

# **LG Electronics**

**Consolidated Interim Financial Statements  
September 30, 2019 and 2018**

**LG Electronics**

Index

September 30, 2019 and 2018

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## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

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

### ***Reviewed Financial Statements***

We have reviewed the accompanying consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at September 30, 2019, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2019 and 2018, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

**Other Matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 7, 2019. The consolidated statement of financial position as at December 31, 2018, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2018.

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

November 14, 2019  
Seoul, Korea

This report is effective as at November 14, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG Electronics**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2019 and December 31, 2018**

<i>(in millions of Korean won)</i>	Notes	September 30, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,32	4,798,880	4,270,388
Deposits held by financial institutions	5,32	80,517	80,516
Trade receivables	5,6,32	7,032,095	6,371,594
Loans and other receivables	5,6,32	708,915	506,437
Other financial assets	5,7,32	7,490	8,401
Inventories	8	6,894,720	6,021,356
Current income tax assets		122,588	151,778
Contract assets	9	769,506	763,776
Other current assets		1,298,700	1,073,396
Assets held for sale	34	127,281	115,212
		<u>21,840,692</u>	<u>19,362,854</u>
<b>Non-current assets</b>			
Deposits held by financial institutions	5,32	43,553	45,853
Loans and other receivables	5,6,32	410,281	452,366
Other financial assets	5,7,32	94,138	78,072
Property, plant and equipment	10	14,191,502	13,333,951
Intangible assets	10	2,787,472	3,001,155
Deferred income tax assets		1,567,275	1,410,793
Investments in associates and joint ventures	11	5,216,828	5,537,556
Investment properties		390	94,396
Net defined benefit assets	14	12	942
Contract assets	9	253,125	221,008
Other non-current assets		799,292	789,497
		<u>25,363,868</u>	<u>24,965,589</u>
<b>Total assets</b>		<u>47,204,560</u>	<u>44,328,443</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5,32	8,200,116	7,216,739
Borrowings	5,12,32	1,593,483	1,405,116
Lease liabilities	5,13,32	235,322	-
Other payables	5,32	2,732,844	3,670,453
Other financial liabilities	5,7,32	4,621	3,343
Current income tax liabilities		195,304	185,687
Provisions	15	806,230	672,544
Contract liabilities	9	1,265,292	1,119,806
Other current liabilities		3,267,353	2,861,341
		<u>18,300,565</u>	<u>17,135,029</u>
<b>Non-current liabilities</b>			
Borrowings	5,12,32	9,202,239	9,496,070
Lease liabilities	5,13,32	494,762	-
Other payables	5,32	2,100	17,995
Other financial liabilities	5,7,32	124,100	89,267
Deferred income tax liabilities		124,950	127,014
Net defined benefit liabilities	14	899,425	398,611
Provisions	15	258,258	343,811
Contract liabilities	9	27,598	23,787
Other non-current liabilities		319,637	389,952
		<u>11,453,069</u>	<u>10,886,507</u>
<b>Total liabilities</b>		<u>29,753,634</u>	<u>28,021,536</u>

**LG Electronics**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2019 and December 31, 2018**

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<i>(in millions of Korean won)</i>	Notes	September 30, 2019 (Unaudited)	December 31, 2018
<b>Equity</b>			
Paid-in capital:	16		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	17	12,653,030	12,075,414
Accumulated other comprehensive loss	18	(1,094,285)	(1,604,730)
Other components of equity	19	(209,764)	(209,764)
<b>Equity attributable to owners of the Parent Company</b>		<u>15,341,329</u>	<u>14,253,268</u>
<b>Non-controlling interests</b>		<u>2,109,597</u>	<u>2,053,639</u>
<b>Total equity</b>		<u>17,450,926</u>	<u>16,306,907</u>
<b>Total liabilities and equity</b>		<u>47,204,560</u>	<u>44,328,443</u>

**LG Electronics**  
**Consolidated Interim Statements of Profit or Loss**  
**Three-month and Nine-month Periods Ended September 30, 2019 and 2018**

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended September 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Nine months	Three months	Nine months
<b>Net sales</b>	20	15,700,645	46,244,973	15,427,050	45,569,402
<b>Cost of sales</b>	21	11,592,474	34,435,452	11,560,721	33,975,572
<b>Gross profit</b>		4,108,171	11,809,521	3,866,329	11,593,830
Selling and marketing expenses	21,22	1,893,093	5,609,193	1,847,702	5,362,139
Administrative expenses	21,22	359,718	1,009,702	347,562	992,142
Research and development expenses	21,22	637,081	1,813,066	588,260	1,694,614
Service costs	21,22	436,818	1,043,223	334,016	917,360
<b>Operating profit</b>		781,461	2,334,337	748,789	2,627,575
Financial income	23	150,001	358,709	123,522	379,820
Financial expenses	24	206,105	572,413	214,539	614,773
Gain (loss) from equity method valuation	11	(150,956)	(380,852)	5,142	(128,499)
Other non-operating income	25	407,466	1,023,507	275,065	1,049,262
Other non-operating expenses	26	547,868	1,347,791	322,492	1,180,465
Profit before income tax		433,999	1,415,497	615,487	2,132,920
Income tax expense		88,299	385,819	118,379	579,455
<b>Profit for the period</b>		<b>345,700</b>	<b>1,029,678</b>	<b>497,108</b>	<b>1,553,465</b>
<b>Profit for the period attributable to:</b>					
Owners of the Parent Company		244,174	906,697	410,418	1,410,405
Non-controlling interests		101,526	122,981	86,690	143,060
		<b>345,700</b>	<b>1,029,678</b>	<b>497,108</b>	<b>1,553,465</b>
<b>Earnings per share attributable to the owners of the Parent Company during the period (in Korean won):</b>	27				
Earnings per ordinary share		1,355	5,032	2,278	7,829
Earnings per preferred share		1,367	5,069	2,291	7,867

**LG Electronics**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-month and Nine-month Periods Ended September 30, 2019 and 2018**

<i>(in millions of Korean won)</i>	Notes	Period Ended September 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Nine months	Three months	Nine months
<b>Profit for the period</b>		345,700	1,029,678	497,108	1,553,465
<b>Other comprehensive income (loss), net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	14	(39,951)	(189,522)	(45,990)	(50,930)
Share of remeasurements of associates	11	(348)	(4,549)	(1,315)	(4,263)
Financial assets at fair value through other comprehensive income	7	(1,250)	7,599	290	2,013
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income					
(excluding remeasurements) of associates and joint ventures	11	17,396	82,570	(70,732)	(21,012)
Cash flow hedges	32	(15,415)	(49,378)	1,472	(11,213)
Exchange differences on translation of foreign operations		116,130	508,813	(114,235)	(13,837)
<b>Other comprehensive income (loss) for the period, net of tax</b>		76,562	355,533	(230,510)	(99,242)
<b>Total comprehensive income for the period, net of tax</b>		422,262	1,385,211	266,598	1,454,223
<b>Total comprehensive income for the period, net of tax, attributable to:</b>					
Owners of the Parent Company		314,111	1,232,306	207,507	1,318,333
Non-controlling interests		108,151	152,905	59,091	135,890
		422,262	1,385,211	266,598	1,454,223



**LG Electronics**
**Consolidated Interim Statements of Changes in Equity**
**Nine-month Periods Ended September 30, 2019 and 2018**

		Attributable to Owners of the Parent Company						
				Accumulated Other	Other			
		Paid-in Capital	Retained Earnings	Comprehensive Loss	Components of Equity	Total	Non-controlling Interests	Total Equity
<i>(in millions of Korean won)</i>								
Note								
	<b>Balance at January 1, 2018</b>	3,992,348	10,964,155	(1,522,478)	(209,764)	13,224,261	1,449,423	14,673,684
	Changes in accounting policy	-	20,639	(17,098)	-	3,541	-	3,541
	<b>Restated total equity</b>	<u>3,992,348</u>	<u>10,984,794</u>	<u>(1,539,576)</u>	<u>(209,764)</u>	<u>13,227,802</u>	<u>1,449,423</u>	<u>14,677,225</u>
	<b>Total comprehensive income:</b>							
	Profit for the period	-	1,410,405	-	-	1,410,405	143,060	1,553,465
	Remeasurements of the net defined benefit liability	-	(47,527)	-	-	(47,527)	(3,403)	(50,930)
	Share of remeasurements of associates	-	(4,263)	-	-	(4,263)	-	(4,263)
	Financial assets at fair value through other comprehensive income	-	-	1,931	-	1,931	82	2,013
	Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	-	-	(21,012)	-	(21,012)	-	(21,012)
	Cash flow hedges	-	-	(11,089)	-	(11,089)	(124)	(11,213)
	Exchange differences on translation of foreign operations	-	-	(10,112)	-	(10,112)	(3,725)	(13,837)
	<b>Total comprehensive income</b>	<u>-</u>	<u>1,358,615</u>	<u>(40,282)</u>	<u>-</u>	<u>1,318,333</u>	<u>135,890</u>	<u>1,454,223</u>
	<b>Transactions with owners:</b>							
	Dividends	-	(72,885)	-	-	(72,885)	(32,572)	(105,457)
	Changes in controlling interests in subsidiaries	-	-	-	-	-	(20)	(20)
	Business combination	-	-	-	-	-	420,001	420,001
	<b>Total transactions with owners</b>	<u>-</u>	<u>(72,885)</u>	<u>-</u>	<u>-</u>	<u>(72,885)</u>	<u>387,409</u>	<u>314,524</u>
	<b>Balance at September 30, 2018 (Unaudited)</b>	<u>3,992,348</u>	<u>12,270,524</u>	<u>(1,579,858)</u>	<u>(209,764)</u>	<u>14,473,250</u>	<u>1,972,722</u>	<u>16,445,972</u>
	<b>Balance at January 1, 2019</b>	3,992,348	12,075,414	(1,604,730)	(209,764)	14,253,268	2,053,639	16,306,907
	Changes in accounting policy	-	(8,336)	-	-	(8,336)	428	(7,908)
	<b>Restated total equity</b>	<u>3,992,348</u>	<u>12,067,078</u>	<u>(1,604,730)</u>	<u>(209,764)</u>	<u>14,244,932</u>	<u>2,054,067</u>	<u>16,298,999</u>
	<b>Total comprehensive income:</b>							
	Profit for the period	-	906,697	-	-	906,697	122,981	1,029,678
	Remeasurements of the net defined benefit liability	-	(180,287)	-	-	(180,287)	(9,235)	(189,522)
	Share of remeasurements of associates	-	(4,549)	-	-	(4,549)	-	(4,549)
	Financial assets at fair value through other comprehensive income	-	-	7,271	-	7,271	328	7,599
	Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	-	-	82,570	-	82,570	-	82,570
	Cash flow hedges	-	-	(49,366)	-	(49,366)	(12)	(49,378)
	Exchange differences on translation of foreign operations	-	-	469,970	-	469,970	38,843	508,813
	<b>Total comprehensive income</b>	<u>-</u>	<u>721,861</u>	<u>510,445</u>	<u>-</u>	<u>1,232,306</u>	<u>152,905</u>	<u>1,385,211</u>
	<b>Transactions with owners:</b>							
	Dividends	-	(135,909)	-	-	(135,909)	(76,749)	(212,658)
	Changes in controlling interests in subsidiaries	-	-	-	-	-	(280)	(280)
	Transfer of business	-	-	-	-	-	(20,346)	(20,346)
	<b>Total transactions with owners</b>	<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>	<u>(97,375)</u>	<u>(233,284)</u>
	<b>Balance at September 30, 2019 (Unaudited)</b>	<u>3,992,348</u>	<u>12,653,030</u>	<u>(1,094,285)</u>	<u>(209,764)</u>	<u>15,341,329</u>	<u>2,109,597</u>	<u>17,450,926</u>

**LG Electronics**  
**Consolidated Interim Statements of Cash Flows**  
**Nine-month Periods Ended September 30, 2019 and 2018**

(in millions of Korean won)

	Note	Nine-month Period Ended September 30	
		2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	3,177,430	3,716,905
Interest received		97,374	70,267
Interest paid		(312,141)	(308,708)
Dividend received		1,177	68,452
Income tax paid		(417,615)	(361,927)
<b>Net cash inflow from operating activities</b>		<u>2,546,225</u>	<u>3,184,989</u>
<b>Cash flows from investing activities</b>			
Decrease in deposits held by financial institutions		8,758	26,778
Decrease in loans and other receivables		87,295	92,254
Proceeds from redemption and disposal of other financial assets		55,316	51,098
Proceeds from disposal of property, plant and equipment		77,710	82,204
Proceeds from disposal of intangible assets		34	2,825
Proceeds from disposal of investment properties		95,238	-
Proceeds from redemption and disposal of investment in associates and joint ventures		-	8
Proceeds from disposal of assets held for sale		110,814	39,082
Transfer of business	28	173,028	46,130
Increase in deposits held by financial institutions		(6,083)	(22,453)
Increase in loans and other receivables		(94,755)	(100,129)
Acquisition of other financial assets		(56,555)	(32,745)
Acquisition of property, plant and equipment		(1,504,587)	(2,315,443)
Acquisition of intangible assets		(361,118)	(469,936)
Acquisition of investments in associates and joint ventures		(10,938)	(87,510)
Business combination	33	(2,594)	(738,029)
<b>Net cash outflow from investing activities</b>		<u>(1,428,437)</u>	<u>(3,425,866)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		731,696	2,224,710
Repayments of borrowings		(983,678)	(655,218)
Repayments of lease liabilities		(228,343)	-
Dividends paid and others		(212,937)	(105,477)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(693,262)</u>	<u>1,464,015</u>
Effects of exchange rate changes on cash and cash equivalents		103,966	(35,421)
<b>Net increase in cash and cash equivalents</b>		<u>528,492</u>	<u>1,187,717</u>
Cash and cash equivalents at the beginning of the period		<u>4,270,388</u>	<u>3,350,597</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>4,798,880</u>	<u>4,538,314</u>

# **LG Electronics**

## **Notes to the Consolidated Interim Financial Statements**

### **September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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#### **1. General Information**

LG Electronics Inc. (the “Company” or “Parent Company”) was spun off from LG Electronics Investment Ltd. on April 1, 2002. The Parent Company’s shares were listed on the Korea Exchange on April 22, 2002, and some of its preferred shares, in the form of global depositary receipts (“GDRs”), are listed on the London Stock Exchange at the end of the reporting period. The Parent Company is domiciled in Korea at Yeoui-daero, Yeongdeungpo-gu, Seoul.

As at September 30, 2019, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (collectively referred to as the “Group”) operate following six major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle component Solutions segment designs and manufactures automobile parts; Business Solutions segment manufactures and sells information displays, solar panels and others; and LG Innotek Co., Ltd. operates LED, optics solutions, substrate materials and automotive components businesses. As at September 30, 2019, the Parent Company has 134 subsidiaries (Note 1 (a)), 19 associates and joint ventures (Note 11).

