

# **LG Electronics Inc.**

**Separate Interim Financial Statements**

**March 31, 2019 and 2018**

**LG Electronics Inc.**

Index

March 31, 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 separate interim financial statements of LG Electronics Inc. (referred to as the "Company"). These financial statements consist of the separate interim statement of financial position of the Company as at March 31, 2019, and the related separate interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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 separate 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 separate 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 separate 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 separate 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 separate statement of financial position of the Company as at December 31, 2018, and the related separate 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 separate 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.

May 15, 2019  
Seoul, Korea

This report is effective as at May 15, 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 separate 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 Inc.

## Separate Interim Statements of Financial Position

March 31, 2019 and December 31, 2018

<i>(in millions of Korean won)</i>	Notes	March 31, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,31	1,174,529	1,109,883
Deposits held by financial institutions	4,31	80,500	80,500
Trade receivables	4,5,31	4,678,911	3,726,012
Other receivables	4,5,31	446,351	545,431
Other financial assets	4,6,31	-	1,281
Inventories	7	1,497,419	1,505,385
Current income tax assets		3,448	3,157
Contract assets	8	429,705	465,307
Other current assets		512,332	401,387
		<u>8,823,195</u>	<u>7,838,343</u>
<b>Non-current assets</b>			
Deposits held by financial institutions	4,31	1,413	1,211
Other receivables	4,5,31	200,519	243,485
Other financial assets	4,6,31	51,658	43,001
Property, plant and equipment	9	7,346,088	7,278,238
Intangible assets	9	1,672,116	1,671,617
Deferred income tax assets		958,956	967,496
Investments in subsidiaries, associates and joint ventures	10	9,113,926	9,108,014
Investment properties		93,673	93,999
Contract assets	8	96,363	90,092
Other non-current assets		543,723	529,967
		<u>20,078,435</u>	<u>20,027,120</u>
<b>Total assets</b>		<u>28,901,630</u>	<u>27,865,463</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	4,31	6,381,305	5,553,794
Borrowings	4,11,31	791,487	768,275
Lease liabilities	4,12,31	34,026	-
Other payables	4,31	2,069,031	2,371,053
Other financial liabilities	4,6,31	7,390	6,453
Provisions	14	386,641	349,001
Contract liabilities	8	567,409	458,539
Other current liabilities		1,187,757	1,251,123
		<u>11,425,046</u>	<u>10,758,238</u>
<b>Non-current liabilities</b>			
Borrowings	4,11,31	7,394,181	7,132,237
Lease liabilities	4,12,31	45,716	-
Other payables	4,31	1,241	1,011
Other financial liabilities	4,6,31	90,476	83,759
Net defined benefit liabilities	13	419,238	305,921
Provisions	14	116,346	124,467
Contract liabilities	8	957	1,034
Other non-current liabilities		99,674	95,916
		<u>8,167,829</u>	<u>7,744,345</u>
<b>Total liabilities</b>		<u>19,592,875</u>	<u>18,502,583</u>
<b>Equity</b>			
Paid-in capital:	15		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	5,416,299	5,460,710
Accumulated other comprehensive loss	17	(67,073)	(57,359)
Other components of equity	18	(32,819)	(32,819)
<b>Total equity</b>		<u>9,308,755</u>	<u>9,362,880</u>
<b>Total liabilities and equity</b>		<u>28,901,630</u>	<u>27,865,463</u>

**LG Electronics Inc.**  
**Separate Interim Statements of Profit or Loss**  
**Three-Month Periods Ended March 31, 2019 and 2018**

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Three-Month Period Ended March 31	
		2019 (Unaudited)	2018 (Unaudited)
<b>Net sales</b>	19	7,342,066	7,668,081
<b>Cost of sales</b>	20	5,672,499	5,911,404
<b>Gross profit</b>		1,669,567	1,756,677
Selling and marketing expenses	20,21	683,730	652,461
Administrative expenses	20,21	134,150	126,449
Research and development expenses	20,21	448,887	423,188
Service costs	20,21	133,579	113,475
<b>Operating profit</b>		269,221	441,104
Financial income	22	33,364	60,240
Financial expenses	23	85,988	114,726
Other non-operating income	24	175,484	208,051
Other non-operating expenses	25	220,436	138,404
Profit before income tax		171,645	456,265
Income tax expense		38,451	133,616
<b>Profit for the period</b>		133,194	322,649
<b>Earnings per share during the period (in Korean won) :</b>	26		
Earnings per ordinary share		739	1,791
Earnings per preferred share		751	1,803

**LG Electronics Inc.**  
**Separate Interim Statements of Comprehensive Income**  
**Three-Month Periods Ended March 31, 2019 and 2018**

<i>(in millions of Korean won)</i>	Note	<b>Three-Month Period Ended March 31</b>	
		<b>2019</b> <b>(Unaudited)</b>	<b>2018</b> <b>(Unaudited)</b>
<b>Profit for the period</b>		133,194	322,649
<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	13	(39,676)	9,680
Financial assets at fair value through other comprehensive income	6	(244)	1,584
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Cash flow hedges	31	(9,470)	4,449
<b>Other comprehensive income (loss) for the period, net of tax</b>		(49,390)	15,713
<b>Total comprehensive income for the period, net of tax</b>		83,804	338,362

