

LG Electronics Inc.
Separate Interim Financial Statements
September 30, 2016 and 2015

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Report on Review of Interim Separate Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

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

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

We conducted our reviews in accordance with quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 reviews, nothing has come to our attention that causes us to believe the accompanying separate interim financial statements are not presented fairly, in all material respects, in accordance with the Korean IFRS 1034, 'Interim Financial Reporting'.

Other matters

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

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



Seoul, Korea
November 14, 2016

This report is effective as of November 14, 2016, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.

Separate Interim Statements of Financial Position

September 30, 2016 and December 31, 2015

(in millions of Korean won)

	Note	September 30, 2016 (Unaudited)	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	4,29	1,259,131	678,221
Financial deposits	4,29	80,500	80,500
Trade receivables	4,5,29	5,166,623	5,607,126
Other receivables	4,5,29	427,506	534,079
Other financial assets	4,6,29	7,567	-
Inventories	7	1,340,366	1,057,967
Current income tax assets		968	1,717
Other current assets		423,218	307,084
Assets held for sale	31	2,116	2,116
		<u>8,707,995</u>	<u>8,268,810</u>
Non-current assets			
Financial deposits	4,29	1,303	1,271
Loans and other receivables	4,5,29	297,692	339,859
Other financial assets	4,6,29	35,370	64,134
Property, plant and equipment	8	6,798,125	6,450,406
Intangible assets	8	1,202,421	1,154,910
Deferred income tax assets		1,015,491	948,457
Investments in subsidiaries, associates and joint ventures	9	8,034,832	7,963,467
Investment properties		105,848	120,846
Other non-current assets		568,130	554,215
		<u>18,059,212</u>	<u>17,597,565</u>
Total assets		<u>26,767,207</u>	<u>25,866,375</u>
Liabilities			
Current liabilities			
Trade payables	4,29	5,109,537	5,015,038
Borrowings	4,10,29	1,096,261	1,041,603
Other payables	4,29	1,765,357	1,791,021
Other financial liabilities	4,6,29	22,619	14,553
Provisions	12	302,102	176,067
Other current liabilities		1,791,922	1,705,180
		<u>10,087,798</u>	<u>9,743,462</u>
Non-current liabilities			
Borrowings	4,10,29	5,727,182	5,577,300
Other payables	4,29	7,903	6,928
Other financial liabilities	4,6,29	131,247	71,317
Net defined benefit liability	11	945,445	575,016
Provisions	12	800,372	847,647
Other non-current liabilities		82,860	83,696
		<u>7,695,009</u>	<u>7,161,904</u>
Total liabilities		<u>17,782,807</u>	<u>16,905,366</u>
Equity			
Paid-in capital:	13		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	14	5,109,208	5,046,104
Accumulated other comprehensive loss	15	(84,337)	(44,624)
Other components of equity	16	(32,819)	(32,819)
		<u>8,984,400</u>	<u>8,961,009</u>
Total equity		<u>8,984,400</u>	<u>8,961,009</u>
Total liabilities and equity		<u>26,767,207</u>	<u>25,866,375</u>

LG Electronics Inc.

Separate Interim Statements of Income

Three-Month and Nine-Month Periods Ended September 30, 2016 and 2015

	Note	Period Ended September 30			
		2016 (Unaudited)		2015 (Unaudited)	
		Three months	Nine months	Three months	Nine months
<i>(in millions of Korean won, except per share amounts)</i>					
Continuing operations					
Net sales	17	7,008,767	21,866,114	6,958,437	21,059,830
Cost of sales	18	5,557,063	17,110,050	5,680,989	16,983,892
Gross profit		1,451,704	4,756,064	1,277,448	4,075,938
Selling and marketing expenses	18,19	587,953	1,901,000	649,720	1,917,212
Administrative expenses	18,19	155,761	461,536	151,750	473,953
Research and development expenses	18,19	535,533	1,613,892	503,113	1,522,522
Service costs	18,19	270,348	605,451	125,887	322,567
Operating income(loss)		(97,891)	174,185	(153,022)	(160,316)
Financial income	20	48,393	168,729	100,064	186,192
Financial expenses	21	115,054	349,960	120,917	316,490
Other non-operating income	22	428,220	1,308,516	411,291	944,716
Other non-operating expenses	23	324,575	969,924	416,789	1,030,565
Profit(loss) before income tax		(60,907)	331,546	(179,373)	(376,463)
Income tax expense(benefit)		(17,332)	63,670	(42,827)	(93,999)
Profit(loss) for the period from continuing operations		(43,575)	267,876	(136,546)	(282,464)
Discontinued operations					
Loss for the period from discontinued operations	32	-	-	(498)	(2,780)
Profit(loss) for the period		(43,575)	267,876	(137,044)	(285,244)
Earnings(loss) per share for profit during the period (in Korean won)					
Earnings(loss) per share for profit attributable to the common equity holders of the Company	24	(243)	1,484	(761)	(1,587)
From continuing operations		(243)	1,484	(759)	(1,572)
From discontinued operations		-	-	(2)	(15)
Earnings(loss) per share for profit attributable to the preferred equity holders of the Company		(230)	1,522	(749)	(1,550)
From continuing operations		(230)	1,522	(747)	(1,535)
From discontinued operations		-	-	(2)	(15)

LG Electronics Inc.**Separate Interim Statements of Comprehensive Income****Three-Month and Nine-Month Periods Ended September 30, 2016 and 2015**

<i>(in millions of Korean won)</i>	Note	Period Ended September 30			
		2016 (Unaudited)		2015 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit(loss) for the period		<u>(43,575)</u>	<u>267,876</u>	<u>(137,044)</u>	<u>(285,244)</u>
Other comprehensive income(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the net defined benefit liability	11	(10,728)	(131,887)	(56,212)	(87,951)
Items that will be reclassified subsequently to profit or loss:					
Cash flow hedges	29	4,683	(39,403)	(26,716)	(30,739)
Available-for-sale financial assets	6	<u>1,203</u>	<u>(310)</u>	<u>(2,139)</u>	<u>(190)</u>
Other comprehensive loss for the period, net of tax		<u>(4,842)</u>	<u>(171,600)</u>	<u>(85,067)</u>	<u>(118,880)</u>
Total comprehensive income(loss) for the period, net of tax		<u>(48,417)</u>	<u>96,276</u>	<u>(222,111)</u>	<u>(404,124)</u>

LG Electronics Inc.
Separate Interim Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2016 and 2015

		Accumulated					
				Other	Other		
		Paid-in	Retained	Comprehensive	Components		
		Capital	Earnings	Loss	of Equity	Total	
		Note					
<i>(in millions of Korean won)</i>							
Balance at January 1, 2015			3,992,348	5,550,942	(21,771)	(32,819)	9,488,700
Comprehensive loss:							
	Loss for the period		-	(285,244)	-	-	(285,244)
	Remeasurements of the net defined benefit liability	11	-	(87,951)	-	-	(87,951)
	Cash flow hedges	29	-	-	(30,739)	-	(30,739)
	Available-for-sale financial assets	6	-	-	(190)	-	(190)
Total comprehensive loss			-	(373,195)	(30,929)	-	(404,124)
Transactions with equity holders:							
	Dividends	14	-	(72,885)	-	-	(72,885)
Total transactions with equity holders			-	(72,885)	-	-	(72,885)
Balance at September 30, 2015 (Unaudited)			3,992,348	5,104,862	(52,700)	(32,819)	9,011,691
Balance at January 1, 2016			3,992,348	5,046,104	(44,624)	(32,819)	8,961,009
Comprehensive income(loss):							
	Profit for the period		-	267,876	-	-	267,876
	Remeasurements of the net defined benefit liability	11	-	(131,887)	-	-	(131,887)
	Cash flow hedges	29	-	-	(39,403)	-	(39,403)
	Available-for-sale financial assets	6	-	-	(310)	-	(310)
Total comprehensive income (loss)			-	135,989	(39,713)	-	96,276
Transactions with equity holders:							
	Dividends	14	-	(72,885)	-	-	(72,885)
Total transactions with equity holders			-	(72,885)	-	-	(72,885)
Balance at September 30, 2016 (Unaudited)			3,992,348	5,109,208	(84,337)	(32,819)	8,984,400

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Separate Interim Statements of Cash Flows

