

LG

2015 LG Annual Report

2015. 1. 1 ~ 2015. 12. 31



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we will enhance our
business portfolio around
competitive businesses
in order to advance
our business structure
as a whole.

To our valued shareholders and customers

First and foremost, I would like to express our sincerest appreciation for your continued trust and support for LG.

In 2015, the global economy struggled with low growth and market uncertainties, buffeted by fluctuating commodity prices and unstable financial markets.

In order to bolster growth in this challenging environment, LG Corp. and our affiliates focused our collected effort on improving results in core business areas and expanding our market positions in future growth business areas.

In our core businesses, we have increased our market share in premium appliances and enhanced our brand image by leveraging advanced technologies and attractive product offerings, such as the OLED TV and the TWIN Wash. The profitability of our petrochemical business was bolstered by our cost competitiveness, while cosmetics sales grew significantly in China. In communications, we have maintained our leadership in the LTE market and expanded our reach to residential IoT market.

As part of our efforts to boost performance in growth businesses, we established the 'New Growth Unit' to launch coordinated efforts and ensure efficiency in developing new businesses. We have also worked on building a solid profit base for the future by securing new contracts for our vehicle component business and energy solution business and discovering new growth drivers. For instance, our vehicle component business set a record in new contract amount, thanks to excellent performance in EV batteries and car infotainment systems. Also, we topped the global list in contract amount with energy storage systems (ESS), while posting a record performance in solar cell business.

Thanks to these and other solid performances across business areas, LG Corp. posted a consolidated revenue of KRW9.97 trillion and operating profits of KRW1.14 trillion in 2015. Our market capitalization has also increased by more than 15 percent compared to the previous year, exceeding KRW12 trillion.

However, we expect another year of challenges and changes. Low growth and increasing uncertainties that haunted the global economy are likely to persist in the foreseeable future. Radical changes in the industry landscape forecast steep competition: manufacturing businesses are facing a strong challenge lodged by players from emerging economies such as China, and global tech companies are creating new markets and rewriting the rules of competition.

In order to overcome the steep competition and achieve sustainable growth, LG will stay ahead of the changing business environment and competitive dynamics through accurate assessment and forward-thinking initiatives.

Firstly, we will enhance our business portfolio around competitive businesses in order to advance our business structure as a whole.

We will make every effort to stay ahead of the changing environment and carefully assess our capabilities in order to focus on business areas where we can deliver differentiated value to customers and maintain competitiveness. We will concentrate investments and capabilities on business areas with high growth potential, such as vehicle component business and energy solution business and continue to discover new growth drivers.

Secondly, we will actively support innovation initiatives led by our subsidiaries.

In order to stay ahead of increasing industry convergence and innovative companies that constantly change the rules of competition, we need innovation that breaks us free from conventions and brings fundamental changes. We will provide our affiliates with the support they need to propagate innovation across their value chain to build a model of innovation so ingenious that it is impossible to replicate.

Lastly, we will continue our effort to maintain trust from society.

LG Corp. has made an enduring effort to earn and maintain trust from society, implementing the holding company structure to ensure management transparency and staying true to basics and principles through Jeong-Do Management. We have been earnest in making a contribution to society through efforts such as investment for the future and creation of opportunities to members of societies. We are fully committed to our positive role in society and will continue our effort to maintain this trust and support.

Indeed, it is this enduring trust and support from our shareholders and customers that have helped LG overcome numerous challenges over the past six decades and grow into a global corporation. In order to remain faithful to your trust, we will build an advanced business portfolio and maximize our business value by focusing on the areas in which we can excel and create value that only LG can deliver.

We would like to sincerely request your continued support and guidance.

Thank You.

CEO & Chairman Bon Moo Koo



challenge is our power



Koo, Bon Moo
Chairman of the Board
Chairman and CEO, LG Corp.



Yoon, Dae Hee
Director
Chair Professor,
Gachon University



Lee, Chang Kyu
Director
Executive Vice President,
Research & External Affairs



Ha, Hyun Hwoi
Director
President, LG CORP.



Lee, Hyuk Ju
Director
Head of Finance and
Accounting Team,
LG Corp.