**LG Electronics Inc.**

**Separate Interim Statements of Changes in Equity**

**Three-Month Periods Ended March 31, 2019 and 2018**

<i>(in millions of Korean won)</i>	Note	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other Components of Equity	Total Equity
<b>Balance at January 1, 2018</b>		3,992,348	5,602,967	(17,639)	(32,819)	9,544,857
Changes in accounting policy		-	11,830	(8,289)	-	3,541
<b>Restated total equity</b>		<u>3,992,348</u>	<u>5,614,797</u>	<u>(25,928)</u>	<u>(32,819)</u>	<u>9,548,398</u>
<b>Total comprehensive income:</b>						
Profit for the period		-	322,649	-	-	322,649
Remeasurements of the net defined benefit liability	13	-	9,680	-	-	9,680
Financial assets at fair value through other comprehensive income	6	-	-	1,584	-	1,584
Cash flow hedges	31	-	-	4,449	-	4,449
<b>Total comprehensive income</b>		<u>-</u>	<u>332,329</u>	<u>6,033</u>	<u>-</u>	<u>338,362</u>
<b>Transactions with owners:</b>						
Dividends	16	-	(72,885)	-	-	(72,885)
<b>Total transactions with owners</b>		<u>-</u>	<u>(72,885)</u>	<u>-</u>	<u>-</u>	<u>(72,885)</u>
<b>Balance at March 31, 2018 (Unaudited)</b>		<u>3,992,348</u>	<u>5,874,241</u>	<u>(19,895)</u>	<u>(32,819)</u>	<u>9,813,875</u>
<b>Balance at January 1, 2019</b>		3,992,348	5,460,710	(57,359)	(32,819)	9,362,880
Changes in accounting policy	2	-	(2,020)	-	-	(2,020)
<b>Restated total equity</b>		<u>3,992,348</u>	<u>5,458,690</u>	<u>(57,359)</u>	<u>(32,819)</u>	<u>9,360,860</u>
<b>Total comprehensive income (loss):</b>						
Profit for the period		-	133,194	-	-	133,194
Remeasurements of the net defined benefit liability	13	-	(39,676)	-	-	(39,676)
Financial assets at fair value through other comprehensive income	6	-	-	(244)	-	(244)
Cash flow hedges	31	-	-	(9,470)	-	(9,470)
<b>Total comprehensive income (loss)</b>		<u>-</u>	<u>93,518</u>	<u>(9,714)</u>	<u>-</u>	<u>83,804</u>
<b>Transactions with owners:</b>						
Dividends	16	-	(135,909)	-	-	(135,909)
<b>Total transactions with owners</b>		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
<b>Balance at March 31, 2019 (Unaudited)</b>		<u>3,992,348</u>	<u>5,416,299</u>	<u>(67,073)</u>	<u>(32,819)</u>	<u>9,308,755</u>

# LG Electronics Inc.

## Separate Interim Statements of Cash Flows

### Three-Month Periods Ended March 31, 2019 and 2018

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	157,595	182,710
Interest received		3,774	5,089
Interest paid		(61,574)	(57,939)
Dividends received		44,850	36
Income tax paid		(14,504)	(9,082)
<b>Net cash inflow from operating activities</b>		<b>130,141</b>	<b>120,814</b>
<b>Cash flows from investing activities</b>			
Decrease in other receivables		34,530	25,971
Proceeds from redemption and disposal of other financial assets		-	426
Proceeds from disposal of property, plant and equipment		4,827	4,895
Proceeds from disposal of intangible assets		-	1,348
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		-	1,536
Proceeds from disposal of assets held for sale		-	2,380
Transfer of business	27	529	-
Increase in deposits held by financial institutions		(202)	(864)
Increase in other receivables		(42,336)	(7,258)
Acquisition of other financial assets		(7,810)	(1,693)
Acquisition of property, plant and equipment		(226,669)	(236,027)
Acquisition of intangible assets		(90,844)	(116,811)
Acquisition of investments in subsidiaries, associates and joint ventures		(5,912)	(1,000)
<b>Net cash outflow from investing activities</b>		<b>(333,887)</b>	<b>(327,097)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		729,453	279,438
Repayments of borrowings		(452,743)	(300,000)
Repayments of lease liabilities		(9,643)	-
<b>Net cash inflow (outflow) from financing activities</b>		<b>267,067</b>	<b>(20,562)</b>
Effects of exchange rate changes on cash and cash equivalents		1,325	(3,132)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>64,646</b>	<b>(229,977)</b>
Cash and cash equivalents at the beginning of the period		1,109,883	1,586,258
<b>Cash and cash equivalents at the end of the period</b>		<b>1,174,529</b>	<b>1,356,281</b>

# **LG Electronics Inc.**

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

### **March 31, 2019 and 2018 (Unaudited), and December 31, 2018**

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

LG Electronics Inc. (the “Company”) was spun off from LG Electronics Investment Ltd. on April 1, 2002. The 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 Company is domiciled in Korea at Yeouidaero, Yeongdeungpo-gu, Seoul.

As at March 31, 2019, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following 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 designs and manufactures automobile parts; and Business Solutions segment manufactures and sells information displays, solar panels and others. As at March 31, 2019, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

#### **2. Significant Accounting Policies**

##### **Basis of Preparation**

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

The financial statements of the Company are the separate interim financial statements prepared in accordance with Korean IFRS 1027 ‘*Separate Financial Statements*’. The separate interim financial statements for the three-month period ended March 31, 2019, have been prepared in accordance with Korean IFRS 1034 ‘*Interim Financial Reporting*’. These separate interim financial statements have been prepared in accordance with Korean IFRS which is effective as at March 31, 2019.

**LG Electronics Inc.**  
**Notes to the Separate Interim Financial Statements**  
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**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 Company shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Company 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 Company 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*.

*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' transition method).

The Company applied Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard as at January 1, 2019. The Company 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 Company 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

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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 3.15%.

For leases previously classified as 'finance leases', the Company 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	122,531
Discounted amount using the lessee's incremental borrowing rate at the date of initial application	91,802
Add: finance lease liabilities recognized as at December 31, 2018	4,795
Less: short-term lease payments recognized on a straight-line basis as expenses	(21,777)
Less: low-value asset lease payments recognized on a straight-line basis as expenses	(713)
<b>Lease liabilities recognized as at January 1, 2019</b>	<b>74,107</b>
Of which are:	
Current lease liabilities	29,733
Non-current lease liabilities	44,374
<b>Total</b>	<b>74,107</b>

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied using the lessee's incremental borrowing rate at the date of initial application. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Separate 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	401,387	(5,039)	396,348
Current assets without financial effect	7,436,956	-	7,436,956
<b>Total current assets</b>	<b>7,838,343</b>	<b>(5,039)</b>	<b>7,833,304</b>
<b>Non-current assets</b>			
Other receivables	243,485	-	243,485
Property, plant and equipment	7,278,238	71,755	7,349,993
Intangible assets	1,671,617	-	1,671,617

