

Annual Report 2017

2017

LG Annual Report
2017. 1. 1. ~2017. 12. 31.



04	Message from the CEO
08	Board of Directors
10	Holding Structure
13	Management's Discussion & Analysis
23	Audit Report



We will further strengthen our R&D and manufacturing capabilities—the principal source of our core competitiveness and customer value creation.

To our valued shareholders and customers

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

In the year we celebrated our 70th anniversary, LG was able to post the greatest performance in our corporate history against rising uncertainties across the board. Furthermore, we have made a significant progress in market position and brand value as well as in our preparations for the future.

In the electronics business, we were able to deliver brand new customer value by leveraging superior technologies and attractive product offerings such as the OLED TV and the TWINWash, while bolstering profitability with expanding sales from LG SIGNATURE thanks to the successful launch and scale of the premium appliance brand in markets across the globe. We also enhanced business competitiveness in growth businesses such as EV components and information display panels, making great strides in advancing our business structure.

The performance of our petrochemical business has greatly improved thanks in large part to strong cost and product competitiveness as well as to robust growth in high value-added businesses. In addition to continued gains in ESS battery sales, our ongoing efforts for advancing business structure were effective in expanding our reach and presence in biotech businesses such as pharmaceuticals and agriculture—key growth drivers for the future.

In the telecommunications business, we have maintained our market leadership in new business areas such as residential IoT and artificial intelligence (AI), while making thorough preparations for the implementation of 5G, the next generation wireless communication network.

Thanks to these and solid performance across other business areas, LG Corp. posted a consolidated revenue of KRW 11.841 trillion, up 22 percent from the previous year, and our operating profits dramatically increased by 65 percent at KRW 2.185 trillion. The market capitalization has also increased by more than 50 percent compared to the previous year, exceeding KRW 15 trillion.

However, we face yet another year of challenges brought on by ever-growing political and economic uncertainties including the global rise of protectionism and low growth that has haunted the global economy. Moreover, the Fourth Industrial Revolution and fast-paced technological convergence clearly signal profound changes in competitive dynamics across industries.

In order to overcome these formidable challenges and ensure sustained growth, LG will, in close cooperation with our affiliates, stay ahead of the changing business environment and competitive dynamics through accurate assessment, while thoroughly preparing ourselves to seize the opportunities that emerge from sweeping and disruptive changes.

Firstly, we will further strengthen our R&D and manufacturing capabilities—the principal source of our core competitiveness and customer value creation.

Spurred by the launch of the LG Science Park, Korea's largest R&D complex dedicated to technological convergence, we will develop core technologies for the future and turn them into viable businesses, while taking advantage of technological innovations brought on by the Fourth Industrial Revolution to achieve world-class manufacturing productivity.

Secondly, we will accelerate our efforts to advance our business structure and change the way we do business to effectively respond to changes sought by our customers and markets.

In our core business, we will further strengthen our management efforts to improve profitability and in growing business, we will carefully foster with internal and external sources, which will with internal and external sources, which will, in the long term, help us build an advanced business portfolio and enhance corporate value.

In order to ensure an effective response to growing uncertainties in business conditions, we will innovate our business models and implement advanced management systems and operational processes to support these efforts in a flexible and agile manner.

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

LG Corp. has made a sustainable effort to earn and maintain trust from society, implementing the holding company structure to ensure management transparency and staying faithful to basics and principles through Jeong-Do Management. We are fully committed to our positive role in society and will continue our efforts to maintain your trust and support.

Indeed, it is this trust and support from our shareholders and customers that have helped LG overcome numerous challenges over the past seven 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 appreciate your continued support and guidance.

Thank You.

CEO & Chairman Bon Moo Koo

A handwritten signature in black ink, appearing to read 'Bon M Koo', written in a cursive style.

challenge is our power



Yoon, Dae Hee
Director

Chair Professor,
Gachon University



Lee, Chang Kyu
Director

Chairman, Gimco Co., Ltd.



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



Electronics

LG Electronics Inc. (33.7%)

LG Display Co., Ltd. (37.9%)
 - Nanumuri Co., Ltd. (100%)
 LG Innotek Co., Ltd. (40.8%)
 - Innoswith 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%)

Lusem Co., Ltd. (68.0%)

※ LG Fuel Cell Systems Korea Inc. (100%)¹⁾

¹⁾ LG Fuel Cell Systems Inc. (overseas affiliate) holds 100% shares of LG Fuel Cell Systems Korea Inc.

²⁾ LG Siltron Inc. shares were sold to SK Holdings Co., Ltd. and the company name changed to SK Siltron Co., Ltd. As of the end of 2017, SK Siltron Co., Ltd. is an affiliate of LG based on 'monopoly regulations and fair trade law', but excluded from LG affiliates since January 3, 2018.



