103	10,890	21,396	-	128,167	149,563
	SERVEONE Co., Ltd., and subs	8,143	-	60,522	68,665	333,927	-	86,263	420,190
	LG Siltron Incorporated	1,352	-	-	1,352	-	-	111	111
	LUSEM CO., LTD.	7,632	-	-	7,632	451	-	1	452
	LG Management Development Institute	-	-	17,864	17,864	3	-	1,709	1,712
	LG SPORTS Ltd.	-	-	-	-	-	-	787	787
	LG MMA Ltd.	303	-	-	303	-	-	7	7
	LG Holdings Japan Co., Ltd.	-	-	4,316	4,316	-	-	-	-
	Subtotal	27,217	-	83,805	111,022	355,777	-	217,045	572,822
Total		297,524	12,003	122,194	431,721	1,289,808	-	334,118	1,623,926

¹ The Group recognized additional equity method loss of ₩22,772 million and ₩2,019 million for loans of Hitachi-LG Data Storage Inc. and LG Fuel Cell Systems Inc., respectively.

(in millions of Korean won)

		December 31, 2015							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	8	-	30,352	30,360	-	-	593	593
Associates	LG Display Co., Ltd. and its subsidiaries	197,862	-	40,168	238,030	1,004,655	-	35,697	1,040,352
	Ericsson-LG Co., Ltd. and its subsidiaries	5	-	330	335	897	-	150	1,047
	Hitachi LG Data Storage Inc. and its subsidiaries	-	-	54	54	26,723	-	3	26,726
	LG Fuel Cell Systems Inc. and its subs.	-	14,111	224	14,335	-	-	-	-
	Hi Logistics (China) Co., Ltd.	-	-	104	104	-	-	10,232	10,232
	Subtotal	197,867	14,111	40,880	252,858	1,032,275	-	46,082	1,078,357
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	6,227	-	1,734	7,961	2,497	-	2	2,499
	LG HOLDINGS (HK) LIMITED and its subs.	-	-	-	-	-	-	1,534	1,534
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	71	71

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

(in millions of Korean won)

		December 31, 2015							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Subtotal	6,227	-	1,734	7,961	2,497	-	1,607	4,104
Other related parties	LG CNS Co., Ltd., and subs	7,744	-	755	8,499	21,493	-	200,068	221,561
	SERVEONE Co., Ltd., and subs	9,753	-	60,865	70,618	264,625	-	69,436	334,061
	LG Siltron Incorporated	941	-	-	941	-	-	2,502	2,502
	LUSEM CO., LTD.	6,055	-	-	6,055	364	-	2	366
	LG Management Development Institute	-	-	17,864	17,864	8	-	1,094	1,102
	LG SPORTS Ltd.	-	-	-	-	-	-	176	176
	LG MMA Ltd.	41	-	-	41	-	-	9	9
	LG Holdings Japan Co., Ltd.	-	-	3,706	3,706	-	-	-	-
	Subtotal	24,534	-	83,190	107,724	286,490	-	273,287	559,777
	Total	228,636	14,111	156,156	398,903	1,321,262	-	321,569	1,642,831

- iii) Significant capital transactions with related parties and others for the six-month periods ended June 30, 2016 and 2015, are as follows:

(in millions of Korean won)

		2016						
Classification	Name	Dividend income	Dividend paid	Cash investment (reduction)	Financing loan transaction		Financing borrowing transaction	
					Loan	Collection	Borrowing	Repayment
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Ericsson-LG Co., Ltd.	3,750	-	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	70	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	-	22,772	-	-	-
	LG Fuel Cell Systems Inc.	-	-	5,271	-	-	-	-
	Total	71,633	22,038	5,271	22,772	-	-	-

LG Electronics
Notes to the Interim Consolidated Financial Statements
June 30, 2016 and 2015(unaudited), and December 31, 2015

(in millions of Korean won)

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

- (b) The compensation paid or payable to key management personnel for the six-month periods ended June 30, 2016 and 2015, consist of:

(in millions of Korean won)	2016	2015
Wages and salaries	9,263	10,933
Post-employment benefits	2,195	3,313
Other long-term benefits	78	48
Total	11,536	14,294

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

- (c) There is no payment guarantee provided by the Group for the funding sources of the related parties other than subsidiaries at the end of the reporting period.
- (d) There is no collateral provided by the Group for the funding sources of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

30. Risk Management

Financial Risk Management

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

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

The Group anticipatively and systematically manages the financial risks over global business

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

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

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

(a) Market risk

i) Foreign exchange risk

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

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

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

As of June 30, 2016 and December 31, 2015, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	34,165	(34,165)	19,679	(19,679)
EUR/KRW	33,463	(33,463)	49,706	(49,706)

ii) Interest rate risk

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

in interest rates and minimizing net interest expense.

