LG CORP. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

LG CORP.

Deloitte.

Deloitte Anjin LLC
9F., One IFC,
10, Gukjegeumyung-ro,
Youngdeungpo-gu, Seoul
07326, Korea

Tel: +82 (2) 6676 1000
Fax: +82 (2) 6674 2114
www.deloitteanjin.co.kr

Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 16, 2017.

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 statements of financial position as of December 31, 2016 and 2015, respectively, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2016 and 2015, respectively, 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated 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, 2016 and 2015, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

Emphasis Matters

Users of this audit report need to pay attention to the following matters that have no effect on audit opinions:

(1) Emphasis matters, etc., by the auditor for the core audit items of the order-taking industry

The core audit items for the order-taking industry are to select significant matters in the consolidated financial statement audit through the expert judgment of the auditor and communication with the controlling organization based on the "Accounting Audit Practice Guideline 2016-1." These matters are dealt with when forming the opinion of the entire financial statements from the viewpoint of audit for the entire financial statements and we will not provide another opinion on these matters.

We reflected the results of audit procedures conducted on core audit items as follows in forming audit opinions on the consolidated financial statements of the Group:

A. General matters

The contents commonly applied in relation with the core audit items of the order-taking industry described in this audit report are as follows.

As stated in Comment 2 (Significant Accounting Policies) of the consolidated financial statements, if 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. 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.

B. Revenue recognition and appropriateness of the completion progress by input method

As described in Comments 3 and 18 of the consolidated financial statements, since we can be influenced by various uncertainties related to the outcome of future events, such as changes, etc., in the estimation of total contract revenues and total contract costs of contracts that recognize progress-based revenue are made by applying the cost-based input method that was in progress at the end of the former period, and the estimation of total contract revenues and total contract costs of contracts may have a negative impact on the current profit or loss or future profit and loss, we identified revenue recognition and appropriateness of the completion progress by input method as a significant risk.

As of the end of the current period, the major audit procedures we conducted concerning the revenue recognition and appropriateness of the completion progress of the Group by input method are as follows:

- Review of the appropriateness of accounting policies for revenue recognition
- Questions and analytical review on the current progress status and significant change matters of major projects as of the ending date of the reporting period
- Analytical review on major financial indicators, such as contract amount, estimated cost, cost rate, ratio of amounts due from customers for contract work, etc.
- Review on the internal control of the Group related to determination of accounting policy for revenue recognition by project type
- Review on the internal control in which legitimate approval holders review and approve the relevant contract for newly accepted contracts

C. Uncertainty in estimating total contract costs (or estimated construction costs)

According to Comment 3 of the consolidated financial statements, the measurement of contract revenue is affected by various uncertainties related to the outcomes of future events, and the total contract cost is estimated on the basis of future expectations, such as labor cost, material cost, project duration, etc.

As the changes in the total contractual amount and total estimated costs during the current period and the effect on the current and future profit and loss due to these changes are described in Comment 18 of the consolidated financial statements, and the contract revenue and the estimated total contract cost may be changed, we identified the uncertainty in estimating the total contract cost and the appropriateness of accounting management due to construction changes as significant risks.

As of the end of the current period, the major audit procedures we conducted concerning the impacts of uncertainty in estimating total contract cost and appropriateness of accounting due to the construction change of the Group on the consolidated financial statements are as follows.

- Analytical review on the fluctuation of major constituent items of total contract cost by reporting period
- Comparison/analysis of actual cost with estimated cost to identify the cause of the difference for projects with significant difference, and confirmation of the relevant evidences as necessary

D. Determination of stage of completion

Due to industry condition, construction costs increased largely compared to estimated costs and as the uncertainty in estimating total contract cost increases, we identified the determination of stage of completion as significant risks.

The major audit procedures we conducted for total contract costs, contract costs incurred for work performed to date and elements affecting the determination of stage of completion are as follows:

- Analytical review on the fluctuation of amounts on contract costs incurred for work performed to date and total contract costs
- Understand the Group's overhead allocation policy and internal control test related to overhead allocation
- Recalculation of stage of completion independently on the contracts in which the stage of completion has significantly fluctuated
- Testing the appropriateness of incurrence of imputed costs, imputed time and allocation of costs to each construction contract occurred during current period independently

E. Collectibility of amounts due from customers for contract work and appropriateness of setting the contract loss provision liabilities

According to Comment 18 in the consolidated financial statements, the amounts due from customers for contract work are KRW 266,515 million, increased by KRW 71,496 million compared with KRW 195,019 million at the end of the former term, which is 1.37% of the total assets. As the amounts due from customers for contract work are increasing and the importance of amount is large, we identified the collectibility of amounts due from customers for contract work as significant risk.

On the other hand, the contract loss provision liabilities for the construction in progress is KRW 4,288 million and the importance of amount is not large, but there is a risk that the loss contract will not be reflected in due time that we identified as significant risk.

In order to confirm the collectibility of amounts due from customers for contract work and appropriateness of setting the contract loss provision liabilities during the current term, the major audit procedures we conducted are as follows:

- By grasping the site where the difference is significant between the claim rate of the construction amount based on the right to claim on the contract and the actual claim rate of the construction amount, asking the cause of the delay of the claim and confirmation of the related external evidences
- Testing the effectiveness of the internal control operation for grasping and managing the signs of damages to the Group's amounts due from customers for contract work
- Review of the management's estimation grounds on the collectibility of amounts due from customers for contract work
- Questions and analytical review on the method of setting provision liabilities at the time of occurrence of loss contract and the appropriateness of the provision for loss contract as of the end of the current period
- Verification of recalculation on setting the contract loss provision liabilities

F. Accounting for variations in-contract work

As variations in contract work are occurring on construction contracts in the current period, we identified accounting for variations in contract work as a significant risk.

The major audit procedures we conducted on accounting for variations in contract work and disclosures are as follows:

- Questions on the Group’s policy for accounting for variations in contract work and penalties

- Testing of the internal control for appropriate management approval and review on contract with change of terms
- Verification on disclosures that construction contract contents are disclosed accordingly with amended contracts
- Verification on additional costs estimated due to variations in contract work is reflected accordingly on total estimated contract costs and stage of completion

Deloitte Anjin LLC

March 16, 2017

Notice to Readers

This report is effective as of March 16, 2017, 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 YEARS ENDED
DECEMBER 31, 2016 AND 2015

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 STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	Korean won	
	December 31, 2016	December 31, 2015
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5, 6, 31 and 34)	₩ 1,129,035	₩ 870,393
Financial institution deposits (Notes 5, 31 and 34)	206,845	375,748
Current derivative assets (Notes 5 and 34)	1,376	1,138
Trade receivables, net (Notes 5, 7, 30 and 34)	2,551,435	2,200,006
Other receivables, net (Notes 5, 7, 30 and 34)	74,481	67,236
Current tax assets	7,854	4,842
Current other assets (Notes 9 and 18)	369,232	292,679
Inventories, net (Note 8)	322,857	343,518
Total current assets	4,663,115	4,155,560
NON-CURRENT ASSETS:		
Available-for-sale ("AFS") financial assets (Notes 5 and 34)	91,043	93,124
Non-current trade receivables, net (Notes 5, 7, 30 and 34)	17,032	8,369
Non-current other receivables, net (Notes 5, 7, 30, 31 and 34)	14,808	17,374
Investments in associates and joint ventures (Note 13)	10,979,154	10,345,631
Deferred tax assets, net (Note 28)	208,887	194,089
Non-current other assets (Note 9)	56,279	68,782
Property, plant and equipment, net (Note 10)	2,481,390	2,471,315
Investment property, net (Note 11)	863,726	652,570
Intangible assets (Note 12)	114,008	116,586
Total non-current assets	14,826,327	13,967,840
TOTAL ASSETS	₩ 19,489,442	₩ 18,123,400

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015 (CONTINUED)

	Korean won	
	December 31, 2016	December 31, 2015
	(In millions)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current derivative liabilities (Notes 5 and 34)	₩ 4,406	₩ 2,817
Trade payables (Notes 5, 30 and 34)	1,635,402	1,353,031
Other payables (Notes 5, 30 and 34)	783,695	536,476
Short-term borrowings (Notes 5, 14 and 34)	190,795	168,518
Current portion of debentures and long-term borrowings (Notes 5, 14 and 34)	506,975	320,563
Current tax liabilities	82,386	70,638
Provisions (Note 15)	51,466	36,437
Other current liabilities (Notes 17 and 18)	312,031	224,145
Liabilities related to assets held for sale (Note 39)	146	-
Total current liabilities	3,567,302	2,712,625
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities (Notes 5 and 34)	53	520
Other payables (Notes 5, 30 and 34)	83,463	244,555
Long-term borrowings (Notes 5, 14 and 34)	1,179,800	1,427,434
Net defined benefit liability (Note 16)	56,855	83,032
Deferred tax liability (Note 28)	346,255	297,952
Provisions (Note 15)	9,761	10,202
Other non-current liabilities (Note 17)	25,869	38,836
Total non-current liabilities	1,702,056	2,102,531
TOTAL LIABILITIES	5,269,358	4,815,156
EQUITY:		
Equity attributable to the owners of the parent company	13,874,365	12,975,511
Issued capital (Note 19)	879,359	879,359
Capital surplus (Note 20)	2,364,937	2,361,658
Other capital items (Note 19)	(2,385)	(2,390)
Accumulated other comprehensive income (loss) (Note 21)	(159,606)	(134,862)
Retained earnings (Note 22)	10,792,060	9,871,746
Non-controlling interests	345,719	332,733
TOTAL EQUITY	14,220,084	13,308,244
TOTAL LIABILITIES AND EQUITY	₩ 19,489,442	₩ 18,123,400

(Concluded)

See notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won			
	Year ended December 31, 2016		Year ended December 31, 2015	
	(In millions)			
Revenue and gain (loss) on valuation by equity method (Notes 4 and 23):				
Sales of finished goods and merchandise	₩	5,278,737	₩	5,250,038
Service revenue		2,066,511		2,147,916
Construction revenue		2,169,020		1,440,577
Gain (loss) on valuation by equity method		807,323		719,866
Other revenue		403,783		406,968
		10,725,374		9,965,365
Cost of sales (Notes 23 and 24)		8,924,325		8,338,210
Gross profit		1,801,049		1,627,155
Selling and administrative expenses (Notes 23 and 24)		456,357		488,536
Operating income		1,344,692		1,138,619
Financial income (Note 25)		44,109		34,649
Financial expenses (Note 25)		99,046		100,391
Other non-operating income (Note 26)		82,787		58,006
Other non-operating expenses (Note 26)		97,912		54,736
Profit before income tax from continuing operations		1,274,630		1,076,147
Income tax expense from continuing operations (Note 28)		182,144		131,576
Profit from continuing operations		1,092,486		944,571
Profit from discontinued operations (Note 38)		(1,228)		(796)
Profit for the year	₩	1,091,258	₩	943,775
Profit for the year attributable to:				
Owners of the parent company	₩	1,074,795	₩	944,189
Non-controlling interests		16,463		(414)
Earnings per share (in Korean won):				
Continuing and discontinued operations:				
Common Stock Basic/Diluted (Note 29)	₩	6,114	₩	5,371
Pre-1996 Commercial Law Amendment Preferred Stock Basic/Diluted (Note 29)		6,164		5,421
Continuing operations:				
Common Stock Basic/Diluted (Note 29)	₩	6,118	₩	5,374
Pre-1996 Commercial Law Amendment Preferred Stock Basic/Diluted (Note 29)		6,168		5,424

See notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won			
	Year ended December 31, 2016		Year ended December 31, 2015	
	(In millions)			
Profit for the year	₩	1,091,258	₩	943,775
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss				
Net gain (loss) on AFS financial assets		(2,210)		(7,322)
Net gain (loss) on changes in valuation of investments using equity method		(33,215)		5,385
Net gain (loss) on derivative instruments entered into for cash flow hedges		1,116		528
Overseas operations translation		10,218		7,987
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of the net defined benefit liability		17,004		5,539
Increase (decrease) in retained earnings of equity method investments		63,033		(55,609)
Total comprehensive income for the year	₩	1,147,204	₩	900,283
Total comprehensive income attributable to:				
Owners of the parent company	₩	1,126,759	₩	900,549
Non-controlling interests		20,445		(266)

See notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won						
	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
				(In millions)			
Balance as of January 1, 2015	₩ 879,359	₩ 2,362,706	₩ (2,390)	₩ (140,962)	₩ 9,153,234	₩ 333,888	₩ 12,585,835
Profit (loss) for the year	-	-	-	-	944,189	(414)	943,775
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 entered into for cash flow hedges	-	-	-	403	-	125	528
Remeasurements of the net defined benefit liability	-	-	-	-	5,816	(277)	5,539
Overseas operations translation	-	-	-	7,617	-	370	7,987
Annual dividends	-	-	-	-	(175,937)	(2,607)	(178,544)
Changes in the shares of subsidiaries	-	(1,048)	-	-	-	1,058	10
Acquisition (disposal) of subsidiaries	-	-	-	-	-	660	660
Balance as of December 31, 2015	₩ 879,359	₩ 2,361,658	₩ (2,390)	₩ (134,862)	₩ 9,871,746	₩ 332,733	₩ 13,308,244
Balance as of January 1, 2016	₩ 879,359	₩ 2,361,658	₩ (2,390)	₩ (134,862)	₩ 9,871,746	₩ 332,733	₩ 13,308,244
Profit (loss) for the year	-	-	-	-	1,074,795	16,463	1,091,258
Net gain (loss) on AFS financial assets	-	-	-	(2,354)	-	144	(2,210)
Valuation through equity method	-	-	-	(33,178)	62,274	722	29,818
Valuation on derivative instruments entered into for cash flow hedges	-	-	-	723	-	393	1,116
Remeasurements of the net defined benefit liability	-	-	-	-	14,434	2,570	17,004
Overseas operations translation	-	-	-	10,065		153	10,218
Annual dividends	-	-	-	-	(228,668)	(1,559)	(230,227)
Changes in the shares of subsidiaries	-	2,919	5	-	(2,521)	(5,982)	(5,579)
Acquisition (disposal) of subsidiaries	-	360	-	-	-	82	442
Balance as of December 31, 2016	₩ 879,359	₩ 2,364,937	₩ (2,385)	₩ (159,606)	₩10,792,060	₩ 345,719	₩ 14,220,084

See notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won	
	Year ended December 31, 2016	Year ended December 31, 2015
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 1,091,258	₩ 943,775
Additions of expenses not involving cash outflows:		
Salaries and bonuses	1,052	11,039
Retirement benefits	46,194	49,669
Depreciation	269,606	281,565
Amortization of intangible assets	27,243	27,460
Loss on valuation of inventories	13,776	15,757
Bad debt expenses	11,626	3,200
Accrual of provision	31,749	42,602
Impairment loss on property, plant and equipment	698	151
Impairment loss on intangible assets	1,403	545
Loss on foreign currency translation	16,435	10,809
Loss on disposals of property, plant and equipment	6,550	1,479
Loss on disposals of intangible assets	2,079	843
Loss on transactions of derivatives	14,591	8,768
Loss on valuation of derivatives	3,810	1,254
Interest expenses	74,856	79,992
Loss on disposals of AFS financial assets	1	4
Impairment loss on AFS financial assets	266	787
Loss on disposals of investments in subsidiaries	26	-
Loss on disposals of investments in associates	-	296
Loss on redemption of debentures	-	1,356
Income tax expense	182,172	131,581
Others	12,073	1,518
	716,206	670,675
Deduction of items not involving cash inflows:		
Reversal of salaries and bonuses	-	2
Reversal of impairment loss on inventories	4,130	3,154
Reversal of allowance for doubtful accounts	364	2,958
Reversal of provisions	5,867	8,884
Reversal of impairment loss on intangible assets	-	15
Gain on foreign currency translation	17,825	15,841
Gain on disposals of property, plant and equipment	2,943	2,595
Gain on disposals of intangible assets	44	34
Gain on transactions of derivatives	17,276	7,361
Gain on valuation of derivatives	1,376	1,138
Interest income	20,629	19,260
Dividend income	2,703	1,633

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (CONTINUED)

	Korean won	
	Year ended December 31, 2016	Year ended December 31, 2015
	(In millions)	
Gain on disposals of AFS financial assets	₩ 22	₩ 126
Gain on disposals of other financial assets	-	34
Gain on disposals of investments in subsidiaries	1,941	455
Gain on disposals of investments in associates	536	-
Gain on valuation by equity method	807,323	719,866
Others	386	406
	(883,365)	(783,762)
Movements in working capital:		
Derivatives	362	-
Trade receivables	(342,184)	81,455
Other receivables	(8,621)	29,755
Inventories	12,588	(47,297)
Non-current trade receivables	(30,327)	(9,047)
Non-current other receivables	3,060	(647)
Trade payables	271,240	(24,727)
Other payables	75,898	(62,539)
Non-current trade payables	-	101
Non-current other payables	(13)	(71)
Provisions	(17,413)	(12,419)
Net defined benefit liability	(51,531)	(55,715)
Others	(158)	153,713
	(87,099)	52,562
Interest income received	18,809	19,061
Dividend income received	225,997	182,260
Income tax received	1,271	277
Interest expenses paid	(56,695)	(64,474)
Income taxes paid	(148,184)	(134,082)
Net cash provided by operating activities	878,198	886,292

