

LG Electronics

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

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying 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 September 30, 2017, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2017 and 2016, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

November 14, 2017
Seoul, Korea

This report is effective as of November 14, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying 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.

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

<i>(in millions of Korean won)</i>	Notes	September 30, 2017 (Unaudited)	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	5,30	3,486,505	3,015,137
Deposits held by financial institutions	5,30	80,516	80,559
Trade receivables	5,6,30	7,737,606	7,059,889
Loans and other receivables	5,6,30	427,778	545,766
Other financial assets	5,7,30	1,032	30,650
Inventories	8	6,357,977	5,171,015
Current income tax assets		108,979	147,221
Other current assets		1,026,281	931,420
Assets held for sale	32	371,197	8,906
		<u>19,597,871</u>	<u>16,990,563</u>
Non-current assets			
Deposits held by financial institutions	5,30	58,784	58,195
Loans and other receivables	5,6,30	483,820	490,178
Other financial assets	5,7,30	55,132	66,147
Property, plant and equipment	9	11,385,099	11,222,428
Intangible assets	9	1,777,953	1,571,087
Deferred income tax assets		1,348,966	1,554,594
Investments in associates and joint ventures	10	5,695,847	5,104,558
Investment properties		96,042	97,031
Net defined benefit assets	12	221	730
Other non-current assets		627,463	699,758
		<u>21,529,327</u>	<u>20,864,706</u>
Total assets		<u>41,127,198</u>	<u>37,855,269</u>
Liabilities			
Current liabilities			
Trade payables	5,30	8,127,240	6,746,361
Borrowings	5,11,30	1,167,148	1,650,511
Other payables	5,30	3,233,840	3,196,735
Other financial liabilities	5,7,30	3,866	21,115
Current income tax liabilities		121,953	74,263
Provisions	13	645,143	770,967
Other current liabilities		3,713,877	3,284,412
		<u>17,013,067</u>	<u>15,744,364</u>
Non-current liabilities			
Borrowings	5,11,30	7,996,522	7,008,500
Other payables	5,30	9,322	7,771
Other financial liabilities	5,7,30	51,018	73,226
Deferred income tax liabilities		8,344	9,586
Net defined benefit liabilities	12	709,892	511,252
Provisions	13	302,187	1,028,298
Other non-current liabilities		111,989	115,530
		<u>9,189,274</u>	<u>8,754,163</u>
Total liabilities		<u>26,202,341</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	10,798,276	9,233,416
Accumulated other comprehensive income	16	(1,067,291)	(1,028,962)
Other components of equity	17	(209,764)	(209,708)
		<u>13,513,569</u>	<u>11,987,094</u>
Non-controlling interests		<u>1,411,288</u>	<u>1,369,648</u>
Total equity		<u>14,924,857</u>	<u>13,356,742</u>
Total liabilities and equity		<u>41,127,198</u>	<u>37,855,269</u>

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Consolidated Interim Statements of Profit or Loss
Three-Month and Nine-month Periods Ended September 30, 2017 and 2016

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended September 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Net sales	18	15,224,140	44,432,745	13,224,230	40,589,262
Cost of sales	19	11,619,978	33,412,939	9,915,237	30,190,114
Gross profit		3,604,162	11,019,806	3,308,993	10,399,148
Selling and marketing expenses	19,20	1,801,576	5,163,711	1,550,226	4,847,617
Administrative expenses	19,20	358,845	1,008,941	358,949	1,032,056
Research and development expenses	19,20	584,721	1,767,748	613,589	1,883,626
Service costs	19,20	342,927	977,716	502,997	1,262,849
Operating profit		516,093	2,101,690	283,232	1,373,000
Financial income	21	131,700	387,487	82,536	311,529
Financial expenses	22	193,826	611,902	189,413	620,770
Gain (loss) from equity method valuation	10	165,609	653,809	20,002	(28,550)
Other non-operating income	23	250,854	840,082	353,321	1,328,976
Other non-operating expenses	24	354,735	1,021,351	501,734	1,559,366
Profit before income tax		515,695	2,349,815	47,944	804,819
Income tax expense		179,556	663,118	129,466	419,762
Profit (loss) for the period		336,139	1,686,697	(81,522)	385,057
Profit (loss) for the period attributable to:					
Owners of the Parent Company		318,111	1,610,935	(62,013)	399,612
Non-controlling interests		18,028	75,762	(19,509)	(14,555)
		336,139	1,686,697	(81,522)	385,057
Earnings (loss) per share attributable to the owners of the Parent Company during the period (in Korean won):	25				
Earnings (loss) per ordinary share		1,766	8,943	(345)	2,216
Earnings (loss) per preferred share		1,778	8,980	(333)	2,253

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Consolidated Interim Statements of Comprehensive Income

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

(in millions of Korean won)	Notes	Period Ended September 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit (loss) for the period		336,139	1,686,697	(81,522)	385,057
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	24,450	32,850	(13,377)	(159,476)
Share of remeasurements of associates	10	(1,068)	(3,197)	(299)	(1,336)
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income (loss) (excluding remeasurements) from associates and joint ventures	10	39,527	(3,201)	(96,898)	(126,449)
Cash flow hedges	30	11,066	18,798	8,172	(40,629)
Available-for-sale financial assets	7	97	(265)	1,203	(317)
Exchange differences on translation of foreign operations		117,991	(61,523)	(352,401)	(353,925)
Other comprehensive income (loss) for the period, net of tax		<u>192,063</u>	<u>(16,538)</u>	<u>(453,600)</u>	<u>(682,132)</u>
Total comprehensive income (loss) for the period, net of tax		<u>528,202</u>	<u>1,670,159</u>	<u>(535,122)</u>	<u>(297,075)</u>
Total comprehensive income (loss) for the period, net of tax, attributable to:					
Owners of the Parent Company		495,966	1,599,416	(480,299)	(224,098)
Non-controlling interests		32,236	70,743	(54,823)	(72,977)
		<u>528,202</u>	<u>1,670,159</u>	<u>(535,122)</u>	<u>(297,075)</u>

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Consolidated Interim Statements of Changes in Equity

Nine-month Periods Ended September 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 (loss) for the period		-	399,612	-	-	399,612	(14,555)	385,057
Remeasurements of the net defined benefit liability	12	-	(146,973)	-	-	(146,973)	(12,503)	(159,476)
Share of remeasurements of associates	10	-	(1,336)	-	-	(1,336)	-	(1,336)
Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(126,449)	-	(126,449)	-	(126,449)
Cash flow hedges	30	-	-	(40,629)	-	(40,629)	-	(40,629)
Available-for-sale financial assets	7	-	-	(317)	-	(317)	-	(317)
Exchange differences on translation of foreign operations		-	-	(308,006)	-	(308,006)	(45,919)	(353,925)
Total comprehensive income (loss)		-	251,303	(475,401)	-	(224,098)	(72,977)	(297,075)
Transactions with owners:								
Dividends	15	-	(72,885)	-	-	(72,885)	(36,827)	(109,712)
Changes in controlling interests in subsidiaries		-	-	-	635	635	460	1,095
Total transactions with owners		-	(72,885)	-	635	(72,250)	(36,367)	(108,617)
Balance at September 30, 2016 (Unaudited)		3,992,348	9,194,964	(1,647,380)	(209,708)	11,330,224	1,247,571	12,577,795
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		-	1,610,935	-	-	1,610,935	75,762	1,686,697
Remeasurements of the net defined benefit liability	12	-	30,007	-	-	30,007	2,843	32,850
Share of remeasurements of associates	10	-	(3,197)	-	-	(3,197)	-	(3,197)
Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures	10	-	-	(3,201)	-	(3,201)	-	(3,201)
Cash flow hedges	30	-	-	18,798	-	18,798	-	18,798
Available-for-sale financial assets	7	-	-	(265)	-	(265)	-	(265)
Exchange differences on translation of foreign operations		-	-	(53,661)	-	(53,661)	(7,862)	(61,523)
Total comprehensive income (loss)		-	1,637,745	(38,329)	-	1,599,416	70,743	1,670,159
Transactions with owners:								
Dividends	15	-	(72,885)	-	-	(72,885)	(28,916)	(101,801)
Changes in controlling interests in subsidiaries		-	-	-	(56)	(56)	(187)	(243)
Total transactions with owners		-	(72,885)	-	(56)	(72,941)	(29,103)	(102,044)
Balance at September 30, 2017 (Unaudited)		3,992,348	10,798,276	(1,067,291)	(209,764)	13,513,569	1,411,288	14,924,857

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Consolidated Interim Statements of Cash Flows
Nine-month Periods Ended September 30, 2017 and 2016

(in millions of Korean won)

