LG CORP. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015 AND 2014

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

LG CORP.

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 10, 2016.

To the Shareholders and the Board of Directors of
LG Corp.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of LG Corp. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2015 and 2014, respectively, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows, for the year ended December 31, 2015 and 2014, all expressed in Korean won, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial statements

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

Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014, respectively, and its financial performance and its cash flows for the year then ended in accordance with K-IFRS.

Deloitte.

Deloitte Anjin LLC

March 10, 2016

Notice to Readers

This report is effective as of March 10, 2016, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

LG CORP.
AND ITS SUBSIDIARIES (the “Group”)

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015 AND 2014

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the management of the Group.

Hyun-Hwoi Ha
President and Chief Operating Officer
LG Corp.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	Korean won	
	December 31, 2015	December 31, 2014
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5, 6, 31 and 34)	₩ 870,393	₩ 497,211
Financial institution deposits (Notes 5, 31 and 34)	375,748	335,558
Current derivative assets (Notes 5 and 34)	1,138	1,409
Trade receivables, net (Notes 5, 7, 30 and 34)	2,200,006	2,263,398
Other receivables, net (Notes 5, 7, 30 and 34)	67,236	77,880
Current tax assets	4,842	4,761
Current other assets (Notes 9 and 18)	292,679	361,815
Inventories, net (Note 8)	343,518	307,655
Assets held for sale (Note 37)	-	1,519
Total current assets	4,155,560	3,851,206
NON-CURRENT ASSETS:		
Non-current derivative assets (Notes 5 and 34)	-	93
Available-for-sale ("AFS") financial assets (Notes 5 and 34)	93,124	103,807
Non-current trade receivables, net (Notes 5, 7, 30 and 34)	8,369	7,232
Non-current other receivables, net (Notes 5, 7, 30, 31 and 34)	17,374	19,027
Investments in associates and joint ventures (Note 13)	10,345,631	9,815,312
Deferred tax assets, net (Note 28)	194,089	175,280
Non-current other assets (Note 9)	68,782	93,632
Property, plant and equipment, net (Note 10)	2,471,315	2,477,695
Investment property, net (Note 11)	652,570	654,962
Intangible assets (Note 12)	116,586	134,461
Total non-current assets	13,967,840	13,481,501
TOTAL ASSETS	₩ 18,123,400	₩ 17,332,707

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014 (CONTINUED)

	Korean won	
	December 31, 2015	December 31, 2014
	(In millions)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current derivative liabilities (Notes 5 and 34)	₩ 2,817	₩ 2,319
Trade payables (Notes 5, 30 and 34)	1,353,031	1,371,962
Other payables (Notes 5, 30 and 34)	536,476	595,862
Short-term borrowings (Notes 5, 14 and 34)	168,518	180,230
Current portion of debentures and long-term borrowings (Notes 5, 14 and 34)	320,563	503,821
Current tax liabilities	70,638	75,349
Provisions (Note 15)	36,437	24,107
Other current liabilities (Notes 17, 18)	224,145	141,536
Liabilities related to assets held for sale	-	1,615
Total current liabilities	2,712,625	2,896,801
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities (Notes 5 and 34)	520	3,043
Other payables (Notes 5, 30 and 34)	244,555	229,047
Long-term borrowings (Notes 5, 14 and 34)	1,427,434	1,193,367
Net defined benefit liability (Note 16)	83,032	97,302
Deferred tax liability (Note 28)	297,952	276,920
Provisions (Note 15)	10,202	7,229
Other non-current liabilities (Note 17)	38,836	43,163
Total non-current liabilities	2,102,531	1,850,071
TOTAL LIABILITIES	4,815,156	4,746,872
EQUITY:		
Equity attributable to the owners of the parent company	12,975,511	12,251,947
Issued capital (Note 19)	879,359	879,359
Capital surplus (Note 20)	2,361,658	2,362,706
Other capital items (Note 19)	(2,390)	(2,390)
Accumulated other comprehensive income (loss) (Note 21)	(134,862)	(140,962)
Retained earnings (Note 22)	9,871,746	9,153,234
Non-controlling interests	332,733	333,888
TOTAL EQUITY	13,308,244	12,585,835
TOTAL LIABILITIES AND EQUITY	₩ 18,123,400	₩ 17,332,707

(Concluded)

See notes

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	Korean won	
	Year ended December 31, 2015	Year ended December 31, 2014
	(In millions)	
Revenue and gain (loss) on valuation by equity method (Notes 4 and 23)		
Sales of finished goods and merchandise	₩ 5,250,038	₩ 5,458,392
Service revenue	2,150,503	1,982,884
Construction revenue	1,440,815	1,447,442
Gain (loss) on valuation by equity method	719,866	574,095
Other revenue	406,968	402,589
	9,968,190	9,865,402
Cost of sales (Notes 23 and 24)	8,340,966	8,361,929
Gross profit	1,627,224	1,503,473
Selling and administrative expenses (Notes 23 and 24)	489,238	459,365
Operating income	1,137,986	1,044,108
Financial income (Note 26)	34,666	38,936
Financial expenses (Note 26)	100,622	101,945
Other non-operating income (Note 25)	58,065	54,182
Other non-operating expenses (Note 25)	54,739	79,551
Profit before income tax from continuing operations	1,075,356	955,730
Income tax expense for continuing operations (Note 28)	131,581	127,064
Profit from continuing operations	943,775	828,666
Gain from discontinued operations (Note 36)	-	5,598
Profit for the year	₩ 943,775	₩ 834,264
Profit for the year attributable to:		
Owners of the parent company	₩ 944,189	₩ 844,548
Non-controlling interests	(414)	(10,284)
Earnings per share (in Korean won):		
Continuing and discontinued operations		
Common Stock Basic / Diluted (Note 29)	₩ 5,371	₩ 4,804
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted (Note 29)	5,421	4,854
Continuing operations		
Common Stock Basic / Diluted (Note 29)	₩ 5,371	₩ 4,784
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted (Note 29)	5,421	4,834

See notes

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	Korean won			
	Year ended December 31, 2015		Year ended December 31, 2014	
	(In millions)			
Profit for the year	₩	943,775	₩	834,264
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss				
Net income (loss) on AFS financial assets		(7,322)		(4,578)
Net gain (loss) on changes in valuation of investments using equity method		5,385		(64,167)
Net gain (loss) on derivative instruments entered into for cash flow hedges		528		(1,535)
Overseas operations translation		7,987		(10,762)
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of the net defined benefit liability		5,539		(13,670)
Decrease in retained earnings of equity method investments		(55,609)		(80,131)
Total comprehensive income for the year	₩	900,283	₩	659,421
Total comprehensive income attributable to:				
Owners of the parent company	₩	900,549	₩	674,138
Non-controlling interests		(266)		(14,717)

See notes

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	Korean won						
	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
				(In millions)			
Balance at January 1, 2014	₩ 879,359	₩ 2,365,354	₩ (2,390)	₩ (60,769)	₩ 8,574,840	₩ 348,897	₩ 12,105,291
Profit for the year					844,548	(10,284)	834,264
Annual dividends					(175,937)	(2,607)	(178,544)
Net gain (loss) on AFS financial assets				(4,536)		(42)	(4,578)
Valuation through equity method				(64,097)	(80,111)	(90)	(144,298)
Valuation on derivative instruments				(890)		(645)	(1,535)
Remeasurement on the net defined benefit liability					(10,106)	(3,564)	(13,670)
Overseas operations translation				(10,670)		(92)	(10,762)
Changes in the shares of subsidiaries		(2,648)				2,315	(333)
Balance at December 31, 2014	₩ 879,359	₩ 2,362,706	₩ (2,390)	₩ (140,962)	₩ 9,153,234	₩ 333,888	₩ 12,585,835
Balance at January 1, 2015	₩ 879,359	₩ 2,362,706	₩ (2,390)	₩ (140,962)	₩ 9,153,234	₩ 333,888	₩ 12,585,835
Profit for the year					944,189	(414)	943,775
Annual dividends					(175,937)	(2,607)	(178,544)
Net gain (loss) on AFS financial assets				(7,301)		(21)	(7,322)
Valuation through equity method				5,381	(55,556)	(49)	(50,224)
Valuation on derivative instruments				403		125	528
Remeasurement on the net defined benefit liability					5,816	(277)	5,539
Overseas operation translations				7,617		370	7,987
Changes in the shares of subsidiaries		(1,048)				1,058	10
Acquisition (Disposal) of subsidiaries						660	660
Balance at December 31, 2015	₩ 879,359	₩ 2,361,658	₩ (2,390)	₩ (134,862)	₩ 9,871,746	₩ 332,733	₩ 13,308,244

See notes

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	Korean won	
	Year ended December 31, 2015	Year ended December 31, 2014
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 943,775	₩ 834,264
Additions of expenses not involving cash outflows:		
Salaries and bonuses	11,039	1,403
Retirement benefits	49,669	41,399
Depreciation	281,565	273,827
Amortization of intangible assets	27,460	29,003
Loss on valuation of inventories	15,757	1,218
Bad debt expenses	3,200	4,824
Accrual of provision	42,602	27,351
Impairment loss on property, plant and equipment	151	3,802
Impairment loss on intangible assets	545	23,497
Impairment loss on other assets	-	810
Loss on foreign currency translation	10,809	8,461
Loss on disposals of property, plant and equipment	1,479	2,542
Loss on disposals of investment assets	-	70
Loss on disposals of intangible assets	843	318
Loss on transactions of derivatives	8,768	6,441
Loss on valuation of derivatives	1,254	101
Interest expenses	79,992	85,872
Loss on disposals of AFS financial assets	4	131
Impairment loss on AFS financial assets	787	565
Loss on disposals of investments in associates	296	-
Loss on redemption of debentures	1,356	93
Income tax expense	131,581	127,064
Others	1,518	1,058
	670,675	639,850
Deduction of items not involving cash inflows:		
Reversal of salaries and bonuses	2	-
Reversal of impairment loss on inventories	3,154	9,147
Reversal of allowance for doubtful accounts	2,958	5,548
Reversal of provisions	8,884	9,290
Reversal of impairment loss on property, plant and equipment	-	3,099
Reversal of impairment loss of intangible assets	15	89
Reversal of impairment loss of other assets	-	7
Gain on foreign currency translation	15,841	7,909
Gain on disposals of property, plant and equipment	2,595	3,940
Gain on disposals of intangible assets	34	242
Gain on transactions of derivatives	7,361	4,459
Gain on valuation of derivatives	1,138	1,497
Interest income	19,260	25,416
Dividend income	1,633	927

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014 (CONTINUED)

	Korean won	
	Year ended December 31, 2015	Year ended December 31, 2014
	(In millions)	
Gain on disposals of AFS financial assets	₩ 126	₩ 354
Gain on disposals of other financial assets	34	-
Gain on disposals of investments in subsidiaries	455	22
Gain on disposals of investments in associates	-	743
Gain on valuation by equity method	719,866	574,095
Others	406	493
	(783,762)	(647,277)
Movements in working capital:		
Trade receivables	81,455	(245,908)
Other receivables	29,755	(4,771)
Inventories	(47,297)	30,073
Non-current trade receivables	(9,047)	(5,168)
Non-current other receivables	(647)	(803)
Plan assets	-	(100)
Trade payables	(24,727)	107,860
Other payables	(62,539)	30,272
Non-current trade payables	101	46
Non-current other payables	(71)	(867)
Provisions	(12,419)	(12,153)
Net defined benefit liability	(55,715)	(46,266)
Others	153,713	(75,341)
	52,562	(223,126)
Interest income received	19,061	24,889
Dividend income received	182,260	170,162
Income tax received	277	56
Interest expenses paid	(64,474)	(70,601)
Income taxes paid	(134,082)	(127,945)
Net cash provided by operating activities	886,292	600,272

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014 (CONTINUED)

	Korean won	
	Year ended December 31, 2015	Year ended December 31, 2014
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in financial institution deposits	₩ 473,147	₩ 597,542
Settlement of derivative instruments	7,991	4,459
Decrease in other receivables	8,458	14,801
Disposals of AFS financial assets	1,072	3,074
Decrease in non-current other receivables	1,497	4,006
Disposals of investments in associates	186	4,766
Disposals of property, plant and equipment	6,835	5,054
Disposals of intangible assets	6,537	2,628
Disposals of assets classified as held for sale	329	12,000
Acquisitions of controlling power on subsidiaries	427	-
Others	261	-
	506,740	648,330
Cash outflows for investing activities:		
Increase in financial institution deposits	513,209	620,123
Settlements of derivative instruments	7,506	6,101
Increase in other receivables	27,052	10,887
Acquisitions of non-current AFS financial assets	660	3,133
Increase in non-current other receivables	2,810	5,430
Acquisitions of investments in subsidiaries	-	3,353
Acquisitions of investments in associates	41,512	129,389
Acquisitions of property, plant and equipment	263,024	360,790
Acquisitions of investment property	903	200,535
Acquisitions of intangible assets	16,741	29,489
Others	1,589	-
	(875,006)	(1,369,230)
Net cash used in investing activities	(368,266)	(720,900)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014 (CONTINUED)

	Korean won	
	Year ended December 31, 2015	Year ended December 31, 2014
	(In millions)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	₩ 1,064,357	₩ 760,325
Proceeds from long-term borrowings	215,414	420,099
Increase in other long-term liabilities	-	91
Issuance of debentures	527,729	169,563
Increase in government subsidy	2,534	3,939
Issuance of common stock of subsidiaries	348	-
	1,810,382	1,354,017
Cash outflows for financing activities:		
Redemptions of short-term borrowings	1,076,048	689,090
Redemptions of long-term borrowings	124,577	39,843
Redemptions of debentures	401,302	320,161
Decrease in non-current liabilities	-	176
Redemptions of current portion of long-term borrowings	171,729	185,065
Disposals of derivative instruments	3,011	117
Payments of dividends	178,549	178,533
Cash outflows from consolidated capital transactions	100	333
Others	260	559
	(1,955,576)	(1,413,877)
Net cash used in financing activities	(145,194)	(59,860)
Net change in cash and cash equivalents	372,832	(180,488)
Cash and cash equivalents at the beginning of year	497,529	682,142
Effects of exchange rate changes on cash and cash equivalents	32	(4,125)
Cash and cash equivalents at the end of year	₩ 870,393	₩ 497,529

(Concluded)

See notes

LG CORP. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

1. GENERAL:

In accordance with Korean International Financial Reporting Standards (“K-IFRS”) 1110 (Consolidated financial statements), LG Corp. (the “Company”) is the parent company and an investment holding company. In order to become a global competitor through effective management and to confront changes in domestic and international business environments, the Company acquired LGEI (LG Electronics Inc.), an investment company, and the real estate lease and investment business of Serveone Co., Ltd. on March 1, 2003.

The Company has been listed on the Korea Exchange stock market since February 1970. After numerous paid-up capital increases, spin-offs and mergers, the outstanding capital stock amounted to ₩879,359 million, including preferred stocks of ₩16,573 million as of December 31, 2015.

As of December 31, 2015, the Company’s related parties and major shareholders are as follows:

Names of shareholders	Number of shares	Percentage of shares (%) (*)
Ku, Bon Mu	19,458,169	11.06
Ku, Bon Jun	13,317,448	7.57
Ku, Gwang Mo	10,409,715	5.92
Ku, Bon Shik	7,728,601	4.39
Kim, Young Shik	7,423,100	4.22
Ku, Bon Neung and others	21,008,196	11.95
LG Yonam Education Foundation	3,675,742	2.09
LG Yonam Foundation	572,525	0.33
Others	92,278,312	52.47
Total	175,871,808	100.00

(*) Includes preferred stocks

2. STANDARDS AFFECTING PRESENTATION AND DISCLOSURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been confirmed by the Board of Directors in a meeting held on February 4, 2016.

The Company and its subsidiaries (the “Group”) have prepared the consolidated financial statements in accordance with the Korean International Financial Reporting Standards (“K-IFRS”).

The significant accounting policies under K-IFRS followed by the Group in the preparation of its consolidated financial statements are summarized below. Unless stated otherwise, these accounting policies have been applied consistently to the Group’s consolidated financial statements for the current period and the comparative prior period.

(1) Established or revised accounting standards

1) Newly adopted and revised standards, their interpretations and thereby changes in accounting policies being effective for the financial year beginning on January 1, 2015, are as follows:

Amendments to K-IFRS 1019 – *Employee Benefits (Revised)*

The amendments permits the Group to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions is independent of the number of years of service. The application of the amendments has no significant impact on the Group’s consolidated financial statements.

Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1102 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition,' which were previously included within the definition of 'vesting condition.' The amendments to K-IFRS 1103 *Business Combinations* clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 clarify that a reconciliation of the total of the reportable segments' assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The application of the amendments has no significant impact on the Group's consolidated financial statements.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify the scope of the portfolio exception for measuring the fair values of the group of financial assets and financial liabilities on a net basis, includes all contracts that are within the scope of the standard and does not apply to the accounting for the formation of all types of joint arrangement in the financial statement of the joint arrangement itself. The amendments to K-IFRS 1113 *Fair values Measurements* and K-IFRS 1040 *Investment Properties* exist and the application of the amendments has no significant impact on the Group's consolidated financial statements.

2) Details of K-IFRS that have been issued at the end of the reporting period, but are not yet effective, and have not been applied yet are as follows:

Amendments to K-IFRS 1001 – *Presentation of Financial Statements (Revised)*

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1016 – *Property, Plant and Equipment (Revised)*

The amendments to K-IFRS 1016 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1038 – *Intangible Assets (Revised)*

The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of an intangible assets, which presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1016 – *Property, plant and equipment* and *K-IFRS 1041 Agriculture: Bearer Plants (Revised)*

The amendments to K-IFRS 1016 *Property, Plant and Equipment* and K-IFRS 1041 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with K-IFRS 1016, instead of K-IFRS 1041. The amendments to K-IFRS 1016 and K-IFRS 1041 are effective for annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1109 – *Financial Instruments (Enactment)*

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1110 – *Consolidated Financial Statements*, K-IFRS *1112 Disclosure of interests in other entities* and K-IFRS 1028 *Investment in associates (Revised)*

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1111 – *Accounting for Acquisitions of Interests in Joint Operations (Revised)*

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 *Business Combinations*. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The amendments to K-IFRS 1111 are effective for the annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1115 – *Revenue from Contracts with Customers (Enactment)*

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduce a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - *Construction Contracts*, K-IFRS 1018- *Revenue*, K-IFRS 2113 - *Customer Loyalty Programmes*, K-IFRS 2115-*Agreements for the Construction of Real Estate*, K-IFRS 2118 - *Transfers of Assets from Customers*, and K-IFRS 2031-*Revenue-Barter Transactions Involving Advertising Services*. The amendments are effective for annual periods beginning on or after January 1, 2018.

Annual Improvements to K-IFRS 2012-2014 cycle

The annual improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations* for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), such a change is considered as a continuation of the original plan of disposal and not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107 *Financial Instruments: Disclosures*, K-IFRS 1019 Employee Benefits, and K-IFRS 1034 *Interim Financial Reporting*.

The Group does not anticipate that the application of these new and revised K-IFRSs that have been issued but not effective will have any impact on the Group's consolidated financial statements.

(2) Basis of preparing financial statements

1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2) Functional and reporting currencies

The consolidated financial statement of the Group are presented in the currency of the primary economic environment in which the Group's entities operate (its functional currency). The Group's functional currency and the reporting currency for the consolidated financial statements is Korean won.

3) Basis of consolidation

The consolidated financial statements incorporate the financial statement of the Company and entities (including structured entities) controlled by the Company (and its subsidiaries). Control is achieved where the Company 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When necessary, adjustments are made to the consolidated financial statement of subsidiaries to bring their accounting policies into line with those used by the Company.