Chemicals

LG Chem, Ltd. (33.5%)

SEETEC Co., Ltd. (50.0%)
 Haengboknuri Co., Ltd. (100%)
 FarmHannong Co., Ltd. (100%)
 - Sesil Co., Ltd. (71.1%)
 - FarmHwaong Co., Ltd. (68.4%)
 Sarangnuri (100%)

LG Household & Health Care, Ltd. (34.0%)

Coca-Cola Beverage Company (90.0%)
 - Hankook Beverage Co., Ltd. (100%)
 HAI TAI HTB Co., Ltd. (100%)
 TheFaceShop Co., Ltd. (100%)
 Clean Soul Ltd. (50.0%)
 CNP Cosmetics Co., Ltd. (100.0%)
 K&I Co., Ltd. (60.0%)
 Zenisce Co., Ltd. (70.0%)
 Balkeunnuri Co., Ltd. (100%)
 LG Farouk Co. (50%)
 MiGenstory Co., Ltd. (50%)

LG Hausys, Ltd. (33.5%)

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

LG MMA Corp. (50.0%)

As of December 31, 2017
Holding Company_1
No. of subsidiaries_14
No. of sub-subsidiaries_43
No. of greatsub-subsidiaries_7
Other_2



LG Uplus Corp. (36.0%)	CS Leader Co., Ltd. (100%) AIN Tele Service Co., Ltd. (100%) Medialog Corp. (99.6%) 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%) BizTech Partners Co., Ltd. (95.9%) Korea Elecom Co., Ltd. (93.9%) Haengbokmaru Co., 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%) miraeM Co.,Ltd (100%)
LG INTERNATIONAL CORP. (24.7%)	Global Dynasty Natural Resource Private Equity Fund (7.5%) Sal de Vida Korea Corporation (33.3%) Pantos Logistics Co.,Ltd (51.0%) - Pantos Busan Newport Logistics Center Co., Ltd. (51.0%) - HELISTAR AIR CO,LTD (100%) DANGJIN TANK TERMINAL (100%)	LG Management Development Institute (100%) LG Sports Ltd. (100%)	

Management's Discussion & Analysis

2017. 1. 1.~2017. 12. 31.

In the year we celebrated our 70th anniversary, LG was able to post the greatest performance in our corporate history against rising uncertainties across the board. Furthermore, we have made a significant progress in market position and brand value as well as in our preparations for the future.

In the electronics business, we were able to deliver brand new customer value by leveraging superior technologies and attractive product offerings such as the OLED TV and the TWINWash, while bolstering profitability with expanding sales from LG SIGNATURE thanks to the successful launch and scale of the premium appliance brand in markets across the globe. We also enhanced business competitiveness in growth businesses such as EV components and information display panels, making great strides in advancing our business structure.

The performance of our petrochemical business has greatly improved thanks in large part to strong cost and product competitiveness as well as to robust growth in high value-added businesses. In addition to continued gains in ESS battery sales, our ongoing efforts for advancing business structure were effective in expanding our reach and presence in biotech businesses such as pharmaceuticals and agriculture—key growth drivers for the future.

In the telecommunications business, we have maintained our market leadership in new business areas such as residential IoT and artificial intelligence (AI), while making thorough preparations for the implementation of 5G, the next generation wireless communication network.

Thanks to these and solid performance across other business areas, LG Corp. posted a consolidated revenue of KRW 11.841 trillion, up 22 percent from the previous year, and our operating profits dramatically increased by 65 percent at KRW 2.185 trillion. The market capitalization has also increased by more than 50 percent compared to the previous year, exceeding KRW 15 trillion.

However, we face yet another year of challenges brought on by ever-growing political and economic uncertainties including the global rise of protectionism and low growth that has haunted the global economy. Moreover, the Fourth Industrial Revolution and fast-paced technological convergence clearly signal profound changes in competitive dynamics across industries.

In order to overcome these formidable challenges and ensure sustained growth, LG will, in close cooperation with our affiliates, stay ahead of the changing business environment and competitive dynamics through accurate assessment, while thoroughly preparing ourselves to seize the opportunities that emerge from sweeping and disruptive changes.

1. Sales and Profit before Tax of Subsidiaries

Unit : KRW one million

Company	Sales			Profit Before Tax		
	2017	2016	YoY	2017	2016	YoY
LG Corp.(*1)	714,844	614,003	16.4%	1,119,058	430,974	159.7%
Serveone Co., Ltd. (*2)	6,893,879	5,661,636	21.8%	182,955	158,894	15.1%
LG CNS Co., Ltd. (*2)	3,003,212	2,947,689	1.9%	193,594	159,858	21.1%
LG Management Development Institute(*1)	80,631	81,350	-0.9%	2,379	3,068	-22.5%
LG Sports Ltd. (*1)	62,002	50,193	23.5%	(3,474)	(4,315)	19.5%
LG Holdings Japan Co.,Ltd.(*1)	8,309	8,818	-5.8%	4,458	4,959	-10.1%
LG Corp. U.S.A.(*1)	0	0	-	(463)	0	-

(*1) based on the separate statements of income

(*2) based on the consolidated statements of income

Corporate Purchase Outsourcing and Real Estate Services Segment

In 2017, Construction Management (CM) unit led the top line growth of the segment. Also, Maintenance, Repair, and Operation (MRO) unit, which accounts for the biggest portion of the revenue, saw rise in sales mainly from overseas markets including China and Vietnam. As a result, sales revenue of Serveone grew by 21.8% to KRW 6.89 trillion and generated operating profit of KRW 211 billion up by 12.8% from the year 2016.

IT Services Segment

In 2017, by focusing on profitability and efficiency in working process and corporate culture, both sales revenue and operating profit increased by 1.9%, 27.9% respectively compared with 2016.