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<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>
Deferred income tax assets	967,496	743	968,239
Other assets	529,967	(167)	529,800
Non-current assets without financial effect	9,336,317	-	9,336,317
<b>Total non-current assets</b>	<b>20,027,120</b>	<b>72,331</b>	<b>20,099,451</b>
<b>Total assets</b>	<b>27,865,463</b>	<b>67,292</b>	<b>27,932,755</b>
<b>Current liabilities</b>			
Lease liabilities	-	29,733	29,733
Other payables	2,371,053	(4,795)	2,366,258
Other liabilities	1,251,123	-	1,251,123
Current liabilities without financial effect	7,136,062	-	7,136,062
<b>Total current liabilities</b>	<b>10,758,238</b>	<b>24,938</b>	<b>10,783,176</b>
<b>Non-current liabilities</b>			
Lease liabilities	-	44,374	44,374
Other payables	1,011	-	1,011
Provisions	124,467	-	124,467
Non-current liabilities without financial effect	7,618,867	-	7,618,867
<b>Total non-current liabilities</b>	<b>7,744,345</b>	<b>44,374</b>	<b>7,788,719</b>
<b>Total liabilities</b>	<b>18,502,583</b>	<b>69,312</b>	<b>18,571,895</b>
<b>Equity</b>			
Retained earnings	5,460,710	(2,020)	5,458,690
Equity without financial effect	3,902,170	-	3,902,170
<b>Total equity</b>	<b>9,362,880</b>	<b>(2,020)</b>	<b>9,360,860</b>

In applying Korean IFRS 1116 for the first time, the Company 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

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The Company 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 Company 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 separate interim financial statements from applying the new standard as accounting for the Company, 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 separate interim financial statements.

- 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 separate 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 separate 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 separate interim financial statements.

- (b) There are no new, enacted and amended standards issued, but not effective for March 31, 2019, and not early adopted by the Company.

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**Notes to the Separate Interim Financial Statements**  
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**Application of Accounting Policies**

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate 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 one 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.

**Leases**

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

The Company 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 Company. 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

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- 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:

- 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 separate interim financial statements from applying the new standard as the current lease accounting treatment for the Company, 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.

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

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.

The Company 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.

(a) Revenue Recognition

The Company recognizes revenue over time using the percentage of completion method for the rendering of service such as equipment production and installation. The Company 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 Company 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 Company 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 Company 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 Company recognizes provisions for product warranties and others based on their historical data at the end of the reporting period.

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

**4. Financial Instruments by Category**

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

<i>(in millions of Korean won)</i>	March 31, 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	1,174,529	-	-	-	1,174,529
Deposits held by financial institutions	81,913	-	-	-	81,913
Trade receivables	4,568,961	109,950	-	-	4,678,911
Other receivables	646,870	-	-	-	646,870
Other financial assets	-	36,430	13,755	1,473	51,658
<b>Total</b>	<b>6,472,273</b>	<b>146,380</b>	<b>13,755</b>	<b>1,473</b>	<b>6,633,881</b>

<i>(in millions of Korean won)</i>	March 31, 2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	6,381,305	-	-	6,381,305
Borrowings	8,185,668	-	-	8,185,668
Lease liabilities	79,742	-	-	79,742
Other payables	2,070,272	-	-	2,070,272
Other financial liabilities	-	2,254	95,612	97,866
<b>Total</b>	<b>16,716,987</b>	<b>2,254</b>	<b>95,612</b>	<b>16,814,853</b>

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<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	1,109,883	-	-	-	1,109,883
Deposits held by financial institutions	81,711	-	-	-	81,711
Trade receivables	3,678,401	47,611	-	-	3,726,012
Other receivables	788,916	-	-	-	788,916
Other financial assets	-	30,025	12,685	1,572	44,282
<b>Total</b>	<b>5,658,911</b>	<b>77,636</b>	<b>12,685</b>	<b>1,572</b>	<b>5,750,804</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	5,553,794	-	-	5,553,794
Borrowings	7,900,512	-	-	7,900,512
Other payables	2,372,064	-	-	2,372,064
Other financial liabilities	-	1,862	88,350	90,212
<b>Total</b>	<b>15,826,370</b>	<b>1,862</b>	<b>88,350</b>	<b>15,916,582</b>

(b) Net gains or losses on each category of financial instruments for the three-month periods ended March 31, 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	4,704	-	-	-	4,704
Exchange differences	69,839	-	-	-	69,839
Bad debt expense	(9,176)	-	-	-	(9,176)
Loss on disposal of trade receivables	(622)	(492)	-	-	(1,114)
Dividend income	-	242	-	-	242
Fair value gain, net of tax (through other comprehensive income)	-	(244)	-	-	(244)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	40	40
Others	(3,714)	-	-	-	(3,714)

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<i>(in millions of Korean won)</i>	2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(62,979)	-	1,118	(61,861)
Exchange differences	(86,532)	-	9,494	(77,038)
Loss on derivatives (through profit or loss)	-	(392)	-	(392)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(9,510)	(9,510)
Others	-	-	(2,247)	(2,247)

<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	6,761	-	-	-	6,761
Exchange differences	23,428	-	-	-	23,428
Bad debt expense	706	-	-	-	706
Loss on disposal of trade receivables	(438)	(525)	-	-	(963)
Dividend income	-	192	-	-	192
Fair value gain, net of tax (through other comprehensive income)	-	1,584	-	-	1,584
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	295	295
Others	(1,217)	-	-	-	(1,217)

<i>(in millions of Korean won)</i>	2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(53,277)	-	(3,833)	(57,110)
Exchange differences	(9,282)	-	(2,594)	(11,876)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	4,154	4,154
Others	-	-	198	198

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**5. Trade Receivables and Other Receivables**

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

<i>(in millions of Korean won)</i>	<b>March 31, 2019</b>			<b>December 31, 2018</b>		
	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>
Trade receivables	4,718,506	(39,595)	4,678,911	3,756,499	(30,487)	3,726,012
Other receivables						
Current	452,649	(6,298)	446,351	551,698	(6,267)	545,431
Non-current	200,557	(38)	200,519	243,494	(9)	243,485

(b) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>			
	<b>At Jan. 1</b>	<b>Addition</b>	<b>Write-off and other</b>	<b>At Mar. 31</b>
Trade receivables	30,487	9,116	(8)	39,595
Other receivables				
Current	6,267	31	-	6,298
Non-current	9	29	-	38

  