Noh, Young Bo
Director
Representative Partner,
Bae, Kim & Lee LLC



Choi, Sang Tai
Director
Visiting Professor,
Ulsan National Institute
of Science and Technology

holding structure

As of December 31, 2015
 Holding Company_1
 No. of subsidiaries_15
 No. of sub-subsidiaries_39
 No. of greatsub-subsidiaries_3
 Other_1



Electronics

LG Electronics Inc. (33.7%)
 LG Display Co., Ltd. (37.9%)
 -Nanumnuri Co., Ltd. (100%)
 LG Innotek Co., Ltd. (40.8%)
 -Innowith Co., Ltd. (100%)
 Hi Plaza Inc. (100%)
 Hi-M Solutek Co., Ltd. (100%)
 Hi Teleservice Inc. (100%)
 Ace R&A Co., Ltd. (100%)
 Hi Entech Co., Ltd. (100%)
 LG-Hitachi Water Solutions Co., Ltd. (51.0%)
 Hanuri Co., Ltd. (100%)

Silicon Works Co., Ltd. (33.1%)

LG Siltron Inc. (51.0%)

Lusem Co., Ltd. (64.8%)

LG Fuel Cell Systems Korea Inc. (100%)
 ※LG Fuel Cell Systems Inc.(overseas affiliate) holds 100% of shares in LG Fuel Cell Systems Korea Inc.



Chemicals

LG Chem, Ltd. (33.5%)
 SEETEC Co., Ltd. (50.0%)
 Haengboknuri Co., Ltd. (100%)

LG Household & Health Care, Ltd. (34.0%)
 Coca-Cola Beverage Company (90.0%)
 -Hankook Beverage Co., Ltd. (100%)
 Haitai Beverage Co., Ltd. (100%)
 TheFaceShop Co., Ltd. (100%)
 Clean Soul Ltd. (50.0%)
 Future, Inc. (100%)
 CNP Cosmetics Co., Ltd. (86.0%)
 K&I Co., Ltd. (60.0%)
 Zenisce Co., Ltd. (70.0%)
 Balkeunnuri Co., Ltd. (100%)

LG Hausys, Ltd. (33.5%)
 LG Tostem BM Co., Ltd. (50.0%)
 Hausys Eng Co., Ltd. (100%)
 Hausys Interpane Co., Ltd. (80.0%)

LG Life Sciences, Ltd. (30.4%) Sarangnuri (100%)

LG MMA Corp. (50.0%)



Communication & Services

LG Uplus Corp. (36.0%)
 CS Leader Co., Ltd. (100%)
 AIN Tele Service Co., Ltd. (100%)
 Medialog Corp. (98.4%)
 Dacom Crossing Co., Ltd. (51.0%)
 CS One Partner Co., Ltd. (100%)
 WithU Corporation Co., Ltd. (100%)

LG CNS Co., Ltd. (85.0%)
 LG N-Sys Inc. (100%)
 Ucess Partners Co., Ltd. (100%)
 BNE PARTNERS, Inc. (61.3%)
 Korea Elecom Co., Ltd. (93.1%)
 Ever ON Co., Ltd. (75.0%)
 ONESEEN SKYTECH Co., Ltd. (90.8%)

LG Management Development Institute (100%)
LG Sports Ltd. (100%)

GIIR Inc. (35.0%)
 HS Ad Co., Ltd. (100%)
 L Best Co., Ltd. (100%)

Serveone Co., Ltd. (100%) Konjiam Yewon Co., Ltd. (90.0%)

Management's Discussion & Analysis

2015. 1. 1~2015. 12. 31

This Management's Discussion & Analysis is prepared based on the consolidated financial statements of LG Corp.

In 2015, the global economy struggled with low growth and market uncertainties, buffeted by fluctuating commodity prices and unstable financial markets. In order to bolster growth in this challenging environment, LG Corp. and our affiliates focused our collected effort on producing results in core businesses and expanding our market positions in future growth businesses.

In our core businesses, we have increased our market share in premium appliances and enhanced our brand image by leveraging advanced technologies and attractive product offerings, such as the OLED TV and the TWINWash. The profitability of our petrochemical business was bolstered by our cost competitiveness, while cosmetics sales grew significantly in China. In communications, we have maintained our leadership in the LTE market and expanded our reach to residential IoT market.