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4) The Group’s investments in subsidiaries as of December 31, 2015, are as follows (Unit: Korean won in millions):

			Percentage of ownership and voting right held by the Group		As of and for the year ended December 31, 2015			
Subsidiary	Location	Closing date	Dec 31, 2015	Dec 31, 2014	Assets	Liabilities	Sales	Net income
Serveone Co., Ltd.	South Korea	12/31	100.00%	100.00%	₩ 2,311,114	₩ 1,579,678	₩ 3,954,770	₩ 61,071
Serveone (Nanjing). Co.,	China	12/31	100.00%	100.00%	266,752	196,345	597,572	12,424

Subsidiary	Location	Closing date	Percentage of ownership and voting right held by the Group Dec 31, 2015	Dec 31, 2014	As of and for the year ended December 31, 2015 Assets	Liabilities	Sales	Net income
Ltd.								
Serveone Construction Co., Ltd.	China	12/31	100.00%	100.00%	40,989	31,355	66,062	2,297
Konjiam Yewon Co., Ltd.	South Korea	12/31	90.00%	90.00%	5,968	67	5,086	848
LG-TOYO Engineering Co., Ltd.(*3)	South Korea	12/31	-	70.00%	-	-	-	-
SERVEONE (Guangzhou) Co., Ltd.	China	12/31	100.00%	100.00%	85,240	73,684	176,372	6,297
SERVEONE VIETNAM Co., Ltd.	Vietnam	12/31	100.00%	100.00%	3,385	3,425	9,789	(850)
Gumi Ochang Sunlight Solar Co., Ltd. (*3)	South Korea	12/31	-	100.00%	-	-	-	-
LG Siltron Inc.	South Korea	12/31	51.00%	51.00%	1,306,921	967,203	775,843	(16,616)
LG Siltron America Inc.	USA	12/31	100.00%	100.00%	27,386	19,729	107,038	321
LG Siltron Japan Inc.	Japan	12/31	100.00%	100.00%	13,871	12,659	32,556	(72)
LG CNS Co., Ltd.	South Korea	12/31	84.97%	84.97%	1,759,897	1,001,628	2,209,936	24,422
LG N-Sys Inc.	South Korea	12/31	100.00%	100.00%	493,942	350,365	824,028	14,307
Ucess Partners Co., Ltd.	South Korea	12/31	100.00%	100.00%	9,555	6,311	46,873	404
BNE Partners, Co., Ltd.	South Korea	12/31	61.31%	61.31%	14,246	8,494	52,764	1,372
LG CNS Philippines, Inc.	Philippines	12/31	100.00%	100.00%	-	3,718	-	-
LG CNS Europe B.V.	Netherland	12/31	100.00%	100.00%	13,999	9,997	25,177	(41)
LG CNS Japan Inc.(*4)	Japan	12/31	-	100.00%	-	-	-	-
LG CNS America Inc.	USA	12/31	100.00%	100.00%	35,543	25,243	97,585	2,230
PT LG CNS Indonesia	Indonesia	12/31	100.00%	100.00%	3,344	4,878	6,009	(601)
Entrue Brasil Services de T.I. Ltda.	Brazil	12/31	100.00%	100.00%	878	186	3,524	4
LG CNS UCESS Philippines, Inc.	Philippines	12/31	100.00%	100.00%	97	-	-	-
LG CNS China, Inc.	China	12/31	100.00%	100.00%	78,100	47,998	150,107	11,273

Subsidiary	Location	Closing date	Percentage of ownership and voting right held by the Group		As of and for the year ended December 31, 2015			
			Dec 31, 2015	Dec 31, 2014	Assets	Liabilities	Sales	Net income
LG CNS Shenyang Inc.	China	12/31	100.00%	100.00%	812	172	2,230	199
LG CNS Tianjin Inc.(*6)	China	12/31	-	51.00%	-	-	-	-
LG CNS India Pvt., Ltd.	India	12/31	100.00%	100.00%	9,401	8,175	14,288	(140)
LG CNS Colombia SAS	Colombia	12/31	100.00%	100.00%	22,409	17,369	17,841	2,831
Ever On Co., Ltd.	South Korea	12/31	75.00%	75.00%	5,024	4,687	2,825	(812)
SBI-LG Systems Co., Ltd.	Japan	12/31	51.00%	51.00%	8,302	3,650	36,495	1,439
Korea Elecom Co., Ltd.	South Korea	12/31	93.12%	93.12%	16,921	19,659	17,125	(9,388)
Oneseen Skytech	South Korea	12/31	91.30%	90.84%	1,872	2,302	1,699	(2,816)
LG CNS Malaysia Sdn Bhd	Malaysia	12/31	100.00%	100.00%	735	371	1,873	98
LG CNS Saudi Arabia LLC	Saudi Arabia	12/31	51.00%	51.00%	679	194	2,372	(548)
TXCNS Healthcare, LLC	USA	12/31	100.00%	100.00%	58	-	-	(1)
LG CNS GB Ltd.(*2)	UK	12/31	-	-	-	-	-	-
LG CNS JAPAN, Co., Ltd. (former LG CNS Smart Green Co., Ltd.)(*5)	Japan	12/31	100.00%	100.00%	81,555	75,228	86,410	3,962
LLC LG CNS RUS	Russia	12/31	100.00%	100.00%	-	-	-	(6)
Collain Healthcare, LLC	USA	12/31	70.00%	70.00%	653	2,344	1,286	(2,691)
LG CNS Uzbekistan, LLC(*1)	Uzbekistan	12/31	51.00%	-	3,680	3,059	903	(948)
LG CNS Chile Ltda. (*2)	Chile	12/31	-	-	-	-	-	-
Lusem Co., Ltd.	South Korea	12/31	64.81%	64.81%	129,163	25,103	186,537	2,450
LG Sports Ltd.	South Korea	12/31	100.00%	100.00%	125,564	34,043	46,634	(3,123)
LG Management Development Institute	South Korea	12/31	100.00%	100.00%	89,251	57,446	76,751	1,231
LG Solar Energy Inc.(*3)	South Korea	12/31	-	100.00%	-	-	-	-
LG Holdings Japan Co. , Ltd.	Japan	12/31	100.00%	100.00%	199,256	10,997	7,680	1,207

(*1) As the Group established the Company during the current period, it became a subsidiary.
(*2) Though the registration of incorporations is concluded as of December 31, 2015, the subscribed capital stocks do not exist.
(*3) It has merged with Serveone Co., Ltd. during the current period.
(*4) The Group liquidated during the current period.
(*5) It has changed its name during the current period.
(*6) It was disposed during the current period.

Meanwhile, MMT, which was included in the consolidation scope as subsidiaries (₩15,330 million), was excluded from investments in subsidiaries since it was classified as financial instrument deposit (₩10,000 million) and bank deposit (₩5,330 million).

5) LG CNS Uzbekistan, LLC was newly included in the consolidation scope as subsidiaries of the Group during the current period. LG-TOYO Engineering Co., Gumi Ochang Sunlight Solar Co., Ltd and LG Solar Energy Inc were acquired by Serveone Co., Ltd. LG CNS JAPAN Co., Ltd and LG CNS Tianjin Inc. were excluded from the subsidiaries of the Group since the former company was liquidated and the latter company was disposed. The ownership of Oneseen Skytech increased due to acquisition of additional shares during the current period. There are no changes of shares on the subsidiaries except for the above-mentioned events.

6) As of December 31, 2015, the consolidated financial positions and the share of non-controlling interests of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.	LG Siltron Inc.
Current assets	₩ 1,556,376	₩ 531,128
Non-current assets	803,261	775,688
Total assets	2,359,637	1,306,816
Current liabilities	976,648	411,070
Non-current liabilities	530,871	556,794
Total liabilities	1,507,519	967,864
Equity attributable to owners of the Company	847,662	338,952
Equity attributable to non-controlling interests	4,456	-
Total equity	₩ 852,118	₩ 338,952

7) For the year ended December 31, 2015, the consolidated financial performances of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.	LG Siltron Inc.
Revenue	₩ 3,230,287	₩ 777,382
Operating income (loss)	83,902	5,403
Profit (loss) for the year	42,577	(16,429)
Other comprehensive income (loss)	(1,524)	(5)
Total comprehensive income for the year	₩ 41,053	₩ (16,434)

8) For the year ended December 31, 2015, the consolidated cash flows of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.	LG Siltron Inc.
Cash flows from operating activities	₩ 250,935	₩ 122,448
Cash flows from investing activities	(151,565)	72,839
Cash flows from financing activities	60,229	(171,389)
Net change in cash and cash equivalents	159,599	23,898
Cash and cash equivalents at the beginning of year	66,276	123,623

Effects of exchange rate changes on the balance of cash held in foreign currencies		522		177
Cash and cash equivalents at the end of year	₩	226,397	₩	147,698

9) The ownership interest held by non-controlling interests and details of financial position, result of operation and dividends vested in non-controlling interests by each of the major subsidiaries are as follows (in millions of Korean won):

	LG CNS Co., Ltd.		LG Siltron Inc.	
Ownership interest held by non-controlling interests		15.03%		49.00%
Cumulative non-controlling interests	₩	131,859	₩	166,087
Net income(loss) vested in non-controlling interests		5,471		(8,050)
Comprehensive income vested in non-controlling interests		5,347		(8,053)
Dividends paid to non-controlling interests	₩	2,227	₩	-

(3) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

• deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 and K-IFRS 1019, respectively;
• liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered in to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102, *Share-Based Payment*, at the acquisition date; and
• assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, *Non-Current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039 or K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognized in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Foreign currency translation

The individual financial statement of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On the disposal of a foreign operation (i.e., a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(5) Cash and cash equivalents

Cash and cash equivalents include cash, savings and checking accounts and highly liquid short-term investments (maturities of three months or less from the date of acquisition). Bank overdraft is accounted for as short-term borrowings.

(6) Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories: ‘financial assets at FVTPL, ‘held-to-maturity investments,’ ‘AFS financial assets’ and ‘loans and receivables.’ The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is contingent consideration that may be paid by an acquirer as part of business combination to which K-IFRS 1103 applies,

A financial asset is classified as held for trading if:
• it has been acquired principally for the purpose of selling it in the near term;
• on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

• it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

3) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment, with revenue recognized on an effective yield basis.

4) Financial assets AFS

Non-derivative financial assets that are not classified as at held to maturity or held for trading, designated as at FVTPL or loans and receivables are classified as at financial assets AFS. Financial assets can be designated as AFS on initial recognition. Financial assets AFS are initially recognized at fair value, plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

5) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as ‘loans and receivables.’ Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.
Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

• significant financial difficulty of the issuer or counterparty;
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial reorganization.
• the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in that period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

With respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

7) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in transit, is measured under the weighted-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

The carrying amount of inventories sold in the period and the amount of any write-down of inventories to net realizable value and all losses of inventories in the period, less the amount of any reversal in the period of any write-down of the inventories, arising from an increase in net realizable value, is recognized as expense during that period.

(8) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of K-IFRS 1039 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 *Impairment of Assets* by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(9) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties' sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

(10) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any(see Note 2.(3)).

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	10–50
Structures	5–40
Machinery	4–15
Other property	2–25

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method; the estimated useful lives; and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

(12) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from 5 to 50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(13) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Internally generated intangible assets - research and development expenditure
Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(14) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(15) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction cost that is directly attributable to the issue of financial liabilities is deducted from the fair value of the financial liabilities on initial recognition. Transaction cost directly attributable to acquisition of financial liabilities at FVTPL is recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, or held for trading, or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
• it has been acquired principally for the purpose of repurchasing it in the near term;
• on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
• the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
• it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

• the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037; and

• the amount initially recognized, less cumulative amortization recognized in accordance with the K-IFRS 1018, *Revenue*

7) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire.

(16) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods, so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see 2.(17)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability.

The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(18) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months, and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

2) Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives with respect to foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statement of comprehensive income related to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss in the same line of the statement of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminate, or exercised or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(19) Employee benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Group presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(20) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive); as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

1) Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2) Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

(21) Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(22) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax ("VAT"), returns, rebates and discounts. The Group recognizes revenue when it is reliably measurable and the inflows of future economic benefits are likely. For each type of revenue, the Group recognizes it as follows:

1) Sale of goods

The Group recognizes revenue from sale of goods when significant risks and rewards from ownership of goods have been transferred, and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Therefore, the Group recognizes revenue for the manufactured goods at acceptance and merchandises at delivery. Revenue is recognized net of discounts, and returns derived from previous experience and provision are set for estimated return amounts, and if the past experience reveals that the return amounts or the return policy is immaterial, the gross sales amount will be recognized as revenue.

2) Rendering of service

The Group recognizes revenue from rendering service by the progress standards. The Group estimates the percentage of completion using surveys of work performed, services performed to date as a percentage of total services to be performed and the proportion of costs incurred to date in order to reliably measure the rendered services.

3) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses by reference to the stage of completion of the contract activity at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date, plus recognized profits, less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the consolidated statement of financial position under trade and other receivables.

4) Dividend income and interest income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that of the asset's net carrying amount on initial recognition.

5) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

6) Rental income

The Group's policy for recognition of revenue from operating leases is summarized in Note 2. (16).

(23) Current and deferred taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(24) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs that increase in relation to capital transactions, net of tax effect, are deducted from equity and recognized as other capital items deducted from the total equity in the consolidated statement of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

(25) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must commit to a plan to sell the assets and is expected to meet the requirements within one year’s time.

If the Group commits to a plan to sell assets to lose control of a subsidiary, then all the assets and liabilities of that subsidiary are classified as held for sale when the above-mentioned conditions are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement* unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(26) Fair Value

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 *Share-based payment*, leasing transactions that are within the scope of K-IFRS 1017 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT CONSIDERATION AND MAJOR SOURCES OF ESTIMATION UNCERTAINTIES:

In the application of the Group accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. SEGMENT INFORMATION:

(1) The Group divides its business into five business segments based on the types of goods sold and/or services rendered and information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focus on the type of goods or services delivered or provided. The five business segments are LG Corp., Serveone Co., Ltd., LG Siltron Inc., LG CNS Co., Ltd. and others. The Group's primary segment information is reported based on the business segments and each segment's accounting policies are the same as the ones described in Note 2.

(2) Revenue and equity method profits and profit before income tax for each business segment for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

		Revenue and gain (loss) on valuation by equity method (*1)		Profit before income tax (*2)	
Reporting sector	Business sector	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
LG Corp.	LG Corp.	₩ 574,117	₩ 575,744	₩ 400,562	₩ 420,319
Serveone Co., Ltd.	MRO	2,664,603	2,644,223	83,467	87,968
	MRO and others	1,290,167	1,139,938	(2,289)	(1,442)
	Serveone (Nanjing) Co., Ltd.	597,572	729,400	16,536	22,997
	Serveone Construction Co., Ltd.	66,062	42,688	3,687	1,398
	KONJIAM YEWON Co., Ltd.	5,086	576	848	(277)
	LG-TOYO Engineering Co., Ltd.	30,684	49,482	(3,611)	(2,131)
	Serveone Guangzhou Co., Ltd.	176,372	21,494	8,459	1,163
	SERVEONE VIETNAM Co., Ltd.	9,789	1,017	(850)	(272)
LG Siltron Inc.	LG Siltron Inc.	775,843	766,141	(23,136)	(65,999)
	LG Siltron America, Inc.	107,038	73,015	521	471
	LG Siltron Japan, Inc.	32,556	59,795	(58)	(484)
LG CNS Co., Ltd.	LG CNS Co., Ltd.	2,209,936	2,342,295	39,104	78,486
	LG CNS Europe B.V.	25,177	28,765	(444)	1,537
	LG CNS JAPAN Co., Ltd.	-	2,765	-	(935)
	LG CNS America, Inc.	97,585	79,784	1,716	1,045
	PT LG CNS Indonesia	6,009	12,144	(640)	236
	Entrue Brasil Servicos de T.I. Ltda.	3,524	4,297	390	424
	LG CNS China, Inc.	150,107	138,130	13,064	9,835
	LG CNS Shenyang Inc.	2,230	2,086	200	93
	LG CNS Tianjin Inc.	-	18	-	(413)
	LG CNS India Pvt., Ltd.	14,288	9,829	(33)	578
	LG N Sys Co., Ltd.	824,028	803,161	18,671	20,491
	LG CNS Colombia SAS	17,841	13,047	4,624	7,446
	BNE PARTNERS, Inc.	52,764	33,362	1,786	937
	Ucess Partners Co., Ltd.	46,873	48,568	404	807
	Korea Elecom Co., Ltd.	17,125	11,439	(9,388)	(12,604)
	SBI-LG systems Co., Ltd.	36,495	35,858	1,519	655
	Ever On Co., Ltd.	2,825	2,194	(812)	(1,189)
	Oneseen skytech	1,699	1,971	(2,816)	(3,713)
	LG CNS Malaysia SDN BHD	1,873	1,447	85	(108)
	TXCNS Healthcare, LLC	-	-	(1)	-
	LG CNS JAPAN Co., Ltd. (former LG CNS Smart Green Co., Ltd.)	86,410	90,726	5,859	3,464
	Collain Healthcare, LLC	1,286	1,088	(2,690)	(2,173)
	LLC LG CNS RUS	-	-	(6)	(180)
	LG CNS Saudi Arabia LLC	2,372	205	(536)	(92)
	LG CNS UZBEKISTAN, LLC	903	-	(922)	-

Others	Lusem Co., Ltd.	186,537	364,794	2,918	4,783
	LG Management Development Institute	76,751	75,504	1,875	3,193
	LG Holdings Japan Co., Ltd	7,680	5,567	1,876	635
	LG Sports Ltd.	46,634	44,303	(3,123)	(7,341)
	LG Solar Energy Inc.	10,900	12,910	3,986	3,199
Subtotal		10,259,741	10,269,770	560,802	572,807
Consolidation adjustments (*3)		(291,551)	(404,368)	514,554	382,923
Total		₩ 9,968,190	₩ 9,865,402	₩ 1,075,356	₩ 955,730

(*1) Sales for each segment are before elimination of any intercompany transactions.
(*2) Profit before income tax for each segment is net profit before distribution of revenue and expenses.
(*3) Consolidation adjustments include elimination of gain (loss) on intercompany transactions and equity method adjustments.

(3) Assets for each business segment of the Group as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2015	December 31, 2014
LG Corp.	₩ 8,208,765	₩ 8,053,802
Serveone Co., Ltd.	2,713,448	2,379,173
LG Siltron Inc.	1,348,178	1,494,558
LG CNS Co., Ltd.	2,561,702	2,519,000
Others	543,234	647,192
Subtotal	15,375,327	15,093,725
Consolidation adjustments (*)	2,748,073	2,238,982
Total	₩ 18,123,400	₩ 17,332,707

(*) Consolidation adjustments consist of elimination of intercompany transactions with regard to assets of each segment and valuation of associates and joint ventures using the equity method.

(4) Inventories sold and services rendered for each business segment of the Group for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Business sector	Inventories sold and services rendered	Year ended December 31, 2015	Year ended December 31, 2014
LG Corp.	Others	₩ 574,117	₩ 575,744
Serveone Co., Ltd.	Merchandise	3,453,092	3,409,550
	Service	838,488	760,994
	Construction	536,894	458,052
	Others	11,861	222
LG Siltron Inc.	Manufactured goods	915,337	897,456
	Others	100	1,495
LG CNS Co., Ltd.	Service	1,409,240	1,376,006
	Construction	975,171	1,078,519
	Merchandise	1,158,517	1,090,328
	Manufactured goods	58,422	118,326
Others	Merchandise	1,907	1,101
	Manufactured goods	69,060	309,943
	Service	192,259	129,169
	Others	65,276	62,865
Subtotal		10,259,741	10,269,770
Consolidation adjustments (*)		(291,551)	(404,368)
Total		₩ 9,968,190	₩ 9,865,402

(*) Consolidation adjustments consist of elimination of intercompany transactions with regard to assets of each segment and valuation of associates and joint ventures using the equity method.