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (CONTINUED)

	Korean won	
	Year ended December 31, 2016	Year ended December 31, 2015
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in financial institution deposits	₩ 461,026	₩ 473,147
Settlement of derivative instruments	16,908	7,991
Decrease in other receivables	21,505	8,458
Disposals of AFS financial assets	379	1,072
Decrease in non-current other receivables	325	1,497
Disposals of investments in subsidiaries	1,670	-
Disposals of investments in associates	195	186
Disposals of property, plant and equipment	10,152	6,835
Disposals of intangible assets	2,176	6,537
Disposals of assets (liabilities) held for sale	-	329
Acquisitions of controlling power on subsidiaries	-	427
Others	-	261
	514,336	506,740
Cash outflows for investing activities:		
Increase in financial institution deposits	292,391	513,209
Settlements of derivative instruments	13,992	7,506
Increase in other receivables	18,544	27,052
Acquisitions of non-current AFS financial assets	1,207	660
Increase in non-current other receivables	1,200	2,810
Acquisitions of investments in associates	17,143	41,512
Acquisitions of property, plant and equipment	274,496	263,024
Acquisitions of investment property	212,534	903
Acquisitions of intangible assets	25,050	16,741
Acquisitions of investments in subsidiaries	1,597	-
Others	-	1,589
	(858,154)	(875,006)
Net cash used in investing activities	(343,818)	(368,266)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (CONTINUED)

	Korean won			
	Year ended December 31, 2016		Year ended December 31, 2015	
	(In millions)			
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	₩	478,294	₩	1,064,357
Proceeds from long-term borrowings		80,000		215,414
Increase in other long-term liabilities		540		-
Issuance of debentures		199,185		527,729
Increase in government subsidy		853		2,534
Issuance of common stock of subsidiaries		679		348
Disposals of treasury stocks		433		-
		759,984		1,810,382
Cash outflows for financing activities:				
Redemptions of short-term borrowings		460,020		1,076,048
Redemptions of long-term borrowings		-		124,577
Redemptions of debentures		100,000		401,302
Redemptions of current portion of long-term borrowings		237,927		171,729
Disposals of derivative instruments		686		3,011
Payments of dividends		230,224		178,549
Acquisitions of treasury stocks		3,708		-
Cash outflows from consolidated capital transactions		2,684		100
Others		185		260
		(1,035,434)		(1,955,576)
Net cash used in financing activities		(275,450)		(145,194)
Net change in cash and cash equivalents		258,930		372,832
Cash and cash equivalents at beginning of year		870,393		497,529
Effects of exchange rate changes on cash and cash equivalents		(288)		32
Cash and cash equivalents at end of year	₩	1,129,035	₩	870,393

(Concluded)

See notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. GENERAL:

In accordance with Korean International Financial Reporting Standards (“K-IFRSs”) 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, 2016.

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	10,759,715	6.12
Ku, Bon Shik	7,728,601	4.39
Kim, Young Shik	7,253,100	4.12
Ku, Bon Neung and others	20,272,466	11.53
LG Yonam Education Foundation	3,675,742	2.09
LG Yonam Foundation	572,525	0.33
Others	92,834,042	52.79
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’ meeting held on February 9, 2017.

The Company and its subsidiaries (the “Group”) have prepared the consolidated financial statements in accordance with K-IFRSs.

The significant accounting policies under K-IFRSs 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, 2016, are as follows:

Amendments to K-IFRS 1001—*Disclosure Initiative*

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 application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

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

The amendments to K-IFRS 1016 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to K-IFRS 1038 – *Intangible Assets*

The amendments to K-IFRS 1038 do not allow the presumption that revenue is an appropriate basis for the amortization of intangible assets; the 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 application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to K-IFRS 1016 – *Property, Plant and Equipment* and K-IFRS 1041 – *Agriculture: Bearer Plants*

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 application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to K-IFRS 1110 – *Consolidated Financial Statements*, K-IFRS 1112 – *Disclosure of Interests in Other Entities* and K-IFRS 1028 – *Investment in Associates*

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 application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

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

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 application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

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*, 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, 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 application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

2) Details of K-IFRSs 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 1007 – *Statement of Cash Flows*

The amendments require that changes in liabilities arising from financial activities are disclosed. The amendments are effective for annual periods beginning on or after January 1, 2017.

Amendments to K-IFRS 1012 – *Income Taxes*

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

Amendments to K-IFRS 1102—*Share-Based Payment*

The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment; 2) share-based payment transaction in which the Group settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity settled in its entirety, otherwise would be classified as equity settled without the net settlement feature; and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1109 – *Financial Instruments*

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, broadened types of instruments that qualify as hedging instruments, the types of risk components of non-financial items that are eligible for hedge accounting and the change in the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

The new accounting policy is to be applied retrospectively; however, some exceptions are allowed, such as restatement of comparative information for classification, measurement and impairment of financial assets and financial liabilities. Hedge accounting is applied prospectively, except for accounting for the time value options.

In order to assess the financial impact of the first application of K-IFRS 1109, the Group conducted a preliminary assessment of the potential impact on the consolidated financial statements for 2016 based on current situation and available information as of December 31, 2016. The Group will analyze more specific financial impacts based on additional information in the future.

The general impact of the new standard on the consolidated financial statements is as follows:

1.1.1 Classification and measurement of financial assets

As of December 31, 2016, the Group retains loans and receivables amounting to ₩2,864,601 million, available-for-sale (“AFS”) financial assets amounting to ₩91,043 million and financial assets recognized as profit and loss in the current period amounting to ₩1,376 million. According to K-IFRS 1109, only financial assets with specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and financial assets’ objective to hold in order to collect contractual cash flows can be measured at amortized cost. As of December 31, 2016, the Group measures loans and receivables amounting to ₩2,864,601 million as amortized costs.

When applying K-IFRS 1109 to the above financial assets as of December 31, 2016, items with specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and financial assets’ objective to hold in order to collect contractual cash flows are classified as measured at amortized cost assets and it is judged that it does not have a significant impact on the consolidated financial statements.

According to K-IFRS 1109, equity instruments that are not held for short-term trading purposes can be selected irrevocably by designating as other comprehensive income - fair value measurement items at initial recognition point, and this comprehensive income will not be recycled to the current profit and loss subsequently. As of December 31, 2016, equity instruments classified as AFS financial assets of the Group are ₩91,043 million, and unrealized valuation profit and loss related to AFS equity instruments amounting ₩245 million are recycled to the current profit and loss during fiscal year 2016.

The Group designates equity instruments for long-term investment, which comprises most of the AFS equity instruments; it is judged that the relevant financial assets do not have a significant impact on the consolidated financial statements even though K-IFRS 1109 is applied.

According to K-IFRS 1109, debt instruments, where cash flows on the basis of the terms of the contract do not consist of only interest on principal and principal balance and equity instruments, which are not designated as other comprehensive income - fair value measurement items, shall be measured as the current profit and loss - fair value. As of December 31, 2016, the Group retains ₩1,376 million of derivatives classified as financial assets recognized as profit and loss for current period and recognized changes in fair value amounting to ₩18,652 million as current profit during fiscal year 2016.

When applying K-IFRS 1109 to financial assets recognized as current profit and loss as of December 31, 2016, most are classified as current profit and loss - fair value measurement items; it is judged that the relevant financial assets have little impact on the consolidated financial statements.

1.1.2 Classification and measurement of financial liabilities

The Group recognized ₩18,401 million as current loss in accordance with the change in fair value related to the current profit and loss - fair value measurement financial liabilities, and designated ₩3,819 million as profit and loss - fair value measurement financial liabilities among ₩4,384,588 of financial liabilities as of December 31, 2016.

The financial liabilities recognized for the current profit and loss as of December 31, 2016, have mostly short terms of expiration, and fluctuation in the credit risk of financial liabilities is small; it is judged that the financial liabilities do not have a great impact on the consolidated financial statements even though K-IFRS 1109 is applied.

1.1.3 Impairment methodology: Financial assets and contractual assets

In K-IFRS 1109, originated credit-impaired financial assets shall be counted up as loss allowances for cumulative changes in expected credit losses over the entire period after the initial recognition. The Group set loss allowances of ₩42,336 million for loans and receivables amounting to ₩2,864,601 million, whereas no allowances were set for equity securities amounting to ₩91,043 million, which is classified as AFS financial assets and measured at fair value through other comprehensive income.

As retaining loans and receivables have no significant financial elements, it is judged to have no significant difference with the loss allowances of the Group as of December 31, 2016.

1.1.4 Hedge accounting

When applying hedge accounting of K-IFRS 1109, hedge accounting can be applied to some transactions that do not qualify requirements for hedge accounting on current K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, which may result in reduction on fluctuation of the current profit and loss.

As of December 31, 2016, the liability to which the Group applies hedge accounting is ₩187,128 million. By applying hedge accounting, during the fiscal year 2016, none was recognized as current profit and loss from the amount of change in fair value of fair value hedged item; ₩687 million was recognized as current profit and loss and ₩1,116 million was recognized as other comprehensive income (loss) as amount of change in fair value of cash flow hedging instrument. As of December 31, 2016, the accumulated fair value change amount recognized as other comprehensive income (loss) of the cash flow hedging instrument is ₩(2,236) million.

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

Amended in September 2015, K-IFRS 1115 – Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. This standard will supersede K-IFRS 1018 - *Revenue*, K-IFRS 1011 - *Construction Contracts*, K-IFRS 2031 - *Revenue-Barter Transactions Involving Advertising Services*, K-IFRS 2113 - *Customer Loyalty Programmes*, K-IFRS 2115 - *Agreements for the Construction of Real Estate* and K-IFRS 2118 - *Transfers of Assets from Customers*. The Group intends to elect this standard for annual periods beginning on January 1, 2018 (date of initial application); however, the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

Current K-IFRS 1018 identifies transaction forms, such as sales of goods, rendering of services, interest, royalties, dividends and construction contracts; however, according to K-IFRS 1115, every contract is identified by a five-step revenue recognition model: (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).

To prepare for the adoption of K-IFRS 1115, the Group has formed a task force(“TF”) team composed of employees of the finance department and an accounting firm. The TF team is in the process of preliminary assessment of the potential impact on the Group's application of K-IFRS 1115 through analyzing the current status and identifying issues related to revenue recognition based on the project contract status and information available to the Group, the Group’s plan to make accounting policy decision and process and system maintenance in the future. The results of the preliminary impact assessment currently underway will be further disclosed when the preliminary evaluation is completed in the future.

The general impact of the new standard on the consolidated financial statements is as follows:

1.1 Identify the performance obligations in the contract

The Group has identified the performance obligations that are included in the various contracts being executed and, as a result of the distinction of performance obligations, some changes in revenue recognition expected and items are as follows:

1.1.1 Performance obligation satisfied over time: Construction/Construction management, etc.

The Group has not been able to specifically analyze the financial impact of revenue recognition for construction/construction management, etc. However, as a result of an internal analysis on the contract, the Group considers that there is no problem with the enforceable right to payment that can be executed against the portion that has been completed so far. However, the timing of revenue recognition may be changed based on additional information available to the Group in the future, such as a whole investigation of contracts in the business sector.

1.1.2 Input methods for measuring progress

The plant segment of the construction business of the Group includes plant construction contracts, including purchase and installation of special equipment, which generally proceed over a long period of time. The Group entrusts the production of special equipment to an outside company and installs equipment that is delivered; the supply of special equipment and rendering of construction service are indistinctable performance obligations.

According to K-IFRS 1115, a faithful depiction of the Group’s performance might be to recognize revenue at an amount equal to the cost of a good used to satisfy a performance obligation if the entity expects at contract inception that all of the following conditions would be met:
(i) the good is not distinct;
(ii) the customer is expected to obtain control of the good significantly before receiving services related to the good;
(iii) the cost of the transferred good is significant relative to the total expected costs to completely satisfy the

performance obligation; and
(iv) the entity procures the good from a third party and is not significantly involved in designing and manufacturing the good.

The Group has not been able to specifically analyze the financial impact associated with the recognition of revenue from plant construction contracts. However, when applying K-IFRS 1115, if the cost of special equipments is not included in the calculation of progress and the amount equal to the cost is recognized as revenue, there may be a change in the recognition timing and transaction amount of the Group.

1.1.3 Variable consideration

The Group's Business to Business purchasing unit allows returns from customers, which may change the payment received from the customer.

In applying K-IFRS 1115, the Group estimates variable consideration using the expected-value method that it expects to better anticipate the costs to which it is entitled, and recognizes revenue, which are included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The refund liability is measured at the amount of consideration received (or receivable) for which the Group does not expect to be entitled. However, the Group analyzed the frequency and amount of customer returns and as a result, there is no significant change in recognition of revenue.

1.1.4 Warranties

The Group reviews the nature of the warranties included in the various contracts. As a result of determining the nature of free maintenance and repair fees included in the contract, such service-type warranties (for example, free maintenance that is given customary with the hardware), as additional services, are distinguished from the supply of goods, and we believe that it is necessary to separate them as a separate performance obligation. As such, regardless of the name of the contractual warranties, it is necessary to distinguish the warranties as a separate performance obligation that protects the customer from the defects that occur after the products and solutions are transferred to the customer.

1.1.5 Licensing: Right to access and right to use

The Group determined that the licensing acquired functionality when combined with other goods or services rather than being distinguished independently as performance obligations. However, some licenses are likely to be distinguished as separate performance obligations, so there may be some impact on revenue recognition depending on the nature of right to access and right to use.

1.2 Allocating the transaction price

K-IFRS 1115 requires to allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract for various performance obligations identified in a single contract. The Group initially applies transaction price (directly observable stand-alone transaction price) for distinguished performance obligations on the basis of individual contracts; if the transaction price for different performance obligations cannot be distinguished, it is considered necessary to apply the projected cost-of-profit method (estimated by adding the profit ratio to estimated cost by contract).

1.3 Costs to fulfil a contract

K-IFRS 1115 clarifies the concept of costs to fulfil a contract and the accounting method. According to this concept, the Group shall recognize an asset from the costs incurred to fulfil a contract only if those costs meet the requirements and shall be amortized on a systematic basis.