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Thanks to these and other solid performances across business areas, LG Corp. posted a consolidated revenue of KRW9.96 trillion and operating profits of KRW1.14 trillion in 2015. Our market capitalization has also increased by more than 15 percent compared to the previous year, exceeding KRW12 trillion.

The environment remains challenging. Low growth and increasing uncertainties that haunted the global economy are likely to persist in the foreseeable future. Radical changes in the industry landscape forecast steep competition: manufacturing businesses are facing a strong challenge lodged by players from emerging economies such as China, and global tech companies are creating new markets and rewriting the rules of competition. In order to overcome the steep competition and achieve sustainable growth, LG will stay ahead of the changing business environment and competitive dynamics through accurate assessment and forward-thinking initiatives.

1. Sales and Profit before Tax of Subsidiaries

Unit : KRW one million

Company	Sales			Profit Before Tax		
	2015	2014	YoY	2015	2014	YoY
LG Corp>(*1)	574,117	575,744	(0.3%)	400,562	420,319	(4.7%)
Serveone Co., Ltd. (*2)	4,767,046	4,552,295	4.7%	110,483	110,424	0.1%
LG CNS Co., Ltd. (*2)	3,230,287	3,317,560	(2.6%)	66,790	121,228	(44.9%)
LG Siltron Inc. (*2)	777,382	780,610	(0.4%)	(22,782)	(65,909)	65.4%
Lusem Co., Ltd. (*1)	186,537	364,794	(48.9%)	2,918	4,783	(39.0%)
LG Management Development Institute(*1)	76,751	75,504	1.7%	1,875	3,193	(41.3%)
LG Sports Ltd. (*1)	46,634	44,303	5.3%	(3,123)	(7,341)	57.5%
LG Solar Energy Inc. (*1)(*3)	10,900	12,910	(15.6%)	3,986	3,199	24.6%
LG Holdings Japan Co.,Ltd.(*1)	7,680	5,567	38.0%	1,876	635	195.4%

(*1) based on the separate statements of income

(*2) based on the consolidated statements of income

(*3) acquired by Serveone Co., Ltd for the year ended December 31, 2015.

Corporate Purchase Outsourcing and Real Estate Services Segment

Most units such as Construction Management (CM) unit, Maintenance, Repair, and Operation (MRO) unit and Facility Management (FM) unit saw a rise in sales in 2015. As a result, sales revenue of Serveone grew by 4.7% YoY to KRW 4.77 trillion.

IT Services Segment

In year 2015, it was challenging for LG CNS because of tightened government regulation toward conglomerates in Korea and an IT service industry with limited growth. As a result, sales revenue of LG CNS declined by 2.6% YoY to KRW 3.23 trillion and operating profit came down by 45.3% to KRW 84 billion.

Semiconductor and Electronic Components Manufacturing Segment

LG Siltron went through business restructuring and cost reduction in 2015 to improve its profitability and was able to turn around its operating profit. LG Siltron saw a decline in sales, however, LG Siltron generated operating gain of KRW 5 billion. In 2016, LG Siltron will focus on strengthening and securing its product competitiveness along with improving manufacturing competitiveness through cost reduction and productivity enhancement.

2. Gain(Loss) Valuation of Equity Method

Unit : KRW one million

Company	2015	2014	YoY
LG Chem Ltd.	347,857	255,769	36.0%
LG Household & Health Care, Ltd.	137,601	105,639	30.3%
LG Electronics Inc.	38,325	127,784	(70.0%)
LG Uplus Corp.	134,912	66,995	101.4%
LG Life Sciences, Ltd.	2,957	(825)	458.4%
LG Hitachi Co., Ltd.	317	(3,433)	109.2%
GILR Corporation	3,788	2,409	57.2%
LG Hausys, Ltd.	20,940	16,141	29.7%
LG MMA Corp.	30,566	9,006	239.4%
Others	2,603	(5,390)	148.3%
Total	719,866	574,095	25.4%

3. Other Revenue

Unit : KRW one million

Account	2015	2014	YoY
Brand royalty income	256,839	264,859	(3.0%)
Rental Income	102,844	101,491	1.3%
Others	47,285	36,239	30.5%
Total	406,968	402,589	1.1%

1) Brand royalty income

LG Corp. reserves the legal rights over the brand "LG". Value of a brand is determined separately from intellectual property rights such as patent rights and a brand constitutes an important competitiveness-enhancing factor that contributes to increasing a company's cash flows in the future. Brand value has a material impact on sales by working as a factor to add image and credibility to the fundamental competitiveness of a company's products.