<i>(in millions of Korean won)</i>	<b>2018</b>			
	<b>At Jan. 1</b>	<b>Addition (Reversal)</b>	<b>Write-off and other</b>	<b>At Mar. 31</b>
Trade receivables	22,716	(632)	-	22,084
Other receivables				
Current	6,694	10	-	6,704
Non-current	511	(84)	-	427

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

<i>(in millions of Korean won)</i>	March 31, 2019				December 31, 2018			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current				Current	
<b>Receivables not past due</b>	4,382,400	331,900	184,282	4,898,582	3,446,476	417,134	230,670	4,094,280
<b>Past due but not impaired</b>								
Up to 6 months	198,010	22,321	16,260	236,591	210,170	13,555	11,711	235,436
7 to 12 months	83,178	8,397	7	91,582	77,215	23,499	610	101,324
Over 1 year	43,410	82,869	8	126,287	11,527	90,332	503	102,362
<b>Subtotal</b>	324,598	113,587	16,275	454,460	298,912	127,386	12,824	439,122
<b>Impaired</b>	11,508	7,162	-	18,670	11,111	7,178	-	18,289
<b>Total</b>	4,718,506	452,649	200,557	5,371,712	3,756,499	551,698	243,494	4,551,691

(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.

**6. Other Financial Assets and Liabilities**

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
<b>Other financial assets</b>		
Derivatives	1,473	1,572
Financial assets at fair value through other comprehensive income	36,430	30,025
Financial assets at fair value through profit or loss	13,755	12,685
<b>Total</b>	51,658	44,282
Current	-	1,281
Non-current	51,658	43,001
<b>Other financial liabilities</b>		
Derivatives	79,744	75,860
Financial guarantee liability	18,122	14,352
<b>Total</b>	97,866	90,212
Current	7,390	6,453
Non-current	90,476	83,759

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

<i>(in millions of Korean won)</i>	March 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Currency swap	-	-	1,281	-
<b>Non-current</b>				
Currency swap	1,473	15,472	291	20,920
Interest rate swap	-	62,018	-	53,078
Share purchase contract	-	2,254	-	1,862
<b>Subtotal</b>	<b>1,473</b>	<b>79,744</b>	<b>291</b>	<b>75,860</b>
<b>Total</b>	<b>1,473</b>	<b>79,744</b>	<b>1,572</b>	<b>75,860</b>

The details of major derivative contracts at the end of the reporting period are presented in Note 31.

(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019				
	At Jan. 1	Acquisition	Disposals	Valuation (OCI)	At Mar. 31
Listed equity securities	13,265	-	-	(335)	12,930
Unlisted equity securities	16,760	6,740	-	-	23,500
<b>Total</b>	<b>30,025</b>	<b>6,740</b>	<b>-</b>	<b>(335)</b>	<b>36,430</b>

  

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Acquisition	Disposals	Valuation (OCI)	At Mar. 31
Listed equity securities	13,842	-	-	1,760	15,602
Unlisted equity securities	7,842	-	-	-	7,842
<b>Total</b>	<b>21,684</b>	<b>-</b>	<b>-</b>	<b>1,760</b>	<b>23,444</b>

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019				
	At Jan. 1	Acquisition	Disposals	Valuation	At Mar. 31
Listed equity securities	12,685	1,070	-	-	13,755

  

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Acquisition	Disposals	Valuation	At Mar. 31
Unlisted equity securities	10,399	1,693	-	-	12,092

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**7. Inventories**

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

<i>(in millions of Korean won)</i>	March 31, 2019			December 31, 2018		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	610,643	(32,834)	577,809	664,581	(38,222)	626,359
Work-in-process	161,239	(3,065)	158,174	132,285	(3,346)	128,939
Raw materials and supplies	684,466	(43,406)	641,060	674,854	(43,914)	630,940
Other	144,657	(24,281)	120,376	141,705	(22,558)	119,147
<b>Total</b>	<b>1,601,005</b>	<b>(103,586)</b>	<b>1,497,419</b>	<b>1,613,425</b>	<b>(108,040)</b>	<b>1,505,385</b>

**8. Contract Assets and Contract Liabilities**

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Due from customers	421,769	454,920
(Less: allowance for doubtful accounts)	(3,324)	(2,400)
Right to recover returned products	1,852	799
Costs to fulfil contracts and others	105,771	102,080
<b>Total</b>	<b>526,068</b>	<b>555,399</b>
Current	429,705	465,307
Non-current	96,363	90,092

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Expected promotional incentives for customers	169,998	140,200
Expected returns from customers	3,336	1,221
Customer loyalty program	53,991	51,015
Rendering of warranty services	36	55
Due to customers and others	341,005	267,082
<b>Total</b>	<b>568,366</b>	<b>459,573</b>
Current	567,409	458,539
Non-current	957	1,034

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- (c) Revenue recognized in relation to contract liabilities for the three-month periods ended March 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	158,238	171,751
Customer loyalty program	11,506	664
Rendering of warranty services	14	9
<b>Total</b>	<b>169,758</b>	<b>172,424</b>
Revenue recognized from performance obligations satisfied in previous periods	1,285	189

- (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 ₩630,625 million where they are expected to be satisfied by 2021, at the latest. Also as a practical expedient, the Company excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

- (e) For the three-month period ended March 31, 2019, the Company recognized impairment loss amounting to ₩395 million (March 31, 2018: reversal of impairment loss of ₩1 million) upon due from customers and a depreciation of ₩12,394 million (March 31, 2018: ₩1,038 million) upon costs to fulfil a contract.

**9. Property, Plant and Equipment, and Intangible Assets**

- (a) Changes in property, plant and equipment for the three-month periods ended March 31, 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>	7,349,993	7,142,306
Acquisitions	182,301	149,559
Reclassification to assets held for sale	-	(8,198)
Disposals and others	(7,601)	(5,053)
Depreciation	(178,504)	(163,065)
Impairment	(101)	(38)
<b>At March 31</b>	<b>7,346,088</b>	<b>7,115,511</b>

<sup>1</sup> Property, plant and equipment as at January 1, 2019, amounting to ₩71,755 million, was newly recognized upon adoption of Korean IFRS 1116.