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 statements 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 statements of the Company and entities (including structured entities) controlled by the Group. Control is achieved where the Group 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 statements of subsidiaries to bring their accounting policies in 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, 2016, are as follows (Unit: Korean won in millions):

Subsidiary	Location	Closing date	Percentage of ownership and voting right held by the Group: Dec. 31, 2016	Percentage of ownership and voting right held by the Group: Dec. 31, 2015	As of and for the year ended December 31, 2015: Assets	Liabilities	Sales	Net income
Serveone Co., Ltd.	South Korea	12/31	100.00%	100.00%	₩ 2,946,931	₩ 2,128,109	₩ 4,778,003	₩ 102,613
Serveone (Nanjing). Co., Ltd.	China	12/31	100.00%	100.00%	294,242	221,859	623,222	13,828
Serveone Construction Co., Ltd.	China	12/31	100.00%	100.00%	59,641	44,443	98,176	5,884
Konjiam Yewon Co., Ltd.	South Korea	12/31	90.00%	90.00%	6,585	615	2,358	69
SERVEONE (Guangzhou) Co., Ltd.	China	12/31	100.00%	100.00%	91,962	74,919	190,310	5,863
SERVEONE VIETNAM Co., Ltd.	Vietnam	12/31	100.00%	100.00%	28,457	26,122	47,816	1,183
SERVEONE POLAND Sp.z.o.o. (*1)	Poland	12/31	100.00%	-	8,882	8,929	9,508	(275)
LG Siltron Inc.	South Korea	12/31	51.00%	51.00%	1,202,646	851,221	826,452	6,036
LG Siltron America Inc.	USA	12/31	100.00%	100.00%	20,815	12,518	97,091	385
LG Siltron Japan Inc.	Japan	12/31	100.00%	100.00%	30,219	28,405	56,420	536
LG CNS Co., Ltd. (*2)	South Korea	12/31	84.95%	84.97%	1,949,030	1,114,701	2,239,820	83,005
LG N-Sys Inc.	South Korea	12/31	100.00%	100.00%	374,701	231,591	686,908	3,712
Ucess Partners Co., Ltd. (*3)	South Korea	12/31	-	100.00%	-	-	32,881	425
BNE Partners, Co., Ltd. (*4)	South Korea	12/31	91.53%	61.31%	17,621	10,565	65,698	1,304
LG CNS Philippines, Inc.	Philippines	12/31	100.00%	100.00%	-	3,629	-	-
LG CNS Europe B.V.	Netherlands	12/31	100.00%	100.00%	16,358	12,541	29,342	(146)
LG CNS America Inc.	USA	12/31	100.00%	100.00%	37,459	23,802	74,440	2,914
PT LG CNS Indonesia	Indonesia	12/31	100.00%	100.00%	4,811	6,847	16,684	(403)
Entrue Brasil Services de T.I. Ltda.	Brazil	12/31	100.00%	100.00%	1,470	404	3,441	178
LG CNS UCESS Philippines, Inc.	Philippines	12/31	100.00%	100.00%	95	-	-	-
LG CNS China, Inc.	China	12/31	100.00%	100.00%	78,721	49,733	145,964	9,650

Subsidiary	Location	Closing date	Percentage of ownership and voting right held by the Group Dec. 31, 2016	Dec. 31, 2015	As of and for the year ended December 31, 2015 Assets	Liabilities	Sales	Net income
LG CNS Shenyang Inc.	China	12/31	100.00%	100.00%	182	-	481	(443)
LG CNS India Pvt., Ltd.	India	12/31	100.00%	100.00%	7,217	6,972	9,973	(954)
LG CNS Colombia SAS	Colombia	12/31	100.00%	100.00%	25,768	19,486	13,244	793
Ever On Co., Ltd. (*5)	South Korea	12/31	75.00%	75.00%	-	-	1,874	(861)
SBI-LG Systems Co., Ltd.	Japan	12/31	51.00%	51.00%	9,510	3,681	39,974	892
Korea Elecom Co., Ltd. (*4)	South Korea	12/31	93.93%	93.12%	17,417	19,586	20,500	(4,381)
Oneseen Skytech (*6)	South Korea	12/31	-	91.30%	-	-	27	(396)
LG CNS Malaysia Sdn Bhd	Malaysia	12/31	100.00%	100.00%	5,600	5,433	9,431	(200)
LG CNS Saudi Arabia LLC	Saudi Arabia	12/31	51.00%	51.00%	321	143	-	(1,022)
TXCNS Healthcare, LLC (*7)	USA	12/31	-	100.00%	-	-	-	-
LG CNS GB Ltd. (*7)	UK	12/31	-	-	-	-	-	-
LG CNS JAPAN, Co., Ltd.	Japan	12/31	100.00%	100.00%	62,274	58,608	25,686	(3,174)
LLC LG CNS RUS (*7)	Russia	12/31	-	100.00%	-	-	-	-
Collain Healthcare, LLC	USA	12/31	70.00%	70.00%	1,513	7,448	1,842	(4,022)
LG CNS Chile Ltda. (*8)	Chile	12/31	-	-	-	-	-	-
LG CNS Uzbekistan, LLC	Uzbekistan	12/31	51.00%	51.00%	4,612	4,400	5,896	(1,027)
Haengbokmaru Co., Ltd. (*1)	South Korea	12/31	100.00%	-	636	60	141	(125)
BizTechPartners Co., Ltd. (*9)	South Korea	12/31	100.00%	-	4,535	1,493	3,061	759
LG Sports Ltd.	South Korea	12/31	100.00%	100.00%	126,623	38,840	50,193	(4,315)
LG Management Development Institute	South Korea	12/31	100.00%	100.00%	90,202	55,979	81,350	2,102
Lusem Co., Ltd. (*10)	South Korea	12/31	67.96%	64.81%	125,587	25,281	125,955	984
LG Holdings Japan Co., Ltd.	Japan	12/31	100.00%	100.00%	215,226	11,218	8,818	3,293

(*1) Established during current period.
(*2) The percentage of ownership has changed due to issuance of stocks as a result of merger.
(*3) Carved out and sold during current period.
(*4) The percentage of ownership changed due to issuance of stock.

(*5) Disposed during current period.
(*6) Merged into LG CNS Co., Ltd., the parent company, during current period.
(*7) Disposed during current period.
(*8) Though the registration of incorporations is concluded as of December 31, 2015, the subscribed capital stocks do not exist.
(*9) Established and acquired after being carved out from Ucess Partners Co., Ltd. during current period.
(*10) The percentage of ownership changed due to retirement of treasury stocks.

Meanwhile, MMT, which was included in the consolidation scope as subsidiaries (₩18,555 million), was excluded from investments in subsidiaries since it was classified as financial instrument deposit and others.

5) As of December 31, 2016, the consolidated financial position 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	₩	1,495,346	₩	483,000
Non-current assets		859,617		720,775
Total assets		2,354,963		1,203,775
Current liabilities		1,036,389		502,218
Non-current liabilities		380,290		349,677
Total liabilities		1,416,679		851,895
Equity attributable to owners of the Company		936,381		351,880
Equity attributable to non-controlling interests		1,903		-
Total equity	₩	938,284	₩	351,880

6) For the year ended December 31, 2016, 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	₩	3,036,923	₩	836,297
Operating income (loss)		156,487		34,107
Profit or loss of discontinued operations		(1,228)		-
Profit (loss) for the year		89,382		6,935
Other comprehensive income (loss)		6,056		5,992
Total comprehensive income for the year	₩	95,438	₩	12,927

7) For the year ended December 31, 2016, 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	₩	401,255	₩	122,072
Cash flows from investing activities		(111,953)		(40,185)
Cash flows from financing activities		(135,669)		(113,378)
Net change in cash and cash equivalents		153,633		(31,491)
Cash and cash equivalents at the beginning of year		226,397		147,698
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,528		190
Cash and cash equivalents at the end of year	₩	381,558	₩	116,397

8) The ownership interest held by non-controlling interests and details of financial position, results 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		15.05%		49.00%
Cumulative non-controlling interests	₩	142,806	₩	172,421
Net income (loss) vested in non-controlling interests		11,878		3,398
Comprehensive income vested in non-controlling interests		12,749		6,334
Dividends paid to non-controlling interests	₩	1,179	₩	-

(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 statements 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 of operations 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 statements 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 the 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 the 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 a 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 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 held to maturity or held for trading, designated as at FVTPL or loans and receivables are classified as 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 an 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;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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 and 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 assets 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 recognize a collateralized borrowing for the proceeds received.

(7) Inventories

Inventories are stated at the lower of cost or 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 does 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 of operations 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 statements 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 in 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 or 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 that 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 an 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 statements 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 properties

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 properties are 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 or 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 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 a 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 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 instrument.

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 expired.

(16) Leases

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 statements 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 which 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 item of the consolidated statements 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 item of the consolidated statements 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, terminated 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 consolidated statements 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 and 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 statements 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 statements 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 their receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent it is probable that contract costs incurred 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 statements 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 statements 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 statements of 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 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 it is probable that there will be sufficient taxable profits against which benefits of the temporary differences can be utilized 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 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 taxes for the year

Current and deferred taxes 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 taxes 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 statements 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 continued 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 as 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 Levels 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’s 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.

(1) Uncertainties of contract revenue estimates

Total contract revenue is measured based on the contract amount initially agreed upon; however, the measurement of contract revenue is subject to various uncertainties related to the outcome of future events, as the amount may be increased or decreased as the terms of the contract change in the course of performing the contract. The Group includes in the contract revenue when the customer is more likely to approve the change in the amount of revenue due to changes in the terms of the contract or if it is more likely than not that the performance criteria will be met and the amount can be reliably measured.

(2) Estimated total contract costs

The amount of construction revenues is affected by the stage of completion measured based on the contract costs incurred to date, and total contract costs are estimated based on future expectations, such as material costs, labor costs and project duration. The Group periodically reviews whether there is a significant change in the estimated total contract cost and reflects the changes in the stage of progress at the end of the reporting period.

(3) Uncertainty on the estimation of earnings accumulation tax (“EAT”)

Under the EAT regime, the Group may incur increased tax burden depending on its level of investment, payroll increase or cash dividends for the preceding three years from 2015. There is uncertainty in the estimation of the tax impact to the Group, which is reviewed by the management per the current level of investment, payroll increase or cash dividends.

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 years ended December 31, 2016 and 2015, 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, 2016	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
LG Corp.	LG Corp.	₩ 614,003	₩ 574,117	₩ 430,974	₩ 400,562
Serveone Co., Ltd.	MRO	2,876,900	2,664,603	101,171	83,467
	MRO and others	1,901,103	1,290,167	31,521	(2,289)
	Serveone (Nanjing) Co., Ltd.	623,222	597,572	18,642	16,536
	Serveone Construction Co., Ltd.	98,176	66,062	8,199	3,687
	KONJIAM YEWON Co., Ltd.	2,358	5,086	70	848
	LG-TOYO Engineering Co., Ltd. (*3)	-	30,684	-	(3,611)
	Serveone Guangzhou Co., Ltd.	190,310	176,372	7,925	8,459
	SERVEONE VIETNAM Co., Ltd.	47,816	9,789	1,183	(850)
	SERVEONE POLAND Sp.z o. o. (*4)	9,508	-	(275)	-
LG Siltron Inc.	LG Siltron Inc.	826,452	775,843	7,920	(23,136)
	LG Siltron America, Inc.	97,091	107,038	615	521
	LG Siltron Japan, Inc.	56,420	32,556	567	(58)
LG CNS Co., Ltd.	LG CNS Co., Ltd.	2,239,820	2,209,936	122,042	39,104
	LG CNS China, Inc.	145,964	150,107	10,784	13,064
	LG CNS Europe B.V.	29,342	25,177	(76)	(444)
	LG CNS America, Inc.	74,440	97,585	2,856	1,716
	LG CNS India Pvt., Ltd.	9,973	14,288	(952)	(33)

PT LG CNS Indonesia	16,684	6,009	(183)	(640)
Entrue Brasil Servicos de T.I. Ltda.	3,441	3,524	473	390
BNE Partners, Co., Ltd.	65,698	52,764	1,664	1,786
Ucess Partners Co., Ltd. (*5)	32,881	46,873	425	404
LG CNS Shenyang Inc.	481	2,230	(435)	200
LG CNS UCESS PHILIPPINES, INC.	-	-	-	-
LG N-Sys Co., Ltd.	686,908	824,028	5,075	18,671
SBI-LG Systems Co., Ltd.	39,974	36,495	1,296	1,519
Korea Elecom Co., Ltd.	20,500	17,125	(4,381)	(9,388)
LG CNS Colombia SAS	13,244	17,841	740	4,624
Oneseen Skytech (*6)	27	1,699	(396)	(2,816)
LG CNS Malaysia Sdn Bhd	9,431	1,873	(164)	85
LG CNS Saudi Arabia LLC	-	2,372	(1,018)	(536)
TXCNS Healthcare, LLC (*7)	-	-	(1)	(1)
LG CNS JAPAN Co., Ltd.	25,686	86,410	(3,870)	5,859
LLC LG CNS RUS (*7)	-	-	-	(6)
Collain Healthcare, LLC	1,842	1,286	(4,022)	(2,690)
LG CNS UZBEKISTAN, LLC	5,896	903	(1,027)	(922)
Haengbokmaru Co., Ltd. (*4)	141	-	(125)	-
BizTechPartners Co., Ltd. (*8)	3,061	-	449	-
LG Sports Ltd.	50,193	46,634	(4,315)	(3,123)
LG Holdings Japan Co., Ltd.	8,818	7,680	4,959	1,876
LG Management Development Institute	81,350	76,751	3,068	1,875
LG Solar Energy Inc. (*3)	-	10,900	-	3,986
Lusem Co., Ltd.	125,955	186,537	1,388	2,918
Subtotal	11,035,109	10,256,916	742,766	561,614
Consolidation adjustments (*9)	(309,735)	(291,551)	531,864	514,533
Total	₩ 10,725,374	₩ 9,965,365	₩ 1,274,630	₩ 1,076,147

(*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) Merged into Serveone Co., Ltd. during previous period.
(*4) Established during current period.
(*5) Carved out and sold during current period.
(*6) Merged into LG CNS Co., Ltd., a parent company; the profit or loss of the segment is the amount incurred before the merger.
(*7) Disposed during current period.
(*8) Established and acquired after being carved out from Ucess Partners Co., Ltd. during current period.
(*9) 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.

(3) Assets for each business segment of the Group as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2016	December 31, 2015
LG Corp.	₩ 8,360,423	₩ 8,208,765
Serveone Co., Ltd.	3,436,700	2,713,448
LG Siltron Inc.	1,253,680	1,348,178
LG CNS Co., Ltd.	2,619,851	2,561,702
Others	557,638	543,234
Subtotal	16,228,292	15,375,327
Consolidation adjustments (*)	3,261,150	2,748,073
Total	₩ 19,489,442	₩ 18,123,400

(*) 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 years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Business sector	Inventories sold and services rendered	Year ended December 31, 2016	Year ended December 31, 2015
LG Corp.	Others	₩ 614,003	₩ 574,117
Serveone Co., Ltd.	Merchandise	3,723,218	3,453,092
	Service	744,512	838,488
	Construction	1,259,526	536,894
	Others	22,137	11,861
LG Siltron Inc.	Manufactured goods	978,929	915,337
	Others	1,034	100
LG CNS Co., Ltd.	Service	1,408,110	1,406,653
	Construction	1,032,517	974,933
	Merchandise	918,134	1,158,517
	Manufactured goods	66,673	58,422
Others	Merchandise	586	1,907
	Manufactured goods	9,857	69,060
	Service	196,830	192,259
	Others	59,043	65,276
Subtotal		11,035,109	10,256,916
Consolidation adjustments (*)		(309,735)	(291,551)
Total		₩ 10,725,374	₩ 9,965,365

(*) 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 years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2016	December 31, 2015
Korea	₩ 9,527,024	₩ 8,813,472
China	1,058,478	992,616
Other Asia	220,699	198,375
America	190,057	227,275
Europe	38,851	25,178
Total	₩ 11,035,109	₩ 10,256,916

(6) Regional non-current assets of the Group before elimination of intersegment transactions and valuation by equity method for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2016	December 31, 2015
Korea	₩ 10,600,347	₩ 10,483,330
China	29,192	27,670
Other Asia	205,772	193,701
America	8,772	9,185
Europe	2,018	2,293
Total	₩ 10,846,101	₩ 10,716,179

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets and liabilities as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

1) Financial assets

Financial assets	Account	December 31, 2016 Carrying amount	December 31, 2016 Fair value	December 31, 2015 Carrying amount	December 31, 2015 Fair value
Cash and cash equivalents:	Cash and cash equivalents	₩ 1,129,035	₩ 1,129,035	₩ 870,393	₩ 870,393
Financial assets at FVTPL:	Derivative assets for trading purposes	1,376	1,376	1,138	1,138
AFS financial assets:	Marketable equity securities	29,595	29,595	33,460	33,460
	Unmarketable equity securities (*)	61,448	61,448	59,663	59,663
	Debt securities	-	-	1	1
	Subtotal	91,043	91,043	93,124	93,124
Loans and receivables:	Financial institution deposits	206,845	206,845	375,748	375,748
	Trade receivables	2,568,467	2,568,467	2,208,375	2,208,375
	Loans	36,666	36,666	36,967	36,967
	Other accounts receivable	28,672	28,672	21,662	21,662
	Accrued income	3,116	3,116	2,784	2,784
	Deposits	20,835	20,835	23,197	23,197
	Subtotal	2,864,601	2,864,601	2,668,733	2,668,733
	Total	₩ 4,086,055	₩ 4,086,055	₩ 3,633,388	₩ 3,633,388

(*) The unlisted stocks that are AFS equity investments and 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, 2016 Carrying amount	December 31, 2016 Fair value	December 31, 2015 Carrying amount	December 31, 2015 Fair value
Financial liabilities at FVTPL:	Derivative liabilities for trading purposes	₩ 3,820	₩ 3,820	₩ 1,225	₩ 1,225
Derivative liabilities designated as hedging instrument:	Derivative liabilities designated as hedging instruments	639	639	2,112	2,112
Financial liabilities measured at amortized cost:	Trade payables	1,635,402	1,635,402	1,353,031	1,353,031
	Borrowings	729,948	729,948	869,218	869,218
	Other accounts payable	190,829	190,829	182,693	182,693
	Accrued expenses	159,838	159,838	106,549	106,549
	Accrued dividends	316	316	313	313
	Deposits received	516,175	524,132	491,476	505,316
	Debentures	1,147,622	1,150,827	1,047,297	1,054,642
	Subtotal	4,380,130	4,391,292	4,050,577	4,071,762
	Total	₩ 4,384,589	₩ 4,395,751	₩ 4,053,914	₩ 4,075,099

6. CASH AND CASH EQUIVALENTS:

The cash and cash equivalents in the consolidated statements of cash flows are the same as the cash and cash equivalents in the consolidated statements of financial position. Details of cash and cash equivalents as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016	December 31, 2015
Cash on hand	₩ 3,428	₩ 2,597
Bank deposits	801,935	634,190
Other cash equivalents	323,672	233,606
Total	₩ 1,129,035	₩ 870,393

7. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

	December 31, 2016					
Description	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables	Total	Consolidated adjustment	Consolidated
Trade receivables	₩ 2,704,999	₩ 124,150	₩ 27,907	₩ 2,857,056	₩ (260,654)	₩ 2,596,402
Other receivables	141,339	10,683	17,427	169,449	(65,759)	103,690
Total	₩ 2,846,338	₩ 134,833	₩ 45,334	₩ 3,026,505	₩ (326,413)	₩ 2,700,092

	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

(2) Aging of trade and other receivables that are overdue but not impaired as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016	December 31, 2015
1–29 days	₩ 41,795	₩ 67,764
30–60 days	13,234	25,385
61–90 days	7,171	13,351
91–120 days	5,198	17,914
More than 121 days	67,435	75,104
Total	₩ 134,833	₩ 199,518

(3) Changes in accumulated impairment losses for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016				December 31, 2015			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
Beginning balance	₩	18,639	₩	14,068	₩	19,890	₩	12,714
Impairment loss		10,917		704		2,167		1,033
Disposals of accounts receivable		(1,569)		(14)		(610)		(6)
Collection of accounts receivable		(22)		(11)		-		-
Reversal of allowance for doubtful accounts		(18)		(346)		(2,856)		(102)
Effect of foreign currency translation		(12)		-		48		(3)
Others		-		-		-		432
Ending balance	₩	27,935	₩	14,401	₩	18,639	₩	14,068

(4) Aging of impaired trade and other receivables as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016		December 31, 2015	
Less than 7 months	₩	1,424	₩	3,009
7–12 months		1,215		1,944
More than 1 year		42,695		30,808
Total	₩	45,334	₩	35,761

8. INVENTORIES:

Details of inventories as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	81,901	₩	78,434	₩	(3,467)
Finished goods		53,040		39,794		(13,246)
Semifinished goods		15,794		13,934		(1,860)
Work in progress		18,621		17,284		(1,337)
Raw materials		91,676		87,981		(3,695)
Stored goods		38,523		35,114		(3,409)
Inventories in transit		46,131		46,131		-
Other inventories		4,443		4,185		(258)
Total	₩	350,129	₩	322,857	₩	(27,272)

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)

9. OTHER ASSETS:

Details of other assets as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Advance payments	₩ 65,985	₩ 49,723	₩ 63,967	₩ 56,874
Prepaid expenses	32,493	6,556	27,907	11,908
Prepaid VAT	4,235	-	5,778	-
Due from customers for contract work	266,515	-	195,019	-
Others	4	-	8	-
Total	₩ 369,232	₩ 56,279	₩ 292,679	₩ 68,782

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of the Group's property, plant and equipment as of December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Description	December 31, 2016									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩517,227	₩1,374,252	₩299,209	₩ 2,222,499	₩29,299	₩ 34,499	₩ 234,636	₩ 182,787	₩ 493,810	₩5,388,218
Accumulated depreciation	-	(349,904)	(92,169)	(1,982,220)	(11,762)	(23,995)	(165,726)	-	(274,114)	(2,899,890)
Accumulated impairment	-	-	-	(3,583)	-	(1,375)	(42)	(246)	(118)	(5,364)
Government subsidies	-	(1,137)	-	-	-	-	(120)	-	(317)	(1,574)
Carrying amounts	₩517,227	₩1,023,211	₩ 207,040	₩ 236,696	₩17,537	₩ 9,129	₩ 68,748	₩ 182,541	₩ 219,261	₩2,481,390

Description	December 31, 2015									
	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

(2) Changes in property, plant and equipment for the years ended December 31, 2016 and 2015, 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, 2016									
Beginning balance	₩ 514,898	₩1,004,764	₩198,289	₩214,832	₩10,584	₩11,066	₩67,982	₩202,827	₩ 246,073	₩2,471,315
Acquisitions	106	3,365	185	4,143	11,984	2,151	14,917	215,830	29,931	282,612
Disposals	(2,150)	(1,699)	(14)	(995)	(136)	(16)	(114)	(8,427)	(285)	(13,836)
Depreciation (*1)	-	(43,983)	(13,491)	(115,513)	(2,322)	(3,858)	(23,153)	-	(48,369)	(250,689)
Transfers in	4,398	61,976	21,778	132,595	255	-	9,505	8,962	614	240,083
Transfers out	-	-	-	-	-	-	-	(235,925)	(8,961)	(244,886)
Government subsidies	-	-	-	(48)	-	-	(70)	-	-	(118)
Changes due to disposals of subsidiaries (*2)	-	-	-	(5)	(2,827)	-	(98)	-	(345)	(3,275)
Impairment loss	-	-	-	(42)	-	(282)	(6)	(246)	(122)	(698)
Others	(25)	(647)	315	1,721	-	49	(172)	(480)	623	1,384
Effect of foreign currency translation	-	(565)	(22)	8	(1)	19	(43)	-	102	(502)
Ending balance	₩ 517,227	₩1,023,211	₩207,040	₩236,696	₩17,537	₩9,129	₩68,748	₩182,541	₩ 219,261	₩2,481,390

(*1) ₩494 million classified as profit or loss of discontinued operations is included.

(*2) Disposed Ucess Partners Co., Ltd. and Ever On Co., Ltd., both subsidiaries, during the current period (see Note 37).

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

(*) ₩633 million classified as profit or loss of discontinued operations is included.

(3) Changes in government grants for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2016					
Description	Buildings	Machinery	Vehicles	Furniture and fixtures	Other property	Total
Beginning balance	₩ 1,193	₩ 1,353	₩ 2,400	₩ 128	₩ 520	₩ 5,594
Receipt	-	48	-	70	-	118
Offsetting depreciation	(56)	(372)	(910)	(70)	(203)	(1,611)
Others	-	-	(7)	(8)	-	(15)
Disposals of subsidiaries (*)	-	(1,029)	(1,483)	-	-	(2,512)
Ending balance	₩ 1,137	₩ -	₩ -	₩ 120	₩ 317	₩ 1,574

(*) Disposed Ucess Partners Co., Ltd. and Ever On Co., Ltd., both subsidiaries, during the current period (see Note 37).

	Year ended December 31, 2015					
Description	Buildings	Machinery	Vehicles	Furniture and fixtures	Other property	Total
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

11. INVESTMENT PROPERTY:

(1) Composition of investment property as of December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

	December 31, 2016				
Description	Land	Buildings	Structures	Construction in progress	Total
Acquisition cost	₩ 483,190	₩ 478,345	₩ 9,173	₩ 821	₩ 971,529
Accumulated depreciation	-	(104,286)	(3,517)	-	(107,803)
Carrying amounts	₩ 483,190	₩ 374,059	₩ 5,656	₩ 821	₩ 863,726

	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

(2) Changes in investment property for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016									
	Land		Buildings		Structures		Construction in progress		Total	
Beginning balance	₩	335,452	₩	311,142	₩	5,976	₩	-	₩	652,570
Acquisitions		137,332		74,406		-		821		212,559
Depreciation		-		(17,794)		(1,123)		-		(18,917)
Transfers		(428)		4,512		719		-		4,803
Others		10,834		1,793		84		-		12,711
Ending balance	₩	483,190	₩	374,059	₩	5,656	₩	821	₩	863,726

Description	Year ended December 31, 2015							
	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

(3) Details of the fair value of investment property as of December 31, 2016, are as follows (Unit: Korean won in millions):

Description	Date of revaluation	December 31, 2016 Land	Buildings and structures	Total
Book value of investment property:				
Book value (*1)		₩ 589,494	₩ 543,040	₩ 1,132,534
Results of valuation:				
Central Hub Logistics Center (*1)	2013-01-01	5,570	4,345	9,915
Chungju HUB Center (*1), (*2)	2013-12-04	7,046	8,908	15,954
Twin Tower (*1), (*3)	2012-03-16	456,800	343,200	800,000
Gasandong building (*1)	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
Seoul Station building (*2), (*4)	2016-09-30	136,793	73,941	210,734
Incheon IT Center (*1)	2009-01-01	15,391	9,169	24,560
Kyobashi Trust Tower (*1), (*2)	2014-04-01	166,620	30,414	197,034
Others (*2), (*4)	2016-02-26	539	-	539
Total		₩ 1,001,690	₩ 665,867	₩1,667,557

(*1) Includes the value of investment property (carrying value that is subject to valuation: ₩268,808 million) occupied by the owner.
(*2) Acquisition cost is considered as fair value.
(*3) It is the whole valuation amount of Twin Tower.
(*4) Newly acquired during current period.

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.

Rental income recognized from investment property by the Group during the year is ₩97,402 million.

12. INTANGIBLE ASSETS:

(1) Composition of the Group's intangible assets as of December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Description	December 31, 2016 Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 42,863	₩ 20,210	₩ 29,583	₩ 14,982	₩ 22,922	₩ 229,517	₩ 360,077
Accumulated depreciation	(28,285)	(11,582)	-	-	-	(165,451)	(205,318)
Accumulated impairment	(6,851)	-	(6,497)	(12,797)	(12,493)	(1,830)	(40,468)
Government grants	-	(9)	-	-	-	(274)	(283)
Total	₩ 7,727	₩ 8,619	₩ 23,086	₩ 2,185	₩ 10,429	₩ 61,962	₩ 114,008

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

(2) Changes in intangible assets for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016 Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 13,617	₩ 6,606	₩ 22,730	₩ 2,185	₩ 5,425	₩ 66,023	₩ 116,586
Acquisitions	-	12	3,836	-	14,803	6,483	25,134
Disposals	-	(28)	(2,455)	-	(150)	(1,578)	(4,211)
Transfers in	10	-	-	-	-	13,164	13,174
Transfers out	-	-	-	-	(13,174)	-	(13,174)
Government subsidies	-	(1)	-	-	-	(30)	(31)
Impairment loss	(142)	-	(1,022)	-	(206)	(33)	(1,403)
Amortization (*1)	(5,409)	(1,138)	-	-	-	(20,696)	(27,243)
Disposals of subsidiaries (*2)	(372)	-	-	-	-	(135)	(507)
Others	29	3,168	-	-	3,756	(1,221)	5,732
Effect of foreign currency translation	(6)	-	(3)	-	(25)	(15)	(49)
Ending balance	₩ 7,727	₩ 8,619	₩ 23,086	₩ 2,185	₩ 10,429	₩ 61,962	₩ 114,008

(*1) ₩72 million classified as profit or loss of discontinued operations is included.

(*2) Disposed Ucess Partners Co., Ltd. and Ever On Co., Ltd., both subsidiaries, during the current period (see Note 37).

Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
	Year ended December 31, 2015						
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

(*) ₩95 million classified as profit or loss of discontinued operations is included.

(3) Details of book value of goodwill that is allocated to cash-generating unit are as follows (Unit: Korean won in millions):

Description	Acquisition cost	Accumulated depreciation	Book value
	Year ended December 31, 2016		
LG CNS Co., Ltd.	₩ 520	₩ -	₩ 520
BNE Partners, Co., Ltd.	1,665	-	1,665
Korea Elecom Co., Ltd. (*1)	7,964	(7,964)	-
Oneseen Skytech (*1), (*2)	-	-	-
Total	₩ 10,149	₩ (7,964)	₩ 2,185

Description	Acquisition cost	Accumulated depreciation	Book value
	Year ended December 31, 2015		
LG CNS Co., Ltd.	₩ 520	₩ -	₩ 520
BNE Partners, Co., Ltd.	1,665	-	1,665
Korea Elecom Co., Ltd. (*1)	7,964	(7,964)	-
Oneseen Skytech (*1), (*2)	4,833	(4,833)	-
Total	₩ 14,982	₩ (12,797)	₩ 2,185

(*1) Management recognized impairment loss for the whole goodwill as the total book 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.
(*2) Merged into LG CNS Co., Ltd. during current period.

(4) Changes in government grants for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Intellectual property rights	Computer software and other assets	Total
	Year ended December 31, 2016		
Beginning balance	₩ 8	₩ 535	₩ 543
Receipt	1	30	31
Offsetting amortization	-	(291)	(291)
Ending balance	₩ 9	₩ 274	₩ 283

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

(5) The costs related to research and development, accounted for as expenses, for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Manufacturing statement	₩	25,041	₩	25,912
Selling and administrative expenses		26,035		41,303
Total	₩	51,076	₩	67,215

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Group's investments in associates and joint ventures as of December 31, 2016, is as follows:

Companies	Location of incorporation	Major business activities	Closing date	Number of shares held and investments in capital: Common stock	Number of shares held and investments in capital: Preferred stock	Number of shares issued: Common stock	Number of shares issued: Preferred stock	Percentage of ownership (%)	Percentage of ownership (common stock) (%)
LG Chem Ltd. (*1)	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. (*1)	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 of 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 of other basic organic chemicals	12-31	1,200,000	-	2,400,000	-	50.00%	50.00%
Silicon Works Co., Ltd.	South Korea	Design and manufacturing of semiconductor	12-31	5,380,524	-	16,264,300	-	33.08%	33.08%
LG Fuel Cell Systems Inc. (*3)	America	Development of fuel cells for research and experimental	12-31	351	-	1,750	-	20.06%	20.06%

		development							
Combustion Synthesis Co., Ltd. (*4)	Japan	Manufacturing of the combustion synthesis power and manufactured goods	12-31	725,000	-	1,181,000	-	61.39%	61.39%
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 (*5)	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. (*6)	South Korea	Petro cock renewable energy projects	12-31	9,750	-	1,059,000	-	0.92%	0.92%
Sejong Green Power Co., Ltd. (*5)	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	22,500	-	75,000	-	30.00%	30.00%
Ulleungdo Natural Energy Independent Island Co., Ltd.	South Korea	New and renewable energy	12-31	1,600,000	-	5,360,000	-	29.85%	29.85%
Dongnam Solar Energy Co., Ltd.	South Korea	The sun optical-the development business	12-31	174,608	-	672,000	-	25.98%	25.98%
Daegu Clean Energy Co., Ltd. (*7)	South Korea	Energy supply	12-31	25,000	-	100,000	-	25.00%	25.00%
Serveone Cenyar Services Co. (*2), (*8)	Qatar	Real estate management services	12-31	98	-	200	-	49.00%	49.00%

(*1) LG Life Science Co., Ltd. was merged into LG Chem Ltd. as of January 1, 2017.

(*2) A joint venture.

(*3) Acquired through participation of establishment during current period.

(*4) The percentage of ownership is more than 50%; however, in material respects, the Company is not classified as subsidiaries.

(*5) 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%.

(*6) Reclassified as AFS financial assets from investments in associates due to disposal of investment securities during current period.

(*7) Newly acquired during current period.

(*8) 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.

Fair values of marketable equity securities for investments in associates as of December 31, 2016, 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.	Silicon Works Co., Ltd.
Fair values of equity securities	₩ 5,799,244	₩ 4,555,384	₩ 2,842,880	₩ 1,801,964	₩ 340,478	₩ 47,375	₩ 287,739	₩ 149,579

(*) Transaction was suspended from December 28, 2016, because LG Life Science Co., Ltd. was merged into LG Chem Ltd. as of January 1, 2017.

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2016 and 2015, are as follows (Korean won in millions):

	Year ended December 31, 2016						
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.	₩ 3,867,167	₩ -	₩ (99,987)	₩ 376,203	₩ (1,187)	₩ -	₩ 4,142,196
LG Household & Health Care Ltd.	607,915	-	(29,235)	170,156	5,730	-	754,566
LG Electronics Inc.	3,482,395	-	(22,038)	18,315	108,623	-	3,587,295
LG Uplus Corp.	1,572,882	-	(39,344)	174,115	(1,969)	-	1,705,684
LG Life Science Co., Ltd. (*1)	75,313	-	-	8,086	(83,399)	-	-
LG Hitachi Co., Ltd.	8,298	-	(5)	334	(63)	-	8,564
GIIR Corporation	44,417	-	(1,160)	4,938	(191)	-	48,004
LG Hausys, Ltd.	257,848	-	(5,412)	20,913	1,721	-	275,070
LG MMA Corp.	211,114	-	(21,000)	26,470	(143)	-	216,441
Silicon Works Co., Ltd.	159,584	-	(5,381)	13,268	(436)	-	167,035
LG Fuel Cell Systems Inc.	2,030	15,549	-	(10,202)	19	146	7,542
Combustion Synthesis Co., Ltd.	1,667	-	-	(490)	33	-	1,210
Korea Smart Card Co., Ltd.	36,064	-	-	6,670	(624)	-	42,110
Songdo U-Life LLC	8,165	-	-	(250)	-	-	7,915
Recaudo Bogota S.A.S.	-	-	-	(422)	4,422	-	4,000
Petro Cornergy Co., Ltd. (*2)	-	-	-	-	-	-	-
Sejong Green Power Co., Ltd.	1,200	-	-	(35)	-	-	1,165
Hellas SmarTicket Societe Anonyme	1,480	1,469	-	(144)	(56)	-	2,749
Ulleungdo Natural Energy Independent Island Co., Ltd.	7,422	-	-	(520)	(7)	-	6,895
Dongnam Solar Energy Co., Ltd.	670	-	-	(82)	-	-	588
Daegu Clean Energy Co., Ltd. (*3)	-	125	-	-	-	-	125
Serveone Cenyar Services Co. (*4)	-	-	-	-	-	-	-
Total	₩10,345,631	₩ 17,143	₩ (223,562)	₩ 807,323	₩ 32,473	₩ 146	₩10,979,154

(*1) Net assets have become negative (-) amount due to exercise of appraisal right related to merger with LG Chem Ltd. Through this, equity method was discontinued and classified as assets held for sale. Also, ₩17,299 million of other comprehensive loss was not recognized.
(*2) Reclassified from investments in associates to AFS financial assets due to disposal of investment securities.
(*3) Newly acquired during current period.
(*4) 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 accumulated loss during the previous period. Allowance for doubtful accounts is set from long-term loans for ₩916 million of profit (loss) from equity method that exceeds the book value of investments in associates and ₩64 million of other comprehensive loss during the current period.