Nine-Month Periods Ended September 30, 2016 and 2015

<i>(in millions of Korean won)</i>	Note	Nine-Month Period Ended September 30	
		2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	25	1,316,044	552,573
Interest received		8,362	10,376
Interest paid		(176,831)	(187,223)
Dividends received		424,479	110,281
Income tax refund(paid)		(72,974)	19,962
Net cash inflow from operating activities		1,499,080	505,969
Cash flows from investing activities			
Decrease in loans and other receivables		78,608	76,288
Proceeds from redemption and disposal of other financial assets		50	6,892
Proceeds from disposal of property, plant and equipment		12,766	36,528
Proceeds from disposal of intangible assets		1,706	134
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		33,194	54,181
Proceeds from disposal of investment properties		21,853	545
Transfer of business	25	-	22,010
Increase in financial deposits		(32)	(335)
Increase in loans and other receivables		(43,123)	(65,400)
Acquisition of other financial assets		(5,600)	(340)
Acquisition of property, plant and equipment		(810,291)	(676,423)
Acquisition of intangible assets		(286,278)	(312,202)
Acquisition of investments in subsidiaries, associates and joint ventures		(90,637)	(8,057)
Business combination	30	-	(7,691)
Net cash outflow from investing activities		(1,087,784)	(873,870)
Cash flows from financing activities			
Proceeds from borrowings		1,006,258	1,716,934
Repayments of borrowings		(763,759)	(1,143,744)
Dividends paid		(72,885)	(72,885)
Net cash inflow from financing activities		169,614	500,305
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		678,221	913,208
Cash and cash equivalents at the end of period		1,259,131	1,045,612

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2016 and 2015(Unaudited), and December 31, 2015

1. General Information

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

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

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Mobile Communications segment manufactures and sells mobile communications equipment; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; and Vehicle Components segment designs and manufactures automobile parts. As of September 30, 2016, the Company operates manufacturing facilities mainly in Pyeongtaek, Changwon and Gumi in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

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

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

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027, ‘*Separate Financial Statements*’. The separate interim financial statements for the nine-month period ended September 30, 2016, have been prepared in accordance with Korean IFRS 1034, ‘*Interim Financial Reporting*’. These separate interim financial statements have been prepared in accordance with Korean IFRS which is effective as of September 30, 2016.

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

Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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significant impact on the accompanying separate financial statements.

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

Korean IFRS 1105, '*Non-current assets held for sale and Discontinued operations*',

Korean IFRS 1107, '*Financial Instruments: Disclosure*',

Korean IFRS 1019, '*Employee benefits*',

Korean IFRS 1034, '*Interim Financial Reporting*'

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

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

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

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

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

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

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

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

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new standard.

Accounting Policies

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

Income Tax Expense

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

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

The Company recognizes assets and liabilities for anticipated tax audit issues based on the best

LG Electronics Inc.

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

estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liability

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

4. Financial Instruments by Category

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

<i>(in millions of Korean won)</i>	September 30, 2016					Total
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Cash and cash equivalents	-	1,259,131	-	-	-	1,259,131
Financial deposits	-	81,803	-	-	-	81,803
Trade receivables	-	5,166,623	-	-	-	5,166,623
Loans and other receivables	-	725,198	-	-	-	725,198
Other financial assets	-	-	35,370	-	7,567	42,937
Total	-	7,232,755	35,370	-	7,567	7,275,692

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

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

September 30, 2016

<i>(in millions of Korean won)</i>	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Trade payables	-	5,109,537	-	5,109,537
Borrowings	-	6,823,443	-	6,823,443
Other payables	-	1,773,260	-	1,773,260
Other financial liabilities	-	-	153,866	153,866
Total	-	13,706,240	153,866	13,860,106

December 31, 2015

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

December 31, 2015

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

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

2016

<i>(in millions of Korean won)</i>	Assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Held-to- maturity financial assets	Other	Total
Interest income	-	14,375	-	-	-	14,375
Exchange differences	-	(291,841)	-	-	-	(291,841)
Bad debt expense	-	28,879	-	-	-	28,879
Loss on disposal of trade receivables	-	(2,485)	-	-	-	(2,485)
Gain on disposal of available- for-sale financial assets	-	-	50	-	-	50

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

<i>(in millions of Korean won)</i>	2016					Total
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Impairment loss on available-for-sale financial assets	-	-	(4,500)	-	-	(4,500)
Dividend income	-	-	254	-	-	254
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(310)	-	-	(310)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	896	896
Others	-	11,107	-	-	-	11,107

<i>(in millions of Korean won)</i>	2016				Total
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other		
Interest expenses	-	(156,347)	(16,702)		(173,049)
Exchange differences	-	272,667	(40,930)		231,737
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(40,299)		(40,299)
Others	-	-	2,139		2,139

<i>(in millions of Korean won)</i>	2015					Total
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	
Interest income	-	17,693	-	-	-	17,693
Exchange differences	-	301,748	-	-	-	301,748
Bad debt expense	-	(29,039)	-	-	-	(29,039)
Loss on disposal of trade receivables	-	(4,198)	-	-	-	(4,198)
Gain on disposal of available-for-sale financial assets	-	-	6,329	-	-	6,329
Dividend income	-	-	278	-	-	278
Profit for the period from discontinued operations	-	1,160	-	-	-	1,160
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(190)	-	-	(190)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	-	-	(239)	(239)
Others	-	17,074	-	-	-	17,074

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<i>(in millions of Korean won)</i>	2015			
	Liabilities at fair value through profit or loss	Liabilities carried at amortized cost	Other	Total
Interest expenses	-	(165,900)	(17,007)	(182,907)
Exchange differences	-	(436,830)	63,234	(373,596)
Profit for the period from discontinued operations	-	152	-	152
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(30,500)	(30,500)
Others	-	-	2,510	2,510

5. Trade Receivables and Other Receivables

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

<i>(in millions of Korean won)</i>	September 30, 2016			December 31, 2015		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,238,504	(71,881)	5,166,623	5,708,568	(101,442)	5,607,126
Other receivables						
Current	435,896	(8,390)	427,506	541,772	(7,693)	534,079
Non-current	297,700	(8)	297,692	339,872	(13)	339,859

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

<i>(in millions of Korean won)</i>	2016			
	At January 1	Addition (reversal)	Write-off	At September 30
Trade receivables	101,442	(29,571)	10	71,881
Other receivables				
Current	7,693	697	-	8,390
Non-current	13	(5)	-	8

<i>(in millions of Korean won)</i>	2015			
	At January 1	Addition (reversal)	Write-off	At September 30
Trade receivables	85,226	27,599	-	112,825
Other receivables				
Current	9,394	(184)	-	9,210
Non-current	32	(17)	-	15

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

<i>in millions of Korean won</i>	September 30, 2016				December 31, 2015			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current				Current	
Current	4,842,028	297,428	287,241	5,426,697	4,873,999	411,186	337,050	5,622,235
Past due but not impaired								
Up to 6 months	231,265	35,889	10,458	277,612	554,227	37,091	2,777	594,095
7 to 12 months	34,363	30,143	1	64,507	143,506	42,831	1	186,338
Over 1 year	120,360	62,170	-	182,530	124,026	38,837	44	162,907
Subtotal	385,988	128,202	10,459	524,649	821,759	118,759	2,822	943,340
Impaired	10,488	10,266	-	20,754	12,810	11,827	-	24,637
Total	5,238,504	435,896	297,700	5,972,100	5,708,568	541,772	339,872	6,590,212

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

6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Other financial assets		
Derivatives	7,567	30,288
Available-for-sale	35,370	33,846
Total	42,937	64,134
Current	7,567	-
Non-current	35,370	64,134
Other financial liabilities		
Derivatives	144,999	76,079
Financial guarantee liability	8,867	9,791
Total	153,866	85,870
Current	22,619	14,553
Non-current	131,247	71,317

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

<i>(in millions of Korean won)</i>	September 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	7,567	15,663	-	6,461
Non-current				
Currency swap	-	8,445	30,288	-
Interest rate swap	-	120,891	-	69,618
Subtotal	-	129,336	30,288	69,618
Total	7,567	144,999	30,288	76,079

The details of major derivative contracts at the end of the reporting period are presented in Note 29.