As such, LG Corp. set the vision and core values of the "LG" brand, charged royalty from 2005 to users of the brand for enhancing the brand value through systematic brand management and strategic action plan. The company plans to reinvest part of the brand royalty income with the aim of elevating it into the global No. 1 brand, thereby, creating a virtuous circle of positive contribution to the brand users.

Basic terms of the brand license agreements are as provided in the following:

- License fee = (Consolidated sales - Consolidated advertising expenses) X 0.2%

- Payable monthly

- 1-year term

- Adjustment factors applicable depending upon the specific form of usage of the brand (whether used by a joint venture, whether logos are used, etc.)

Brand license fees are calculated and charged monthly based on the amounts of consolidated sales and consolidated advertising expenses as reported on the user's financial statements for the prior period. When the user's performance for the relevant period is fixed in the following year, then the fees are finally reconciled based on the relevant year's actual figures.

As of the end of 2015, LG Corp. posted brand royalty income of KRW 256,839 million and 22 companies made brand contract.

2) Rental income

LG Corp. recorded rental income of KRW 102,844 million in 2015, a 1.3% increase from the previous year.

※ Dividends received

Unit : KRW one million

Company	2014	2013	YoY
LG Chem Ltd.	88,877	88,877	0.0%
LG Uplus Corp.	23,607	23,607	0.0%
LG CNS Co, Ltd.	12,593	12,593	0.0%
LG Electronics Inc.	22,038	11,019	100.0%
LG Household & Health Care, Ltd.	21,262	19,933	6.7%
Serveone Co, Ltd.	20,000	26,000	(23.1%)
LG MMA Corp.	15,000	19,200	(21.9%)
LG Hausys, Ltd.	5,412	5,412	0.0%
Silicon Works Co, Ltd.	2,754	-	-
Lusem Co, Ltd.	700	700	0.0%
GIR Inc.	1,160	1,160	0.0%
Others	1,031	893	15.5%
Total	214,434	209,394	2.4%

4. Investments in Associates

Unit : KRW one million

Company	Beginning balance	Acquisition	Dividends received	Gain(Loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Others	Ending balance
LG Chem Ltd.	3,610,276	-	(88,877)	347,857	(2,089)	-	3,867,167
LG Household & Health Care Ltd.	489,582	-	(21,262)	137,601	1,994	-	607,915
LG Electronics Inc.	3,509,706	-	(22,038)	38,325	(43,598)	-	3,482,395
LG Uplus Corp.	1,467,034	-	(23,607)	134,912	(5,457)	-	1,572,882
LG Life Science Co, Ltd.	73,316	-	-	2,957	(960)	-	75,313
LG Hitachi Co, Ltd.	8,410	-	-	317	(429)	-	8,298
GIR 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
Others	57,128	12,152	(1,088)	(8,566)	(446)	(482)	58,698
Total	9,815,312	41,550	(181,198)	720,273	(49,824)	(482)	10,345,631

5. Property, Plant and Equipment

Unit : KRW one million

Description	Beginning balance	Acquisition	Disposals	Depreciation	Transfers	Impairment	Others	Ending balance
Land	469,514	2,835	(206)	-	43,379	-	(624)	514,898
Buildings	989,629	6,546	(1,394)	(42,977)	51,692	-	1,268	1,004,764
Structures	209,844	430	-	(13,378)	1,078	-	315	198,289
Machinery	319,012	7,571	(2,324)	(127,461)	17,144	-	890	214,832
Vehicles	11,165	1,108	(35)	(2,181)	1,043	-	(516)	10,584
Tools and equipment	6,944	7,384	(176)	(3,414)	11	(151)	468	11,066
Furniture and fixtures	79,387	12,080	(544)	(24,349)	2,855	-	(1,447)	67,982
Construction in progress	155,678	157,366	-	-	(113,757)	-	3,540	202,827
Other property	236,522	69,114	(982)	(49,606)	(8,681)	-	(294)	246,073
Total	2,477,695	264,434	(5,661)	(263,366)	(5,236)	(151)	3,600	2,471,315