Companies	Beginning balance	Acquisitions	Dividends received	Gain (loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Disposal and others	Ending balance
	Year ended December 31, 2015						
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
Silicon Works 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 accumulated loss during the previous period. As a result, ₩904 million loss on valuation by equity method and ₩41 million of comprehensive loss are not recognized.

(*2) Disposed during the previous period.

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

(*4) The application of equity method is discontinued due to accumulated loss. Allowance for doubtful accounts is set from long-term loans for ₩562 million of profit (loss) from equity method that exceeds the carrying value of investments in associates and ₩32 million of other comprehensive loss during the previous 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, 2016 and 2015, are as follows (Unit: Korean won in millions):

	As of and for the year ended December 31, 2016					
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.	₩ 13,997,352	30.07%	₩ 4,190,503	₩ -	₩ (48,307)	₩ 4,142,196
LG Household & Health Care Ltd.	2,532,358	30.00%	759,727	-	(5,161)	754,566
LG Electronics Inc.	11,987,094	30.47%	3,652,095	-	(64,800)	3,587,295
LG Uplus Corp.	4,826,105	36.05%	1,739,569	-	(33,885)	1,705,684
LG Life Science Co., Ltd.	(43,145)	30.00%	(12,944)	-	12,944	-
LG Hitachi Co., Ltd.	17,502	49.00%	8,576	-	(12)	8,564
GIIR Corporation	146,079	35.00%	51,128	2,352	(5,476)	48,004
LG Hausys, Ltd.	937,363	30.07%	281,834	-	(6,764)	275,070
LG MMA Corp.	434,770	50.00%	217,386	-	(945)	216,441
Silicon Works Co., Ltd.	380,678	33.08%	125,935	41,523	(423)	167,035
LG Fuel Cell Systems Inc.	(14,897)	20.06%	(2,988)	10,530	-	7,542
Combustion Synthesis Co., Ltd.	(275)	61.39%	(169)	1,379	-	1,210
Korea Smart Card Co., Ltd.	101,303	32.91%	33,336	8,777	(3)	42,110
Songdo U-Life LLC	26,982	16.39%	4,422	3,493	-	7,915
Recaudo Bogota S.A.S.	19,998	20.00%	4,000	-	-	4,000
Petro Conergy Co., Ltd. (*1)	-	0.92%	-	-	-	-
Sejong Green Power Co., Ltd.	5,820	19.91%	1,159	6	-	1,165
Hellas SmarTicket Societe Anonyme	9,163	30.00%	2,749	-	-	2,749
Ulleungdo Natural Energy Independent Island Co., Ltd.	23,099	29.85%	6,895	-	-	6,895
Dongnam Solar Energy Co., Ltd.	2,256	25.98%	587	1	-	588
Daegu Clean Energy Co., Ltd. (*2)	500	25.00%	125	-	-	125
Serveone Cenyar Services Co. (*3)	(1,382)	49.00%	-	-	-	-

(*1) The application of equity method is discontinued due to accumulated loss during the previous period.
(*2) Newly acquired during current period.
(*3) 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 accumulated loss during the previous period.

	As of and for the year ended December 31, 2015					
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.	₩ 12,991,465	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
Silicon Works 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 accumulated loss during the previous period.
(*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 accumulated loss during the previous period.

(4) Summary of financial position for associates as of December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

	December 31, 2016								
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. (*)	₩ 9,226,934	₩ 11,260,126	₩ 20,487,060	₩ 5,446,852	₩ 989,241	₩6,436,093	₩13,937,352	₩113,615	₩14,050,967
LG Household & Health Care Ltd.	1,424,610	3,077,553	4,502,163	1,146,890	734,433	1,881,323	2,532,358	88,482	2,620,840
LG Electronics Inc. (*)	16,990,563	20,864,706	37,855,269	15,744,364	8,754,163	24,498,527	11,987,094	1,369,648	13,356,742
LG Uplus Corp.	2,619,551	9,369,566	11,989,117	3,574,396	3,588,393	7,162,789	4,826,105	223	4,826,328

(*) LG Chem Ltd. and LG Electronics Inc. each recorded ₩8,104 million (₩42 million) and ₩8,906 million, respectively, of assets (liabilities) held for sale as of December 31, 2016.

Companies	December 31, 2015 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. (*)	₩ 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. (*)	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

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

(5) Summary of profit and loss for associates for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Companies	Year ended December 31, 2016 Revenue	Operating income (loss)	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income (loss)
LG Chem Ltd.	₩ 20,659,296	₩ 1,991,920	₩ 378,834	₩ -	₩ (5,810	₩ 1,275,184
LG Household & Health Care Ltd.	6,094,059	880,937	173,496	-	22,768	602,008
LG Electronics Inc.	55,367,033	1,337,763	595,402	-	358,184	484,499
LG Uplus Corp.	11,451,046	746,483	149,839	-	1,137	493,876

Companies	Year ended December 31, 2015 Revenue	Operating income (loss)	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income (loss)
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

14. DEBENTURES AND BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2016 and 2015, consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2016	December 31, 2015
Korean currency short-term borrowings	Kookmin Bank and others	2.92–3.04	₩ 70,000	₩ 34,100
Overdraft	Kookmin Bank	3.29–3.34	7,026	8,105
Commercial paper	Dongbu Securities	-	-	25,000
Trade receivables transferred (*)	Shinhan Bank and others	1.50–4.66	34,298	26,522
Foreign currency short-term borrowings	The Export-Import Bank of Korea and others	0.76–10.34	79,471	74,791
Total			₩ 190,795	₩ 168,518

(*) 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, 2016 and 2015, consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2016		December 31, 2015	
			Current	Non-current (*2)	Current	Non-current
Korean currency long-term borrowings (*1)	Kookmin Bank and others	1.61–4.75	₩ 187,427	₩ 349,348	₩ 221,162	₩ 477,816
Foreign currency long-term borrowings	LAPIS Semiconductor	2.00	-	3,059	-	2,868
Debentures in Korean won		1.88–4.37	320,000	830,000	100,000	950,000
Discount on debentures			(60)	(2,318)	(133)	(2,570)
Present value discount account			(392)	(289)	(466)	(680)
Total			₩ 506,975	₩ 1,179,800	₩ 320,563	₩ 1,427,434

(*1) Korea currency long-term borrowings include asset securitization liabilities (₩88,000 million) (see Note 31).

(*2) Information on non-current long-term borrowings as of December 31, 2016, is as follows (Unit: Korean won in millions):

Remaining maturity	1 year-2 years	2 years-3 years	More than 3 years
Balance	₩ 241,248	₩ 81,125	₩ 30,034

(3) The Group's debentures as of December 31, 2016 and 2015, consist of the following (Unit: Korean won in millions):

Company	Description	Issuance date	Maturity date	Annual interest rate	December 31, 2016	December 31, 2015
LG CNS Co., Ltd.	5th public offering	2012-03-05	2017-03-05	4.15%	₩ 100,000	₩ 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
	9-1st public offering	2015-04-16	2018-04-16	1.88%	50,000	50,000
	9-2nd public offering	2015-04-16	2020-04-16	2.07%	100,000	100,000
	9-3rd public offering	2015-04-16	2022-04-16	2.44%	50,000	50,000
Serveone Co., Ltd.	3rd public offering	2014-02-14	2017-02-14	3.21%	100,000	100,000
	4-1st public offering	2015-10-01	2018-10-01	1.96%	50,000	50,000
	4-2nd public offering	2015-10-01	2020-10-01	2.24%	150,000	150,000
	5-1st public offering	2016-10-27	2019-10-27	1.92%	110,000	-
	5-2nd public offering	2016-10-27	2021-10-27	2.10%	90,000	-
LG Siltron Inc.	38-2nd 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	70,000
LG N-Sys Co., Ltd.	2-1st public offering	2015-05-29	2018-05-29	2.32%	40,000	40,000
	2-2nd public offering	2015-05-29	2020-05-29	2.89%	20,000	20,000
	Subtotal				1,150,000	1,050,000
	Discount on debentures				(2,378)	(2,703)
	Current debentures (*)				(319,940)	(99,867)
	Total				₩ 827,682	₩ 947,430

(*) Discounts on debentures have been deducted.

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016													
	Beginning balance		Increase		Using		Reversal		Effect of foreign currency translation		Effect of disposal of subsidiaries		Ending balance	
Provision for construction (product) warranties	₩	18,567	₩	14,610	₩	(13,178)	₩	(2,369)	₩	20	₩	(9)	₩	17,641
Restoration liabilities (*)		7,104		417		(232)		(145)		(59)		(259)		6,826
Others		20,968		22,839		(4,024)		(2,956)		(67)		-		36,760
Total	₩	46,639	₩	37,866	₩	(17,434)	₩	(5,470)	₩	(106)	₩	(268)	₩	61,227

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.

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 ₩36,518 million and ₩36,521 million, respectively, and payable amounts related to defined contribution plans as of December 31, 2016 and 2015, are ₩4,021 million and ₩5,259 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 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 liabilities is performed by a reputable actuary using the projected unit credit method.

1) As of December 31, 2016 and 2015, amounts recognized in the consolidated statements of financial position related to retirement benefit obligation are as follows (Unit: Korean won in millions):

Description	December 31, 2016		December 31, 2015	
Present value of defined benefit obligation	₩	319,853	₩	312,507
Fair value of plan assets		(262,998)		(229,475)
Net defined benefit liabilities	₩	56,855	₩	83,032

2) Changes in defined benefit obligation for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Beginning balance	₩	312,507	₩	290,416
Current service cost		45,194		45,470
Interest cost		7,912		8,945
Actuarial gain (loss)		(22,988)		(7,900)
Past service cost		(274)		-
Effect of settlement/curtailments		-		(172)
Effect of foreign currency translation		4		2
Benefits paid		(27,313)		(23,624)
Others		4,811		(630)
Ending balance	₩	319,853	₩	312,507

3) Income and loss related to defined benefit plan for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Service cost	₩	44,920	₩	45,298
Current service cost		45,194		45,470
Past service cost		(274)		-
Effect of settlement/curtailments		-		(172)
Net interest on the net defined benefit liability (asset)		2,200		3,159
Interest cost on defined benefit obligation		7,912		8,945
Comprising interest on plan assets		(5,712)		(5,786)
Others		400		433
Total	₩	47,520	₩	48,890

Total costs for the years ended December 31, 2016 and 2015, are included in cost of sales for ₩24,256 million and ₩24,517 million, respectively, in selling and administrative expenses for ₩23,264 million and ₩24,373 million, respectively.

4) Changes in plan assets for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Beginning balance	₩	229,475	₩	193,114
Comprising interest on plan assets		5,712		5,786
Remeasurements - Return on plan assets		(777)		(625)
Contributions from the employer		45,430		46,607
Contributions from the employee		8,666		-
Effect of foreign currency translation		(1)		3
Benefits paid		(23,649)		(15,907)
Others		(1,858)		497
Ending balance	₩	262,998	₩	229,475

5) All of the plan assets are invested in financial instruments that guarantee principal and interest rate as of December 31, 2016 and 2015.

6) Actuarial assumptions used as of December 31, 2016 and 2015, are as follows:

Description	December 31, 2016	December 31, 2015
Discount rate (%)	2.21–6.44	2.27–7.55
Expected rate of salary increase (%)	3.08–9.79	1.10–12.14

7) The sensitivity analysis of the defined benefit obligation as of December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

	December 31, 2016		
Description	Center scenario	+ 1%	- 1%
Change in discount rate	₩ 319,853	₩ 295,765	₩ 347,644
Change in rate of salary increase	319,853	346,538	296,191

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

	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.

8) Remeasurement related to net defined benefit liabilities for the years ended December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016	Year ended December 31, 2015
Actuarial gains (losses) arising from changes in demographic assumptions	₩ (5,837)	₩ (5,923)
Actuarial gains (losses) arising from changes in financial assumptions	(19,791)	1,459
Actuarial gains (losses) arising from experience	1,922	(3,318)
Return on plan assets excluding amounts included in interest income	777	625
Actuarial gains (losses) arising from transfer in/out adjustments	719	(118)
Total	₩ (22,210)	₩ (7,275)

Meanwhile, the Group deducted ₩(5,207) million and ₩(1,737) million arising from income tax effect for actuarial gain (loss) during the current and previous period, respectively.

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Advance receipts	₩ 91,245	₩ -	₩ 32,135	₩ -
Advances from lease revenue	-	5,862	-	6,153
VAT withheld	45,641	-	55,790	-
Withholdings	62,790	-	46,143	-
Unearned income	14,014	3,538	18,688	15,166
Due to customers for contract work	98,323	-	70,882	-
Government subsidy	18	-	507	-
Other long-term employee benefits	-	16,469	-	17,517
Total	₩ 312,031	₩ 25,869	₩ 224,145	₩ 38,836

18. CONSTRUCTION CONTRACTS:

(1) Cost, income and loss and claimed construction costs from construction in progress as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016	December 31, 2015
Accumulated accrual cost	₩ 3,019,885	₩ 2,173,748
Accumulated income	322,812	254,736
Accumulated loss	(81,854)	(69,631)
Accumulated construction in process	3,260,843	2,358,853
Progress billing (*)	3,092,651	2,234,716
Gross amounts due from customers for contract work	266,515	195,019
Gross amounts due to customers for contract work	₩ 98,323	₩ 70,882

(*) Consolidated adjustments are included.

Advances received from construction contracts are ₩35,862 million and ₩30,079 million as of December 31, 2016 and 2015, respectively.

(2) As contracts that recognize progress-based revenue made by applying the cost-based input method at the end of the previous period, effects on changes of estimation of total contract revenues and total contract costs and impact on the current period's income, future period's income and amounts due from customers for contract work, 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 of amounts due from customers for contract work	Contract loss provision liabilities
Serveone Co., Ltd.	₩ 33,378	₩ 25,479	₩ 7,899	₩ 25,479	₩ -
LG CNS Co., Ltd.	731	(1,472)	2,203	(1,472)	4,288
Subtotal	34,109	24,007	10,102	24,007	4,288
Consolidation adjustments	1,197	1,176	21	1,176	-
Total	₩ 35,306	₩ 25,183	₩ 10,123	₩ 25,183	₩ 4,288

(3) Non of the contracts that recognize progress-based revenue made by applying the cost-based input method during current period exceeded 5% of previous sales.

19. ISSUED CAPITAL:

Details of issued capital as of December 31, 2016, 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	82,997,766	₩	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 when it is resolved not to pay to the shareholders' meeting when it is resolved to pay dividends.

The Group has 93,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2016 and 2015, respectively; the carrying amounts of common stocks are ₩2,334 million (preferred stock: ₩51 million).