(5) Regional revenue of the Group before elimination of intersegment transactions and valuation by equity method for the year ended December 31, 2015 and 2014, are as follows :
(Unit: Korean won in millions):

Business sector	December 31, 2015		December 31, 2014	
Korea	₩	8,816,297	₩	8,916,192
China		992,616		934,230
Asia		198,375		219,352
America		227,275		171,232
Europe		25,178		28,764
Total	₩	10,259,741	₩	10,269,770

(6) Regional non-current assets of the Group before elimination of intersegment transactions and valuation by equity method for the year ended December 31, 2015 and 2014, are as follows :
(Unit: Korean won in millions):

Business sector	December 31, 2015		December 31, 2014	
Korea	₩	10,483,330	₩	10,455,830
China		27,670		22,406
Asia		193,701		182,778
America		9,185		8,269
Europe		2,293		1,585
Total	₩	10,716,179	₩	10,670,868

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets and liabilities as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

1) Financial assets

Financial assets	Account	December 31, 2015 Carrying amount	December 31, 2015 Fair value	December 31, 2014 Carrying amount	December 31, 2014 Fair value
Cash and cash equivalents:	Cash and cash equivalents	₩ 870,393	₩ 870,393	₩ 497,211	₩ 497,211
Financial assets at FVTPL:	Derivative assets for trading purposes	1,138	1,138	1,502	1,502
AFS financial assets:	Marketable equity securities	33,460	33,460	43,223	43,223
	Unmarketable equity securities (*)	59,663	59,663	59,895	59,895
	Debt securities	1	1	689	689
	Subtotal	93,124	93,124	103,807	103,807
Loans and receivables:	Financial institution deposits	375,748	375,748	335,558	335,558
	Trade receivables	2,208,375	2,208,375	2,270,630	2,270,630
	Loans	36,967	36,967	15,779	15,779
	Other accounts receivable	21,662	21,662	54,051	54,051
	Accrued income	2,784	2,784	3,918	3,918
	Deposits	23,197	23,197	23,159	23,159
	Subtotal	2,668,733	2,668,733	2,703,095	2,703,095
	Total	₩ 3,633,388	₩ 3,633,388	₩ 3,305,615	₩ 3,305,615

(*) The unlisted stocks that are AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

2) Financial liabilities

Financial liabilities	Account	December 31, 2015 Carrying amount	December 31, 2015 Fair Value	December 31, 2014 Carrying amount	December 31, 2014 Fair value
Financial liabilities at FVTPL:	Derivative liabilities for trading purposes	₩ 1,225	₩ 1,225	₩ 81	₩ 81
Derivative liabilities designated as hedging instrument:	Derivative liabilities designated as hedging instruments	2,112	2,112	5,281	5,281
Financial liabilities measured at amortized cost:	Trade payables	1,353,031	1,353,031	1,371,962	1,371,962
	Borrowings	869,218	869,218	958,971	958,971
	Other accounts payable	182,693	182,693	232,792	232,792
	Accrued expenses	106,549	106,549	118,912	118,912
	Accrued dividends	313	313	319	319
	Deposits received	491,476	505,316	472,886	490,134
	Debentures	1,047,297	1,054,642	918,447	934,656
	Subtotal	4,050,577	4,071,762	4,074,289	4,107,746
	Total	₩ 4,053,914	₩ 4,075,099	₩ 4,079,651	₩ 4,113,108

6. CASH AND CASH EQUIVALENTS:

The cash and cash equivalents in the consolidated statement of cash flows are the same as the cash and cash equivalents in the consolidated statement of financial position. Details of cash and cash equivalents as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015	December 31, 2014
Cash on hand	₩ 2,597	₩ 2,071
Bank deposits	634,190	423,152
Other cash equivalents	233,606	71,988
Total	870,393	497,211
Add: Cash and cash equivalents that are included in the group of AFS assets	-	318
Total	₩ 870,393	₩ 497,529

7. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	December 31, 2015					
Description	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables	Total	Consolidated adjustment	Consolidated
Trade receivables	₩ 2,174,434	₩ 194,660	₩ 18,762	₩ 2,387,856	₩ (160,842)	₩ 2,227,014
Other receivables	134,739	4,858	16,999	156,596	(57,918)	98,678
Total	₩ 2,309,173	₩ 199,518	₩ 35,761	₩ 2,544,452	₩ (218,760)	₩ 2,325,692

	December 31, 2014					
Description	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables	Total	Consolidated adjustment	Consolidated
Trade receivables	₩ 2,325,529	₩ 155,913	₩ 41,029	₩ 2,522,471	₩ (231,951)	₩ 2,290,520
Other receivables	149,895	4,590	20,351	174,836	(65,215)	109,621
Total	₩ 2,475,424	₩ 160,503	₩ 61,380	₩ 2,697,307	₩ (297,166)	₩ 2,400,141

(2) Aging of trade and other receivables that are overdue but not impaired as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015	December 31, 2014
1–29 days	₩ 67,764	₩ 65,012
30–60 days	25,385	24,702
61–90 days	13,351	12,134
91–120 days	17,914	12,155
More than 121 days	75,104	46,500
Total	₩ 199,518	₩ 160,503

(3) Changes in accumulated impairment losses for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015				December 31, 2014			
	Trade receivables		Other Receivables		Trade receivables		Other Receivables	
Beginning balance	₩	19,890	₩	12,714	₩	18,518	₩	12,474
Impairment loss		2,167		1,033		4,588		236
Disposals of accounts receivable		(610)		(6)		(2,244)		(286)
Collection of accounts receivable		-		-		2,553		-
Reversal of allowance for doubtful accounts		(2,856)		(102)		(3,605)		(357)
Effect of foreign currency translation		48		(3)		80		-
Others		-		432		-		647
Ending balance	₩	18,639	₩	14,068	₩	19,890	₩	12,714

(4) Aging of impaired trade and other receivables as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015		December 31, 2014	
Less than 7 months	₩	3,009	₩	29,843
7–12 months		1,944		1,137
More than 1 year		30,808		30,400
Total	₩	35,761	₩	61,380

8. INVENTORIES:

Inventories as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	110,218	₩	107,921	₩	(2,297)
Finished goods		78,136		61,893		(16,243)
Semifinished goods		13,590		12,291		(1,299)
Work in progress		21,433		20,026		(1,407)
Raw materials		78,406		74,679		(3,727)
Stored goods		33,695		31,012		(2,683)
Inventories in transit		32,346		32,346		-
Other inventories		3,533		3,350		(183)
Total	₩	371,357	₩	343,518	₩	(27,839)

Description	December 31, 2014					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	93,328	₩	91,844	₩	(1,484)
Finished goods		92,572		74,631		(17,941)
Semifinished goods		21,203		19,593		(1,610)
Work in progress		25,087		24,381		(706)
Raw materials		51,884		48,302		(3,582)
Stored goods		33,417		28,652		(4,765)

Inventories in transit	17,477	17,477	-
Other inventories	2,924	2,775	(149)
Total	₩ 337,892	₩ 307,655	₩ (30,237)

9. OTHER ASSETS:

Details of other assets as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015		December 31, 2014	
	Current	Non-current	Current	Non-current
Advance payments	₩ 63,967	₩ 56,874	₩ 64,365	₩ 78,724
Prepaid expenses	27,907	11,908	32,749	14,908
Prepaid VAT	5,778	-	2,427	-
Due from customers for contract work	195,019	-	262,274	-
Others	8	-	-	-
Total	₩ 292,679	₩ 68,782	₩ 361,815	₩ 93,632

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of the Group's property, plant and equipment as of December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

	December 31, 2015									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩514,898	₩1,308,016	₩276,472	₩ 2,100,705	₩28,662	₩35,552	₩230,919	₩202,827	₩486,846	₩5,184,897
Accumulated depreciation	-	(302,059)	(78,183)	(1,880,434)	(15,678)	(23,040)	(162,602)	-	(240,253)	(2,702,249)
Accumulated impairment	-	-	-	(4,086)	-	(1,446)	(207)	-	-	(5,739)
Government subsidies	-	(1,193)	-	(1,353)	(2,400)	-	(128)	-	(520)	(5,594)
Carrying amounts	₩514,898	₩1,004,764	₩ 198,289	₩ 214,832	₩10,584	₩11,066	₩67,982	₩202,827	₩246,073	₩2,471,315

	December 31, 2014									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩469,514	₩1,247,034	₩273,874	₩2,125,498	₩27,169	₩28,864	₩228,742	₩155,678	₩438,633	₩4,995,006
Accumulated depreciation	-	(256,231)	(64,030)	(1,783,302)	(12,956)	(20,626)	(148,710)	-	(201,543)	(2,487,398)
Accumulated impairment	-	-	-	(21,503)	-	(1,294)	(442)	-	-	(23,239)
Government subsidies	-	(1,174)	-	(1,681)	(3,048)	-	(203)	-	(568)	(6,674)
Carrying amounts	₩469,514	₩ 989,629	₩209,844	₩ 319,012	₩11,165	₩6,944	₩79,387	₩155,678	₩236,522	₩2,477,695

(2) Changes in property, plant and equipment for the year ended December 31, 2015 and 2014, are as follows

(Unit: Korean won in millions):

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
	Year ended December 31, 2015									
Beginning balance	₩ 469,514	₩989,629	₩209,844	₩319,012	₩11,165	₩6,944	₩79,387	₩155,678	₩ 236,522	₩2,477,695
Acquisitions	2,835	6,546	430	7,571	1,108	7,384	12,080	157,366	69,114	264,434
Disposals	(206)	(1,394)	-	(2,324)	(35)	(176)	(544)	-	(982)	(5,661)
Depreciation	-	(42,977)	(13,378)	(127,461)	(2,181)	(3,414)	(24,349)	-	(49,606)	(263,366)
Transfers in	49,256	57,820	1,085	17,144	1,043	11	2,855	9,082	401	138,697
Transfers out	(5,877)	(6,128)	(7)	-	-	-	-	(122,839)	(9,082)	(143,933)
Government subsidies	-	(74)	-	(134)	(520)	-	-	-	(426)	(1,154)
Change due to mergers	-	-	-	811	-	52	37	-	39	939
Impairment loss	-	-	-	-	-	(151)	-	-	-	(151)
Others	(624)	1,303	316	211	-	405	(1,478)	3,419	(153)	3,399
Effect of foreign currency translation	-	39	(1)	2	4	11	(6)	121	246	416
Ending balance	₩ 514,898	₩1,004,764	₩198,289	₩214,832	₩10,584	₩11,066	₩67,982	₩202,827	₩ 246,073	₩2,471,315

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
	Year ended December 31, 2014									
Beginning balance	₩379,138	₩950,056	₩169,064	₩360,262	₩10,124	₩6,116	₩87,097	₩170,168	₩ 230,327	₩2,362,352
Acquisitions	1,966	3,796	396	16,375	3,982	2,956	11,012	262,658	52,218	355,359
Disposals	(1,273)	(1,513)	(27)	(27)	(85)	(1)	(217)	(2,255)	(576)	(5,974)
Depreciation	-	(39,464)	(10,606)	(128,060)	(2,191)	(3,288)	(24,306)	-	(48,240)	(256,155)
Transfers in	93,285	82,449	34,613	68,569	24	1,213	6,421	1,204	3,001	290,779
Transfers out	(3,075)	(3,774)	(336)	-	-	-	-	(282,871)	(1,250)	(291,306)
Government subsidies	-	-	-	(1,449)	(690)	-	(108)	-	(204)	(2,451)
Change due to mergers	-	-	16,426	-	-	-	-	-	-	16,426
Transfers to assets held for sale	(765)	(588)	-	-	-	-	-	-	-	(1,353)
Impairment loss	-	-	-	(2,415)	-	(50)	(63)	-	(9)	(2,537)
Others	238	(1,472)	311	5,757	-	(2)	(110)	6,503	939	12,164
Effect of foreign currency translation	-	139	3	-	1	-	(339)	271	316	391
Ending balance	₩469,514	₩989,629	₩209,844	₩319,012	₩11,165	₩6,944	₩79,387	₩155,678	₩ 236,522	₩2,477,695

(3) Changes in government grants for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Buildings	Machinery	Vehicles	Furniture and fixtures	Other property	Total
	Year ended December 31, 2015					
Beginning balance	₩ 1,174	₩ 1,681	₩ 3,048	₩ 203	₩ 568	₩ 6,674
Receipt	-	134	-	-	-	134
Acquisitions	74	-	520	-	426	1,020
Offsetting depreciation	(55)	(462)	(1,168)	(75)	(464)	(2,224)
Others	-	-	-	-	(10)	(10)
Ending balance	₩ 1,193	₩ 1,353	₩ 2,400	₩ 128	₩ 520	₩ 5,594

Year ended December 31, 2014

Description	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Other property	Total
Beginning balance	₩ 1,229	₩ 390	₩ 3,917	₩ 3	₩ 189	₩ 955	₩ 6,683
Receipt		125	-	-	-	-	125
Acquisitions		1,324	690	-	108	204	2,326
Offsetting depreciation	(55)	(158)	(1,559)	(3)	(94)	(530)	(2,399)
Others		-	-	-	-	(61)	(61)
Ending balance	₩ 1,174	₩ 1,681	₩ 3,048	₩ -	₩ 203	₩ 568	₩ 6,674

11. INVESTMENT PROPERTY:

(1) Composition of investment property as of December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

	December 31, 2015			
Description	Land	Buildings	Structures	Total
Acquisition cost	₩ 335,452	₩ 402,274	₩ 9,085	₩ 746,811
Accumulated depreciation	-	(91,132)	(3,109)	(94,241)
Carrying amounts	₩ 335,452	₩ 311,142	₩ 5,976	₩ 652,570

	December 31, 2014			
Description	Land	Buildings	Structures	Total
Acquisition cost	₩ 325,411	₩ 401,457	₩ 7,902	₩ 734,770
Accumulated depreciation	-	(77,123)	(2,685)	(79,808)
Carrying amounts	₩ 325,411	₩ 324,334	₩ 5,217	₩ 654,962

(2) Changes in investment property for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2015			
Description	Land	Buildings	Structures	Total
Beginning balance	₩ 325,411	₩ 324,334	₩ 5,217	₩ 654,962
Acquisitions	-	903	-	903
Depreciation	-	(17,050)	(1,149)	(18,199)
Transfers	1,370	3,310	556	5,236
Others	8,671	(355)	1,352	9,668
Ending balance	₩ 335,452	₩ 311,142	₩ 5,976	₩ 652,570

	Year ended December 31, 2014				
Description	Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 175,370	₩ 306,549	₩ 5,430	₩ -	₩ 487,349
Acquisitions	166,523	32,699	-	1,351	200,573
Depreciation	-	(16,672)	(1,000)	-	(17,672)
Transfers	(3,787)	4,350	1,327	(1,363)	527
Others	(12,695)	(2,592)	(540)	12	(15,815)
Ending balance	₩ 325,411	₩ 324,334	₩ 5,217	₩ -	₩ 654,962

(3) Details of the fair value of investment property as of December 31, 2015, are as follows (Unit: Korean won in millions):

Description	Date of revaluation	December 31, 2015 Land	Buildings and structures	Total
Book value of investment property:				
Book value (*1)		₩ 441,329	₩ 486,746	₩ 928,075
Results of valuation:				
Central hub logistics center	2013-01-01	5,570	4,345	9,915
Chungju HUB Center (*1),(*2)	-	7,046	8,908	15,954
Twin tower (*1),(*3)	2012-03-16	456,800	343,200	800,000
Gasandong building (*1),(*4)	2009-04-21	50,966	110,104	161,070
Gwanghwamun building (*1)	2010-09-30	145,452	84,548	230,000
Buho building (*1)	2013-06-04	16,513	1,238	17,751
Incheon IT Center (*1)	2009-01-01	18,391	9,169	27,560
Kyobashi Trust Tower (*1),(*2)	-	166,620	30,414	197,034
Total		₩ 867,358	₩ 591,926	₩1,459,284

(*1) Includes the value of investment property (carrying value that is subject to valuation: ₩ 275,505 million) occupied by the owner.
(*2) Acquisition cost is considered as fair value as the difference between acquisition date and reporting date is not significant.
(*3) It is the whole valuation amount of Twin Tower.
(*4) It is allowed to transfer only if it is transferred to the Korea Export Industrial Corporation when the partial or whole land is disposed according to the regulations that are related to industrial revitalization or the establishment of factory or only if there is a consent.

Fair value assessment was performed by an independent third party, Nara Appraisal Co., Ltd., and Daeil Appraisal Board. The fair value of investment property is classified as Level 3 based on the input variables that are used in the valuation method.

The valuation method for measurement of fair value is the method of discounted cash flow, so the fair value of investment property is measured by the discounted present value that the net cash flow from the investment property is discounted by the discount rate of risk adjustment by reflecting the cost in relation to rental promotion, such as estimated success rate of rental market, vacant period, rental rate, free rental period and other costs that the lessee does not pay. Main input variables that are significant for measuring the fair value, but not observable, are estimated success rate of rental market, vacant rate, free rental period and discount rate of risk adjustment.

12. INTANGIBLE ASSETS:

(1) Composition of the Group's intangible assets as of December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

Description	December 31, 2015 Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 43,923	₩ 17,078	₩ 29,734	₩ 14,982	₩ 17,711	₩ 218,375	₩ 341,803
Accumulated depreciation	(23,565)	(10,464)	-	-	-	(149,999)	(184,028)
Accumulated impairment	(6,741)	-	(7,004)	(12,797)	(12,286)	(1,818)	(40,646)
Government grants	-	(8)	-	-	-	(535)	(543)
Total	₩ 13,617	₩ 6,606	₩ 22,730	₩ 2,185	₩ 5,425	₩ 66,023	₩ 116,586

Description	December 31, 2014 Development costs		Intellectual property rights		Memberships		Goodwill		Construction in progress		Computer software and other assets		Total
Acquisition cost	₩	43,534	₩	15,088	₩	30,546	₩	14,462	₩	25,194	₩	205,621	₩ 334,445
Accumulated depreciation		(17,785)		(9,572)		-		-		-		(131,491)	(158,848)
Accumulated impairment		(6,395)		-		(7,115)		(12,797)		(12,287)		(1,809)	(40,403)
Government grants		-		(6)		-		-		-		(727)	(733)
Total	₩	19,354	₩	5,510	₩	23,431	₩	1,665	₩	12,907	₩	71,594	₩ 134,461

(2) Changes in intangible assets for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015 Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 19,354	₩ 5,510	₩ 23,431	₩ 1,665	₩ 12,907	₩ 71,594	₩ 134,461
Acquisitions	35	877	250	-	4,074	11,447	16,683
Increase due to mergers	-	-	-	520	-	23	543
Disposals	-	-	(839)	-	(6,786)	(1)	(7,626)
Transfers in	338	10	71	-	-	3,824	4,243
Transfers out	-	-	-	-	(4,243)	-	(4,243)
Government subsidies	-	(3)	-	-	-	(290)	(293)
Impairment loss	(345)	-	(200)	-	-	-	(545)
Reversal of impairment loss	-	-	15	-	-	-	15
Others	7	1,103	-	-	(527)	183	766
Amortization	(5,775)	(891)	-	-	-	(20,794)	(27,460)
Effect of foreign currency translation	3	-	2	-	-	37	42
Ending balance	₩ 13,617	₩ 6,606	₩ 22,730	₩ 2,185	₩ 5,425	₩ 66,023	₩ 116,586

Description	Year ended December 31, 2014 Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 28,670	₩ 4,404	₩ 27,265	₩ 14,462	₩ 24,685	₩ 56,925	₩ 156,411
Acquisitions	213	420	905	-	20,223	9,478	31,239
Disposals	-	-	(2,344)	-	-	(360)	(2,704)
Transfers in	4,289	4	-	-	-	28,097	32,390
Transfers out	-	-	-	-	(32,390)	-	(32,390)
Government subsidies	-	(3)	-	-	-	(63)	(66)
Impairment loss	(6,395)	-	(2,483)	(12,797)	-	(1,822)	(23,497)
Reversal of impairment loss	-	-	89	-	-	-	89
Others	227	1,414	(3)	-	389	(86)	1,941
Amortization	(7,661)	(729)	-	-	-	(20,613)	(29,003)
Effect of foreign currency translation	11	-	2	-	-	38	51
Ending balance	₩ 19,354	₩ 5,510	₩ 23,431	₩ 1,665	₩ 12,907	₩ 71,594	₩ 134,461

(3) Details of accumulated impairment loss of goodwill as of December 31, 2015 and 2014, are as follows:

1) Carrying value of goodwill that is allocated to cash-generating unit before recognizing the impairment loss is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
LG CNS Co., Ltd.	₩	520	₩	-
BNE PARTNERS, Inc.		1,665		1,665
Korea Elecom Co., Ltd		7,964		7,964
Oneseen skytech		4,833		4,833
Total	₩	14,982	₩	14,462

2) Recoverable amount of cash-generating unit is determined based on the calculation of usage value and the usage value is calculated by using the estimation of cash flow after tax based on the business plan of five years approved by the management. Cash flow that exceeds five years is estimated in the range that does not exceed the long-term average growth rate of the industry that the cash-generating unit is involved.