	Notes	Nine-month Period Ended September 30	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	26	2,682,623	3,028,059
Interest received		61,602	59,376
Interest paid		(291,604)	(331,610)
Dividend received		68,471	71,919
Income tax paid		(356,030)	(360,078)
Net cash inflow from operating activities		2,165,062	2,467,666
Cash flows from investing activities			
Decrease in deposits held by financial institutions		15,351	25,670
Decrease in loans and other receivables		117,422	116,843
Proceeds from redemption and disposal of other financial assets		15,980	32,625
Proceeds from disposal of property, plant and equipment		272,185	47,520
Proceeds from disposal of intangible assets		2,193	1,784
Proceeds from disposal of and withdrawal from investments in associates and joint ventures		14,398	-
Proceeds from disposal of investment properties		-	21,853
Proceeds from disposal of assets held for sale		12,710	-
Transfer of business	26	13,942	6,535
Decrease in others		47	133
Increase in deposits held by financial institutions		(16,006)	(13,727)
Increase in loans and other receivables		(88,755)	(104,654)
Acquisition of other financial assets		(42,547)	(67,396)
Acquisition of property, plant and equipment		(1,930,547)	(1,318,272)
Acquisition of intangible assets		(469,546)	(338,188)
Acquisition of investments in associates and joint ventures		(26,679)	(65,390)
Business combination	31	(3,482)	(11,684)
Net cash outflow from investing activities		(2,113,334)	(1,666,348)
Cash flows from financing activities			
Proceeds from borrowings		1,662,026	1,467,483
Issuance of common shares of subsidiaries		-	6,422
Repayments of borrowings		(1,154,512)	(1,241,842)
Dividends paid and others		(102,044)	(114,886)
Net cash inflow from financing activities		405,470	117,177
Effects of exchange rate changes on cash and cash equivalents		14,170	(140,104)
Net increase in cash and cash equivalents		471,368	778,391
Cash and cash equivalents at the beginning of the period		3,015,137	2,710,156
Cash and cash equivalents at the end of the period		3,486,505	3,488,547

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Notes to the Consolidated Interim Financial Statements

September 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 September 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 September 30, 2017, the Parent Company has 123 subsidiaries (Note 1(a)), 12 associates and joint ventures (Note 10).

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

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

Territory	Location	Subsidiary	September 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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Notes to the Consolidated Interim Financial Statements

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

Territory	Location	Subsidiary	September 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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September 30, 2017 and 2016 (Unaudited), and December 31, 2016

Territory	Location	Subsidiary	September 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)	100.0%	-	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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September 30, 2017 and 2016 (Unaudited), and December 31, 2016

Territory	Location	Subsidiary	September 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	September 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	September 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	September 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
	USA	LG Electronics Vehicle Components U.S.A., LLC(LGEVU)	100.0%	-	-	-	December	Production and Sales of Electronic Products	More than half of voting rights
	USA	LGEUS Power, LLC	100.0%	-	-	-	December	Investment of Solar Power Plant	More than half of voting rights
South America	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

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Territory	Location	Subsidiary	September 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			
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	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

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Territory	Location	Subsidiary	September 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			
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic Products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of Electronic Products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of Electronic Products	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 a majority 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.

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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.

⁴ In the preparation of the consolidated financial statements, the financial statements for the nine-month period ended September 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 nine-month period ended September 30, 2017.

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

<i>(in millions of Korean won)</i>	September 30, 2017			2017			
	Assets	Liabilities	Equity	Three months		Nine months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
LG Innotek Co., Ltd.	4,685,715	3,000,768	1,684,947	1,694,855	34,092	4,482,594	97,475
LG Electronics U.S.A., Inc.(LGEUS)	2,826,201	2,570,263	255,938	2,338,138	(33,307)	6,343,526	4,008
LG Electronics European Shared Service Center B.V.(LGESC)	1,471,749	1,437,460	34,289	46,994	(237)	135,907	3,308
Zenith Electronics Corporation(Zenith)	1,119,139	11,736	1,107,403	7,062	(302)	8,226	(23,988)
LG Electronics do Brasil Ltda.(LGEBR)	1,147,603	674,136	473,467	589,121	56,901	1,751,600	166,229
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	647,515	482,447	165,068	1,189,581	15,151	3,933,992	7,609
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	838,625	440,142	398,483	532,971	6,694	1,725,101	5,231
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	892,678	681,908	210,770	640,898	25,474	1,927,600	70,781
LG Electronics RUS, LLC(LGERA)	788,399	272,271	516,128	379,760	32,670	1,024,815	75,638
LG Electronics Reynosa S.A. DE C.V.(LGERES)	1,127,944	583,470	544,474	729,568	28,112	1,852,676	108,662
LG Electronics India Pvt. Ltd.(LGEIL)	1,042,176	628,344	413,832	737,603	81,029	2,129,560	200,371
LG Electronics (China) Co., Ltd.(LGECH)	564,254	661,838	(97,584)	119,247	(10,150)	432,139	(18,609)
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	632,226	529,154	103,072	643,440	8,484	1,944,613	30,148
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	524,554	286,905	237,649	210,450	44	836,033	12,529
P.T. LG Electronics Indonesia(LGEIN)	417,272	176,685	240,587	249,812	2,481	766,962	17,666
Hiplaza Co., Ltd.	529,946	354,306	175,640	611,746	2,199	1,606,674	15,753

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<i>(in millions of Korean won)</i>	September 30, 2017			2017			
	Assets	Liabilities	Equity	Three months		Nine months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
LG Electronics Nanjing New Technology co.,LTD(LGENT)	422,856	236,611	186,245	307,801	5,014	999,285	26,678
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	429,941	287,864	142,077	224,011	9,903	596,157	18,806
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	493,633	349,838	143,795	277,146	3,083	745,040	14,356
LG Electronics Thailand Co., Ltd.(LGETH)	446,183	207,902	238,281	258,971	(1,253)	803,051	6,380

<i>(in millions of Korean won)</i>	December 31, 2016			2016			
	Assets	Liabilities	Equity	Three months		Nine months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
LG Innotek Co., Ltd.	4,022,157	2,433,816	1,588,341	1,254,802	(45,774)	3,378,290	(82,285)
LG Electronics U.S.A., Inc.(LGEUS)	2,633,459	2,366,409	267,050	1,959,341	(18,920)	5,520,569	(52,025)
LG Electronics European Shared Service Center B.V.(LGESC)	1,444,398	1,415,672	28,726	68,936	318	209,558	4,158
Zenith Electronics Corporation(Zenith)	1,212,373	20,036	1,192,337	23,639	1,313	94,715	14,637
LG Electronics do Brasil Ltda.(LGEBR)	1,034,097	717,671	316,426	510,732	51,337	1,312,411	105,740
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	986,534	820,799	165,735	1,275,117	(6,040)	4,266,994	6,407
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	940,710	579,077	361,633	369,843	(5,957)	1,041,080	5,131
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	937,172	790,124	147,048	482,867	(2,332)	1,306,922	62,197
LG Electronics RUS, LLC(LGERA)	812,850	306,224	506,626	360,630	30,462	961,266	71,096
LG Electronics Reynosa S.A. DE C.V.(LGERS)	773,673	319,772	453,901	648,394	18,780	1,741,018	142,184
LG Electronics India Pvt. Ltd.(LGEIL)	695,674	333,974	361,700	553,969	44,327	1,915,038	184,427
LG Electronics (China) Co., Ltd.(LGECH)	641,967	720,244	(78,277)	187,268	4,334	597,122	(10,977)
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	593,009	482,014	110,995	750,910	160	2,308,293	28,313
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	522,949	280,595	242,354	172,372	1,917	747,703	19,207
P.T. LG Electronics Indonesia(LGEIN)	494,883	178,505	316,378	287,998	6,599	900,068	36,874
Hiplaza Co., Ltd.	472,980	313,725	159,255	510,557	11,095	1,303,776	14,120

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<i>(in millions of Korean won)</i>	December 31, 2016			2016			
	Assets	Liabilities	Equity	Three months		Nine months	
				Net sales	Net profit (loss)	Net sales	Net profit (loss)
LG Electronics Nanjing New Technology co.,LTD(LGENT)	426,337	246,416	179,921	273,264	5,411	941,964	28,597
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	421,504	284,497	137,007	232,917	11,108	793,018	29,430
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	416,489	286,817	129,672	209,685	3,831	582,181	15,469
LG Electronics Thailand Co., Ltd.(LGETH)	394,966	168,138	226,828	227,476	(810)	808,427	11,638

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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>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,101,172	1,051,632

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

<i>(in millions of Korean won)</i>	<u>2017</u>		<u>2016</u>	
	<u>Three months</u>	<u>Nine months</u>	<u>Three months</u>	<u>Nine months</u>
Profit (loss) to non-controlling interests	20,560	52,599	(22,927)	(47,914)
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>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Current assets	2,356,526	2,084,431
Non-current assets	2,771,659	2,239,288
Total assets	5,128,185	4,323,719
Current liabilities	1,972,702	1,733,745
Non-current liabilities	1,293,761	811,498
Total liabilities	3,266,463	2,545,243
Owners of Parent Company	1,861,720	1,778,474
Non-controlling interests	2	2
Total equity	1,861,722	1,778,476

iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the three-month and nine-month periods ended September 30, 2017 and 2016, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<u>2017</u>		<u>2016</u>	
	<u>Three months</u>	<u>Nine months</u>	<u>Three months</u>	<u>Nine months</u>
Net sales	1,787,244	4,771,570	1,384,461	3,699,951
Profit (loss) for the period	34,808	88,412	(37,959)	(82,022)
Other comprehensive income (loss), net of tax	11,361	750	(24,199)	(51,464)