20. CAPITAL SURPLUS:

(1) Composition of capital surplus as of December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Description	December 31, 2016		December 31, 2015	
Asset revaluation reserve	₩	337,386	₩	337,386
Paid-up capital in excess of par value		898,266		898,266
Other capital surplus		1,129,285		1,126,006
Total	₩	2,364,937	₩	2,361,658

(2) Changes in capital surplus as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	2016		2015	
Beginning balance	₩	2,361,658	₩	2,362,706
Changes in the share of subsidiaries		2,919		(1,048)
Acquisition (disposal) in the share of subsidiaries		360		-
Ending balance	₩	2,364,937	₩	2,361,658

21. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of accumulated other comprehensive income (loss) as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016		December 31, 2015	
Changes in investment valuation using equity method	₩	(180,415)	₩	(147,237)
Gain on AFS financial assets		21,106		23,749
Loss on AFS financial assets		(426)		(715)
Overseas operations translation		2,365		(7,700)
Loss on valuation of derivatives instruments entered into for cash flow hedge		(2,236)		(2,959)
Total	₩	(159,606)	₩	(134,862)

(2)

(2) Changes in investment valuation using equity method for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Beginning balance	₩	(147,237)	₩	(152,618)
Changes in capital of associates and joint ventures		(30,521)		5,754
Effect on income taxes		(2,657)		(373)
Ending balance	₩	(180,415)	₩	(147,237)

(3) Changes in gain on AFS financial assets for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Beginning balance	₩	23,749	₩	30,896
Changes in gain on AFS financial assets		(3,487)		(9,429)
Effect on income taxes		844		2,282
Ending balance	₩	21,106	₩	23,749

(4) Changes in loss on AFS financial assets for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Beginning balance	₩	(715)	₩	(561)
Changes in loss on AFS financial assets		381		(203)
Effect on income taxes		(92)		49
Ending balance	₩	(426)	₩	(715)

(5) Changes in overseas operations translation for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Beginning balance	₩	(7,700)	₩	(15,317)
Changes in overseas operations translation		10,065		7,617
Ending balance	₩	2,365	₩	(7,700)

(6) Changes in loss on valuation of derivatives instruments entered into for cash flow hedge for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016	Year ended December 31, 2015
Beginning balance	₩ (2,959)	₩ (3,362)
Net gain (loss) on derivatives instruments entered into for cash flow hedge	379	(860)
Interest rate swap	500	(1,120)
Income taxes by loss on valuation of derivatives instruments entered into for cash flow hedge	(121)	260
Transfers to profit and loss (*)	737	1,388
Interest rate swap (transferred to non-operating expenses)	972	1,805
Income tax expenses	(235)	(417)
Ending balance	(1,843)	(2,834)
Consolidation adjustment	(393)	(125)
Balance after consolidation adjustment	₩ (2,236)	₩ (2,959)

(*) Loss on valuation of cash flow derivatives that are transferred to profit and loss from equity for the years ended December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016	Year ended December 31, 2015
Non-operating expenses	₩ 972	₩ 1,805
Income tax expenses	(235)	(417)
Total	₩ 737	₩ 1,388

22. RETAINED EARNINGS AND DIVIDENDS:

Changes in retained earnings for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016	Year ended December 31, 2015
Beginning balance	₩ 9,871,746	₩ 9,153,234
Profit for the year attributable to the owners of the Company	1,074,795	944,189
Dividends (*)	(228,668)	(175,937)
Remeasurement of net defined benefit liability	14,434	5,816
Changes in retained earnings by equity method	62,274	(55,556)
Retirements of treasury stocks	(2,521)	-
Ending balance	₩ 10,792,060	₩ 9,871,746

(*) Details of dividends for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2016				
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	₩ 1,300	₩ 224,202
Preferred stock	3,314,677	6,810	3,307,867	1,350	4,466

Type of stock	Year ended December 31, 2015 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 years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2016	Year ended December 31, 2015
Revenue and gain (loss) valuation by equity method		
Sales of goods	₩ 5,278,737	₩ 5,250,038
Sales of finished goods	910,297	901,884
Sales of merchandise	4,368,440	4,348,154
Service revenue	2,066,511	2,147,916
Construction revenue	2,169,020	1,440,577
Gain (loss) on valuation by equity method	807,323	719,866
Other revenue	403,783	406,968
	10,725,374	9,965,365
Cost of sales		
Cost of sales of goods	4,921,883	4,943,189
Cost of sales of service	1,790,034	1,857,779
Cost of sales of construction	1,954,569	1,297,359
Cost of sales of others	257,839	239,883
	8,924,325	8,338,210
Gross profit	1,801,049	1,627,155
Selling and administrative expenses		
Salaries and wages	205,406	197,861
Retirement benefits	20,669	22,278
Welfare	40,090	50,763
Amusement expenses	6,698	7,624
Depreciation	11,757	17,823
Amortization of intangible assets	11,233	12,424
Taxes and dues	13,565	13,856
Advertising expenses	7,070	12,182
Usual development expenses/survey and research	26,035	41,303
Commission	20,012	15,689
Insurance premium	1,389	2,675
Transportation expenses	14,816	16,425
Travel expenses	9,687	10,432
Service contract expenses	9,304	9,796
Rental expenses	15,725	14,601
Allowance (reversal) of bad debt	10,899	(858)
Allowance (reversal) of accrual of provision	12,231	23,881
Others	19,771	19,781
	456,357	488,536
Operating income	₩ 1,344,692	₩ 1,138,619

24. CLASSIFICATION OF EXPENSES BY NATURE:

Details of expenses by nature for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2016			
	Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 47,748	₩ -	₩ 4,246,904	₩ 4,294,652
Finished goods	22,099	-	-	22,099
Work in process	2,742	-	-	2,742
Semifinished goods	(1,643)	-	-	(1,643)
Merchandise	29,487	-	4,080,342	4,109,829
Other inventories	(4,937)	-	166,562	161,625
Used raw material	-	-	438,387	438,387
Employee benefits	-	266,165	828,294	1,094,459
Depreciation and amortization	-	22,990	273,291	296,281
Commission expenses	-	20,012	538,764	558,776
Lease expenses	-	15,725	93,640	109,365
Professional fees	-	9,304	1,738,014	1,747,318
Other expenses and consolidation adjustments	-	122,161	719,283	841,444
Total	₩ 47,748	₩ 456,357	₩ 8,876,577	₩ 9,380,682

Account	Year ended December 31, 2015			
	Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 5,384	₩ -	₩ 4,292,742	₩ 4,298,126
Finished goods	12,738	-	-	12,738
Work in process	4,355	-	-	4,355
Semifinished goods	7,302	-	-	7,302
Merchandise	(16,077)	-	4,145,056	4,128,979
Other inventories	(2,934)	-	147,686	144,752
Used raw material	-	-	375,148	375,148
Employee benefits	-	270,902	800,954	1,071,856
Depreciation and amortization	-	30,247	278,054	308,301
Commission expenses	-	15,689	555,739	571,428
Lease expenses	-	14,601	95,127	109,728
Professional fees	-	9,796	1,285,763	1,295,559
Other expenses and consolidation adjustments	-	147,301	649,299	796,600
Total	₩ 5,384	₩ 488,536	₩ 8,332,826	₩ 8,826,746

25. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the years ended December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2016		Year ended December 31, 2015	
Interest income	₩	20,623	₩	19,243
Dividend income		2,703		1,633
Gain on foreign currency transaction		18,435		11,190
Gain on foreign currency translation		2,326		2,422
Gain on disposals of AFS financial assets		22		126
Gain on disposals of other financial assets		-		35
Total	₩	44,109	₩	34,649

(2) Interest income included in financial income for the years ended December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2016		Year ended December 31, 2015	
Financial institution deposits and others	₩	16,355	₩	16,152
AFS financial assets		-		54
Other loans and receivables		4,507		3,054
Subtotal		20,862		19,260
Consolidation adjustment		(239)		(17)
Consolidated total	₩	20,623	₩	19,243

(3) Financial expenses for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2016		Year ended December 31, 2015	
Interest expenses	₩	74,683	₩	79,761
Loss on foreign currency transaction (non-operating)		19,801		14,988
Loss on foreign currency translation (non-operating)		3,607		2,222
Loss on transactions of derivatives		687		527
Loss on disposals of AFS financial assets		1		4
Impairment loss on AFS financial assets		266		787
Loss on disposals of trade receivables		1		746
Loss on redemption of bonds		-		1,356
Total	₩	99,046	₩	100,391

(4) Interest expenses included in financial expenses for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2016		Year ended December 31, 2015	
Bank overdrafts and loan interest	₩	27,849	₩	32,889
Interest expenses (discount on bonds payable)		33,222		35,099
Other interest expenses		18,257		16,290
Less: Capitalized interest expenses included in qualified assets (*)		(3,801)		(3,944)
Subtotal		75,527		80,334
Consolidation adjustment		(844)		(573)
Consolidated total	₩	74,683	₩	79,761

(*) Capitalization interest rates used for the years ended December 31, 2016 and 2015, are 2.29%–4.11% and 1.78%–4.16%, respectively.

26. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016	Year ended December 31, 2015
Other non-operating income		
Rental income	₩ 920	₩ 586
Commission income	162	-
Gain on foreign currency transaction	38,198	28,562
Gain on foreign currency translation	15,499	13,419
Gain on disposals of tangible assets	2,943	2,595
Gain on disposals of intangible assets	44	34
Gain on transactions of derivatives	17,276	7,361
Gain on valuation of derivatives	1,376	1,138
	536	-
Gain on disposals of investments in associates	1,838	455
Miscellaneous income	3,649	3,739
Reversal of impairment loss of intangible assets	-	15
Other reversal of allowance for doubtful accounts	346	102
Total	₩ 82,787	₩ 58,006
Other non-operating expenses		
Loss on foreign currency transaction	₩ 38,859	₩ 25,094
Loss on foreign currency translation	12,828	8,587
Loss on disposals of tangible assets	6,537	1,479
Loss on disposals of intangible assets	2,079	843
Loss on transactions of derivatives	13,904	8,241
Loss on valuation of derivatives	3,810	1,254
Loss on disposals of investments in associates	-	296
Donations and contributions	3,449	4,243
Other bad debt expenses	704	1,029
Impairment losses of tangible assets	698	151
Impairment losses of intangible assets	1,403	545
Miscellaneous loss	653	2,224
Others	12,988	750
Total	₩ 97,912	₩ 54,736

27. NET GAINS (LOSSES) FROM FINANCIAL INSTRUMENTS:

Net gains (losses) from financial instruments for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Financial assets:				
Financial assets at FVTPL	₩	19,360	₩	8,499
AFS financial assets		104		(6,278)
Loans and other receivables (*)		14,293		36,136
Subtotal		33,757		38,357
Financial liabilities:				
Financial liabilities at FVTPL		(17,969)		(10,022)
Derivative liabilities designated as a hedging instrument		493		(492)
Financial liabilities measured at amortized cost		(78,540)		(93,981)
Subtotal		(96,016)		(104,495)
Total	₩	(62,259)	₩	(66,138)

(*) 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 years ended December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Current income tax	₩	145,543	₩	127,628
Adjustment related to prior income tax expense		10,717		1,037
Changes in deferred tax assets:		26,052		2,162
Foreign currency translation effects		40		(131)
Beginning deferred tax assets due to temporary differences		(103,863)		(101,640)
Ending deferred tax assets due to temporary differences		(137,368)		(103,863)
Deferred tax directly reflected in equity		(7,493)		70
Others and consolidation adjustments		(168)		749
Income tax expense for continuing operations	₩	182,144	₩	131,576

(2) Changes in deferred tax assets (liabilities) for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016					
	Beginning balance		Reflected in income (loss) or in equity		Ending balance	
Temporary differences:						
Cash flow hedging	₩	717	₩	(117)	₩	600
Investments in subsidiaries, associates and joint ventures		(130,854)		(37,301)		(168,155)
Property, plant and equipment		21,771		1,412		23,183
Intangible assets		5,591		(111)		5,480
AFS financial assets		(982)		895		(87)
Provisions		44,419		(1,889)		42,530

Description	December 31, 2016 Beginning balance	Reflected in income (loss) or in equity	Ending balance
Doubtful receivables	792	300	1,092
Other financial liabilities	1,871	1,189	3,060
Others	1,984	10,946	12,930
Tax deficit and tax credits:			
Tax deficit	72,014	(8,087)	63,927
Others	13,475	7,511	20,986
Deferred tax assets (liabilities)	30,798	(25,252)	5,546
Consolidation adjustment	(134,661)	(8,253)	(142,914)
Consolidated balance	₩ (103,863)	₩ (33,505)	₩ (137,368)

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)

(3) Details of income tax that are directly reflected to the capital for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016	December 31, 2015
Valuation gain (loss) of derivatives for cash flow hedge	₩ (356)	₩ (157)
Valuation gain (loss) of AFS financial assets	706	2,337
Remeasurement of defined benefit plans	(5,186)	(1,737)
Change of capital from equity method	(2,657)	(373)
Total	₩ (7,493)	₩ 70

(4) As of December 31, 2016, deferred tax liabilities recognized for assets (liabilities) held for sale are ₩146 million (see Note 39).

(5) As of December 31, 2016 and 2015, unrecognized deferred tax assets, excluding investment assets, are as follows (Unit: Korean won in millions):

Description	December 31, 2016	December 31, 2015
Temporary differences	₩ 16,497	₩ 19,998
Tax deficit	44,158	46,202
Tax credits unused	9,516	24,294

(6) As of December 31, 2016 and 2015, 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, 2016		December 31, 2015	
Investments in subsidiaries	₩	(1,509,059)	₩	(1,417,138)
Investments in associates and joint ventures		1,320,508		1,219,712
Total	₩	(188,551)	₩	(197,426)

29. EARNINGS PER SHARE:

(1) Net income per share for the years ended December 31, 2016 and 2015, is as follows (Unit: Korean won):

Description	December 31, 2016		December 31, 2015	
Basic earnings per share of common share				
Continuing operation	₩	6,118	₩	5,374
Discontinued operation		(4)		(3)
Total basic earnings per share of common share	₩	6,114	₩	5,371
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share (*)				
Continuing operation	₩	6,168	₩	5,424
Discontinued operation		(4)		(3)
Total basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	₩	6,164	₩	5,421

(*) Basic earnings per share are calculated for preferred share, which K-IFRS 1033, *Earnings per share,* clarifies 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 years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Profit for the year attributable to owners of the Company	₩	1,074,795	₩	944,189
Less dividends for Pre-1996 Commercial Law Amendment preferred share		(4,465)		(3,473)
Less Pre-1996 Commercial Law Amendment preferred stock portion of residual profit		(15,924)		(14,458)
Net income used to calculate basic earnings per share of common share		1,054,406		926,258
Less discontinued operations' profit used for discontinued operations' basic earnings per share of common share		(767)		(498)
Profit from continuing operations used for continuing operations' basic earnings per share of common share		1,055,173		926,756
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 years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016		Year ended December 31, 2015	
Dividends for Pre-1996 Commercial Law Amendment preferred share and Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	₩	20,389	₩	17,931
Net income used to calculate basic earnings per share of Pre-1996 Commercial Law Amendment preferred share		20,389		17,931
Less discontinued operations' profit used for discontinued operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share		(15)		(9)
Profit from continuing operations used for continuing operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share		20,404		17,940
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, 2016 and 2015, are as follows:

December 31, 2016		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
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.		
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.		
Daegu Clean Energy Co., Ltd.		
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	New Growth Venture Fund	
	New Growth Venture Fund Ⅱ	
	Ace R&A Co., Ltd.	
	Hientech Co., Ltd.	
	LG-Hitachi Water Solutions Co., Ltd.	

December 31, 2016		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
	LG Innotek Co., Ltd.	
	Innowith	
	Hanuri	
	LG Innotek Alliance Fund	
LG Chem Ltd.	Haengboknuri	LG Chem America, Inc. and others
	FarmHannong Co., Ltd.	
	Agrotech Co., Ltd.	
	FarmBiotec Co., Ltd.	
	FarmHwaong Co., Ltd.	
	Sesil Corp.	
LG Hausys, Ltd.	LG Hausys ENG., Ltd.	LG Hausys America, Inc. and others
LG Uplus Corp.	CS Leader	DACOM America Inc.
	Ain Teleservice	
	CS One Partner	
	Medialog corp.	
	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.	
	HAITAI HTB CO., LTD.	
	CNP Cosmetics Co., Ltd.	
	K&I Co., Ltd.	
	Balkeunnuri Co., Ltd.	
	Zenisce Co., Ltd.	
	Oriental Biomed Lab Ltd.	
	LG Farouk Co.	
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.		
Other related parties' affiliates by the Act: (*2)		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
LG International Corp.	Dangjin Tank Terminal Co., Ltd.	LG International (America) Inc. and others
	Pantos Logistics Co., Ltd.	PANTOS LOGISTICS (CHINA) CO., LTD. and others
	Global Dynasty Natural Resource Private Equity Fund	
	Sal de Vida Korea Corp.	
	Pantos Busan Newport Logistics Center Co., Ltd.	
	Helistar Air Co., Ltd.	
LG Tostem BM Co., Ltd.		
SEETEC Co., Ltd.		
Genstory Co., Ltd.		
Clean Soul Ltd.		
DACOM Crossing Corporation		
JIHEUNG Co., Ltd.		