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

<i>(in millions of Korean won)</i>	2016					
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Impairment	At Sept. 30
Listed equity securities	15,323	-	-	(409)	-	14,914
Unlisted equity securities	18,523	6,433	-	-	(4,500)	20,456
Total	33,846	6,433	-	(409)	(4,500)	35,370

<i>(in millions of Korean won)</i>	2015					
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Impairment	At Sept. 30
Listed equity securities	12,105	-	(1,369)	1,119	-	11,855
Unlisted equity securities	16,513	1,173	(563)	-	-	17,123
Total	28,618	1,173	(1,932)	1,119	-	28,978

7. Inventories

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

<i>(in millions of Korean won)</i>	September 30, 2016			December 31, 2015		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	537,610	(70,494)	467,116	493,082	(33,632)	459,450
Work-in-process	131,187	(1,775)	129,412	85,531	(8,004)	77,527
Raw materials and supplies	612,103	(25,224)	586,879	413,293	(38,783)	374,510
Other	179,391	(22,432)	156,959	167,565	(21,085)	146,480
Total	1,460,291	(119,925)	1,340,366	1,159,471	(101,504)	1,057,967

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8. Property, Plant and Equipment, and Intangible Assets

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	6,450,406	6,244,197
Acquisitions	809,906	652,302
Acquisitions from business combination	-	2,513
Transfer-out	-	(23,194)
Disposals and others	(13,226)	(49,591)
Depreciation	(434,391)	(443,496)
Impairment	(14,570)	(14,492)
At September 30	6,798,125	6,368,239

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	330,993	326,300
Selling and marketing expenses	7,318	6,845
Administrative expenses	31,362	35,395
Research and development expenses	56,700	64,105
Service costs	3,955	4,051
Other non-operating expenses	4,063	6,800
Subtotal	434,391	443,496
Discontinued operations	-	-
Total	434,391	443,496

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,154,910	1,094,479
Acquisitions	125,050	129,915
Acquisitions through internal development	205,784	162,572
Acquisitions from business combination	-	5,121
Disposals and others	(9,451)	(20,637)
Amortization	(272,274)	(267,944)
Impairment	(1,598)	(2,529)
At September 30	1,202,421	1,100,977

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

<i>(in millions of Korean won)</i>	2016	2015
Continuing operations:		
Cost of sales	151,130	145,609
Selling and marketing expenses	9,766	17,028
Administrative expenses	56,861	66,267
Research and development expenses	53,304	38,011
Service costs	1,213	1,029
Subtotal	272,274	267,944
Discontinued operations	-	-
Total	272,274	267,944

9. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as of September 30, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership	Carrying amount	
				September 30, 2016	December 31, 2015
Subsidiaries					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0%	955,542	955,542
LG Innotek Co., Ltd.	Korea	December	40.8%	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0%	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0%	270,631	270,631
LG Electronics Mlawa Sp. z o.o.(LGEMA)	Poland	December	100.0%	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0%	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Netherlands	December	100.0%	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0%	136,459	136,459
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4%	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0%	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd (LGEVH)	Vietnam	December	100.0%	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0%	79,222	79,222
LG Electronics Wroclaw Sp.z o.o.(LGEWR)	Poland	December	100.0%	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0%	68,721	68,721
LG Electronics Shenyang Inc.(LGESY)	China	December	56.3%	66,668	66,668
Hi Entech Co., Ltd.	Korea	December	100.0%	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0%	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0%	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.5%	48,624	48,624
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0%	43,645	43,645

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership	Carrying amount	
				September 30, 2016	December 31, 2015
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0%	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0%	38,744	38,744
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0%	32,112	32,112
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0%	26,614	26,614
LG Electronics Colombia Ltda.(LGECEB)	Colombia	December	60.7%	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0%	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0%	22,538	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0%	22,142	22,142
LG Electronics Air-Conditioning(Shandong Co., Ltd.(LGEQA)	China	December	100.0%	20,615	20,615
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0%	20,323	20,323
LG Soft India Private Limited.(LGSII)	India	March	100.0%	20,105	20,105
Shanghai LG Electronics Co., Ltd.(LGESH) ¹	China	December	-	-	6,512
LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB)	China	December	50.0%	6,636	-
LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	China	December	100.0%	4,804	-
Innovation Investment Fund ¹	Korea	December	-	-	1,054
LG Electronics Latvia, LLC(LGELA) ²	Latvia	December	-	-	1,655
LG Electronics Austria GmbH(LGEAG) ²	Austria	December	-	-	167
Others				233,530	229,607
Associates					
LG Display Co., Ltd.	Korea	December	37.9%	3,480,623	3,480,623
Ericsson-LG Co., Ltd.	Korea	December	25.0%	81,755	81,755
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	120,668	80,602
LG Fuel Cell Systems Inc.	USA	December	32.2%	69,375	44,051
Korea Information Certificate Authority Inc.	Korea	December	7.5%	1,242	1,242
Joint ventures					
LG Holdings (HK) Ltd.	China	December	49.0%	129,386	129,386
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0%	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2%	7,881	7,881
Total				8,034,832	7,963,467

¹ It was liquidated in 2016.

² All investments were disposed to a subsidiary during 2016.

³ Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

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(b) Changes in investments in subsidiaries, associates and joint ventures for the nine-month periods ended September 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Opening carrying amount	7,963,467	8,055,416
Acquisitions ¹	135,424	8,057
Disposal	(9,388)	(54,295)
Impairment	(54,671)	(8,643)
Closing carrying amount	8,034,832	8,000,535

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

(c) Details of marketable investments in subsidiaries and associates as of September 30, 2016 and December 31, 2015, are as follows:

September 30, 2016					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book value
LG Display Co., Ltd.	Associate	135,625,000	28,100	3,811,063	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	78,300	755,844	541,538
Korea Information Certificate Authority Inc.	Associate	2,000,000	8,370	16,740	1,242

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

10. Borrowings

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

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Current		
Current portion of long-term borrowings	403,750	77,500
Current portion of debentures	692,511	964,103
Subtotal	1,096,261	1,041,603
Non-current		
Long-term borrowings	1,470,000	1,750,000
Debentures	4,257,182	3,827,300
Subtotal	5,727,182	5,577,300
Total	6,823,443	6,618,903

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at September 30, 2016 (%)	September 30, 2016	December 31, 2015
Long-term borrowings in local currency				
Korea Development Bank and others ¹	2030.07.07	2.16 ~ 4.62	1,873,750	1,827,500
Local currency loans				
Public, non-guaranteed bonds	2030.02.02	1.48 ~ 4.44	3,580,000	3,380,000
Private, non-guaranteed bonds	2028.11.18	3.11 ~ 3.96	700,000	700,000
Foreign currency loans				
Public, non-guaranteed bonds ²	2016.12.02	2.00	244,038	254,859
Private, non-guaranteed bonds ²	2017.06.19	3ML+1.30	219,260	234,400
Private, guaranteed bonds ²	2019.01.31	3ML+1.60	219,260	234,400
Less: discount on debentures			(12,865)	(12,256)
Total			6,823,443	6,618,903

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

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

11. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Present value of funded obligations	2,570,826	2,236,821
Fair value of plan assets	(1,625,381)	(1,661,805)
Net defined benefit liability	945,445	575,016

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Current service cost	72,717	218,150	66,814	200,443
Net interest cost	3,853	11,558	4,841	14,523
Managing cost	437	1,310	335	1,005
Total	77,007	231,018	71,990	215,971

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Manufacturing cost	37,198	111,038	34,884	103,493
Selling and marketing expenses	9,589	28,903	10,547	32,131
Administrative expenses	5,485	16,194	6,642	20,131
Research and development expenses	23,727	71,893	18,616	56,280
Service costs	1,008	2,990	1,301	3,936
Subtotal	77,007	231,018	71,990	215,971
Discontinued operations	-	-	-	-
Total	77,007	231,018	71,990	215,971

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	2,236,821	1,916,342
Current service cost	218,150	200,443
Interest expense	43,898	43,973
Remeasurements for:		
- Actuarial loss arising from changes in financial assumptions	166,902	110,555
Increase due to business combination	-	142
Decrease due to transfer of business	-	(1,925)
Benefits paid	(94,945)	(80,200)
At September 30	2,570,826	2,189,330

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

<i>(in millions of Korean won)</i>	2016	2015
At January 1	1,661,805	1,299,650
Interest income	32,340	29,450
Remeasurements	(7,090)	(5,476)
Increase due to business combination	-	133
Decrease due to transfer of business	-	(1,488)
Benefits paid	(60,364)	(57,511)
Managing cost	(1,310)	(1,005)
At September 30	1,625,381	1,263,753

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Discount rate	2.0%	2.7%
Expected salary growth rate	6.0%	6.0%

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

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(228,367)	265,387
Expected salary growth rate	254,749	(224,377)

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

Defined Contribution Plan

Recognized expense related to the defined contribution plan during the nine-month period ended September 30, 2016, is ₩3,963 million (2015: ₩3,612 million).