6. Investment Property

Unit : KRW one million

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

Details of the fair value of investment property as of December 31, 2015, are as follows

Unit : KRW one million

Date of revaluation	Book value of investment property :		Results of valuation							
	Book value	Central hub logistics center	Chungju HUB Center (*1)(*2)	Twin tower (*1)(*3)	Gasandong building (*1)(*4)	Gwanghwamun building (*1)	Buho building (*1)	Incheon IT Center (*1)	Kyobashi Trust Tower (*1)(*2)	Total
	-	2013.1.1	-	2012.3.16	2009.4.21	2010.9.30	2013.06.04	2009.01.01	-	-
Land	441,329	5,570	7,046	456,800	50,966	145,452	16,513	18,391	166,620	867,358
Buildings and structures	486,746	4,345	8,908	343,200	110,104	84,548	1,238	9,169	30,414	591,926
Total	928,075	9,915	15,954	800,000	161,070	230,000	17,751	27,560	197,034	1,459,284

(*1) Includes the value of investment property (carrying value that is subject to valuation: ₩275,505 million) occupied by the owner.

(*2) Acquisition cost is considered as fair value as the difference between acquisition date and reporting date is not significant.

(*3) It is the whole valuation amount of Twin Tower.

(*4) It is allowed to transfer only if it is transferred to the Korea Export Industrial Corporation when the partial or whole land is disposed according to the regulations that are related to industrial revitalization or the establishment of factory or only if there is a consent.

7. Debentures and Borrowings

1) Short-term Borrowings

Unit : KRW one million

Account	2015.12.31	2014.12.31	YoY
short-term borrowings	168,518	180,230	(6.50%)

2) Long-term Borrowings

Unit : KRW one million

Account	2015.12.31		2014.12.31	
	Current	Non-current	Current	Non-current
Korean currency long-term borrowings	221,162	477,816	144,156	561,820
Foreign currency long-term borrowings	-	2,868	-	73,611
Debentures in Korean won	100,000	950,000	360,000	560,000
Discount on debentures	(133)	(2,570)	(251)	(1,302)
Present value discount account	(466)	(680)	(84)	(762)
Total	320,563	1,427,434	503,821	1,193,367

3) Debentures

Unit : KRW one million

Company	Description	Issue date	Maturity date	Annual interest rate	2015-12-31	2014-12-31
LG CNS Co, Ltd.	5th public offering	2012.03.05	2017.03.05	4.15%	100,000	100,000
	6th public offering	2012.10.24	2015.10.24	3.17%	-	100,000
	7th public offering	2013.05.07	2018.05.07	2.96%	100,000	100,000
	8th public offering	2013.12.05	2016.12.05	3.42%	100,000	100,000
	9-1th public offering	2015.04.16	2018.04.16	1.88%	50,000	-
	9-2th public offering	2015.04.16	2020.04.16	2.07%	100,000	-
Serveone Co, Ltd.	9-3th public offering	2015.04.16	2022.04.16	2.44%	50,000	-
	3rd public offering	2014.02.14	2017.02.14	3.21%	100,000	100,000
	4-1th public offering	2015.10.01	2018.10.01	1.96%	50,000	-
LG Siltron Inc	4-2th public offering	2015.10.01	2020.10.01	2.24%	150,000	-
	35th public offering	2011.07.15	2015.07.15	4.48%	-	100,000
	37-1th public offering	2012.01.05	2015.01.05	4.17%	-	60,000
	37-2th public offering	2012.01.05	2017.01.05	4.61%	-	40,000
	38-1th public offering	2012.06.04	2015.06.04	3.73%	-	50,000
	38-2th public offering	2012.06.04	2017-06.04	3.94%	50,000	50,000
	39th public offering	2014.02.07	2017.02.07	4.21%	30,000	30,000
LG N Sys Co, Ltd.	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	-
	1st public offering	2012.05.30	2015.05.30	3.89%	-	50,000
	2-1nd public offering	2015.05.29	2018.05.29	2.32%	40,000	-
	2-2nd public offering	2015.05.29	2020.05.29	2.89%	20,000	-
Subtotal					1,050,000	920,000
Discount on debentures					(2,703)	(1,553)
Current debentures (*)					(99,867)	(359,749)
Total					947,430	558,698

(*) Discounts on debentures have been deducted.