(*1) Joint ventures of associates are excluded.
(*2) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

December 31, 2015		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
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	
	Medialog corp.	
	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.	
	K&I Co., Ltd.	
	Zenisce Co., Ltd.	
	Balkeunnuri Co., Ltd.	
LG Life Science Co., Ltd.	Sarangnuri	LG Life Sciences India Pvt., Ltd. and others

	December 31, 2015	
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
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.		
Other related parties' affiliates by the Act: (*2)		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
LG International Corp.	Dangjin Tank Terminal Co., Ltd.	LG international (America) Inc. and others
	Pantos Logistics Co., Ltd.	PANTOS LOGISTICS (CHINA) CO., LTD and others
	Global Dynasty Natural Resource Private Equity Fund	
	Sal de Vida Korea Corp.	
	Pantos Busan Newport Logistics Center Co., Ltd.	
	Helistar Air Co., Ltd.	
	Hi Logistics Co., Ltd.	
LG Tostem BM Co., Ltd.		
SEETEC Co., Ltd.		
Clean Soul Ltd.		
DACOM Crossing Corporation		
JIHEUNG Co., Ltd.		

(*1) Joint ventures of associates are excluded.
(*2) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

(2) Transactions within the Group and subsidiaries are eliminated before consolidation, and the details of other transactions with related parties as of December 31, 2016 and 2015, are as follows:

1) Transactions with related parties for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2016			
Description	Revenue and others (*1)	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd. (*2)	₩ 22,900	₩ -	₩ -	₩ 892
LG Chem Ltd. (*2)	978,481	31,044	9,326	797
LG Household & Health Care Ltd. (*2)	328,059	2,621	-	10,082
LG Electronics Inc. (*2)	2,408,464	72,654	12,812	118,511
LG Uplus Corp. (*2)	360,960	30	2,071	43,928
LG Life Science Co., Ltd. (*2)	59,335	155	-	1,879
LG Hitachi Co., Ltd.	1,074	151	-	2,138
GIIR Corporation (*2)	9,457	1	242	28,050
LG Hausys, Ltd. (*2)	109,216	6,420	-	48,824
Silicon Works Co., Ltd. (*2)	95,188	-	-	113

Description	Year ended December 31, 2016 Revenue and others (*1)		Purchase of raw material		Acquisitions of property, plant and equipment		Other purchase	
Recaudo Bogota S.A.S.		-		-		-		-
Petro Conergy Co., Ltd. (*3)		30,853		-		-		-
Songdo U-Life LLC (*2)		3,113		-		-		-
Dongnam Solar Energy Co., Ltd.		356		-		-		-
Sejong Green Power Co., Ltd.		10,700		-		-		-
LG Fuel Cell Systems Inc. (*2)		2,204		-		-		-
Ulleungdo Natural Energy Independent Island Co., Ltd. (*2)		408		-		-		-
Joint ventures:								
LG MMA Corp.		21,490		6		-		-
Other related parties' affiliates by the Act: (*4)								
LG Display Co., Ltd. and others		1,703,459		3,533		25,218		44,270
Total	₩	6,145,717	₩	116,615	₩	49,669	₩	299,484

Description	Year ended December 31, 2015 Revenue and others (*1)		Purchase of raw material		Acquisitions of property, plant and equipment		Other purchase	
Associates and their subsidiaries:								
Korea Smart Card Co., Ltd. (*2)	₩	31,398	₩	-	₩	-	₩	849
LG Chem Ltd. (*2)		1,000,337		33,228		-		2,425
LG Household & Health Care Ltd. (*2)		214,470		3,171		-		12,812
LG Electronics Inc. (*2)		2,120,413		40,892		3,376		124,076
LG Uplus Corp. (*2)		494,358		30		1,818		49,955
LG Life Science Co., Ltd. (*2)		36,125		129		6		1,240
LG Hitachi Co., Ltd.		1,987		270		-		2,593
GIIR Corporation (*2)		7,870		47		-		29,009
LG Hausys, Ltd. (*2)		112,959		601		19		11,509
Silicon Works Co., Ltd. (*2)		81,213		-		-		28,542
Recaudo Bogota S.A.S.		5,979		-		-		-
Petro Conergy Co., Ltd. (*3)		8,747		-		-		-
Songdo U-Life LLC (*2)		14,346		-		-		-
Dongnam Solar Energy Co., Ltd.		404		-		-		-
Sejong Green Power Co., Ltd.		24,440		-		-		-
LG Fuel Cell Systems Inc. (*2)		1,458		-		-		-
Ulleungdo Natural Energy Independent Island Co., Ltd. (*2)		1,958		-		-		-
Joint ventures:								
LG MMA Corp.		22,032		6		-		-
Other related parties' affiliates by the Act: (*4)								
LG Display Co., Ltd. and others		1,316,707		1,097		27,179		13,873
Total	₩	5,497,201	₩	79,471	₩	32,398	₩	276,883

(*1) Dividends received from associates are disclosed in Note 13.
(*2) Includes transactions with an associate's subsidiary.
(*3) During the year, the Company was classified as AFS financial assets as a result of the disposal of interest and was excluded from related party. The above transactions are transactions that occurred before classification to AFS financial assets.

(*4) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

2) Outstanding receivables and payables from transactions with related parties as of December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016			
	Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Associates and their subsidiaries:				
Korea Smart Card Co., Ltd. (*3)	₩ 3,105	₩ -	₩ 164	₩ -
LG Chem Ltd. (*3)	274,905	-	57,394	-
LG Household & Health Care Ltd. (*3)	55,186	-	19,851	-
LG Electronics Inc. (*3)	634,458	-	164,151	-
LG Uplus Corp. (*3)	123,294	-	34,837	-
LG Life Science Co., Ltd. (*3)	16,155	-	5,308	-
LG Hitachi Co., Ltd.	302	-	1,354	-
GIIR Corporation (*3)	6,529	-	19,170	-
LG Hausys, Ltd. (*3)	24,550	-	40,442	-
Recaudo Bogota S.A.S.	19,844	-	-	-
Dongnam Solar Energy Co., Ltd.	99	-	-	-
Sejong Green Power Co., Ltd.	300	-	-	-
Petro Conergy Co., Ltd. (*4)	8,964	-	-	-
Ulleungdo Natural Energy Independent Island Co., Ltd	-	-	-	-
Silicon Works Co., Ltd. (*3)	18,109	-	32	-
LG Fuel Cell Systems Inc. (*3)	1,083	30,877	-	-
Joint ventures:				
LG MMA Corp.	3,721	-	485	-
Serveone Cenyar Services Co. (*5)	-	1,228	-	-
Other related parties' affiliates by the Act: (*6)				
LG Display Co., Ltd. and others	593,002	-	64,011	-
Total	₩ 1,783,606	₩ 32,105	₩ 407,199	₩ -

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	-
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	-
Recaudo Bogota S.A.S.	25,106	-	-	-
Dongnam Solar Energy Co., Ltd.	-	-	-	-

Description	December 31, 2015 Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Sejong Green Power Co., Ltd.	-	-	-	-
Petro Conergy Co., Ltd. (*4)	817	-	-	-
Ulleungdo Natural Energy Independent Island Co., Ltd.	2,153	-	-	-
Silicon Works 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. (*5)	-	1,282	-	-
Other related parties' affiliates by the Act: (*6)				
LG Display Co., Ltd. and others	366,720	-	57,117	-
Total	₩ 1,407,682	₩ 31,236	₩ 333,606	₩ -

(*1) Receivables from related parties are composed of trade receivables, other receivables and prepaid expenses arising from transactions. Also includes dividends receivables with related parties.
(*2) Payables to related parties are composed of trade payables and other payables arising from transactions with related parties.
(*3) Includes transactions with an associate's subsidiary.
(*4) During the year, the Company was classified as AFS financial assets as a result of the disposal of interest and was excluded from related party.
(*5) Full allowance for doubtful accounts is set for loans to joint ventures.
(*6) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

3) Fund transactions with the related parties for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016 Payment in cash (reduction of capital)	Sale of interests	Loans: Loans	Loans: Payback	Borrowings: Borrowings	Borrowings: Repayments
Associates:						
Hellas SmarTicket Societe Anonyme	₩ 1,469	₩ -	₩ -	₩ -	₩ -	₩ -
LG Fuel Cell Systems Inc.	15,549	-	-	-	-	-
Joint venture:						
Serveone Cenyar Services Co.	-	-	-	54	-	-
Total	₩ 17,018	₩ -	₩ -	₩ 54	₩ -	₩ -

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

(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 years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016	Year ended December 31, 2015
Short-term employee benefits	₩ 65,509	₩ 58,856
Severance benefits	11,738	10,156
Other long-term employee benefits	8	94
Total	₩ 77,255	₩ 69,106

31. FUNDING ARRANGEMENTS AND PLEDGING:

(1) As of December 31, 2016, commitments related to the Group's funding are as follows (Unit: Korean won in millions):

Category	Limit	Used
Comprehensive import and export	₩ 30,324	₩ 6,130
Import	143,845	25,666
Export	36,255	30,605
Commercial paper	81,000	50,703
Overdraft	44,000	7,026
Credit line	291,000	106,254
Corporate facility fund borrowings	219,065	216,175
Working capital borrowings	307,596	182,749
Forwards	64,776	10,909
Receivable-backed borrowings	305,000	243,235
Other borrowing agreements	109,000	61,566
Others (*)	228,000	88,000

(*) Include asset securitization liabilities of ₩88,000 million. The Group is offering trade receivables occurring during the period of July 1, 2016, to June 30, 2019, as a security for the liability.

(2) Restricted financial assets as of December 31, 2016, are as follows (Unit: Korean won in millions):

Account	December 31, 2016	Remark
Cash and cash equivalents	₩ 805	Deposits for issuing notes and pledges against borrowings
Financial institution deposits	34,790	Win-Win Cooperation Fund and L/C agreements
Long-term deposits	325	Deposits for overdraft accounts

(3) Details of pledging as of December 31, 2016, 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	15 mortgage notes (face value: ₩61,400 million) pledged to guarantee performance and warranty.
	The Korea Development Bank and 21 others	Stock collateral security pledged, ₩4,416 million with respect to BTL (Build Transfer Lease) projects
	NH Bank	₩873 million of associate stock provided as pledged to PF (Project Financing)
	Construction Guarantee	₩731 million of capital stock investment provided a combination as mortgage.
	Electric Contractors Financial Cooperative	₩64 million of capital stock investment provided a combination as mortgage.
	Engineering Guarantee Insurance	₩58 million of capital stock investment provided a combination as mortgage.
	Korea Specialty Contractor Financial Cooperative	₩76 million of capital stock investment provided a combination as mortgage.
	Information & Communication Financial Cooperative	₩22 million of capital stock investment provided a combination as mortgage.
	Korea Facilities Construction Financial Cooperative	₩51 million of capital stock investment provided a combination as mortgage.
LG CNS Co., Ltd.	Korea Software Financial Cooperative	₩1,300 million of capital stock investment provided a combination as mortgage.
	Engineering Guarantee Insurance	₩779 million of capital stock investment provided a combination as mortgage.
	LG Electronics Inc.	Four mortgage notes (face value: ₩4,671 million) pledged to guarantee performance.
	Smilegate Investment, Inc.	₩195 million of capital stock investment provided a combination as mortgage.
LG N-Sys Inc.	Korea Software Financial Cooperative	₩40 million of capital stock investment provided as collateral.
Korea Elecom Co., Ltd.	Shinhan Bank	Provide land and buildings as collateral (book value: ₩2,916 million and 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 (book value: ₩359,152 million and amount limit: ₩239,114 million).
	The Export-Import Bank of Korea	Provide machinery, etc., as collateral (book value: ₩42,557 million and amount limit: ₩52,000 million).
LG Sports Co., Ltd.	Kookmin Bank	Provide land as collateral (book value: ₩103,953 million and 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, 2016 (Unit: Korean won in millions):

Description	Provider	Amounts of guarantees		Insurance company
Guarantee of contract and warranties, etc.	LG CNS Co., Ltd., Serveone Co., Ltd. and others	₩	319,387	Korea Software Financial Cooperative
			38,818	Engineering Financial Cooperative
			14,098	The Export-Import Bank of Korea
			144,297	KEB Hana Bank and others
			122,260	Seoul Guarantee Insurance
Total		₩	638,860	

(5) Preferred guarantee of debt that the Group is offering as of December 31, 2016, is as follows (Unit: Korean won in millions):

Debtor	Amount of guarantee		Guarantee period
SIL 1st Ltd.	₩	120,000	June 30, 2016–June 30, 2019

(*) The Group is offering joint and several guarantees with the debtor to the financial institution, the creditor, on asset securitization liabilities explained above in 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, 2016 and 2015, is as follows (Unit: Korean won in millions):

	December 31, 2016							
Company	Less than 1 year		1 year–5 years		More than 5 years		Total	
LG Corp. and 29 others	₩	31,361	₩	24,862	₩	1,399	₩	57,622

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

2) The Group recognized rental expense related to operating lease contracts for the years ended December 31, 2016 and 2015, for the amounts of ₩109,356 million and ₩109,729 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. 2016 and 2015, is as follows (Unit: Korean won in millions):

	December 31, 2016					
Company	Lessor	Description	Less than 1 year		Total	
LG CNS Co., Ltd.	Tara Graphics Co., Ltd.	Real estate rental	₩	51	₩	51
LG CNS Co., Ltd.	Pantos Logistics Co., Ltd.	Real estate rental		234		234
LG Siltron Inc.	Hana Financial Investment Co., Ltd.	Real estate rental		41		41
Total			₩	326	₩	326

Company	Lessor	Description	Less than 1 year		Total	
	December 31, 2015					
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, 2016 and 2015, are as follows (Unit: Korean won in millions):

Company	Less than 1 year		1 year–5 years		More than 5 years		Total	
	December 31, 2016							
LG Corp. and 6 others	₩	36,681	₩	43,638	₩	54,630	₩	134,949

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

3) The Group recognized rental profit related to operating lease contracts for the years ended December 31, 2016 and 2015, in the amounts of ₩99,820 million and ₩96,413 million, respectively.

33. PENDING LITIGATIONS:

Pending litigations as of December 31, 2016, are claims for return of other receivables (Defendant: Kyung An Wire & Cable Co., Ltd., the amount of lawsuit: ₩14,722 million) and 14 others, and the total amount of lawsuits is ₩37,938 million. The cases that the Group is sued are the claims for software copyright infringement (Plaintiff: EPP-Media, the amount of lawsuit: ₩2,544 million) and 11 others, and the total amount of lawsuits is ₩167,247 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, 2016 and 2015, are as follows
(Unit: Korean won in millions):

	December 31, 2016		December 31, 2015	
Total borrowings	₩	1,877,570	₩	1,916,515
Less: Cash and cash equivalents		(1,129,035)		(870,393)
Borrowings, net		748,535		1,046,122
Total equity	₩	14,220,084	₩	13,308,244
Debt-to-equity ratio		5.26%		7.86%

(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, 2016, is as follows (Unit: Korean won in millions):

Currency	Assets	Liabilities
USD	₩ 313,418	₩ 202,955
EUR	16,856	18,780
JPY	30,005	25,748
CNY	7,013	71
Others	46,771	7,543
Total	₩ 414,063	₩ 255,097

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, 2016, is as follows (Unit: Korean won in millions):

Currency	10% increase against foreign currency	10% decrease against foreign currency
USD	₩ 8,379	₩ (8,379)
EUR	(134)	134
JPY	323	(323)
CNY	527	(527)
Others	2,974	(2,974)
Total	₩ 12,069	₩ (12,069)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2016.

As of December 31, 2016, 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, 2016, 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	₩ 191,992	₩ 1,376	₩ 3,810	₩ -	₩ 1,376	₩ 3,820

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, 2016, is as follows (Unit: Korean won in millions):

Description	December 31, 2016
Borrowings	₩ 187,128
Derivatives related to interest rate	639
Total	₩ 187,767

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, 2016, is as follows (Unit: Korean won in millions):

	1% increase		1% decrease	
Description	Gain (loss)	Net assets	Gain (loss)	Net assets
Borrowings	₩ (1,418)	₩ -	₩ 1,418	₩ -
Derivatives related to interest rate	1,195	607	(1,195)	(607)
Total	₩ (223)	₩ 607	₩ 223	₩ (607)

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, 2016, 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
Interest rate swap	₩ 157,600	₩ -	₩ -	₩ (2,236)	₩ -	₩ 639

3) Price risk

The Group is exposed to price risks from AFS equity instruments. As of December 31, 2016, the fair value of AFS equity instruments is ₩29,595 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect of after tax to equity will be ₩2,243 million.

4) Credit risk

Credit risk refers to risk of financial losses to the Group when the counterparty 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.