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(a) Consolidated subsidiaries as at September 30, 2019 and December 31, 2018, are as follows:

Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and retails of electronic products	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and sales of air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing services	More than half of voting rights
	Korea	LG Innotek Co., Ltd. <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund <sup>1</sup>	40.4%	59.6%	40.4%	59.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Business facility maintenance	More than half of voting rights
	Korea	ZKW Lighting Systems Korea Co., Ltd.	70.0%	30.0%	-	-	December	R&D	More than half of voting rights
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics (Kunshan) Co.,Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) <sup>2</sup>	50.0%	50.0%	50.0%	50.0%	December	Production of electronic products	De-facto control
	China	LG Electronics Nanjing New Technology Co.,LTD(LGENT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Co.LTD(LGEQH)	100.0%	-	100.0%	-	December	Production of casting	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGEYS)	78.9%	21.1%	78.9%	21.1%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	100.0%	-	100.0%	-	December	Production of heater	More than half of voting rights
	China	QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	80.0%	20.0%	-	-	December	Installation and sales of air conditioners	More than half of voting rights
	China	LG Innotek Yantai Co.,Ltd.(LGITYT) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Huizhou Co.,Ltd.(LGITHZ) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co.,Ltd.(LGITSH) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	China	ZKW Lighting Systems (Dalian) Co. Ltd.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	China	HIPLAZA (Shenyang) Trading Co., Ltd.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	India	LG Electronics India Pvt. Ltd.(LGEIL) <sup>4</sup>	100.0%	-	100.0%	-	March	Production and sales of electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Malaysia	LG Electronics (M) Sdn. Bhd(LGEML)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS) <sup>4</sup>	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	Indonesia	PT. LG Innotek Indonesia(LGITIN) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Co., Ltd.(LGITTW) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Vietnam	LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	99.8%	0.2%	December	Services	More than half of voting rights
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holding B.V.(LGEEH)	100.0%	-	100.0%	-	December	European holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S(LGEFS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A(LGEHS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.P.A.(LGEIS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia LTD(LGELA)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar K.F.T.(LGEMK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z.O.O.(LGEMA)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. Z.O.O(LGEPL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights



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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	UK	LG Electronics U.K. LTD(LGEUK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Finland	LG Electronics Finland Lab Oy(LGEFL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Poland	LG Innotek Poland Sp. z.o.o.(LGITPO) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Austria	ZKW Holding GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
	Austria	ZKW Group GmbH	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
	Austria	ZKW Elektronik GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Austria	ZKW Lichtsysteme GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Austria	ZKW Austria Immobilien Holding GmbH <sup>5</sup>	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
	Austria	ZKW Austria Immobilien GmbH <sup>5</sup>	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
	Slovakia	ZKW Slovakia s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Czech	KES - kabelove a elektricke systemy spol. s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Poland	KES Poland Sp.z o.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
USA	Zenith Electronics LLC(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights	

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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	USA	LG Electronics Vehicle Components U.S.A, LLC(LGEVU)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	USA	LGEUS Power, LLC	100.0%	-	100.0%	-	December	Investment of solar power plant	More than half of voting rights
	USA	LG Electronics Fund I LLC	100.0%	-	100.0%	-	December	Investment in technology start-ups	More than half of voting rights
	USA	LG Technology Ventures LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	ZKW Lighting Systems USA, Inc.	70.0%	30.0%	70.0%	30.0%	December	Sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Inmobiliaria, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
	Mexico	ZKW Mexico, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Servicios, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
South America	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Limitada(LGECB)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. <sup>2</sup>	20.0%	80.0%	20.0%	80.0%	December	Sales of electronic products	De-facto control

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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Chile	LG Electronics Inc Chile Limitada(LGECL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Middle East and Africa	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and services of electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L.(LGEMC)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co.Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of electronic products	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia LLD	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Other	Kazakhstan	JSC Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine(LGEUR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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- <sup>1</sup> Although the Group owns less than half of the voting rights of LG Innotek Co., Ltd., which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).
- <sup>2</sup> Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.
- <sup>3</sup> Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities in operating and financing activities of the entity and is exposed to variable returns.
- <sup>4</sup> In the preparation of the consolidated interim financial statements, the financial statements for the nine-month period ended September 30, 2019 were used for those subsidiaries with different fiscal year ends.
- <sup>5</sup> Mommert Gewerbeimmobilien Verwaltungs GmbH and Mommert Immobilien GmbH changed its name to ZKW Austria Immobilien Holding GmbH and ZKW Austria Immobilien GmbH, respectively, during the nine-month period ended September 30, 2019.

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(b) Financial information of major subsidiaries as at September 30, 2019 and December 31, 2018, and for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	September 30, 2019			2019			
	Assets	Liabilities	Equity	Three months		Nine months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,492,831	3,567,901	1,924,930	2,376,787	89,205	5,154,465	24,939
LG Electronics U.S.A., Inc.(LGEUS)	4,261,346	4,410,327	(148,981)	2,986,208	(118,617)	8,547,602	(224,539)
LG Electronics European Shared Service Center B.V.(LGESC)	2,326,346	2,281,486	44,860	127,180	(5,129)	388,271	13,446
LG Electronics Reynosa S.A. DE C.V.(LGERES)	1,869,423	767,964	1,101,459	908,088	99,036	2,289,558	304,185
Zenith Electronics Corporation(Zenith)	1,196,091	31,875	1,164,216	60,644	28,971	90,443	23,711
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,095,438	605,327	490,111	590,960	40,900	1,882,102	67,888
LG Electronics do Brasil Ltda.(LGEBR)	1,175,944	548,034	627,910	509,074	36,412	1,539,896	92,867
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	1,475,787	987,363	488,424	1,128,886	102,324	2,813,816	129,210
LG Electronics India Pvt. Ltd.(LGEIL)	1,493,754	526,699	967,055	668,367	91,942	2,167,514	269,193
LG Electronics (China) Co., Ltd.(LGECH)	686,947	787,897	(100,950)	77,398	13,141	243,337	24,337
LG Electronics RUS, LLC(LGERA)	941,654	310,447	631,207	365,063	40,257	964,020	85,698
LG Innotek Vietnam Hai Phong Co.,Ltd.	961,548	762,084	199,464	430,422	33,697	1,000,579	56,503
Hiplaza Co., Ltd.	897,488	719,197	178,291	657,834	(3,197)	2,275,249	6,173
ZKW Lichtsysteme GmbH	862,217	486,347	375,870	221,349	14,442	691,438	31,879
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	650,425	361,451	288,974	267,144	10,350	1,035,866	41,694
ZKW Group GmbH	646,249	336,516	309,733	852	15,906	2,107	35,085
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	245,717	48,561	197,156	44,215	(2,329)	580,998	14,815
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	620,916	428,376	192,540	294,376	15,160	879,049	33,783
P.T. LG Electronics Indonesia(LGEIN)	594,490	219,838	374,652	336,214	20,203	999,849	53,269
LG Electronics Deutschland GmbH(LGEDG)	540,494	411,563	128,931	534,704	28,513	1,582,864	21,352
LG Electronics Thailand Co., Ltd.(LGETH)	577,588	231,449	346,139	271,357	19,908	996,160	40,357
LG Electronics Nanjing New Technology co.,LTD(LGENT)	465,559	254,033	211,526	311,774	15,902	1,074,815	43,437

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<i>(in millions of Korean won)</i>	December 31, 2018			2018			
	Assets	Liabilities	Equity	Three months		Nine months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,062,817	3,140,216	1,922,601	2,236,947	70,960	5,252,900	71,306
LG Electronics U.S.A., Inc.(LGEUS)	3,581,129	3,495,389	85,740	2,807,889	(116,022)	6,387,483	(200,141)
LG Electronics European Shared Service Center B.V.(LGESC)	1,853,240	1,822,647	30,593	61,584	4,482	169,671	5,763
LG Electronics Reynosa S.A. DE C.V.(LGERS)	1,298,166	565,836	732,330	788,556	82,658	1,861,500	208,501
Zenith Electronics Corporation(Zenith)	1,080,075	18,770	1,061,305	10,561	(3,072)	29,975	(14,139)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,068,222	648,999	419,223	479,194	(816)	1,645,194	25,378
LG Electronics do Brasil Ltda.(LGEBR)	1,003,964	468,001	535,963	389,619	31,265	1,443,899	127,031
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	1,002,255	671,022	331,233	799,482	38,987	2,182,590	79,805
LG Electronics India Pvt. Ltd.(LGEIL)	991,303	343,183	648,120	622,517	52,925	1,968,031	199,697
LG Electronics (China) Co., Ltd.(LGECH)	890,353	1,011,156	(120,803)	85,807	1,316	279,783	18,075
LG Electronics RUS, LLC(LGERA)	791,066	268,912	522,154	343,739	31,958	947,069	79,577
LG Innotek Vietnam Hai Phong Co.,Ltd.	734,010	601,413	132,597	376,940	11,996	627,895	26,223
Hiplaza Co., Ltd.	607,368	434,258	173,110	731,711	8,840	2,088,320	11,764
ZKW Lichtsysteme GmbH <sup>1</sup>	600,317	258,424	341,893	149,951	5,699	149,951	5,699
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	590,825	351,650	239,175	221,607	8,385	903,441	21,602
ZKW Group GmbH <sup>1</sup>	565,125	298,436	266,689	719	734	719	734
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	562,263	286,881	275,382	588,337	53,789	1,597,927	121,819
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	531,273	377,870	153,403	293,937	6,418	797,786	14,921
P.T. LG Electronics Indonesia(LGEIN)	516,151	218,568	297,583	334,123	12,640	900,902	44,668
LG Electronics Deutschland GmbH(LGEDG)	497,260	391,178	106,082	462,082	12,447	1,411,370	10,410
LG Electronics Thailand Co., Ltd.(LGETH)	490,113	223,418	266,695	267,128	3,339	847,065	20,085
LG Electronics Nanjing New Technology co.,LTD(LGENT)	479,292	279,917	199,375	312,915	10,942	954,931	34,746

<sup>1</sup> The amounts of sales and profit for the period after the business combination are presented.



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## Notes to the Consolidated Interim Financial Statements

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(c) Information of subsidiaries with material non-controlling interests is as follows:

- LG Innotek Co., Ltd. and its subsidiaries

i) Percentage of ownership in non-controlling interests and accumulated non-controlling interests

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,317,490	1,259,456

ii) Profit and dividends attributable to non-controlling interests for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Profit to non-controlling interests	76,008	56,523	55,664	61,226
Dividends to non-controlling interests	-	4,204	-	3,503

iii) Summarized consolidated statements of financial position of subsidiaries with material non-controlling interests, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Current assets	2,895,241	2,233,328
Non-current assets	3,452,537	3,522,739
<b>Total assets</b>	<b>6,347,778</b>	<b>5,756,067</b>
Current liabilities	2,507,857	1,584,398
Non-current liabilities	1,632,259	2,053,434
<b>Total liabilities</b>	<b>4,140,116</b>	<b>3,637,832</b>
Equity attributable to the owners of LG Innotek Co., Ltd.	2,207,660	2,118,233
Non-controlling interests	2	2
<b>Total equity</b>	<b>2,207,662</b>	<b>2,118,235</b>

iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Net sales	2,445,946	5,336,901	2,313,182	5,551,596
Profit for the period	124,991	86,831	93,679	99,856
Other comprehensive income (loss), net of tax	5,193	9,695	(21,720)	(5,628)
Total comprehensive income, net of tax	130,184	96,526	71,959	94,228

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- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the nine-month periods ended September 30, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cash flows from operating activities	352,247	591,272
Cash flows from investing activities	(305,053)	(1,138,162)
Cash flows from financing activities	(166,770)	522,246
Effects of exchange rate changes on cash and cash equivalents	5,515	(194)
Net decrease in cash and cash equivalents	(114,061)	(24,838)
Cash and cash equivalents at the beginning of the period	621,247	369,533
Cash and cash equivalents at the end of the period	507,186	344,695

(d) Significant restrictions on subsidiaries

- i) Significant restrictions on the ability to use the assets and settle the liabilities of the Group

Cash and other short-term financial instruments held by subsidiaries in Egypt, Algeria, Russia and Kazakhstan are subject to exchange control regulations of each relevant country. Accordingly, there are transfer limits on their cash and short-term financial instruments from these countries.

The nature and extent to which the protective rights of non-controlling interest can restrict the use of the assets and settlement of the liabilities of the Group are as follows:

<b>Subsidiary</b>	<b>The nature and extent of the protective rights for non-controlling interest</b>
LG-Shaker Co., Ltd.(LGESR)	An unanimous approval is required for the confirmation of the financial statements and dividend declaration.

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### Notes to the Consolidated Interim Financial Statements

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(e) Changes in the Parent Company's interest in subsidiaries

There are no changes in the Parent Company's interest in subsidiaries without the loss of control for the nine-month periods ended September 30, 2019 and 2018.

(f) A subsidiary newly included in the scope of the preparation of the consolidated interim financial statements for the nine-month period ended September 30, 2019, is:

Subsidiary	Reason	Country	Percentage of ownership	Closing month	Major business
QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	Newly acquired	China	80%	December	Installation and sales of air conditioners
ZKW Lighting Systems Korea Co., Ltd.	Newly established	Korea	70%	December	R&D

(g) Subsidiaries excluded from the scope of the preparation of the consolidated interim financial statements for the nine-month period ended September 30, 2019, are:

Subsidiary	Reason	Country
LG Electronics Service Kenya Limited(LGESK)	Liquidation	Kenya
LGE Alliance Fund	Liquidation	Korea
LGE Alliance Fund II	Liquidation	Korea
EASYTEC GLOBAL SERVICES INNOVATION LIMITED	Liquidation	Nigeria
LG Hitachi Water Solution Co., Ltd.	Disposal	Korea
Hi Entech Co., Ltd.	Disposal	Korea
HiEntech (Tianjin) Co., LTD.	Disposal	China

(h) Gain or loss resulted from the loss of control

During the nine-month period ended September 30, 2019, the Group disposed shares of LG Hitachi Water Solution Co., Ltd., Hi Entech Co., Ltd. and HiEntech (Tianjin) Co., LTD., and recognized gain on the sale of business amounting to ₩ 119,843 million. There are no gain or loss recognized from the loss of control with regard to liquidation of LGE Alliance Fund, LGE Alliance Fund II, LG Electronics Service Kenya Limited and EASYTEC GLOBAL SERVICES INNOVATION LIMITED.

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## Notes to the Consolidated Interim Financial Statements

### September 30, 2019 and 2018 (Unaudited), and December 31, 2018

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## 2. Significant Accounting Policies

### Basis of Preparation

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

The Group's consolidated interim financial statements for the nine-month period ended September 30, 2019, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at September 30, 2019.

### Changes in Accounting Policies and Disclosures

- (a) New and amended standards and interpretations effective for the financial year beginning January 1, 2019.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases*, Interpretation 2104 *Determining whether an Arrangement contains a Lease*, Interpretation 2015 *Operating Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Group shall assess whether the contract is, or contains, a lease in accordance with the standard. For a contract that is, or contains, a lease, a lessee or a lessor shall account for each lease component within the contract as a lease separately from non-lease components of the contract.

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Group elected not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low-value assets (e.g. underlying assets below \$5,000).

Lessor accounting treatment did not change significantly from current Korean IFRS 1017 *Leases*.

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*Lessee accounting*

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application); or
- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch-up method).

The Group applied Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard as at January 1, 2019. The Group did not restate any comparative information. Instead, the cumulative effect of applying the standard was recognized as an adjustment to the opening balance of retained earnings at the date of initial application.

Under Korean IFRS 1116, with implementation of a single lease model, a lessee is required to recognize assets and liabilities for all lease whose lease terms are over 12 months and underlying assets are not low-value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

On adoption of Korean IFRS 1116, the Group recognized right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.1%.

For leases previously classified as 'finance leases', the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of Korean IFRS 1116 are only applied after that date. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

As at January 1, 2019, the date of initial application, further details on the impact of the application of the standard are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2019</b>
Operating lease commitments disclosed as at December 31, 2018	722,451
Discounted amount using the lessee's incremental borrowing rate of at the date of initial application	690,429
Add: finance lease liabilities recognized as at December 31, 2018	18,662
Less: short-term lease payments recognized on a straight-line basis as expenses	(77,618)
Less: low-value asset lease payments recognized on a straight-line basis as expenses	(9,014)
<b>Lease liabilities recognized as at January 1, 2019</b>	<b>622,459</b>

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<i>(in millions of Korean won)</i>	<b>January 1, 2019</b>
Of which are:	
Current lease liabilities	177,456
Non-current lease liabilities	445,003
<b>Total</b>	<b>622,459</b>

The associated right-of-use assets for leases were measured as if the new rules had always been applied using the lessee's incremental borrowing rate at the date of initial application. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at December 31, 2018. Onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application, amounted to ₩1,374 million, and were accounted for as a deduction of the right-of-use assets.