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

As of June 30, 2016 and 2015, if interest rates fluctuate by 1% without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	13,834	(13,834)	12,132	(12,132)
Interest expense	2,399	(2,399)	3,899	(3,899)

iii) Details of derivatives contracts are as follows:

Hedging purposes

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

June 30, 2016	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Starting date	Expiration date
USD/KRW CRS	Shinhan Bank and others	USD400	1,052.1	3ML+1.30	3.22 ~ 3.42	2013.07.31	2017.06.19
			~ 1,113.6	~3ML+1.60			~2013.12.19
CHF/KRW CRS	BNP PARIBAS and others	CHF215	1,213.6	2.00	3.64 ~ 3.74	2012.07.02	2016.12.02
USD/BRL CRS	Standard Chartered and others	USD185	3.4650	1.30 ~ 2.54	11.95 ~ 13.20	2016.03.14 ~ 2016.05.24	2016.08.30
			~ 3.6800				~ 2017.05.24
KRW Interest rate swap	Woori Bank and others	KRW 1,170,000	-	3M CD+0.82 ~ 3M CD+1.14	3.07 ~ 4.53	2014.01.03 ~ 2015.07.07	2024.01.03 ~ 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 ₩101,398 million in 2016 (2015: gain on valuation amounting to ₩37,287 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Group has reclassified ₩52,597 million to loss from equity in 2016 (2015: ₩41,397 million to gain from equity). Therefore, other comprehensive loss from cash flow hedges amounts to ₩48,801 million in 2016 (2015: ₩4,110 million) after applying the tax effect.

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Trading purposes

The Group entered into the currency forward contracts to manage the risk against possible future changes in foreign exchange rates. The subsidiaries' currency forward contracts as of June 30, 2016, and related profit or loss for the six-month period ended June 30, 2016, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Gain on valuation	Gain on transaction
Currency forward	534,187	557,817	23,473	12,394

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	June 30, 2016		December 31, 2015	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,345	(3,345)	3,673	(3,673)

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

(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Group is ₩7,489,306 million (2015: ₩7,237,329 million) and its risk is managed appropriately with insurer's credit limit of ₩29,585,689 million (2015: ₩29,314,676 million). Therefore, the Group estimates credit risk exposure to itself as limited.

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

(c) Liquidity risk

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

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

In addition, the Group is able to source funds any time in the domestic and international financial markets as of the end of reporting period because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB Stable from Standard & Poors and Moody's, and Baa3 Stable, respectively, as of June 30, 2016.

i) Cash flow information on maturity of financial liabilities as of June 30, 2016, are 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
Trade payables	6,315,297	6,315,297	-	-	-
Borrowings	10,090,364	2,755,579	946,830	3,396,934	2,991,021
Other payables	2,674,006	2,668,917	3,830	960	299
Derivative liabilities	21,570	21,570	-	-	-
Total	19,101,237	11,761,363	950,660	3,397,894	2,991,320

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative liabilities that are not qualified for hedge accounting have been included at their fair value of ₩21,570 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

ii) The maturity analysis of financial guarantee contracts provided by the Group to third party companies as of June 30, 2016, are 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	94,390	94,390	-	-	-

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2016	December 31, 2015
Liability (A)	24,116,740	23,330,409
Equity (B)	13,128,304	12,983,487
Cash and cash equivalents and current financial deposits (C)	2,908,035	2,710,156
Borrowings (D)	8,801,614	8,827,250
Debt-to-equity ratio (A/B)	183.7%	179.7%
Net borrowings ratio ((D-C)/B)	44.9%	47.1%

Fair Value Estimation

(a) The book values and fair values of the Group's financial assets and liabilities as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Assets at fair value]				
Financial assets at fair value through profit or loss				
Other financial assets	714	714	-	-
Derivatives for hedging purposes				
Other financial assets	18,746	18,746	4,537	4,537
Available-for-sale financial assets				
Other financial assets	-	-	13,602	13,602
[Assets at amortized cost]				
Loans and other receivables				
Cash and cash equivalents	2,908,035	1	-	-
Financial deposits	80,500	1	71,822	71,822
Trade receivables	7,351,754	1	-	-
Other receivables	534,653	1	510,309	503,083
Held-to-maturity financial assets				
Other financial assets	2,506	1	117	1
[Assets at cost]				
Available-for-sale financial assets				
Other financial assets	-	-	42,508	2
Total	10,896,908		642,895	