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(b) Line items including depreciation in the separate interim statements of profit or loss for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	144,555	141,922
Selling and marketing expenses	7,351	2,570
Administrative expenses	6,662	20
Research and development expenses	16,973	16,582
Service costs	1,943	1,313
Other non-operating expenses	1,020	658
<b>Total</b>	<b>178,504</b>	<b>163,065</b>

(c) Changes of right-of-use assets included in property, plant and equipment for the three-month period ended March 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>
<b>At January 1</b>	80,736
Acquisitions	15,551
Disposals and others	(608)
Depreciation	(8,273)
<b>At March 31</b>	<b>87,406</b>

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the three-month period March 31, 2019, was ₩2,786 million.

(d) Changes in intangible assets for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	1,671,617	1,474,201
Acquisitions	32,397	38,138
Acquisitions through internal development	68,867	98,323
Disposals and others	(7,226)	(9,177)
Amortization	(74,644)	(82,885)
Impairment	(18,895)	(1,280)
<b>At March 31</b>	<b>1,672,116</b>	<b>1,517,320</b>

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(e) Line items including amortization of intangible assets for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	42,542	46,644
Selling and marketing expenses	3,398	3,784
Administrative expenses	12,428	15,267
Research and development expenses	16,081	16,924
Service costs	193	266
Other non-operating expenses	2	-
<b>Total</b>	<b>74,644</b>	<b>82,885</b>

**10. Investments in Subsidiaries, Associates and Joint Ventures**

(a) Investments in subsidiaries, associates and joint ventures as at March 31, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>Location</b>	<b>Closing month</b>	<b>Percentage of ownership at March 31, 2019 (%)</b>	<b>Carrying amount</b>	
				<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Subsidiaries</b>					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
ZKW Holding GmbH (ZKW)	Austria	December	70.0	943,468	943,468
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
Hi Entech Co., Ltd.	Korea	December	100.0	63,118	63,118
LG Electronics Shenyang Inc.(LGESY)	China	December	56.3	62,033	62,033
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0	50,664	50,664

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at March 31, 2019 (%)	Carrying amount	
				March 31, 2019	December 31, 2018
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.0	48,624	48,624
LG Electronics Ticaret A.S.(LGETK)	Turkey	December	100.0	47,320	47,320
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0	38,744	38,744
Mommert Gewerbeimmobilien Verwaltungs GmbH (MGIV)	Austria	December	70.0	35,640	35,640
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0	32,112	32,112
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Colombia Ltda.(LGECEB)	Colombia	December	60.7	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0	22,538	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGSII)	India	March	100.0	20,105	20,105
LG Electronics LLC <sup>1</sup>	USA	December	100.0	12,855	6,943
Others				239,567	239,567
<b>Associates</b>					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
Robostar Co.,Ltd.	Korea	December	30.0	82,045	82,045
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Kiwigrig GmbH <sup>2</sup>	Germany	December	16.3	13,019	13,019
ROBOTIS Co., Ltd. <sup>2</sup>	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. <sup>2</sup>	Korea	December	6.5	2,088	2,088
Acryl Inc. <sup>2</sup>	Korea	December	8.2	1,000	1,000
LG Fuel Cell Systems Inc. <sup>3</sup>	USA	December	33.5	-	-
<b>Joint ventures</b>					
LG Holdings (HK) Ltd.	China	December	49.0	84,989	84,989
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
<b>Total</b>				<b>9,113,926</b>	<b>9,108,014</b>

<sup>1</sup> It was additionally acquired during the three-month period ended March 31, 2019.

<sup>2</sup> Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

<sup>3</sup> It was impaired in 2018.

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(b) Changes in investments in subsidiaries, associates and joint ventures for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	9,108,014	8,066,087
Acquisitions	5,912	1,000
Disposal and others	-	(1,536)
<b>At March 31</b>	<b>9,113,926</b>	<b>8,065,551</b>

(c) Details of marketable investments in subsidiaries and associates as at March 31, 2019 and December 31, 2018, are as follows:

<b>March 31, 2019</b>					
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (Unit: won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	19,500	2,644,688	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	117,500	1,134,249	541,538
Robostar Co.,Ltd.	Associate	2,927,735	28,650	83,880	82,045
ROBOTIS Co., Ltd.	Associate	961,550	19,250	18,510	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	4,295	8,634	2,088
<b>December 31, 2018</b>					
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (Unit: won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	18,050	2,448,031	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	86,400	834,035	541,538
Robostar Co.,Ltd.	Associate	2,927,735	24,000	70,266	82,045
ROBOTIS Co., Ltd.	Associate	961,550	17,200	16,539	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,775	7,589	2,088

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**11. Borrowings**

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

<i>(in millions of Korean won)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Current</b>		
Short-term borrowings	229,943	-
Current portion of long-term borrowings	61,786	25,000
Current portion of debentures	499,758	743,275
<b>Subtotal</b>	<b>791,487</b>	<b>768,275</b>
<b>Non-current</b>		
Long-term borrowings	2,563,520	2,596,536
Debentures	4,830,661	4,535,701
<b>Subtotal</b>	<b>7,394,181</b>	<b>7,132,237</b>
<b>Total</b>	<b>8,185,668</b>	<b>7,900,512</b>

(b) Details of borrowings as at March 31, 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 March 31, 2019 (%)</b>	<b>Carrying amount</b>	
			<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Short-term borrowings in foreign currency</b>				
LG Electronics European Shared Service Center B.V. (LGESC)	2020. 1.15	0.79	229,943	-
<b>Long-term borrowings in local currency</b>				
Korea Development Bank and others	2030. 8. 1	2.21 ~ 3.50	2,270,000	2,270,000
<b>Long-term borrowings in foreign currency</b>				
KEB Hana Bank and others	2030. 8. 1	2.50 ~ 4.19	355,306	351,536
<b>Local currency debentures</b>				
Public, non-guaranteed bonds	2034. 2.21	1.48 ~ 4.44	3,990,000	3,720,000
Private, non-guaranteed bonds	2038. 4. 3	3.26 ~ 4.21	850,000	850,000
<b>Foreign currency debentures</b>				
Private, non-guaranteed bonds	2028. 6. 8	3.28 ~ 4.20	375,474	368,974
Private, guaranteed bonds	2023. 2.24	0.40	127,746	351,536
Less: discount on debentures			(12,801)	(11,534)
<b>Total</b>			<b>8,185,668</b>	<b>7,900,512</b>

The Company entered into an interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of some portion of borrowings (Note 31).