Consolidated statements of financial position at the date of initial application (January 1, 2019):

<i>(in millions of Korean won)</i>	<b>December 31, 2018</b>	<b>K-IFRS 1116</b>	<b>January 1, 2019</b>
	<b>(before adjustments)</b>	<b>Adjustments</b>	<b>(after adjustments)</b>
<b>Current assets</b>			
Other assets	1,073,396	(17,375)	1,056,021
Current assets without financial effect	18,289,458	-	18,289,458
<b>Total current assets</b>	<b>19,362,854</b>	<b>(17,375)</b>	<b>19,345,479</b>
<b>Non-current assets</b>			
Other receivables	452,366	(2,179)	450,187
Property, plant and equipment	13,333,951	677,261	14,011,212
Intangible assets	3,001,155	(15,325)	2,985,830
Deferred income tax assets	1,410,793	2,990	1,413,783
Other assets	789,497	(64,584)	724,913
Non-current assets without financial effect	5,977,827	-	5,977,827
<b>Total non-current assets</b>	<b>24,965,589</b>	<b>598,163</b>	<b>25,563,752</b>
<b>Total assets</b>	<b>44,328,443</b>	<b>580,788</b>	<b>44,909,231</b>
<b>Current liabilities</b>			
Lease liabilities	-	177,456	177,456
Other payables	3,670,453	(20,694)	3,649,759
Other liabilities	2,861,341	(299)	2,861,042
Current liabilities without financial effect	10,603,235	-	10,603,235
<b>Total current liabilities</b>	<b>17,135,029</b>	<b>156,463</b>	<b>17,291,492</b>
<b>Non-current liabilities</b>			
Lease liabilities	-	445,003	445,003
Other payables	17,995	(11,349)	6,646
Deferred income tax liabilities	127,014	(47)	126,967
Provisions	343,811	(1,374)	342,437

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<i>(in millions of Korean won)</i>	December 31, 2018 (before adjustments)	K-IFRS 1116 Adjustments	January 1, 2019 (after adjustments)
Non-current liabilities without financial effect	10,397,687	-	10,397,687
Total non-current liabilities	10,886,507	432,233	11,318,740
<b>Total liabilities</b>	<b>28,021,536</b>	<b>588,696</b>	<b>28,610,232</b>
<b>Equity</b>			
Equity attributable to owners of the Parent Company			
Retained earnings	12,075,414	(8,336)	12,067,078
Equity without financial effect	2,177,854	-	2,177,854
Non-controlling interests	2,053,639	428	2,054,067
<b>Total equity</b>	<b>16,306,907</b>	<b>(7,908)</b>	<b>16,298,999</b>

In applying Korean IFRS 1116 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the Group relied on its assessment made applying Korean IFRS 1017 and Interpretation 2104 *Determining whether an Arrangement contains a Lease*.

### *Lessor accounting*

There is no significant impact on the consolidated interim financial statements from applying the new standard as accounting for the Group, as a lessor, does not significantly change.

### *- Amendments to Korean IFRS 1109 Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the consolidated interim financial statements.

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### **Notes to the Consolidated Interim Financial Statements**

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- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments are effective for plan amendments, curtailments and settlements occurring in reporting periods that begin on or after January 1, 2019. The amendment does not have a significant impact on the consolidated interim financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment does not have a significant impact on the consolidated interim financial statements.

- Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the consolidated interim financial statements.

- (b) There are no new, enacted and amended standards issued, but not effective for September 30, 2019, and not early adopted by the Group.

#### **Application of Accounting Policies**

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated interim financial statements for the year ended December 31, 2018, except for the changes due to the application of amendment and enactments of standards described in Note 2 and the ones described below.

#### **Income Tax Expense**

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



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#### Leases

The Group has applied Korean IFRS 1116 *Leases* from January 1, 2019.

The Group leases various offices, warehouses, retail stores, equipment and cars. A lease term is normally determined considering non-cancellable period of a lease and its extension options. Lease conditions are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

#### *Lessee accounting*

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated to the repayment of lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### (a) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- estimated restoration costs

#### (b) Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments:

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- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

However, payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment whose underlying assets are values below US\$ 5,000, and others.

#### *Lessor accounting*

There is no significant impact on the consolidated interim financial statements from applying the new standard as the current accounting treatment for the Group, as a lessor, does not significantly change.

A lessor classifies each of its leases as either an operating lease or a finance lease. A lease that transfers substantially all the risks and rewards incidental to ownership of underlying asset is classified as a finance lease, and a lease other than a finance lease is classified as an operating lease.

At the commencement date, a lessor recognizes assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease using the interest rate implicit in the lease. Under an operating lease, a lessor recognizes lease payments from operating leases as income on either a straight-line basis or other systematic base.

### **3. Critical Accounting Estimates and Judgements**

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

#### **Critical Accounting Estimates and Assumptions**

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

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(a) Revenue Recognition

The Group recognizes revenue over time using the percentage of completion method for the rendering of service such as equipment production and installation. The Group measures the percentage of completion by estimating cost for the completion of the transaction, and the factors for the estimation of revenue may vary.

(b) Impairment of Goodwill

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

(c) Income Taxes

The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

(e) Provisions

The Group recognizes provisions for product warranties and others based on their historical data at the end of the reporting period.

(f) Net Defined Benefit Liabilities

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

(g) Development Costs

The Group capitalizes development costs when there is a reasonable assurance that projects have technical feasibility and the possibility of generating future economic benefits, and performs

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periodic impairment test. The recoverable amount of each project has been calculated on a basis of the value-in-use reflecting historical experience and future business plans. These calculations require estimates.

**Significant Judgment on Accounting Policies Adopted by the Group**

In order to determine the Group's de-facto control, the Group considers percentage of ownership held by Group and ownership dispersion of the remaining shareholders, and also considers additional facts and circumstances including voting patterns at previous shareholders' meetings.

**4. Segment Information**

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. At the end of the reporting periods, the main products of each business division are as follows, and the comparative information is presented in conformity with the same classification in the current period.

Operating segment	Type of products
Home Appliance & Air Solution (H&A)	Refrigerators, washing machines, residential and commercial air conditioners, microwaves, vacuum cleaners and others
Home Entertainment (HE)	TVs, monitors, PCs, audio, video and others
Mobile Communications (MC)	Mobile communications
Vehicle component Solutions (VS)	Vehicle components and others
Business Solutions (BS)	Information displays, solar panels and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	LED, camera modules, substrate & material, motor/sensor and others
Other segments	Equipment production and others

(a) The segment information for sales and operating profit (loss) for the three-month and nine-month periods ended September 30, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	Three-month period ended September 30, 2019							Inter-segment transactions <sup>2</sup>	Total
	H&A	HE	MC	VS	BS	Innotek	Other segments <sup>1</sup>		
Sales	5,330,670	3,866,195	1,522,254	1,340,162	698,681	2,445,946	712,808	(216,071)	15,700,645
External sales	5,316,103	3,863,904	1,521,985	1,340,162	698,503	2,304,500	655,488	-	15,700,645
Internal sales	14,567	2,291	269	-	178	141,446	57,320	(216,071)	-
Operating profit (loss) <sup>3</sup>	428,856	317,990	(161,166)	(60,164)	66,817	186,519	2,609	-	781,461
Depreciation and amortization	156,632	85,376	43,237	112,698	42,773	148,911	46,970	-	636,597

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

### Nine-month period ended September 30, 2019

<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	16,899,407	11,561,136	4,645,894	4,110,227	1,999,684	5,336,901	2,396,858	(705,134)	46,244,973
External sales	16,864,014	11,553,643	4,643,957	4,110,191	1,999,128	4,869,121	2,204,919	-	46,244,973
Internal sales	35,393	7,493	1,937	36	556	467,780	191,939	(705,134)	-
Operating profit (loss) <sup>3</sup>	1,873,913	870,066	(677,589)	(131,304)	180,458	193,878	24,915	-	2,334,337
Depreciation and amortization	459,770	247,873	125,783	324,923	137,103	430,283	124,731	-	1,850,466

### Three-month period ended September 30, 2018

<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	4,850,830	3,734,700	2,017,385	1,175,973	576,663	2,313,182	1,059,997	(301,680)	15,427,050
External sales	4,838,794	3,732,259	2,017,294	1,175,973	576,143	2,148,450	938,137	-	15,427,050
Internal sales	12,036	2,441	91	-	520	164,732	121,860	(301,680)	-
Operating profit (loss) <sup>3</sup>	412,976	323,016	(144,212)	(42,892)	35,048	129,695	35,158	-	748,789
Depreciation and amortization	120,994	72,319	48,971	73,128	46,752	123,991	14,594	-	500,749

### Nine-month period ended September 30, 2018

<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	15,032,867	11,722,157	6,200,728	2,888,799	1,807,889	5,551,596	3,380,924	(1,015,558)	45,569,402
External sales	15,000,082	11,714,495	6,200,324	2,888,799	1,805,450	5,008,807	2,951,445	-	45,569,402
Internal sales	32,785	7,662	404	-	2,439	542,789	429,479	(1,015,558)	-
Operating profit (loss) <sup>3</sup>	1,432,368	1,301,258	(459,647)	(92,416)	152,881	159,917	133,214	-	2,627,575
Depreciation and amortization	355,344	213,321	148,836	177,292	140,383	365,060	38,470	-	1,438,706

<sup>1</sup> Other segments include operating segments that are not qualified as reportable segments and departments that support the operating segments and R&D.

<sup>2</sup> Sales between segments are accounted on terms equivalent to those that prevail in arm's length transactions.

<sup>3</sup> Other income or expenses items not included in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

## LG Electronics

### Notes to the Consolidated Interim Financial Statements

#### September 30, 2019 and 2018 (Unaudited), and December 31, 2018

(b) Segment assets and liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
H&A	18,741,335	10,953,205	15,788,755	9,577,912
HE	13,654,619	10,617,070	11,971,528	9,603,530
MC	4,151,847	6,885,283	4,127,122	5,902,259
VS	6,098,917	6,105,575	5,704,878	5,281,526
BS	2,916,234	2,271,309	2,682,832	2,123,830
Innotek	6,347,778	4,140,116	5,756,067	3,637,832
<b>Subtotal<sup>1</sup></b>	<b>51,910,730</b>	<b>40,972,558</b>	<b>46,031,182</b>	<b>36,126,889</b>
Other segments and inter-segment transactions	(4,706,170)	(11,218,924)	(1,702,739)	(8,105,353)
<b>Total</b>	<b>47,204,560</b>	<b>29,753,634</b>	<b>44,328,443</b>	<b>28,021,536</b>

<sup>1</sup> The amounts of assets and liabilities of each segment are before inter-company elimination, and common assets and liabilities are allocated based on the operations of the segments.

(c) Non-current assets by geographic area as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Non-current assets <sup>1</sup>	
	September 30, 2019	December 31, 2018
<b>Geographic areas</b>		
Korea	12,175,315	12,316,318
China	1,069,990	970,706
Asia	1,085,103	951,524
North America	976,640	773,311
Europe	1,221,696	1,073,397
South America	151,270	109,667
Middle East & Africa	116,063	92,831
Russia and others	183,287	141,748
<b>Total</b>	<b>16,979,364</b>	<b>16,429,502</b>

<sup>1</sup> Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

(d) There is no external customer contributing to more than 10% of net sales for the nine-month periods ended September 30, 2019 and 2018.

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**5. Financial Instruments by Category**

(a) Categorizations of financial instruments as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	4,798,880	-	-	-	4,798,880
Deposits held by financial institutions	124,070	-	-	-	124,070
Trade receivables	6,319,098	712,997	-	-	7,032,095
Other receivables	1,119,196	-	-	-	1,119,196
Other financial assets	1,612	65,246	24,267	10,503	101,628
<b>Total</b>	<b>12,362,856</b>	<b>778,243</b>	<b>24,267</b>	<b>10,503</b>	<b>13,175,869</b>

<i>(in millions of Korean won)</i>	September 30, 2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	8,200,116	-	-	8,200,116
Borrowings	10,795,722	-	-	10,795,722
Lease liabilities	-	-	730,084	730,084
Other payables	2,734,944	-	-	2,734,944
Other financial liabilities	-	13,879	114,842	128,721
<b>Total</b>	<b>21,730,782</b>	<b>13,879</b>	<b>844,926</b>	<b>22,589,587</b>

<i>(in millions of Korean won)</i>	December 31, 2018				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	4,270,388	-	-	-	4,270,388
Deposits held by financial institutions	126,369	-	-	-	126,369
Trade receivables	6,013,151	358,443	-	-	6,371,594
Other receivables	958,803	-	-	-	958,803
Other financial assets	1,729	56,070	26,841	1,833	86,473
<b>Total</b>	<b>11,370,440</b>	<b>414,513</b>	<b>26,841</b>	<b>1,833</b>	<b>11,813,627</b>

<i>(in millions of Korean won)</i>	December 31, 2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	7,216,739	-	-	7,216,739
Borrowings	10,901,186	-	-	10,901,186
Other payables	3,688,448	-	-	3,688,448
Other financial liabilities	-	11,273	81,337	92,610
<b>Total</b>	<b>21,806,373</b>	<b>11,273</b>	<b>81,337</b>	<b>21,898,983</b>

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

(b) Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	106,704	-	-	-	106,704
Exchange differences	371,314	6,488	-	-	377,802
Bad debt expenses	(27,469)	-	-	-	(27,469)
Loss on disposal of trade receivables	(4,676)	(8,977)	-	-	(13,653)
Dividend income	-	262	273	-	535
Gain on valuation of financial assets at fair value through profit or loss	-	-	152	-	152
Loss on disposal of financial assets at fair value through other comprehensive income	-	(206)	-	-	(206)
Gain on derivatives (through profit or loss)	-	-	42,047	-	42,047
Fair value gain, net of tax (through other comprehensive income)	-	7,599	-	-	7,599
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(2,011)	(2,011)

<i>(in millions of Korean won)</i>	2019			
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(288,812)	-	(19,544)	(308,356)
Exchange differences	(455,140)	-	42,758	(412,382)
Loss on derivatives (through profit or loss)	-	(41,783)	-	(41,783)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(47,367)	(47,367)
Others	(2,063)	-	-	(2,063)



# LG Electronics

## Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

<i>(in millions of Korean won)</i>	2018				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	81,459	-	-	-	81,459
Exchange differences	294,524	(6,172)	-	-	288,352
Bad debt expenses	(13,595)	-	-	-	(13,595)
Loss on disposal of trade receivables	(4,289)	(10,209)	-	-	(14,498)
Dividend income	-	217	-	-	217
Loss on valuation of financial assets at fair value through profit or loss	-	-	(2,214)	-	(2,214)
Gain on derivatives (through profit or loss)	-	-	58,128	-	58,128
Fair value gain, net of tax (through other comprehensive income)	-	2,013	-	-	2,013
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	104	104
Others	(827)	-	-	-	(827)

<i>(in millions of Korean won)</i>	2018			
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(298,186)	-	(8,751)	(306,937)
Exchange differences	(433,713)	-	29,910	(403,803)
Loss on derivatives (through profit or loss)	-	(33,721)	-	(33,721)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(11,317)	(11,317)
Others	(2,827)	-	-	(2,827)

### 6. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019			December 31, 2018		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	7,146,551	(114,456)	7,032,095	6,462,609	(91,015)	6,371,594
Other receivables						
Current	722,903	(13,988)	708,915	519,330	(12,893)	506,437
Non-current	413,277	(2,996)	410,281	452,444	(78)	452,366

## LG Electronics

### Notes to the Consolidated Interim Financial Statements

#### September 30, 2019 and 2018 (Unaudited), and December 31, 2018

- (b) Movements in allowance for doubtful accounts for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019				
	At Jan. 1	Addition	Write-off	Other	At Sept. 30
Trade receivables	91,015	23,697	(3,284)	3,028	114,456
Other receivables					
Current	12,893	858	(235)	472	13,988
Non-current	78	2,914	-	4	2,996

  

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Addition (reversal)	Write-off	Other	At Sept. 30
Trade receivables	78,883	14,625	(3,252)	550	90,806
Other receivables					
Current	13,132	(523)	(138)	79	12,550
Non-current	576	(507)	-	(6)	63

- (c) The aging analysis of trade receivables and other receivables as at September 30, 2019 and December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2019				December 31, 2018			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
<b>Receivables not past due</b>	6,293,608	699,812	399,067	7,392,487	5,535,187	492,511	439,320	6,467,018
<b>Past due but not impaired</b>								
Up to 6 months	583,170	7,501	8,705	599,376	715,731	11,822	11,964	739,517
7 to 12 months	35,267	556	2,714	38,537	79,800	2,487	648	82,935
Over 1 year	36,375	4,676	11	41,062	21,057	2,855	512	24,424
<b>Subtotal</b>	654,812	12,733	11,430	678,975	816,588	17,164	13,124	846,876
<b>Impaired</b>	198,131	10,358	2,780	211,269	110,834	9,655	-	120,489
<b>Total</b>	7,146,551	722,903	413,277	8,282,731	6,462,609	519,330	452,444	7,434,383

- (d) There are no financial assets transferred but not derecognized in their entirety, nor any associated liabilities recognized at the end of the reporting period.