2. Gain(Loss) Valuation of Equity Method

Unit : KRW one million

Company	2017	2016	YoY
LG Chem, Ltd.(*1)	592,949	376,203	57.6%
LG Household & Health Care, Ltd.	190,772	170,156	12.1%
LG Electronics Inc.	503,196	18,315	2647.5%
LG Uplus Corp.	198,888	174,115	14.2%
LG Life Sciences, Ltd.(*1)	-	8,086	-
LG Hitachi Co., Ltd.	4	334	-98.8%
GIIR Corporation	5,493	4,938	11.2%
LG Hausys, Ltd.	21,763	20,913	4.1%
LG MMA Corp.	58,400	26,470	120.6%
Silicon Works Co., Ltd.	11,676	13,268	-12.0%
Others	(6,048)	(5,475)	10.5%
Total	1,577,093	807,323	95.3%

(*1) Merged with LG Life Science Co., Ltd. during the current period.

3. Other Revenue

Unit : KRW one million

Account	2017	2016	YoY
Brand royalty income	278,473	247,829	12.4%
Rental Income	116,698	104,876	11.3%
Others	60,389	50,044	20.7%
Total	455,560	402,749	13.1%

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 2017, LG Corp. posted brand royalty income of KRW 278,473 million and 21 companies made brand contract.

2) Rental income

LG Corp. recorded rental income of KRW 116,698 million in 2017, 11.3% increase from the previous year.

※ Dividends received

Unit : KRW one million

Company	2017	2016	YoY
LG Chem, Ltd.	111,097	99,987	11.1%
LG Uplus Corp.	55,082	39,344	40.0%
LG CNS Co., Ltd.	12,223	6,667	83.3%
LG Electronics Inc.	22,038	22,038	0.0%
LG Household & Health Care, Ltd.	39,866	29,235	36.4%
Serveone Co., Ltd.	17,059	28,000	-39.1%
LG MMA Corp.	21,000	21,000	0.0%
LG Hausys, Ltd.	5,412	5,412	0.0%
Silicon Works Co., Ltd.	4,842	5,381	-10.0%
Lusem Co., Ltd.	25,385	700	3526.4%
GILR Inc.	1,450	1,160	25.0%
LG Management Development Institute	2,200	0	-
Others	2,020	2,374	-15.0%
Total	319,674	261,298	22.3%

4. Investments in Associates for the Years Ended December 31, 2017

Unit : KRW one million

Company	Beginning balance	Acquisitions	Dividends received	Gain(Loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Others	Ending balance
LG Chem, Ltd.	4,142,196	343,185	(111,097)	592,949	(45,267)	(76,402)	4,845,564
LG Household & Health Care Ltd.	754,566	-	(39,866)	190,772	38,483	-	943,955
LG Electronics Inc.	3,587,295	-	(22,038)	503,196	(126,658)	-	3,941,795
LG Uplus Corp.	1,705,684	-	(55,082)	198,888	4,450	-	1,853,940
LG International Corp.	-	296,741	-	-	-	-	296,741
LG Life Science Co., Ltd.	-	-	-	-	84,696	(84,696)	-
LG Hitachi Co., Ltd.	8,564	-	(7)	4	143	-	8,704
GILR Corporation	48,004	-	(1,450)	5,493	269	-	52,316
LG Hausys, Ltd.	275,070	-	(5,412)	21,763	(488)	-	290,933
LG MMA Corp.	216,441	-	(21,000)	58,400	169	-	254,010
Silicon Works Co., Ltd.	167,035	-	(4,842)	11,676	(291)	-	173,578
Others	74,299	22,457	0	(5,965)	(2,323)	3,222	91,690
Total	10,979,154	662,383	(260,794)	1,577,176	(46,817)	(157,876)	12,753,226

5. Property, Plant and Equipment, net

Unit : KRW one million

Description	Beginning balance	Acquisitions	Disposals	Depreciation (*1)	Transfers	Impairment	Changes due to disposals of subsidiaries (*2)	Transfers to assets held for sale (*3)	Others	Ending balance
Land	517,227	2,082	(11,320)	0	17,966	(38,582)	(1,102)	(3,588)	0	482,683
Buildings	1,023,211	919	(2,420)	(42,397)	20,595	(305,141)	(10,673)	(7,343)	(1952)	674,799
Structures	207,040	168	(17)	(13,474)	38	(26,213)	(337)	(58)	(43)	167,104
Machinery	236,696	5,110	(1,258)	(79,717)	44,426	(147,238)	(17,058)	0	400	41,361
Vehicles	17,537	656	(2,835)	(2,297)	48	(89)	0	0	1	13,021
Tools and equipment	9,129	2,738	(1,354)	(3,409)	0	(2)	(116)	(5,280)	(39)	1,667
Furniture and fixtures	68,748	12,525	(218)	(20,198)	15,754	(5,488)	(390)	(153)	(308)	70,272
Construction in progress	182,541	291,049	(17,971)	0	(123,442)	(72,097)	(2,637)	0	2684	260,127
Other property	219,261	35,481	(404)	(46,956)	(6,041)	(23)	0	(786)	(26)	200,506
Total	2,481,390	350,728	(37,797)	(208,448)	(30,656)	(594,873)	(32,313)	(17,208)	717	1,911,540

(*1) ₩86,142 million classified as profit or loss of discontinued operations is included.

