

LG Electronics

**Consolidated Interim Financial Statements
June 30, 2017 and 2016**

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



Conclusion

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

Other Matters

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

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

August 14, 2017
Seoul, Korea

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

LG Electronics
Consolidated Interim Statements of Financial Position
June 30, 2017 and December 31, 2016

<i>(in millions of Korean won)</i>	Notes	June 30, 2017 (Unaudited)	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	5,30	3,604,375	3,015,137
Deposits held by financial institutions	5,30	80,560	80,559
Trade receivables	5,6,30	7,344,627	7,059,889
Loans and other receivables	5,6,30	376,031	545,766
Other financial assets	5,7,30	2,045	30,650
Inventories	8	5,620,184	5,171,015
Current income tax assets		117,926	147,221
Other current assets		921,490	931,420
Assets held for sale	31	207,993	8,906
		<u>18,275,231</u>	<u>16,990,563</u>
Non-current assets			
Deposits held by financial institutions	5,30	63,006	58,195
Loans and other receivables	5,6,30	495,545	490,178
Other financial assets	5,7,30	51,604	66,147
Property, plant and equipment	9	11,171,375	11,222,428
Intangible assets	9	1,703,617	1,571,087
Deferred income tax assets		1,333,471	1,554,594
Investments in associates and joint ventures	10	5,503,760	5,104,558
Investment properties		96,371	97,031
Net defined benefit assets	12	-	730
Other non-current assets		648,419	699,758
		<u>21,067,168</u>	<u>20,864,706</u>
Total assets		<u>39,342,399</u>	<u>37,855,269</u>
Liabilities			
Current liabilities			
Trade payables	5,30	7,116,872	6,746,361
Borrowings	5,11,30	1,136,131	1,650,511
Other payables	5,30	2,929,804	3,196,735
Other financial liabilities	5,7,30	2,076	21,115
Current income tax liabilities		75,960	74,263
Provisions	13	1,353,668	770,967
Other current liabilities		3,355,175	3,284,412
		<u>15,969,686</u>	<u>15,744,364</u>
Non-current liabilities			
Borrowings	5,11,30	7,820,362	7,008,500
Other payables	5,30	9,624	7,771
Other financial liabilities	5,7,30	65,447	73,226
Deferred income tax liabilities		8,472	9,586
Net defined benefit liabilities	12	654,922	511,252
Provisions	13	287,775	1,028,298
Other non-current liabilities		118,015	115,530
		<u>8,964,617</u>	<u>8,754,163</u>
Total liabilities		<u>24,934,303</u>	<u>24,498,527</u>
Equity attributable to owners of the Parent Company			
Paid-in capital:	14		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	15	10,458,722	9,233,416
Accumulated other comprehensive income	16	(1,223,703)	(1,028,962)
Other components of equity	17	(209,708)	(209,708)
		<u>13,017,659</u>	<u>11,987,094</u>
Non-controlling interests		<u>1,390,437</u>	<u>1,369,648</u>
Total equity		<u>14,408,096</u>	<u>13,356,742</u>
Total liabilities and equity		<u>39,342,399</u>	<u>37,855,269</u>

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Consolidated Interim Statements of Profit or Loss
Three-Month and Six-Month Periods Ended June 30, 2017 and 2016

	Notes	Period Ended June 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Six months	Three months	Six months
<i>(in millions of Korean won, except per share amounts)</i>					
Net sales	18	14,551,411	29,208,605	14,002,942	27,365,032
Cost of sales	19	10,829,971	21,792,961	10,236,469	20,274,877
Gross profit		3,721,440	7,415,644	3,766,473	7,090,155
Selling and marketing expenses	19,20	1,813,123	3,362,135	1,783,296	3,297,391
Administrative expenses	19,20	323,307	650,096	345,304	673,107
Research and development expenses	19,20	611,480	1,183,027	620,001	1,270,037
Service costs	19,20	309,469	634,789	433,267	759,852
Operating profit		664,061	1,585,597	584,605	1,089,768
Financial income	21	132,849	255,787	104,904	228,993
Financial expenses	22	185,962	418,076	186,392	431,357
Gain (loss) from equity method valuation	10	258,159	488,200	(26,182)	(48,552)
Other non-operating income	23	128,327	589,228	325,087	975,655
Other non-operating expenses	24	255,171	666,616	326,717	1,057,632
Profit before income tax		742,263	1,834,120	475,305	756,875
Income tax expense		227,396	483,562	206,794	290,296
Profit for the period		514,867	1,350,558	268,511	466,579
Profit for the period attributable to:					
Owners of the Parent Company		497,475	1,292,824	270,978	461,625
Non-controlling interests		17,392	57,734	(2,467)	4,954
		514,867	1,350,558	268,511	466,579
Earnings per share attributable to the owners of the Parent Company during the period (in won):	25				
Earnings per ordinary share		2,761	7,177	1,503	2,561
Earnings per preferred share		2,774	7,202	1,516	2,586

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

(in millions of Korean won)	Notes	Period Ended June 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Six months	Three months	Six months
Profit for the period		514,867	1,350,558	268,511	466,579
Other comprehensive income (loss), net of tax					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	12	(169)	8,400	(73,845)	(146,099)
Share of remeasurements of associates	10	(753)	(2,129)	(379)	(1,037)
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income(loss) (excluding remeasurements) from associates and joint	10	54,040	(42,728)	(24,890)	(29,551)
Cash flow hedges	30	1,429	7,732	(20,888)	(48,801)
Available-for-sale financial assets	7	112	(362)	(1,498)	(1,520)
Exchange differences on translation of foreign operations		160,967	(179,514)	5,967	(1,524)
Other comprehensive income (loss) for the period, net of tax		<u>215,626</u>	<u>(208,601)</u>	<u>(115,533)</u>	<u>(228,532)</u>
Total comprehensive income for the period, net of tax		<u>730,493</u>	<u>1,141,957</u>	<u>152,978</u>	<u>238,047</u>
Total comprehensive income (loss) for the period, net of tax, attributable to:					
Owners of the Parent Company		697,570	1,103,450	168,664	256,201
Non-controlling interests		32,923	38,507	(15,686)	(18,154)
Total comprehensive income for the period, net of tax		<u>730,493</u>	<u>1,141,957</u>	<u>152,978</u>	<u>238,047</u>

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Consolidated Interim Statements of Changes in Equity
Six-Month Periods Ended June 30, 2017 and 2016

		Attributable to owners of the Parent Company						
		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total	Non-controlling Interests	Total Equity
<i>(in millions of Korean won)</i>	Notes							
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
Total comprehensive income:								
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 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)
Exchange differences on translation of foreign operations		-	-	10,125	-	10,125	(11,649)	(1,524)
Total comprehensive income (loss)		-	325,948	(69,747)	-	256,201	(18,154)	238,047
Transactions with owners:								
Dividends	15	-	(72,885)	-	-	(72,885)	(15,018)	(87,903)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(5,327)	(5,327)
Total transactions with owners		-	(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
Balance at January 1, 2017		3,992,348	9,233,416	(1,028,962)	(209,708)	11,987,094	1,369,648	13,356,742
Total comprehensive income:								
Profit for the period		-	1,292,824	-	-	1,292,824	57,734	1,350,558
Remeasurements of the net defined benefit liability	12	-	7,496	-	-	7,496	904	8,400
Share of remeasurements of associates	10	-	(2,129)	-	-	(2,129)	-	(2,129)
Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(42,728)	-	(42,728)	-	(42,728)
Cash flow hedges	30	-	-	7,732	-	7,732	-	7,732
Available-for-sale financial assets	7	-	-	(362)	-	(362)	-	(362)
Exchange differences on translation of foreign operations		-	-	(159,383)	-	(159,383)	(20,131)	(179,514)
Total comprehensive income (loss)		-	1,298,191	(194,741)	-	1,103,450	38,507	1,141,957
Transactions with owners:								
Dividends	15	-	(72,885)	-	-	(72,885)	(17,495)	(90,380)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(223)	(223)
Total transactions with owners		-	(72,885)	-	-	(72,885)	(17,718)	(90,603)
Balance at June 30, 2017 (Unaudited)		3,992,348	10,458,722	(1,223,703)	(209,708)	13,017,659	1,390,437	14,408,096

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Consolidated Interim Statements of Cash Flows
Six-Month Periods Ended June 30, 2017 and 2016

(in millions of Korean won)

	Notes	Six-Month Period Ended June 30	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	26	2,077,235	1,770,794
Interest received		37,415	39,925
Interest paid		(197,151)	(227,107)
Dividend received		68,471	71,919
Income tax paid		(254,625)	(231,773)
Net cash inflow from operating activities		<u>1,731,345</u>	<u>1,423,758</u>
Cash flows from investing activities			
Decrease in deposits held by financial institutions		7,544	17,498
Decrease in loans and other receivables		91,577	68,965
Proceeds from redemption and disposal of other financial assets		12,915	27,125
Proceeds from disposal of property, plant and equipment		148,818	33,074
Proceeds from disposal of intangible assets		656	1,457
Proceeds from disposal of and withdrawal from investments in associates and joint ventures		1,898	-
Proceeds from disposal of investment properties		-	21,853
Proceeds from disposal of assets held for sale		12,710	-
Transfer of business	26	13,942	3,606
Decrease in others		47	133
Increase in deposits held by financial institutions		(13,222)	(12,977)
Increase in loans and other receivables		(72,575)	(86,262)
Acquisition of other financial assets		(32,669)	(41,343)
Acquisition of property, plant and equipment		(1,186,502)	(821,594)
Acquisition of intangible assets		(306,747)	(220,984)
Acquisition of investments in associates and joint ventures		(26,679)	(5,271)
Business combination		-	(8,400)
Net cash outflow from investing activities		<u>(1,348,287)</u>	<u>(1,023,120)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,295,565	782,350
Repayments of borrowings		(967,691)	(853,655)
Dividends paid		(90,603)	(91,290)
Net cash inflow (outflow) from financing activities		<u>237,271</u>	<u>(162,595)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>(31,091)</u>	<u>(40,164)</u>
Net increase in cash and cash equivalents		<u>589,238</u>	<u>197,879</u>
Cash and cash equivalents at the beginning of the period		<u>3,015,137</u>	<u>2,710,156</u>
Cash and cash equivalents at the end of the period		<u><u>3,604,375</u></u>	<u><u>2,908,035</u></u>

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Notes to the Consolidated Interim Financial Statements

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

1. General Information

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

As of June 30, 2017, 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 following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle Components segment designs and manufactures automobile parts; and LG Innotek manufactures and sells LED, optics solutions, substrate materials, and automotive components. As of June 30, 2017, the Parent Company has 122 subsidiaries (Note 1), 12 associates and joint ventures (Note 10).