3) The consolidated entity determined the estimation of after-tax cash flow based on the past performance and the prediction of market growth and the used discount rate is the after-tax discount rate that the specific risk of the related market sector is reflected. Discount rate applied for calculating the usage value of main cash-generating unit is as follows:

Description	Korea Elecom Co., Ltd	Oneseen skytech
Discount rate	13.3%	15.9%
Permanent growth rate	1.0%	1.0%

4) The amount recognized as impairment loss of goodwill based on the recoverable amount calculated based on the usage value by each cash-generating unit as of December 31, 2014, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2014	
Korea Elecom Co., Ltd (*)	₩	7,964
Oneseen skytech (*)		4,833
	₩	12,797

(*) Management recognized impairment loss for the whole goodwill as the total carrying value of cash-generating unit exceeded the estimated recoverable amount and the exceeding amount is larger than the carrying value of goodwill. There are no assets other than goodwill that the impairment loss will be allocated.

(4) Changes in government grants for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015					
	Intellectual property rights		Computer software and other assets		Total	
Beginning balance	₩	6	₩	727	₩	733
Receipt		3		290		293
Offsetting amortization		(1)		(482)		(483)
Ending balance	₩	8	₩	535	₩	543

Description	Year ended December 31, 2014			
	Development costs	Intellectual property rights	Computer software and other assets	Total
Beginning balance	₩ 71	₩ 3	₩ 1,056	₩ 1,130
Receipt	-	3	63	66
Offsetting amortization	(71)	-	(392)	(463)
Ending balance	₩ -	₩ 6	₩ 727	₩ 733

(5) The costs related to research and development accounted for as expenses for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Cost of sales	₩ 25,912	₩ 23,574
Selling and administrative expenses	41,303	58,394
Total	₩ 67,215	₩ 81,968

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Group's investments in associates and joint ventures as of December 31, 2015, is as follows:

Companies	Location of incorporation	Major business activities	Closing date	Number of shares held and investments in capital		Number of shares issued		Percentage of ownership (%)	Percentage of ownership (Common stock) (%)
				Common stock	Preferred stock	Common stock	Preferred stock		
LG Chem Ltd.	South Korea	Manufacturing of basic petrochemicals	12-31	22,219,326	-	66,271,100	7,628,921	30.07%	33.53%
LG Household & Health Care Ltd.	South Korea	Manufacturing of toothpastes, soap and detergents	12-31	5,315,500	-	15,618,197	2,099,697	30.00%	34.03%
LG Electronics Inc.	South Korea	Manufacturing of electronic components, computers, image, acoustic and communication equipment	12-31	55,094,582	-	163,647,814	17,185,992	30.47%	33.67%
LG Uplus Corp.	South Korea	Telecommunications	12-31	157,376,777	-	436,611,361	-	36.05%	36.05%
LG Life Science Co., Ltd.	South Korea	Manufacturing of biological agents	12-31	5,044,114	-	16,576,990	236,216	30.00%	30.43%
LG Hitachi Co., Ltd.	South Korea	Consult computer system integration and establishment	12-31	245,000	-	500,000	-	49.00%	49.00%
GIIR Corporation	South Korea	Holdings company	12-31	5,798,593	-	16,567,409	-	35.00%	35.00%
LG Hausys, Ltd.	South Korea	Manufacturing construction plastic materials	12-31	3,006,673	-	8,967,670	1,032,330	30.07%	33.53%
LG MMA Corp. (*2)	South Korea	Manufacturing other basic organic chemicals	12-31	1,200,000	-	2,400,000	-	50.00%	50.00%
Siliconworks Co., Ltd. (*6)	South Korea	Design and manufacturing semiconductor	12-31	5,380,524	-	16,264,300	-	33.08%	33.08%
LG Fuel Cell Systems Inc. (*1)	America	Development of fuel cells for research and experimental development	12-31	227	-	1,238	-	18.34%	18.34%
Combustion Synthesis	Japan	Manufacturing the	12-31	725,000	-	1,181,000	-	61.39%	61.39%

Co., Ltd. (*4), (*7)		combustion synthesis power and manufactured goods							
Korea Smart Card Co., Ltd.	South Korea	System software development and supply	12-31	3,927,167	-	11,934,085	-	32.91%	32.91%
Songdo U-Life LLC (*1)	South Korea	Health care, integrated wireless environment, integrated smart cards and building management	12-31	5,880	-	35,880	-	16.39%	16.39%
Recaudo Bogota S.A.S.	Colombia	Public system development and service	12-31	2,126	-	10,630	-	20.00%	20.00%
Petro Cornergy Co., Ltd. (*1)	South Korea	Petro cock renewable energy projects	12-31	19,500	-	100,000	-	19.50%	19.50%
Sejong Green Power Co., Ltd (*1), (*3)	South Korea	New and renewable energy	12-31	260,600	-	1,309,200	-	19.91%	19.91%
Hellas SmarTicket Societe Anonyme(*3)	Greece	Public system development and service	12-31	11,250	-	37,500	-	30.00%	30.00%
Ulleungdo Natural Energy Independent Island Co., Ltd (*3)	South Korea	New and renewable energy	12-31	1,600,000	-	5,360,000	-	29.85%	29.85%
Dongnam Solar Energy Co., Ltd. (*4)	South Korea	The sun optical-the development business	12-31	174,608	-	672,000	-	25.98%	25.98%
Serveone Cenyar Services Co. (*5)	Qatar	Real estate management services	12-31	98	-	200	-	49.00%	49.00%

(*1) The Group has significant influence since contractual right exists to appoint one member of the board of directors even though the percentage of shares owned is less than 20%.
(*2) A joint venture.
(*3) Acquired through participation of establishment during the current period.
(*4) The percentage of ownership increased due to unequal increase in paid-up capital.
(*5) It is committed that the allocation rate of profit is 70%, which is different from the percentage of ownership contribution. It is classified as joint venture as it retains jointly controlling power.
(*6) The percentage of ownership changed through additional acquisition during the current period.
(*7) The percentage of ownership is more than 50%; however, in material respects, the Company is not classified as subsidiaries.

Fair values of marketable equity securities for investments in associates as of December 31, 2015, are as follows (Unit: Korean won in millions):

Description	LG Chem Ltd.	LG Household & Health Care Ltd.	LG Electronics Inc.	LG Uplus Corp.	LG Life Science Co., Ltd.	GIIR Corporation	LG Hausys, Ltd.	Siliconworks Co., Ltd.
Fair values of equity securities	₩ 7,299,049	₩ 5,581,275	₩ 2,964,089	₩ 1,636,718	₩ 305,673	₩ 51,028	₩ 440,478	₩ 207,150

(2) Changes in investments in associates and joint ventures for the year ended December 31, 2015 and 2014, are as follows (Korean won in millions):

	Year ended December 31, 2015						
Companies	Beginning balance	Acquisitions	Dividends received	Gain (loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Disposal and others	Ending balance
LG Chem Ltd.	₩ 3,610,276	₩ -	₩ (88,877)	₩ 347,857	₩ (2,089)	₩ -	₩ 3,867,167
LG Household & Health Care Ltd.	489,582	-	(21,262)	137,601	1,994	-	607,915
LG Electronics Inc.	3,509,706	-	(22,038)	38,325	(43,598)	-	3,482,395
LG Uplus Corp.	1,467,034	-	(23,607)	134,912	(5,457)	-	1,572,882
LG Life Science Co., Ltd.	73,316	-	-	2,957	(960)	-	75,313
LG Hitachi Co., Ltd.	8,410	-	-	317	(429)	-	8,298
GIIR Corporation	41,375	-	(1,160)	3,788	414	-	44,417
LG Hausys, Ltd.	244,010	-	(5,412)	20,940	(1,690)	-	257,848
LG MMA Corp.	195,737	-	(15,000)	30,566	(189)	-	211,114
Siliconworks Co., Ltd.	118,738	29,398	(2,754)	11,576	2,626	-	159,584
LG Fuel Cell Systems Inc.	10,277	-	-	(8,084)	(163)	-	2,030
Combustion Synthesis Co., Ltd.	828	994	-	(149)	(6)	-	1,667
Korea Smart Card Co., Ltd.	35,595	-	(1,088)	1,900	(343)	-	36,064
Songdo U-Life LLC	7,955	-	-	210	-	-	8,165
Recaudo Bogota S.A.S. (*1)	1,631	-	-	(1,631)	-	-	-
Zephyrlogic Co. Ltd. (*2)	482	-	-	-	-	(482)	-
Petro Cornergy Co., Ltd. (*3)	96	-	-	(96)	-	-	-
Sejong Green Power Co., Ltd	-	1,303	-	(103)	-	-	1,200
Hellas SmarTicket Societe Anonyme	-	1,374	-	38	68	-	1,480
Ulleungdo Natural Energy Independent Island Co., Ltd	-	8,000	-	(578)	-	-	7,422
Dongnam Solar Energy Co., Ltd.	264	481	-	(73)	(2)	-	670
Serveone Cenyar Services Co. (*4)	-	-	-	-	-	-	-
Total	₩9,815,312	₩ 41,550	₩ (181,198)	₩ 720,273	₩ (49,824)	₩ (482)	₩10,345,631

(*1) The application of equity method is discontinued due to accumulative loss. As a result, ₩904 million loss on valuation by equity method and ₩41million of comprehensive loss are not recognized.

(*2) Disposed during the current period.

(*3) The application of equity method is discontinued due to accumulative loss. As a result, ₩155 million loss on valuation by equity method is not recognized.

(*4) The application of equity method is discontinued due to accumulative loss. Allowance for doubtful accounts is set from long-term loans for ₩409 million of profit (loss) from equity method that exceeds the carrying value of investments in associates and ₩24 million of other comprehensive loss during the current period.

Companies	Year ended December 31, 2014 Beginning balance	Acquisitions	Dividends received	Gain (loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Disposal and others	Ending balance
LG Chem Ltd.	₩3,452,526	₩ -	₩ (88,877)	₩ 255,769	₩ (9,142)	₩ -	₩ 3,610,276
LG Household & Health Care Ltd.	421,253	-	(19,933)	105,639	(17,377)	-	489,582
LG Electronics Inc.	3,509,369	-	(11,019)	127,784	(116,428)	-	3,509,706
LG Uplus Corp.	1,425,985	-	(23,607)	66,995	(2,339)	-	1,467,034
LG Life Science Co., Ltd.	74,810	-	-	(825)	(669)	-	73,316
LG Hitachi Co., Ltd.	12,192	-	-	(3,433)	(349)	-	8,410
GIIR Corporation	40,812	-	(1,160)	2,409	(686)	-	41,375
LG Hausys, Ltd.	232,861	-	(5,412)	16,141	420	-	244,010
LG MMA Corp.	207,104	-	(19,200)	9,006	(1,173)	-	195,737
Siliconworks Co., Ltd.	-	115,606	-	2,703	429	-	118,738
LG Fuel Cell Systems Inc.	8,011	12,266	-	(10,046)	46	-	10,277
Combustion Synthesis Co., Ltd.	-	828	-	-	-	-	828
Korea Smart Card Co., Ltd.	36,410	-	-	3,607	(127)	(4,295)	35,595
Songdo U-Life LLC	8,045	-	-	(90)	-	-	7,955
Recaudo Bogota S.A.S.	3,631	-	-	(1,614)	(386)	-	1,631
Zephyrlogic Co. Ltd.	482	-	-	-	-	-	482
Gumi Ochang Sunlight Solar Co., Ltd.(*1)	517	472	(27)	253	-	(1,215)	-
Petro Cornergy Co., Ltd.	3	-	-	93	-	-	96
Dongnam Solar Energy Co., Ltd.	257	119	-	(113)	(1)	2	264
Serveone Cenyar Services Co.(*2)	-	29	-	(29)	-	-	-
Total	₩ 9,434,268	₩ 129,320	₩ (169,235)	₩ 574,249	₩ (147,782)	₩ (5,508)	₩9,815,312

(*1) Changed to investment in subsidiaries during the current period.

(*2) The application of equity method is discontinued due to accumulative loss. Allowance for doubtful accounts is set from long-term loans for ₩154 million of profit (loss) from equity method that exceeds the carrying value of investments in associates and ₩7 million of other comprehensive income (loss) during the current period.

(3) Adjustments to the book value of investments in associates and joint ventures from the net asset value of associates and joint ventures as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Companies	As of and for the year ended December 31, 2015 Net Assets (A)	Ownership rate of the Group (B)	Controlling interest of net assets (A x B)	(+)Goodwill	(-)Elimination of intercompany transactions	Ending balance
LG Chem Ltd.	₩12,991,465	30.07%	₩ 3,906,110	₩ -	₩ (38,943)	₩3,867,167
LG Household & Health Care Ltd.	2,037,296	30.00%	611,204	-	(3,289)	607,915
LG Electronics Inc.	11,626,572	30.47%	3,542,265	-	(59,870)	3,482,395
LG Uplus Corp.	4,447,952	36.05%	1,603,266	-	(30,384)	1,572,882

LG Life Science Co., Ltd.	257,441	30.00%	77,235	-	(1,922)	75,313
LG Hitachi Co., Ltd.	16,951	49.00%	8,306	-	(8)	8,298
GIIR Corporation	134,924	35.00%	47,223	2,352	(5,158)	44,417
LG Hausys, Ltd.	874,518	30.07%	262,939	-	(5,091)	257,848
LG MMA Corp.	424,735	50.00%	212,368	-	(1,254)	211,114
Siliconworks Co., Ltd.	347,578	33.08%	114,985	45,057	(458)	159,584
LG Fuel Cell Systems Inc.	(31,765)	18.34%	(5,824)	7,854	-	2,030
Combustion Synthesis Co., Ltd.	469	61.39%	288	1,379	-	1,667
Korea Smart Card Co., Ltd.	82,909	32.91%	27,283	8,777	4	36,064
Songdo U-Life LLC	28,507	16.39%	4,672	3,493	-	8,165
Recaudo Bogota S.A.S.(*1)	(4,694)	20.00%	-	-	-	-
Petro Conergy Co., Ltd.(*1)	(795)	19.50%	-	-	-	-
Sejong Green Power Co., Ltd	5,998	19.91%	1,194	6	-	1,200
Hellas SmarTicket Societe Anonyme	4,933	30.00%	1,480	-	-	1,480
Ulleungdo Natural Energy Independent Island Co., Ltd	24,864	29.85%	7,422	-	-	7,422
Dongnam Solar Energy Co., Ltd.	2,572	25.98%	668	1	1	670
Serveone Cenyar Services Co. (*2)	(831)	49.00%	-	-	-	-

(*1) The application of equity method is discontinued due to accumulative loss.

(*2) Although the percentage of ownership for contribution is 49%, the allocation rate of profit is committed as 70% and the application of equity method is discontinued due to accumulative loss during the current period.

	As of and for the year ended December 31, 2014					
Companies	Net Assets (A)	Ownership rate of the Group (B)	Controlling interest of net assets (A x B)	(+)Goodwill	(-)Elimination of intercompany transactions	Ending balance
LG Chem Ltd.	₩12,139,945	30.07%	₩ 3,650,086	₩ -	₩ (39,810)	₩3,610,276
LG Household & Health Care Ltd.	1,637,427	30.00%	491,240	-	(1,658)	489,582
LG Electronics Inc.	11,719,423	30.47%	3,570,553	-	(60,847)	3,509,706
LG Uplus Corp.	4,177,141	36.05%	1,505,653	-	(38,619)	1,467,034
LG Life Science Co., Ltd.	249,115	30.00%	74,737	-	(1,421)	73,316
LG Hitachi Co., Ltd.	17,197	49.00%	8,427	-	(17)	8,410
GIIR Corporation	125,379	35.00%	43,883	2,352	(4,860)	41,375
LG Hausys, Ltd.	826,375	30.07%	248,464	-	(4,454)	244,010
LG MMA Corp.	392,981	50.00%	196,490	-	(753)	195,737
Siliconworks Co., Ltd.	298,791	28.22%	84,308	34,637	(207)	118,738
LG Fuel Cell Systems Inc.	7,681	18.34%	1,408	8,868	1	10,277
Combustion Synthesis Co., Ltd.	10	30.16%	3	825	-	828
Korea Smart Card Co., Ltd.	81,497	32.91%	26,818	8,777	-	35,595
Songdo U-Life LLC	27,224	16.39%	4,462	3,493	-	7,955
Recaudo Bogota S.A.S.	8,154	20.00%	1,631	-	-	1,631
Zephyrlogic Co. Ltd.(*1)	1,011	20.00%	202	-	280	482
Petro Conergy Co., Ltd.	494	19.50%	96	-	-	96
Dongnam Solar Energy Co., Ltd.	1,013	25.97%	263	1	-	264
Serveone Cenyar Services Co. (*2)	(212)	49.00%	-	-	-	-

(*1) Financial statements as of and for the year ended December 31, 2014, could not be obtained; so the most recent available financial information is used. We have implemented inquiries and analytical procedures to reflect the significant transactions or events that are incurred at the end of reporting period of financial statements and significant exceptions were not noted.

(*2) Although the percentage of ownership for contribution is 49%, the allocation rate of profit is committed as 70% and the application of equity method is discontinued due to accumulative loss during the current period.

(4) Summary of financial position for associates as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	December 31, 2015								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd.(*1)	₩8,655,605	₩9,923,123	₩18,578,728	₩4,798,981	₩676,225	₩5,475,206	₩12,991,465	₩112,057	₩13,103,522
LG Household & Health Care Ltd.	1,331,133	2,883,504	4,214,637	1,159,458	939,836	2,099,294	2,037,296	78,047	2,115,343
LG Electronics Inc.(*1)	16,397,613	19,916,283	36,313,896	14,779,691	8,550,718	23,330,409	11,626,572	1,356,915	12,983,487
LG Uplus Corp.	2,599,157	9,351,841	11,950,998	3,354,154	4,148,441	7,502,595	4,447,952	451	4,448,403

(*1) LG Chem Ltd. and LG Electronics Inc. each recorded ₩6,500 million and ₩3,619 million of assets held for sale as of December 31, 2015.

	December 31, 2014								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd.(*1)	₩8,146,821	₩9,980,825	₩18,127,646	₩4,809,049	₩1,052,745	₩5,861,794	₩12,139,945	₩125,907	₩12,265,852
LG Household & Health Care Ltd.	1,214,261	2,614,087	3,828,348	1,035,674	1,084,171	2,119,845	1,637,427	71,076	1,708,503
LG Electronics Inc.	17,482,698	19,585,722	37,068,420	15,754,349	8,322,974	24,077,323	11,719,423	1,271,674	12,991,097
LG Uplus Corp.	2,489,853	9,522,807	12,012,660	3,485,661	4,349,187	7,834,848	4,177,141	671	4,177,812

(*1) The Company recorded ₩5,961 million of assets held for sale as of December 31, 2014.