12. Provisions

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

	<u>2016</u>				
<i>(in millions of Korean won)</i>	<u>Warranty</u>	<u>Sales returns</u>	<u>Restoration</u>	<u>Litigation and others</u>	<u>Total</u>
At January 1	183,481	838	5,760	833,635	1,023,714
Additions	446,216	22,795	8,988	54,728	532,727
Utilizations	(321,539)	(23,245)	(456)	(108,727)	(453,967)
At September 30	308,158	388	14,292	779,636	1,102,474
Current	298,993	388	2,721	-	302,102
Non-current	9,165	-	11,571	779,636	800,372

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<i>(in millions of Korean won)</i>	2015				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	222,522	528	4,812	818,104	1,045,966
Additions	177,185	21,881	1,550	95,705	296,321
Utilizations	(192,679)	(21,291)	(668)	(39,051)	(253,689)
At September 30	207,028	1,118	5,694	874,758	1,088,598
Current	197,705	1,118	287	-	199,110
Non-current	9,323	-	5,407	874,758	889,488

13. Paid-in Capital

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

	Par value per share	September 30, 2016		December 31, 2015	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
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, 2016, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying value of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merged with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

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14. Retained Earnings

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

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Legal reserve ¹	167,767	160,478
Discretionary reserve	4,805,354	5,317,480
Unappropriated retained earnings (accumulated deficit) ²	136,087	(431,854)
Total	5,109,208	5,046,104

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

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

15. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as of September 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Cash flow hedge	(94,970)	(55,567)
Available-for-sale financial assets	10,633	10,943
Total	(84,337)	(44,624)

16. Other Components of Equity

Other components of equity as of September 30, 2016 and December 31, 2015, consist of:

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
At September 30	(32,819)	(32,819)

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

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17. Net Sales

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Sales of goods	6,842,735	21,362,869	6,784,561	20,504,673
Rendering of services	88,996	251,010	69,649	205,030
Royalty income	77,036	252,235	104,227	350,127
Subtotal	7,008,767	21,866,114	6,958,437	21,059,830
Discontinued operations	-	-	2,347	8,135
Total	7,008,767	21,866,114	6,960,784	21,067,965

18. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Changes in finished goods and work-in-process	6,427	(98,804)	(12,966)	(114,296)
Raw materials and merchandise used	4,267,239	13,477,046	4,491,301	13,453,162
Employee benefit expense	952,928	2,868,532	848,406	2,680,707
Depreciation and amortization	235,094	703,650	238,588	704,809
Advertising expense	126,083	449,437	149,040	400,320
Promotion expense	64,739	210,442	48,787	139,958
Transportation expense	135,030	391,902	150,098	415,324
Commission expense	374,834	1,123,674	369,972	1,077,458
Other expenses	944,284	2,566,050	828,233	2,462,704
Subtotal¹	7,106,658	21,691,929	7,111,459	21,220,146
Discontinued operations	-	-	3,157	11,651
Total	7,106,658	21,691,929	7,114,616	21,231,797

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

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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, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Salaries	367,204	1,121,444	318,312	1,053,131
Post-employment benefits	41,616	125,070	39,087	118,271
Employee benefits	57,444	178,348	59,090	170,376
Freight expense	133,332	386,480	148,271	410,939
Rental expense	43,118	128,243	41,286	123,226
Commission expense	253,231	759,221	260,620	753,151
Depreciation	32,492	100,383	35,603	110,565
Amortization	40,197	121,144	40,671	122,335
Taxes and dues	7,294	13,271	7,662	12,305
Advertising expense	126,083	449,437	149,041	400,320
Promotional expense	64,739	210,442	48,787	139,958
Direct R&D costs	112,091	328,458	122,056	344,449
Direct service costs	223,741	472,039	82,487	192,488
Bad debts expense	(21,846)	(29,571)	4,000	29,381
Other	68,859	217,470	73,497	255,359
Subtotal	1,549,595	4,581,879	1,430,470	4,236,254
Discontinued operations	-	-	(145)	(1,176)
Total	1,549,595	4,581,879	1,430,325	4,235,078

20. Financial Income

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Interest income	4,608	14,375	6,566	17,693
Exchange differences	36,797	136,785	84,784	148,283
Other	6,988	17,569	8,714	20,216
Subtotal	48,393	168,729	100,064	186,192
Discontinued operations	-	-	-	-
Total	48,393	168,729	100,064	186,192

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21. Financial Expenses

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Interest expense	55,189	173,049	61,690	182,907
Exchange differences	58,141	170,103	56,946	128,753
Loss on disposal of trade receivables	214	2,485	1,915	4,198
Other	1,510	4,323	366	632
Subtotal	115,054	349,960	120,917	316,490
Discontinued operations	-	-	-	-
Total	115,054	349,960	120,917	316,490

22. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Dividend income	179,776	468,395	47,410	152,920
Exchange differences	221,835	767,948	377,977	750,781
Gain on disposal of property, plant and equipment	289	2,331	656	3,252
Gain on disposal of investment property	-	7,903	-	-
Gain on disposal of available-for-sale financial assets	50	50	-	6,329
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	20,955	33	629
Gain on transfer of business	-	-	13,045	13,045
Other	26,270	40,934	(27,830)	17,760
Subtotal	428,220	1,308,516	411,291	944,716
Discontinued operations	-	-	170	771
Total	428,220	1,308,516	411,461	945,487

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23. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2016		2015	
	Three months	Nine months	Three months	Nine months
Continuing operations:				
Exchange differences	282,617	794,734	354,361	842,159
Loss on disposal of property, plant and equipment	2,034	4,758	5,962	14,674
Impairment loss on property, plant and equipment	1,361	14,570	2,083	14,492
Loss on disposal of intangible assets	3,325	7,745	9,272	20,441
Impairment loss on available-for-sale financial assets	4,500	4,500	-	-
Impairment loss on investments in subsidiaries, associates and joint ventures	-	54,671	-	8,643
Other	30,738	88,946	45,111	130,156
Subtotal	324,575	969,924	416,789	1,030,565
Discontinued operations	-	-	16	921
Total	324,575	969,924	416,805	1,031,486

24. Earnings per Share

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

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

	2016		2015	
	Three months	Nine months	Three months	Nine months
Profit(loss) attributable to ordinary shares (in millions of Korean won)	(39,612)	241,733	(124,162)	(258,609)
Continuing operations	(39,612)	241,733	(123,712)	(256,095)
Discontinued operations	-	-	(450)	(2,514)
Weighted average number of ordinary shares outstanding (unit: shares)	162,884,643	162,884,643	162,884,643	162,884,643
Basic earnings(loss) per ordinary share (in Korean won)	(243)	1,484	(761)	(1,587)
Continuing operations	(243)	1,484	(759)	(1,572)
Discontinued operations	-	-	(2)	(15)

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

	2016		2015	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to preferred shares (in millions of Korean won)	(3,963)	26,143	(12,882)	(26,635)
Continuing operations	(3,963)	26,143	(12,834)	(26,369)
Discontinued operations	-	-	(48)	(266)
Weighted average number of preferred shares outstanding (unit: shares)	17,181,302	17,181,302	17,181,302	17,181,302
Basic earnings (loss) per preferred share (in Korean won)	(230)	1,522	(749)	(1,550)
Continuing operations	(230)	1,522	(747)	(1,535)
Discontinued operations	-	-	(2)	(15)

25. Cash Flow Information

Cash flows from operating activities are presented under the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2016 and 2015, are as follows:

- (a) Cash generated from operations

<i>(in millions of Korean won)</i>	2016	2015
Profit(loss) for the period	267,876	(285,244)
Adjustments:		
Interest expense, net	158,674	165,214
Exchange differences, net	22,878	(23,764)
Depreciation	434,391	443,496
Amortization	272,274	267,944
Loss on disposal of property, plant and equipment and intangible assets, net	10,172	31,863
Provisions for severance benefits	231,018	215,971
Provisions	532,727	296,321
Dividend income	(468,395)	(152,920)
Income tax expense(benefit)	63,670	(93,999)
Other	136,892	118,353
Profit from discontinued operations	-	210
	1,394,301	1,268,689
Changes in operating assets and liabilities:		
Decrease(increase) in trade receivables	328,602	(134,956)
Decrease(increase) in loans and other receivables	141,142	(28,048)
Increase in inventories	(360,421)	(162,031)
Increase in other assets	(215,985)	(47,488)

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<i>(in millions of Korean won)</i>	2016	2015
Increase in trade payables	148,171	125,723
Increase(decrease) in other payables	39,237	(221,991)
Decrease in provisions	(453,967)	(253,689)
Increase in other liabilities	85,609	337,266
Payment of defined benefit liability	(34,581)	(22,689)
Deposit in plan assets, net	(23,940)	(22,969)
	<u>(346,133)</u>	<u>(430,872)</u>
Cash generated from operating activities	1,316,044	552,573

(b) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2016	2015
Reclassification of construction-in-progress to property, plant and equipment	167,950	331,678
Reclassification of construction-in-progress to intangible assets	130,636	187,127
Reclassification of other assets to intangible assets	82,636	66,429
Reclassification of current maturities of borrowings and debentures	843,479	762,775
Other payables to acquire property, plant and equipment	56,403	21,921
Other payables to acquire intangible assets	6,448	7,351

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

i) Transfer of Display Driver-IC design business

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

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

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26. Contingencies

(a) At the end of the reporting period, the Company is provided with a performance guarantee of ₩115,342 million (December 31, 2015: ₩115,137 million) from Seoul Guarantee Insurance and one other financial institution relating to the sales contracts. The Company is also provided with guarantee of principal US\$ 200 million (December 31, 2015: US\$ 200 million) and interests from Shinhan Bank for the guaranteed bond.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩4,594,349 million (December 31, 2015: ₩4,757,997 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	September 30, 2016	December 31, 2015
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	851,414	884,866
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	554,202	592,469
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	461,954	524,990
LG Electronics do Brasil Ltda.(LGEBR)	Citibank and others	431,468	484,651
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	VIETIN and others	403,320	293,539
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	262,827	282,888
LG Electronics Peru S.A.(LGEPR)	Nova scotia and others	190,863	153,893
LG Electronics Inc Chile Ltda.(LGECL)	Nova scotia and others	162,734	147,486
LG Electronics India Pvt. Ltd.(LGEIL)	HSBC and others	126,041	143,989
LG Electronics RUS, LLC(LGERA)	Citibank and others	122,464	125,680
LG Electronics Argentina S.A.(LGEAR)	Citibank and others	121,830	55,119
LG Electronics Colombia Ltda.(LGECL)	Citibank and others	117,791	131,288
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank and others	105,056	108,492
LG-Shaker Co., Ltd.(LGESR)	BSF and others	94,198	100,756
LG Electronics Algeria SARL(LGEAS)	Societe Generale and others	90,556	100,250
LG Electronics Morocco S.A.R.L(LGEMC)	Citibank and others	76,887	80,607
LG Electronics Thailand Co., Ltd.(LGETH)	MIZUHO and others	63,460	91,148
LG Electronics Egypt S.A.E(LGEEG)	HSBC and others	60,297	64,460
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	58,288	56,832
LG Electronics Monterrey Mexico S.A.de C.V. (LGEMM)	Citibank	32,889	-
Others	Citibank and others	205,810	334,594
Total		4,594,349	4,757,997

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

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

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

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

27. Commitments

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

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with Hana Bank and 22 other banks amounting to ₩2,650,853 million (December 31, 2015: ₩2,872,042 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩400,000 million (December 31, 2015: ₩300,000 million).

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

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩609,630 million (December 31, 2015: ₩739,468 million).

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(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Property, plant and equipment	457,093	474,649
Intangible assets	12,937	3,881
Total	470,030	478,530

(f) Operating lease commitments – the Company as lessee

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

<i>(in millions of Korean won)</i>	September 30, 2016			
	Within 1 year	1 to 5 years	Over 5 years	Total
Buildings and offices	64,623	55,209	5,647	125,479
Vehicles	5,660	5,242	-	10,902
Equipment	13,315	9,784	-	23,099
Total	83,598	70,235	5,647	159,480

ii) Lease payment under operating lease recognized in the statement of income during the nine-month period ended September 30, 2016, is ₩87,958 million (2015: ₩86,571 million).

iii) As of September 30, 2016, total future minimum sublease payments expected to be received under non-cancellable sublease agreements for some buildings amount to ₩25,933 million and lease income recognized related to the subleases for the nine-month period ended September 30, 2016, amounts to ₩10,935 million (2015: ₩10,898 million).

(g) Operating lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	September 30, 2016			
	Within 1 year	1 to 5 years	Over 5 years	Total
Healthcare rental	106,155	154,292	-	260,447
Real estate rental	2,949	1,473	584	5,006
Total	109,104	155,765	584	265,453

ii) The Company recognized ₩82,472 million (2015: ₩74,002 million) in lease income during the nine-month period ended September 30, 2016.

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(h) Trademark license commitments

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

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

28. Related Party

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

i) Major income and expense transactions with related parties

(in millions of Korean won)

<u>Classification</u>	<u>Name</u>	<u>2016</u>					
		<u>Income transactions</u>			<u>Expense transactions</u>		
		<u>Sales</u>	<u>Others</u>	<u>Total</u>	<u>Purchases</u>	<u>Others</u>	<u>Total</u>
Significantly influencing the Company	LG Corp.	1,235	-	1,235	-	98,263	98,263
Subsidiaries	LG Innotek Co., Ltd.	137,780	-	137,780	610,019	5,778	615,797
	Hiplaza Co., Ltd.	888,136	-	888,136	64	9,593	9,657
	LG Electronics Mobilecomm U.S.A., Inc.	1,859,365	-	1,859,365	2,249	11,466	13,715
	LG Electronics Egypt S.A.E	167,664	71	167,735	-	487	487
	LG Electronics U.S.A., Inc.	2,413,430	-	2,413,430	3,632	75,272	78,904
	LG Electronics do Brasil Ltda.	476,832	-	476,832	5,970	1,817	7,787
	LG Electronics Vietnam Haiphong Co., Ltd.	738,391	22,198	760,589	18,737	2,788	21,525
	Inspur LG Digital Mobile Communications Co., Ltd.	1,201,086	-	1,201,086	40,131	25,765	65,896
	LG Electronics Gulf FZE	547,590	-	547,590	39	1,372	1,411
	LG Electronics United Kingdom Ltd.	100,831	-	100,831	1,451	4,775	6,226
	LG Electronics RUS, LLC	252,905	19	252,924	1,149	947	2,096
	LG Electronics (Kunshan) Co.,Ltd.	406,789	-	406,789	16,492	230	16,722
	LG Electronics Peru S.A.	106,032	-	106,032	-	243	243
	LG Electronics Mexico S.A. DE C.V.	338,207	-	338,207	96	551	647
	LG Electronics Espana S.A.	115,692	-	115,692	375	1,996	2,371
	LG Electronics (Levant) Jordan	314,948	-	314,948	729	16,773	17,502
	LG Electronics Deutschland GmbH	168,011	-	168,011	1,284	17,863	19,147
	LG Electronics Canada, Inc.	319,939	-	319,939	-	2,097	2,097

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(in millions of Korean won)