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Notes to the Consolidated Interim Financial Statements
June 30, 2017 and 2016 (Unaudited), and December 31, 2016

(a) Consolidated subsidiaries as of June 30, 2017 and December 31, 2016, are as follows:

Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		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

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

Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		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) ²	50.0%	50.0%	50.0%	50.0%	December	Production of Electronic Products	De-facto control
	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%	-	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
	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

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

Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		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 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	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic Products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	66.7%	33.3%	66.7%	33.3%	December	Production of Heater	More than half of voting rights
	China	LG Innotek Yantai Co., Ltd.(LGITYT) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic Materials	De-facto control
	China	LG Innotek Huizhou Co.,Ltd.(LGITHZ) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic Materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd.(LGITSH) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic Materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	80.0%	20.0%	80.0%	20.0%	December	Water Engineering	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	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 Japan Lab. Inc.(LGJL) ⁵	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

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Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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
	India	LG Soft India Private Limited.(LGS1) ⁴	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic Products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. ³	38.0%	62.0%	38.0%	62.0%	December	Real Estates	De-facto control
	Indonesia	PT. LG Innotek Indonesia(LGITIN) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/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
	Vietnam	LG Innotek Vietnam Hai Phong Co., Ltd.(LGITVH) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and 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
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production and Sales 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

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Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.0%	-	-	-	December	Services	More than half of voting rights
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	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.(LGEESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Italy	LG Electronics Italia S.P.A.(LGEIS)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Latvia	LG ELECTRONICS LATVIA, LLC(LGELA)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Hungary	LG Electronics Magyar K.F.T.(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

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Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Portugal	LG Electronics Portugal S.A.(LGEPT)	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
	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

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Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		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 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 Electrical/Electronic 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
	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

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Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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
	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
	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

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Territory	Location	Subsidiary	June 30, 2017		December 31, 2016		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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	More than half of voting rights
	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%	-	100.0%	-	December	Services	More than half of voting rights
Other	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 Group owns less than half of the voting rights of LG Innotek Co., Ltd. which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).

² Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.

³ Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.

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⁴ In the preparation of the consolidated financial statements, the financial statements for the six-month period ended June 30, 2017 were used for those subsidiaries with different fiscal year ends.

⁵ Name of the subsidiary was changed from LG Electronics Japan Lab. Inc. to LG Japan Lab. Inc. during the six-month period ended June 30, 2017.

(b) Financial information of major subsidiaries as of June 30, 2017 and December 31, 2016, and for the three-month and six-month periods ended June 30, 2017 and 2016, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	June 30, 2017			2017			
	Assets	Liabilities	Equity	Three months		Six months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
LG Innotek Co., Ltd.	3,877,285	2,229,728	1,647,557	1,237,882	15,614	2,787,739	63,383
LG Electronics U.S.A., Inc.(LGEUS)	2,826,582	2,538,693	287,889	2,092,659	(14,695)	4,005,388	37,315
LG Electronics European Shared Service Center B.V.(LGESC)	1,420,702	1,387,383	33,319	48,213	1,154	88,913	3,545
Zenith Electronics Corporation(Zenith)	1,101,110	262	1,100,848	775	(11,349)	1,164	(23,686)
LG Electronics do Brasil Ltda.(LGEBR)	1,028,976	630,694	398,282	571,526	42,161	1,162,479	109,328
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	951,636	802,838	148,798	1,254,429	(4,374)	2,744,411	(7,542)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	790,923	406,055	384,868	553,731	(2,251)	1,192,130	(1,463)
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	902,615	719,116	183,499	640,865	6,346	1,286,702	45,307
LG Electronics RUS, LLC(LGERA)	666,851	199,863	466,988	309,236	9,650	645,055	42,968
LG Electronics Reynosa S.A. DE C.V.(LGERs)	927,291	413,918	513,373	563,947	57,785	1,123,108	80,550
LG Electronics India Pvt. Ltd.(LGEIL)	881,543	402,297	479,246	744,789	63,275	1,391,957	119,342
LG Electronics (China) Co., Ltd.(LGECH)	616,362	701,203	(84,841)	94,123	(21,230)	312,892	(8,459)
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	565,350	435,893	129,457	628,077	8,889	1,301,173	21,664
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	538,662	307,328	231,334	303,532	215	625,583	12,485
P.T. LG Electronics Indonesia(LGEIN)	415,792	178,764	237,028	270,439	6,556	517,150	15,185
Hiplaza Co., Ltd.	586,798	414,008	172,790	554,166	11,007	994,928	13,554
LG Electronics Nanjing New Technology co.,LTD(LGENT)	399,230	222,907	176,323	303,678	10,149	691,484	21,664
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	359,249	230,709	128,540	162,760	(6,683)	372,146	8,903

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<i>(in millions of Korean won)</i>	June 30, 2017			2017			
	Assets	Liabilities	Equity	Three months		Six months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	452,613	315,645	136,968	244,078	4,720	467,894	11,273
LG Electronics Thailand Co., Ltd.(LGETH)	423,588	189,749	233,839	262,430	4,525	544,080	7,633

<i>(in millions of Korean won)</i>	December 31, 2016			2016			
	Assets	Liabilities	Equity	Three months		Six months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
LG Innotek Co., Ltd.	4,022,157	2,433,816	1,588,341	1,015,746	(13,883)	2,123,488	(36,511)
LG Electronics U.S.A., Inc.(LGEUS)	2,633,459	2,366,409	267,050	1,907,829	(497)	3,561,228	(33,105)
LG Electronics European Shared Service Center B.V.(LGESC)	1,444,398	1,415,672	28,726	73,299	675	140,622	3,840
Zenith Electronics Corporation(Zenith)	1,212,373	20,036	1,192,337	19,625	(2,549)	71,076	13,324
LG Electronics do Brasil Ltda.(LGEBR)	1,034,097	717,671	316,426	491,827	54,394	801,679	54,403
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	986,534	820,799	165,735	1,400,262	1,385	2,991,877	12,447
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	940,710	579,077	361,633	306,789	7,734	671,237	11,088
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	937,172	790,124	147,048	448,590	31,352	824,055	64,529
LG Electronics RUS, LLC(LGERA)	812,850	306,224	506,626	287,840	14,699	600,636	40,634
LG Electronics Reynosa S.A. DE C.V.(LGERS)	773,673	319,772	453,901	551,113	58,083	1,092,624	123,404
LG Electronics India Pvt. Ltd.(LGEIL)	695,674	333,974	361,700	755,303	78,671	1,361,069	140,100
LG Electronics (China) Co., Ltd.(LGECH)	641,967	720,244	(78,277)	175,634	(9,900)	409,854	(15,311)
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	593,009	482,014	110,995	843,022	16,790	1,557,383	28,153
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	522,949	280,595	242,354	255,631	643	575,331	17,290
P.T. LG Electronics Indonesia(LGEIN)	494,883	178,505	316,378	299,912	11,314	612,070	30,275
Hiplaza Co., Ltd.	472,980	313,725	159,255	429,501	4,426	793,219	3,025
LG Electronics Nanjing New Technology co.,LTD(LGENT)	426,337	246,416	179,921	292,982	8,829	668,700	23,186
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	421,504	284,497	137,007	281,245	4,651	560,101	18,322

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<i>(in millions of Korean won)</i>	December 31, 2016			2016			
	Assets	Liabilities	Equity	Three months		Six months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	416,489	286,817	129,672	200,664	3,878	372,496	11,638
LG Electronics Thailand Co., Ltd.(LGETH)	394,966	168,138	226,828	268,140	(4,715)	580,951	12,448

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

- LG Innotek Co., Ltd. and its subsidiaries

i) Percentage of ownership of non-controlling interests and accumulated non-controlling interests

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,073,884	1,051,632

ii) Profit (loss) and dividends attributable to non-controlling interests for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Profit (loss) to non-controlling interests	11,287	32,039	(16,660)	(24,986)
Dividends to non-controlling interests	-	3,503	-	4,904

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Current assets	1,867,874	2,084,431
Non-current assets	2,377,787	2,239,288
Total assets	4,245,661	4,323,719
Current liabilities	1,242,376	1,733,745
Non-current liabilities	1,187,732	811,498
Total liabilities	2,430,108	2,545,243
Owners of Parent Company	1,815,551	1,778,474
Non-controlling interests	2	2
Total equity	1,815,553	1,778,476

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, 2017 and 2016, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Net sales	1,339,592	2,984,326	1,120,455	2,315,490
Profit (loss) for the period	17,037	53,604	(31,945)	(44,063)
Other comprehensive income (loss), net of tax	13,115	(10,611)	(15,466)	(27,265)
Total comprehensive income (loss), net of tax	30,152	42,993	(47,411)	(71,328)

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- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the six-month periods ended June 30, 2017 and 2016, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2017	2016
Cash flows from operating activities	361,267	185,224
Cash flows from investing activities	(404,526)	(187,077)
Cash flows from financing activities	161,769	(6,160)
Effects of exchange rate changes on cash and cash equivalents	(3,378)	(1,404)
Net increase (decrease) in cash and cash equivalents	115,132	(9,417)
Cash and cash equivalents at the beginning of the period	341,278	360,286
Cash and cash equivalents at the end of the period	456,410	350,869

(d) Significant restrictions on subsidiaries

- i) Significant restrictions on ability to use the assets and settle the liabilities of the Group

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

The nature and extent to which the protective rights of non-controlling interest can restrict the use of the assets and settlement of the liabilities of the Group are as follows:

Subsidiary	The nature and extent 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.

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

There are no changes in the Parent Company's interest in subsidiaries without loss of control for the six-month periods ended June 30, 2017 and 2016.