(5) Summary of profit and loss for associates for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Companies	Revenue	Operating income (loss)	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income (loss)
	Year ended December 31, 2015					
LG Chem Ltd.	₩ 20,206,583	₩ 1,823,568	₩ 401,112	₩ -	₩ (4,055)	₩ 1,144,476
LG Household & Health Care Ltd.	5,328,492	684,095	174,414	-	23,921	494,283
LG Electronics Inc.	56,509,008	1,192,291	340,154	(3,828)	(148,307)	100,836
LG Uplus Corp.	10,795,218	632,331	114,709	-	(15,149)	336,083

Companies	Revenue	Operating income (loss)	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income (loss)
	Year ended December 31, 2014					
LG Chem Ltd.	₩ 22,577,830	₩ 1,310,761	₩ 305,836	₩ -	₩ (29,012)	₩ 825,013
LG Household & Health Care Ltd.	4,677,010	511,040	125,647	-	(52,051)	302,514
LG Electronics Inc.	59,040,767	1,828,557	539,761	(177,152)	(404,574)	96,783
LG Uplus Corp.	10,999,828	576,338	92,394	-	(6,985)	220,736

14. <u>DEBENTURES AND BORROWINGS:</u>

(1) The Group's short-term borrowings as of December 31, 2015 and 2014, consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2015	December 31, 2014
Korean currency short-term borrowings	Kookmin Bank and others	2.92–5.37	₩ 34,100	₩ 24,604
Overdraft	Kookmin Bank	3.29	8,105	10,287
Commercial paper	Dongbu Securities	2.13–2.35	25,000	70,000
Trade receivables transferred (*)	Shinhan Bank and others	1.11–2.15	26,522	16,626
Foreign currency short-term borrowings	The Export-Import Bank of Korea and others	1.42–6.44	74,791	57,689
Usance	Shinhan Bank		-	1,024
Total			₩ 168,518	₩ 180,230

(*) The trade receivables transferred have recoursable condition and do not meet the derecognition conditions; hence, the whole transferred receivables are recognized as assets receivable.

(2) The Group's long-term borrowings as of December 31, 2015 and 2014, consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2015		December 31, 2014	
			Current	Non-current	Current	Non-current
Korean currency long-term borrowings(*)	Kookmin Bank and others	2.06–5.40	₩ 221,162	₩ 477,816	₩ 144,156	₩ 561,820
Foreign currency long-term borrowings	LAPIS Semiconductor	2.00	-	2,868	-	73,611
Debentures in Korean won		1.88–4.61	100,000	950,000	360,000	560,000
Discount on debentures			(133)	(2,570)	(251)	(1,302)
Present value discount account			(466)	(680)	(84)	(762)
Total			₩ 320,563	₩ 1,427,434	₩ 503,821	₩ 1,193,367

(*) Korea currency long-term borrowings include asset securitization liabilities (₩100,000 million). (See Note 31)

(3) The Group's debentures as of December 31, 2015 and 2014, consist of the following (Unit: Korean won in millions):

Company	Description	Issuance date	Maturity date	Annual interest rate	December 31, 2015	December 31, 2014
LG CNS Co., Ltd.	5th public offering	2012-03-05	2017-03-05	4.15%	₩ 100,000	₩ 100,000
	6th public offering	2012-10-24	2015-10-24	3.17%	-	100,000
	7th public offering	2013-05-07	2018-05-07	2.96%	100,000	100,000
	8th public offering	2013-12-05	2016-12-05	3.42%	100,000	100,000
	9-1th public offering	2015-04-16	2018-04-16	1.88%	50,000	-
	9-2th public offering	2015-04-16	2020-04-16	2.07%	100,000	-
	9-3th public offering	2015-04-16	2022-04-16	2.44%	50,000	-
Serveone Co., Ltd.	3rd public offering	2014-02-14	2017-02-14	3.21%	100,000	100,000
	4-1th public offering	2015-10-01	2018-10-01	1.96%	50,000	-
	4-2th public offering	2015-10-01	2020-10-01	2.24%	150,000	-
LG Siltron Inc.	35th public offering	2011-07-15	2015-07-15	4.48%	-	100,000
	37-1th public offering	2012-01-05	2015-01-05	4.17%	-	60,000
	37-2th public offering	2012-01-05	2017-01-05	4.61%	-	40,000
	38-1th public offering	2012-06-04	2015-06-04	3.73%	-	50,000
	38-2th public offering	2012-06-04	2017-06-04	3.94%	50,000	50,000
	39th public offering	2014-02-07	2017-02-07	4.21%	30,000	30,000
	40th public offering	2014-03-14	2017-03-14	4.37%	40,000	40,000
	41st public offering	2015-06-16	2018-06-16	4.07%	70,000	-
LG N Sys Co., Ltd.	1st public offering	2012-05-30	2015-05-30	3.89%	-	50,000
	2-1nd public offering	2015-05-29	2018-05-29	2.32%	40,000	-
	2-2nd public offering	2015-05-29	2020-05-29	2.89%	20,000	-
	Subtotal				1,050,000	920,000
	Discount on debentures				(2,703)	(1,553)
	Current debentures (*)				(99,867)	(359,749)
	Total				₩ 947,430	₩ 558,698

(*) Discounts on debentures have been deducted.

15. PROVISIONS:

Changes in provisions for the year ended December 31, 2015 and 2014, are as follows
(Unit: Korean won in millions):

Description	Year ended December 31, 2015 Beginning balance	Increase	Using	Reversal	Effect of foreign currency translation	Ending balance
Provision for construction (product) warranties	₩ 17,714	₩ 14,601	₩ (10,079)	₩ (3,682)	₩ 13	₩ 18,567
Restoration liabilities (*)	6,678	621	(116)	(82)	3	7,104
Others	6,944	19,930	(2,923)	(2,983)	-	20,968
Total	₩ 31,336	₩ 35,152	₩ (13,118)	₩(6,747)	₩ 16	₩ 46,639

(*) Include increase due to the evaluation of the present value.

Description	Year ended December 31, 2014 Beginning balance	Increase	Using	Reversal	Effect of foreign currency translation	Ending balance
Provision for construction (product) warranties	₩ 14,746	₩ 13,952	₩ (9,060)	₩ (1,924)	₩ -	₩ 17,714
Restoration liabilities (*)	8,630	431	(1,103)	(1,277)	(3)	6,678
Others	6,648	8,881	(2,990)	(5,558)	(37)	6,944
Total	₩ 30,024	₩ 23,264	₩ (13,153)	₩ (8,759)	₩ (40)	₩ 31,336

(*) Include increase due to the evaluation of the present value.

16. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

The Group operates a defined contribution plan for its employees. Obligation of the Group is to make payments to third-party funds, and the benefits for employees are determined by the payments made to the funds and the investment earnings from the funds. Plan asset is managed by the third party and is segregated from the Group's assets. Contributions to defined contribution plan during the current period and the previous period are ₩36,521 million and ₩38,154 million, respectively, and payable amounts related to defined contribution plans as of December 31, 2015 and 2014, are ₩5,259 million and ₩4,212 million, respectively.

(2) Defined benefit plan

The Group operates a defined benefit plan for its employees, and according to the plan, employees will be paid his or her average salary amount of the final three months multiplied by the number of years vested, adjusted for payment rate and other. The actuarial valuation of plan assets and the defined benefit liability are performed by a reputable actuary using the projected unit credit method.

1) As of December 31, 2015 and 2014, amounts recognized in the consolidated statement of financial position related to retirement benefit obligation are as follows (Unit: Korean won in millions):

Description	December 31, 2015		December 31, 2014	
Present value of defined benefit obligation	₩	312,507	₩	290,416
Fair value of plan assets		(229,475)		(193,114)
Net defined benefit liability	₩	83,032	₩	97,302

2) Changes in defined benefit obligation for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Beginning balance	₩	290,416	₩	244,528
Current service cost		45,470		42,280
Interest cost		8,945		9,068
Actuarial gain (loss)		(7,900)		16,628
Past service cost		-		(3,476)
Effect of settlement / curtailments		(172)		-
Effect of foreign currency translation		2		3
Benefits paid		(23,624)		(20,962)
Others		(630)		2,347
Ending balance	₩	312,507	₩	290,416

3) Income and loss related to defined benefit plan for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Service cost	₩	45,298	₩	38,804
Current service cost		45,470		42,280
Past service cost		-		(3,476)
Effect of settlement / curtailments		(172)		-
Net interest on the net defined benefit liability (asset)		3,159		3,230
Interest cost on defined benefit obligation		8,945		9,068
Comprising interest on plan assets		(5,786)		(5,838)
Others		433		371
Total	₩	48,890	₩	42,405

Total costs for the year ended December 31, 2015 and 2014, are included in cost of sales for ₩24,517 million and ₩18,561 million, respectively, in selling and administrative expenses for ₩24,373 million and ₩23,844 million, respectively.

4) Changes in plan assets for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Beginning balance	₩	193,114	₩	160,828
Comprising interest on plan assets		5,786		5,838
Remeasurements - Return on plan assets		(625)		(995)
Contributions from the employer		46,607		44,550
Effect of foreign currency translation		3		2
Benefits paid		(15,907)		(16,652)
Others		497		(457)
Ending balance	₩	229,475	₩	193,114

5) All of the plan assets are invested in financial instruments that guarantee principal and interest rate as of December 31, 2015 and 2014.

6) Actuarial assumptions used as of December 31, 2015 and 2014, are as follows:

Description	December 31, 2015	December 31, 2014
Discount rate (%)	2.27–7.55	2.40-8.06
Expected rate of salary increase (%)	1.10–12.14	1.29-12.14

7) The sensitivity analysis of the defined benefit obligation as of December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

	December 31, 2015		
Description	Center scenario	+ 1%	- 1%
Change in discount rate	₩ 312,507	₩ 286,163	₩ 343,493
Change in rate of salary increase	312,507	342,178	286,661

(*) The above sensitivity is estimated based on the assumption that all the other respective assumptions remain unchanged.

	December 31, 2014		
Description	Center scenario	+ 1%	- 1%
Change in discount rate	₩ 290,416	₩ 264,086	₩ 321,823
Change in rate of salary increase	290,416	320,454	264,615

(*) The above sensitivity is estimated based on the assumption that all the other respective assumptions remain unchanged.

8) Remeasurement related to net defined benefit liability for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Actuarial gains (losses) arising from changes in demographic assumptions	₩ (5,923)	₩ 4,307
Actuarial gains (losses) arising from changes in financial assumptions	1,459	16,055
Actuarial gains (losses) arising from experience	(3,318)	(3,839)
Return on plan assets excluding amounts included in interest income	625	995
Actuarial gains (losses) arising from transfer in/out adjustments	(118)	105
Total	₩ (7,275)	₩ 17,623

Meanwhile, the Group deducted ₩(1,737) million arising from income tax effect for actuarial gain (loss) during the current period.

9) Estimated contribution that will be paid in the next fiscal year is as follows (Unit: Korean won in millions):

	2016
Estimated contributions to plan assets	₩ 40,191

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015		December 31, 2014	
	Current	Non-current	Current	Non-current
Advance receipts	₩ 32,135	₩ -	₩ 24,858	₩ -
Advances from lease revenue	-	6,153	131	6,423
VAT withheld	55,790	-	6,376	-
Withholdings	46,143	-	43,806	-
Unearned income	18,688	15,166	17,618	31,221
Due to customers for contract work	70,882	-	44,114	-
Government subsidy	507	-	4,633	-
Other long-term employee benefits	-	17,517	-	5,519
Total	₩ 224,145	₩ 38,836	₩ 141,536	₩ 43,163

18. CONSTRUCTION CONTRACTS:

(1) Cost, income and loss and claimed construction costs from construction in progress as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015	December 31, 2014
Accumulated accrual cost	₩ 2,173,748	₩ 2,045,036
Accumulated income	254,736	258,805
Accumulated loss	(69,631)	(53,535)
Accumulated construction in process	2,358,853	2,250,306
Progress billing (*)	2,234,716	2,032,146
Gross amounts due from customers for contract work	195,019	262,274
Gross amounts due to customers for contract work	₩ 70,882	₩ 44,114

(*) Consolidated adjustments are included.

Advances received from construction contracts are ₩30,079 million and ₩8,961 million as of December 31, 2015 and 2014, respectively.

(2) Changes on estimations of total contract costs as of December 31, 2015, is as follows (Unit: Korean won in millions):

Construction segment of Serveone Co., Ltd. and SI segment of LG CNS Co., Ltd., subsidiaries of the Group, had changes in estimated total construction costs of construction in progress as of December 31, 2015, due to cost fluctuation factors. Details of current and future periods' income (loss) and gross amount due from customers for contract work affected are as follows (Unit: Korean won in millions):

Companies	Changes of estimated total construction costs	Effects on current period's income	Effects on future period's income	Changes on gross amounts due from customers for contract work
Serveone Co., Ltd.	₩ 7,824	₩ (1,353)	₩ (159)	₩ (299)
LG CNS Co., Ltd.	64,178	(37,544)	(5,056)	(36,683)
Subtotal	72,002	(38,897)	(5,215)	(36,982)
Consolidation adjustments	(384)	233	159	269
Total	₩ 71,618	₩ (38,664)	₩ (5,056)	₩ (36,713)

19. ISSUED CAPITAL:

Details of issued capital as of December 31, 2015, are as follows (Unit: Korean won in millions):

Type of stock	Number of authorized shares	Number of issued shares	Number of shares owned by related party	Par value (in Korean won)	Amount of issued capital
Common stock	700,000,000	172,557,131	83,593,496	₩ 5,000	₩ 862,786
Preferred stock (*)	-	3,314,677	-	5,000	16,573

(*) Preferred stocks are stocks without voting rights that are eligible for an additional 1%, based on the face value of the stock compared to common stocks, when receiving cash dividends. In case of no dividend payout, they are granted voting rights from the shareholders' meeting resolved not to pay to the shareholders' meeting resolved to pay dividends.

The Group has 93,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2015 and 2014; the carrying amounts of common stocks are ₩2,334 million (preferred stock: ₩51 million).

20. CAPITAL SURPLUS:

Composition of capital surplus as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015	December 31, 2014
Asset revaluation reserve	₩ 337,386	₩ 337,386
Paid-up capital in excess of par value	898,266	898,266
Other capital surplus	1,126,006	1,127,054
Total	₩ 2,361,658	₩ 2,362,706

21. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of accumulated other comprehensive income (loss) as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015	December 31, 2014
Changes in investment valuation using equity method	₩ (147,237)	₩ (152,618)
Gain on AFS financial assets	23,749	30,896
Loss on AFS financial assets	(715)	(561)
Overseas operations translation	(7,700)	(15,317)
Loss on valuation of derivatives	(2,959)	(3,362)
Total	₩ (134,862)	₩ (140,962)

(2) Changes in investment valuation using equity method for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	₩ (152,618)	₩ (88,521)
Changes in capital of associates and joint ventures	5,754	(67,693)
Effect on income taxes	(373)	3,596
Ending balance	₩ (147,237)	₩ (152,618)

(3) Changes in gain on AFS financial assets for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Beginning balance	₩	30,896	₩	35,149
Changes in gain on AFS financial assets		(9,429)		(5,612)
Effect on income taxes		2,282		1,359
Ending balance	₩	23,749	₩	30,896

(4) Changes in loss on AFS financial assets for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Beginning balance	₩	(561)	₩	(278)
Changes in loss on AFS financial assets		(203)		(373)
Effect on income taxes		49		90
Ending balance	₩	(715)	₩	(561)

(5) Changes in overseas operations translation for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Beginning balance	₩	(15,317)	₩	(4,647)
Changes in overseas operations translation		7,617		(10,670)
Ending balance	₩	(7,700)	₩	(15,317)

(6) Changes in loss on valuation of cash flow hedge derivatives for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Beginning balance	₩	(3,362)	₩	(2,472)
Net gain (loss) on hedging instruments entered into for cash flow hedges		(860)		(2,674)
Interest rate swap		(1,120)		(3,496)
Income taxes by loss on valuation of cash flow hedging derivatives		260		822
Transfers to profit and loss (*)		1,388		1,139
Interest rate swap (transferred to non-operating expenses)		1,805		1,469
Income tax expenses		(417)		(330)
Ending balance		(2,834)		(4,007)
Consolidation adjustment		(125)		645
Balance after consolidation adjustment	₩	(2,959)	₩	(3,362)

(*) Loss on valuation of cash flow derivatives that are transferred to profit and loss from equity for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015		Year ended December 31, 2014	
Non-operating expenses	₩	1,805	₩	1,469
Income tax expenses		(417)		(330)
Total	₩	1,388	₩	1,139

22. RETAINED EARNINGS AND DIVIDENDS:

Changes in retained earnings for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	₩ 9,153,234	₩ 8,574,840
Profit for the year attributable to the owners of the Company	944,189	844,548
Dividends (*)	(175,937)	(175,937)
Remeasurement of net defined benefit liability	5,816	(10,106)
Changes in retained earnings by equity method	(55,556)	(80,111)
Ending balance	₩ 9,871,746	₩ 9,153,234

(*) Details of dividends for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2015				
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)	Total dividends (Korean won in millions)
Common stock	172,557,131	93,789	172,463,342	₩ 1,000	₩ 172,464
Preferred stock	3,314,677	6,810	3,307,867	1,050	3,473

	Year ended December 31, 2014				
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)	Total dividends (Korean won in millions)
Common stock	172,557,131	93,789	172,463,342	₩ 1,000	₩ 172,464
Preferred stock	3,314,677	6,810	3,307,867	1,050	3,473

23. PROFIT (LOSS) FROM OPERATIONS:

Details of profit (loss) from operations for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Revenue and gain (loss) valuation by equity method		
Sales of goods	₩ 5,250,038	₩ 5,458,392
Sales of finished goods	901,884	1,204,920
Sales of merchandise	4,348,154	4,253,472
Service revenue	2,150,503	1,982,884
Construction revenue	1,440,815	1,447,442
Gain (loss) on valuation by equity method	719,866	574,095
Other revenue	406,968	402,589
	9,968,190	9,865,402
Cost of sales		
Cost of sales of goods	4,943,196	5,147,144
Cost of sales of service	1,860,356	1,712,442
Cost of sales of construction	1,297,531	1,281,368
Cost of sales of others	239,883	220,975
	8,340,966	8,361,929
Gross profit	1,627,224	1,503,473
Selling and administrative expenses		

Salaries and wages	198,099	194,525
Retirement benefits	22,357	20,936
Welfare	50,845	37,962
Amusement expenses	7,658	8,680
Depreciation	17,826	9,830
Amortization of intangible assets	12,420	11,819
Taxes and dues	13,858	11,800
Advertising expenses	12,182	4,852
Usual development expenses/survey and research	41,303	58,394
Commission	15,739	20,601
Insurance premium	2,675	2,119
Transportation expenses	16,428	15,880
Travel expenses	10,451	12,313
Service contract expenses	9,897	11,532
Rental expenses	14,641	14,254
Allowance (reversal) of bad debt	(858)	983
Allowance (reversal) of accrual of provision	23,881	3,454
Others	19,836	19,431
	489,238	459,365
Operating income	₩ 1,137,986	₩ 1,044,108

24. CLASSIFICATION OF EXPENSES BY NATURE:

Details of expenses by nature for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2015			
Account	Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 5,383	₩ -	₩ 4,292,742	₩ 4,298,125
Finished goods	12,738	-	-	12,738
Work in process	4,355	-	-	4,355
Semifinished goods	7,302	-	-	7,302
Merchandise	(16,077)	-	4,145,055	4,128,978
Other inventories	(2,935)	-	147,687	144,752
Used raw material	-	-	375,148	375,148
Employee benefits	-	271,301	801,264	1,072,565
Depreciation and amortization	-	30,246	278,779	309,025
Commission expenses	-	15,739	555,762	571,501
Lease expenses	-	14,641	95,135	109,776
Professional fees	-	9,897	1,286,256	1,296,153
Other expenses and consolidation adjustments	-	147,414	650,497	797,911
Total	₩ 5,383	₩ 489,238	₩ 8,335,583	₩ 8,830,204

Account	Year ended December 31, 2014 Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 12,512	₩ -	₩ 4,184,907	₩ 4,197,419
Finished goods	20,334	-	-	20,334
Work in process	426	-	-	426
Semifinished goods	1,422	-	-	1,422
Merchandise	(11,610)	-	4,033,845	4,022,235
Other inventories	1,940	-	151,062	153,002
Used raw material	-	-	581,962	581,962
Employee benefits	-	253,423	812,581	1,066,004
Depreciation and amortization	-	21,649	281,181	302,830
Commission expenses	-	20,601	497,387	517,988
Lease expenses	-	14,254	86,447	100,701
Professional fees	-	11,532	1,233,337	1,244,869
Other expenses and consolidation adjustments	-	137,906	671,615	809,521
Total	₩ 12,512	₩ 459,365	₩ 8,349,417	₩ 8,821,294

25. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Other non-operating income		
Rental income	₩ 586	₩ 437
Commission income	-	101
Gain on foreign currency transaction	28,562	30,515
Gain on foreign currency translation	13,419	6,740
Gain on disposals of tangible assets	2,595	1,781
Gain on disposals of intangible assets	34	242
Gain on transactions of derivatives	7,361	4,459
Gain on valuation of derivatives	1,138	1,497
Gain on disposals of investments in associates	455	22
Gain on disposals of investments in subsidiaries	-	743
Miscellaneous income	3,798	5,304
Reversal of impairment loss of intangible assets	15	89
Reversal of impairment loss of other assets	-	7
Other reversal of allowance for doubtful accounts	102	357
Others	-	1,888
Total	₩ 58,065	₩ 54,182

Description	Year ended December 31, 2015	Year ended December 31, 2014
Other non-operating expenses		
Loss on foreign currency transaction	₩ 25,094	₩ 27,308
Loss on foreign currency translation	8,587	6,417
Loss on disposals of tangible assets	1,479	2,542
Loss on disposals of investment assets	-	70
Loss on disposals of intangible assets	843	318
Loss on transactions of derivatives	8,241	6,324

Loss on valuation of derivatives	1,254	81
Loss on disposals of investments in associates	296	-
Donations and contributions	4,243	7,887
Other bad debt expenses	1,031	236
Impairment losses of tangible assets	151	2,536
Impairment losses of intangible assets	545	23,497
Impairment losses of other non-financial assets	-	810
Miscellaneous loss	2,223	1,453
Others	752	72
Total	₩ 54,739	₩ 79,551

26. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the year ended December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2015	Year ended December 31, 2014
Interest income	₩ 19,260	₩ 25,396
Dividend income	1,633	927
Gain on foreign currency transaction	11,191	11,090
Gain on foreign currency translation	2,422	1,169
Gain on disposals of AFS financial assets	126	354
Gain on disposals of other financial assets	34	-
Total	₩ 34,666	₩ 38,936

(2) Interest income included in financial income for the year ended December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2015	Year ended December 31, 2014
Financial institution deposits and others	₩ 16,168	₩ 22,865
AFS financial assets	54	65
Other loans and receivables	3,055	2,524
Subtotal	19,277	25,454
Consolidation adjustment	(17)	(58)
Consolidated	₩ 19,260	₩ 25,396

(3) Financial expenses for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2015	Year ended December 31, 2014
Interest expenses	₩ 79,992	₩ 85,872
Loss on foreign currency transaction (non-operating)	14,988	12,837
Loss on foreign currency translation (non-operating)	2,222	2,044
Loss on transactions of derivatives	527	117
Loss on valuation of derivatives	-	20
Loss on disposals of AFS financial assets	4	131
Impairment loss on AFS financial assets	787	565
Loss on disposals of trade receivables	746	266
Loss on redemption of bonds	1,356	93
Total	₩ 100,622	₩ 101,945

(4) Interest expenses included in financial expenses for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2015	Year ended December 31, 2014
Bank overdrafts and loan interest	₩ 33,120	₩ 36,506
Finance lease liabilities' interest	-	19
Interest expenses (discount on bonds payable)	35,099	41,022
Other interest expenses	16,290	15,161
Less: Capitalized interest expenses included in qualified assets (*)	(3,944)	(6,281)
Subtotal	80,565	86,427
Consolidation adjustment	(573)	(555)
Consolidated	₩ 79,992	₩ 85,872

(*) Capitalization interest rates used for the year ended December 31, 2015 and 2014, are 1.78%–4.16% and 1.75%–5.26%, respectively.

27. NET GAINS (LOSSES) FROM FINANCIAL INSTRUMENTS:

Net gains (losses) from financial instruments for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Financial assets		
Financial assets at FVTPL	₩ 8,499	₩ 6,000
AFS financial assets	(6,278)	(3,950)
Loans and other receivables (*)	36,150	23,545
Subtotal	38,371	25,595
Financial liabilities		
Financial liabilities at FVTPL	(10,022)	(6,405)
Derivative liabilities designated as a hedging instrument	(492)	(2,164)
Financial liabilities measured at amortized cost	(94,212)	(84,716)
Subtotal	(104,726)	(93,285)
Total	₩ (66,355)	₩ (67,690)

(*) This line item includes net gains or losses arising from cash and cash equivalents.

28. INCOME TAX:

(1) Composition of income tax expense for the year ended December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2015		Year ended December 31, 2014
Current income tax	₩	127,628	₩	148,779
Adjustment related to prior income tax expense		1,037		(3,544)
Changes in deferred tax assets:		2,162		(18,114)
Foreign currency translation effects		(131)		(22)
Beginning deferred tax assets due to temporary differences		(101,640)		(129,238)
Ending deferred tax assets due to temporary differences		(103,863)		(101,640)
Deferred tax directly reflected in equity		70		9,506
Others and consolidation adjustments		754		(57)
Income tax expense for continuing operations	₩	131,581	₩	127,064

(2) Changes in deferred tax assets (liabilities) for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015					
		Beginning balance		Reflected in income (loss) or in equity		Ending balance
Temporary differences						
Cash flow hedging	₩	910	₩	(193)	₩	717
Investments in subsidiaries, associates and joint ventures		(130,854)		-		(130,854)
Property, plant and equipment		19,898		1,873		21,771
Intangible assets		5,395		196		5,591
AFS financial assets		(3,271)		2,289		(982)
Provisions		35,772		8,647		44,419
Doubtful receivables		947		(155)		792
Other financial liabilities		1,430		441		1,871
Others		6,266		(4,282)		1,984
Tax deficit and tax credits						
Tax deficit		60,631		11,383		72,014
Others		7,068		6,407		13,475
Deferred tax assets (liabilities)		4,192		26,606		30,798
Consolidation adjustment		(105,832)		(28,829)		(134,661)
Consolidated balance	₩	(101,640)	₩	(2,223)	₩	(103,863)

Description	December 31, 2014					
		Beginning balance		Reflected in income (loss) or in equity		Ending balance
Temporary differences						
Cash flow hedging	₩	597	₩	313	₩	910
Investments in subsidiaries, associates and joint ventures		(130,854)		-		(130,854)
Property, plant and equipment		32,146		(12,248)		19,898
Intangible assets		4,554		841		5,395
AFS financial assets		(5,102)		1,831		(3,271)
Provisions		28,674		7,098		35,772

Description	December 31, 2014 Beginning balance	Reflected in income (loss) or in equity	Ending balance
Doubtful receivables	304	643	947
Other financial liabilities	1,592	(162)	1,430
Others	5,405	861	6,266
Tax deficit and tax credits			
Tax deficit	26,635	33,996	60,631
Others	4,827	2,241	7,068
Deferred tax assets (liabilities)	(31,222)	35,414	4,192
Consolidation adjustment	(98,016)	(7,816)	(105,832)
Consolidated balance	₩ (129,238)	₩ 27,598	₩ (101,640)

(3) Details of income tax that are directly reflected to the capital for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015	December 31, 2014
Valuation gain (loss) of derivatives for cash flow hedge	₩ (157)	₩ 492
Valuation gain (loss) of AFS financial assets	2,337	1,465
Remeasurement of defined benefit plans	(1,737)	3,953
Change of capital from equity method	(373)	3,596
Total	₩ 70	₩ 9,506

(4) As of December 31, 2014, deferred tax assets (liabilities) that are recognized for AFS are ₩178 million and none for December 31, 2015.

(5) As of December 31, 2015 and 2014, unrecognized deferred tax assets, excluding investment assets, are as follows (Unit: Korean won in millions): December 31, 2015

Description	December 31, 2015	December 31, 2014
Temporary differences	₩ 19,998	₩ 19,242
Tax deficit	46,202	34,483
Tax credits unused	24,294	37,353

(6) As of December 31, 2015 and 2014, the temporary differences related to investment assets and equity interest not recognized as deferred tax assets (liabilities) are as follows (Unit: Korean won in millions):

Description	December 31, 2015	December 31, 2014
Investments in subsidiaries	₩ (1,417,138)	₩ (1,354,942)
Investments in associates and joint ventures	1,219,712	1,211,290
Total	₩ (197,426)	₩ (143,652)

29. EARNINGS PER SHARE:

(1) Net income per share for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won):

Description	December 31, 2015	December 31, 2014
Basic earnings per share of common share		
Continuing operation	₩ 5,371	₩ 4,784
Discontinued operation	-	20
Total basic earnings per share of common share	5,371	4,804
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share(*)		
Continuing operation	5,421	4,834
Discontinued operation	-	20
Total basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	₩ 5,421	₩ 4,854

(*) Basic earnings per share is calculated for preferred share which K-IFRS 1033 *Earnings per share* clarify as common share such as having no priority rights for dividend of profit and distribution of residual property.

(2) Net income and weighted-average number of shares used to calculate earnings per share of common share for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Profit for the year attributable to owners of the Company	₩ 944,189	₩ 844,548
Less dividends for Pre-1996 Commercial Law Amendment preferred share	(3,473)	(3,473)
Less Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	(14,458)	(12,583)
Net income used to calculate basic earnings per share of common share	926,258	828,492
Less discontinued operations' profit used for discontinued operations' basic earnings per share of common share	-	(3,337)
Profit from continuing operations used for continuing operations' basic earnings per share of common share	926,258	825,155
Weighted-average number of common shares	172,463,342 shares	172,463,342 shares

(3) Net income and weighted-average number of shares used to calculate earnings per share of Pre-1996 Commercial Law Amendment preferred share for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Dividends for Pre-1996 Commercial Law Amendment preferred share and Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	₩ 17,931	₩ 16,056
Net income used to calculate basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	17,931	16,056
Less discontinued operations' profit used for discontinued operations' Pre-1996 Commercial Law Amendment preferred earnings per share of	-	(64)

preferred share		
Profit from continuing operations used for continuing operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share	17,931	15,992
Weighted-average number of Pre-1996 Commercial Law Amendment preferred shares	3,307,867 shares	3,307,867 shares

(4) As there are no potential common shares of the Group, diluted earnings per share of common shares and Pre-1996 Commercial Law Amendment preferred shares are equal to basic earnings per share.

30. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2015 and 2014, are as follows:

December 31, 2015		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
Associates:		
Korea Smart Card Co., Ltd.	Korea Smart Card CS Partners Co., Ltd.	T-money America, Inc. and others
	High End Co., Ltd	
Songdo U-Life LLC.	U Life Solutions	
	Songdo International Sports Club LLC.	
Recaudo Bogota S.A.S.		
Petro Cornergy Co., Ltd.		
Dongnam Solar Energy Co., Ltd.		
Combustion Synthesis Co., Ltd.		
Hellas SmarTicket Societe Anonyme		
Sejong Green Power Co., Ltd		
Ulleungdo Natural Energy Independent Island Co., Ltd		
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Innovation Investment	
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	New Growth Venture Fund	
	New Growth Venture Fund Ⅱ	
	Hientech Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG-Hitachi Water Solutions Co., Ltd.	
	LG innotek Co., Ltd.	
	Innowith	
	Hanuri	
	LG Innotek Alliance Fund	
LG Chem Ltd.	Haengboknuri	LG Chem America, Inc. and others
LG Hausys, Ltd.	LG Hausys ENG., Ltd.	LG Hausys America, Inc. and others
	LG Hausys Interpane	
LG Uplus Corp.	CS Leader	DACOM America Inc.
	Ain Teleservice	
	CS One Partner	
	MEDIA LOG Co., Ltd.	
	With U Co., Ltd.	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others

December 31, 2015		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
	Hankook Beverage Co., Ltd.	
	The FaceShop Co., Ltd.	
	HTB Co., Ltd.	
	Future Co., Ltd	
	CNP Cosmetics Co., Ltd.	
	K&I Co., Ltd	
	Zenisce Co., Ltd.	
	Balkeunnuri Co., Ltd.	
LG Life Science Co., Ltd.	Sarangnuri	LG Life Sciences India Pvt., Ltd. and others
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.		
Silicon Works Co., Ltd.		Silicon Works Inc.
LG Fuel Cell Systems Inc.	LG Fuel Cell Systems (Korea) Inc.	
Joint ventures:		
LG MMA Corp.		
Serveone Cenyar Services Co.		

(*) Joint ventures of associates are excluded.

December 31, 2014		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
Associates:		
Korea Smart Card Co., Ltd.	Korea Smart Card CS Partners Co., Ltd.	T-money America, Inc. and others
Songdo U-Life LLC.	U Life Solutions	
	Songdo International Sports Club LLC.	
Recaudo Bogota S.A.S.		
Petro Cornergy Co., Ltd.		
Dongnam Solar Energy Co., Ltd.		
Zephyr Logic, Inc.		
Combustion Synthesis Co., Ltd.		
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Innovation Investment	
	Hi Logistics	
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	New Growth Venture Fund	
	New Growth Venture Fund Ⅱ	
	Hientech Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG-Hitachi Water Solutions Co., Ltd.	
	LG innotek Co., Ltd.	
	Innowith	
	Hanuri	
	LG Innotek Alliance Fund	
LG Chem Ltd.	Haengboknuri Co., Ltd.	Tianjin LG DAGU Chemical Co., Ltd. and others
LG Hausys, Ltd.	LG Hausys ENG., Ltd.	LG Hausys America, Inc. and others
	LG Hausys Interpane	

December 31, 2014		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*)	Subsidiaries of entities with direct ownership (overseas)(*)
LG Uplus Corp.	CS Leader	DACOM America Inc.
	Ain Teleservice	
	CS One Partner	
	MEDIA LOG Co., Ltd.	
	With U Co., Ltd.	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	The FaceShop Co., Ltd.	
	HTB Co., Ltd.	
	Future Co., Ltd	
	CNP Cosmetics Co., Ltd.	
LG Life Science Co., Ltd.		LG Life Sciences India Pvt., Ltd. and others
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.		
Silicon Works Co., Ltd.		Silicon Works Inc.
LG Fuel Cell Systems Inc.	LG Fuel Cell Systems (Korea) Inc.	
Joint ventures:		
LG MMA Corp.		
Serveone Cenyar Services Co.		

(*) Joint ventures of associates are excluded.

(2) Transactions within the Group and subsidiaries are eliminated before consolidation, and the details of other transactions with related parties as of December 31, 2015 and 2014, are as follows:

1) Transactions with related parties for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015			
	Revenue and others	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.(*1)	₩ 31,398	₩ -	₩ -	₩ 849
LG Chem Ltd (*1)	1,000,337	33,228	-	2,425
LG Household & Health Care Ltd. (*1)	214,470	3,171	-	12,812
LG Electronics Inc. (*1)	2,120,413	40,892	3,376	124,076
LG Uplus Corp. (*1)	494,358	30	1,818	49,955
LG Life Science Co., Ltd. (*1)	36,125	129	6	1,240
LG Hitachi Co., Ltd.	1,987	270	-	2,593
GIIR Corporation (*1)	7,870	47	-	29,009
LG Hausys, Ltd. (*1)	112,959	601	19	11,509
Siliconworks Co., Ltd.(*1)	81,213	-	-	28,542
Gumi Ochang Sunlight Solar Co., Ltd.(*2)	-	-	-	-
Recaudo Bogota S.A.S.	5,979	-	-	-
Zephyr Logic, Inc.(*3)	-	-	-	-
Petro Conergy Co., Ltd.	8,747	-	-	-
Songdo U-Life LLC.(*1)	14,346	-	-	-
Dongnam Solar Energy Co., Ltd.	404	-	-	-

Description	Year ended December 31, 2015			
	Revenue and others	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase
Sejong Green Power Co., Ltd	24,440	-	-	-
Ulleungdo Natural Energy Independent Island Co., Ltd	1,958	-	-	-
LG Fuel Cell systems Inc.(*1)	1,458	-	-	-
Joint ventures:				
LG MMA Corp.	22,032	6	-	-
Total	₩ 4,180,494	₩ 78,374	₩ 5,219	₩ 263,010

Description	Year ended December 31, 2014			
	Revenue and others	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.(*1)	₩ 43,581	₩ -	₩ -	₩ 5,214
LG Chem Ltd (*1)	883,798	29,016	8	11,305
LG Household & Health Care Ltd. (*1)	103,208	1,351	-	8,241
LG Electronics Inc. (*1)	2,192,179	17,787	1,284	91,973
LG Uplus Corp. (*1)	444,303	1,184	379	54,906
LG Life Science Co., Ltd. (*1)	25,184	50	-	403
LG Hitachi Co., Ltd.	3,354	224	-	2,518
GIIR Corporation (*1)	6,273	98	208	24,708
LG Hausys, Ltd. (*1)	147,385	3,262	8	13,632
Siliconworks Co., Ltd.(*1)	5,370	-	57	43,586
Gumi Ochang Sunlight Solar Co., Ltd.(*2)	275	-	-	-
Recaudo Bogota S.A.S.	17,480	-	-	-
Zephyr Logic, Inc.(*3)	-	-	3,467	2,621
Petro Conergy Co., Ltd.	10,386	-	-	-
Songdo U-Life LLC.(*1)	12,453	-	-	-
Dongnam Solar Energy Co., Ltd.	10,973	-	-	-
LG Fuel Cell systems Inc.(*1)	45	-	-	-
Joint ventures:				
LG MMA Corp.	18,850	16	-	-
Total	₩ 3,925,097	₩ 52,988	₩ 5,411	₩ 259,107

(*1) It includes transactions with an associate's subsidiary.
(*2) It has changed from associate to subsidiary through the acquisition of shares during the prior period and merged with Serveone Co., Ltd. during the current period.
(*3) It was disposed during the current period

2) Outstanding receivables and payables from transactions with related parties as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	December 31, 2015			
	Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd. (*3)	₩ 1,931	₩ -	₩ 147	₩ -
LG Chem Ltd (*3)	183,166	-	54,068	-

Description	December 31, 2015 Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
LG Household & Health Care Ltd. (*3)	54,583	-	19,605	-
LG Electronics Inc. (*3)	559,403	-	138,585	-
LG Uplus Corp. (*3)	147,704	-	29,913	-
LG Life Science Co., Ltd. (*3)	13,870	-	5,295	-
LG Hitachi Co., Ltd.	1,276	-	1,434	-
GIIR Corporation (*3)	6,676	-	16,886	-
LG Hausys, Ltd. (*3)	21,213	-	10,073	-
Zhyper Logic, Inc. (*4)	-	-	-	-
Recaudo Bogota S.A.S.	25,106	-	-	-
Songdo U-Life LLC. (*3)	-	-	-	-
Petro Conergy Co., Ltd.	817	-	-	-
Ulleungdo Natural Energy Independent Island Co., Ltd	2,153	-	-	-
Dongnam Solar Energy Co., Ltd.	-	-	-	-
Siliconworks Co., Ltd. (*3)	18,776	-	-	-
LG Fuel Cell Systems Inc. (*3)	269	29,954	-	-
Joint ventures:				
LG MMA Corp.	4,019	-	483	-
Serveone Cenyar Services Co.	-	1,282	-	-
Total	₩ 1,040,962	₩ 31,236	₩ 276,489	₩ -

Description	December 31, 2014 Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd.(*3)	₩ 6,473	₩ -	₩ 1,634	₩ -
LG Chem Ltd (*3)	212,534	-	44,622	-
LG Household & Health Care Ltd. (*3)	19,497	-	19,113	-
LG Electronics Inc. (*3)	657,290	-	119,431	-
LG Uplus Corp. (*3)	166,223	-	32,134	-
LG Life Science Co., Ltd. (*3)	4,104	-	5,276	-
LG Hitachi Co., Ltd.	2,075	-	619	-
GIIR Corporation (*3)	6,032	-	24,994	-
LG Hausys, Ltd. (*3)	34,022	-	10,714	-
Zhyper Logic, Inc. (*4)	-	-	543	-
Recaudo Bogota S.A.S.	17,762	-	-	-
Songdo U-Life LLC. (*3)	478	-	-	-
Petro Conergy Co., Ltd.	1,066	-	-	-
Dongnam Solar Energy Co., Ltd.	11,858	-	-	-
Siliconworks Co., Ltd. (*3)	2,219	-	17,155	-
LG Fuel Cell Systems Inc. (*3)	42	7,420	-	-
Joint ventures:				
LG MMA Corp.	4,509	-	562	-
Serveone Cenyar Services Co.	-	849	-	-
Total	₩ 1,146,184	₩ 8,269	₩ 276,797	₩ -

(*1) Receivables from related parties are composed of trade receivables, other receivables and prepaid expenses arising from transactions with related parties.