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Total comprehensive income (loss), net of tax	46,169	89,162	(62,158)	(133,486)
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- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the nine-month periods ended September 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	215,326	170,427
Cash flows from investing activities	(514,092)	(239,446)
Cash flows from financing activities	305,766	104,166
Effects of exchange rate changes on cash and cash equivalents	(2,078)	(5,682)
Net increase in cash and cash equivalents	4,922	29,465
Cash and cash equivalents at the beginning of the period	341,278	360,286
Cash and cash equivalents at the end of the period	346,200	389,751

- (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

Changes in the Parent Company's interest in the subsidiaries without loss of control for the nine-month periods ended September 30, 2017 and 2016, are as follows:

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<i>(in millions of Korean won)</i>	2017	2016
LG Electronics Nanjing Battery Pack Co., Ltd. (LGENB)		
Decrease in the Parent Company's interest by issuance of common shares (A)	-	(5,787)
Consideration received from non-controlling interest (B)	-	6,422
Changes in the Parent Company's ownership interest (A+B)	-	635
Tianjin Lijie cartridge heater Co., Ltd. (LGETL)		
Increase in the Parent Company's interest by acquisition of common shares (A)	(36)	-
Payment to non-controlling interest (B)	(20)	-
Changes in the Parent Company's ownership interest (A+B)	(56)	-

- (f) Subsidiaries newly included in the scope of preparation of consolidated interim financial statements for the nine-month period ended September 30, 2017, are:

Subsidiary	Reason	Country	Percentage of ownership	Closing month	Major business
HI-M SOLUTEK VIETNAM CO., LTD.	Newly established	Vietnam	100.0%	December	Services
LG Electronics Vehicle Component U.S.A., LLC(LGEVU)	Newly established	USA	100.0%	December	Production and Sales of Electronic Products
LGEUS Power, LLC	Newly established	USA	100.0%	December	Investment of Solar Power Plant

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

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

- (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. and the other.

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

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interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

Changes in Accounting Policies and Disclosures

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

i) The new and amended standards and interpretations adopted by the 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*

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.

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

- Enactments of Korean IFRS 1109 *Financial Instruments*

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

An effective implementation of Korean IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the 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 Korean IFRS 1109. The assessment was performed based on retainable information as of September 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.

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

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

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

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest on the principal amount outstanding on a specified date. As of September 30, 2017, the Group measured loans and receivables of ₩12,275,009 million and financial assets held-to-maturity of ₩120 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 contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on the principal amount outstanding on a specified date under contract terms. As of September 30, 2017, the 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 September 30, 2017, the Group holds equity instruments of ₩49,481 million classified as financial assets available-for-sale, however, there is no unrealized gain or loss recycled to profit or loss for the nine-month period ended September 30, 2017. Based on results from the impact assessment, the Group plans to designate equity instruments, which are classified in financial assets available-for-

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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 September 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

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

Under Korean IFRS 1109 'expected credit loss' model, the 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 September 30, 2017, the Group owns financial instruments at amortized cost of ₩12,275,129 million (loan and receivables of ₩12,275,009 million, financial asset held-to-maturity of ₩120 million). And the Group recognized loss allowance of ₩104,703 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

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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.

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

Korean IFRS 1115 *Revenue from Contracts with Customers* issued in November, 2015 is effective for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction 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 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 September 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 September 30, 2017. The results of the assessment as of September 30, 2017 may change due to additional information that the Group may obtain after the assessment.

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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 September 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 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 September 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 Fulfil 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 September 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 expenses will be recognized as assets.

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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 September 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 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.

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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.

(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.

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(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.

3. Segment Information

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

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, Solar energy system and others

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

Three-month period ended September 30, 2017								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	4,984,412	4,637,583	2,807,675	873,470	1,787,244	688,702	(554,946)	15,224,140
External sales	4,980,966	4,630,788	2,807,578	873,470	1,562,803	368,535	-	15,224,140
Internal sales	3,446	6,795	97	-	224,441	320,167	(554,946)	-
Operating profit(loss) ³	424,944	457,996	(375,289)	(28,975)	55,928	(18,511)	-	516,093
Depreciation and amortization	112,743	76,965	62,531	45,196	83,891	56,937	-	438,263
Nine-month period ended September 30, 2017								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	14,896,686	13,198,577	8,600,778	2,632,422	4,771,570	1,605,307	(1,272,595)	44,432,745
External sales	14,883,835	13,182,941	8,600,395	2,632,422	4,103,135	1,030,017	-	44,432,745
Internal sales	12,851	15,636	383	-	668,435	575,290	(1,272,595)	-
Operating profit(loss) ³	1,408,316	1,183,203	(504,038)	(59,886)	155,284	(81,189)	-	2,101,690
Depreciation and amortization	338,436	230,939	197,435	125,944	238,362	158,785	-	1,289,901
Three-month period ended September 30, 2016								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	4,281,691	4,141,496	2,601,319	674,876	1,384,461	582,881	(442,494)	13,224,230
External sales	4,280,901	4,140,055	2,600,608	674,876	1,164,846	362,944	-	13,224,230
Internal sales	790	1,441	711	-	219,615	219,937	(442,494)	-
Operating profit(loss) ³	336,859	381,499	(425,587)	(16,238)	20,568	(13,869)	-	283,232
Depreciation and amortization	114,779	80,227	72,794	33,246	79,724	42,367	-	423,137
Nine-month period ended September 30, 2016								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	13,223,471	12,632,089	9,043,151	1,907,383	3,699,951	1,434,440	(1,351,223)	40,589,262
External sales	13,222,208	12,626,441	9,041,729	1,907,383	2,877,413	914,088	-	40,589,262
Internal sales	1,263	5,648	1,422	-	822,538	520,352	(1,351,223)	-
Operating profit(loss) ³	1,170,777	1,073,425	(758,806)	(48,776)	(12,995)	(50,625)	-	1,373,000
Depreciation and amortization	348,708	255,184	213,113	93,626	257,506	131,889	-	1,300,026

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

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
H&A	13,988,177	8,792,173	12,386,229	8,129,060
HE	12,483,722	10,845,288	11,131,637	10,349,986
MC	5,679,887	5,988,459	5,928,667	5,554,926
VC	2,739,305	2,788,259	2,340,361	2,232,074
Innotek	5,128,185	3,266,463	4,323,719	2,545,243
Subtotal¹	40,019,276	31,680,642	36,110,613	28,811,289
Other segments and inter-segment transactions	1,107,922	(5,478,301)	1,744,656	(4,312,762)
Total	41,127,198	26,202,341	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 nine-month periods ended September 30, 2017 and 2016, and non-current assets by geographic area as of September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Sales				Non-current assets ¹	
	2017		2016		September 30, 2017	December 31, 2016
	Three months	Nine months	Three months	Nine months		
Geographic areas						
Korea	5,180,268	14,117,397	3,765,730	10,555,829	10,794,351	10,384,327
North America	4,088,999	11,983,757	3,908,344	11,884,127	258,599	325,580
Asia	1,630,466	5,118,249	1,486,396	4,797,156	765,723	719,581
Europe	1,443,004	4,329,789	1,167,552	4,275,388	268,906	246,580
South America	1,131,367	3,313,223	1,035,227	2,874,894	148,376	160,959
Middle East & Africa	761,283	2,516,629	789,893	3,019,995	103,736	116,334
China	558,566	1,885,906	666,931	2,107,675	773,669	781,036
Others	430,187	1,167,795	404,157	1,074,198	145,734	156,149
Total	15,224,140	44,432,745	13,224,230	40,589,262	13,259,094	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 nine-month periods ended September 30, 2017 and 2016.