8. Issued Capital

Details of issued capital as of December 31, 2015, are as follows.

Unit : KRW one million

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

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

The Group has 93,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2015 and 2014

9. Retained Earnings and Dividends

Changes in retained earnings for the years ended December 31, 2015 and 2014 are as follows.

Unit : KRW one million

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

Details of dividends for the year ended December 31, 2015 and 2014, are as follows

Unit : KRW one million

Type of stock	Number of issued shares	Number of treasury stock	Number of dividend shares	Dividend per share (in KRW)	Total dividends
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

Audit Report

2015. 1. 1~2015. 12. 31

Independent Auditors' Report

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

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

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial statements

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

Auditors' Responsibility

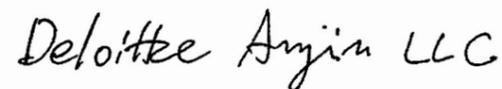
Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

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

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

Opinion

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



March 10, 2016

Notice to Readers

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

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

Unit : KRW one million

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

(Continued)

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

Unit : KRW one million

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

(Concluded)

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

Unit : KRW one million

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

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

Unit : KRW one million

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

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

Unit : KRW one million

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

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

Unit : KRW one million

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

(Continued)

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

Unit : KRW one million

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

(Continued)

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

Unit : KRW one million

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

(Continued)

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

Unit : KRW one million

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

(Concluded)

LG CORP.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

Unit : KRW one million

	December 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS :		
Cash and cash equivalents	63,609	151,998
Financial institution deposits	230,500	80,000
Other receivables, net	35,128	19,041
Other current assets	4,112	3,761
Total current assets	333,349	254,800
NON-CURRENT ASSETS :		
Available-for-sale ("AFS") financial assets	80,482	89,567
Other non-current receivables, net	474	465
Investments in subsidiaries	1,163,917	1,094,994
Investments in associates and joint ventures	5,987,734	5,958,336
Other non-current assets	2,856	2,417
Property, plant and equipment, net	27,559	22,300
Investment property, net	598,508	618,266
Intangible assets	13,886	12,657
Total non-current assets	7,875,416	7,799,002
TOTAL ASSETS	8,208,765	8,053,802

(Continued)

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

Unit : KRW one million

	December 31, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Other current payables	99,026	99,526
Current tax liabilities	29,271	28,900
Other current liabilities	6,522	6,568
Total current liabilities	134,819	134,994
NON-CURRENT LIABILITIES :		
Other non-current payables	4,142	3,871
Net defined benefit liability	8,442	9,102
Deferred tax liability	124,775	130,484
Other non-current liabilities	6,152	6,424
Total non-current liabilities	143,511	149,881
TOTAL LIABILITIES	278,330	284,875
SHAREHOLDERS' EQUITY		
Issued capital	879,359	879,359
Capital surplus	2,409,002	2,409,002
Other capital items	(2,385)	(2,385)
Accumulated other comprehensive income	23,538	30,727
Retained earnings	4,620,921	4,452,224
TOTAL EQUITY	7,930,435	7,768,927
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,208,765	8,053,802

(Concluded)

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

Unit : KRW one million

	Year ended December 31, 2015	Year ended December 31, 2014
Operating income :		
Dividend income	214,434	209,394
Royalty revenue	256,839	264,859
Rental revenue	102,844	101,491
	574,117	575,744
Operating expenses :		
Employee benefit	32,059	26,102
Depreciation	16,580	16,323
Other operating expenses	130,656	116,273
	179,295	158,698
Net operating income	394,822	417,046
Non-operating income and expenses :		
Financial income	7,816	6,831
Financial expenses	793	2,549
Other non-operating income	102	8
Other non-operating expenses	1,385	1,017
Profit before income tax expense	400,562	420,319
Income tax expense	54,647	59,708
Profit for the year	345,915	360,611
Earnings per share (in Korean won) :		
Common stock basic/diluted	1,967	2,051
Pre-1996 Commercial Law Amendment preferred stock basic/diluted	2,017	2,101