- (f) Subsidiary newly included in the scope of preparation of consolidated interim financial statements for the six-month period ended June 30, 2017, is:

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Subsidiary	Reason	Country	Percentage of ownership	Closing month	Major business
HI-M SOLUTEK VIETNAM CO., LTD.	Newly established	Vietnam	100.0%	December	Services

(g) Subsidiaries excluded from the scope of preparation of consolidated interim financial statements for the six-month period ended June 30, 2017, are:

Subsidiary	Reason	Country
LG Electronics Romania S.R.L.(LGERO)	Merger	Romania
LG Alina Electronics(LGERI)	Liquidation	Russia

(h) Gain or loss resulted from loss of control

During the period, losses amounting to ₩3,090 million were recognized from liquidation of LG Alina Electronics, and no gain or loss incurred from the loss of control over LG Electronics Romania S.R.L.

2. Significant Accounting Policies

Basis of Preparation

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

The consolidated interim financial statements for the six-month period ended June 30, 2017, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as of June 30, 2017.

Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2017.

i) The new and amended standards and interpretations adopted by the Group from the financial year 2017:

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

Amendments to Korean IFRS 1007 *Statement of Cash flows* require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The disclosures required by this amendment are provided in Note 26(b) "changes in liabilities from financing activities".

- Amendments to Korean IFRS 1012 *Income Tax*

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

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

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

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

- Korean IFRS 1109 *Financial Instruments*

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

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

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

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

The Group performed an impact assessment to identify potential financial effects of applying

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

Classification and Measurement of Financial Assets

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

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

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

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

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest on the principal amount outstanding on a specified date. As of June 30, 2017, the Group measured loans and receivables of ₩11,964,144 million and financial assets held-to-maturity of ₩117 million at amortized costs. Based on the results from the impact assessment, the application of the new standard does not have a material impact on the Group's consolidated financial statements. This is because the Group holds the majority of financial assets measured at amortized cost that meets the both criteria: a) the contractual terms of the financial assets that the Group holds give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date, and b) the Group holds the financial assets in order to collect contractual cash flow.

According to Korean IFRS 1109, a debt instrument is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting

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contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on the principal amount outstanding on a specified date under contract terms. As of June 30, 2017, the Group does not hold debt instruments classified as financial assets available-for-sale. Therefore, based on the results from the impact assessment, the Group expects the application of Korean IFRS 1109 will not have a material impact on the accompanying consolidated financial statements.

According to Korean IFRS 1109, the Group can make an irrevocable election at initial recognition to classify the equity instruments that are not held for trading as assets measured at fair value through other comprehensive income. All subsequent changes in fair value of the instruments are recognized in other comprehensive income and not recycled to profit or loss. As of June 30, 2017, the Group holds equity instruments of ₩48,957 million classified as financial assets available-for-sale, however, there is no unrealized gain or loss recycled to profit or loss for the six-month period ended June 30, 2017. Based on results from the impact assessment, the Group plans to designate equity instruments, which are classified in financial assets available-for-sale for long-term investment purpose, as instruments measured at fair value through other comprehensive income. Therefore, the Group expects these financial assets will not have a material impact on the accompanying consolidated financial statements.

Classification and Measurement of Financial Liabilities

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

Impairment of Financial Assets and Contract Assets

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

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

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

As of June 30, 2017, the Group owns financial instruments at amortized cost of W11,964,261 million (loan and receivables of W11,964,144 million, financial asset held-to-maturity of W117 million). And the Group recognized loss allowance of W116,354 million for these financial assets.

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

Hedge Accounting

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

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

- Korean IFRS 1115 Revenue from Contracts with Customers

Korean IFRS 1115 *Revenue from Contracts with Customers* issued in November, 2015 is effective for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers*. The Group will apply Korean IFRS 1115 *Revenue from Contracts with Customers* within annual reporting periods beginning on or after January 1, 2018, and will recognize cumulative effect of the standard implementation on the beginning balance of retained earnings (or other appropriate equity components) in the annual reporting period of implementation. In accordance with the

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standard, the Group will apply the standard retrospectively to prior reporting period for uncompleted contracts upon implementation date and apply the practical expedient with no restatement for completed contracts and other.

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

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

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

Identification of Performance Obligation

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

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

Variable Consideration

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

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

According to current Korean IFRS, the Group estimates an amount of promotional incentive and reverses sales and trade receivables. Instead, with implementation of Korean IFRS 1115, the

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

Costs to Fulfill a Contract

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

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

Warranties

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

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

- Amendments to Korean IFRS 1102 Share-based Payment

Amendments to Korean IFRS 1102 clarify that accounting for a modification to the terms and conditions and fair value measurement of a cash-settled share-based payment are in the same way as an equity-settled share-based payment when it changes the classification of the transaction from cash-settled to equity-settled. This amendment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the amendments to have a significant impact on the accompanying consolidated financial statements.

- Enactments of Interpretation 2122 Foreign Currency Transaction and Advance Consideration

According to these enactments, the date of the transaction for the purpose of determining the

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

Application of Accounting Policies

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

Income Tax Expense

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

3. Critical Accounting Estimates and Judgements

Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

The 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.

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(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liabilities

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate, which is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the 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 pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

Significant Judgment on Accounting Policies Adopted by the Group

In order to determine the Group's de-facto control, the Group considers percentage of ownership held by Group and ownership dispersion of the remaining shareholders, and also considers 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

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current period.

Operating segment	Type of products
Home Appliance & Air Solution (H&A)	Refrigerators, Washing machines, Residential and commercial air conditioners, Microwaves, Vacuum cleaners and others
Home Entertainment (HE)	TVs, Monitors, PCs, Audio, Video and others
Mobile Communications (MC)	Mobile communications and others
Vehicle Components (VC)	Vehicle components and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	LED, Camera modules, Substrate & Material, Motor/Sensor and others
Other segments	Display materials, Lighting solutions, Solar energy systems and others

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(a) The segment information for sales and operating profit(loss) for the three-month and six-month periods ended June 30, 2017 and 2016, is as follows:

Three-month period ended June 30, 2017								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	5,251,817	4,234,904	2,701,425	882,509	1,339,592	510,382	(369,218)	14,551,411
External sales	5,249,552	4,227,034	2,701,161	882,509	1,151,429	339,726	-	14,551,411
Internal sales	2,265	7,870	264	-	188,163	170,656	(369,218)	-
Operating profit(loss) ³	465,653	342,993	(132,425)	(16,412)	32,528	(28,276)	-	664,061
Depreciation and amortization	111,670	77,275	66,273	42,195	77,809	57,632	-	432,854
Six-month period ended June 30, 2017								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	9,890,528	8,560,994	5,793,103	1,758,952	2,984,326	938,372	(717,670)	29,208,605
External sales	9,881,821	8,552,153	5,792,817	1,758,952	2,540,331	682,531	-	29,208,605
Internal sales	8,707	8,841	286	-	443,995	255,841	(717,670)	-
Operating profit(loss) ³	986,490	725,207	(128,749)	(30,911)	99,356	(65,796)	-	1,585,597
Depreciation and amortization	225,055	153,974	134,904	80,748	154,471	102,486	-	851,638
Three-month period ended June 30, 2016								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	4,700,114	4,157,189	3,421,238	639,650	1,120,455	463,582	(499,286)	14,002,942
External sales	4,699,887	4,154,381	3,420,848	639,650	848,323	239,853	-	14,002,942
Internal sales	227	2,808	390	-	272,132	223,729	(499,286)	-
Operating profit(loss) ³	433,666	356,679	(139,551)	(16,737)	(33,967)	(15,485)	-	584,605
Depreciation and amortization	114,422	85,266	68,621	30,065	85,192	44,297	-	427,863
Six-month period ended June 30, 2016								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	8,919,651	8,490,593	6,441,832	1,232,507	2,315,490	873,688	(908,729)	27,365,032
External sales	8,919,178	8,486,386	6,441,121	1,232,507	1,712,567	573,273	-	27,365,032
Internal sales	473	4,207	711	-	602,923	300,415	(908,729)	-
Operating profit(loss) ³	841,459	691,926	(333,219)	(32,538)	(33,563)	(44,297)	-	1,089,768
Depreciation and amortization	232,180	174,957	140,319	60,380	177,782	91,271	-	876,889

¹ Other segments include operating segments that are not qualified as reportable segments and departments that support the operating segments and R&D.

² Sales between segments are accounted on terms equivalent to those that prevail in arm's length transactions.

³ Other income or expenses items not included in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

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(b) Segment assets and liabilities as of June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
H&A	13,513,087	8,448,753	12,355,002	7,926,267
HE	11,569,494	10,359,435	11,131,637	10,349,986
MC	5,800,210	5,653,774	5,928,667	5,554,926
VC	2,491,879	2,491,714	2,340,361	2,232,074
Innotek	4,245,661	2,430,108	4,323,719	2,545,243
Subtotal¹	37,620,331	29,383,784	36,079,386	28,608,496
Other segments and inter-segment transactions	1,722,068	(4,449,481)	1,775,883	(4,109,969)
Total	39,342,399	24,934,303	37,855,269	24,498,527

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

(c) External sales by geographic area for the three-month and six-month periods ended June 30, 2017 and 2016, and non-current assets by geographic area as of June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	External sales				Non-current assets ¹	
	2017		2016		June 30, 2017	December 31, 2016
	Three months	Six months	Three months	Six months		
Geographic areas						
Korea	4,414,442	8,937,129	3,439,618	6,790,099	10,561,587	10,384,327
North America	3,952,728	7,894,758	4,039,941	7,975,783	254,964	325,580
Asia	1,750,653	3,487,783	1,797,830	3,310,760	758,629	719,581
Europe	1,494,912	2,886,785	1,554,198	3,107,836	266,334	246,580
South America	1,124,196	2,181,856	1,054,455	1,839,667	142,316	160,959
Middle East & Africa	853,689	1,755,346	1,109,160	2,230,102	104,755	116,334
China	605,956	1,327,340	691,744	1,440,744	738,263	781,036
Others	354,835	737,608	315,996	670,041	144,515	156,149
Total	14,551,411	29,208,605	14,002,942	27,365,032	12,971,363	12,890,546

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

(d) There is no external customer contributing to more than 10% of net sales for the six-month periods ended June 30, 2017 and 2016.