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**12. Lease liabilities**

(a) Details of lease liabilities as at March 31, 2019 and January 1, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2019</b>	<b>January 1, 2019</b>
<b>Lease liabilities</b>		
Current	34,026	29,733
Non-current	45,716	44,374
<b>Total</b>	<b>79,742</b>	<b>74,107</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 on lease liabilities	654
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	20,185
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)	2,702

Total expenses for leases including short-term leases and leases of low-value assets are ₩33,169 million.

**13. Post-employment Benefits**

**Defined Benefit Plan**

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

<i>(in millions of Korean won)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Present value of funded obligations	2,682,077	2,610,800
Fair value of plan assets	(2,262,839)	(2,304,879)
<b>Net defined benefit liabilities</b>	<b>419,238</b>	<b>305,921</b>

(b) The amounts recognized in the separate interim statements of profit or loss for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Current service cost	69,324	65,544
Net interest cost	1,966	1,683
Operating management cost	548	520
<b>Total</b>	<b>71,838</b>	<b>67,747</b>

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(c) Line items in which expenses are included for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	38,470	36,510
Selling and marketing expenses	9,015	8,370
Administrative expenses	4,661	4,570
Research and development expenses	18,851	17,481
Service costs	841	816
<b>Total</b>	<b>71,838</b>	<b>67,747</b>

(d) Movements in the present value of defined benefit obligations for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	2,610,800	2,378,703
Current service cost	69,324	65,544
Interest expense	16,416	17,637
Remeasurements for:		
- Actuarial loss (gain) arising from changes in financial assumptions	51,898	(19,672)
Benefits paid	(66,361)	(63,486)
<b>At March 31</b>	<b>2,682,077</b>	<b>2,378,726</b>

(e) Movements in the fair value of plan assets for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	2,304,879	2,158,093
Interest income	14,450	15,954
Remeasurements of plan assets	(2,520)	(6,321)
Benefits paid	(53,422)	(57,030)
Operating management cost	(548)	(520)
<b>At March 31</b>	<b>2,262,839</b>	<b>2,110,176</b>

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Discount rate	2.4%	2.6%
Expected salary growth rate	5.0%	5.0%

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- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at March 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>1%p increase</b>	<b>1%p decrease</b>
Discount rate	(229,112)	264,609
Expected salary growth rate	256,312	(226,876)

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 three-month period ended March 31, 2019 in relation to the defined contribution plan was ₩3,665 million (March 31, 2018: ₩2,597 million).

**14. Provisions**

- (a) Changes in provisions for the three-month periods ended March 31, 2019 and 2018, are as follows:

<b>2019</b>				
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	379,493	10,626	83,349	473,468
Additions	99,536	156	337	100,029
Utilizations	(70,438)	(68)	(4)	(70,510)
<b>At March 31</b>	408,591	10,714	83,682	502,987
Current	380,912	5,729	-	386,641
Non-current	27,679	4,985	83,682	116,346

  

<b>2018</b>				
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	325,984	12,517	69,127	407,628
Additions	70,809	97	15,162	86,068
Utilizations	(67,081)	(1,806)	(3,107)	(71,994)
<b>At March 31</b>	329,712	10,808	81,182	421,702
Current	312,042	444	-	312,486
Non-current	17,670	10,364	81,182	109,216

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**15. Paid-in Capital**

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

	Par value per share	March 31, 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 March 31, 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 Company's capital of ₩783,961 million and less the 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 (merged 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.

**16. Retained Earnings**

(a) Retained earnings as at March 31, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Legal reserve <sup>1</sup>	195,936	182,342
Discretionary reserve	5,128,767	5,347,641
Unappropriated retained earnings (undisposed accumulated deficit) <sup>2</sup>	91,596	(69,273)
<b>Total</b>	<b>5,416,299</b>	<b>5,460,710</b>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the 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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**17. Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss) as at March 31, 2019 and December 31, 2018, consists of:

<i>(in millions of Korean won)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Cash flow hedge	(66,616)	(57,146)
Financial assets at fair value through other comprehensive income	(457)	(213)
<b>Total</b>	<b>(67,073)</b>	<b>(57,359)</b>

**18. Other Components of Equity**

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

<i>(in millions of Korean won)</i>	<b>March 31, 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
<b>Total</b>	<b>(32,819)</b>	<b>(32,819)</b>

<sup>1</sup> The 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 Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

**19. Net Sales**

(a) Details of net sales for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers:		
Sales of goods	7,043,229	7,411,149
Rendering of services	100,773	125,863
Royalty income	96,534	65,252
<b>Sub-total</b>	<b>7,240,536</b>	<b>7,602,264</b>
Revenue from other sources:		
Rental income and others	101,530	65,817
<b>Total</b>	<b>7,342,066</b>	<b>7,668,081</b>



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Domestic	1,414,820	592,128	308,118	111,109	69,796	487,236	(36,295)	2,946,912
Export	1,172,746	1,276,414	1,185,811	518,176	304,936	197,269	-	4,655,352
Timing of transfer:								
Transferred at a point in time	2,483,996	1,812,337	1,479,564	621,290	369,635	22,848	(15,594)	6,774,076
Transferred over time	103,570	56,205	14,365	7,995	5,097	661,657	(20,701)	828,188

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

Due to the factors causing the changes in the costs of other segments during the three-month period ended in March 31, 2019, the estimated total revenue and total costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the three-month period ended March 31, 2019 and the succeeding period are as follows:

<i>(in millions of Korean won)</i>	<b>Changes in estimated total contract revenue</b>	<b>Changes in estimated total contract cost</b>	<b>Impact on profit or loss for the period</b>	<b>Impact on profit or loss for the succeeding period</b>
Other segments	13,349	17,283	(7,063)	3,129