Meanwhile, maximum exposure amount of credit risk of the consolidated entity for the loss of non-consolidation structured entity that is explained in Note 36 is ₩85,214 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, 2016, is as follows (Unit: Korean won in millions):

Description	Within 1 year	1 year–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 2,424,774	₩ 86,447	₩ 12,533	₩ 2,523,754
Floating-rate financial instrument	134,744	55,475	-	190,219
Fixed-rate financial instrument	605,714	1,114,081	54,462	1,774,257
Total	₩ 3,165,232	₩ 1,256,003	₩ 66,995	₩ 4,488,230

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, 2016, is as follows (Unit: Korean won in millions):

Description	Flow	Within 1 year	1 year–5 years	Total
Derivatives for trading:				
Foreign currency derivatives	Outflow	₩ (186,991)	₩ -	₩ (186,991)
	Inflow	184,549	-	184,549
Subtotal		(2,442)	-	(2,442)
Derivatives designated and hedging instruments:				
Interest rate derivatives	Outflow	(637)	(53)	(690)
Subtotal		(637)	(53)	(690)
Total		₩ (3,079)	₩ (53)	₩ (3,132)

(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, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	December 31, 2016 Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative assets for trading	₩ -	₩ 1,376	₩ -	₩ 1,376
AFS financial assets	29,595	-	53,313	82,908
Total	₩ 29,595	₩ 1,376	₩ 53,313	₩ 84,284
Financial liabilities:				
Derivative liabilities for trading	₩ -	₩ 3,820	₩ -	₩ 3,820
Derivative liabilities designated as a hedging instrument	-	639	-	639
Total	₩ -	₩ 4,459	₩ -	₩ 4,459

Description	December 31, 2015 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	₩ 1,139	₩ 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

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):

Description	Fair values as of December 31, 2016	Valuation technique	Input variables
Financial assets:			
Derivative instrument assets held for sale	₩ 1,376	Decision model for future prices	Discount rate and exchange rate
Financial liabilities:			
Liabilities of derivative instruments for the purpose of sale	3,819	Decision model for future prices	Discount rate and exchange rate

Liabilities of derivative instruments designated as hedging instruments	₩	640	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 consolidated statements of financial position as of December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

Description	December 31, 2016				
	Fair value				Book value
	Level 1	Level 2	Level 3	Total	
Loans and receivables:					
Financial institution deposits	₩ -	₩ -	₩ 206,845	₩ 206,845	₩ 206,845
Trade receivables (*)	-	-	2,568,467	2,568,467	2,568,467
Loans (*)	-	-	36,667	36,667	36,667
Other account receivables (*)	-	-	28,672	28,672	28,672
Accrued income (*)	-	-	3,115	3,115	3,115
Deposits (*)	-	-	20,835	20,835	20,835
Total	₩ -	₩ -	₩ 2,864,601	₩ 2,864,601	₩ 2,864,601
Financial liabilities measured at amortized cost:					
Trade payables (*)	₩ -	₩ -	₩ 1,635,402	₩ 1,635,402	₩ 1,635,402
Borrowings	-	-	729,948	729,948	729,948
Other accounts payables (*)	-	-	190,829	190,829	190,829
Accrued expenses (*)	-	-	159,838	159,838	159,838
Accrued dividends (*)	-	-	316	316	316
Deposits received	-	524,132	-	524,132	516,175
Debentures	-	1,150,827	-	1,150,827	1,147,622
Total	₩ -	₩ 1,674,959	₩ 2,716,333	₩ 4,391,292	₩ 4,380,130

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

(*) 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 years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2016							
	Beginning balance	Net income (loss)	Comprehensive income (loss)	Purchases	Disposals	Disposals of subsidiaries	Ending balance	Unrealized holding gain or loss
Derivative assets for trading	₩ 52,561	₩ -	₩ 950	₩ 140	₩ (317)	₩ (21)	₩ 53,313	₩ 11,847
Total	₩ 52,561	₩ -	₩ 950	₩ 140	₩ (317)	₩ (21)	₩ 53,313	₩ 11,847

Description	Year ended December 31, 2015						
	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

None was recognized as income (loss) from related assets and liabilities held as of December 31, 2016 and 2015.

Total income (loss) that is recognized as other comprehensive income (loss) is related to non-listed shares that are held as of December 31, 2016, 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 they 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 fair value measurement.

- Corporate bonds
The fair value of corporate bonds was measured by discount cash flow (DCF) method. The discount rates used in DCF were determined based on market swap rates and credit spreads of the bonds that are advertised and 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 fair 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 (Unit: Korean won in millions):

Description	Fair values as of December 31, 2016		Valuation technique	Unobservable inputs	Range	Disposals
AFS financial assets	₩	48,307	Discounted cash flow method and comparable company analysis	Growth rate	0%	Increase (decrease) in fair values due to increase (decrease) in growth rate
				Discount rate	11.53%–11.70%	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 the measurement of the financial instruments linked with stocks (e.g., investments in convertible bonds, equity-linked securities and consideration for conversion rights) were 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 and 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):

Description	Unobservable input(s)	Changes of reasonably possible unobservable input	Net income		Other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
AFS financial assets	Growth rate	+/-1%	₩ -	₩ -	₩ 851	₩ 718
	Discount rate	+/-1%	₩ -	₩ -	₩ 1,228	₩ 1,031

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, is as follows (Unit: Korean won in millions):

Description	Operating activities	Acquisition date	Acquisition ownership (%)	Consideration transferred (million)
Year ended December 31, 2015				
LG Uplus Corp. AMI business unit	Smart Grid Business	2015.01.27	-	₩ 1,500

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

Description	December 31, 2015 AMI business unit
Identifiable assets at their fair values	₩ 980
Cash and cash equivalents	-
Financial institution deposits	-
Trade receivables and other receivables	-
Inventories	-
Property, plant and equipment	939
Intangible assets	23
Other assets	18
Identifiable liabilities at their fair values	-
Trade payables and other payables	-
Borrowings	-
Other liabilities	-
Total identifiable net book value at fair values	980
Non-controlling interests (equity)	-
Acquired controlling interests (equity)	980
Acquisition cost	1,500
Goodwill	₩ 520

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

Description	December 31, 2015	
	AMI business unit	
Cash	₩	1,500
Fair values of equity instruments that the acquiree holds		-
Goodwill	₩	1,500

36. UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2016, 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	₩	271	₩	-
		Loan commitments		-		7,266
	Mileseum I (Ulsan National Institute of Science and Technology)	AFS financial assets		754		-
		Loan commitments		-		21,819
	Mileseum II (Ulsan National Institute of Science and Technology)	AFS financial assets		103		-
		Loan commitments		-		640
	Mileseum III (Ulsan National Institute of Science and Technology)	AFS financial assets		74		-
		Loan commitments		-		1,631
	Mileseum IV (Ulsan National Institute of Science and Technology)	AFS financial assets		986		-
		Loan commitments		-		17,678
	Heemangseum (Daegu Gyeongbuk Institute of Science and Technology)	AFS financial assets		1,661		-
		Loan commitments		-		36,180
	Heemangseum II (Daegu Gyeongbuk Institute of Science and Technology) (*)	AFS financial assets		151		-
		Loan commitments		-		-
	Total	AFS financial assets		4,000		-
		Loan commitments	₩	-	₩	85,214

(*) The Group covers supplementary funding obligations only during the period of operation; structured entity still under construction was excluded from maximum exposure calculation.

37. DISPOSAL OF SUBSIDIARIES:

The Group disposed Ucess Partners Co., Ltd. and Ever On Co., Ltd., which were subsidiaries during current year. The Group disposed LG CNS Tianjin Inc., which was a subsidiary during previous year.

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

	December 31, 2016		December 31, 2015
	Ucess Partners Co., Ltd.	Ever On Co., Ltd.	LG CNS Tianjin Inc.,
Disposal proceeds received as cash and cash equivalents	₩ 3,184	₩ 12	₩ -

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

	December 31, 2016		December 31, 2015
	Ucess Partners Co., Ltd.	Ever On Co., Ltd.	LG CNS Tianjin Inc.,
Current assets:	₩ 5,884	₩ 2,015	₩ 1,135
Cash and cash equivalents	1,526	1,597	136
Trade receivables and other receivables	4,231	217	7
Inventories	-	-	865
Other current assets	127	201	127
Non-current assets:	1,145	3,151	7
Trade receivables and other receivables	461	28	-
Other non-current assets	4	21	-
Property, plant and equipment	336	2,939	7
Intangible assets	344	163	-
Current liabilities:	5,455	4,662	1,546
Trade payables and other payables	5,206	4,438	1,546
Other current liabilities	249	224	-
Non-current liabilities:	199	29	-
Other non-current liabilities	199	29	-
Total value of disposed net assets	₩ 1,375	₩ 475	₩ (404)

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

	December 31, 2016		December 31, 2015
	Ucess Partners Co., Ltd.	Ever On Co., Ltd.	LG CNS Tianjin Inc.,
Fair value of disposal proceeds	₩ 3,184	₩ 12	₩ -
Book value of disposed net assets	1,375	476	(404)
Cumulative translation differences in net assets and related hedging instruments of subsidiary reclassified from equity at the time of loss of control	29	-	-
Percentage of ownership	100.00%	100.00%	51.00%
Gain (loss) on disposal of investments in subsidiaries	₩ 1,838	₩ (464)	₩ 206

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

	December 31, 2016		December 31, 2015
	Ucess Partners Co., Ltd.	Ever On Co., Ltd.	LG CNS Tianjin Inc.,
Disposal proceeds received as cash and cash equivalents	₩ 3,184	₩ 12	₩ -
Less: Disposal of cash and cash equivalents	1,526	1,597	136
Net cash flows	₩ 1,658	₩ (1,585)	₩ (136)

38. DISCONTINUED OPERATIONS:

(1) Operation sector Ever On Co., Ltd. sold
The Group sold Ever On Co., Ltd. (car sharing and related services), a subsidiary, on October 10, 2016. At the date the Group measured assets and liabilities of Ever On Co., Ltd classified as held for sale, impairment loss was recognized as a result of assessment of fair value.

(2) Analysis on profit or loss from discontinued operations
General outcomes of discontinued operations shown in the consolidated statements of comprehensive income are as follows. The profit or loss from discontinued operations and its cash flows of pervious year have been restated for comparative purpose.

1) Profit from discontinued operations for the years ended December 31, 2016 and 2015, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2016	Year ended December 31, 2015
Sales	₩ 1,874	₩ 2,824
Cost of sales	2,023	2,749
Selling and administrative expenses	549	729
Operating loss	(698)	(654)
Other operating income	24	76
Other operating expenses	187	234
Profit or loss before tax	(861)	(812)
Subtotal	(861)	(812)
Fair value assessment gain or loss	(464)	-
Unrealized gain or loss	97	16
Subtotal	(367)	16
Profit or loss from discontinued operations	₩ (1,228)	₩ (796)
Owners of the parent company	(782)	(507)
Non-controlling interests	(446)	(289)

2) Cash flows arising from discontinued operations for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2016		Year ended December 31, 2015	
Cash flows from operating activities	₩	(262)	₩	(288)
Cash flows from investing activities		(49)		(1,031)
Cash flows from financing activities		1,000		702
Net cash flows	₩	689	₩	(617)

39. ASSETS HELD FOR SALE:

(1) Details of assets (liabilities) held for sale
LG Life Science Co., Ltd. was merged into LG Chem Ltd., both associates of the Group, as of January 1, 2017, and classified investment securities of LG Life Science Co., Ltd. are assets held for sale as of December 31, 2016. As of December 31, 2016, non-current assets and accumulated profit or loss recognized as other comprehensive income (loss) related to assets (liabilities) held for sale are as follows
(Unit: Korean won in millions):

Description	December 31, 2016	
Investment securities of LG Life Science Co., Ltd. (*)	₩	-
Total assets that are classified as held for sale		-
Deferred tax liabilities on investment securities of LG Life Science Co., Ltd.		(146)
Total liabilities that are classified as held for sale		(146)
Net assets that are classified as held for sale	₩	(84,640)

(*) Due to exercise of appraisal rights, the book value after equity method of LG Life Science Co., Ltd. as of December 31, 2016, is zero (0).

(2) Details of non-current assets (or disposal group), which are not classified as held for sale in the consolidated financial statements in the current period, due to requirements to classify assets (liabilities) held for sale are met after the reporting period, are as follows (Unit: Korean won in millions):

Description	December 31, 2016	
Cash and cash equivalents	₩	116,397
Loans and receivables		134,573
Inventories		210,884
Other current assets		21,146
Property, plant and equipment		573,390
Intangible assets		16,854
Other non-current assets		130,531
Total assets related to the LG Siltron Inc. classified as held for sale		1,203,775
Trade payables and other payables		829,256
Other current liabilities		2,323
Other non-current liabilities		20,316
Total liabilities related to the LG Siltron Inc. classified as held for sale		851,895
Total	₩	351,880

The Group held the board of directors' meeting on January 23, 2017, and decided to sell all of the common stocks of LG Siltron Inc., a subsidiary, to SK Holdings Co., Ltd. Through this, the Group is anticipated that it will be able to sort out the projects that are not related to the existing business, secure the financial resources necessary for investment in the main and growth businesses and strengthen the competitiveness. The date of completion of the sale will be finalized after a due diligence and licensing process by related domestic and overseas authorities.

40. NON-CASH INVESTING AND FINANCING ACTIVITIES:

Significant non-cash investing and financing activities for the years ended December 31, 2016 and 2015, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2016		Year ended December 31, 2015	
Transfer of construction in progress	₩	249,099	₩	127,082
Other payables related to acquisition of property, plant and equipment		8,200		1,352
Transfer of long-term borrowings and debentures to current portion		528,333		338,432
Transfer of deposits received to current position		183,864		258
Other payables related to acquisition of property, plant and equipment		6,959		22,802
Total	₩	976,455	₩	489,926

41. EVENTS AFTER THE REPORTING PERIOD:

(1) On January 23, 2017, the Group entered into an agreement with SK Holdings Co., Ltd. to sell all of the ordinary shares of LG Siltron Co., Ltd., a subsidiary.

(2) LG Life Science Co., Ltd. was merged into LG Chem Ltd., both associates of the Group, as of January 1, 2017.

(3) On September 25, 2016, the board of directors decided to merge with BNE Partners, Co., Ltd., a subsidiary, and BizTechPartners Co., Ltd., a subsidiary, on January 1, 2017, to enhance management efficiency.

Disclosure on Execution of External Audit

We attach required disclosure on the execution of external audit performed 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	2016/01/01	From	2016/12/31	To

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

(Unit: Number of Participants, Hours 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)		2	1	10	6	3	22
Hours Executed	Quarterly Review, 6-month Review	33	128	1,563	646	-	2,370
	Audit	17	67	813	336	74	1,307
	Total	50	195	2,376	982	74	3,677

3. Key Disclosure on Execution of External Audit

<table>
<tr><th>Title</th><th colspan="6">Detail</th></tr>
<tr><td rowspan="2">Audit Planning Stage</td><td>Dates Performed</td><td colspan="2">April–September 2016</td><td>3</td><td colspan="2">Days</td></tr>
<tr><td>Main Planning Work Performed</td><td colspan="5">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</td></tr>
<tr><td rowspan="5">Fieldwork Performed</td><td colspan="2" rowspan="2">Dates Performed</td><td colspan="2">Number of Participant(s)</td><td colspan="2">Main Fieldwork Performed</td></tr>
<tr><td>On-Site</td><td>Off-Site</td><td colspan="2"></td></tr>
<tr><td></td><td>Days</td><td>Number of Participant(s)</td><td>Number of Participant(s)</td><td colspan="2"></td></tr>
<tr><td>2016/12/06–2016/12/08</td><td>3</td><td>3</td><td>2</td><td colspan="2">Interim audit (understanding the transaction type of each process, control testing)</td></tr>
<tr><td>2017/01/10–2017/01/26</td><td>13</td><td>4</td><td>2</td><td colspan="2">External audit (substantive procedure for the material account balances and transactions and consolidation audit)</td></tr>
<tr><td rowspan="3">Physical Counts - Inventory (Observation)</td><td>Time (When Performed)</td><td colspan="2">-</td><td>-</td><td colspan="2">Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="5">-</td></tr>
<tr><td>Inventory subjected to Counts</td><td colspan="5">-</td></tr>
<tr><td rowspan="3">Physical Counts - Financial Instruments (Observation)</td><td>Time (When Performed)</td><td colspan="2">2017/01/02</td><td>1</td><td colspan="2">Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="5">LG Corp. headquarters</td></tr>
<tr><td>Financial Instruments subjected to Counts</td><td colspan="5">Cash, investment securities, memberships and others</td></tr>
<tr><td rowspan="2">External Confirmation</td><td>Bank Confirmation</td><td>O</td><td>Accounts Receivable/Payable Confirmation</td><td>O</td><td>Legal Confirmation</td><td>O</td></tr>
<tr><td>Other Confirmation</td><td colspan="5">N/A</td></tr>
<tr><td rowspan="2">Communications with Those Charged with Governance</td><td>Number of Communications</td><td>5</td><td colspan="4">Time(s) Performed</td></tr>
<tr><td>Time (When Performed)</td><td colspan="5">2016/05/12, 2016/08/10, 2016/11/10, 2017/02/09, 2017/02/23</td></tr>
</table>