(*2) Disposed LG Siltron Inc., subsidiaries, during the current period. (see Note 36).

(*3) Property, plant and equipment of Lusem Co., Ltd., which is classified as assets held for sale (see Note 38).

6. Investment Property

Unit : KRW one million

Description	Beginning balance	Acquisition	Depreciation	Transfers	Disposal	Others	Ending balance
Land	483,190	234,777	-	15,018	(6,348)	(18,165)	708,472
Buildings	374,059	67,901	(19,767)	26,722	(2,912)	(2,317)	443,686
Structures	5,656	-	(1,153)	960		(90)	5,373
Construction in progress	821	100,239	-	(12,044)	0	(5,003)	84,013
Total	863,726	402,917	(20,920)	30,656	(9,260)	(25,575)	1,241,544

Details of the fair value of investment property as of December 31, 2017, are as follows.

Unit : KRW one million

	Book value of investment property	Results of valuation													
	Book value (*1)	Pyeong taek HUB Center (*1), (*2)	Twin tower (*1), (*3)	Gasandong building (*1)	Gwang hwamun building (*1)	Buho building (*1)	Seoul Station building (*2)	Incheon IT Center (*1), (*4)	Sangam DDMC (*1), (*4)	Kyobashi Trust Tower (*1),(*2)	North America building (*2), (*5)	Sangdo dong Hi Plaza (*2), (*5)	Dogok dong Gangnam building (*2)	Others (*2)	Total
Date of revaluation	-	2017. 3. 31.	2012. 3. 16.	2009. 4. 21.	2010. 9. 30.	2013. 6. 4.	2016. 9. 30.	2009. 1. 1.	2014. 10. 1.	2014. 4. 1.	2017. 6. 29.	2017. 6. 30.	2017. 12. 31.	2016. 2. 26.	-
Land	839,027	27,191	456,800	50,966	145,452	16,513	136,793	15,391		173,332	62,897	5,445	167,077	2,055	1,259,912
Buildings and structures	736,065	25,412	343,200	110,104	84,548	1,238	73,941	9,169	260,635	79,951	86,904	1,760	66,499	0	1,143,361
Total	1,575,092	52,603	800,000	161,070	230,000	17,751	210,734	24,560	260,635	253,283	149,801	7,205	233,576	2,055	2,403,273

(*1) Includes the value of investment property (carrying value that is subject to valuation: ₩333,548 million) occupied by the owner.

(*2) Acquisition cost is considered as fair value.

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

(*4) It is the whole valuation amount of Incheon IT Center and Sangam DDMC. Sangam DDMC is an appraisal value of the entire real estate, including land, buildings and structures. The amount of appraisal value allocated to the holding area ratio of the consolidated entity is ₩78,191 million.

(*5) Newly acquired during current period.

7. Debentures and Borrowings

1) Short-term Borrowings

Unit : KRW one million

YoY	2017. 12. 31.	2016. 12. 31.	YoY
short-term borrowings	59,086	190,795	-69.03%

2) Long-term Borrowings

Unit : KRW one million

Account	2017. 12. 31.		2016. 12. 31.	
	Current	Non-current	Current	Non-current
Korean currency long-term borrowings (*1)	80,852	108,672	187,427	349,348
Foreign currency long-term borrowings	-	37,964	-	3,059
Debentures in Korean won	240,000	870,000	320,000	830,000
Discount on debentures	(126)	(2,545)	(60)	(2,318)
Present value discount account	0	(1,246)	(392)	(289)
Total	320,726	1,012,845	506,975	1,179,800

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

3) Debentures as of December 31, 2017, 2016

Unit : KRW one million

Company	Description	Issue date	Maturity date	Annual interest rate	2017. 12. 31.	2016. 12. 31.
LG CNS Co., Ltd.	5th public offering	2012. 3. 5.	2017. 3. 5.	4.15%	0	100,000
	7th public offering	2013. 5. 7.	2018. 5. 7.	2.96%	100,000	100,000
	9-1th public offering	2015. 4. 16.	2018. 4. 16.	1.88%	50,000	50,000
	9-2th public offering	2015. 4. 16.	2020. 4. 16.	2.07%	100,000	100,000
	9-3th public offering	2015. 4. 16.	2022. 4. 16.	2.44%	50,000	50,000
	10-1st public offering	2017. 4. 11.	2020. 4. 11.	2.10%	110,000	0
	10-2nd public offering	2017. 4. 11.	2022. 4. 11.	2.45%	40,000	0
Serveone Co., Ltd.	3rd public offering	2014. 2. 14.	2017. 2. 14.	3.21%	0	100,000
	4-1th public offering	2015. 10. 1.	2018. 10. 1.	1.96%	50,000	50,000
	4-2th public offering	2015. 10. 1.	2020. 10. 1.	2.24%	150,000	150,000
	5-1th public offering	2016. 10. 27.	2019. 10. 27.	1.92%	110,000	110,000
	5-2th public offering	2016. 10. 27.	2021. 10. 27.	2.10%	90,000	90,000
	6-1st public offering	2017. 11. 1.	2020. 11. 1.	2.64%	70,000	0
	6-2th public offering	2017. 11. 1.	2022. 11. 1.	2.99%	130,000	0
LG Siltron Inc.	38-2th public offering	2012. 6. 4.	2017. 6. 4.	3.94%	0	50,000
	39th public offering	2014. 2. 7.	2017. 2. 7.	4.21%	0	30,000
	40th public offering	2014. 3. 14.	2017. 3. 14.	4.37%	0	40,000
	41st public offering	2015. 6. 16.	2018. 6. 16.	4.07%	0	70,000
LG N Sys Co., Ltd.	2-1nd public offering	2015. 5. 29.	2018. 5. 29.	2.32%	40,000	40,000
	2-2nd public offering	2015. 5. 29.	2020. 5. 29.	2.89%	20,000	20,000
Subtotal					1,110,000	1,150,000
Discount on debentures					(2,671)	(2,378)
Current debentures (*)					(239,874)	(319,940)
Total					867,455	827,682