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4. Financial Instruments by Category

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

September 30, 2017						
<i>(in millions of Korean won)</i>	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	3,486,505	-	-	-	3,486,505
Deposits held by financial institutions	-	139,300	-	-	-	139,300
Trade receivables	-	7,737,606	-	-	-	7,737,606
Loans and other receivables	-	911,598	-	-	-	911,598
Other financial assets	1,032	-	49,481	120	5,531	56,164
Total	1,032	12,275,009	49,481	120	5,531	12,331,173

September 30, 2017				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	8,127,240	-	8,127,240
Borrowings	-	9,163,670	-	9,163,670
Other payables	-	3,243,162	-	3,243,162
Other financial liabilities	2,432	-	52,452	54,884
Total	2,432	20,534,072	52,452	20,588,956

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 nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017					Total
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	72,162	-	2	-	72,164
Exchange differences	-	(360,920)	-	-	-	(360,920)
Bad debt expenses	-	(5,142)	-	-	-	(5,142)
Loss on disposal of trade receivables	-	(9,698)	-	-	-	(9,698)
Gain on disposal of available-for-sale financial assets	-	-	5,398	-	-	5,398
Impairment loss of available-for-sale financial assets	-	-	(1,750)	-	-	(1,750)
Dividend income	-	-	248	-	-	248
Gain on derivatives (through profit or loss)	10,671	-	-	-	-	10,671
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(265)	-	-	(265)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	2,076	2,076

<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	-	(252,898)	(20,113)	(273,011)
Exchange differences	-	411,607	(45,266)	366,341
Loss on derivatives (through profit or loss)	(33,631)	-	-	(33,631)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	16,722	16,722
Others	-	(1,544)	-	(1,544)

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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	-	70,790	19	64	-	70,873
Exchange differences	-	(266,082)	-	-	-	(266,082)
Bad debt expenses	-	25,412	-	-	-	25,412
Loss on disposal of trade receivables	-	(10,429)	-	-	-	(10,429)
Gain on disposal of available-for-sale financial assets	-	-	50	-	-	50
Impairment loss of available-for-sale financial assets	-	-	(6,001)	-	-	(6,001)
Dividend income	-	-	286	-	-	286
Gain on derivatives (through profit or loss)	16,155	-	-	-	-	16,155
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(317)	-	-	(317)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	-	-	(2,170)	(2,170)

<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	-	(278,566)	(39,820)	(318,386)
Exchange differences	-	265,065	(85,613)	179,452
Loss on derivatives (through profit or loss)	(58,357)	-	-	(58,357)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(38,459)	(38,459)
Others	-	(1,078)	79	(999)

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5. Trade Receivables and Other Receivables

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

<i>(in millions of Korean won)</i>	September 30, 2017			December 31, 2016		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	7,826,092	(88,486)	7,737,606	7,146,370	(86,481)	7,059,889
Other receivables						
Current	443,244	(15,466)	427,778	562,105	(16,339)	545,766
Non-current	484,571	(751)	483,820	490,293	(115)	490,178

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

<i>(in millions of Korean won)</i>	2017					
	At January 1	Addition (reversal)	Write-off	Other	At September 30	
Trade receivables		86,481	5,800	(15,483)	11,688	88,486
Other receivables						
Current		16,339	(623)	(3)	(247)	15,466
Non-current		115	(35)	-	671	751

<i>(in millions of Korean won)</i>	2016				
	At January 1	Addition (reversal)	Write-off	Other	At September 30
Trade receivables	143,977	(24,558)	(5,684)	4,870	118,605
Other receivables					
Current	16,635	(931)	(223)	1,720	17,201
Non-current	119	77	-	(84)	112

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

<i>(in millions of Korean won)</i>	September 30, 2017				December 31, 2016			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	6,974,755	402,611	474,146	7,851,512	6,298,870	523,760	480,884	7,303,514
Past due but not impaired								
Up to 6 months	714,197	13,531	7,751	735,479	712,345	10,261	9,407	732,013
7 to 12 months	22,539	1,867	1,497	25,903	15,324	9,087	2	24,413
Over 1 year	24,773	11,557	1,177	37,507	11,461	6,014	-	17,475
Subtotal	761,509	26,955	10,425	798,889	739,130	25,362	9,409	773,901
Impaired	89,828	13,678	-	103,506	108,370	12,983	-	121,353
Total	7,826,092	443,244	484,571	8,753,907	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 September 30, 2017.

6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Other financial assets		
Derivatives	6,563	46,741
Available-for-sale financial assets	49,481	49,939
Held-to-maturity financial assets	120	117
Total	56,164	96,797
Current	1,032	30,650
Non-current	55,132	66,147

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Other financial liabilities		
Derivatives	54,849	94,227
Financial guarantee liability	35	114
Total	54,884	94,341
Current	3,866	21,115
Non-current	51,018	73,226

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

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	1,032	2,432	557	8,041
Currency swap	-	1,423	30,093	12,960
Subtotal	1,032	3,855	30,650	21,001
Non-current				
Currency swap	4,697	2,055	16,091	-
Interest rate swap	834	48,939	-	73,226
Subtotal	5,531	50,994	16,091	73,226
Total	6,563	54,849	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 nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017						At September 30
	At January 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Other	
Listed equity securities	14,837	-	-	(349)	-	-	14,488
Unlisted equity securities	35,102	3,397	(1,342)	-	(1,750)	(414)	34,993
Total	49,939	3,397	(1,342)	(349)	(1,750)	(414)	49,481

<i>(in millions of Korean won)</i>	2016						At September 30
	At January 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Other	
Listed equity securities	15,329	-	-	(409)	-	(3)	14,917
Unlisted equity securities	37,875	8,140	(1)	-	(5,371)	(673)	39,970
Debt securities	1,202	-	(476)	5	(630)	(101)	-
Total	54,406	8,140	(477)	(404)	(6,001)	(777)	54,887

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

(d) Held-to-maturity financial assets

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Within 1 year	-	-
1 to 5 years	120	117

- ii) The amount recognized as interest income in relation to held-to-maturity financial assets for the nine-month period ended September 30, 2017, is ₩2 million (2016: ₩64 million). No impairment losses were recognized in relation to held-to-maturity financial assets for the nine-month periods ended September 30, 2017 and 2016.

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7. Inventories

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

<i>(in millions of Korean won)</i>	September 30, 2017			December 31, 2016		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,676,441	(107,508)	3,568,933	3,045,592	(115,657)	2,929,935
Work-in-process	533,176	(12,829)	520,347	340,980	(13,851)	327,129
Raw materials and supplies	2,034,805	(55,772)	1,979,033	1,679,482	(90,740)	1,588,742
Other	315,413	(25,749)	289,664	366,335	(41,126)	325,209
Total	6,559,835	(201,858)	6,357,977	5,432,389	(261,374)	5,171,015

8. Property, Plant and Equipment, and Intangible Assets

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	11,222,428	10,460,298
Acquisitions	1,816,340	1,394,786
Acquisition through business combination	621	-
Reclassification to assets held for sale	(371,197)	-
Disposals and others	(216,981)	(47,567)
Decrease due to transfer of business	(833)	-
Depreciation	(973,077)	(1,002,331)
Impairment	(76,881)	(60,003)
Exchange differences	(15,321)	(139,017)
At September 30	11,385,099	10,606,166

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	787,570	797,024
Selling and marketing expenses	33,173	33,694
Administrative expenses	46,006	61,607
Research and development expenses	84,593	82,053
Service costs	10,758	10,788
Other non-operating expenses	10,977	17,165
Total	973,077	1,002,331

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	1,571,087	1,473,280
Acquisitions	163,957	143,562
Acquisitions through internal development	403,207	241,520
Disposals and others	(25,506)	(9,679)
Decrease due to transfer of business	(566)	-
Amortization	(326,812)	(313,804)
Impairment	(7,652)	(9,424)
Exchange differences	238	(1,949)
At September 30	1,777,953	1,523,506

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	176,631	165,344
Selling and marketing expenses	15,600	12,476
Administrative expenses	70,620	71,456
Research and development expenses	62,482	62,788
Service costs	1,479	1,740
Total	326,812	313,804

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Associates	5,494,949	4,906,450
Joint ventures	200,898	198,108
Total	5,695,847	5,104,558

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

<i>(in millions of Korean won)</i>	September 30, 2017				December 31, 2016			
	Acquisition cost	Net asset amount	Unrealized gain	Book amount	Acquisition cost	Net asset amount	Unrealized gain	Book amount
LG Display Co., Ltd.	679,218	5,509,027	(90,390)	5,418,637	679,218	4,910,781	(72,971)	4,837,810
Ericsson-LG Co., Ltd.	12,649	39,021	(29)	38,992	16,643	50,796	(30)	50,766
Hitachi-LG Data Storage Inc.(HLDS)	91,250	(11,469)	(1,369)	-	91,250	(17,640)	(1,496)	-
Korea Information Certificate Authority Inc.	1,745	4,770	-	4,770	1,988	5,167	-	5,167
LG Fuel Cell Systems Inc.	83,035	17,463	-	17,463	69,375	9,222	-	9,222
SKT Vietnam PTE., Ltd.	72,194	762	-	-	72,194	815	-	-
One-Red, LLC ¹	3,128	3,438	-	3,438	3,128	3,485	-	3,485
Kiwigrid GmbH ¹	13,019	11,649	-	11,649	-	-	-	-
Total	956,238	5,574,661	(91,788)	5,494,949	933,796	4,962,626	(74,497)	4,906,450

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

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

<i>(in millions of Korean won)</i>	September 30, 2017				December 31, 2016			
	Acquisition cost	Net asset amount	Unrealized gain	Book amount	Acquisition cost	Net asset amount	Unrealized gain	Book amount
LG Holdings(HK) Ltd.	115,234	143,829	-	143,829	115,234	141,768	-	141,768
Arcelik-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	14,718	41,059	(39)	41,020	14,718	41,377	(726)	40,651
EIC PROPERTIES PTE LTD.	9,636	14,964	-	14,964	9,636	14,493	-	14,493
LG-MRI LLC	516	1,086	(1)	1,085	516	1,196	-	1,196
Total	140,104	200,938	(40)	200,898	140,104	198,834	(726)	198,108

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(b) Associates and joint ventures

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

<u>Name of associate</u>	<u>Location</u>	<u>Closing month</u>	<u>Percentage of ownership</u>	<u>Nature of relationships with the Group</u>
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
Kiwigrind 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 September 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.