**20. Expenses by Nature**

Expenses that are recorded by nature for the three-month periods ended March 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Changes in finished goods and work-in-process	(34,352)	(167,470)
Raw materials and merchandise used	4,338,588	4,779,198
Employee benefit expense	1,010,062	944,945
Depreciation and amortization	252,452	245,619
Advertising expense	93,148	147,753
Promotion expense	57,298	52,403
Freight expense	166,737	131,188
Commission expense	428,558	381,286
Other expenses	760,354	712,055
<b>Total<sup>1</sup></b>	<b>7,072,845</b>	<b>7,226,977</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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**21. 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 periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Salaries	362,039	326,624
Post-employment benefits	38,019	35,160
Employee benefits	62,413	58,542
Freight expense	164,467	129,713
Rental expense	16,808	32,187
Commission expense	299,229	261,928
Depreciation	33,256	20,812
Amortization	32,100	36,241
Taxes and dues	2,121	3,641
Advertising expense	93,148	147,753
Promotional expense	57,298	52,403
R&D costs	69,043	63,844
Direct service costs	89,916	72,019
Bad debts expense (reversal)	9,512	(633)
Other	70,977	75,339
<b>Total</b>	<b>1,400,346</b>	<b>1,315,573</b>

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**22. Financial Income**

Financial income for the three-month periods ended March 31, 2019 and 2018, consists of:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Interest income	4,704	6,761
Exchange differences	28,209	52,051
Other	451	1,428
<b>Total</b>	<b>33,364</b>	<b>60,240</b>

**23. Financial Expenses**

Financial expenses for the three-month periods ended March 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Interest expense	61,861	57,110
Exchange differences	16,601	54,206
Loss on disposal of trade receivables	1,114	963
Other	6,412	2,447
<b>Total</b>	<b>85,988</b>	<b>114,726</b>

**24. Other Non-operating Income**

Other non-operating income for the three-month periods ended March 31, 2019 and 2018, consists of:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Dividend income	3,299	70,533
Exchange differences	170,668	132,199
Gain on disposal of property, plant and equipment	490	903
Gain on disposal of assets held for sale	-	1,446
Other	1,027	2,970
<b>Total</b>	<b>175,484</b>	<b>208,051</b>

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**25. Other Non-operating Expenses**

Other non-operating expenses for the three-month periods ended March 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Exchange differences	185,444	118,658
Loss on disposal of property, plant and equipment	4,254	2,816
Impairment loss on property, plant and equipment	101	38
Loss on disposal of intangible assets	7,226	7,281
Impairment loss on intangible assets	18,895	1,280
Other	4,516	8,331
<b>Total</b>	<b>220,436</b>	<b>138,404</b>

**26. Earnings per Share**

The Company 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 periods ended March 31, 2019 and 2018, is as follows:

	<b>2019</b>	<b>2018</b>
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	120,292	291,669
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,642	162,884,642
Basic earnings per ordinary share <i>(in Korean won)</i>	739	1,791

- (b) Basic earnings per preferred share for the three-month periods ended March 31, 2019 and 2018, is as follows:

	<b>2019</b>	<b>2018</b>
Profit attributable to preferred shares <i>(in millions of Korean won)</i>	12,902	30,980
Weighted average number of preferred shares outstanding <i>(unit: shares)</i>	17,181,300	17,181,300
Basic earnings per preferred share <i>(in Korean won)</i>	751	1,803

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**27. Cash Flow Information**

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the three-month periods ended March 31, 2019 and 2018, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Profit for the period	133,194	322,649
Adjustments:		
Interest expense, net	57,157	50,349
Exchange differences, net	10,701	14,546
Depreciation	178,504	163,065
Amortization	74,644	82,885
Loss on disposal of property, plant and equipment and intangible assets, net	10,990	9,194
Provisions for severance benefits	71,838	67,747
Provisions	100,029	86,068
Dividend income	(3,299)	(70,533)
Income tax expense	38,451	133,616
Other	44,648	(8,960)
	<u>583,663</u>	<u>527,977</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	(933,463)	415,083
Decrease in other receivables	131,389	51,846
Decrease (increase) in inventories	5,447	(181,386)
Decrease (increase) in contract assets	20,123	(133,039)
Increase in other assets	(154,578)	(11,552)
Increase (decrease) in trade payables	785,897	(217,842)
Decrease in other payables	(367,899)	(167,473)
Decrease in provisions	(70,510)	(86,507)
Increase (decrease) in contract liabilities	108,929	(27,672)
Decrease in other liabilities	(60,276)	(293,805)
Payment of defined benefit liability	(12,939)	(6,456)
Deposit in plan assets, net	(11,382)	(9,113)
	<u>(559,262)</u>	<u>(667,916)</u>
<b>Cash generated from operations</b>	<u>157,595</u>	<u>182,710</u>

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(b) Changes in liabilities from financing activities

<i>(in millions of Korean won)</i>	2019					
	At Jan.1	Net cash flow from financing activities	Non-cash transactions			At Mar.31
			Addition	Exchange differences	Amortization and others	
Short-term borrowings	-	231,554	-	(1,611)	-	229,943
Long-term borrowings	2,621,536	-	-	3,770	-	2,625,306
Debentures	5,278,976	45,156	-	5,429	858	5,330,419
Lease liabilities	74,107	(9,643)	15,275	(12)	15	79,742
<b>Total</b>	<b>7,974,619</b>	<b>267,067</b>	<b>15,275</b>	<b>7,576</b>	<b>873</b>	<b>8,265,410</b>

<i>(in millions of Korean won)</i>	2018					
	At Jan. 1	Net cash flow from financing activities	Non-cash transactions			At Mar. 31
			Exchange differences	Amortization		
Short-term borrowings	127,925	-	3,270	-	-	131,195
Long-term borrowings	2,177,140	-	(490)	-	-	2,176,650
Debentures	5,136,775	(20,562)	1,135	862	-	5,118,210
<b>Total</b>	<b>7,441,840</b>	<b>(20,562)</b>	<b>3,915</b>	<b>862</b>	<b>-</b>	<b>7,426,055</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	18,934	14,088
Reclassification of construction-in-progress to intangible assets	95,697	36,545
Reclassification of current portion of borrowings and debentures	246,585	442,421
Other payables to acquire property, plant and equipment	43,210	43,964
Other payables to acquire intangible assets	2,523	6,477

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

– Transfer of Membrane business

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

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

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<i>(in millions of Korean won)</i>	<b>Amount</b>
Liabilities of the transferred business:	
Other payables	510
Provisions	80
Other liabilities	399