(*) Discounts on debentures have been deducted.

8. Issued Capital

Details of issued capital as of December 31, 2017, 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	80,493,938	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, 2017 and 2016, respectively; the carrying amounts of common stocks are ₩2,334 million (preferred stock: ₩51 million).

9. Retained Earnings and Dividends

Changes in retained earnings for the years ended December 31, 2017 and 2016 are as follows.

Unit : KRW one million

	Year ended December 31, 2017	Year ended December 31, 2016
Beginning balance	10,792,060	9,871,746
Profit for the year attributable to the owner of the Company	2,395,905	1,074,795
Dividends	-228,668	-228,668
Remeasurements of net defined benefit liability	16,511	14,434
Changes in retained earnings by equity method	35,312	62,274
Changes in the shares of subsidiaries	-	-2,521
Acquisition (disposal) of subsidiaries	-714	-
Ending balance	13,010,406	10,792,060

Details of dividends for the year ended December 31, 2017 and 2016, are as follows

Year ended December 31, 2017

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	1,300	224,202
Preferred stock	3,314,677	6,810	3,307,867	1,350	4,466

Year ended December 31, 2016

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	1,300	224,202
Preferred stock	3,314,677	6,810	3,307,867	1,350	4,466

Audit Report

2017. 1. 1.~2017. 12. 31.

Independent Auditor's Report

English Translation of Independent Auditor's Report Originally Issued in Korean on March 15, 2018.

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, 2017 and 2016, 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, 2017 and 2016, 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

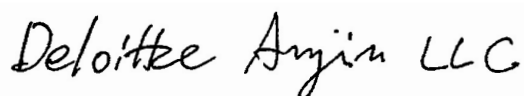
Our responsibility is to express an audit opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audits to obtain 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, 2017 and 2016, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.



March 15, 2018

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
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS :		
Cash and cash equivalents	1,309,949	1,129,035
Financial institution deposits	438,214	206,845
Current derivative assets	1,798	1,376
Trade receivables, net	3,023,304	2,551,435
Other receivables, net	83,816	74,481
Current tax assets	6,703	7,854
Current other assets	284,668	369,232
Inventories, net	109,989	322,857
Assets held for sale	109,368	-
Total current assets	5,367,809	4,663,115
NON-CURRENT ASSETS :		
Available-for-sale ("AFS") financial assets	121,817	91,043
Non-current trade receivables, net	25,734	17,032
Non-current other receivables, net	17	14,808
Investments in associates and joint ventures	12,753,226	10,979,154
Deferred tax assets, net	123,075	208,887
Non-current other assets	8,541	56,279
Property, plant and equipment, net	1,911,540	2,481,390
Investment property, net	1,241,544	863,726
Intangible assets	94,394	114,008
Total non-current assets	16,279,888	14,826,327
TOTAL ASSETS	21,647,697	19,489,442

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016 (CONTINUED)

Unit : Korean won million

	December 31, 2017	December 31, 2016
LIABILITIES AND EQUITY		
CURRENT LIABILITIES :		
Current derivative liabilities	1,982	4,406
Trade payables	2,261,617	1,635,402
Other payables	678,813	783,695
Short-term borrowings	59,086	190,795
Current portion of debentures and long-term borrowings	320,726	506,975
Current tax liabilities	196,819	82,386
Provisions	62,766	51,466
Other current liabilities	310,840	312,031
Liabilities related to assets held for sale	50,959	146
Total current liabilities	3,943,608	3,567,302
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities	-	53
Other payables	59,854	83,463
Long-term borrowings	1,012,845	1,179,800
Net defined benefit liability	12,697	56,855
Deferred tax liability	401,631	346,255
Provisions	4,388	9,761
Other non-current liabilities	33,163	25,869
Total non-current liabilities	1,524,578	1,702,056
TOTAL LIABILITIES	5,468,186	5,269,358
EQUITY :		
Equity attributable to the owners of the parent company	16,002,559	13,874,365
Issued capital	879,359	879,359
Capital surplus	2,365,549	2,364,937
Other capital items	(2,385)	(2,385)
Accumulated other comprehensive income (loss)	(250,370)	(159,606)
Retained earnings	13,010,406	10,792,060
Non-controlling interests	176,952	345,719
TOTAL EQUITY	16,179,511	14,220,084
TOTAL LIABILITIES AND EQUITY	21,647,697	19,489,442