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

### 7. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Other financial assets</b>		
Derivatives	17,824	8,575
Financial assets at fair value through other comprehensive income	65,246	56,070
Financial assets at fair value through profit or loss	16,946	20,099
Financial assets at amortized cost	1,612	1,729
<b>Total</b>	<b>101,628</b>	<b>86,473</b>
Current	7,490	8,401
Non-current	94,138	78,072

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Other financial liabilities</b>		
Derivatives	128,678	92,443
Financial guarantee liability	43	167
<b>Total</b>	<b>128,721</b>	<b>92,610</b>
Current	4,621	3,343
Non-current	124,100	89,267

(b) Details of derivatives as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Current</b>				
Currency forward	7,321	3,068	6,742	3,228
Cross-currency swap	169	-	1,542	-
Share purchase contract	-	1,542	-	-
<b>Subtotal</b>	<b>7,490</b>	<b>4,610</b>	<b>8,284</b>	<b>3,228</b>
<b>Non-current</b>				
Cross-currency swap	10,334	4,268	291	20,920
Interest rate swap	-	119,800	-	66,433
Share purchase contract	-	-	-	1,862
<b>Subtotal</b>	<b>10,334</b>	<b>124,068</b>	<b>291</b>	<b>89,215</b>
<b>Total</b>	<b>17,824</b>	<b>128,678</b>	<b>8,575</b>	<b>92,443</b>

The details of major derivative contracts at the end of the reporting period are presented in Note 32.

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Sept. 30
Listed equity securities	20,463	-	(769)	(2,701)	209	17,202
Unlisted equity securities	34,055	12,533	(10,349)	10,289	1,516	48,044
Debt securities	1,552	-	(1,587)	(22)	57	-
<b>Total</b>	<b>56,070</b>	<b>12,533</b>	<b>(12,705)</b>	<b>7,566</b>	<b>1,782</b>	<b>65,246</b>

<i>(in millions of Korean won)</i>	2018						
	At Jan. 1	Increase due to business combination	Acquisition	Disposal	Valuation	Other	At Sept. 30
Listed equity securities	13,844	7,225	-	-	3,505	(72)	24,502
Unlisted equity securities	21,076	-	5,737	(1,550)	(2,051)	376	23,588
Debt securities	-	1,744	-	-	195	(19)	1,920
<b>Total</b>	<b>34,920</b>	<b>8,969</b>	<b>5,737</b>	<b>(1,550)</b>	<b>1,649</b>	<b>285</b>	<b>50,010</b>

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019						
	At Jan. 1	Acquisition	Disposal	Decrease due to transfer of business	Valuation	Other	At Sept. 30
Unlisted equity securities	18,488	4,500	(1,349)	(6,594)	8	87	15,140
Debt securities	1,611	-	-	-	144	51	1,806
<b>Total</b>	<b>20,099</b>	<b>4,500</b>	<b>(1,349)</b>	<b>(6,594)</b>	<b>152</b>	<b>138</b>	<b>16,946</b>

<i>(in millions of Korean won)</i>	2018						
	At Jan. 1	Increase due to business combination	Acquisition	Disposal	Valuation	Other	At Sept. 30
Unlisted equity securities	16,078	-	2,567	-	(2,256)	-	16,389
Debt securities	-	1,762	-	-	42	(18)	1,786
<b>Total</b>	<b>16,078</b>	<b>1,762</b>	<b>2,567</b>	<b>-</b>	<b>(2,214)</b>	<b>(18)</b>	<b>18,175</b>

## LG Electronics

### Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

(e) Financial assets at amortized cost

i) Maturity analysis of financial assets at amortized cost as at September 30, 2019 and December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Within one year	-	117
One to five years	1,612	1,612
<b>Total</b>	<b>1,612</b>	<b>1,729</b>

ii) The amount recognized as interest income in relation to financial assets at amortized cost for the nine-month period ended September 30, 2019, was ₩21 million (September 30, 2018: ₩7 million). No impairment losses were recognized in relation to financial assets at amortized cost for the nine-month periods ended September 30, 2019 and 2018.

## 8. Inventories

Inventories as at September 30, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>			<b>December 31, 2018</b>		
	<b>Cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>	<b>Cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Finished products and merchandise	3,881,169	(91,734)	3,789,435	3,411,675	(107,772)	3,303,903
Work-in-process	610,329	(8,034)	602,295	384,261	(12,323)	371,938
Raw materials and supplies	2,355,041	(97,886)	2,257,155	2,156,094	(71,882)	2,084,212
Other	278,182	(32,347)	245,835	291,718	(30,415)	261,303
<b>Total</b>	<b>7,124,721</b>	<b>(230,001)</b>	<b>6,894,720</b>	<b>6,243,748</b>	<b>(222,392)</b>	<b>6,021,356</b>

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

### 9. Contract Assets and Contract Liabilities

(a) Contract assets as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Due from customers	702,280	711,135
(Less: allowance for doubtful accounts)	(10,718)	(5,898)
Right to recover returned products	87,708	78,499
Costs to fulfil contracts and others	243,361	201,048
<b>Total</b>	<b>1,022,631</b>	<b>984,784</b>
Current	769,506	763,776
Non-current	253,125	221,008

(b) Contract liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Expected promotional incentives for customers	847,215	635,287
Expected returns from customers	129,812	115,503
Customer loyalty program	66,106	51,015
Rendering of warranty services	64,206	52,104
Due to customers and others	185,551	289,684
<b>Total</b>	<b>1,292,890</b>	<b>1,143,593</b>
Current	1,265,292	1,119,806
Non-current	27,598	23,787

(c) Revenue recognized in relation to contract liabilities for the nine-month periods ended September 30, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019	2018
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	189,810	241,853
Customer loyalty program	38,790	2,896
Rendering of warranty services	21,828	21,982
<b>Total</b>	<b>250,428</b>	<b>266,731</b>
Revenue recognized from performance obligations satisfied in previous periods	19,819	1,713

(d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations is ₩1,135,571 million where they are expected to be satisfied by 2023, at the latest. Also as a practical expedient, the Group excluded performance obligation which is a contract that has an original expected duration of one year or less.

## LG Electronics

### Notes to the Consolidated Interim Financial Statements

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- (e) For the nine-month period ended September 30, 2019, the Group recognized an impairment loss amounting to ₩4,467 million (September 30, 2018: ₩1,152 million) upon due from customers and a depreciation of ₩97,862 million (September 30, 2018: ₩2,157 million) upon costs to fulfil contracts.

#### 10. Property, Plant and Equipment, and Intangible Assets

- (a) Changes in property, plant and equipment for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1<sup>1</sup></b>	14,011,212	11,800,782
Acquisitions	1,763,004	2,047,173
Acquisitions due to business combination	222	571,775
Classification to assets held for sale	(33,884)	(3,629)
Disposals and others	(146,148)	(82,397)
Decrease due to transfer of business	(2,346)	(9)
Depreciation	(1,549,934)	(1,146,496)
Impairment	(97,922)	(15,385)
Exchange differences	247,298	(8,972)
<b>At September 30</b>	<b>14,191,502</b>	<b>13,162,842</b>

<sup>1</sup> Property, plant and equipment as at January 1, 2019, amounting to ₩677,261 million, were newly recognized upon adoption of Korean IFRS 1116 Leases.

- (b) Line items including depreciation in the consolidated interim statements of profit or loss for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	1,200,288	974,805
Selling and marketing expenses	147,740	34,284
Administrative expenses	79,076	45,358
Research and development expenses	80,066	69,839
Service costs	20,378	9,268
Other non-operating expenses	22,386	12,942
<b>Total</b>	<b>1,549,934</b>	<b>1,146,496</b>

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## Notes to the Consolidated Interim Financial Statements

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- (c) Changes in right-of-use assets included in property, plant and equipment for the nine-month period ended September 30, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>
<b>At January 1</b>	707,243
Acquisitions	370,898
Disposals and others	(46,645)
Decrease due to transfer of business	(494)
Depreciation	(217,458)
Exchange differences	22,851
<b>At September 30</b>	<b>836,395</b>

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the nine-month period September 30, 2019, was ₩4,773 million.

- (d) Changes in intangible assets for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1<sup>1</sup></b>	2,985,830	1,854,620
Acquisitions	182,985	187,545
Acquisitions through internal development	271,578	365,653
Acquisitions due to business combination	77	897,065
Reclassification to assets held for sale	(1)	(183)
Disposals and others	(40,826)	(42,747)
Decrease due to transfer of business	(61,367)	-
Amortization	(322,272)	(304,165)
Impairment	(235,119)	(28,309)
Exchange differences	6,587	(3,818)
<b>At September 30</b>	<b>2,787,472</b>	<b>2,925,661</b>

<sup>1</sup> Intangible assets as at January 1, 2019, amounting to ₩15,325 million, were reclassified to property, plant and equipment upon adoption of Korean IFRS 1116 *Leases*.

- (e) Line items including amortization of intangible assets for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	183,314	164,018
Selling and marketing expenses	20,820	16,357
Administrative expenses	51,399	57,630
Research and development expenses	65,440	64,966
Service costs	1,285	1,194
Other non-operating expenses	14	-
<b>Total</b>	<b>322,272</b>	<b>304,165</b>



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**11. Investments in Associates and Joint Ventures**

(a) Investments in associates and joint ventures

- i) Carrying amounts of investments in associates and joint ventures, as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Associates	5,074,228	5,386,252
Joint ventures	142,600	151,304
<b>Total</b>	<b>5,216,828</b>	<b>5,537,556</b>

- ii) Investments in associates as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>				<b>December 31, 2018</b>			
	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>
LG Display Co., Ltd.	679,218	4,981,529	(119,026)	4,862,503	679,218	5,298,615	(107,531)	5,191,084
Ericsson-LG Co., Ltd	12,649	57,422	-	57,422	12,649	47,227	-	47,227
Hitachi-LG Data Storage Inc.(HLDS)	101,961	36,829	(1,340)	35,489	101,961	28,380	(1,198)	27,182
Korea Information Certificate Authority Inc.	1,745	5,411	-	5,411	1,745	5,200	-	5,200
LG Fuel Cell Systems Inc.	111,837	-	-	-	111,837	-	-	-
One-Red, LLC <sup>1</sup>	3,128	3,127	-	3,127	3,128	2,971	-	2,971
Kiwigrd GmbH <sup>1</sup>	13,019	8,221	-	8,221	13,019	9,880	-	9,880
CCP-LGE OWNER, LLC <sup>1</sup>	11,652	11,500	-	11,500	11,652	10,819	-	10,819
ROBOTIS Co., Ltd. <sup>1</sup>	9,000	9,077	-	9,077	9,000	9,381	-	9,381
Acryl Inc. <sup>1</sup>	2,000	1,827	-	1,827	1,000	894	-	894
Robostar Co.,Ltd	82,045	80,247	(596)	79,651	82,045	81,614	-	81,614
<b>Total</b>	<b>1,028,254</b>	<b>5,195,190</b>	<b>(120,962)</b>	<b>5,074,228</b>	<b>1,027,254</b>	<b>5,494,981</b>	<b>(108,729)</b>	<b>5,386,252</b>

<sup>1</sup> The financial statements as at August 31, 2019 were used due to a different closing date.

- iii) Investments in joint ventures as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>				<b>December 31, 2018</b>			
	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>
LG HOLDINGS (HK) LIMITED	47,449	88,134	-	88,134	75,693	108,108	-	108,108
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	14,718	33,078	(42)	33,036	14,718	27,348	(193)	27,155
EIC PROPERTIES PTE LTD.	9,636	15,810	-	15,810	9,636	14,882	-	14,882
LG-MRI LLC	516	1,143	-	1,143	516	1,159	-	1,159
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-
LG-LHT Aircraft Solutions GmbH	4,553	2,076	-	2,076	-	-	-	-
LG-LHT Passenger Solutions	5,085	2,106	-	2,106	-	-	-	-

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<i>(in millions of Korean won)</i> GmbH	September 30, 2019				December 31, 2018			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	300	295	-	295	-	-	-	-
<b>Total</b>	<b>82,257</b>	<b>142,642</b>	<b>(42)</b>	<b>142,600</b>	<b>100,563</b>	<b>151,497</b>	<b>(193)</b>	<b>151,304</b>

(b) Associates and joint ventures

i) Associates as at September 30, 2019, are as follows:

Name of associate	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	Production and supply of data storages
Korea Information Certificate Authority Inc. <sup>1</sup>	Korea	December	6.5	Certificate services
LG Fuel Cell Systems Inc.	USA	December	33.5	R&D of fuel cell
One-Red, LLC	USA	March	25.0	DVD related patent licensing
Kiwigrid GmbH <sup>1</sup>	Germany	December	16.3	Supply of energy management solutions
CCP-LGE OWNER, LLC <sup>2</sup>	USA	December	70.2	Solar power plant
ROBOTIS Co., Ltd. <sup>1</sup>	Korea	December	8.5	Production and sales of personal robot
Acryl Inc. <sup>1</sup>	Korea	December	14.5	Development and sales of software
Robostar Co.,Ltd	Korea	December	30.0	Production and sales of industrial robot

<sup>1</sup> Classified as an associate although the percentage of ownership is less than 20% because the Group can exercise a significant influence in the Board of Directors of the investee.

<sup>2</sup> Classified as an associate although the percentage of ownership is more than 50% because the Group does not have the right to control by an agreement with other shareholders.

ii) Joint ventures as at September 30, 2019, are as follows:

All joint arrangements, over which the Group has joint control, are structured through separate companies and are categorized as joint ventures as the parties with joint control are assumed to have rights to the net assets of the arrangement.

Name of joint venture	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
LG HOLDINGS (HK) LIMITED	China	December	49.0	Real estate
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	December	50.0	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	Real estate
LG-MRI LLC	USA	December	50.0	Production and supply of digital display products

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Name of joint venture	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
Neolite ZKW Lightings PVT Ltd.	India	March	26.0	Production and sales of vehicle components
LG-LHT Aircraft Solutions GmbH	Germany	December	49.0	Production and sales of aircraft components
LG-LHT Passenger Solutions GmbH	Germany	December	49.0	Production and sales of aircraft components
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	China	December	35.0	Sales of electronic products

iii) All associates and joint ventures are accounted for using the equity method.