		2016					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	LG Electronics Japan, Inc.	241,100	-	241,100	5,554	18,699	24,253
	LG Electronics Nanjing New Technology co.,LTD	235,714	1	235,715	426,093	577	426,670
	LG Electronics Reynosa S.A. DE C.V.	212,547	16	212,563	2,744	55	2,799
	LG Electronics Wroclaw Sp.z o.o	103,568	6	103,574	4,470	2,869	7,339
	Qingdao LG Inspur Digital Communication Co., Ltd.	348,229	51	348,280	76,996	4,471	81,467
	LG Electronics Mlawa Sp. z o.o	183,795	-	183,795	1,807	616	2,423
	P.T. LG Electronics Indonesia	132,228	-	132,228	107,227	115	107,342
	Others	3,222,940	21,308	3,244,248	250,283	280,400	530,683
	Subtotal	15,233,749	43,670	15,277,419	1,577,591	487,615	2,065,206
Associates	LG Display Co., Ltd. and its subsidiaries	634,598	-	634,598	1,216,731	18,774	1,235,505
	Ericsson-LG Co., Ltd. and its subsidiaries	6,070	-	6,070	3,462	-	3,462
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	828	-	828	13	-	13
	LG Fuel Cell Systems Inc. and its subsidiaries	450	-	450	39	-	39
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	Subtotal	641,946	-	641,946	1,220,245	18,775	1,239,020
Joint venture	LG-MRI LLC	167	-	167	81	-	81
Other related parties	LG CNS Co., Ltd. and its subsidiaries	38,714	-	38,714	143,683	151,161	294,844
	SERVEONE Co., Ltd. and its subsidiaries	8,754	-	8,754	695,861	59,990	755,851
	LG Siltron Incorporated and its subsidiaries	58	-	58	9	-	9
	LUSEM CO., LTD.	3	-	3	1,708	38	1,746
	LG Management Development Institute	19	-	19	-	19,529	19,529
	LG SPORTS Ltd.	18	-	18	-	9,391	9,391
	LG MMA Ltd.	494	-	494	-	-	-
	Subtotal	48,060	-	48,060	841,261	240,109	1,081,370
	Total	15,925,157	43,670	15,968,827	3,639,178	844,762	4,483,940

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		2015					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	833	-	833	-	101,184	101,184
Subsidiaries	LG Innotek Co., Ltd.	24,682	-	24,682	746,073	8,532	754,605
	Hiplaza Co., Ltd.	753,688	-	753,688	48	9,071	9,119
	LG Electronics Mobilecomm U.S.A., Inc.	2,190,010	-	2,190,010	24	1,941	1,965
	LG Electronics Egypt S.A.E	216,001	6	216,007	-	249	249
	LG Electronics U.S.A., Inc.	1,824,789	-	1,824,789	3,715	72,659	76,374
	LG Electronics do Brasil Ltda.	758,536	5	758,541	15,986	1,437	17,423
	LG Electronics Vietnam Haiphong Co., Ltd.	194,161	329	194,490	11,446	713	12,159
	Inspur LG Digital Mobile Communications Co., Ltd.	1,408,001	1,631	1,409,632	34,954	23,550	58,504
	LG Electronics Gulf FZE	535,220	-	535,220	1	179	180
	LG Electronics United Kingdom Ltd.	144,051	-	144,051	1,194	1,919	3,113
	LG Electronics RUS, LLC	252,063	11	252,074	2,921	891	3,812
	LG Electronics (Kunshan) Co.,Ltd.	370,128	-	370,128	4,918	-	4,918
	LG Electronics Peru S.A.	91,816	-	91,816	-	418	418
	LG Electronics Mexico S.A. DE C.V.	358,944	-	358,944	-	750	750
	LG Electronics Espana S.A.	81,167	-	81,167	12	524	536
	LG Electronics (Levant) Jordan	310,819	-	310,819	738	1,578	2,316
	LG Electronics Deutschland GmbH	120,129	-	120,129	2,387	11,464	13,851
	LG Electronics Canada, Inc.	292,665	-	292,665	-	1,419	1,419
	LG Electronics Japan, Inc.	375,065	-	375,065	4,701	13,880	18,581
	LG Electronics Nanjing New Technology co.,LTD	213,270	374	213,644	369,579	294	369,873
	LG Electronics Reynosa S.A. DE C.V.	222,855	-	222,855	3,980	97	4,077
	LG Electronics Wroclaw Sp.z o.o	128,036	-	128,036	3,179	1,119	4,298
	Qingdao LG Inspur Digital Communication Co., Ltd.	477,339	-	477,339	53,850	9,300	63,150
	LG Electronics Mlawa Sp. z o.o	150,744	80	150,824	3,488	1,243	4,731
	P.T. LG Electronics Indonesia	125,892	-	125,892	115,228	145	115,373
	Others	3,172,308	870	3,173,178	203,593	400,272	603,865
	Subtotal	14,792,379	3,306	14,795,685	1,582,015	563,644	2,145,659
Associates	LG Display Co., Ltd. and its subsidiaries	359,798	54,050	413,848	1,360,106	7,393	1,367,499
	Ericsson-LG Co., Ltd. and its subsidiaries	5,892	-	5,892	3,894	-	3,894

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		2015					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	2,276	-	2,276	17	72	89
	LG Fuel Cell Systems Inc. and its subsidiaries	48	-	48	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	Subtotal	368,014	54,050	422,064	1,364,017	7,466	1,371,483
Other related parties	LG CNS Co., Ltd. and its subsidiaries	47,808	-	47,808	94,241	161,898	256,139
	SERVEONE Co., Ltd. and its subsidiaries	18,690	-	18,690	528,173	67,822	595,995
	LG Siltron Incorporated and its subsidiaries	1,185	-	1,185	6	-	6
	LUSEM CO., LTD.	122	-	122	6,490	263	6,753
	LG Management Development Institute	171	-	171	130	19,649	19,779
	LG SPORTS Ltd.	19	-	19	-	9,802	9,802
	LG Holdings Japan Co., Ltd	-	-	-	-	133	133
	LG MMA Ltd.	246	-	246	4	-	4
	Subtotal	68,241	-	68,241	629,044	259,567	888,611
	Total	15,229,467	57,356	15,286,823	3,575,076	931,861	4,506,937

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

(in millions of Korean won)

		September 30, 2016							
		Receivables			Payables				
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Company	LG Corp.	275	-	27,066	27,341	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	107,059	-	1,808	108,867	166,355	-	7,422	173,777
	Hiplaza Co., Ltd.	139,043	-	18,046	157,089	-	-	7,212	7,212
	LG Electronics Mobilecomm U.S.A., Inc.	240,006	-	14	240,020	264	-	17,224	17,488
	LG Electronics Egypt S.A.E	219,042	-	67,798	286,840	23,831	-	29	23,860
	LG Electronics U.S.A., Inc.	368,021	-	21	368,042	-	-	10,676	10,676
	LG Electronics do Brasil Ltda.	248,994	-	13,325	262,319	502	-	671	1,173
	LG Electronics Vietnam Haiphong Co., Ltd.	328,431	-	1,837	330,268	117,412	-	435	117,847
	Inspur LG Digital Mobile Communications Co., Ltd.	154,181	-	28,378	182,559	384,624	-	788	385,412
	LG Electronics Gulf FZE	166,788	-	2	166,790	39	-	159	198

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		September 30, 2016							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics United Kingdom Ltd.	36,476	-	175	36,651	27	-	333	360
	LG Electronics RUS, LLC	52,991	-	26,207	79,198	915	-	115	1,030
	LG Electronics (Kunshan) Co.,Ltd.	105,035	-	-	105,035	53,951	-	215	54,166
	LG Electronics Peru S.A.	55,976	-	67	56,043	-	-	-	-
	LG Electronics Mexico S.A. DE C.V.	137,227	-	24	137,251	93	-	86	179
	LG Electronics Espana S.A.	34,424	-	20	34,444	44	-	358	402
	LG Electronics (Levant) Jordan	79,621	-	32	79,653	-	-	4,592	4,592
	LG Electronics Deutschland GmbH	62,714	-	1,040	63,754	-	-	3,304	3,304
	LG Electronics Canada, Inc.	108,826	-	2	108,828	-	-	337	337
	LG Electronics Japan, Inc.	49,403	-	-	49,403	-	-	3,072	3,072
	LG Electronics Nanjing New Technology co.,LTD	25,531	-	197	25,728	156,734	-	2	156,736
	LG Electronics Reynosa S.A. DE C.V.	19,894	-	5,014	24,908	84,340	-	-	84,340
	LG Electronics Wroclaw Sp.z o.o	19,229	-	6	19,235	91,986	-	84	92,070
	Qingdao LG Inspur Digital Communication Co.,Ltd.	56,889	-	13,070	69,959	135,565	-	-	135,565
	LG Electronics Mlawa Sp. z o.o	43,429	-	5	43,434	355,199	-	47	355,246
	P.T. LG Electronics Indonesia	16,592	-	737	17,329	114,994	-	18	115,012
	Others	1,096,571	-	47,948	1,144,519	513,385	-	49,337	562,722
	Subtotal	3,972,393	-	225,773	4,198,166	2,200,260	-	106,516	2,306,776
Associates	LG Display Co., Ltd. and its subsidiaries	313,813	-	4,527	318,340	380,061	-	86,442	466,503
	Ericsson-LG Co., Ltd. and its subsidiaries	5	-	251	256	774	-	-	774
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	-	-	3	-	3	6
	LG Fuel Cell Systems Inc. and its subsidiaries	292	-	-	292	-	-	-	-
	Subtotal	314,110	-	4,778	318,888	380,838	-	86,445	467,283
Joint venture	LG-MRI LLC	172	-	-	172	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	18,062	-	1	18,063	29,186	-	58,230	87,416
	SERVEONE Co., Ltd. and its subsidiaries	3,824	-	54,208	58,032	251,028	-	65,528	316,556
	LG Siltron Incorporated and its subsidiaries	-	-	-	-	-	-	112	112
	LUSEM CO., LTD.	-	-	-	-	373	-	-	373
	LG Management Development Institute	-	-	15,660	15,660	-	-	2,057	2,057