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5. Financial Instruments by Category

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

June 30, 2017						
<i>(in millions of Korean won)</i>	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	3,604,375	-	-	-	3,604,375
Deposits held by financial institutions	-	143,566	-	-	-	143,566
Trade receivables	-	7,344,627	-	-	-	7,344,627
Loans and other receivables	-	871,576	-	-	-	871,576
Other financial assets	2,045	-	48,957	117	2,530	53,649
Total	2,045	11,964,144	48,957	117	2,530	12,017,793

June 30, 2017				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	7,116,872	-	7,116,872
Borrowings	-	8,956,493	-	8,956,493
Other payables	-	2,939,428	-	2,939,428
Other financial liabilities	1,588	-	65,935	67,523
Total	1,588	19,012,793	65,935	19,080,316

December 31, 2016						
<i>(in millions of Korean won)</i>	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	3,015,137	-	-	-	3,015,137
Deposits held by financial institutions	-	138,754	-	-	-	138,754
Trade receivables	-	7,059,889	-	-	-	7,059,889
Loans and other receivables	-	1,035,944	-	-	-	1,035,944
Other financial assets	557	-	49,939	117	46,184	96,797
Total	557	11,249,724	49,939	117	46,184	11,346,521

December 31, 2016				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	6,746,361	-	6,746,361
Borrowings	-	8,659,011	-	8,659,011
Other payables	-	3,204,506	-	3,204,506
Other financial liabilities	8,041	-	86,300	94,341
Total	8,041	18,609,878	86,300	18,704,219

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

<i>(in millions of Korean won)</i>	2017					Total
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	45,616	-	1	-	45,617
Exchange differences	-	(385,661)	-	-	-	(385,661)
Bad debt expenses	-	(18,928)	-	-	-	(18,928)
Loss on disposal of trade receivables	-	(6,610)	-	-	-	(6,610)
Gain on disposal of available-for-sale financial assets	-	-	5,383	-	-	5,383
Impairment loss of available-for-sale financial assets	-	-	(250)	-	-	(250)
Dividend income	-	-	248	-	-	248
Gain on derivatives (through profit or loss)	8,607	-	-	-	-	8,607
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(362)	-	-	(362)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	915	915

<i>(in millions of Korean won)</i>	2017			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	
Interest expenses	-	(167,399)	(14,437)	(181,836)
Exchange differences	-	427,380	(46,023)	381,357
Loss on derivatives (through profit or loss)	(24,819)	-	-	(24,819)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	6,817	6,817
Others	-	(1,041)	-	(1,041)

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<i>(in millions of Korean won)</i>	2016					
	Financial assets at fair value through profit or loss	Loans and Receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Interest income	-	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)
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			
	Financial liabilities at fair value through profit or loss	Financial 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)

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6. Trade Receivables and Other Receivables

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

<i>(in millions of Korean won)</i>	June 30, 2017			December 31, 2016		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	7,445,483	(100,856)	7,344,627	7,146,370	(86,481)	7,059,889
Other receivables						
Current	391,445	(15,414)	376,031	562,105	(16,339)	545,766
Non-current	495,629	(84)	495,545	490,293	(115)	490,178

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

<i>(in millions of Korean won)</i>	2017				
	At January 1	Addition (reversal)	Write-off	Other	At June 30
Trade receivables	86,481	19,548	(14,775)	9,602	100,856
Other receivables					
Current	16,339	(589)	(3)	(333)	15,414
Non-current	115	(31)	-	-	84

<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
Other receivables					
Current	16,635	(1,680)	(214)	2,354	17,095
Non-current	119	92	-	(79)	132

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

<i>(in millions of Korean won)</i>	June 30, 2017				December 31, 2016			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	6,794,765	362,697	486,631	7,644,093	6,298,870	523,760	480,884	7,303,514
Past due but not impaired								
Up to 6 months	522,166	2,776	8,820	533,762	712,345	10,261	9,407	732,013
7 to 12 months	24,388	2,029	177	26,594	15,324	9,087	2	24,413
Over 1 year	13,822	9,934	1	23,757	11,461	6,014	-	17,475
Subtotal	560,376	14,739	8,998	584,113	739,130	25,362	9,409	773,901
Impaired	90,342	14,009	-	104,351	108,370	12,983	-	121,353
Total	7,445,483	391,445	495,629	8,332,557	7,146,370	562,105	490,293	8,198,768

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

7. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Other financial assets		
Derivatives	4,575	46,741
Available-for-sale financial assets	48,957	49,939
Held-to-maturity financial assets	117	117
Total	53,649	96,797
Current	2,045	30,650
Non-current	51,604	66,147

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Other financial liabilities		
Derivatives	67,477	94,227
Financial guarantee liability	46	114
Total	67,523	94,341
Current	2,076	21,115
Non-current	65,447	73,226

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

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	2,045	1,588	557	8,041
Currency swap	-	442	30,093	12,960
Subtotal	2,045	2,030	30,650	21,001
Non-current				
Currency swap	2,520	2,857	16,091	-
Interest rate swap	10	62,590	-	73,226
Subtotal	2,530	65,447	16,091	73,226
Total	4,575	67,477	46,741	94,227

The details of major derivative contracts at the end of the reporting period are presented in Note 30.

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(c) Available-for-sale financial assets

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

<i>(in millions of Korean won)</i>	2017						
	At January 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Other	At June 30
Listed equity securities	14,837	-	-	(476)	-	-	14,361
Unlisted equity securities	35,102	1,600	(1,342)	-	(250)	(514)	34,596
Total	49,939	1,600	(1,342)	(476)	(250)	(514)	48,957

<i>(in millions of Korean won)</i>	2016						
	At January 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Other	At June 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

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

(d) Held-to-maturity financial assets

- i) Maturity analysis of held-to-maturity financial assets as of June 30, 2017 and December 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Within 1 year	-	-
1 to 5 years	117	117

- ii) The amount recognized as interest income in relation to held-to-maturity financial assets for the six-month period ended June 30, 2017, is ₩1 million (2016: ₩43million). No impairment losses were recognized in relation to held-to-maturity financial assets for the six-month periods ended June 30, 2017 and 2016.

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8. Inventories

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

<i>(in millions of Korean won)</i>	June 30, 2017			December 31, 2016		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,301,846	(88,970)	3,212,876	3,045,592	(115,657)	2,929,935
Work-in-process	324,610	(9,930)	314,680	340,980	(13,851)	327,129
Raw materials and supplies	1,834,026	(45,654)	1,788,372	1,679,482	(90,740)	1,588,742
Other	332,601	(28,345)	304,256	366,335	(41,126)	325,209
Total	5,793,083	(172,899)	5,620,184	5,432,389	(261,374)	5,171,015

9. Property, Plant and Equipment, and Intangible Assets

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	11,222,428	10,460,298
Acquisitions	988,300	783,705
Reclassification to assets held for sale	(207,993)	-
Disposals and others	(117,646)	(31,693)
Decrease due to transfer of business	(833)	-
Depreciation	(639,775)	(681,169)
Impairment	(14,951)	(15,761)
Exchange differences	(58,155)	(457)
At June 30	11,171,375	10,514,923

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	512,345	541,894
Selling and marketing expenses	22,370	22,063
Administrative expenses	32,505	42,698
Research and development expenses	57,439	55,233
Service costs	7,200	7,343
Other non-operating expenses	7,916	11,938
Total	639,775	681,169

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	1,571,087	1,473,280
Acquisitions	109,579	88,104
Acquisitions through internal development	260,297	163,043
Disposals and others	(15,047)	(6,003)
Decrease due to transfer of business	(566)	-
Amortization	(219,119)	(206,931)
Impairment	(1,891)	(3,017)
Exchange differences	(723)	615
At June 30	1,703,617	1,509,091

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	119,695	107,639
Selling and marketing expenses	10,632	8,970
Administrative expenses	47,109	47,852
Research and development expenses	40,663	41,292
Service costs	1,020	1,178
Total	219,119	206,931

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Associates	5,310,376	4,906,450
Joint ventures	193,384	198,108
Total	5,503,760	5,104,558

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ii) Investments in associates as of June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017				December 31, 2016			
	Acquisition cost	Net asset amount	Unrealized gain	Book amount	Acquisition cost	Net asset amount	Unrealized gain	Book amount
LG Display Co., Ltd.	679,218	5,307,054	(86,135)	5,220,919	679,218	4,910,781	(72,971)	4,837,810
Ericsson-LG Co., Ltd.	16,643	48,232	(24)	48,208	16,643	50,796	(30)	50,766
Hitachi-LG Data Storage Inc.(HLDS)	91,250	(10,730)	(1,609)	-	91,250	(17,640)	(1,496)	-
Korea Information Certificate Authority Inc.	1,745	4,678	-	4,678	1,988	5,167	-	5,167
LG Fuel Cell Systems Inc.	83,035	21,192	-	21,192	69,375	9,222	-	9,222
SKT Vietnam PTE., Ltd.	72,194	767	-	-	72,194	815	-	-
One-Red, LLC ¹	3,128	3,412	-	3,412	3,128	3,485	-	3,485
Kiwigrig GmbH ¹	13,019	11,967	-	11,967	-	-	-	-
Total	960,232	5,386,572	(87,768)	5,310,376	933,796	4,962,626	(74,497)	4,906,450

¹ The financial statements as of May 31, 2017 were used due to a different closing date.

iii) Investments in joint ventures as of June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017				December 31, 2016			
	Acquisition cost	Net asset amount	Unrealized gain	Book amount	Acquisition cost	Net asset amount	Unrealized gain	Book amount
LG Holdings(HK) Ltd.	115,234	138,277	-	138,277	115,234	141,768	-	141,768
Arcelik-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	39,985	(339)	39,646	14,718	41,377	(726)	40,651
EIC PROPERTIES PTE LTD.	9,636	14,510	-	14,510	9,636	14,493	-	14,493
LG-MRI LLC	516	951	-	951	516	1,196	-	1,196
Total	140,104	193,723	(339)	193,384	140,104	198,834	(726)	198,108

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(b) Associates and joint ventures

i) Associates as of June 30, 2017, are as follows:

Name of associate	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	6.5%	Certificate services
LG Fuel Cell Systems Inc.	USA	December	29.7%	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
Kiwigrd GmbH ¹	Germany	December	17.6%	Supply of energy management solutions

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

ii) Joint ventures as of June 30, 2017, 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.