(c) Changes in investments in associates and joint ventures

i) Changes in the carrying amounts of investments in associates for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
<b>Opening carrying amount</b>	5,386,252	5,474,932
Acquisition	1,000	90,223
Loss from equity method valuation <sup>1</sup>	(385,331)	(139,537)
Share of other comprehensive income of associates	71,687	(17,110)
Dividend/ withdrawal of investment	(307)	(67,913)
Exchange differences	927	503
Changes in ownership interest over associates	-	218
<b>Closing carrying amount</b>	<b>5,074,228</b>	<b>5,341,316</b>

<sup>1</sup> The Group recognized additional loss from equity method valuation of ₩1,635 million for loans provided to Hitachi-LG Data Storage Inc. for the nine-month period ended September 30, 2018.

ii) Changes in the carrying amounts of investments in joint ventures for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
<b>Opening carrying amount</b>	151,304	145,399
Acquisition	9,938	-
Gain from equity method valuation	4,479	9,403
Share of other comprehensive income of joint ventures	6,334	(8,166)
Dividend / withdrawal of investment	(29,519)	(321)
Exchange differences	64	27
<b>Closing carrying amount</b>	<b>142,600</b>	<b>146,342</b>

(d) Summarized financial information of the associates that are material to the reporting entity as at September 30, 2019 and December 31, 2018, and for the three-month and nine-month periods ended September 30, 2019 and 2018, is as follows:

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- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Current assets	10,779,641	8,800,127
Non-current assets	26,663,424	24,375,583
<b>Total assets</b>	<b>37,443,065</b>	<b>33,175,710</b>
Current liabilities	10,640,846	9,954,483
Non-current liabilities	12,476,294	8,334,981
<b>Total liabilities</b>	<b>23,117,140</b>	<b>18,289,464</b>
Equity attributable to the owners of LG Display Co., Ltd.	13,142,629	13,979,188
Non-controlling interests	1,183,296	907,058
<b>Total equity</b>	<b>14,325,925</b>	<b>14,886,246</b>

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Net sales	5,821,681	17,053,872	6,102,363	17,388,775
Profit (loss) for the period	(442,204)	(1,055,024)	17,508	(332,017)
Attributable to the owners of LG Display Co., Ltd.				
Profit (loss) for the period	(419,354)	(1,028,664)	3,421	(353,418)
Other comprehensive income (loss), net of tax	38,802	192,105	(155,167)	(44,316)
Total comprehensive loss, net of tax	(380,552)	(836,559)	(151,746)	(397,734)

There are no dividends received from LG Display Co., Ltd. for the nine-month period ended September 30, 2019 (September 30, 2018: ₩67,813 million).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the nine-month periods ended September 30, 2019 and 2018, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Opening equity attributable to owners of LG Display Co., Ltd.	13,979,188	14,373,482
Loss for the period	(1,028,664)	(353,418)
Other comprehensive income, net of tax	192,105	(44,316)
Dividends	-	(178,908)
Closing equity attributable to owners of LG Display Co., Ltd.	13,142,629	13,796,840
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	4,981,529	5,229,498
Unrealized gain	(119,026)	(102,332)
Carrying amount at the end of the reporting period	4,862,503	5,127,166

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- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month and nine-month periods ended September 30, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019			
	Associates		Joint ventures	
	Three months	Nine months	Three months	Nine months
Profit (loss) for the period	10,225	16,806	(4,710)	4,329
Other comprehensive income (loss), net of tax	(1,010)	(1,131)	3,403	6,334
Total comprehensive income (loss), net of tax	9,215	15,675	(1,307)	10,663

  

<i>(in millions of Korean won)</i>	2018			
	Associates		Joint ventures	
	Three months	Nine months	Three months	Nine months
Profit (loss) for the period	8,777	7,385	(1,962)	9,468
Other comprehensive loss, net of tax	(293)	(311)	(12,970)	(8,166)
Total comprehensive income (loss), net of tax	8,484	7,074	(14,932)	1,302

- (g) There are no accumulated unrecognized changes in equity due to discontinued use of the equity method as at September 30, 2019 and December 31, 2018.

- (h) Details of marketable investments in associates as at September 30, 2019 and December 31, 2018, are as follows:

	September 30, 2019				
	Type	Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	14,150	1,919,094	4,862,503
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,550	7,136	5,411
Robostar Co.,Ltd.	Associate	2,927,735	19,050	55,773	79,651
ROBOTIS Co.,Ltd.	Associate	961,550	11,350	10,914	9,077

  

	December 31, 2018				
	Type	Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	18,050	2,448,031	5,191,084
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,775	7,589	5,200
Robostar Co.,Ltd.	Associate	2,927,735	24,000	70,266	81,614
ROBOTIS Co.,Ltd.	Associate	961,550	17,200	16,539	9,381

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**12. Borrowings**

(a) The carrying amounts of borrowings as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Current</b>		
Short-term borrowings	405,415	293,221
Current portion of long-term borrowings	378,362	128,760
Current portion of debentures	809,706	983,135
<b>Subtotal</b>	<b>1,593,483</b>	<b>1,405,116</b>
<b>Non-current</b>		
Long-term borrowings	4,086,870	4,241,936
Debentures	5,115,369	5,254,134
<b>Subtotal</b>	<b>9,202,239</b>	<b>9,496,070</b>
<b>Total</b>	<b>10,795,722</b>	<b>10,901,186</b>

(b) Details of borrowings as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>Latest maturity date</b>	<b>Annual interest rate at September 30, 2019(%)</b>	<b>Carrying amount</b>	
			<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Short-term borrowings in local currency</b>				
Standard Chartered Bank Korea and others	-	2.00 ~ 2.05	93,936	17,800
<b>Short-term borrowings in foreign currency</b>				
Citibank and others	-	0.55 ~ 5.98	311,479	275,421
<b>Long-term borrowings in local currency</b>				
Korea Development Bank and others	2030. 8. 1	2.21 ~ 3.79	2,954,853	2,978,493
<b>Long-term borrowings in foreign currency</b>				
KEB Hana Bank and others	2030. 8. 1	0.11 ~ 12.12	1,510,379	1,392,203
<b>Local currency debentures</b>				
Public, non-guaranteed bonds	2034. 2.21	1.48 ~ 4.44	4,300,000	4,400,000
Private, non-guaranteed bonds	2038. 4. 3	2.07 ~ 4.21	1,110,000	1,130,000
<b>Foreign currency debentures</b>				
Private, non-guaranteed bonds	2028. 6. 8	2.81 ~ 3.71	396,430	368,973
Private, guaranteed bonds	2023. 2.24	0.31	131,464	351,536
Less: discount on debentures			(12,819)	(13,240)
<b>Total</b>			<b>10,795,722</b>	<b>10,901,186</b>

The Group entered into interest rate swap and cross-currency swap contracts to hedge cash flow risk related to foreign exchange rate and floating interest rate of some portion of borrowings (Note 32).

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**13. Lease liabilities**

(a) Details of lease liabilities as at September 30, 2019 and January 1, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>January 1, 2019</b>
<b>Lease liabilities</b>		
Current	235,322	177,456
Non-current	494,762	445,003
<b>Total</b>	<b>730,084</b>	<b>622,459</b>

(b) The statement of profit or loss shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	<b>2019</b>
Interest expense relating on lease liabilities	17,650
Short term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	139,399
Payments for leases of low-value assets that are not short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	14,511

Total expenses for leases including short-term leases and leases of low-value assets are ₩399,796 million.

**14. Post-employment Benefits**

**Defined Benefit Plan**

(a) The amounts of net defined benefit liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Present value of funded obligations	3,553,232	3,170,154
Present value of unfunded obligations	55,236	45,705
<b>Subtotal</b>	<b>3,608,468</b>	<b>3,215,859</b>
Fair value of plan assets	(2,709,055)	(2,818,190)
<b>Net defined benefit liabilities<sup>1</sup></b>	<b>899,413</b>	<b>397,669</b>

<sup>1</sup> Net defined benefit assets are included.

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(b) The amounts recognized in the consolidated interim statements of profit or loss for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Current service cost	286,684	255,076
Past service cost	(11,007)	(3,873)
Net interest cost	9,477	7,840
Operating management cost	2,190	2,157
<b>Total</b>	<b>287,344</b>	<b>261,200</b>

(c) Line items in which expenses are included for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	143,678	134,076
Selling and marketing expenses	46,312	41,797
Administrative expenses	19,830	18,526
Research and development expenses	62,132	61,528
Service costs	15,392	5,273
<b>Total</b>	<b>287,344</b>	<b>261,200</b>

(d) Movements in the present value of defined benefit obligations for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	3,215,859	2,917,271
Current service cost	286,684	255,076
Past service cost	(11,007)	(3,873)
Interest expense	60,023	64,935
Remeasurements for:		
- Actuarial loss from change in demographic assumptions	95,591	-
- Actuarial loss arising from changes in financial assumptions	157,453	48,233
Increase due to business combination	-	15,347
Benefits paid	(156,755)	(141,098)
Reduction due to settlement of plan	(22,050)	(38,066)
Reclassification to liabilities held for sale	-	(1,330)
Decrease due to transfer of business	(21,588)	-
Others <sup>1</sup>	4,258	(259)
<b>At September 30</b>	<b>3,608,468</b>	<b>3,116,236</b>

<sup>1</sup> The effects of exchange rate changes are included.



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(e) Movements in the fair value of plan assets for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	2,818,190	2,591,256
Interest income	50,546	57,095
Remeasurements of plan assets	(5,811)	(21,683)
Employer contributions	6,738	16,966
Benefits paid	(117,902)	(112,457)
Operating management cost	(2,190)	(2,157)
Reduction due to settlement of plan	(21,447)	(35,147)
Reclassification to liabilities held for sale	-	(1,180)
Decrease due to transfer of business	(19,708)	-
Others <sup>1</sup>	639	(816)
<b>At September 30</b>	<b>2,709,055</b>	<b>2,491,877</b>

<sup>1</sup> The effects of exchange rate changes are included.

(f) The significant actuarial assumptions used as at September 30, 2019 and December 31, 2018, are as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Weighted average discount rate of the Group	2.1%	2.6%
Weighted average expected salary growth rate of the Group	4.9%	4.9%

As at September 30, 2019, the discount rates applied to the Parent Company and subsidiaries are between 0.3%~10.2% (December 31, 2018: 0.3%~10.2%), and the expected salary growth rates are between 1.0%~10.0% (December 31, 2018: 1.0%~10.0%).

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at September 30, 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>1%p increase</b>	<b>1%p decrease</b>
Discount rate	(299,776)	346,000
Expected salary growth rate	330,194	(301,576)

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

**Defined Contribution Plan**

The expense recognized in the nine-month period ended September 30, 2019 in relation to the defined contribution plan was ₩15,790 million (September 30, 2018: ₩11,965 million).

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**15. Provisions**

(a) Changes in provisions for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>			
	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1<sup>1,2</sup></b>	740,839	39,013	214,374	994,226
Additional provisions, net <sup>3</sup>	681,853	2,564	(11,347)	673,070
Utilization	(570,815)	(1,809)	(46,058)	(618,682)
Decrease due to transfer of business	(3,516)	(1,942)	(1,400)	(6,858)
Exchange differences	16,817	669	5,246	22,732
<b>At September 30</b>	<b>865,178</b>	<b>38,495</b>	<b>160,815</b>	<b>1,064,488</b>
Current	780,608	18,744	6,878	806,230
Non-current	84,570	19,751	153,937	258,258

<i>(in millions of Korean won)</i>	<b>2018</b>			
	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	652,343	34,133	224,690	911,166
Increase due to business combination	16,039	-	13,711	29,750
Additional provisions, net <sup>3</sup>	604,432	7,326	32,037	643,795
Utilization	(575,915)	(2,472)	(31,831)	(610,218)
Exchange differences	(3,682)	13	(9,209)	(12,878)
<b>At September 30</b>	<b>693,217</b>	<b>39,000</b>	<b>229,398</b>	<b>961,615</b>
Current	604,096	10,960	18,425	633,481
Non-current	89,121	28,040	210,973	328,134

<sup>1</sup> Provision for "litigation and others" as at January 1, 2019, amounting to ₩1,374 million, was reclassified to lease assets upon adoption of Korean IFRS 1116 *Lease*.

<sup>2</sup> Provision for "litigation and others" related to income tax as at January 1, 2019, amounting to ₩20,755 million, was reclassified to current income tax liabilities.

<sup>3</sup> Net amount of additional provisions equals to additional provisions less reversed amounts.

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**16. Paid-in Capital**

(a) At the end of the reporting period, the number of shares authorized is 600 million.

	Par value per share	September 30, 2019		December 31, 2018	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
<b>Total</b>		<b>180,833,806</b>	<b>904,169</b>	<b>180,833,806</b>	<b>904,169</b>

The preferred shareholders have no voting rights and are entitled to preferred dividends at a rate of one percentage point over that of ordinary shares. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have same rights on the remaining assets as ordinary shareholders. Repayment and conversion are not applicable to preferred shares.

(b) Share premium balance as at September 30, 2019, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

**17. Retained Earnings**

Retained earnings as at September 30, 2019 and December 31, 2018, consist of:

(in millions of Korean won)	September 30, 2019	December 31, 2018
Legal reserve <sup>1</sup>	195,936	182,342
Discretionary reserve	5,128,767	5,347,641
Unappropriated retained earnings <sup>2</sup>	7,328,327	6,545,431
<b>Total</b>	<b>12,653,030</b>	<b>12,075,414</b>

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

<sup>2</sup> Dividend for the year ended December 31, 2018 of ₩135,909 million was approved at the annual general meeting held on March 15, 2019, and paid in April 2019 (2018 payments: ₩72,885 million).

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### 18. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as at September 30, 2019 and December 31, 2018, consists of:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Share of accumulated other comprehensive loss of associates and joint ventures	(122,199)	(204,769)
Cash flow hedge	(111,253)	(61,887)
Financial assets at fair value through other comprehensive income	(1,129)	(8,400)
Exchange difference on translation of foreign operations	(859,704)	(1,329,674)
<b>Total</b>	<b>(1,094,285)</b>	<b>(1,604,730)</b>

### 19. Other Components of Equity

Other components of equity as at September 30, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Treasury shares <sup>1</sup>	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group	(176,945)	(176,945)
<b>Total</b>	<b>(209,764)</b>	<b>(209,764)</b>

<sup>1</sup> The Parent Company has treasury shares consisting of 763,172 ordinary shares (December 31, 2018: 763,172 shares) and 4,692 preferred shares (December 31, 2018: 4,692 shares) at the end of the reporting period. The Parent Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

### 20. Net Sales

(a) Details of net sales for three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Nine months</b>	<b>Three months</b>	<b>Nine months</b>
Revenue from contracts with customers:				
Sales of goods	15,161,778	44,870,056	15,056,299	44,471,221
Rendering of services	313,202	857,585	270,605	820,155
Royalty income	103,727	181,068	16,577	53,346
<b>Sub-total</b>	<b>15,578,707</b>	<b>45,908,709</b>	<b>15,343,481</b>	<b>45,344,722</b>
Revenue from other sources:				
Rental income and others <sup>1</sup>	121,938	336,264	83,569	224,680
<b>Total</b>	<b>15,700,645</b>	<b>46,244,973</b>	<b>15,427,050</b>	<b>45,569,402</b>

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(b) Details of revenue from contracts with customers for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	16,538,263	11,542,022	4,641,736	4,109,272	1,997,322	4,868,778	2,211,316	-	45,908,709
Internal sales	35,393	7,386	1,937	36	554	467,770	187,562	(700,638)	-
	<u>16,573,656</u>	<u>11,549,408</u>	<u>4,643,673</u>	<u>4,109,308</u>	<u>1,997,876</u>	<u>5,336,548</u>	<u>2,398,878</u>	<u>(700,638)</u>	<u>45,908,709</u>
By type of products:									
Refrigerators/ washing machine/ air conditioners and others	14,157,232	-	-	-	-	-	-	(6,049)	14,151,183
TV/monitor /PC and others	-	10,709,044	-	-	-	-	-	(7,342)	10,701,702
Mobile communications	-	-	4,643,673	-	-	-	-	(1,936)	4,641,737
In-vehicle infotainment	-	-	-	2,428,383	-	-	-	(36)	2,428,347
Information display	-	-	-	-	1,167,824	-	-	(553)	1,167,271
Camera modules	-	-	-	-	-	3,178,496	-	(169,842)	3,008,654
Others	2,416,424	840,364	-	1,680,925	830,052	2,158,052	2,398,878	(514,880)	9,809,815
By major geographical market <sup>1</sup> :									
Korea	5,771,639	1,751,986	1,153,809	686,672	249,112	5,054,334	2,348,093	(644,947)	16,370,698
North America	3,850,901	2,699,226	2,624,612	783,258	786,982	7,485	-	(325)	10,752,139
Asia	2,965,222	1,531,253	143,654	178,918	341,059	29,507	2	(23,568)	5,166,047
Europe	1,065,240	2,510,532	186,258	1,993,070	444,581	24,770	-	(473)	6,223,978
South America	673,329	1,460,925	469,191	48,259	73,947	-	2	(5)	2,725,648
Middle East & Africa	964,420	791,001	23,006	1,322	54,736	-	1	(103)	1,834,383
China	766,742	255,308	41,597	417,809	32,454	220,452	50,780	(31,214)	1,753,928
Russia and others	516,163	549,177	1,546	-	15,005	-	-	(3)	1,081,888
Timing of transfer:									
Transferred at a point in time	16,247,778	11,459,190	4,532,184	4,008,887	1,980,456	5,336,548	689,913	(547,507)	43,707,449
Transferred over time	325,878	90,218	111,489	100,421	17,420	-	1,708,965	(153,131)	2,201,260