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		September 30, 2016							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG SPORTS Ltd.	-	-	-	-	-	-	980	980
	LG MMA Ltd.	286	-	-	286	-	-	-	-
	Subtotal	22,172	-	69,869	92,041	280,587	-	126,907	407,494
	Total	4,309,122	-	327,486	4,636,608	2,861,685	-	319,868	3,181,553

(in millions of Korean won)

		December 31, 2015							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		-	-	29,683	29,683	-	-	580	580
Subsidiaries	LG Innotek Co., Ltd.	21,454	-	6,877	28,331	272,073	-	2,451	274,524
	Hiplaza Co., Ltd.	80,935	-	18,930	99,865	-	-	9,869	9,869
	LG Electronics Mobilecomm U.S.A., Inc.	440,497	-	-	440,497	126	-	20,514	20,640
	LG Electronics Egypt S.A.E	309,455	-	53,414	362,869	16,325	-	32	16,357
	LG Electronics U.S.A., Inc.	350,051	-	4	350,055	-	-	23,195	23,195
	LG Electronics do Brasil Ltda.	213,816	-	14,416	228,232	3,497	-	444	3,941
	LG Electronics Vietnam Haiphong Co., Ltd.	203,674	-	5,394	209,068	9,933	-	48	9,981
	Inspur LG Digital Mobile Communications Co., Ltd.	203,599	-	29	203,628	418,213	-	1,089	419,302
	LG Electronics Gulf FZE	184,739	-	-	184,739	-	-	83	83
	LG Electronics United Kingdom Ltd.	184,502	-	-	184,502	-	-	433	433
	LG Electronics RUS, LLC	125,164	-	12,001	137,165	1,676	-	56	1,732
	LG Electronics (Kunshan) Co.,Ltd.	110,414	-	-	110,414	54,169	-	75	54,244
	LG Electronics Peru S.A.	110,342	-	50	110,392	-	-	58	58
	LG Electronics Mexico S.A. DE C.V.	105,052	-	-	105,052	-	-	72	72
	LG Electronics Espana S.A.	104,358	-	-	104,358	61	-	65	126
	LG Electronics (Levant) Jordan	87,519	-	-	87,519	-	-	570	570
	LG Electronics Deutschland GmbH	75,433	-	2,356	77,789	-	-	22,801	22,801
	LG Electronics Canada, Inc.	75,741	-	-	75,741	-	-	90	90
	LG Electronics Japan, Inc.	67,988	-	-	67,988	-	-	3,410	3,410
	LG Electronics Nanjing New Technology co.,LTD	59,549	-	509	60,058	97,239	-	190	97,429

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		December 31, 2015							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Reynosa S.A. DE C.V.	12,748	-	44,979	57,727	46,624	-	-	46,624
	LG Electronics Wroclaw Sp.z o.o	55,044	-	272	55,316	290,678	-	146	290,824
	Qingdao LG Inspur Digital Communication Co.,Ltd.	50,495	-	-	50,495	163,850	-	63	163,913
	LG Electronics Mlawa Sp. z o.o	24,525	-	-	24,525	397,917	-	84	398,001
	P.T. LG Electronics Indonesia	19,253	-	778	20,031	131,843	-	96	131,939
	Others	1,257,377	-	75,045	1,332,422	445,365	-	39,900	485,265
	Subtotal	4,533,724	-	235,054	4,768,778	2,349,589	-	125,834	2,475,423
Associates	LG Display Co., Ltd. and its subsidiaries	99,698	-	39,988	139,686	407,370	-	35,342	442,712
	Ericsson-LG Co., Ltd. and its subsidiaries	5	-	330	335	897	-	150	1,047
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	54	54	7	-	3	10
	Subtotal	99,703	-	40,372	140,075	408,274	-	35,495	443,769
Other related parties	LG CNS Co., Ltd. and its subsidiaries	7,094	-	262	7,356	12,773	-	136,341	149,114
	SERVEONE Co., Ltd. and its subsidiaries	1,207	-	54,239	55,446	161,734	-	51,093	212,827
	LG Siltron Incorporated and its subsidiaries	44	-	-	44	-	-	2,502	2,502
	LUSEM CO., LTD.	-	-	-	-	364	-	-	364
	LG Management Development Institute	-	-	15,660	15,660	-	-	939	939
	LG SPORTS Ltd.	-	-	-	-	-	-	121	121
	LG MMA Ltd.	30	-	-	30	-	-	-	-
	Subtotal	8,375	-	70,161	78,536	174,871	-	190,996	365,867
	Total	4,641,802	-	375,270	5,017,072	2,932,734	-	352,905	3,285,639

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

(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 Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Electronics Ukraine Inc. ¹	-	-	56,694	-	-	-	-
	LG Innotek Co., Ltd.	3,379	-	-	-	-	-	-
	LG Electronics Australia Pty, Ltd.	42,658	-	-	-	-	-	-

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Classification	Name	2016						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
	NanJing LG-Panda Appliances Co., Ltd.	9,622	-	-	-	-	-	-
	LG Electronics India Pvt. Ltd.	289,059	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	3,823	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	3,805	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	246	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	29,894	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	14,022	-	-	-	-	-	-
	LG Electronics Finland Lab, Oy	-	-	1,900	-	-	-	-
	Subtotal	396,508	-	58,594	-	-	-	-
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	-	-	-	-
	LG FUEL CELL SYSTEM Inc.	-	-	25,324	-	-	-	-
	Subtotal	71,633	-	65,390	-	-	-	-
	Total	468,141	22,038	123,984	-	-	-	-

¹ Includes the amount of debt for equity swaps of trade receivables.

(in millions of Korean won)

Classification	Name	2015						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Electronics (Hangzhou) Co., Ltd.	989	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	9,583	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	1,956	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	12,048	-	-	-	-	-	-
	LG Electronics (Kunshan) Co.,Ltd.	8,642	-	-	-	-	-	-

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	Inspur LG Digital Mobile Communications Co., Ltd.	32,478	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	5,456	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	7,121	-	-	-	-	-	-
	LG Electronics Finland Lab	-	-	8,054	-	-	-	-
	LG Innotek Co., Ltd.	2,413	-	-	-	-	-	-
	Innovation Investment Fund	833	-	-	-	-	-	-
	Subtotal	81,519	-	8,054	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Ericsson-LG Co., Ltd.	3,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	60	-	-	-	-	-	-
	Subtotal	71,123	-	-	-	-	-	-
	Total	152,642	22,038	8,054	-	-	-	-

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

<i>(in millions of Korean won)</i>	2016	2015
Wages and salaries	12,222	13,278
Post-employment benefits	3,252	4,414
Other long-term benefits	118	72
Total	15,592	17,764

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 26.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

29. Risk Management

Financial Risk Management

The Company's financial risk management ("FRM") policy supports each business division to achieve excellent performance solidly and continuously against market risk, credit risk and

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liquidity risk. In addition, FRM helps the Company to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

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

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

The carrying amount, and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 4 and Note 10, respectively.