(Concluded)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
Revenue and gain (loss) on valuation by equity method		
Sales of finished goods and merchandise	4,771,625	4,378,680
Service revenue	1,940,193	1,919,963
Construction revenue	3,096,587	2,165,172
Gain (loss) on valuation by equity method	1,577,093	807,323
Other revenue	455,560	402,749
	11,841,058	9,673,887
Cost of sales	9,293,904	7,960,838
Gross profit	2,547,154	1,713,049
Selling and administrative expenses	361,334	390,314
Operating income	2,185,820	1,322,735
Financial income	25,200	33,030
Financial expenses	50,850	58,340
Other non-operating income	644,156	58,778
Other non-operating expenses	63,020	65,709
Profit before income tax from continuing operations	2,741,306	1,290,494
Income tax expense from continuing operations	328,641	187,079
Profit from continuing operations	2,412,665	1,103,415
Profit from discontinued operations	22,894	(12,157)
Profit for the year	2,435,559	1,091,258
Profit for the year attributable to :		
Owners of the parent company	2,395,905	1,074,795
Non-controlling interests	39,654	16,463
Earnings per share (in Korean won) :		
Continuing and discontinued operations :		
Common Stock Basic / Diluted	13,630	6,114
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted	13,680	6,164
Continuing operations :		
Common Stock Basic / Diluted	13,603	6,186
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted	13,653	6,236

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
Profit for the year	2,435,559	1,091,258
Other comprehensive income (loss) :		
Items that may be reclassified subsequently to profit or loss		
Net gain (loss) on AFS financial assets	20,666	(2,210)
Net gain (loss) on changes in valuation of investments using equity method	(78,541)	(33,215)
Net gain (loss) on derivative instruments entered into for cash flow hedges	427	1,116
Overseas operations translation	(34,307)	10,218
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of the net defined benefit liability	16,658	17,004
Increase (decrease) in retained earnings of equity method investments	34,771	63,033
Total comprehensive income for the year	2,395,233	1,147,204
Total comprehensive income attributable to:		
Owners of the parent company	2,356,369	1,126,759
Non-controlling interests	38,864	20,445

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non- controlling interests	Total
Balance at 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
Balance as of January 1, 2017	879,359	2,364,937	(2,385)	(159,606)	10,792,060	345,719	14,220,084
Profit (loss) for the year					2,395,905	39,654	2,435,559
Net gain (loss) on AFS financial assets				20,680		(14)	20,666
Valuation through equity method				(78,745)	35,312	(337)	(43,770)
Valuation on derivative instruments entered into for cash flow hedges				314		113	427
Remeasurements of the net defined benefit liability					16,511	147	16,658
Overseas operations translation				(33,608)		(699)	(34,307)
Annual dividends					(228,668)	(14,361)	(243,029)
Changes in the shares of subsidiaries		(102)				238	136
Acquisition (Disposal) of subsidiaries		714		595	(714)	(193,508)	(192,913)
Balance as of December 31, 2016	879,359	2,365,549	(2,385)	(250,370)	13,010,406	176,952	16,179,511

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	2,435,559	1,091,258
Additions of expenses not involving cash outflows:		
Salaries and bonuses	1,081	1,052
Retirement benefits	41,824	46,194
Depreciation	229,368	269,606
Amortization of intangible assets	28,052	27,243
Loss on valuation of inventories	3,318	13,776
Bad debt expenses	10,900	11,626
Accrual of provision	43,576	31,749
Impairment loss on property, plant and equipment	17,208	698
Impairment loss on intangible assets	1,785	1,403
Loss on foreign currency translation	19,249	16,435
Loss on disposals of property, plant and equipment	2,753	6,550
Loss on disposals of investment property	348	-
Loss on disposals of intangible assets	808	2,079
Loss on disposals of other assets	522	-
Loss on transactions of derivatives	10,791	14,591
Loss on valuation of derivatives	1,836	3,810
Interest expenses	53,056	74,856
Loss on disposals of AFS financial assets	-	1
Impairment loss on AFS financial assets	316	266
Loss on disposals of investments in subsidiaries	83	26
Loss on disposals of investments in associates	32	-
Impairment loss on investments in associates	1,169	-
Income tax expense	343,271	182,172
Others	7,875	12,073
	819,221	716,206
Deduction of items not involving cash inflows:		
Reversal of impairment loss on inventories	988	4,130
Reversal of allowance for doubtful accounts	933	364
Reversal of provisions	3,892	5,867
Gain on foreign currency translation	9,433	17,825
Gain on disposals of property, plant and equipment	1,128	2,943
Gain on disposals of investment property	938	-
Gain on disposals of intangible assets	22	44
Gain on transactions of derivatives	14,486	17,276
Gain on valuation of derivatives	1,763	1,376
Interest income	20,302	20,629
Dividend income	2,077	2,703

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
Gain on disposals of AFS financial assets	-	22
Gain on disposals of investments in subsidiaries	411,025	1,941
Gain on disposals of investments in associates	186,509	536
Gain on valuation by equity method	1,577,093	807,323
Others	275	386
	(2,230,864)	(883,365)
Movements in working capital :		
Derivatives	-	362
Trade receivables	(690,570)	(342,184)
Other receivables	(13,925)	(8,621)
Inventories	(47,756)	12,588
Non-current trade receivables	(26,350)	(30,327)
Non-current other receivables	(622)	3,060
Trade payables	708,918	271,240
Other payables	(29,065)	75,898
Non-current other payables	(21)	(13)
Provisions	(26,818)	(17,413)
Net defined benefit liability	(38,806)	(51,531)
Others	110,123	(158)
	(54,892)	(87,099)
Interest income received	18,590	18,809
Dividend income received	262,870	225,997
Income tax received	-	1,271
Interest expenses paid	(37,098)	(56,695)
Income taxes paid	(154,945)	(148,184)
Net cash provided by operating activities	1,058,441	878,198