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(in millions of Korean won)	2018								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	14,783,300	11,704,236	6,198,064	2,888,149	1,803,592	5,008,429	2,958,952	-	45,344,722
Internal sales	32,785	7,469	404	-	2,435	542,787	424,838	(1,010,718)	-
	<u>14,816,085</u>	<u>11,711,705</u>	<u>6,198,468</u>	<u>2,888,149</u>	<u>1,806,027</u>	<u>5,551,216</u>	<u>3,383,790</u>	<u>(1,010,718)</u>	<u>45,344,722</u>
By type of products:									
Refrigerators/ washing machine/ air conditioners and others	12,609,507	-	-	-	-	-	-	(8,897)	12,600,610
TV/monitor /PC and others	-	10,726,072	-	-	-	-	-	(7,292)	10,718,780
Mobile communications	-	-	6,198,468	-	-	-	-	(359)	6,198,109
In-vehicle infotainment	-	-	-	2,146,085	-	-	-	-	2,146,085
Information display	-	-	-	-	1,140,464	-	-	(2,307)	1,138,157
Camera modules	-	-	-	-	-	3,423,124	-	(142,776)	3,280,348
Others	2,206,578	985,633	-	742,064	665,563	2,128,092	3,383,790	(849,087)	9,262,633
By major geographical market <sup>1</sup> :									
Korea	5,220,529	1,745,709	1,085,498	692,522	281,192	5,132,258	3,299,012	(975,420)	16,481,300
North America	3,498,922	2,555,361	3,708,130	729,569	679,371	15,356	211	(288)	11,186,632
Asia	2,539,330	1,524,393	284,227	237,436	290,156	29,072	10	(17,378)	4,887,246
Europe	913,205	2,601,906	402,095	912,166	365,333	14,967	5	(7,784)	5,201,893
South America	637,017	1,635,855	539,439	43,430	62,363	-	356	(8)	2,918,452
Middle East & Africa	794,763	850,997	86,565	1	66,887	-	-	(122)	1,799,091
China	726,506	262,885	61,517	273,025	39,036	359,563	84,196	(9,714)	1,797,014
Russia and others	485,813	534,599	30,997	-	21,689	-	-	(4)	1,073,094
Timing of transfer:									
Transferred at a point in time	14,497,864	11,628,889	6,133,712	2,852,748	1,794,174	5,551,216	1,130,758	(626,648)	42,962,713
Transferred over time	318,221	82,816	64,756	35,401	11,853	-	2,253,032	(384,070)	2,382,009

<sup>1</sup> Sales by major geographical market are the sales by region in which the Group is located.

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(c) Changes in the estimates of total contract revenue and total contract costs

The estimated total contract revenue and costs for contracts in progress have changed during the nine-month period ended in September 30, 2019. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the nine-month period ended September 30, 2019 and the succeeding period are as follows:

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the period	Impact on profit or loss for the succeeding period
VS segment	48,314	31,887	6,944	9,483
Other segments	37,335	34,574	(3,688)	6,449
<b>Total</b>	<b>85,649</b>	<b>66,461</b>	<b>3,256</b>	<b>15,932</b>

## 21. Expenses by Nature

Expenses that are recorded by nature for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	(545,681)	(773,127)	(300,752)	(98,492)
Raw materials and merchandise used	9,650,187	27,853,296	9,538,929	27,450,844
Employee benefit expense	2,028,844	5,884,019	1,794,733	5,163,120
Depreciation and amortization	636,597	1,850,466	500,749	1,438,706
Advertising expense	307,220	818,154	326,252	906,894
Promotion expense	181,834	553,131	188,609	547,655
Freight expense	431,156	1,290,830	418,184	1,160,229
Commission expense	862,663	2,574,497	775,796	2,289,782
Other expenses	1,366,364	3,859,370	1,435,761	4,083,089
<b>Total<sup>1</sup></b>	<b>14,919,184</b>	<b>43,910,636</b>	<b>14,678,261</b>	<b>42,941,827</b>

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

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#### 22. General Operating Expenses (Selling and Marketing Expenses, Administrative Expenses, Research and Development Expenses and Service Costs)

Details of general operating expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Salaries	862,442	2,440,310	758,138	2,189,405
Post-employment benefits	65,508	165,355	43,365	132,182
Employee benefits	178,689	512,883	152,460	458,504
Freight expense	423,195	1,268,245	413,689	1,148,921
Rental expense	35,490	114,858	86,716	272,794
Commission expense	613,364	1,825,426	568,386	1,655,414
Depreciation	114,039	327,920	55,899	159,736
Amortization	47,188	138,944	47,824	140,147
Taxes and dues	25,230	69,174	30,198	97,648
Advertising expense	307,220	818,154	326,252	906,894
Promotional expense	181,834	553,131	188,609	547,655
R&D expense	113,786	273,660	91,809	235,581
Direct service costs	242,842	520,996	184,423	500,168
Bad debts expense	1,976	28,164	(927)	15,777
Other	113,907	417,964	170,699	505,429
<b>Total</b>	<b>3,326,710</b>	<b>9,475,184</b>	<b>3,117,540</b>	<b>8,966,255</b>

#### 23. Financial Income

Financial income for the three-month and nine-month periods ended September 30, 2019 and 2018, consists of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Interest income	37,753	106,704	30,601	81,459
Exchange differences	100,545	235,626	87,302	290,517
Gain on derivatives	11,703	16,379	5,618	7,834
Other	-	-	1	10
<b>Total</b>	<b>150,001</b>	<b>358,709</b>	<b>123,522</b>	<b>379,820</b>



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### 24. Financial Expenses

Financial expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Interest expense	102,741	308,356	114,053	306,937
Exchange differences	95,208	234,919	92,150	285,486
Loss on derivatives	3,661	13,422	821	4,188
Loss on disposal of trade receivables	4,460	13,653	5,319	14,498
Other	35	2,063	2,196	3,664
<b>Total</b>	<b>206,105</b>	<b>572,413</b>	<b>214,539</b>	<b>614,773</b>

### 25. Other Non-operating Income

Other non-operating income for the three-month and nine-month periods ended September 30, 2019 and 2018, consists of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Dividend income	-	535	15	217
Exchange differences	254,736	824,393	207,848	889,499
Gain on derivatives	12,956	29,826	15,053	50,646
Gain on disposal of property, plant and equipment	12,051	20,762	8,549	25,913
Gain on disposal of intangible assets	-	2	6	56
Gain on disposal of assets held for sale	-	-	-	25,238
Gain on valuation of financial assets at fair value through profit or loss	7	156	-	-
Gain on disposal of financial assets at fair value through other comprehensive income	-	32	-	-
Gain on disposal of investments in associates and joint ventures	-	-	26	225
Gain on transfer of business	119,843	119,843	38,789	38,789
Other	7,873	27,958	4,779	18,679
<b>Total</b>	<b>407,466</b>	<b>1,023,507</b>	<b>275,065</b>	<b>1,049,262</b>

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**26. Other Non-operating Expenses**

Other non-operating expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Exchange differences	283,882	851,303	237,233	997,947
Loss on derivatives	5,200	32,519	12,089	29,885
Loss on disposal of property, plant and equipment	19,781	53,781	9,428	28,238
Impairment loss on property, plant and equipment	94,579	97,996	1,189	15,404
Loss on disposal of intangible assets	7,822	22,446	8,477	23,124
Impairment loss on intangible assets	116,597	235,119	21,981	28,309
Loss on disposal of financial assets at fair value through other comprehensive income	-	238	-	-
Loss on valuation of financial assets at fair value through profit or loss	4	4	2,214	2,214
Other	20,003	54,385	29,881	55,344
<b>Total</b>	<b>547,868</b>	<b>1,347,791</b>	<b>322,492</b>	<b>1,180,465</b>

**27. Earnings per Share**

The Group has no potential dilutive ordinary shares. Accordingly, basic earnings per share is identical to diluted earnings per share.

(a) Basic earnings per ordinary share for the three-month and nine-month periods ended September 30, 2019 and 2018, is as follows:

	2019		2018	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	220,682	819,601	371,064	1,275,247
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,642	162,884,642	162,884,642	162,884,642
Basic earnings per ordinary share <i>(in Korean won)</i>	1,355	5,032	2,278	7,829

(b) Basic earnings per preferred share for the three-month and nine-month periods ended September 30, 2019 and 2018, is as follows:

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	2019		2018	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares (in millions of Korean won)	23,492	87,096	39,354	135,158
Weighted average number of preferred shares outstanding (unit: shares)	17,181,300	17,181,300	17,181,300	17,181,300
Basic earnings per preferred share (in Korean won)	1,367	5,069	2,291	7,867

### 28. Cash Flow Information

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2019 and 2018, are as follows:

#### (a) Cash generated from operations

(in millions of Korean won)	2019	2018
Profit for the period	1,029,678	1,553,465
Adjustments:		
Interest expense, net	201,652	225,478
Exchange differences, net	(10,519)	47,778
Gain on derivatives, net	(264)	(24,407)
Depreciation	1,549,934	1,146,496
Amortization	322,272	304,165
Loss on disposal of property, plant and equipment and intangible assets, net	55,463	25,393
Provisions for severance benefits	287,344	261,200
Additional provisions, net	673,070	643,795
Income tax expense	385,819	579,455
Loss from equity method valuation	380,852	128,499
Other	420,012	146,792
	4,265,635	3,484,644
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(293,308)	1,354,071
Decrease (increase) in other receivables	(91,103)	80,176
Increase in inventories	(685,796)	(635,412)
Increase in contract assets	(55,694)	(204,987)
Increase in other assets	(408,815)	(26,339)
Increase (decrease) in trade payables	638,265	(304,548)
Decrease in other payables	(875,658)	(277,904)
Decrease in provisions	(618,682)	(624,653)
Increase in contract liabilities	127,629	146,857
Increase (decrease) in other liabilities	234,018	(746,684)
Payment of defined benefit liability	(39,456)	(31,560)
Deposit in plan assets, net	(49,283)	(50,221)
	(2,117,883)	(1,321,204)
<b>Cash generated from operations</b>	<b>3,177,430</b>	<b>3,716,905</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
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(b) Changes in liabilities from financing activities

<i>(in millions of Korean won)</i>	2019							At Sept. 30
	At Jan. 1	Net cash flow from financing activities	Non-cash transactions				At Sept. 30	
			Transfer of business	Addition and others	Exchange differences (profit/loss)	Amortization and others		
Short-term borrowings	293,221	63,785	-	-	20,793	-	27,616	405,415
Long-term borrowings	4,370,696	29,218	(7,993)	-	1,957	52	71,302	4,465,232
Debentures	6,237,269	(344,985)	-	-	29,997	2,794	-	5,925,075
Lease liabilities	622,459	(228,343)	(436)	314,779	386	107	21,132	730,084
<b>Total</b>	<b>11,523,645</b>	<b>(480,325)</b>	<b>(8,429)</b>	<b>314,779</b>	<b>53,133</b>	<b>2,953</b>	<b>120,050</b>	<b>11,525,806</b>

<i>(in millions of Korean won)</i>	2018							At Sept. 30
	At Jan. 1	Net cash flow from financing activities	Non-cash transactions				At Sept. 30	
			Business combination	Exchange differences (profit/loss)	Amortization and others	Effects of exchange rate changes		
Short-term borrowings	314,246	146,638	216,114	1,354	-	(44,313)	634,039	
Long-term borrowings	3,221,266	890,032	297,802	14,006	50	(27,981)	4,395,175	
Debentures	5,914,968	532,822	-	23,665	3,214	-	6,474,669	
<b>Total</b>	<b>9,450,480</b>	<b>1,569,492</b>	<b>513,916</b>	<b>39,025</b>	<b>3,264</b>	<b>(72,294)</b>	<b>11,503,883</b>	

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2019	2018
Reclassification of construction-in-progress to property, plant and equipment	625,359	1,065,658
Reclassification of construction-in-progress to intangible assets	286,897	196,168
Reclassification of current portion of borrowings and debentures	1,057,301	1,043,946
Other payables to acquire property, plant and equipment	244,894	372,199
Other payables to acquire intangible assets	5,499	5,994

## LG Electronics

### Notes to the Consolidated Interim Financial Statements

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

- Transfer of water solution business

i) On September 26, 2019, the Parent Company transferred water solution business, consisting of LG Hitachi Water Solution Co., Ltd, Hi Entech Co., Ltd. and HiEntech (Tianjin) Co., LTD., to Techcross Vision Investment Inc.

ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	222,759
Assets of the transferred business:	
Cash and cash equivalents	50,260
Trade receivables	70,517
Other receivables	9,689
Other financial assets	6,594
Inventories	6,554
Property, plant and equipment	2,346
Intangible assets	61,367
Current income tax assets	310
Deferred income tax assets	4,247
Contract assets	32,924
Other assets	4,138
Liabilities of the transferred business:	
Trade payables	29,643
Borrowings	7,993
Lease liabilities	436
Other payables	21,683
Current income tax liabilities	185
Net defined benefit assets	1,880
Provisions	6,858
Contract liabilities	25,460
Other liabilities	31,546
Non-controlling interests	20,346

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- Transfer of Membrane business

- i) On December 17, 2018, Membrane business was transferred to LG Chem Ltd.
- ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	3,488
Other receivables <sup>1</sup>	529
Assets of the transferred business:	
Inventories	2,175
Property, plant and equipment	3,680
Intangible assets	183
Other assets	75
Liabilities of the transferred business:	
Other payables	510
Provisions	80
Other liabilities	399

<sup>1</sup> Collected during the three-month period ended March 31, 2019.

- Transfer of OLED T-Con chip design business

- i) On July 1, 2018, OLED T-Con chip design business was transferred to Silicon Works Co., Ltd.
- ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	46,130
Assets of the transferred business:	
Trade receivables	7,880
Inventories	2,508
Property, plant and equipment	9
Liabilities of the transferred business:	
Trade payables	2,592
Contract liabilities	452
Other liabilities	12

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#### 29. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land, buildings and others) with the secured amount of ₩211,223 million (December 31, 2018: ₩192,350 million) and the book amount of pledged assets is ₩280,099 million (December 31, 2018: ₩226,310 million). In addition, the Group provided buildings as collateral to Shinhan Bank, an entity holding mortgage of land as a security, in order to guarantee obligations of landlords, who leased the land to the Group, with the maximum credit amount of ₩7,680 million (December 31, 2018: ₩6,480 million), and the book amount of pledged assets is ₩1,697 million (December 31, 2018: ₩1,743 million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩216,583 million (December 31, 2018: ₩355,761 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal amounting to EUR 100 million (December 31, 2018: USD 200 million, EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2018: ₩46,000 million). Also, the Parent Company provides payment guarantee for Hitachi-LG Data Storage Inc.(HLDS) amounting to USD 6.25 million (December 31, 2018: USD 7.5 million).

(d) There are a number of legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Group at the end of the reporting period cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Group's financial position.

At the end of the reporting period, LG Display Co., Ltd., an associate of the Group, has been accused as a defendant in cases related to the infringement of patents. In addition, LG Display Co., Ltd. is currently under the investigation and civil suit for anti-competitive activities. The outcome of the case may affect the gain or loss from the equity method valuation. The Group does not have individual responsibility in the case and the investigation above.

## **LG Electronics**

### **Notes to the Consolidated Interim Financial Statements**

#### **September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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#### **30. Commitments**

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2018: ₩165,500 million).

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2018: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩391,993 million (December 31, 2018: ₩389,791 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩1,480,209 million (December 31, 2018: ₩1,387,534 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,084,256 million (December 31, 2018: ₩1,926,486 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩900,000 million (December 31, 2018: ₩690,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩762,826 million (December 31, 2018: ₩709,994 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 605 million (December 31, 2018: USD 768 million), and have sales agreements for trade receivables with a limit of USD 500 million (December 31, 2018: USD 400 million) with Credit Agricole. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩1,000 million (December 31, 2018: ₩81,000 million) in connection with the collection of the trade receivables.

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,210,000 million (December 31, 2018: ₩1,160,000 million) in connection with the payment of trade payables.