Name of joint venture	Location	Closing month	Percentage of ownership	Nature of relationships with the Group
LG Holdings(HK) Ltd.	China	December	49.0%	Real estate
Arcelik-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.

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(c) Changes in investments in associates and joint ventures

- i) Changes in the carrying amounts of investments in associates for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	4,906,450	4,648,197
Acquisition	26,679	5,271
Gain (loss) from equity method ¹	477,603	(31,703)
Share of other comprehensive loss of associates	(36,684)	(28,526)
Dividend/withdraw investments	(68,565)	(71,633)
Exchange differences	(125)	(18)
Changes in ownership interest over associates	5,018	-
At June 30	5,310,376	4,521,588

¹ The Group recognized additional equity method gain of ₩6,797 million (2016: equity method loss of ₩22,772 million) for loans provided to Hitachi-LG Data Storage Inc. for the six-month period ended June 30, 2017. The Group recognized additional equity method loss of ₩2,019 million for loans provided to LG Fuel Cell Systems Inc. for the six-month period ended June 30, 2016.

- ii) Changes in the carrying amounts of investments in joint ventures for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	198,108	193,664
Gain from equity method	3,800	7,942
Share of other comprehensive loss of joint ventures	(8,173)	(2,062)
Dividend/withdraw investments	(296)	-
Exchange differences	(55)	(7)
At June 30	193,384	199,537

- (d) Summarized financial information of the associates that are material to the reporting entity as of June 30, 2017 and December 31, 2016, and for the three-month and six-month periods ended June 30, 2017 and 2016, is as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Current assets	9,993,707	10,484,186
Non-current assets	16,507,591	14,400,150
Total assets	26,501,298	24,884,336
Current liabilities	6,787,252	7,058,219
Non-current liabilities	5,124,591	4,363,729
Total liabilities	11,911,843	11,421,948
Equity attributable to the owners of LG Display Co., Ltd.	14,001,455	12,955,997
Non-controlling interests	588,000	506,391
Total equity	14,589,455	13,462,388

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<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Net sales	6,628,886	13,691,048	5,855,142	11,844,343
Profit (loss) for the period	756,779	1,416,165	(83,916)	(82,729)
Equity attributable to the owners of LG Display Co., Ltd.				
Profit (loss) for the period	703,244	1,323,790	(71,593)	(69,149)
Other comprehensive income (loss), net of tax	120,862	(99,424)	(61,990)	(75,866)
Total comprehensive income (loss), net of tax	824,106	1,224,366	(133,583)	(145,015)

The Group received dividends from LG Display Co., Ltd. amounting to ₩67,813 million (2016: ₩67,813 million) for the six-month period ended June 30, 2017.

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the six-month periods ended June 30, 2017 and 2016, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2017	2016
Opening equity attributable to owners	12,955,997	12,192,952
Profit (loss) for the period	1,323,790	(69,149)
Other comprehensive loss, net of tax	(99,424)	(75,866)
Dividends	(178,908)	(178,908)
Closing equity attributable to owners	14,001,455	11,869,029
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	5,307,054	4,498,788
Unrealized gain	(86,135)	(58,782)
Carrying amount at the end of the reporting period	5,220,919	4,440,006

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- (f) The Group's share in the operating results of the individually immaterial associates and joint ventures for the three-month and six-month periods ended June 30, 2017 and 2016, is as follows:

<i>(in millions of Korean won)</i>	2017			
	Associates		Joint ventures	
	Three months	Six months	Three months	Six months
Profit(loss) for the period	(5,331)	(2,860)	1,717	3,417
Other comprehensive income(loss), net of tax	1,412	(296)	7,314	(8,177)
Total comprehensive income(loss), net of tax	(3,919)	(3,156)	9,031	(4,760)

<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

- (g) Accumulated unrecognized share of losses of associates and joint ventures due to discontinued use of the equity method as of June 30, 2017 and December 31, 2016 are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Unrecognized losses	Unrecognized accumulated losses	Unrecognized losses	Unrecognized accumulated losses
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	(21,243)

- (h) The fair value of marketable investments in associates as of June 30, 2017 and December 31, 2016, are as follows:

	Type	June 30, 2017			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	37,100	5,031,688	5,220,919
Korea Information Certificate Authority Inc.	Associate	2,010,247	5,930	11,921	4,678

	Type	December 31, 2016			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	31,450	4,265,406	4,837,810
Korea Information Certificate Authority Inc.	Associate	2,289,708	5,660	12,960	5,167

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11. Borrowings

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Current		
Short-term borrowings	407,146	596,541
Current portion of long-term borrowings	179,162	422,944
Current portion of debentures	549,823	631,026
Subtotal	1,136,131	1,650,511
Non-current		
Long-term borrowings	2,512,496	2,199,764
Debentures	5,307,866	4,808,736
Subtotal	7,820,362	7,008,500
Total	8,956,493	8,659,011

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at June 30, 2017(%)	Carrying amount	
			June 30, 2017	December 31, 2016
Short-term borrowings in local currency				
Nonghyup Bank and others	-	3.37 ~ 4.34	2,800	44,800
Short-term borrowings in foreign currency				
HSBC and others ¹	-	0.80 ~ 14.07	404,346	551,741
Long-term borrowings in local currency				
Korea Development Bank and others ²	2030. 7. 7	1.75 ~ 3.76	2,296,473	2,271,835
Long-term borrowings in foreign currency				
HSBC and others	2022.4.24	2.36 ~ 12.12	395,185	350,873
Local currency loans				
Public, non-guaranteed bonds	2030. 2. 2	1.48 ~ 4.44	4,520,000	4,060,000
Private, non-guaranteed bonds	2028.11.18	1.95 ~ 3.96	1,010,000	910,000
Foreign currency loans				
Private, non-guaranteed bonds ¹	2022. 2. 2	1ML+0.90	113,960	241,700
Private, guaranteed bonds ¹	2019. 1.31	3ML+1.60	227,920	241,700
Less: discount on debentures			(14,191)	(13,638)
Total			8,956,493	8,659,011

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

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

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12. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Present value of funded obligations	2,844,593	2,755,266
Present value of unfunded obligations	34,965	33,165
Subtotal	2,879,558	2,788,431
Fair value of plan assets	(2,224,636)	(2,277,909)
Net defined benefit liabilities¹	654,922	510,522

¹ Net defined benefit assets are included.

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

<i>(in millions of Korean won)</i>	2017	2016
Current service cost	177,897	189,174
Net interest cost	7,045	10,907
Operating management cost	1,301	1,151
Total	186,243	201,232

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	94,438	96,459
Selling and marketing expenses	29,034	31,159
Administrative expenses	11,537	12,784
Research and development expenses	47,657	56,859
Service costs	3,577	3,971
Total	186,243	201,232

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	2,788,431	2,736,094
Current service cost	177,897	189,174
Interest cost	37,182	36,173
Remeasurements for:		
- Actuarial loss(gain) arising from changes in financial assumptions	(20,829)	186,844
Benefits paid	(102,197)	(94,666)
Others	(926)	(263)
At June 30	2,879,558	3,053,356

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	2,277,909	1,948,484
Interest income	30,137	25,266
Remeasurements of plan assets	(9,659)	(5,772)
Employer contributions	3,830	7,173
Benefits paid	(76,237)	(62,663)
Operating management cost	(1,301)	(1,151)
Others	(43)	(196)
At June 30	2,224,636	1,911,141

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

	June 30, 2017	December 31, 2016
Weighted average of discount rate of the Group	2.9%	2.8%
Weighted average of expected salary growth rate of the Group	5.1%	5.1%

As of June 30, 2017, the discount rates applied to the Parent Company and subsidiaries are between 0.4%~8.4% (2016: 0.4%~8.4%), and the expected salary growth rates are between 1.0%~11.0% (2016: 1.0%~11.0%).

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

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(244,316)	283,145
Expected salary growth rate	267,233	(246,572)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the

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assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations.

Defined Contribution Plan

Recognized expense related to the defined contribution plan for the six-month period ended June 30, 2017, amounts to ₩6,197 million (2016: ₩4,870 million).

13. Provisions

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

	2017				
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	756,509	39,071	24,985	978,700	1,799,265
Additions	491,615	122,157	9,266	59,178	682,216
Utilization	(579,807)	(124,888)	(4,082)	(117,127)	(825,904)
Exchange differences	(8,385)	(876)	(24)	(4,849)	(14,134)
At June 30	659,932	35,464	30,145	915,902	1,641,443
Current	605,759	35,464	3,204	709,241	1,353,668
Non-current	54,173	-	26,941	206,661	287,775

	2016				
<i>(in millions of Korean won)</i>	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	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	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

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14. Paid-in Capital

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

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

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

(b) Share premium balance as of June 30, 2017, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the 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 ordinary 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 ordinary shares in 2011.