<u>Name of joint venture</u>	<u>Location</u>	<u>Closing month</u>	<u>Percentage of ownership</u>	<u>Nature of relationships with the Group</u>
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 nine-month periods ended September 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	65,390
Gain (loss) from equity method ¹	639,970	(18,822)
Share of other comprehensive loss of associates	(1,992)	(106,086)
Dividend/withdraw investments	(81,065)	(71,633)
Exchange differences	(111)	(207)
Changes in ownership interest over associates	5,018	-
At September 30	5,494,949	4,516,839

¹ The Group recognized additional equity method gain of ₩6,298 million (2016: equity method loss of ₩22,695 million) for loans provided to Hitachi-LG Data Storage Inc. for the nine-month period ended September 30, 2017.

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	198,108	193,664
Gain from equity method	7,541	12,967
Share of other comprehensive loss of joint ventures	(4,406)	(21,699)
Dividend/withdraw investments	(296)	-
Exchange differences	(49)	(60)
At September 30	200,898	184,872

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

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Current assets	11,334,062	10,484,186
Non-current assets	17,457,667	14,400,150
Total assets	28,791,729	24,884,336
Current liabilities	8,079,139	7,058,219
Non-current liabilities	5,544,478	4,363,729
Total liabilities	13,623,617	11,421,948
Equity attributable to the owners of LG Display Co., Ltd.	14,534,315	12,955,997
Non-controlling interests	633,797	506,391
Total equity	15,168,112	13,462,388

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<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Net sales	6,973,095	20,664,143	6,723,775	18,568,118
Profit for the period	477,244	1,893,409	189,554	106,825
Equity attributable to the owners of LG Display Co., Ltd.				
Profit for the period	441,982	1,765,772	177,825	108,676
Other comprehensive income (loss), net of tax	90,878	(8,546)	(204,970)	(280,836)
Total comprehensive income (loss), net of tax	532,860	1,757,226	(27,145)	(172,160)

The Group received dividends from LG Display Co., Ltd. amounting to ₩67,813 million (2016: ₩67,813 million) for the nine-month period ended September 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 nine-month periods ended September 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 for the period	1,765,772	108,676
Other comprehensive loss, net of tax	(8,546)	(280,836)
Dividends	(178,908)	(178,908)
Closing equity attributable to owners	14,534,315	11,841,884
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	5,509,027	4,488,499
Unrealized gain	(90,390)	(67,900)
Carrying amount at the end of the reporting period	5,418,637	4,420,599

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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 nine-month periods ended September 30, 2017 and 2016, is as follows:

<i>(in millions of Korean won)</i>	2017			
	Associates		Joint ventures	
	Three months	Nine months	Three months	Nine months
Profit(loss) for the period	(2,422)	(5,282)	3,449	6,866
Other comprehensive income(loss), net of tax	1,024	728	3,759	(4,418)
Total comprehensive income(loss), net of tax	(1,398)	(4,554)	7,208	2,448

<i>(in millions of Korean won)</i>	2016			
	Associates		Joint ventures	
	Three months	Nine months	Three months	Nine months
Profit(loss) for the period	6,048	(53,536)	4,586	13,573
Other comprehensive income(loss), net of tax	362	(2,540)	(19,647)	(21,711)
Total comprehensive income(loss), net of tax	6,410	(56,076)	(15,061)	(8,138)

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

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016	
	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 September 30, 2017 and December 31, 2016, is as follows:

	Type	September 30, 2017			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount <i>(in millions of Korean won)</i>
LG Display Co., Ltd.	Associate	135,625,000	30,550	4,143,344	5,418,637
Korea Information Certificate Authority Inc.	Associate	2,010,247	5,030	10,112	4,770

	Type	December 31, 2016			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount <i>(in millions of Korean won)</i>
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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10. Borrowings

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Current		
Short-term borrowings	394,608	596,541
Current portion of long-term borrowings	212,750	422,944
Current portion of debentures	559,790	631,026
Subtotal	1,167,148	1,650,511
Non-current		
Long-term borrowings	2,691,650	2,199,764
Debentures	5,304,872	4,808,736
Subtotal	7,996,522	7,008,500
Total	9,163,670	8,659,011

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

<i>(in millions of Korean won)</i>	Last maturity date	Annual interest rate at September 30, 2017(%)	Carrying amount	
			September 30, 2017	December 31, 2016
Short-term borrowings in local currency				
Nonghyup Bank and others	-	3.37 ~ 3.87	2,800	44,800
Short-term borrowings in foreign currency				
HSBC and others ¹	-	0.80 ~ 14.07	391,808	551,741
Long-term borrowings in local currency				
Korea Development Bank and others ²	2030. 7. 7	2.20 ~ 3.76	2,466,292	2,271,835
Long-term borrowings in foreign currency				
HSBC and others	2022.7.25	0.67 ~ 13.05	438,108	350,873
Local currency loans				
Public, non-guaranteed bonds	2030. 2. 2	1.48 ~ 4.44	4,390,000	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	2.14	114,670	241,700
Private, guaranteed bonds ^{1,2}	2023. 2.24	0.37 ~ 2.94	364,427	241,700
Less: discount on debentures			(14,435)	(13,638)
Total			9,163,670	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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11. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Present value of funded obligations	2,891,278	2,755,266
Present value of unfunded obligations	36,875	33,165
Subtotal	2,928,153	2,788,431
Fair value of plan assets	(2,218,482)	(2,277,909)
Net defined benefit liabilities¹	709,671	510,522

¹ Net defined benefit assets are included.

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

<i>(in millions of Korean won)</i>	2017	2016
Current service cost	266,521	284,359
Past service cost	26	(318)
Net interest cost	10,802	16,338
Operating management cost	1,837	1,641
Total	279,186	302,020

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

<i>(in millions of Korean won)</i>	2017	2016
Cost of sales	146,979	145,248
Selling and marketing expenses	42,950	46,683
Administrative expenses	16,648	19,369
Research and development expenses	67,211	84,700
Service costs	5,398	6,020
Total	279,186	302,020

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	2,788,431	2,736,094
Current service cost	266,521	284,359
Past service cost	26	(318)
Interest cost	55,783	54,235
Remeasurements for:		
- Actuarial loss(gain) arising from changes in financial assumptions	(58,008)	201,587
Benefits paid	(124,244)	(119,977)
Others	(356)	(3,162)
At September 30	2,928,153	3,152,818

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

<i>(in millions of Korean won)</i>	2017	2016
At January 1	2,277,909	1,948,484
Interest income	44,981	37,897
Remeasurements of plan assets	(14,595)	(8,126)
Employer contributions	6,422	8,830
Benefits paid	(94,292)	(80,292)
Operating management cost	(1,837)	(1,641)
Others	(106)	(595)
At September 30	2,218,482	1,904,557

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

	September 30, 2017	December 31, 2016
Weighted average of discount rate of the Group	3.0%	2.8%
Weighted average of expected salary growth rate of the Group	5.1%	5.1%

As of September 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 September 30, 2017, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(248,321)	287,787
Expected salary growth rate	271,443	(250,753)

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

Defined Contribution Plan

Recognized expense related to the defined contribution plan for the nine-month period ended September 30, 2017, amounts to ₩ 9,679 million (2016: ₩ 7,387 million).

12. Provisions

Changes in provisions for the nine-month periods ended September 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	735,503	191,718	11,035	84,175	1,022,431
Utilization	(833,677)	(193,977)	(4,456)	(839,954)	(1,872,064)
Exchange differences	(2,499)	(112)	112	197	(2,302)
At September 30	655,836	36,700	31,676	223,118	947,330
Current	596,484	36,700	4,450	7,509	645,143
Non-current	59,352	-	27,226	215,609	302,187

	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	991,429	174,863	10,920	108,155	1,285,367
Utilization	(919,302)	(192,340)	(2,080)	(134,930)	(1,248,652)
Exchange differences	(17,860)	(2,563)	(724)	(1,615)	(22,762)
At September 30	623,368	37,023	24,279	979,573	1,664,243
Current	577,508	37,023	4,495	21,902	640,928
Non-current	45,860	-	19,784	957,671	1,023,315

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13. Paid-in Capital

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

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

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

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

14. Retained Earnings

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Legal reserve ¹	175,054	167,766
Discretionary reserve	4,603,535	4,805,354
Unappropriated retained earnings ²	6,019,687	4,260,296
Total	10,798,276	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 (Payments made in 2016: ₩72,885 million).