In addition, LG Innotek Co., Ltd., a subsidiary, has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and others for up to ₩204,000 million (December 31, 2018: ₩204,000 million) in connection with the payment of trade payables, where under the contracts the vendors of LG Innotek Co., Ltd. can transfer their receivables to these banks.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩38,900 million limit (December 31, 2018: ₩69,900 million) in connection with the payment of trade payables.



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(d) At the end of the reporting period, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2018: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩3,459,857 million (December 31, 2018: ₩3,663,920 million).

(f) Contractual commitments for the acquisition of assets

Assets contracted for, but not yet acquired at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Property, plant and equipment	173,478	228,841
Intangible assets	152,999	52,632
Investments in associates and joint ventures	97,977	9,863
<b>Total</b>	<b>424,454</b>	<b>291,336</b>

(g) Operating lease commitments – the Group as a lessor

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

<i>(in millions of Korean won)</i>	September 30, 2019					Total lease payments
	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Over 4 years	
Healthcare rental	507,717	406,280	220,751	36,938	-	1,171,686
Real estate rental	223	-	-	-	-	223
<b>Total</b>	<b>507,940</b>	<b>406,280</b>	<b>220,751</b>	<b>36,938</b>	<b>-</b>	<b>1,171,909</b>

- ii) The Group recognized ₩315,395 million (September 30, 2018: ₩205,716 million) in lease income for the nine-month period ended September 30, 2019.

(h) Trademark license commitments

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

Purpose	Related products	Provided by	Used by
Use of license	Home appliance /Mobile/LED	Qualcomm Incorporated and others	The Group
Provision of license	Home appliance /Mobile/LED	The Group	Panasonic Corporation and others

# LG Electronics

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### 31. Related Party

(a) Major transactions for the nine-month periods ended September 30, 2019 and 2018, and balances of receivables and payables from transaction with related parties as at September 30, 2019 and December 31, 2018, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2019					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	803	-	803	631	121,517	122,148
Associates	LG Display Co., Ltd. and its subsidiaries	1,032,011	71,861	1,103,872	2,641,504	3,793	2,645,297
	Ericsson-LG Co., Ltd. and its subsidiaries	106	-	106	-	-	-
	Hitachi-LG Data Storage Inc. and its subsidiaries	1,828	-	1,828	60,265	412	60,677
	LG Fuel Cell Systems Inc. and its subsidiaries	304	510	814	13	69	82
	Korea Information Certificate Authority Inc.	1	-	1	-	64	64
	Acryl Inc.	-	-	-	-	548	548
	Kiwigrid GmbH	-	-	-	-	479	479
	ROBOTIS Co., Ltd.	-	-	-	-	202	202
	Robostar Co.,Ltd	7	-	7	38,580	6,697	45,277
		<b>Subtotal</b>	<b>1,034,257</b>	<b>72,371</b>	<b>1,106,628</b>	<b>2,740,362</b>	<b>12,264</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	27,262	-	27,262	67,615	-	67,615
	LG HOLDINGS (HK) LIMITED and its subsidiaries	-	-	-	-	1,553	1,553
	EIC PROPERTIES PTE LTD.	-	-	-	-	605	605
	LG-MRI LLC	2,336	-	2,336	32,952	-	32,952
		<b>Subtotal</b>	<b>29,598</b>	<b>-</b>	<b>29,598</b>	<b>100,567</b>	<b>2,158</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	117,373	2	117,375	85,885	327,514	413,399
	S&I Corp. and its subsidiaries <sup>2</sup>	37,083	4,296	41,379	373,219	185,734	558,953
	LG Management Development Institute	2	-	2	17	23,668	23,685
	LG SPORTS Ltd.	12	21	33	-	10,825	10,825
	LG MMA Ltd.	120	-	120	51	-	51
	LG Holdings Japan Co., Ltd.	14	-	14	-	2,663	2,663
	LG Corp. U.S.A.	1,035	-	1,035	-	-	-
		<b>Subtotal</b>	<b>155,639</b>	<b>4,319</b>	<b>159,958</b>	<b>459,172</b>	<b>550,404</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	895,913	18,461	914,374	719,633	8,540	728,173
	LG INTERNATIONAL CORP and its subsidiaries	63,715	3,135	66,850	2,427,965	1,422,386	3,850,351
	LG Uplus Corp and its subsidiaries	404,907	34	404,941	42,467	4,614	47,081
	LG HAUSYS,LTD. and its subsidiaries and associates	5,626	333	5,959	1,182	343	1,525
	Silicon Works Co., Ltd.	19,298	2,253	21,551	10,522	-	10,522
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	6,281	1	6,282	215	527	742

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(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	G IIR Inc. and its subsidiaries	3,696	47	3,743	77	283,328	283,405
	SERVEONE Co., Ltd. and its subsidiaries <sup>2</sup>	8,437	2,492	10,929	248,527	38,067	286,594
	<b>Subtotal</b>	<b>1,407,873</b>	<b>26,756</b>	<b>1,434,629</b>	<b>3,450,588</b>	<b>1,757,805</b>	<b>5,208,393</b>
	<b>Total</b>	<b>2,628,170</b>	<b>103,446</b>	<b>2,731,616</b>	<b>6,751,320</b>	<b>2,444,148</b>	<b>9,195,468</b>

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	1,879	-	1,879	489	120,808	121,297
Associates	LG Display Co., Ltd. and its subsidiaries	1,426,808	25,908	1,452,716	3,122,613	9,162	3,131,775
	Ericsson-LG Co., Ltd. and its subsidiaries	1,417	45	1,462	2,552	-	2,552
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	563	161	724	82,494	255	82,749
	LG Fuel Cell Systems Inc. and its subsidiaries	2,878	-	2,878	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	2	2
	<b>Subtotal</b>	<b>1,431,666</b>	<b>26,114</b>	<b>1,457,780</b>	<b>3,207,659</b>	<b>9,419</b>	<b>3,217,078</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	54,611	-	54,611	52,704	-	52,704
	LG HOLDINGS (HK) LIMITED and its subsidiaries	-	-	-	-	1,757	1,757
	EIC PROPERTIES PTE LTD.	-	-	-	-	580	580
	LG-MRI LLC	1,489	-	1,489	36,064	-	36,064
	<b>Subtotal</b>	<b>56,100</b>	<b>-</b>	<b>56,100</b>	<b>88,768</b>	<b>2,337</b>	<b>91,105</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	89,808	71	89,879	102,500	342,513	445,013
	SERVEONE Co., Ltd. and its subsidiaries	66,092	7,576	73,668	748,284	513,120	1,261,404
	LB Lusem CO., LTD. <sup>3</sup>	6,114	-	6,114	205	1	206
	LG Management Development Institute	-	-	-	96	21,891	21,987
	LG SPORTS Ltd.	13	19	32	-	9,334	9,334
	LG MMA Ltd.	26	-	26	315	10	325
	LG Holdings Japan Co., Ltd.	13	-	13	-	2,393	2,393
	LG Corp. U.S.A.	980	-	980	-	-	-
	<b>Subtotal</b>	<b>163,046</b>	<b>7,666</b>	<b>170,712</b>	<b>851,400</b>	<b>889,262</b>	<b>1,740,662</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	1,277,527	50,105	1,327,632	735,072	1,438	736,510
	LG INTERNATIONAL CORP and its subsidiaries	69,797	1,377	71,174	2,023,233	1,464,222	3,487,455
	LG Uplus Corp and its subsidiaries	488,646	86	488,732	39,145	5,874	45,019
	LG HAUSYS,LTD. and its subsidiaries and associates	10,812	263	11,075	6,538	6	6,544
	Silicon Works Co., Ltd.	19,261	47,450	66,711	6,444	1,042	7,486
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,791	5	3,796	307	729	1,036
	G IIR Inc. and its subsidiaries	4,189	12	4,201	125	268,730	268,855

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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	<b>Subtotal</b>	1,874,023	99,298	1,973,321	2,810,864	1,742,041	4,552,905
	<b>Total</b>	3,526,714	133,078	3,659,792	6,959,180	2,763,867	9,723,047

<sup>1</sup> Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>2</sup> SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>3</sup> All shares of LUSEM CO., LTD. were sold to LB SEMICON CO., LTD. on February 27, 2018, and the name of LUSEM CO., LTD. was changed to LB Lusem CO., LTD on March 15, 2018.

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

(in millions of Korean won)

		September 30, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	38	-	50,028	50,066	-	-	782	782
Associates	LG Display Co., Ltd. and its subsidiaries	204,684	-	96,862	301,546	626,490	-	66,625	693,115
	Ericsson-LG Co., Ltd. and its subsidiaries	-	-	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc. and its subsidiaries	1,034	-	-	1,034	39,336	-	349	39,685
	LG Fuel Cell Systems Inc. and its subsidiaries	22	-	-	22	-	-	72	72
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	22	22
	Acryl Inc.	-	-	-	-	-	-	256	256
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	148	148
	Robostar Co.,Ltd	-	-	-	-	615	-	13,116	13,731
	<b>Subtotal</b>	205,740	-	96,862	302,602	666,441	-	80,588	747,029
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	5,738	-	-	5,738	8,217	-	2	8,219
	LG HOLDINGS (HK) LIMITED and its subsidiaries	-	-	-	-	-	-	827	827
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	69	69
	LG-MRI LLC	839	-	-	839	6,620	-	4	6,624
	<b>Subtotal</b>	6,577	-	-	6,577	14,837	-	902	15,739
Other related parties	LG CNS Co., Ltd. and its subsidiaries	32,300	-	1,444	33,744	3,518	-	132,179	135,697
	S&I Corp. and its subsidiaries <sup>2</sup>	10,638	-	66,621	77,259	366	-	59,739	60,105

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		September 30, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Management Development Institute	-	-	17,864	17,864	-	-	2,688	2,688
	LG SPORTS Ltd.	1	-	-	1	-	-	714	714
	LG MMA Ltd.	129	-	-	129	7	-	-	7
	LG Holdings Japan Co., Ltd.	-	-	4,125	4,125	-	-	-	-
	LG Corp. U.S.A.	5	-	11,432	11,437	-	-	-	-
	<b>Subtotal</b>	<b>43,073</b>	<b>-</b>	<b>101,486</b>	<b>144,559</b>	<b>3,891</b>	<b>-</b>	<b>195,320</b>	<b>199,211</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	416,868	-	295,437	712,305	260,046	-	42,829	302,875
	LG INTERNATIONAL CORP and its subsidiaries	35,762	-	1,512	37,274	357,308	-	264,691	621,999
	LG Uplus Corp and its subsidiaries	29,926	-	89	30,015	-	-	170	170
	LG HAUSYS,LTD. and its subsidiaries and associates	1,298	-	1,291	2,589	469	-	790	1,259
	Silicon Works Co., Ltd.	3,824	-	290	4,114	3,664	-	1,298	4,962
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	59	-	1,459	1,518	31	-	293	324
	G II R Inc. and its subsidiaries	41	-	181	222	355	-	147,919	148,274
	Techcross Environmental Services Inc. <sup>3</sup>	14	-	-	14	-	-	1,701	1,701
	Techcross Water & Energy Inc. <sup>3</sup>	21	-	84	105	-	-	188	188
	<b>Subtotal</b>	<b>487,813</b>	<b>-</b>	<b>300,343</b>	<b>788,156</b>	<b>621,873</b>	<b>-</b>	<b>459,879</b>	<b>1,081,752</b>
	<b>Total</b>	<b>743,241</b>	<b>-</b>	<b>548,719</b>	<b>1,291,960</b>	<b>1,307,042</b>	<b>-</b>	<b>737,471</b>	<b>2,044,513</b>

(in millions of Korean won)

		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	42	-	29,398	29,440	-	-	742	742
Associates	LG Display Co., Ltd. and its subsidiaries	563,778	-	136,544	700,322	518,663	-	168,882	687,545
	Ericsson-LG Co., Ltd. and its subsidiaries	31	-	-	31	534	-	-	534
	Hitachi-LG Data Storage Inc. and its subsidiaries	109	7,257	31	7,397	32,687	-	397	33,084
	LG Fuel Cell Systems Inc. and its subsidiaries	12	-	240	252	-	-	28	28
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	55	55
	Acryl Inc.	-	-	-	-	-	-	312	312
	Kiwigrd GmbH	-	-	-	-	-	-	54	54
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	168	168

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**Notes to the Consolidated Interim Financial Statements**  
**September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(in millions of Korean won)

		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Robostar Co.,Ltd	-	-	-	-	13,406	-	519	13,925
	<b>Subtotal</b>	563,930	7,257	136,815	708,002	565,290	-	170,415	735,705
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	2,733	-	-	2,733	4,779	-	-	4,779
	LG HOLDINGS (HK) LIMITED and its subsidiaries	-	-	-	-	-	-	1,210	1,210
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	1	1
	LG-MRI LLC	643	-	-	643	9,228	-	63	9,291
	<b>Subtotal</b>	3,376	-	-	3,376	14,007	-	1,274	15,281
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,819	-	2,218	22,037	3,959	-	182,146	186,105
	S&I Corp. and its subsidiaries <sup>2</sup>	10,819	-	67,510	78,329	247,412	-	225,331	472,743
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,850	1,850
	LG SPORTS Ltd.	2	-	-	2	-	-	1,859	1,859
	LG MMA Ltd.	86	-	-	86	51	-	21	72
	LG Holdings Japan Co., Ltd.	-	-	3,546	3,546	-	-	-	-
	LG Corp. U.S.A.	4	-	8,062	8,066	-	-	-	-
	<b>Subtotal</b>	30,730	-	99,200	129,930	251,422	-	411,207	662,629
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	490,832	-	270,963	761,795	277,880	-	84,364	362,244
	LG INTERNATIONAL CORP and its subsidiaries	19,582	-	9,362	28,944	558,108	-	269,497	827,605
	LG Uplus Corp and its subsidiaries	19,219	-	182	19,401	-	-	378	378
	LG HAUSYS,LTD. and its subsidiaries and associates	725	-	1,354	2,079	29	-	485	514
	Silicon Works Co., Ltd.	3,309	-	-	3,309	2,011	-	748	2,759
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,270	-	350	2,620	32	-	734	766
	G II R Inc. and its subsidiaries	83	-	137	220	334	-	251,174	251,508
	<b>Subtotal</b>	536,020	-	282,348	818,368	838,394	-	607,380	1,445,774
	<b>Total</b>	1,134,098	7,257	547,761	1,689,116	1,669,113	-	1,191,018	2,860,131

<sup>1</sup> Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>2</sup> SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018, and S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity, on May 15, 2019. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>3</sup> All shares of Hi Entech Co., Ltd. and LG Hitachi Water Solution Co., Ltd. were disposed to Techcross Vision Investment Inc. on September 26, 2019. And, the name of Hi Entech Co., Ltd. and LG Hitachi Water Solution

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Co., Ltd. were changed to Techcross Environmental Services Inc. and Techcross Water & Energy Inc., respectively. At the end of the reporting period, Techcross Environmental Services Inc. and Techcross Water & Energy Inc. belong to the Large Enterprise Group in accordance with the Monopoly Regulations and Fair Trade Act.

- iii) Significant capital transactions with related parties and others for the nine-month periods ended September 30, 2019 and 2018, are as follows:

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2019		2018	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	41,321	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	LG-MRI LLC	337	-	-	-	-	-	-
	Robostar Co.,Ltd	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	702	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	1,234	-	-	-	-
	LG HOLDINGS (HK) LIMITED	-	-	(29,182)	-	-	-	-
	<b>Total</b>	<b>644</b>	<b>41,321</b>	<b>(26,246)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2018		2017	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	-	-	7,238	-	-
	LG Fuel Cell Systems Inc.	-	-	7,178	-	-	-	-
	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	LG-MRI LLC	321	-	-	-	-	-	-
	<b>Total</b>	<b>68,234</b>	<b>22,038</b>	<b>7,178</b>	<b>-</b>	<b>7,238</b>	<b>-</b>	<b>-</b>

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### Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

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- (b) The compensation paid or payable to key management personnel for the nine-month periods ended September 30, 2019 and 2018, consists of:

<i>(in millions of Korean won)</i>	2019	2018
Salaries and other short-term employee benefits	15,622	16,175
Post-employment benefits	2,585	2,833
Other long-term benefits	80	84
<b>Total</b>	<b>18,287</b>	<b>19,092</b>

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

- (c) The Group provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 6.25 million at the end of the reporting period.
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

## 32. Risk Management

### Financial Risk Management

The Group's financial risk management ("FRM") policy supports each business division to achieve excellent performance solidly and continuously against market risk, credit risk and liquidity risk. In addition, FRM helps the Group to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

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

The Group anticipatively and systematically manages the financial risks over global business activities through its four overseas treasury centers in New Jersey (United States), Amsterdam (Netherlands), Beijing (China), and Singapore in coordination with Finance Division in the Parent Company. And it also helps to improve overseas subsidiaries' business competitiveness by performing integration of their finance functions.