15. Retained Earnings

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Legal reserve ¹	175,054	167,766
Discretionary reserve	4,603,535	4,805,354
Unappropriated retained earnings ²	5,680,133	4,260,296
Total	10,458,722	9,233,416

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

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

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16. Accumulated Other Comprehensive Income

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Share of accumulated other comprehensive income from associates and joint ventures	(140,071)	(97,343)
Cash flow hedge	(48,139)	(55,871)
Available-for-sale financial assets	10,202	10,564
Exchange difference on translation of foreign operations	(1,045,695)	(886,312)
Total	(1,223,703)	(1,028,962)

17. Other Components of Equity

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

<i>(in millions of Korean won)</i>	June 30, 2017	December 31, 2016
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group	(176,889)	(176,889)
Total	(209,708)	(209,708)

¹ As of June 30, 2017, the Parent Company has treasury shares consisting of 763,171 ordinary shares (December 31, 2016: 763,171 shares) and 4,690 preferred shares (December 31, 2016: 4,690 shares). 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, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Sales of goods	14,327,526	28,796,662	13,823,527	26,973,891
Rendering of services	197,179	361,682	126,194	251,097
Royalty income	26,706	50,261	53,221	140,044
Total	14,551,411	29,208,605	14,002,942	27,365,032

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19. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Changes in finished goods and work-in-process	(145,834)	(245,752)	36,211	(264,016)
Raw materials and merchandise used	8,972,461	18,076,507	8,289,455	16,693,686
Employee benefit expense	1,679,884	3,317,796	1,653,079	3,323,030
Depreciation and amortization	432,854	851,638	427,863	876,889
Advertising expense	359,752	552,892	373,141	600,719
Promotion expense	193,373	357,506	213,300	367,541
Transportation expense	360,809	705,634	354,331	679,979
Commission expense	733,970	1,402,303	708,506	1,366,864
Other expenses	1,300,081	2,604,484	1,362,451	2,630,572
Total¹	13,887,350	27,623,008	13,418,337	26,275,264

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, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Salaries	731,136	1,449,218	724,252	1,463,345
Post-employment benefits	47,873	94,792	56,639	116,624
Employee benefits	151,724	299,635	154,844	304,509
Transportation expense	357,259	697,966	350,765	672,677
Rental expense	111,163	220,589	109,879	223,200
Commission expense	535,126	1,022,191	504,474	977,468
Depreciation	58,974	120,174	63,799	128,064
Amortization	49,476	99,424	50,117	99,292
Taxes and dues	29,175	58,549	34,956	66,332
Advertising expense	359,752	552,892	373,141	600,719
Promotional expense	193,373	357,506	213,300	367,541
R&D expense	87,145	134,771	79,657	172,565
Service costs	173,895	362,595	289,156	472,685
Bad debts expense	9,263	19,548	4,170	(8,511)
Other	162,045	340,197	172,719	343,877
Total	3,057,379	5,830,047	3,181,868	6,000,387

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21. Financial Income

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Interest income	23,790	45,617	23,622	47,812
Exchange differences	108,687	207,221	80,235	179,123
Gain on derivatives	372	2,949	1,021	2,003
Other	-	-	26	55
Total	132,849	255,787	104,904	228,993

22. Financial Expenses

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Interest expense	91,157	181,836	110,420	215,475
Exchange differences	90,500	228,358	71,885	206,195
Loss on derivatives	72	231	490	1,220
Loss on disposal of trade receivables	3,724	6,610	3,413	7,546
Other	509	1,041	184	921
Total	185,962	418,076	186,392	431,357

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23. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Dividend income	-	248	20	286
Exchange differences	152,415	532,300	295,735	926,569
Gain on derivatives	4,423	5,658	7,645	12,289
Gain on disposal of property, plant and equipment	2,697	13,428	4,316	9,001
Gain on disposal of intangible assets	18	31	-	-
Gain on disposal of investment property	-	-	7,903	7,903
Gain on disposal of assets held for sale	-	3,804	-	-
Gain on disposal of available-for-sale financial assets	(11)	5,383	-	-
Gain on disposal of investments in associates and joint ventures	5,019	6,279	-	-
Gain on transfer of business	4,882	4,882	-	-
Other	(41,116)	17,215	9,468	19,607
Total	128,327	589,228	325,087	975,655

24. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Six months	Three months	Six months
Exchange differences	167,829	515,467	252,767	888,984
Loss on derivatives	4,633	24,588	33,054	48,939
Loss on disposal of property, plant and equipment	6,626	10,966	4,475	7,941
Impairment loss on disposal of property, plant and equipment	8,690	14,957	1,945	15,761
Loss on disposal of intangible assets	6,167	14,422	1,267	4,546
Impairment loss on disposal of available-for-sale financial assets	-	250	-	358
Other	61,226	85,966	33,209	91,103
Total	255,171	666,616	326,717	1,057,632

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25. Earnings per Share

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

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

	2017		2016	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares (in millions of Korean won)	449,813	1,169,079	244,928	417,190
Weighted average number of ordinary shares outstanding (unit: shares)	162,884,643	162,884,643	162,884,643	162,884,643
Basic earnings per ordinary share (in Korean won)	2,761	7,177	1,503	2,561

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

	2017		2016	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares (in millions of Korean won)	47,662	123,745	26,050	44,435
Weighted average number of preferred shares outstanding (unit: shares)	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings per preferred share (in Korean won)	2,774	7,202	1,516	2,586

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26. Cash Flow Information

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, 2017 and 2016, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2017	2016
Profit for the period	1,350,558	466,579
Adjustments:	1,957,262	2,509,282
Interest expense, net	136,219	167,663
Exchange differences, net	15,082	17,935
Loss on derivatives, net	16,212	35,867
Depreciation	639,775	681,169
Amortization	219,119	206,931
Loss on disposal of property, plant and equipment and intangible assets, net	11,929	3,486
Provisions for severance benefits	186,243	201,232
Provisions	682,216	741,953
Income tax expense	483,562	290,296
Loss (gain) from equity method	(488,200)	48,552
Other	55,105	114,198
	<u>1,957,262</u>	<u>2,509,282</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(487,277)	(225,858)
Decrease in loans and other receivables	120,865	115,756
Increase in inventories	(566,327)	(385,772)
Increase in other assets	(16,925)	(287,174)
Increase in trade payables	519,953	244,875
Increase (decrease) in other payables	21,109	(99,202)
Decrease in provisions	(825,904)	(767,229)
Increase in other liabilities	52,888	257,056
Payment of defined benefit liability	(25,960)	(32,003)
Deposit in plan assets, net	(23,007)	(25,516)
	<u>(1,230,585)</u>	<u>(1,205,067)</u>
Cash generated from operations	<u><u>2,077,235</u></u>	<u><u>1,770,794</u></u>

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(b) Changes in liabilities from financing activities

<i>(in millions of Korean won)</i>	At Jan.1, 2017	Net cash flow from financing activities	Non-cash transactions			At June 30, 2017
			Exchange differences (profit/loss)	Amortization	Effects of exchange rate changes	
Short-term borrowings	596,541	(226,152)	7,436	-	29,321	407,146
Long-term borrowings	2,622,708	91,924	(3,617)	-	(19,357)	2,691,658
Debentures	5,439,762	462,102	(46,506)	2,331	-	5,857,689
Total	8,659,011	327,874	(42,687)	2,331	9,964	8,956,493

(c) Significant non-cash transactions:

<i>(in millions of Korean won)</i>	2017	2016
Reclassification of construction-in-progress to property, plant and equipment	639,802	211,565
Reclassification of construction-in-progress to intangible assets	120,202	91,999
Reclassification of other assets to intangible assets	69,512	56,154
Reclassification of current portion of borrowings and debentures	419,313	959,135
Reclassification of current portion of provisions	722,608	-
Other payables to acquire property, plant and equipment	264,172	161,992
Other payables to acquire intangible assets	9,144	18,537

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

- Transfer of Set-top Box business

- i) On May 17, 2017, assets and workforce of set-top box product business of Home Entertainment segment were transferred to Technicolor SA.
- ii) Total consideration received, and 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	13,942
Assets of the transferred business:	
Trade receivables and other receivables	4,481
Inventories	3,180
Property, plant and equipment and intangible assets	1,399

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27. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment including land, buildings and machinery with maximum amount of ₩227,931 million (December 31, 2016: ₩237,345 million) and the book amount of pledged assets is ₩238,360 million (December 31, 2016: ₩248,106 million). In addition, the Group provided buildings to Nonghyup Bank and others, which are provided with land as collaterals, in order to guarantee obligations of landlords up to ₩9,120 million (December 31, 2016: ₩9,120 million) and the book amount of pledged assets is ₩106 million (December 31, 2016: ₩266 million). Furthermore, available-for-sale financial assets of certain subsidiaries are also provided as collaterals.

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with guarantees of ₩285,279 million (December 31, 2016: ₩221,261 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal US\$ 200 million (December 31, 2016: US\$ 200 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a payment guarantee for customers of up to ₩46,000 million (December 31, 2016: ₩46,000 million). Also, domestic subsidiaries provide joint performance guarantee amounting to ₩67,545 million (December 31, 2016: ₩61,499 million).

(d) At the end of the reporting period, the Group is obliged to collect a portion of the waste generated from products sold in India in the past to comply with the E-Waste (Management) Rule of India. This may affect certain items in general operating expenses or provisions. However, the potential impact on the consolidated financial statements may materially vary depending on subsequent guidance of relevant legislations.

(e) In December 2012, the European Commission imposed a penalty on the Parent Company for 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 guarantee of EUR 546,868 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 Europe and others, in connection with the alleged anti-competitive activities among CRT manufacturers. There are also a number of other legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Group as of the end of the reporting period cannot be presently determined.

At the end of the reporting period, LG Display Co., Ltd., an associate of the Group, has been named as a defendant in cases related to the infringement of patents. In addition, LG Display Co.,

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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 litigations 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, 2016: ₩165,500 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, 2016: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩193,331 million (December 31, 2016: ₩201,888 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩1,666,063 million (December 31, 2016: ₩1,591,226 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,265,525 million (December 31, 2016: ₩2,535,433 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩500,000 million (December 31, 2016: ₩500,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including KEB Hana Bank, amounting to ₩233,618 million (December 31, 2016: ₩245,326 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 US\$ 286 million (December 31, 2016: US\$ 262 million), and have sales agreements for trade receivables with a limit of US\$ 520 million (December 31, 2016: US\$ 420 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 ₩48,000 million (December 31, 2016: ₩48,000 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

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services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,163,000 million (December 31, 2016: ₩1,150,000 million) which guarantee the payment of trade 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 ₩145,838 million (December 31, 2016: ₩146,251 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 ₩60,400 million limit (December 31, 2016: ₩64,000 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, 2016: ₩30,000 million).

In addition, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2016: ₩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 Shinhan Bank, of up to ₩4,616,793 million (December 31, 2016: ₩4,848,826 million).

(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, 2017	December 31, 2016
Property, plant and equipment	367,374	502,666
Intangible assets	29,910	28,591
Total	397,284	531,257

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

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

<i>(in millions of Korean won)</i>	June 30, 2017			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Land	254	978	1,171	2,403
Buildings	238,609	355,457	50,726	644,792
Vehicles	30,891	31,469	-	62,360
Equipment and others	16,871	16,845	-	33,716
Total	286,625	404,749	51,897	743,271

ii) Lease payment under operating lease recognized in the consolidated interim statement of profit or loss for the six-month period ended June 30, 2017, is ₩178,419 million (2016:

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₩170,680 million).