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15. Accumulated Other Comprehensive Income

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Share of accumulated other comprehensive income from associates and joint ventures	(100,544)	(97,343)
Cash flow hedge	(37,073)	(55,871)
Available-for-sale financial assets	10,299	10,564
Exchange difference on translation of foreign operations	(939,973)	(886,312)
Total	(1,067,291)	(1,028,962)

16. Other Components of Equity

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group	(176,945)	(176,889)
Total	(209,764)	(209,708)

¹ As of September 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.

17. Net Sales

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Sales of goods	14,658,590	43,455,252	13,034,831	40,008,722
Rendering of services	254,010	615,692	144,635	395,732
Royalty income	311,540	361,801	44,764	184,808
Total	15,224,140	44,432,745	13,224,230	40,589,262

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18. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	(584,020)	(829,772)	(120,329)	(384,345)
Raw materials and merchandise used	9,767,336	27,843,843	8,196,011	24,889,697
Employee benefit expense	1,734,248	5,052,044	1,619,061	4,942,091
Depreciation and amortization	438,263	1,289,901	423,137	1,300,026
Advertising expense	292,093	844,985	240,486	841,205
Promotion expense	214,669	572,175	168,678	536,219
Transportation expense	393,618	1,099,252	340,647	1,020,626
Commission expense	772,412	2,174,715	689,793	2,056,657
Other expenses	1,679,428	4,283,912	1,383,514	4,014,086
Total¹	14,708,047	42,331,055	12,940,998	39,216,262

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

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

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Salaries	741,108	2,190,326	699,195	2,162,540
Post-employment benefits	51,361	146,153	72,576	189,200
Employee benefits	156,555	456,190	149,186	453,695
Transportation expense	390,053	1,088,019	337,490	1,010,167
Rental expense	112,595	333,184	110,823	334,023
Commission expense	569,769	1,591,960	504,475	1,481,943
Depreciation	55,345	175,519	61,134	189,198
Amortization	50,757	150,181	49,168	148,460
Taxes and dues	49,574	108,123	38,743	105,075
Advertising expense	292,093	844,985	240,486	841,205
Promotional expense	214,669	572,175	168,678	536,219
R&D expense	50,525	185,296	89,016	261,581
Service costs	200,714	563,309	356,565	829,250
Bad debts expense	(13,748)	5,800	(16,047)	(24,558)
Other	166,699	506,896	164,273	508,150
Total	3,088,069	8,918,116	3,025,761	9,026,148

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20. Financial Income

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Interest income	26,547	72,164	23,061	70,873
Exchange differences	104,694	311,915	58,490	237,613
Gain on derivatives	459	3,408	958	2,961
Other	-	-	27	82
Total	131,700	387,487	82,536	311,529

21. Financial Expenses

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Interest expense	91,175	273,011	102,911	318,386
Exchange differences	98,850	327,208	83,327	289,522
Loss on derivatives	210	441	132	1,352
Loss on disposal of trade receivables	3,088	9,698	2,883	10,429
Other	503	1,544	160	1,081
Total	193,826	611,902	189,413	620,770

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22. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Dividend income	-	248	-	286
Exchange differences	231,353	763,653	312,648	1,239,217
Gain on derivatives	1,605	7,263	905	13,194
Gain on disposal of property, plant and equipment	6,644	20,072	3,946	12,947
Gain on disposal of intangible assets	-	31	-	-
Gain on disposal of investment property	-	-	-	7,903
Gain on disposal of assets held for sale	-	3,804	-	-
Gain on disposal of available-for-sale financial assets	15	5,398	50	50
Gain on disposal of investments in associates and joint ventures	-	6,279	-	-
Gain on transfer of business	-	4,882	-	-
Other	11,237	28,452	35,772	55,379
Total	250,854	840,082	353,321	1,328,976

23. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2017		2016	
	Three months	Nine months	Three months	Nine months
Exchange differences	227,472	742,939	384,954	1,273,938
Loss on derivatives	8,602	33,190	8,066	57,005
Loss on disposal of property, plant and equipment	8,310	19,276	4,375	12,316
Impairment loss on disposal of property, plant and equipment	61,930	76,887	47,638	63,399
Loss on disposal of intangible assets	8,922	23,344	3,350	7,896
Impairment loss on disposal of available-for-sale financial assets	1,500	1,750	5,643	6,001
Other	37,999	123,965	47,708	138,811
Total	354,735	1,021,351	501,734	1,559,366

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

	2017		2016	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to ordinary shares (<i>in millions of Korean won</i>)	287,563	1,456,642	(56,291)	360,899
Weighted average number of ordinary shares outstanding (<i>unit: shares</i>)	162,884,643	162,884,643	162,884,643	162,884,643
Basic earnings (loss) per ordinary share (<i>in Korean won</i>)	1,766	8,943	(345)	2,216

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

	2017		2016	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to preferred shares (<i>in millions of Korean won</i>)	30,548	154,293	(5,722)	38,713
Weighted average number of preferred shares outstanding (<i>unit: shares</i>)	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings (loss) per preferred share (<i>in Korean won</i>)	1,778	8,980	(333)	2,253

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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 nine-month periods ended September 30, 2017 and 2016, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2017	2016
Profit for the period	1,686,697	385,057
Adjustments:		
Interest expense, net	200,847	247,513
Exchange differences, net	(240)	57,542
Loss on derivatives, net	22,960	42,202
Depreciation	973,077	1,002,331
Amortization	326,812	313,804
Loss on disposal of property, plant and equipment and intangible assets, net	22,517	7,265
Provisions for severance benefits	279,186	302,020
Provisions	1,022,431	1,285,367
Income tax expense	663,118	419,762
Loss (gain) from equity method	(653,809)	28,550
Other	183,204	265,340
	<u>3,040,103</u>	<u>3,971,696</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(719,584)	(73,618)
Decrease in loans and other receivables	80,586	215,083
Increase in inventories	(1,284,095)	(1,055,359)
Increase in other assets	(126,580)	(286,385)
Increase in trade payables	1,353,512	1,199,437
Increase (decrease) in other payables	219,166	(217,419)
Decrease in provisions	(1,872,064)	(1,248,652)
Increase in other liabilities	369,805	214,864
Payment of defined benefit liability	(29,952)	(39,685)
Deposit in plan assets, net	(34,971)	(36,960)
	<u>(2,044,177)</u>	<u>(1,328,694)</u>
Cash generated from operations	<u>2,682,623</u>	<u>3,028,059</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 September 30, 2017
			Exchange differences (profit/loss)	Amortization	Effects of exchange rate changes	
Short-term borrowings	596,541	(260,942)	5,007	-	54,002	394,608
Long-term borrowings	2,622,708	303,983	(3,220)	-	(19,071)	2,904,400
Debentures	5,439,762	464,473	(42,928)	3,355	-	5,864,662
Total	8,659,011	507,514	(41,141)	3,355	34,931	9,163,670

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2017	2016
Reclassification of construction-in-progress to property, plant and equipment	1,493,526	442,094
Reclassification of construction-in-progress to intangible assets	177,406	159,424
Reclassification of other assets to intangible assets	106,253	84,974
Reclassification of current portion of borrowings and debentures	613,553	1,092,945
Other payables to acquire property, plant and equipment	343,661	271,942
Other payables to acquire intangible assets	6,721	6,448

(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 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 ₩232,028 million (December 31, 2016: ₩237,345 million) and the book amount of pledged assets is ₩239,061 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 ₩27 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 ₩324,599 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 and EUR 100 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, subsidiaries provide joint performance guarantee amounting to ₩67,545 million (December 31, 2016: ₩61,499 million), and payment guarantee for Hitachi-LG Data Storage Inc.(HLDS) amounting to US\$ 10 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) There are a number of legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Group at the end of the reporting period cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Group's financial position.

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

At the end of the reporting period, the European Commission imposed a penalty amounting to EUR 37,121 thousand on Hitachi-LG Data Storage Inc. (HLDS), an associate of the Group, for anti-competitive activities among Optical Disk Drive (ODD) manufactures as a result of an investigation. However, HLDS appealed against the decision of the European Commission. The

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outcome of the investigation may affect gain or loss from equity method valuation. The Group does not have individual responsibility in the case above.

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 ₩ 214,091 million (December 31, 2016: ₩201,888 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩ 1,647,683 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 ₩ 2,096,168 million (December 31, 2016: ₩2,535,433 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩500,000 million (December 31, 2016: ₩500,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including KEB Hana Bank, amounting to ₩ 235,074 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\$ 759 million (December 31, 2016: US\$ 262 million), and have sales agreements for trade receivables with a limit of US\$ 620 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 services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,160,000 million (December 31, 2016: ₩1,150,000 million) which guarantee the payment of trade 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 ₩ 184,000 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

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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 ₩ 4,065,491 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>	September 30, 2017	December 31, 2016
Property, plant and equipment	375,688	502,666
Intangible assets	39,177	28,591
Total	414,865	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>	September 30, 2017			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Land	256	979	1,121	2,356
Buildings	228,987	350,108	47,052	626,147
Vehicles	30,558	27,856	-	58,414
Equipment	16,358	17,876	-	34,234
Total	276,159	396,819	48,173	721,151

ii) Lease payment under operating lease recognized in the consolidated interim statement of profit or loss for the nine-month period ended September 30, 2017, is ₩ 266,653 million (2016: ₩ 253,779 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 ₩ 14,782 million and lease income recognized related to the sublease for the nine-month period ended September 30, 2017, amounts to ₩ 7,146 million (2016: ₩ 7,787 million).