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

Unit : KRW one million

	Year ended December 31, 2015	Year ended December 31, 2014
Profit for the year	345,915	360,611
Other comprehensive income (loss) :		
Items that may be reclassified subsequently to profit or loss		
Net gain (loss) on AFS financial assets	(7,189)	(4,206)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement on the net defined benefit liability	(1,281)	(1,394)
Total comprehensive income for the year	337,445	355,011

LG CORP.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

Unit : KRW one million

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2014	879,359	2,409,002	(2,385)	34,933	4,268,944	7,589,853
Annual dividends					(175,937)	(175,937)
Profit for the year					360,611	360,611
Remeasurement on the net defined benefit liability					(1,394)	(1,394)
Net gain (loss) on AFS financial assets				(4,206)		(4,206)
Balance at December 31, 2014	879,359	2,409,002	(2,385)	30,727	4,452,224	7,768,927
Balance at January 1, 2015	879,359	2,409,002	(2,385)	30,727	4,452,224	7,768,927
Annual dividends					(175,937)	(175,937)
Profit for the year					345,915	345,915
Remeasurement on the net defined benefit liability					(1,281)	(1,281)
Net gain (loss) on AFS financial assets				(7,189)		(7,189)
Balance at December 31, 2015	879,359	2,409,002	(2,385)	23,538	4,620,921	7,930,435

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

Unit : KRW one million

	Year ended December 31, 2015	Year ended December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES :		
Profit for the year	345,915	360,611
Additions of expenses not involving cash outflows :		
Depreciation	16,580	16,323
Amortization of intangible assets	1,193	896
Retirement benefits	2,941	3,214
Interest expenses	402	443
Income tax expense	54,647	59,708
Impairment loss on intangible assets	73	-
Loss on foreign currency translation	1	5
Loss on disposals of property, plant and equipment	-	666
Other selling and administration expenses	238	199
	76,075	81,454
Deduction of incomes not involving cash inflows :		
Interest income	5,842	6,411
Dividend income	214,434	209,394
Other operating income	402	443
Gain on disposals of property, plant and equipment	6	-
Gain on foreign currency translation	1,497	32
	(222,181)	(216,280)
Movements in working capital :		
Other receivables	4,545	1,697
Other current assets	(351)	(3,654)
Other non-current receivables	20	-
Other non-current assets	(1,542)	(707)
Other payables	(796)	4,525
Other current liabilities	87	(457)
Net defined benefit liability	(5,360)	(4,239)
	(3,397)	(2,835)

(Continued)

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

Unit : KRW one million

	Year ended December 31, 2015	Year ended December 31, 2014
Interest income received	5,356	7,209
Dividend income received	214,434	209,394
Income taxes paid	(57,281)	(60,647)
Net cash provided by operating activities	358,921	378,906
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities :		
Decrease in financial institution deposits	220,000	250,000
Decrease in deposits	100	-
Disposals of property, plant and equipment	12	21
	220,112	250,021
Cash outflows for investing activities :		
Increase in financial institution deposits	370,500	190,000
Increase in short-term loans	18,868	7,412
Increase in deposits	153	514
Acquisitions of AFS financial assets	400	-
Acquisitions of investments in associates	29,398	121,286
Acquisitions of investments in subsidiaries	68,923	162,158
Acquisitions of property, plant and equipment	1,183	2,202
Acquisitions of intangible assets	1,151	1,031
Acquisitions of investment properties	903	2,379
	(491,479)	(486,982)
Net cash used in investing activities	(271,367)	(236,961)

(Continued)

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

Unit : KRW one million

	Year ended December 31, 2015	Year ended December 31, 2014
CASH FLOWS FROM FINANCING ACTIVITIES :		
Cash inflows from financing activities :		
Proceeds from short-term borrowings	-	11,028
	-	11,028
Cash outflows for financing activities :		
Payments of dividends	175,943	175,926
Redemptions of short-term borrowings	-	11,028
	(175,943)	(186,954)
Net cash used in financing activities	(175,943)	(175,926)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(88,389)	(33,981)
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF YEAR	151,998	185,979
CASH AND CASH EQUIVALENTS, AT THE END OF YEAR	63,609	151,998

(Concluded)

LG Corp. / Finance & Accounting Team

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