(a) Market risk

i) Foreign exchange risk

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

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2016		December 31, 2015	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	39,315	(39,315)	37,374	(37,374)
EUR/KRW	33,126	(33,126)	47,219	(47,219)

ii) Interest rate risk

The Company is exposed to interest rate risk through changes in interest-bearing liabilities or assets. The risk mainly arises from financial borrowings and financial deposits with variable interest rates linked to market interest rate changes in the future. The objective of interest rate

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risk management lies in improving corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

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

At the end of the reporting period, if interest rates fluctuate by 100bp without other variables changing, the effects on income and expenses related to borrowings and financial deposits with variable interest rates for the nine-month periods ended September 30, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	9,443	(9,443)	7,842	(7,842)
Interest expense	-	-	-	-

There are no borrowings with variable interest rates exposed to interest rate risk as of September 30, 2016 and 2015.

iii) Details of derivatives contracts are as follows:

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

September 30, 2016	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (received)	Interest rate (paid)	Contract date	Expiration date
USD/KRW CRS	Shinhan Bank and others	USD 400	1,052.1 ~ 1,113.6	3ML+1.30 ~ 3ML+1.60	3.22 ~ 3.42	2013.07.31~ 2013.12.19	2017.06.19~ 2019.01.31
CHF/KRW CRS	BNP PARIBAS and others	CHF 215	1,213.6	2.00	3.64 ~ 3.74	2012.07.02	2016.12.02
KRW Interest rate swap	Woori bank and others	KRW 1,170,000	-	3M CD+0.82 ~ 3M CD+1.14	3.07 ~ 4.53	2014.01.03~ 2015.07.07	2024.01.03~ 2030.07.07

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩83,088 million in 2016 (2015: gain on valuation amounting to ₩4,301 million) after applying the tax effect, is recognized in other comprehensive income(loss). The Company reclassified ₩43,685 million to loss from equity in 2016 and ₩35,040 million to gain from equity in 2015, and the loss on valuation amounting to ₩39,403 million in 2016 (2015: ₩30,739 million) after applying the tax effect, is recognized in other comprehensive income(loss).

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2016		December 31, 2015	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,473	(3,473)	3,673	(3,673)

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

(b) Credit risk

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

In regard to receivables, the Company operates an integrated receivable insurance program with the Korea Trade Insurance Corporation (K-SURE) and Seoul Guarantee Insurance (Coface). In an effort to minimize receivable credit risk, the Company applies the credit rating of the counterparty when determining the insurance coverage. In addition, the Company performs stringent credit risk managements based on credit valuation criteria for receivables without insurance coverage or collateral.

As of September 30, 2016, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,266,111 million (December 31, 2015: ₩1,174,844 million) and its risk is managed appropriately with insurer's credit limit of ₩2,919,162 million (December 31, 2015: ₩2,381,611 million). Therefore, the Company estimates credit risk exposure to itself as limited.

As of September 30, 2016, the carrying value of financial assets represents net of impairment loss to reflect Company's maximum exposure to the credit risk.

(c) Liquidity risk

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

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

In addition, the Company is able to source funds any time in domestic and international financial

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markets because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB Stable from Standard & Poors, and Baa3 Stable from Moody's as of September 30, 2016, respectively.

- i) Cash flow information on maturity of financial liabilities as of September 30, 2016, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Trade payables	5,109,537	5,109,537	-	-	-
Borrowings	8,005,941	1,315,797	620,972	2,752,693	3,316,479
Other payables	1,773,260	1,765,357	2,753	150	5,000
Total	14,888,738	8,190,691	623,725	2,752,843	3,321,479

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

- ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies as of September 30, 2016, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	4,687,071	4,262,581	166,397	258,093	-

The financial guarantee contracts provided to the subsidiaries are analysed by their maturities according to the residual periods. And, the financial guarantee contracts provided to the their parties are analysed at the maximum amount of guarantees allocated to earliest period in which the Company can be required to make the payment.

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2016	December 31, 2015
Liability (A)	17,782,807	16,905,366
Equity (B)	8,984,400	8,961,009
Cash and cash equivalents (C)	1,259,131	678,221
Borrowings (D)	6,823,443	6,618,903
Debt-to-equity ratio (A/B)	197.9%	188.7%
Net borrowings ratio ((D-C)/B)	61.9%	66.3%

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Fair Value Estimation

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

<i>(in millions of Korean won)</i>	September 30, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Derivatives for hedging purposes				
Other financial assets	7,567	7,567	-	-
Available-for-sale financial assets				
Other financial assets	-	-	14,914	14,914
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	1,259,131	1	-	-
Financial deposits	80,500	1	1,303	1,303
Trade receivables	5,166,623	1	-	-
Other receivables	427,506	1	297,692	287,407
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	20,456	2
Total	6,941,327		334,365	

<i>(in millions of Korean won)</i>	September 30, 2016			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	15,663	15,663	129,336	129,336
Liabilities at amortized cost				
Trade payables	5,109,537	1	-	-
Borrowings	1,096,261	1	5,727,182	6,010,994
Other payables	1,765,357	1	7,903	7,189
Other liabilities				
Other financial liabilities	6,956	3	1,911	3
Total	7,993,774		5,866,332	

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

<i>(in millions of Korean won)</i>	December 31, 2015			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	6,461	6,461	69,618	69,618
Liabilities at amortized cost				
Trade payables	5,015,038	1	-	-
Borrowings	1,041,603	1	5,577,300	5,719,193
Other payables	1,791,021	1	6,928	5,899
Other liabilities				
Other financial liabilities	8,092	3	1,699	3
Total	7,862,215		5,655,545	

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, 2016, there is no asset to be disposed of in near future.

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

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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 Company maximizes the use of market information and minimizes the use of unobservable inputs.

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

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

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

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

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

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

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

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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, 2016 and December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Marketable equity securities	14,914	-	-	14,914
Derivatives for hedging purposes	-	7,567	-	7,567
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	144,999	-	144,999

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

The above fair value amounts are recurring fair value measurements.

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

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2016	December 31, 2015		
Assets				
Other financial assets				
Derivatives for hedging purposes	7,567	30,288	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	144,999	76,079	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within level 3

As of September 30, 2016, no financial instruments measured at fair value are categorized within level 3.

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

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

<i>(in millions of Korean won)</i>	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposit	-	-	1,303	1,303
Non-current other receivables	-	-	287,407	287,407
Liabilities				
Non-current borrowings	-	-	6,010,994	6,010,994
Non-current other payables	-	-	7,189	7,189

<i>(in millions of Korean won)</i>	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current financial deposit	-	-	1,271	1,271
Non-current other receivables	-	-	330,143	330,143
Liabilities				
Non-current borrowings	-	-	5,719,193	5,719,193
Non-current other payables	-	-	5,899	5,899

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

As of September 30, 2016, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within level 2.

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within level 3 as of September 30, 2016 and December 31, 2015, are as of follows:

<i>(in millions of Korean won)</i>	September 30, 2016		December 31, 2015		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current financial deposits	1,303	1,303	1,271	1,271	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	297,692	287,407	339,859	330,143	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.8% ~ 3.6%
Liabilities								
Non-current borrowings	5,727,182	6,010,994	5,577,300	5,719,193	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.4% ~ 2.6%
Non-current other payables	7,903	7,189	6,928	5,899	Discounted cash flow	Discount rate	Discount rate	1.5% ~ 2.0%

30. Business Combination

- (a) The Company acquired the Power Conditioning System business from LG U plus Co., Ltd. on February 2, 2015, in order to maximize its market responsiveness by enhancing business capabilities in Energy Storage System business, the Company's future strategic business.
- (b) The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	7,700
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	9
Trade receivables	66
Non-current assets	
Property, plant and equipment	2,513
Intangible assets	3,907
Non-current liabilities	

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<i>(in millions of Korean won)</i>	Amount
Net defined benefit liability	9
Total identifiable net assets	6,486
Goodwill	1,214

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

31. Assets Classified as Held for Sale

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

<i>(in millions of Korean won)</i>	September 30, 2016	December 31, 2015
Assets classified as held for sale		
Investment in subsidiaries, associates and joint ventures ¹	2,116	2,116

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

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

32. Discontinued Operations

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

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

<i>(in millions of Korean won)</i>	2015	
	Three months	Nine months
Sales	2,347	8,135
Operating loss	(810)	(3,516)
Loss for the period before income tax benefit	(657)	(3,667)
Income tax benefit	(159)	(887)
Loss for the period, net of tax	(498)	(2,780)

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

<i>(in millions of Korean won)</i>	2015
Net cash flows from operating activities	12,895
Net cash flows from investing activities	30
Net cash flow from discontinued operations	12,925