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(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>	September 30, 2017			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Healthcare rental	201,503	346,067	-	547,570
Real estate rental	630	-	-	630
Total	202,133	346,067	-	548,200

- ii) The Group recognized ₩ 111,769 million (2016: ₩ 82,200 million) in lease income for the nine-month period ended September 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 the finance lease as assets and liabilities in the consolidated statements of financial position. Net book amount of the leased assets amounts to ₩2,444 million, and the present value of the finance lease liabilities amounts to ₩1,359 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>	September 30, 2017		December 31, 2016	
	Minimum lease payments	PV of minimum lease payments	Minimum lease payments	PV of minimum lease payments
Within 1 year	899	847	1,527	1,437
1 to 5 years	562	512	1,045	991
Total	1,461	1,359	2,572	2,428

(j) Trademark license commitments

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

Purpose	Related products	Provided by	Used by
Use of license	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 nine-month periods ended September 30, 2017 and 2016, and balances of receivables and payables from transaction with related parties as of September 30, 2017 and December 31, 2016, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2017					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	1,429	14	1,443	310	122,372	122,682
Associates	LG Display Co., Ltd. and its subsidiaries	1,304,060	-	1,304,060	3,958,761	13,933	3,972,694
	Ericsson-LG Co., Ltd. and its subsidiaries	5,793	-	5,793	2,965	-	2,965
	Hitachi-LG Data Storage Inc. and its subsidiaries	969	174	1,143	101,003	9,339	110,342
	LG Fuel Cell Systems Inc. and its subsidiaries	2,188	473	2,661	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	14	14
	Subtotal		1,313,010	647	1,313,657	4,062,729	23,286
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	62,287	-	62,287	61,448	2	61,450
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	1,956	1,956
	EIC PROPERTIES PTE LTD.	-	-	-	-	575	575
	LG-MRI LLC	360	-	360	16,880	-	16,880
	Subtotal		62,647	-	62,647	78,328	2,533
Other related parties	LG CNS Co., Ltd. and its subsidiaries	57,356	-	57,356	89,059	334,456	423,515
	SERVEONE Co., Ltd. and its subsidiaries	119,138	-	119,138	836,130	336,809	1,172,939
	LUSEM CO., LTD.	33,699	-	33,699	1,346	23	1,369
	LG Management Development Institute	35	-	35	153	21,262	21,415
	LG SPORTS Ltd.	19	-	19	-	9,690	9,690
	LG MMA Ltd.	1,370	-	1,370	98	-	98
	LG Holdings Japan Co., Ltd.	14	-	14	-	2,667	2,667
	LG Corp. U.S.A.	-	84,809	84,809	-	-	-
Subtotal		211,631	84,809	296,440	926,786	704,907	1,631,693
Others ¹	LG Chem, Ltd. and its subsidiaries and associates	531,104	2,065	533,169	706,615	2,806	709,421
	LG INTERNATIONAL CORP and its subsidiaries	126,239	-	126,239	2,594,204	1,317,490	3,911,694
	LG Uplus Corp and its subsidiaries	584,208	-	584,208	43,748	4,859	48,607
	LG Hausys, Ltd. and its subsidiaries and associates	31,560	-	31,560	23,214	253	23,467
	Silicon Works Co., Ltd.	9,195	-	9,195	9,371	-	9,371
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,388	-	3,388	211	439	650
	G II R Inc. and its subsidiaries	2,155	-	2,155	3,737	239,657	243,394

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		2017					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Hitachi Ltd.	1	-	1	-	-	-
	SK Siltron Co., Ltd. and its subsidiaries ²	6,261	-	6,261	28	-	28
	Subtotal	1,294,111	2,065	1,296,176	3,381,128	1,565,504	4,946,632
	Total	2,882,828	87,535	2,970,363	8,449,281	2,418,602	10,867,883

(in millions of Korean won)

		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	1,237	-	1,237	-	105,770	105,770
Associates	LG Display Co., Ltd. and its subsidiaries	970,229	-	970,229	3,661,609	25,773	3,687,382
	Ericsson-LG Co., Ltd. and its subsidiaries	6,070	-	6,070	3,462	-	3,462
	Hitachi-LG Data Storage Inc. and its subsidiaries	828	253	1,081	88,312	1	88,313
	LG Fuel Cell Systems Inc. and its subsidiaries	450	737	1,187	39	-	39
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	Hi Logistics (China) Co., Ltd.	210	-	210	-	40,072	40,072
	Subtotal	977,787	990	978,777	3,753,422	65,847	3,819,269
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	41,748	-	41,748	33,796	-	33,796
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	2,125	2,125
	EIC PROPERTIES PTE LTD.	-	-	-	-	644	644
	LG-MRI LLC	168	-	168	8,311	-	8,311
	Subtotal	41,916	-	41,916	42,107	2,769	44,876
Other related parties	LG CNS Co., Ltd. and its subsidiaries	48,518	-	48,518	154,791	277,489	432,280
	SERVEONE Co., Ltd. and its subsidiaries	51,683	-	51,683	1,028,231	111,679	1,139,910
	LG Siltron Incorporated and its subsidiaries	3,544	-	3,544	9	-	9
	LUSEM CO., LTD.	30,837	-	30,837	1,708	47	1,755
	LG Management Development Institute	19	-	19	23	22,742	22,765
	LG SPORTS Ltd.	31	-	31	-	9,391	9,391
	LG MMA Ltd.	538	-	538	34	-	34
	LG Holdings Japan Co., Ltd.	14	-	14	-	2,806	2,806
	Subtotal	135,184	-	135,184	1,184,796	424,154	1,608,950
Others ¹	LG Chem, Ltd. and its subsidiaries and associates	256,161	-	256,161	429,297	6,060	435,357
	LG INTERNATIONAL CORP and its subsidiaries	84,118	-	84,118	2,749,956	1,007,574	3,757,530
	LG Uplus Corp and its subsidiaries	581,747	-	581,747	29,791	7,089	36,880
	LG Hausys, Ltd. and its subsidiaries and associates	21,500	3	21,503	31,288	182	31,470
	Silicon Works Co., Ltd.	8,028	-	8,028	2,936	-	2,936
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,007	-	2,007	209	245	454

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		2016					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG LIFE SCIENCES, LTD.	3,547	-	3,547	1	-	1
	G IIR Inc. and its subsidiaries	2,180	-	2,180	10	193,565	193,575
	LG Hitachi Ltd.	12	-	12	-	-	-
	Subtotal	959,300	3	959,303	3,243,488	1,214,715	4,458,203
	Total	2,115,424	993	2,116,417	8,223,813	1,813,255	10,037,068

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.

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

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

(in millions of Korean won)

		September 30, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	305	-	28,095	28,400	-	-	11,444	11,444
Associates	LG Display Co., Ltd. and its subsidiaries	397,964	-	17,142	415,106	995,159	-	85,627	1,080,786
	Ericsson-LG Co., Ltd. and its subsidiaries	286	-	466	752	761	-	-	761
	Hitachi-LG Data Storage Inc. and its subsidiaries ¹	-	2,144	231	2,375	44,005	-	212	44,217
	LG Fuel Cell Systems Inc. and its subsidiaries	368	-	-	368	-	-	-	-
	Subtotal	398,618	2,144	17,839	418,601	1,039,925	-	85,839	1,125,764
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	1,387	-	3	1,390	9,406	-	-	9,406
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,215	1,215
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	67	67
	LG-MRI LLC	234	-	-	234	959	-	11	970
	Subtotal	1,621	-	3	1,624	10,365	-	1,293	11,658
Other related parties	LG CNS Co., Ltd. and its subsidiaries	26,986	-	389	27,375	2,882	-	145,247	148,129
	SERVEONE Co., Ltd. and its subsidiaries	52,501	-	61,930	114,431	308,315	-	171,730	480,045
	LUSEM CO., LTD.	10,422	-	-	10,422	352	-	19	371
	LG Management Development Institute	-	-	17,864	17,864	-	-	2,385	2,385
	LG SPORTS Ltd.	-	-	-	-	-	-	583	583
	LG MMA Ltd.	1,176	-	-	1,176	28	-	9	37
	LG Holdings Japan Co., Ltd.	-	-	3,890	3,890	-	-	-	-
	LG Corp. U.S.A.	-	-	1,757	1,757	-	-	-	-
	Subtotal	91,085	-	85,830	176,915	311,577	-	319,973	631,550
Others ²	LG Chem, Ltd. and its subsidiaries and associates	352,561	-	2,159	354,720	302,426	-	7,511	309,937
	LG INTERNATIONAL CORP and its subsidiaries	28,316	-	4,075	32,391	614,968	-	278,035	893,003

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		September 30, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Uplus Corp and its subsidiaries	88,519	-	1,308	89,827	2,034	-	547	2,581
	LG Hausys, Ltd. and its subsidiaries and associates	16,578	-	215	16,793	7,017	-	3,066	10,083
	Silicon Works Co., Ltd.	2,829	-	-	2,829	3,981	-	-	3,981
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	848	-	-	848	31	-	1,503	1,534
	G II R Inc. and its subsidiaries	148	-	146	294	245	-	162,812	163,057
	SK Siltron Co., Ltd. and its subsidiaries ³	4,291	-	-	4,291	-	-	234	234
	Subtotal	494,090	-	7,903	501,993	930,702	-	453,708	1,384,410
	Total	985,719	2,144	139,670	1,127,533	2,292,569	-	872,257	3,164,826

(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 &	1,310	-	-	1,310	39	-	870	909

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		December 31, 2016							
Classification	Name	Receivables			Payables				
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	HEALTH CARE LTD and its subsidiaries								
	LG LIFE SCIENCES, LTD.	1,224	-	-	1,224	-	-	-	-
	G II R 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 nine-month period ended September 30, 2017, the Group recognized additional equity method gain of ₩6,298 million (2016: equity method loss of ₩22,695 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.