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities :		
Decrease in financial institution deposits	735,916	461,026
Settlement of derivative instruments	14,436	16,908
Decrease in other receivables	35,632	21,505
Disposals of AFS financial assets	346	379
Decrease in non-current other receivables	1,374	325
Disposals of investments in subsidiaries	505,046	1,670
Disposals of investments in associates	-	195
Disposals of property, plant and equipment	32,894	10,152
Disposals of investment property	9,850	-
Disposals of intangible assets	2,806	2,176
Disposals of assets (liabilities) held for sale	26,279	-
	1,364,579	514,336
Cash outflows from investing activities :		
Increase in financial institution deposits	994,159	292,391
Settlements of derivative instruments	12,899	13,992
Increase in other receivables	13,455	18,544
Acquisitions of non-current AFS financial assets	406	1,207
Increase in non-current other receivables	3,337	1,200
Acquisitions of investments in associates	319,167	17,143
Acquisitions of property, plant and equipment	292,094	274,496
Acquisitions of investment property	389,187	212,534
Acquisitions of intangible assets	29,160	25,050
Acquisitions of investments in subsidiaries	-	1,597
	(2,053,864)	(858,154)
Net cash used in investing activities	(689,285)	(343,818)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities :		
Proceeds from short-term borrowings	549,909	478,294
Proceeds from long-term borrowings	139,021	80,000
Increase in other long-term liabilities	35	540
Issuance of debentures	458,108	199,185
Increase in government subsidy	237	853
Issuance of common stock of subsidiaries	-	679
Disposals of treasury stocks	-	433
Cash inflows from consolidated capital transactions	200	-
	1,147,510	759,984
Cash outflows for financing activities :		
Redemptions of short-term borrowings	539,615	460,020
Redemptions of long-term borrowings	22,500	-
Redemptions of debentures	320,000	100,000
Redemptions of current portion of long-term borrowings	161,952	237,927
Disposals of derivative instruments	249	686
Disposals of derivative instruments	242,787	230,224
Payments of dividends	75	3,708
Acquisitions of treasury stocks	-	2,684
Cash outflows from consolidated capital transactions	147	185
Others	(1,287,325)	(1,035,434)
	(139,815)	(275,450)
Net cash used in financing activities		
Net change in cash and cash equivalents	229,341	258,930
Cash and cash equivalents at the beginning of year	1,129,035	870,393
Effects of exchange rate changes on cash and cash equivalents	(15,505)	(288)
Cash and cash equivalents at the end of year	1,342,871	1,129,035

(Concluded)

LG CORP.
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS :		
Cash and cash equivalents	357,788	128,683
Financial institution deposits	300,500	100,630
Other receivables, net	28,869	34,541
Other current assets	3,781	3,986
Assets held for sale	29,375	83,295
Total current assets	720,313	351,135
NON-CURRENT ASSETS :		
Available-for-sale ("AFS") financial assets	104,249	76,485
Other non-current receivables, net	499	489
Investments in subsidiaries	1,008,607	1,163,917
Investments in associates and joint	6,559,405	5,916,101
Other non-current assets	2,719	2,463
Property, plant and equipment, net	37,111	39,987
Investment property, net	788,909	794,001
Intangible assets	17,081	15,844
Total non-current assets	8,518,580	8,009,287
TOTAL ASSETS	9,238,893	8,360,422

(Continued)

LG CORP.
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016 (CONTINUED)

Unit : Korean won million

	December 31, 2017	December 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Other current payables	104,517	100,670
Current tax liabilities	156,063	27,028
Other current liabilities	14,073	6,637
Liabilities related to assets held for sale	5,415	710
Total current liabilities	280,068	135,045
NON-CURRENT LIABILITIES :		
Other non-current payables	13,351	10,440
Net defined benefit liability	12,234	14,398
Deferred tax liability	146,347	159,064
Other non-current liabilities	5,551	5,862
Total non-current liabilities	177,483	189,764
TOTAL LIABILITIES	457,551	324,809
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	41,099	20,356
Retained earnings	5,454,267	4,729,281
TOTAL EQUITY	8,781,342	8,035,613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,238,893	8,360,422

(Concluded)

LG CORP.
SEPARATE STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
Operating income :		
Dividend income	319,674	261,298
Royalty revenue	278,473	247,829
Rental revenue	116,698	104,876
	714,845	614,003
Operating expenses :		
Employee benefit	43,360	35,977
Depreciation	19,992	17,953
Other operating expenses	155,493	135,948
	218,845	189,878
Net operating income	496,000	424,125
Non-operating income and expenses :		
Financial income	9,373	7,333
Financial expenses	3,620	440
Other non-operating income	630,800	446
Other non-operating expenses	13,494	490
Profit before income tax expense	1,119,059	430,974
Income tax expense	166,305	90,816
Profit for the year	952,754	340,158
Earnings per share		
Common stock basic/diluted	5,419	1,934
Pre-1996 Commercial Law Amendment preferred stock basic/diluted	5,469	1,984