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

The carrying amount and profit or loss of each category of financial instruments, and the details of borrowings related to the financial risk management are presented in Note 5 and Note 12, respectively.



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### Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

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(a) Market risk

i) Foreign exchange risk

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

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

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

As at September 30, 2019 and December 31, 2018, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	September 30, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(71,618)	71,618	(40,378)	40,378
EUR/KRW	27,014	(27,014)	18,956	(18,956)

ii) Interest rate risk

The Group is exposed to interest rate risk through changes in interest-bearing liabilities or assets. The risk mainly arises from borrowings and deposits held by financial institutions with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in improving corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

The Group minimizes its borrowings from others and optimizes its deposits by expanding internal finance sharing. The Group establishes the plan for reaction by periodically monitoring the trends of internal and external interest rates.

If interest rates fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the nine-month periods ended September 30, 2019 and 2018, are as follows:

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## Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

<i>(in millions of Korean won)</i>	2019		2018	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	35,509	(35,509)	32,731	(32,731)
Interest expenses	5,814	(5,814)	4,236	(4,236)

iii) Details of derivative contracts are as follows:

### Hedging purposes

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 530 (USD/KRW)	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017. 2. 2 ~ 2018. 6. 8	2020.11.23 ~ 2028. 6. 8	10,334	4,268
	Commerzbank and others	CZK 459 (EUR/CZK)	26.0 ~ 26.4	-	2018. 6.28 ~ 2019. 9. 4	2019.10. 2 ~ 2020. 6. 1	169	-
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 100 / USD 235	-	1.00 ~ 4.53	2014. 1. 3 ~ 2018. 5.24	2023. 2.24 ~ 2030. 7. 7	-	110,531

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings (Note 12).

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	658,488	(23,551)
Interest rate swap	Borrowings	1,667,852	43,014

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	23,551	Interest expense and exchange differences	(36,395)	(12,844)	(32,431)
Interest rate swap	(43,014)	Interest expense	6,480	(36,534)	(78,908)

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### Notes to the Consolidated Interim Financial Statements

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#### *Trading purposes*

The Group entered into the currency forward contracts and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. The subsidiaries' currency forward contracts and the interest rate swap contracts as at September 30, 2019, and related profit or loss for the nine-month period ended September 30, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Purchase</b>	<b>Sale</b>	<b>Gain (loss) on valuation</b>	<b>Gain (loss) on transaction</b>
Currency forward	709,681	707,064	3,435	(694)
Interest rate swap	-	-	(2,916)	119

#### *Share Purchase Agreement*

The Group entered into a contract to additionally purchase shares of Robostar Co., Ltd. in December 2019 at the average price of immediate four months with a 25% mark up. In relation to this share purchase contract, the Group recognized derivative liabilities amounting to ₩2,713 million at the time of acquisition of Robostar Co., Ltd. and recognized gain on valuation of derivatives amounting to ₩320 million during the nine-month period ended September 30, 2019. Accordingly, the related derivative liabilities amounted to ₩1,542 million at the end of the reporting period.

#### iv) Price risk

The Group is exposed to price risk through equity securities owned by the Group classified as financial assets at fair value through other comprehensive income.

The listed securities owned by the Group are traded in the open market, and related to KOSDAQ Index and Austrian Traded Index.

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

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
	<b>30% increase</b>	<b>30% decrease</b>	<b>30% increase</b>	<b>30% decrease</b>
KOSDAQ	2,260	(2,260)	3,057	(3,057)
Austrian Traded Index	2,899	(2,899)	3,108	(3,108)

The valuation and changes in book amounts of the financial assets at fair value through other comprehensive income related to the market risk above are presented in Note 7.

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### Notes to the Consolidated Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

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(b) Credit risk

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

In regard to receivables, the Group operates an integrated receivable insurance program with the world top three receivable insurers (Euler Hermes, Atradius and Coface) and Korea Trade Insurance Corporation (K-SURE). In an effort to minimize receivable credit risk, the Group applies the credit rating of the counterparty rated by insurers, when determining the insurance coverage. In addition, the Group performs stringent credit risk management based on credit valuation criteria for receivables without insurance coverage or collateral.

At the end of reporting period, trade receivable balance of the Group is ₩7,146,551 million (December 31, 2018: ₩6,462,609 million) and its risk is managed appropriately within insurer's credit limit of ₩25,884,340 million (December 31, 2018: ₩23,936,144 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

At the end of reporting period, the carrying amount of financial assets represents net of impairment loss to reflect Group's maximum exposure to the credit risk.

(c) Liquidity risk

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

The Group maintains adequate amount of cash and committed credit facilities in Kookmin Bank and Shinhan Bank to cope with potential liquidity risk arising from financial distress.

In addition, the Group is able to source funds any time in the domestic and international financial markets because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB from Standard & Poors, and Baa3 from Moody's at the end of the reporting period.

- i) Cash flow information on maturity of financial liabilities as at September 30, 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Trade payables	8,200,116	8,200,116	-	-	-
Borrowings	12,333,933	1,902,410	1,804,597	4,159,104	4,467,822
Lease liabilities	789,715	247,281	196,454	243,526	102,454
Other payables	2,735,128	2,732,882	432	1,811	3
Other financial liabilities	20,067	14,607	1,888	3,572	-
<b>Total</b>	<b>24,078,959</b>	<b>13,097,296</b>	<b>2,003,371</b>	<b>4,408,013</b>	<b>4,570,279</b>

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The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩3,068 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

- ii) At the end of the reporting period, the maturity analysis of financial guarantee contracts provided by the Group to third party companies is as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts	53,508	50,505	3,003	-	-

The above cash flow is the maximum amount of guarantees allocated to earliest period in which the Group can be required to make payments.

#### Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Liability (A)	29,753,634	28,021,536
Equity (B)	17,450,926	16,306,907
Cash and cash equivalents (C)	4,798,880	4,270,388
Borrowings and lease liabilities (D)	11,525,806	10,901,186
Debt-to-equity ratio (A/B)	170.5%	171.8%
Net borrowings ratio ((D-C)/B)	38.5%	40.7%

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**September 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**Fair Value Estimation**

(a) The book amount and fair value of the Group's financial assets and liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	7,321	7,321	16,946	1
Financial assets at fair value through other comprehensive income				
Trade receivables	712,997	1	-	-
Other financial assets				
Listed equity securities	-	-	17,202	17,202
Unlisted equity securities	-	-	48,044	1
Derivatives for hedging purposes				
Other financial assets	169	169	10,334	10,334
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	4,798,880	1	-	-
Deposits held by financial institutions	80,517	1	43,553	43,553
Trade receivables	6,319,098	1	-	-
Other receivables	708,915	1	410,281	399,221
Other financial assets	-	1	1,612	1
<b>Total</b>	<b>12,627,897</b>		<b>547,972</b>	

  

<i>(in millions of Korean won)</i>	<b>September 30, 2019</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Liabilities at fair value</b>				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	4,610	4,610	9,269	9,269
Derivatives for hedging purposes				
Other financial liabilities	-	-	114,799	114,799
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	8,200,116	1	-	-
Borrowings	1,593,483	1	9,202,239	9,584,029
Other payables	2,732,844	1	2,100	2,046
<b>Other liabilities</b>				
Lease liabilities	235,322	2	494,762	2
Other financial liabilities	11	3	32	3
<b>Total</b>	<b>12,766,386</b>		<b>9,823,201</b>	

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<i>(in millions of Korean won)</i>	December 31, 2018			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	6,742	6,742	20,099	<sup>1</sup>
Financial assets at fair value through other comprehensive income				
Trade receivables	358,443	<sup>1</sup>	-	-
Other financial assets				
Listed equity securities	-	-	20,463	20,463
Unlisted equity securities	-	-	34,055	<sup>1</sup>
Debt securities	-	-	1,552	<sup>1</sup>
Derivatives for hedging purposes				
Other financial assets	1,542	1,542	291	291
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	4,270,388	<sup>1</sup>	-	-
Deposits held by financial institutions	80,516	<sup>1</sup>	45,853	45,853
Trade receivables	6,013,151	<sup>1</sup>	-	-
Other receivables	506,437	<sup>1</sup>	452,366	426,804
Other financial assets	117	<sup>1</sup>	1,612	<sup>1</sup>
<b>Total</b>	<b>11,237,336</b>		<b>576,291</b>	

<i>(in millions of Korean won)</i>	December 31, 2018			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
<b>Liabilities at fair value</b>				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	3,228	3,228	8,045	8,045
Derivatives for hedging purposes				
Other financial liabilities	-	-	81,170	81,170
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	7,216,739	<sup>1</sup>	-	-
Borrowings	1,405,116	<sup>1</sup>	9,496,070	9,764,971
Other payables	3,670,453	<sup>1</sup>	17,995	18,407
<b>Other liabilities</b>				
Other financial liabilities	115	<sup>3</sup>	52	<sup>3</sup>
<b>Total</b>	<b>12,295,651</b>		<b>9,603,332</b>	

<sup>1</sup> Excluded from disclosure such as fair value hierarchy and measurement method as the carrying amount is the reasonable approximate of fair value.

<sup>2</sup> Lease liabilities were excluded from the fair value disclosures in accordance with Korean IFRS 1107 *Financial Instruments: Disclosures*.

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<sup>3</sup> Measured at the higher of the amount of the loss allowance determined in accordance with Korean IFRS 1109 *Financial Instruments*, and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement is to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. When measuring fair value using valuation techniques, the Group maximizes the use of market information and minimizes the use of unobservable inputs.

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

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

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

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

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

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



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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	17,202	-	-	17,202
Financial assets at fair value through profit or loss	-	7,321	-	7,321
Derivatives for hedging purposes	-	10,503	-	10,503
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	13,879	-	13,879
Derivatives for hedging purposes	-	114,799	-	114,799
<b>December 31, 2018</b>				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	20,463	-	-	20,463
Financial assets at fair value through profit or loss	-	6,742	-	6,742
Derivatives for hedging purposes	-	1,833	-	1,833
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	11,273	-	11,273
Derivatives for hedging purposes	-	81,170	-	81,170

The above fair value amounts are recurring fair value measurements.

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

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Valuation technique and inputs for fair value measurements categorized within 'level 2' as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2019	December 31, 2018		
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through profit or loss	7,321	6,742	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	10,503	1,833	Discounted cash flow	Discount rate and exchange rate
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	13,879	11,273	Discounted cash flow	Discount rate, exchange rate and share price
Derivatives for hedging purposes	114,799	81,170	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

There are no changes in financial assets and financial liabilities that are measured at fair value and categorized within 'level 3' for the nine-month periods ended September 30, 2019 and 2018.

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

Financial instruments not measured at fair value but for which the fair value is disclosed as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	43,553	43,553
Non-current other receivables	-	-	399,221	399,221
<b>Liabilities</b>				
Non-current borrowings	-	-	9,584,029	9,584,029
Non-current other payables	-	-	2,046	2,046

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<i>(in millions of Korean won)</i>	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	45,853	45,853
Non-current other receivables	-	-	426,804	426,804
<b>Liabilities</b>				
Non-current borrowings	-	-	9,764,971	9,764,971
Non-current other payables	-	-	18,407	18,407

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

At the end of the reporting period, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 2'.

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019		December 31, 2018		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
<b>Assets</b>								
Non-current deposits held by financial institutions	43,553	43,553	45,853	45,853	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.9%
Non-current other receivables	410,281	399,221	452,366	426,804	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.7% ~ 3.7%
<b>Liabilities</b>								
Non-current borrowings	9,202,239	9,584,029	9,496,070	9,764,971	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.5% ~ 3.1%
Non-current other payables	2,100	2,046	17,995	18,407	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.6% ~ 1.7%

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#### 33. Business Combinations

- (a) On March 5, 2019, LG Electronics Tianjin Appliances Co., Ltd., a subsidiary, acquired 100% shares of QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO., LTD. in order to secure competitiveness of sales and installation of air conditioners in China.

The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	3,623
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	1,029
Trade receivables <sup>1</sup>	1,080
Other assets	5,165
Non-current assets	
Property, plant and equipment	222
Intangible assets	77
Current liabilities	
Trade and other payables	360
Other liabilities	3,590
<b>Fair value of total identifiable net assets</b>	<b>3,623</b>
<b>Goodwill</b>	<b>-</b>

<sup>1</sup> The fair value of above trade receivables is the same as the contractual amount in gross.

The acquisition-related direct costs incurred in relation to business combination amounting to ₩29 million was recognized as expenses as incurred.

Net sales and profit of QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO., LTD. for the period from March 5, 2019, the acquisition date, included in the consolidated interim statements of profit or loss are ₩5,386 million and ₩476 million, respectively. Net sales and profit for the current reporting period as though the acquisition date had been as at the beginning of the annual reporting period are as follows:

<i>(in millions of Korean won)</i>	<b>Before adjustments</b>	<b>Adjustments</b>	<b>After adjustments</b>
Net sales	46,244,973	1,086	46,246,059
Profit for the period	1,029,678	4	1,029,682

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- (b) On August 3, 2018, the Group acquired 70% shares of ZKW Holding GmbH, its subsidiaries and related entities in order to secure competitiveness of the vehicle components business.

The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	979,108
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	241,079
Trade receivables <sup>1</sup>	189,572
Other receivables <sup>1</sup>	28,118
Inventories	152,472
Other assets	182,918
Non-current assets	
Property, plant and equipment	571,775
Intangibles assets	354,719
Other receivables <sup>1</sup>	2,107
Other assets	254,969
Current liabilities	
Trade and other payables	201,785
Borrowings	216,114
Other liabilities	202,933
Non-current liabilities	
Borrowings	297,802
Other liabilities	202,332
<b>Fair value of total identifiable net assets</b>	<b>856,763</b>
<b>Non-controlling interest<sup>2</sup></b>	<b>420,001</b>
<b>Goodwill<sup>3</sup></b>	<b>542,346</b>

<sup>1</sup> The fair value of above trade and other receivables is the same as the total contract amount.

<sup>2</sup> The fair value of the non-controlling interest is measured as ₩420,001 million, which is the cash and cash equivalent amount paid by LG Corp., in acquiring 30% shares of ZKW Holding GmbH, its subsidiaries and related entities.

<sup>3</sup> Goodwill incurred in a business combination amounting to ₩542,346 million is due to an increase in sales from integration of business with ZKW Holding GmbH, its subsidiaries and related entities, which is not allowed to be tax deductible.

The acquisition-related direct costs in relation to business combination amounting to ₩18,533 million were recognized as expenses as incurred.

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**34. Assets Classified as Held for Sale**

- (a) Details of assets classified as held for sale as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>September 30, 2019<sup>1</sup></b>	<b>December 31, 2018<sup>2</sup></b>
Assets held for sale		
Building	5,627	-
Land	25,978	-
Machinery	492	115,212
Other property, plant and equipment and intangible assets	1,838	-
Investment properties	93,346	-
<b>Total</b>	<b>127,281</b>	<b>115,212</b>

<sup>1</sup> At the end of the reporting period, sales procedure of the assets is in progress and the sale is expected to be completed by 2019.

<sup>2</sup> The Group entered into a sales contract in December 2018 and the sale was completed in April 2019.

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

**35. Events After the Reporting Period**

On October 30, 2019, the Group acquired 100% shares of LG Corp. U.S.A. from LG Corp., the largest shareholder of the Company, and the acquisition cost amounted to USD 165 million.