(*2) Payables to related parties are composed of trade payables and other payables arising from transactions with

related parties.
(*3) It includes transactions with an associate's subsidiary.
(*4) It was disposed during the current period.

3) Fund transactions with the related parties for the year ended December 31, 2015 and 2014, are as follows: (Unit: Korean won in millions):

	Year ended December 31, 2015					
Description	Payment in cash (Reduction of capital)	Sale of interests	Loans: Loans	Loans: Payback	Borrowings: Borrowings	Borrowings: Repayments
Associates:						
Dongnam Solar Energy Co., Ltd.	₩ 481	₩ -	₩ -	₩ -	₩ -	₩ -
LG Fuel Cell Systems Inc.	-	-	21,140	-	-	-
Siliconworks Co., Ltd.	15,344	-	-	-	-	-
Combustion Synthesis Co., Ltd.	976	-	-	-	-	-
Joint venture:						
Serveone Cenyar Services Co.	-	-	433	-	-	-
Total	₩ 16,801	₩ -	₩ 21,573	₩ -	₩ -	₩ -

	Year ended December 31, 2014					
Description	Payment in cash (Reduction of capital)	Sale of interests	Loans: Loans	Loans: Payback	Borrowings: Borrowings	Borrowings: Repayments
Associates:						
LG Fuel Cell Systems Inc.	₩ 12,266	₩ -	₩ 7,420	₩ -	₩ -	₩ -
Dongnam Solar Energy Co., Ltd.	119	-	-	-	-	-
Korea Smart Card Co., Ltd.	(4,766)	-	-	-	-	-
Joint venture:						
Serveone Cenyar Services Co.	-	-	849	-	-	-
Total	₩ 7,619	₩ -	₩ 8,269	₩ -	₩ -	₩ -

(3) The compensation and benefits for the Group's key managements (registered executives, including non-permanent and non-registered executives) who have significant control and responsibility on planning, operating and controlling the activities of the Group for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2015	Year ended December 31, 2014
Short-term employee benefits	₩ 58,856	₩ 49,441
Severance benefits	10,156	11,106
Other long-term employee benefits	94	7
Total	₩ 69,106	₩ 60,554

(4) The Group has guaranteed the loss to Korea Finance Corporation and Korea Exchange Bank in relation to steam supply business running by Petro Conergy Co., Ltd., an associate of the Group, when Petro Conergy Co., Ltd. cannot repay the loan and interests due to the performance problem of steam production equipment. As of December 31, 2015, the amount of the borrowing in relation to this contract is ₩20,731 million, and the Group expects the possibility that compensation would not happen to be higher than the one that it would happen.

31. FUNDING ARRANGEMENTS AND PLEDGING:

(1) As of December 31, 2015, commitments related to the Group's funding are as follows (Unit: Korean won in millions):

Category	Limit		Used	
Comprehensive import and export	₩	274,084	₩	28,381
Import		217,110		59,869
Export		47,466		26,522
Commercial paper		100,000		50,000
Overdraft		61,000		8,105
Credit line		301,000		82,695
Corporate facility fund borrowings		207,826		207,826
Working capital borrowings		515,727		264,427
Forwards		58,014		6,974
Receivable-backed borrowings		355,500		140,193
Other borrowing agreements		82,000		10,236
Others(*)		263,000		102,667

(*) Includes asset securitization liabilities of ₩100,000 million. The Group is offering trade receivables occurring during the period of July 1, 2015, to June 30, 2019, as security for the liability.

(2) Restricted financial assets as of December 31, 2015, are as follows (Unit: Korean won in millions):

Account	December 31, 2015		Remark
Cash and cash equivalents	₩	6,040	Deposits for issuing notes and pledges against borrowings
Financial institution deposits		25,123	Win-Win Cooperation Fund and L/C agreements
Long-term deposits		336	Deposits for overdraft accounts

(3) Details of pledging as of December 31, 2015, are as follows:

Provider	Recipient	Details
LG Corp.	Woori Bank and one other	Collateral for rent deposit (blank bill, two notes).
Serveone Co., Ltd.	LG Electronics Inc. and eight others	21 mortgage notes (face value: ₩77,300 million) pledged to guarantee performance and warranty.
	The Korea Development Bank and 21 others	Stock collateral security pledged ₩4,100 million with respect to BTL (Build Transfer Lease) projects
	NH Bank	₩900 million of associate stock provided as pledged to PF(Project Financing)
LG CNS Co., Ltd.	Korea Software Financial Cooperative	₩1,300 million of capital stock investment provided a combination as mortgage.
	Plant and Mechanical Contractors' Financial Cooperative of Korea	₩68 million of investment securities provided a combination as pledged.
	Engineering Financial Cooperative	₩779 million of capital stock investment provided a combination as mortgage.
	LG Electronics Inc.	2 mortgage notes (face value: ₩2,220 million) pledged to guarantee performance.

LG N Sys Inc.	Korea Software Financial Cooperative	₩40 million of capital stock investment provided as collateral.
Oneseen skytech	Shinhan Bank	Provide land and buildings as collateral (the book value: ₩1,019 million, the amount limit: ₩2,000 million)
Korea Elecom Co., Ltd.	Shinhan Bank	Provide land and buildings as collateral (the book value: ₩2,955 million, the amount limit: ₩4,500 million)
	SSangyong Information & Communications Corp.	Receivables of patent rights are provided as collateral (Amount: ₩6,500 million)
LG Siltron Inc.	The Korea Development Bank	Provide land and buildings as collateral (the book value: ₩380,700 million, the amount limit: ₩236,900 million)
	The Export-Import Bank of Korea	Provide machinery etc. as collateral (the book value: ₩31,000 million, the amount limit: ₩26,000 million)
LG sports Co., Ltd.	Kookmin Bank	Provide land as collateral (the book value: ₩106,888 million, the amount limit: ₩48,000 million)

(4) Performance guarantee

The Group provides the following performance guarantees and warranties to customers through third-party guarantee insurance agreements as of December 31, 2015 (Unit: Korean won in millions):

Description	Provider	Amounts of guarantees		Insurance company
Guarantee of contract and warranties, etc.	LG CNS Co., Ltd.	₩	446,902	Korea Software Financial Cooperative
			52,138	Engineering Financial Cooperative
			2,321	The Export-Import Bank of Korea
			87,468	Korea Exchange Bank and others
	Serveone Co., Ltd.		136,365	Seoul Guarantee Insurance
Total		₩	725,194	

(5) Preferred Grantee of debt that the Group is offering as of December 31, 2015, is as follows (Unit: Korean won in millions):

Debtor	Amount of grantee		Grantee period
SIL 1st Ltd.	₩	120,000	June 30, 2015–June 30, 2019

(*1) The Group is offering joint and several guaranty with the debtor to the financial institution, the creditor, on asset securitization liabilities explained above Note 31 (1).

32. OPERATING LEASE CONTRACTS:

(1) The Group as lessee

1) The Group entered into operating lease contracts for buildings, vehicles and office equipment. Payment schedule related to the major operating lease contracts as of December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

	December 31, 2015							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 32 others	₩	41,834	₩	36,396	₩	1,404	₩	79,634

	December 31, 2014							
Company	Less than 1 year		1–5 years		More than 5 years		Total	
LG Corp. and 32 others	₩	37,931	₩	60,096	₩	1,428	₩	99,455

2) The Group recognized rental expense related to operating lease contracts for the year ended December 31, 2015 and 2014, for the amounts of ₩109,776 million and ₩100,701 million, respectively.

3) LG CNS Co., Ltd and LG Siltron Inc., subsidiaries of the Group, entered into relending lease contracts for office. The collection plan for relending lease contracts as of December 31. 2015, is as follows (Unit: Korean won in millions):

	December 31, 2015			
Company	Lessor	Description	less than 1 years	Total
LG CNS Co., Ltd	Tara Graphics Co., Ltd.	Real estate rental	₩ 51	₩ 51
LG Siltron Inc.	Hana Financial Investment Co., Ltd.	Real estate rental	272	272
Total			₩ 323	₩ 323

(2) The Group as lessor

1) LG N-Sys Inc. has a telecommunications equipment lease contract with LG Uplus Corp. Other entities within the Group also have certain real estate operating lease contracts.

2) The operating lease contracts as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	December 31, 2015			
Company	Less than 1 year	1–5 years	More than 5 years	Total
LG Corp. and 7 others	₩ 32,831	₩ 31,412	₩ 61,202	₩ 125,445

	December 31, 2014			
Company	Less than 1 year	1–5 years	More than 5 years	Total
LG Corp. and 7 others	₩ 32,516	₩ 30,805	₩ 68,329	₩ 131,650

3) The Group recognized rental profit related to operating lease contracts for the year ended December 31, 2015 and 2014, in the amounts of ₩98,625 million and ₩92,205 million, respectively.

33. PENDING LITIGATIONS:

Pending litigations as of December 31, 2015, are claims for return of unjust enrichment (Defendant: Ministry of National Defense, the amount of lawsuit: ₩1,472 million) and 14 others and the total amount of lawsuits is ₩22,500 million and the cases that the Group is sued are the claim for the excess usage of SW license (Plaintiff: Info (US), Inc., the amount of lawsuit: ₩4,000 million) and 21 others and the total amount of lawsuits is ₩81,727 million. Meanwhile, the results of lawsuits and the effects on the consolidated financial statements cannot be reasonably predicted at the end of the reporting date.

34. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital risk management to maintain the ability to continuously provide profits to shareholders and interested parties and to maintain optimum capital structure to reduce capital expenses. In order to maintain such optimum structure, the Group may adjust dividend payments, redeem paid-up capital to shareholders, issue stocks to reduce liability or sell assets.

The Group's capital structure consists of net liability, which is borrowings, less cash and cash equivalents and equity; the overall capital risk management policy of the Group is unchanged from the prior period. In addition, items managed as capital by the Group as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	December 31, 2015	December 31, 2014
Total borrowings	₩ 1,916,515	₩ 1,877,418
Less: Cash and cash equivalents	(870,393)	(497,211)
Borrowings, net	1,046,122	1,380,207
Total equity	₩ 13,308,244	₩ 12,585,835
Debt-to-equity ratio	7.86%	10.97%

(2) Financial risk management

The Group is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify potential risks of financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. The Group makes use of derivative financial instruments to hedge certain risks, such as foreign exchange and interest rate risks. Overall financial risk management policy of the Group is the same as the one of the prior period.

1) Foreign currency risk

The Group is exposed to foreign currency risk since it makes transactions in foreign currencies. The book value of Group's monetary assets and liabilities denominated in foreign currency that is not the functional currency as of December 31, 2015, is as follows (Unit: Korean won in millions):

Currency	Assets	Liabilities
USD	₩ 334,482	₩ 180,035
EUR	13,922	4,322
JPY	30,540	30,351
CNY	128	897
Others	31,708	14,135
Total	₩ 410,780	₩ 229,740

The Group internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Group’s sensitivity analysis to a 10% increase and decrease in the Korean won (functional currency of the Group) against major foreign currencies as of December 31, 2015, is as follows (Unit: Korean won in millions):

Currency	10% increase against foreign currency	10% decrease against foreign currency
USD	₩ 11,680	₩ (11,680)
EUR	730	(730)
JPY	14	(14)
CNY	(58)	58
Others	1,332	(1,332)
Total	₩ 13,698	₩ (13,698)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2015.

As of December 31, 2015, the Group entered into cross-currency forward contracts and currency swap contracts to manage its foreign currency exchange rate risk related to its expected sale and purchase. The evaluation of unsettled currency forward contracts and currency swap contracts as of and for the year ended December 31, 2015, is as follows (Unit: Korean won in millions):

Description	Notional amount	Valuation gain and loss		Accumulated other comprehensive income	Fair value	
		Gain	Loss		Assets	Liabilities
Currency forward	₩ 138,514	₩ 1,138	₩ 1,254	₩ -	₩ 1,138	₩ 1,225

2) Interest rate risk

The Group borrows on a floating rate and is exposed to cash flow risk arising from interest rate changes. Also, because of AFS debt securities that are measured at fair value, the Group is exposed to fair value interest rate risk.

The book value of assets and liabilities exposed to interest rate risk as of December 31, 2015, is as follows (Unit: Korean won in millions):

Description	December 31, 2015	
AFS financial assets (debt securities)	₩	1
Assets subtotal		1
Borrowings		219,716
Derivatives related to interest rate		2,112
Liabilities subtotal	₩	221,828

The Group internally assesses the cash flow risk from changes in interest rates on a regular basis.

Effect of changes in interest rates of 1% to net income as of December 31, 2015, is as follows (Unit: Korean won in millions):

	1% increase				1% decrease			
Description	Gain (loss)		Net assets		Gain (loss)		Net assets	
Borrowings	₩	(1,666)	₩	-	₩	1,666	₩	-
Derivatives related to interest rate		1,364		1,475		(1,364)		(1,475)
Total	₩	(302)	₩	1,475	₩	302	₩	(1,475)

In order to manage its interest rate risks, the Group enters into interest rate swaps and/or currency swap contracts. The value of unsettled interest swap contract as of and for the year ended December 31, 2015, is as follows (Unit: Korean won in millions):

Description	Notional amount	Valuation gain and loss: Gain	Valuation gain and loss: Loss	Accumulated other comprehensive income	Fair value: Assets	Fair value: Liabilities
Interest rate swap	₩ 130,000	₩ -	₩ -	₩ (2,959)	₩ -	₩ 2,112

3) Price risk

The Group is exposed to price risks from AFS equity instruments. As of December 31, 2015, the fair value of AFS equity instruments is ₩33,460 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect after tax to equity will be ₩2,536 million.

4) Credit risk

Credit risk refers to risk of financial losses to the Group when the counterpart defaults on the obligations of the contract. Credit risk arises from AFS financial assets (bond), financial institutions and limit of payment guarantee, as well as credit risks of customers, including loans and receivables. As for banks and financial institutions, the Group makes transactions with reputable financial institutions and, therefore, the credit risk from it is limited. For ordinary transactions, customers' financial status, credit history and other factors are considered to evaluate their credit status. The Group does not have policies to manage credit limits of each customer. The maximum exposure to credit risk of loans and receivables and AFS financial assets is similar to that of the carrying amount of those accounts. The maximum exposure amount to credit risk of the other contract mentioned in Note 30(4) is ₩20,731 million.

Meanwhile, maximum exposure amount of credit risk of the consolidated entity for the loss of non-consolidation structured entity that is explained in Note 38 is ₩67,536 million.

5) Liquidity risk

The Group establishes short-term and long-term fund management plans. The Group analyzes and reviews actual cash outflow and its budget to correspond to the maturity of financial liabilities to that of financial assets. Management of the Group believes that financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to its remaining maturity as of December 31, 2015, is as follows (Unit: Korean won in millions):

Description	Within a year	1–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 1,889,507	₩ 272,656	₩ 9,322	₩ 2,171,485
Floating rate financial instrument	57,903	170,171	-	228,074
Fixed-rate financial instrument	485,040	1,264,312	57,471	1,806,823
Other contract (*)	3,710	14,839	7,420	25,969
Total	₩ 2,436,160	₩ 1,721,978	₩ 74,213	₩ 4,232,351

(*) The limit of the other contract mentioned in Note 30(4) is ₩23,000 million. And the Group expects the possibility that compensation would not happen to be higher than the one that it would happen. But, this expectation may change if the probability that warrantee charges the guarantee changes, in case of occurrence of credit loss in financial receivables held by warrantee.

Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made. Maturity analysis of derivative financial liabilities according to its remaining maturity as of December 31, 2015, is as follows (Unit: Korean won in millions):

Description	Flow	Within a year	1–5 years	Total
Derivatives for trading:				
Foreign currency derivatives	Outflow	₩ (134,810)	₩ -	₩ (134,810)
	Inflow	134,722	-	134,722
Subtotal		88	-	88
Derivatives designated and hedging instruments:				
Interest rate derivatives	Outflow	(1,618)	(527)	(2,145)
Subtotal		(1,618)	(527)	(2,145)
Total		₩ (1,706)	₩ (527)	₩ (2,233)

(3) Estimation of fair value

The fair values of financial instruments (i.e., financial assets held for trading and AFS financial assets) traded on active markets are determined with reference to quoted market prices. The Group uses the current bid price as the quoted market price for its financial assets.

The fair values of financial instruments not traded on an active market (i.e., over-the-counter derivatives) are determined using a valuation technique. The Group uses various valuation techniques using assumptions based on current market conditions. The fair values of long-term liabilities and financial liabilities available for settlement are determined using prices from observable current market transactions and dealer quotes for similar instruments.

Where such prices are not available, a discounted cash flow analysis or other valuation technique is performed to measure their fair values.

The fair values of trade receivables and trade payables are approximated at their carrying value, less impairment loss. The Group estimates the fair values of financial liabilities as the present value of future contractual cash flows discounted based on current market rates applied to similar financial instruments.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable, as described below:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1) Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	December 31, 2015			
Description	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative assets for trading	₩ -	₩ 1,138	₩ -	₩ 1,138
AFS financial assets	33,460	1	52,561	86,022
Total	33,460	1,1389	52,561	87,160
Financial liabilities:				
Derivative liabilities for trading	-	1,225	-	1,225
Derivative liabilities designated as a hedging instrument	-	2,112	-	2,112
Total	₩ -	₩ 3,337	₩ -	₩ 3,337

	December 31, 2014			
Description	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative assets for trading	₩ -	₩ 1,409	₩ 93	₩ 1,502
AFS financial assets	43,223	22	52,389	95,634
Total	43,223	1,431	52,482	97,136
Financial liabilities:				
Derivative liabilities for trading	-	81	-	81
Derivative liabilities designated as a hedging instrument	-	5,281	-	5,281
Total	₩ -	₩ 5,362	₩ -	₩ 5,362

There is no significant transfer between Level 1 and Level 2 during the current period and the prior period.