LG CORP.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
Profit for the year	952,754	340,158
Other comprehensive income (loss) :		
Items that may be reclassified subsequently to profit or loss		
Net gain (loss) on AFS financial assets	20,743	(3,182)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement on the net defined benefit liability	900	(3,130)
Total comprehensive income for the year	974,397	333,846

LG CORP.
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance as of January 1, 2016	879,359	2,409,002	(2,385)	23,538	4,620,921	7,930,435
Annual dividends					(228,668)	(228,668)
Profit for the year					340,158	340,158
Remeasurement on the net defined benefit liability					(3,130)	(3,130)
Net gain (loss) on AFS financial assets				(3,182)		(3,182)
Balance at December 31, 2016	879,359	2,409,002	(2,385)	20,356	4,729,281	8,035,613
Balance at January 1, 2017	879,359	2,409,002	(2,385)	20,356	4,729,281	8,035,613
Annual dividends					(228,668)	(228,668)
Profit for the year					952,754	952,754
Remeasurement on the net defined benefit liability					900	900
Net gain (loss) on AFS financial assets				20,743		20,743
Balance at December 31, 2017	879,359	2,409,002	(2,385)	41,099	5,454,267	8,781,342

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES :		
Profit for the year	952,754	340,158
Additions of expenses not involving cash outflows :		
Depreciation	19,992	17,953
Amortization of intangible assets	1,806	1,553
Retirement benefits	4,242	3,572
Interest expenses	311	290
Income tax expense	166,305	90,816
Loss on disposals of property, plant and equipment	456	27
Loss on disposals of intangible assets	2	-
Impairment loss on investments in associates	12,902	-
Loss on foreign currency translations	1,086	-
Other selling and administration expenses	87	192
	207,189	114,403
Deduction of incomes not involving cash inflows :		
Interest income	8,383	6,454
Dividend income	319,673	261,298
Other operating income	311	290
Gain on disposals of property, plant and equipment	-	56
Gain on disposals of investments in associates	259,890	-
Gain on disposals of investments in subsidiaries	370,872	-
Gain on foreign currency translation	-	877
	(959,129)	(268,975)
Movements in working capital :		
Other receivables	(21,862)	1,436
Other current assets	(252)	126
Other non-current assets	(1,390)	(2,049)
Other payables	5,605	7,608
Other current liabilities	7,436	115
Net defined benefit liability	(5,296)	(1,817)
	(15,759)	5,419

(Continued)

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
Interest income received	7,818	6,314
Dividend income received	319,673	261,299
Income taxes paid	(52,193)	(56,045)
Net cash provided by operating activities	460,353	402,573
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities :		
Decrease in financial institution deposits	660,130	280,000
Decrease of loans	28,545	-
Decrease in deposits	3	153
Disposals of investments in subsidiaries	610,446	-
Disposals of property, plant and equipment	2,379	62
Disposals of intangible assets	71	-
	1,301,574	280,215
Cash outflows for investing activities :		
Increase in financial institution deposits	860,000	150,130
Increase in deposits	2	-
Acquisitions of investments in subsidiaries	113,640	-
Acquisitions of AFS financial assets	400	200
Acquisitions of investments in associates	313,021	11,662
Acquisitions of property, plant and equipment	2,306	13,870
Acquisitions of investment properties	11,987	211,995
Acquisitions of intangible assets	1,725	1,192
	(1,303,081)	(389,049)
Net cash used in investing activities	(1,507)	(108,834)

(Continued)

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM FINANCING ACTIVITIES :		
Cash inflows from financing activities :		
Proceeds from short-term borrowings	12,097	24,953
	12,097	24,953
Cash outflows for financing activities :		
Payments of dividends	228,655	228,665
Redemptions of short-term borrowings	12,097	24,953
	(240,752)	(253,618)
Net cash used in financing activities	(228,655)	(228,665)
NET INCREASE IN CASH AND CASH EQUIVALENTS	230,191	65,074
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF YEAR	128,683	63,609
Effects of exchange rate changes on cash and cash equivalents	(1,086)	-
CASH AND CASH EQUIVALENTS, AT THE END OF YEAR	357,788	128,683

(Concluded)

LG Corp. / Finance & Accounting Team

LG Twin Towers, 128, Yeouidaero Yeongdeungpo-gu, Seoul, Korea

Visit our interactive online annual report at

www.lgcorp.com

This LG Annual Report 2017("Report") has been prepared as a reference for investors. The specific facts and figures stated herein must be separately verified with objective data beyond this Report. LG Corp. does not assume legal responsibility for contents stated in this Report. LG Corp. is a holding company. As such it owns the number of shares commensurate with its managerial authority as the holding company of the LG Group. However, each Group affiliate is a legal entity that is independent of LG Corp. Therefore, LG Corp. is not responsible for the acts of the LG Group affiliates. Thus, the contents of this Report may not be construed as LG Corp.'s assuming joint responsibility for obligations that belong to the LG Group affiliates.



LG

LG Twin Towers, 128, Yeouidaero Yeoungdeungpo-gu, Seoul, Korea
www.lgcorp.com