- iii) At the end of the reporting period, the total of future minimum sublease payments expected to be received under non-cancellable sublease agreements for some buildings amount to ₩15,361 million and lease income recognized related to the sublease for the six-month period ended June 30, 2017, amounts to ₩4,795 million (2016: ₩5,260 million).

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

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

<i>(in millions of Korean won)</i>	June 30, 2017			
	Within 1 year	1 to 5 years	Over 5 years	Total lease payments
Healthcare rental	172,030	291,514	-	463,544
Real estate rental	1,307	5	-	1,312
Total	173,337	291,519	-	464,856

- ii) The Group recognized ₩69,688 million (2016: ₩53,816 million) in lease income for the six-month period ended June 30, 2017.

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

At the end of the reporting period, the Group has entered into a finance lease agreement for vehicle lease and has recognized a finance lease as assets and liabilities in the consolidated statements of financial position. Net book amount of the leased assets amounts to ₩2,917 million, and the present value of the finance lease liabilities amounts to ₩1,506 million.

At the end of the reporting period, future minimum lease payments under the finance lease agreement are as follows:

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016	
	Minimum lease payments	PV of minimum lease payments	Minimum lease payments	PV of minimum lease payments
Within 1 year	981	922	1,527	1,437
1 to 5 years	621	584	1,045	991
Total	1,602	1,506	2,572	2,428

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(j) Trademark license commitments

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

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

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29. Related Party

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

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2017					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	707	-	707	163	81,236	81,399
Associates	LG Display Co., Ltd. and its subsidiaries	830,297	-	830,297	2,735,939	7,719	2,743,658
	Ericsson-LG Co., Ltd. and its subsidiaries	3,844	-	3,844	1,819	-	1,819
	Hitachi-LG Data Storage Inc. and its subsidiaries	520	117	637	73,935	696	74,631
	LG Fuel Cell Systems Inc. and its subsidiaries	1,784	475	2,259	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	2	2
	Subtotal	836,445	592	837,037	2,811,693	8,417	2,820,110
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	13,313	36,457	49,770
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	1,298	1,298
	EIC PROPERTIES PTE LTD.	-	-	-	-	380	380
	LG-MRI LLC	272	-	272	14,410	-	14,410
	Subtotal	272	-	272	27,723	38,135	65,858
Other related parties	LG CNS Co., Ltd. and its subsidiaries	33,600	-	33,600	61,717	209,114	270,831
	SERVEONE Co., Ltd. and its subsidiaries	63,295	-	63,295	559,969	211,382	771,351
	LG Siltron Incorporated and its subsidiaries	4,294	-	4,294	28	-	28
	LUSEM CO., LTD.	19,855	-	19,855	829	5	834
	LG Management Development Institute	-	-	-	123	13,249	13,372
	LG SPORTS Ltd.	19	-	19	-	5,638	5,638
	LG MMA Ltd.	301	-	301	36	-	36
	LG Holdings Japan Co., Ltd.	9	-	9	-	1,775	1,775
	LG Corp. U.S.A.	-	84,420	84,420	-	-	-
	Subtotal	121,373	84,420	205,793	622,702	441,163	1,063,865
Others ¹	LG Chem Ltd. and its subsidiaries and associates	373,848	2,065	375,913	475,929	1,274	477,203
	LG INTERNATIONAL CORP and its subsidiaries	82,610	-	82,610	1,622,624	853,970	2,476,594
	LG Uplus Corp and its subsidiaries	381,584	-	381,584	29,616	2,126	31,742
	LG HAUSYS,LTD. and its subsidiaries and associates	9,325	1	9,326	16,065	250	16,315
	Silicon Works Co., Ltd.	4,753	-	4,753	5,252	-	5,252
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,374	-	1,374	138	269	407

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		2017					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	G II R Inc. and its subsidiaries	1,134	-	1,134	69	150,842	150,911
	LG Hitachi Ltd.	1	-	1	-	-	-
	Subtotal	854,629	2,066	856,695	2,149,693	1,008,731	3,158,424
	Total	1,813,426	87,078	1,900,504	5,611,974	1,577,682	7,189,656

(in millions of Korean won)

		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 its subsidiaries	500,707	-	500,707	2,422,849	25,501	2,448,350
	Ericsson-LG Co., Ltd. and its subsidiaries	4,049	-	4,049	2,333	-	2,333
	Hitachi-LG Data Storage Inc. and its subsidiaries	437	147	584	59,884	-	59,884
	LG Fuel Cell Systems Inc. and its subsidiaries	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) Ltd. and its subsidiaries	-	-	-	-	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 its subsidiaries	28,838	-	28,838	94,467	196,329	290,796
	SERVEONE Co., Ltd. and its subsidiaries	32,688	-	32,688	663,610	70,611	734,221
	LG Siltron Incorporated and its subsidiaries	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
Others ¹	LG Chem Ltd. and its subsidiaries and associates	184,903	-	184,903	276,736	1,221	277,957
	LG INTERNATIONAL CORP and its subsidiaries	52,673	-	52,673	1,869,224	662,687	2,531,911
	LG Uplus Corp and its subsidiaries	451,139	-	451,139	18,852	5,495	24,347
	LG HAUSYS,LTD. and its subsidiaries and associates	11,701	2	11,703	20,938	166	21,104
	Silicon Works Co., Ltd.	4,772	-	4,772	1,885	-	1,885
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,722	-	1,722	149	228	377

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		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG LIFE SCIENCES, LTD.	1,807	-	1,807	1	-	1
	G II R Inc. and its subsidiaries	926	-	926	10	77,848	77,858
	LG Hitachi Ltd.	12	-	12	-	-	-
	Subtotal	709,655	2	709,657	2,187,795	747,645	2,935,440
	Total	1,336,291	645	1,336,936	5,461,072	1,163,990	6,625,062

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

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

(in millions of Korean won)

		June 30, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	38	-	28,057	28,095	-	-	3,268	3,268
Associates	LG Display Co., Ltd. and its subsidiaries	474,799	-	16,627	491,426	940,514	-	88,896	1,029,410
	Ericsson-LG Co., Ltd. and its subsidiaries	250	-	480	730	337	-	-	337
	Hitachi-LG Data Storage Inc. and its subsidiaries ¹	-	2,643	100	2,743	39,151	-	324	39,475
	LG Fuel Cell Systems Inc. and its subsidiaries	381	-	-	381	-	-	-	-
	Subtotal	475,430	2,643	17,207	495,280	980,002	-	89,220	1,069,222
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	17,455	-	-	17,455	30,336	-	3,112	33,448
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,378	1,378
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	66	66
	LG-MRI LLC	214	-	-	214	5,354	-	120	5,474
	Subtotal	17,669	-	-	17,669	35,690	-	4,676	40,366
Other related parties	LG CNS Co., Ltd. and its subsidiaries	29,071	-	409	29,480	1,989	-	155,097	157,086
	SERVEONE Co., Ltd. and its subsidiaries	24,171	-	62,206	86,377	296,979	-	114,527	411,506
	LG Siltron Incorporated and its subsidiaries	3,515	-	-	3,515	-	-	1,818	1,818
	LUSEM CO., LTD.	7,543	-	-	7,543	319	-	41	360
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,399	1,399
	LG SPORTS Ltd.	-	-	-	-	-	-	722	722
	LG MMA Ltd.	-	-	-	-	8	-	-	8
	LG Holdings Japan Co., Ltd.	-	-	3,879	3,879	-	-	-	-
	LG Corp. U.S.A.	-	-	127	127	-	-	-	-
	Subtotal	64,300	-	84,485	148,785	299,295	-	273,604	572,899
Others ²	LG Chem Ltd. and its subsidiaries and associates	351,424	-	3,234	354,658	309,366	-	8,195	317,561
	LG INTERNATIONAL CORP and its subsidiaries	26,330	-	2,020	28,350	583,717	-	260,723	844,440
	LG Uplus Corp and its subsidiaries	56,785	-	1,807	58,592	1,908	-	291	2,199
	LG HAUSYS,LTD. and its	5,219	-	312	5,531	6,146	-	301	6,447

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		June 30, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	subsidiaries and associates								
	Silicon Works Co., Ltd.	1,453	-	40	1,493	1,978	-	563	2,541
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	221	-	-	221	31	-	1,023	1,054
	G I R Inc. and its subsidiaries	186	-	10	196	490	-	173,078	173,568
	Subtotal	441,618	-	7,423	449,041	903,636	-	444,174	1,347,810
	Total	999,055	2,643	137,172	1,138,870	2,218,623	-	814,942	3,033,565

(in millions of Korean won)

		December 31, 2016							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	745	-	28,484	29,229	-	-	62	62
Associates	LG Display Co., Ltd. and its subsidiaries	415,581	-	22,056	437,637	958,168	-	81,919	1,040,087
	Ericsson-LG Co., Ltd. and its subsidiaries	235	-	529	764	706	-	-	706
	Hitachi-LG Data Storage Inc. and its subsidiaries	-	3,259	154	3,413	27,992	-	388	28,380
	LG Fuel Cell Systems Inc. and its subsidiaries	245	14,551	516	15,312	-	-	-	-
	Subtotal	416,061	17,810	23,255	457,126	986,866	-	82,307	1,069,173
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	4,082	-	421	4,503	344	-	-	344
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,180	1,180
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	72	72
	LG-MRI LLC	341	-	-	341	8,218	-	-	8,218
	Subtotal	4,423	-	421	4,844	8,562	-	1,252	9,814
Other related parties	LG CNS Co., Ltd. and its subsidiaries	12,306	-	606	12,912	13,268	-	160,882	174,150
	SERVEONE Co., Ltd. and its subsidiaries	31,598	-	60,826	92,424	232,796	-	228,632	461,428
	LG Siltron Incorporated and its subsidiaries	1,186	-	-	1,186	-	-	30	30
	LUSEM CO., LTD.	7,166	-	-	7,166	299	-	21	320
	LG Management Development Institute	-	-	17,875	17,875	-	-	1,552	1,552
	LG MMA Ltd.	321	-	-	321	7	-	15	22
	LG Holdings Japan Co., Ltd.	-	-	3,952	3,952	-	-	8	8
	Subtotal	52,577	-	83,259	135,836	246,370	-	391,140	637,510
Others ²	LG Chem Ltd. and its subsidiaries and associates	102,241	-	32,789	135,030	256,563	-	6,139	262,702
	LG INTERNATIONAL CORP and its subsidiaries	58,437	-	15,539	73,976	227,331	-	229,847	457,178
	LG Uplus Corp and its subsidiaries	61,117	-	1,389	62,506	689	-	253	942
	LG HAUSYS,LTD. and its subsidiaries and associates	5,193	-	500	5,693	4,849	-	3,134	7,983
	Silicon Works Co., Ltd.	2,366	-	9	2,375	734	-	328	1,062
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,310	-	-	1,310	39	-	870	909
	LG LIFE SCIENCES, LTD.	1,224	-	-	1,224	-	-	-	-

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		December 31, 2016							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	G IIR Inc. and its subsidiaries	139	-	-	139	26,805	-	132,793	159,598
	Subtotal	232,027	-	50,226	282,253	517,010	-	373,364	890,374
	Total	705,833	17,810	185,645	909,288	1,758,808	-	848,125	2,606,933

¹ During the six-month period ended June 30, 2017, the Group recognized additional equity method gain of W6,797 million (2016: equity method loss of W22,772 million) for loans provided to Hitachi-LG Data Storage Inc.

² Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to an identical large enterprise group with the Group in accordance with the Monopoly Regulation and Fair Trade Act.

iii) Significant capital transactions and other transactions with related parties

(in millions of Korean won)

		2017						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	-	-	7,413	-	-
	LG Fuel Cell Systems Inc.	-	-	13,661	-	13,593	-	-
	Subtotal	67,927	-	13,661	-	21,006	-	-
	Total	67,927	22,038	13,661	-	21,006	-	-

(in millions of Korean won)

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

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

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

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

- (c) There is no payment guarantee provided by the Group for the financial support of the related parties at the end of the reporting period.
- (d) There is no collateral provided by the Group for the financial support 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 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.

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

<i>(in millions of Korean won)</i>	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	10,798	(10,798)	(12,382)	12,382
EUR/KRW	44,359	(44,359)	31,934	(31,934)

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 deposits held by financial institutions with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in improving corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

The Group minimizes its borrowings from others and optimizes its deposits by constructing global internal finance sharing system. The Group manages the risk of floating interest rate by regularly monitoring trends of internal and external interest rates.

If interest rates fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	<u>2017</u>	<u>2016</u>
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	<u>1%p increase</u>	<u>1%p decrease</u>	<u>1%p increase</u>	<u>1%p decrease</u>
Interest income	17,320	(17,320)	13,834	(13,834)
Interest expense	2,294	(2,294)	2,399	(2,399)

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.

<u>June 30, 2017</u>	<u>Contractor</u>	<u>Contracted amount (in millions)</u>	<u>Contracted currency rate</u>	<u>Interest rate (received)</u>	<u>Interest rate (paid)</u>	<u>Starting date</u>	<u>Expiration date</u>
USD/KRW CRS	Shinhan Bank and others	USD 300	1,113.6 ~ 1,155.2	1ML+0.90 ~ 3ML+1.60	2.17 ~ 3.22	2013. 7.31 ~ 2017. 2. 2	2019. 1.31 ~ 2022. 2. 2
USD/BRL CRS	Citi Bank	USD 20	3.2560	2.05	11.40	2017. 1. 5	2017.12.29
KRW Interest rate swap	Woori Bank and others	KRW 1,270,000	-	3M CD+0.82 ~ 3M CD+1.14	2.75 ~ 4.53	2014. 1. 3 ~ 2017. 1.16	2024. 1. 3 ~ 2030. 7. 7

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 ₩38,152 million for the six-month period ended June 30, 2017 (2016: loss on valuation amounting to ₩101,398 million) after applying the tax effect, is recognized in other comprehensive income (loss). The Group has reclassified ₩45,884 million to loss from equity for the six-month period ended June 30, 2017 (2016: ₩52,597 million to loss from equity). Therefore, other comprehensive income from cash flow hedges amounts to ₩7,732 million for the six-month period ended June 30, 2017 (2016: other comprehensive loss of ₩48,801 million) after applying the tax effect.

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, 2017, and related profit or loss for the six-month period ended June 30, 2017, are as follows:

<u>(in millions of Korean won)</u>	<u>Purchase</u>	<u>Sale</u>	<u>Gain on valuation</u>	<u>Loss on transaction</u>
Currency forward	396,313	396,514	4,930	21,142

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

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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, 2017		December 31, 2016	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,295	(3,295)	3,575	(3,575)

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 the reporting period, trade receivable balance of the Group is ₩7,445,483 million (December 31, 2016: ₩7,146,370 million) and its risk is managed appropriately within insurer's credit limit of ₩28,497,027 million (December 31, 2016: ₩30,364,413 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

At the end of the 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 Kookmin Bank, Shinhan Bank and others to cope with potential financial distress.

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

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Trade payables	7,116,872	7,116,872	-	-	-
Borrowings	10,322,449	1,419,665	1,607,865	3,722,562	3,572,357
Other payables	2,939,547	2,929,851	3,318	5,993	385
Derivative liabilities	1,588	1,588	-	-	-
Total	20,380,456	11,467,976	1,611,183	3,728,555	3,572,742

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 ₩1,588 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, 2017, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	46,000	46,000	-	-	-

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

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

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<i>(in millions of Korean won, except for ratios)</i>	June 30, 2017	December 31, 2016
Liability (A)	24,934,303	24,498,527
Equity (B)	14,408,096	13,356,742
Cash and cash equivalents (C)	3,604,375	3,015,137
Borrowings (D)	8,956,493	8,659,011
Debt-to-equity ratio (A/B)	173.1%	183.4%
Net borrowings ratio ((D-C)/B)	37.1%	42.3%

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Fair Value Estimation

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

<i>(in millions of Korean won)</i>	June 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	2,045	2,045	-	-
Derivatives for hedging purposes				
Other financial assets	-	-	2,530	2,530
Available-for-sale financial assets				
Other financial assets	-	-	14,361	14,361
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	3,604,375	1	-	-
Deposits held by financial institutions	80,560	1	63,006	63,006
Trade receivables	7,344,627	1	-	-
Other receivables	376,031	1	495,545	483,140
Held-to-maturity financial assets				
Other financial assets	-	-	117	1
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	34,596	2
Total	11,407,638		610,155	

<i>(in millions of Korean won)</i>	June 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	1,588	1,588	-	-
Derivatives for hedging purposes				
Other financial liabilities	442	442	65,447	65,447
Liabilities at amortized cost				
Trade payables	7,116,872	1	-	-
Borrowings	1,136,131	1	7,820,362	7,900,563
Other payables	2,929,804	1	9,624	9,793
Other liabilities				
Other financial liabilities	46	3	-	-
Total	11,184,883		7,895,433	

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<i>(in millions of Korean won)</i>	December 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	557	557	-	-
Derivatives for hedging purposes				
Other financial assets	30,093	30,093	16,091	16,091
Available-for-sale financial assets				
Other financial assets	-	-	14,837	14,837
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	3,015,137	¹	-	-
Deposits held by financial institutions	80,559	¹	58,195	58,195
Trade receivables	7,059,889	¹	-	-
Other receivables	545,766	¹	490,178	477,590
Held-to-maturity financial assets				
Other financial assets	-	-	117	¹
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	35,102	²
Total	10,732,001		614,520	

<i>(in millions of Korean won)</i>	December 31, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	8,041	8,041	-	-
Derivatives for hedging purposes				
Other financial liabilities	12,960	12,960	73,226	73,226
Liabilities at amortized cost				
Trade payables	6,746,361	¹	-	-
Borrowings	1,650,511	¹	7,008,500	7,194,685
Other payables	3,196,735	¹	7,771	6,923
Other liabilities				
Other financial liabilities	114	³	-	-
Total	11,614,722		7,089,497	

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

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

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

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price for financial assets held by the 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 that the company develops or figures that external valuation agencies provide, and makes judgements based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.

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

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including discounting cash flow method.

ii) Financial instruments measured at fair value

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

<i>(in millions of Korean won)</i>	June 30, 2017			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,361	-	-	14,361
Financial assets at fair value through profit or loss	-	2,045	-	2,045
Derivatives for hedging purposes	-	2,530	-	2,530
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,588	-	1,588
Derivatives for hedging purposes	-	65,889	-	65,889
December 31, 2016				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,837	-	-	14,837
Financial assets at fair value through profit or loss	-	557	-	557
Derivatives for hedging purposes	-	46,184	-	46,184
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	8,041	-	8,041
Derivatives for hedging purposes	-	86,186	-	86,186

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'

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Valuation technique and inputs for fair value measurements categorized within 'level 2' as of June 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2017	December 31, 2016		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	2,045	557	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	2,530	46,184	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	1,588	8,041	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	65,889	86,186	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

Changes in financial assets and financial liabilities that are measured at fair value and categorized within 'level 3' for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	-	1,202
Total gain(loss) for the period		
Loss included in profit for the period ¹	-	(354)
Gain included in other comprehensive income	-	5
Purchase, issue, sales and settlement		
Purchase	-	-
Sale and others	-	(581)
At June 30	-	272

¹ No gain and loss is included in profit for the period for the six-month period ended June 30, 2017 (2016: interest income ₩4 million and impairment loss ₩358 million).

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

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

June 30, 2017				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	63,006	63,006
Non-current other receivables	-	-	483,140	483,140
Liabilities				
Non-current borrowings	-	-	7,900,563	7,900,563
Non-current other payables	-	-	9,793	9,793
December 31, 2016				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	58,195	58,195
Non-current other receivables	-	-	477,590	477,590
Liabilities				
Non-current borrowings	-	-	7,194,685	7,194,685
Non-current other payables	-	-	6,923	6,923

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

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

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

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

<i>(in millions of Korean won)</i>	June 30, 2017		December 31, 2016		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	63,006	63,006	58,195	58,195	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.8%
Non-current other receivables	495,545	483,140	490,178	477,590	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3% ~ 4.3%
Liabilities								
Non-current borrowings	7,820,362	7,900,563	7,008,500	7,194,685	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.5% ~ 3.7%
Non-current other payables	9,624	9,793	7,771	6,923	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7% ~ 2.7%

31. Assets Classified as Held for Sale

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

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

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

² The investment property was sold in January 2017.

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

32. Events After the Reporting Period

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