2) Valuation method and input variables that are classified as Level 2 from the financial instruments that are subsequently measured as fair values are as follows (Unit: Korean won in millions):

	Fair values as of December 31, 2015		Valuation technique	Input variables
Financial assets				
Derivative instrument assets held for sale	₩	1,138	Decision model for future prices	Discount rate and exchange rate
AFS financial assets		1	Discounted cash flow method	Discount rate
Financial liabilities				
Liabilities of derivative instruments for the purpose of sale		1,225	Decision model for future prices	Discount rate and exchange rate
Liabilities of derivative instruments designated as hedging instruments	₩	2,112	Discounted cash flow method	Discount rate

3) The fair value hierarchy of financial instruments with fair value that cannot be reliably measured at fair value in the statement of financial position as of December 31, 2015 and 2014, is as follows
(Unit: Korean won in millions):

Description	December 31, 2015				
	Fair value				Book value
	Level 1	Level 2	Level 3	Total	
Loans and receivables					
Financial institution deposits	₩ -	₩ -	₩ 375,748	₩ 375,748	₩ 375,748
Trade receivables (*)	-	-	2,208,375	2,208,375	2,208,375
Loans (*)	-	-	36,967	36,967	36,967
Other account receivables (*)	-	-	21,662	21,662	21,662
Accrued income (*)	-	-	2,784	2,784	2,784
Deposits (*)	-	-	23,197	23,197	23,197
Total	₩ -	₩ -	₩ 2,668,733	₩ 2,668,733	₩ 2,668,733
Financial liabilities measured at amortized cost					
Trade payables (*)	₩ -	₩ -	₩ 1,353,031	₩ 1,353,031	₩ 1,353,031
Borrowings	-	-	869,218	869,218	869,218
Other accounts payables (*)	-	-	182,693	182,693	182,693
Accrued expenses (*)	-	-	106,549	106,549	106,549
Accrued dividends (*)	-	-	313	313	313
Deposits received	-	505,316	-	505,316	491,476
Debentures	-	1,054,642	-	1,054,642	1,047,297
Total	₩ -	₩ 1,559,958	₩ 2,511,804	₩ 4,071,762	₩ 4,050,577

Description	December 31, 2014				
	Fair value				Book value
	Level 1	Level 2	Level 3	Total	
Loans and receivables					
Financial institution deposits	₩ -	₩ -	₩ 335,558	₩ 335,558	₩ 335,558
Trade receivables (*)			2,270,630	2,270,630	2,270,630

Loans (*)	-	-	15,779	15,779	15,779
Other account receivables (*)	-	-	54,051	54,051	54,051
Accrued income (*)	-	-	3,918	3,918	3,918
Deposits (*)	-	-	23,159	23,159	23,159
Total	₩ -	₩ -	₩ 2,703,095	₩ 2,703,095	₩ 2,703,095
Financial liabilities measured at amortized cost					
Trade payables (*)	₩ -	₩ -	₩ 1,371,962	₩ 1,371,962	₩ 1,371,962
Borrowings	-	-	958,971	958,971	958,971
Other accounts payables (*)	-	-	232,792	232,792	232,792
Accrued expenses (*)	-	-	118,912	118,912	118,912
Accrued dividends (*)	-	-	319	319	319
Deposits received	-	490,134	-	490,134	472,886
Debentures	-	934,656	-	934,656	918,447
Total	₩ -	₩ 1,424,790	₩ 2,682,956	₩ 4,107,746	₩ 4,074,289

(*) Short-term receivables and short-term payment obligations denominated in Level 3 are measured at original amount since the discount effect is not significant.

4) Changes in Level 3 financial assets for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2015						
Description	Beginning balance	Net income (loss)	Comprehensive income (loss)	Purchases	Disposals	Ending balance	Unrealized holding gain or loss
Derivative assets for trading	₩ 93	₩ -	₩ -	₩ -	₩ (93)	₩ -	₩ -
AFS financial assets	52,389	-	100	72	-	52,561	11,948
Total	₩ 52,482	₩ -	₩ 100	₩ 72	₩ (93)	₩ 52,561	₩ 11,948

	Year ended December 31, 2014						
Description	Beginning balance	Net income (loss)	Comprehensive income (loss)	Purchases	Disposals	Ending balance	Unrealized holding gain or loss
Derivative assets for trading	₩ 113	₩ (20)	₩ -	₩ -	₩ -	₩ 93	₩ -
AFS financial assets	54,637	-	(1,411)	-	(837)	52,389	11,678
Total	₩ 54,750	₩ (20)	₩ (1,411)	₩ -	₩ (837)	₩ 52,482	₩ 11,678

None was recognized as income (loss) from related assets and liabilities held as of December 31, 2015. The amount related to assets and liabilities that are held as of December 31, 2014, from the recognized income (loss) is ₩20 million. Income (loss) from the change in fair values of related assets and liabilities are included in other operating income and other operating expenses (see Note 25).

Total income (loss) that are recognized as other comprehensive income (loss) are related to non-listed shares that are held as of December 31, 2015, and they are recognized as the change in valuation gain (loss) of AFS financial assets (see Note 21).

5) A description of the valuation techniques and the inputs used in the fair value measurement of financial instruments classified as Level 2 and Level 3 is as follows:

- Currency forward and interest rate swap
In principle, the fair value of currency forward was measured based on forward currency rates whose period is coincident with the residual period of the currency forward, and that are advertised on the market at the end of the reporting period. If forward currency rates whose periods are coincident with the residual period are not advertised on the market, the fair value of currency forward was measured by estimating the forward currency rates whose period is similar to the residual period of the currency forward. The estimation of the forward currency was performed using interpolation to advertised periodical forward currency rates. Discount rates used to measure the fair value of currency forward were determined based on yield curve from yields advertised on the market.
Discount rates and forward rates used to measure the fair value of interest rate swaps were determined based on the applicable yield curves derived from interest rates that are advertised on the market at the end of the reporting period. The fair value of interest rate swaps measured on the amount of money that discounted at an appropriate discount rate to future cash flows of interest rate swaps was estimated based on the forward rate that is obtained by the method described above.

Since the input variables that are used to measure the fair value of currency forward and interest rate swaps for the end of the reporting period are derived via the forward exchange rate and the yield curve in the market, the fair values of currency forward and interest rate swap were classified as Level 2 value measurement.

- Consideration for conversion rights
The fair value of consideration for conversion rights was measured based on option-pricing model. Stock volatility, which is used to measure the fair value of consideration for conversion rights and is significant input variable, was estimated based on stock price changes in the past. Stock volatility estimated by past materials, corresponds with non-observable input variables in the market (Level 3 input variables), because it is not reflected in the expectation of market participants to the change in stock price in the future. The Group classified the fair values of consideration for conversion rights as Level 3 value measurement since the influence on option prices by stock volatility is significant.

- Corporate bonds
The fair value of corporate bonds was measured by discount cash flow (DCF). The discount rates used in DCF was determined based on advertised in market swap rates and credit spreads of the bonds whose credit rating and period were similar to those of corporate bonds and cumulative redeemable preference stocks. The discount rates that influence on the fair value of corporate bonds and cumulative redeemable preference stocks significantly were classified as Level 2 value measurement because they resulted in observable information in the market.

- Unlisted securities and unlisted securities-linked convertible securities
The fair value of non-listed shares and unlisted securities linked convertible securities, measured using a discounted cash flow model that is not based on observable market prices or rates, will be used to estimate the future cash flows, such as sales growth, pretax operating profit margin and the weighted-average cost of capital. Capital asset pricing model (CAPM) was used to calculate the weighted-average cost of capital. The key assumptions of estimation listed above are determined to have a significant impact on the fair value of non-listed shares, and the Group has classified the fair value hierarchy system on Level 3 of the fair value measurement of non-listed shares.

6) There is no change in the valuation technique used in the fair value measurement of financial instruments classified as Level 2 and Level 3.

7) The table below explains the quantitative information of fair value measurement (Level 3) that uses the input variables that are significant, but unobservable and the relationship between unobservable input variables and the fair value measurements.

Description	Fair values as of December 31, 2015		Valuation technique	Unobservable inputs	Range	Disposals
AFS financial assets	₩	48,191	Discounted cash flow method	Growth rate	0%	Increase (decrease) in fair values due to increase (decrease) in growth rate

Discount rate	7.83%–9.89%	decrease (increase) in fair values due to increase (decrease) in discount rate

8) A description of the valuation processes in the fair value measurement for Level 2 and Level 3 that the Group is carrying out is as follows:

The Group measures fair value of assets and liabilities for financial reporting purposes and reports the result of fair value measurements to chief finance officer directly.

Undesirable inputs that are used to estimate Level 3 fair value measurement are derived in a manner that is described below:

- Stock volatilities and stock correlation used in measurement of the financial instruments linked with stocks (e.g., investments in convertible bonds, equity-linked securities and consideration for conversion rights) was measured based on change in stock price during certain period before the reporting period

- Pretax profit margin and sales growth rate, which are used to measure the fair value of non-listed shares, are estimated based on the average value of pretax operating margin and sales growth rate of comparable listed companies.

- Weighted-average cost of capital discount rate that is used to measure the fair value of non-listed shares is estimated by the weighted-average, after tax, outside capital cost; capital cost estimates of the share value data reflected for the purpose of the issuer of the shares; and capital structure based on the equity data of comparable public companies that has been derived based on the CAPM.

9) Impact on net income and other comprehensive income (loss) due to the change in reasonably available and unobservable input variables under the conditions that other input variables are constant is as follows (Unit: Korean won in millions):

			Net income		Other comprehensive income	
Description	Unobservable input(s)	Changes of reasonably possible unobservable input	Favorable change	Unfavorable change	Favorable change	Unfavorable change
AFS financial assets	Growth rate	+/-1%	-	-	₩ 3,329	₩ (2,611)
	Discount rate	+/-1%	-	-	₩ 4,549	₩ (3,562)

10) The Company has judged that unobservable changes in inputs to reflect alternative assumptions would not change the fair value measurement significantly.

11) There is no significant change of business and economic environment affecting the fair value of the financial assets and liabilities during the current year.

35. MERGER (BUSINESS COMBINATION):

(1) Business combination that occurred for the year ended December 31, 2015 and 2014, is as follows (Unit: Korean won in millions):

Description	Operating activities	Acquisition date (*1)	Acquisition ownership (%)	Consideration transferred (million)
Year ended December 31, 2015				
LG Uplus Corp. AMI business unit	Smart Grid Business	2015.01.27	-	₩ 1,500
Year ended December 31, 2014				
Gumi Ochang Sunlight Solar Co., Ltd.	Sunlight Solar Development	2014.11.27	100%	₩ 4,723

(*1) Regarded acquisition date of Gumi Ochang Sunlight Solar Co., Ltd. is December 31, 2014, respectively.

(2) Contributed revenue by merger

There is no contributed revenue from Gumi Ochang Sunlight Solar Co., Ltd. as of December 31, 2014. If Gumi Ochang Sunlight Solar Co., Ltd. had been included in the scope of consolidation starting from January 1, 2014, ₩502 million of net income would have been included in the consolidated statement of comprehensive income for the year ended December 31, 2014.

(3) Identifiable assets, liabilities and goodwill as of December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	December 31, 2015	December 31, 2014
Description	AMI business unit	Gumi Ochang Sunlight Solar Co., Ltd.
Identifiable assets at their fair values	₩ 980	₩ 19,522
Cash and cash equivalents	-	-
Financial institution deposits	-	2,842
Trade receivables and other receivables	-	165
Inventories	-	-
Property, plant and equipment	939	16,426
Intangible assets	23	89
Other assets	18	-
Identifiable liabilities at their fair values	-	14,799
Trade payables and other payables	-	79
Borrowings	-	14,635
Other liabilities	-	85
Total identifiable net book value at fair values	980	4,723
Non-controlling interests (equity)	-	-
Acquired controlling interests (equity)	980	4,723
Acquisition cost	1,500	4,723
Goodwill	₩ 520	₩ -

(4) Fair values for the compensation of transfer of business combinations that are incurred for the year ended December 31, 2015 and 2014, are as follows (Unit: Korean won in millions):

	December 31, 2015	December 31, 2014
Description	AMI business unit	Gumi Ochang Sunlight Solar Co., Ltd.
Cash	₩ 1,500	₩ 3,353

Fair values of equity instruments that the acquiree holds	-	1,370
Goodwill	₩ 1,500	₩ 4,723

36. DISCONTINUED OPERATIONS:

During 2013, LG Siltron Inc. determined to discontinue the Solar operating segment and Sapphire operating segment. Also HNIP declared its plan to dispose insurance benefit billing service operating segment in the Board of Directors' meeting held on December 29, 2011. In accordance, HNIP entered bankruptcy procedure on December 14, 2012, and finished its registration of bankruptcy on September 9, 2013.

Performances from discontinued operations (Solar operating segment of LG Siltron Inc., Sapphire operating segment of LG Siltron Inc. and HNIP) that are included in the consolidated statement of comprehensive income are as follows (there are no performances from discontinued operations included in the current year):

1) Profit from discontinued operations for the year ended December 31, 2014, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2014		
Description	LG Siltron Inc.	HNIP	Total
Sales	₩ -	₩ -	₩ -
Cost of sales	-	-	-
Selling and administrative expenses	-	(1,586)	(1,586)
Operating income	-	1,586	1,586
Financial income	-	20	20
Financial expenses	-	-	-
Other operating income	2,159	-	2,159
Other operating expenses	-	-	-
Profit before income tax expense	2,159	1,606	3,765
Income tax expense	-	-	-
Subtotal	2,159	1,606	3,765
Loss on valuation of property, plant and equipment/intangible assets – net of fair value	1,833	-	1,833
Subtotal	1,833	-	1,833
Profit from discontinued operations	3,992	1,606	5,598
Owners of the parent	2,036	1,365	3,401
Non-controlling interests	₩ 1,956	₩ 241	₩ 2,197

2) Cash flows arising from discontinued operations for the year ended December 31, 2014, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2014		
Description	LG Siltron Inc.	HNIP	Total
Cash flows from operating activities	₩ -	₩ 1,606	₩ 1,606
Cash flows from investing activities	9,840	-	9,840
Cash flows from financing activities	-	-	-
Net cash flows	₩ 9,840	₩ 1,606	₩ 11,446

37. ASSETS HELD FOR SALE:

As of December 31, 2014, assets (liabilities) held for sale are as follows (Unit: Korean won in millions):

Description	December 31, 2014	
Machinery of Lusem (*1)	₩	329
Asset of LG CNS Tianjin Inc. (*2)		1,190
Total assets that are classified as held for sale		1,519
Liabilities of LG CNS Tianjin Inc. (*2)		1,615
Total liabilities that are classified as held for sale		1,615
Net assets that are classified as held for sale	₩	(96)

(*1) Lusem Co., Ltd. disposed machinery classified as assets held for sale during the current year.
(*2) LG CNS Tianjin Inc. was disposed during the current year. Major assets and liabilities of LG CNS Tianjin Inc. are as follows (Unit: Korean won in millions):

Description	December 31, 2014	
Cash and cash equivalents	₩	318
Loans and receivables		5
Other current assets		2
Inventories		857
Property, plant and equipment		8
Total assets related to the LG CNS Tianjin Inc. classified as held for sale		1,190
Trade payables and other payables		1,523
Other current liabilities		92
Total liabilities related to the LG CNS Tianjin Inc. classified as held for sale		1,615
Total	₩	(425)

38. UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2015, information about the nature and risks associated with interests in unconsolidated structured entities held by the Group is as follows (Unit: Korean won in millions):

Description	Names of structured entities	Accounting title of interests on structured entities and providing financial supports	Book value of assets related to structured entities interest		Maximum exposure to the loss of structured entities	
Interests accounted in accordance with K-IFRS 1039 (except interests on subsidiaries)	Welcome Edu Service Co., Ltd. (Dormitory of Seoul National University)	AFS financial assets	₩	294	₩	-
		Loan commitments		-		7,266
	Mileseum I (Ulsan National Institute of Science and Technology)	AFS financial assets		822		-
		Loan commitments		-		21,819
	Mileseum II (Ulsan National Institute of Science and Technology)	AFS financial assets		112		-
		Loan commitments		-		640

Mileseum III (Ulsan National Institute of Science and Technology)	AFS financial assets	80	-
	Loan commitments	-	1,631
Mileseum IV (Ulsan National Institute of Science and Technology)	AFS financial assets	1,045	-
	Loan commitments	-	-
Heemangseum (Daegu Gyeongbuk Institute of Science and Technology)	AFS financial assets	1,787	-
	Loan commitments	-	36,180
Total	AFS financial assets	4,140	-
	Loan commitments	₩ -	₩ 67,536

39. DISPOSAL OF SUBSIDIARIES:

The Group disposed LG CNS Tianjin Inc. as of December 31, 2015.

(1) Fair values for the compensation of disposal are as follows (Unit: Korean won in millions):

Description	December 31, 2015
Compensation received for cash and cash equivalents	₩ -

(2) The carrying value of assets and liabilities of the subsidiary at the date of losing the controlling power are as follows (Unit: Korean won in millions):

Description	December 31, 2015
Current assets	₩ 1,135
Cash and cash equivalents	136
Loans and receivables	7
Inventories	865
Other current assets	127
Non-current assets	7
Property, plant and equipment	7
Current liabilities	1,546
Trade payables and other payables	1,546
Other current liabilities	-
Total carrying value of net assets that are disposed	₩ (404)

(3) Gain on disposal of subsidiaries is as follows (Unit: Korean won in millions):

Description	December 31, 2015
Fair value for the compensation of disposal	₩ -
Carrying value of net assets that are disposed	(404)
Accumulated translation difference between net assets of subsidiaries that are reclassified in the capital when losing the controlling power and hedging instruments for the related risk	1

Percentage of shares after losing control		51.00%
Gain on disposal	₩	206

(4) Net cash flow due to the disposal of subsidiaries is as follows (Unit: Korean won in millions):

Description		December 31, 2015
Compensation received for cash and cash equivalents	₩	-
Deduction: Disposal amount of cash and cash equivalents		136
Net cash flow	₩	(136)

40. EVENTS AFTER THE REPORTING PERIOD:

(1) LG Siltron Inc., a subsidiary of the Group, borrowed ₩300,000 million collateral loan as of January 4, 2016.

(2) LG CNS Co., Ltd., a subsidiary of the Group, passed a resolution to merge with Oneseen Skytech at the Board of Directors' meeting on February 22, 2016, for the efficiency of business and to maximize synergy effect. LG CNS Co., Ltd., the largest stockholder of Oneseen Skytech, possesses 91.3% of the shares and will be merged at a merger ratio of 1:0.0196889. The merger date is May 1, 2016.

(3) LG CNS GB Ltd., a subsidiary of the Group, was liquidated on February 2, 2016. LG CNS Shenyang Inc., also a subsidiary of the Group, passed a resolution to liquidate its business at the Board of Directors' meeting on February 15, 2016.

Disclosure on Execution of External Audit

We attach required disclosure on the execution of external audit performed in in accordance with ***Article 7-2 of the Act on External Audit of Stock Companies***.

1. Company and Reporting Period subject to External Audit

Company	LG Corp.			
Reporting Period	2015/01/01	From	2015/12/31	To

2. Number of Participants and Details on the Hours Executed in Audit

(Unit: Number of Participant, Hour Executed)

Participant(s) / Number and Hour(s)		Engagement Quality Reviewer(s) (Including QRM, etc...)	Audit Professional(s)			IT Specialist(s), Tax Specialist(s), Valuation Specialist(s)	Total
			Engagement Partner(s)	KICPA (Registered)	KICPA (Non-Registered)		
Number of Participant(s)		1	1	10	2	-	14
Hours Executed	Quarterly Review, 6-month Review	27	123	1,596	664	-	2,410
	Audit	15	67	861	358	-	1,301
	Total	42	190	2,457	1,022	-	3,711

3. Key Disclosure on Execution of External Audit

Title	Detail			
Audit Planning Stage	Dates Performed	April–September, 2015	3	Days
	Main Planning Work Performed	Understanding the Company and business environments, composing the audit member, identifying and evaluating		

		significant risk of material misstatements, deciding the nature/timing/extent of an audit, reviewing the application of professionals and determining the materiality in the application of an audit						
Field Work Performed	Dates Performed			Number of Participant(s)				Main Field Work Performed
				On Site		Off Site		
			Days		Number of Participant(s)		Number of Participant(s)	
	2015/12/07–2015/12/09		3		3		2	Interim audit (understanding the transaction type of each process, Control testing)
	2016/01/12–2016/01/29		12		4		2	External audit (substantive procedure for the material account balances and transactions and consolidation audit)
Physical Counts - Inventory (Observation)	Time (When Performed)	-					-	Day(s)
	Place (Where Performed)	-						
	Inventory subjected to Counts	-						
Physical Counts - Financial Instruments (Observation)	Time (When Performed)	2016/01/04				1	Day(s)	
	Place (Where Performed)	LG Corp. headquarters						
	Financial Instruments subjected to Counts	Cash, investment securities, memberships and others						
External	Bank Confirmation	O	Accounts		O		Legal	O

Confirmation			Receivable/Payable Confirmation		Confirmation	
	Other Confirmation	N/A				
Communications with Those Charged with Governance	Number of Communications	5	Time(s) Performed			
	Time (When Performed)	2015/05/07, 2015/08/13, 2015/11/05, 2016/02/04, 2016/02/24				