³ All shares of LG Siltron Incorporated were sold to SK Holdings Co., Ltd. on August 17, 2017, and the name of LG Siltron Incorporated was changed to SK Siltron Co., Ltd. As of September 30, 2017, SK Siltron Co., Ltd. belongs to LG Group as defined by the Fair Trade Commission.

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.	-	-	13,660	-	13,593	-	-
	Ericsson-LG Co., Ltd. and its subsidiaries	-	-	(12,500)	-	-	-	-
	Subtotal	67,927	-	1,160	-	21,006	-	-
	Total	67,927	22,038	1,160	-	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)	-	-	40,066	22,772	-	-	-
	LG Fuel Cell Systems Inc.	-	-	25,324	-	-	-	-
	Subtotal	71,633	-	65,390	22,772	-	-	-
	Total	71,633	22,038	65,390	22,772	-	-	-

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

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

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

- (c) The Group provides payment guarantee for Hitachi-LG Data Storage Inc.(HLDS) amounting to US\$ 10 million 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 September 30, 2017 and December 31, 2016, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(32,709)	32,709	(12,382)	12,382
EUR/KRW	18,949	(18,949)	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 fluctuated by 1%p while other variables were fixed, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the nine-month periods ended September 30, 2017 and 2016, are as follows:

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<i>(in millions of Korean won)</i>	2017		2016	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	25,158	(25,158)	25,407	(25,407)
Interest expense	3,420	(3,420)	3,377	(3,377)

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.

September 30, 2017	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Starting date	Expiration date
USD/KRW CRS	Shinhan Bank and others	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
	Shinhan Bank	EUR 100	-	Max[3M EURIBOR, -0.75%] + 0.75%	1.00	2017. 8.24	2023. 2.24

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩30,846 million for the nine-month period ended September 30, 2017 (2016: loss on valuation amounting to ₩133,130 million) after applying the tax effect, is recognized in other comprehensive income (loss). The Group has reclassified ₩49,644 million to loss from equity for the nine-month period ended September 30, 2017 (2016: ₩92,501 million to loss from equity). Therefore, other comprehensive income from cash flow hedges amounts to ₩18,798 million for the nine-month period ended September 30, 2017 (2016: other comprehensive loss of ₩40,629 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 September 30, 2017, and related profit or loss for the nine-month period ended September 30, 2017, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Gain on valuation	Loss on transaction
Currency forward	368,373	370,198	3,182	26,142

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iv) Price risk

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

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

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

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

The changes in the book amount 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 ₩ 7,826,092 million (December 31, 2016: ₩7,146,370 million) and its risk is managed appropriately within insurer's credit limit of ₩28,485,274 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.

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

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 September 30, 2017.

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Trade payables	8,127,240	8,127,240	-	-	-
Borrowings	10,469,628	1,447,322	1,632,242	3,715,821	3,674,243
Other payables	3,243,271	3,233,879	3,677	5,655	60
Derivative liabilities	2,432	2,432	-	-	-
Total	21,842,571	12,810,873	1,635,919	3,721,476	3,674,303

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 ₩2,432 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 an associate and third party companies as of September 30, 2017, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	57,467	47,433	2,866	7,168	-

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.

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

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2017	December 31, 2016
Liability (A)	26,202,341	24,498,527
Equity (B)	14,924,857	13,356,742
Cash and cash equivalents (C)	3,486,505	3,015,137
Borrowings (D)	9,163,670	8,659,011
Debt-to-equity ratio (A/B)	175.6%	183.4%
Net borrowings ratio ((D-C)/B)	38.0%	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 September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	1,032	1,032	-	-
Derivatives for hedging purposes				
Other financial assets	-	-	5,531	5,531
Available-for-sale financial assets				
Other financial assets	-	-	14,488	14,488
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	3,486,505	1	-	-
Deposits held by financial institutions	80,516	1	58,784	58,784
Trade receivables	7,737,606	1	-	-
Other receivables	427,778	1	483,820	478,001
Held-to-maturity financial assets				
Other financial assets	-	-	120	1
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	34,993	2
Total	11,733,437		597,736	

<i>(in millions of Korean won)</i>	September 30, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	2,432	2,432	-	-
Derivatives for hedging purposes				
Other financial liabilities	1,423	1,423	50,994	50,994
Liabilities at amortized cost				
Trade payables	8,127,240	1	-	-
Borrowings	1,167,148	1	7,996,522	8,014,247
Other payables	3,233,840	1	9,322	9,443
Other liabilities				
Other financial liabilities	11	3	24	3
Total	12,532,094		8,056,862	

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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 September 30, 2017, there is no asset to be disposed of in near future.

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

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

<i>(in millions of Korean won)</i>	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,488	-	-	14,488
Financial assets at fair value through profit or loss	-	1,032	-	1,032
Derivatives for hedging purposes	-	5,531	-	5,531
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	2,432	-	2,432
Derivatives for hedging purposes	-	52,417	-	52,417
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.

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2017	December 31, 2016		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	1,032	557	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	5,531	46,184	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	2,432	8,041	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	52,417	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 nine-month periods ended September 30, 2017 and 2016, are as follows:

<i>(in millions of Korean won)</i>	2017	2016
At January 1	-	1,202
Total gain(loss) for the period		
Loss included in profit for the period ¹	-	(626)
Gain included in other comprehensive income	-	5
Purchase, issue, sales and settlement		
Purchase	-	-
Sale and others	-	(581)
At September 30	-	-

¹ No gain and loss is included in profit for the period for the nine-month period ended September 30, 2017 (2016: interest income of ₩4 million and impairment loss of ₩630 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 September 30, 2017 and December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	58,784	58,784
Non-current other receivables	-	-	478,001	478,001
Liabilities				
Non-current borrowings	-	-	8,014,247	8,014,247
Non-current other payables	-	-	9,443	9,443
<i>(in millions of Korean won)</i>	December 31, 2016			
	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 September 30, 2017, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 2'.

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

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

<i>(in millions of Korean won)</i>	September 30, 2017		December 31, 2016		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	58,784	58,784	58,195	58,195	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.8%
Non-current other receivables	483,820	478,001	490,178	477,590	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3% ~ 4.3%
Liabilities								
Non-current borrowings	7,996,522	8,014,247	7,008,500	7,194,685	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.6% ~ 3.8%
Non-current other payables	9,322	9,443	7,771	6,923	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.9% ~ 2.9%

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31. Business Combination

On July 1, 2017, the Group acquired R&D institutions in Japan from LG Chem, Ltd. and LG Display Co., Ltd. in order to create synergy effects by integrating R&D base in Japan.

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

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	1,378
Total consideration	1,378
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Other assets	4
Non-current assets	
Property, plant and equipment	621
Other receivables ¹	753
Fair value of total identifiable net assets	1,378
Goodwill	-

¹ The fair value of above other receivables are the same as the contractual amount in gross.

The acquisition-related direct costs incurred in relation to business combination amounting to ₩10 million was recognized as expenses as incurred.

Net sales and profit included in these consolidated interim statements of profit and loss arising from R&D institutions of LG Chem, Ltd. and LG Display Co., Ltd. in Japan are ₩1,961 million and ₩93 million, respectively, since the acquisition date. Net sales and profit in the consolidated interim statements of profit or loss for the current reporting period as though the acquisition date had been as of the beginning of the annual reporting period are as follows:

<i>(in millions of Korean won)</i>	Prior adjustment	Adjustment	Post adjustment
Net sales	44,432,745	4,027	44,436,772
Profit for the period	1,686,697	116	1,686,813

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32. Assets Classified as Held for Sale

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

<i>(in millions of Korean won)</i>	September 30, 2017	December 31, 2016
Assets classified as held for sale		
Property, plant and equipment ¹	371,197	-
Investment property ²	-	8,906

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

² The investment property was sold in January 2017.

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