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

<i>(in millions of Korean won)</i>	June 30, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
[Liabilities at fair value]				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	21,570	21,570	-	-
Derivatives for hedging purposes				
Other financial liabilities	36,775	36,775	122,706	122,706
[Liabilities at amortized cost]				
Trade payables	6,315,297	1	-	-
Borrowings	2,477,555	1	6,324,059	6,693,034
Other payables	2,668,251	1	3,563	3,613
[Other liabilities]				
Other financial liabilities	172	3	256	3
Total	11,519,620		6,450,584	

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

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

² Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As of June 30, 2016, there is no asset to be disposed of in near future.

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

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

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

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

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	13,330	-	-	13,330
- Debt securities	-	-	272	272
Financial assets at fair value through profit or loss	-	714	-	714
Derivatives for hedging purposes	-	23,283	-	23,283
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	21,570	-	21,570
Derivatives for hedging purposes	-	159,481	-	159,481

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

The above fair value amounts are recurring fair value measurements.

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

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

Valuation technique and inputs for fair value measurements categorized within level 2 as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2016	December 31, 2015		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	714	13,806	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	23,283	34,634	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	21,570	3,368	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	159,481	79,802	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within level 3

Changes in financial assets and financial liabilities that are measured at fair value and

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

categorized within level 3 for the six-month periods ended June 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,202	1,422
Total gain(loss) for the period		
Gain(loss) included in profit for the period ¹	(354)	34
Gain(loss) included in other comprehensive income	5	(11)
Purchase, issue, sales and settlement		
Purchase	-	-
Sale and others	(581)	(87)
At June 30	272	1,358

¹ Gain and loss included in profit for the period are interest income amounting to ₩4 million and impairment loss ₩358 million for the three-month period ended June 30, 2016 (2015: interest income ₩34 million).

Valuation technique, inputs, and range of significant but unobservable inputs of financial instruments that are measured at fair value and categorized within level 3 as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	<u>Fair value</u>		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	June 30, 2016	December 31, 2015				
Other financial assets						
Available-for-sale financial assets						
- Debt securities	272	1,202	Discounted cash flow	Discount rate	Discount rate (credit spread)	3.2%

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

Financial instruments not measured at fair value but for which the fair value is disclosed as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposits	-	-	71,822	71,822
Non-current other receivables	-	-	503,083	503,083
Liabilities				
Non-current borrowings	-	-	6,693,034	6,693,034
Non-current other payables	-	-	3,613	3,613

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

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

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

As of June 30, 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 June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 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	71,822	71,822	69,970	69,970	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 2.3%
Non-current other receivables	510,309	503,083	506,788	497,253	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.0% ~ 3.7%
Liabilities								
Non-current borrowings	6,324,059	6,693,034	6,501,122	7,064,295	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.4% ~ 3.0%
Non-current other payables	3,563	3,613	6,590	6,656	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.5%

31. Business Combinations

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

and liabilities assumed:

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

The acquisition-related cost amounting to ₩147 million was recognized as an expense in the period in which they were incurred.

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

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

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

¹ Consideration transferred during the measurement period.

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

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

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

statements.

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

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

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

¹ Consideration transferred during the measurement period.

32. Assets Classified as Held for Sale

- (a) Details of assets classified as held for sale as of June 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2016	December 31, 2015
Assets classified as held for sale		
Investment in associates and joint ventures ¹	3,619	3,619

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

LG Electronics

Notes to the Interim Consolidated Financial Statements

June 30, 2016 and 2015(unaudited), and December 31, 2015

33. Discontinued Operations

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

- (a) Loss for the period from discontinued operations for the three-month and six-month periods ended June 30, 2015, consists of:

<i>(in millions of Korean won)</i>	2015	
	Three months	Six months
Loss from ordinary activities of discontinued operations:		
Net sales	1,673	20,445
Operating loss	(2,480)	(2,826)
Loss for the period before income tax benefit	(2,402)	(2,593)
Income tax benefit	(169)	(328)
Loss for the period, net of tax	(2,233)	(2,265)

- (b) Cash generated from discontinued operations for the six-month period ended June 30, 2015, are as follows:

<i>(in millions of Korean won)</i>	2015
Net cash flows from operating activities	73,133
Net cash flows from investing activities	15
Net cash flow from discontinued operations	73,148