– 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 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

**28. Contingencies**

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩222,460 million (December 31, 2018: ₩218,461 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal EUR 100 million (December 31, 2018: USD 200 million and EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,658,699 million (December 31, 2018: ₩3,846,637 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	<b>Beneficiaries</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	821,271	820,985
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	667,079	743,021
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	541,698	531,098
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	196,142	190,332
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	187,544	263,743

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<i>(in millions of Korean won)</i>	<b>Beneficiaries</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	HSBC and others	157,340	154,715
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	143,109	216,421
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	131,260	127,169
LG Electronics Algeria SARL(LGEAS)	Citibank and others	106,838	105,881
LG Electronics Egypt S.A.E(LGEEG)	MISR and others	101,101	95,880
LG Electronics Colombia Ltda.(LGECEB)	Citibank and others	95,310	90,015
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	90,675	90,175
LG Electronics RUS, LLC(LGERA)	Citibank and others	80,592	76,884
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank	56,890	71,558
LG Electronics India Pvt. Ltd.(LGEIL)	Citibank and others	53,793	52,435
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	45,171	44,389
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank	26,329	25,797
LG Electronics Italia S.P.A.(LGEIS)	Intesa	25,549	25,583
LG Electronics Australia Pty, Ltd.(LGEAP)	Citibank	24,079	23,525
P.T. LG Electronics Indonesia(LGEIN)	HSBC and others	22,756	22,362
Others	Citibank and others	84,173	74,669
<b>Total</b>		<b>3,658,699</b>	<b>3,846,637</b>

(c) At the end of the reporting period, the Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2018: ₩46,000 million).

(d) There are a number of other 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 Company cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Company's financial position.

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**29. Commitments**

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

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with Industrial Bank of Korea and 19 other banks amounting to ₩1,951,327 million (December 31, 2018: ₩1,926,486 million) and has sales agreements for domestic trade receivables with MUFG Bank amounting to ₩750,000 million (December 31, 2018: ₩690,000 million).

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

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩456,890 million (December 31, 2018: ₩601,258 million).

(e) Contractual commitments for the acquisition of assets

The property, plant and equipment, and intangible assets contracted for, but not yet acquired at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Property, plant and equipment	112,767	107,768
Intangible assets	38,988	40,223
Investments in subsidiaries, associates and joint ventures	109,762	9,863
<b>Total</b>	<b>261,517</b>	<b>157,854</b>

(f) Operating lease commitments – the Company as a lessor

i) The Company has non-cancellable operating lease agreements regarding healthcare rental business that lends water purifiers and others to customers and real estate rental 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>	<b>March 31, 2019</b>			<b>Total lease payments</b>
	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	
Healthcare rental	454,878	765,971	-	1,220,849
Real estate rental	778	2,259	-	3,037
<b>Total</b>	<b>455,656</b>	<b>768,230</b>	<b>-</b>	<b>1,223,886</b>

ii) The Company recognized ₩96,372 million (March 31, 2018: ₩59,572 million) in lease income for the three-month period ended March 31, 2019.

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(g) Trademark license commitments

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

<u>Purpose</u>	<u>Related products</u>	<u>Provided by</u>	<u>Used by</u>
Use of license	Home appliance/ Mobile	Qualcomm Incorporated and others	LG Electronics Inc.
Provision of license	Home appliance/ Mobile	LG Electronics Inc.	Panasonic Corporation and others

**30. Related Party**

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

i) Major income and expense transactions with related parties

(in millions of Korean won)

<u>Classification</u>	<u>Name</u>	<b>2019</b>					
		<u>Income transactions</u>			<u>Expense transactions</u>		
		<u>Sales</u>	<u>Others</u>	<u>Total</u>	<u>Purchases</u>	<u>Others</u>	<u>Total</u>
Significantly influencing the Company	LG Corp.	9	-	9	-	35,310	35,310
Subsidiaries	LG Innotek Co., Ltd.	14,676	7,310	21,986	106,961	1,613	108,574
	Hiplaza Co., Ltd.	581,504	-	581,504	8,896	1	8,897
	LG Electronics U.S.A., Inc.	1,044,754	1,696	1,046,450	436	11,515	11,951
	Inspur LG Digital Mobile Communications Co., Ltd.	138,789	134	138,923	27,330	2,144	29,474
	LG Electronics Vietnam Haiphong Co., Ltd.	317,312	273	317,585	16,386	4,747	21,133
	LG Electronics do Brasil Ltda.	138,244	-	138,244	1,250	945	2,195
	LG Electronics Canada, Inc.	52,317	-	52,317	-	968	968
	Qingdao LG Inspur Digital Communication Co., Ltd.	57,797	11	57,808	36,273	253	36,526
	LG Electronics (Kunshan) Co.,Ltd.	30,452	220	30,672	2,286	192	2,478
	LG Electronics Australia Pty, Ltd.	81,282	5	81,287	-	1,627	1,627
	LG Electronics RUS, LLC	72,825	7	72,832	8	1,387	1,395
	LG Electronics India Pvt. Ltd.	79,662	3,531	83,193	900	835	1,735
	LG Electronics Deutschland GmbH	16,045	16,177	32,222	6,722	10,103	16,825
	LG Electronics Japan, Inc.	88,193	-	88,193	1,085	5,534	6,619
	LG Electronics Reynosa S.A. DE C.V.	99,926	-	99,926	127	31	158
	LG Electronics Mlawa Sp. z.O.O.	117,644	-	117,644	852	1,571	2,423
	LG Electronics Egypt S.A.E	29,182	383	29,565	-	151	151

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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Nanjing New Technology co.,LTD	84,435	-	84,435	162,893	416	163,309
	LG Electronics Mexicali, S.A. DE C.V.	46,174	-	46,174	468	-	468
	LG Electronics Polska Sp. Z.O.O	39,100	316	39,416	370	1,030	1,400
	LG Electronics Panama, S.A. P.T. LG Electronics Indonesia	14,709	-	14,709	-	39	39
	LG Electronics (Hangzhou) Co., Ltd.	36,796	-	36,796	16,741	369	17,110
	LG Electronics Inc Chile Ltda.	35,435	19	35,454	6,712	351	7,063
	LG Electronics Colombia Ltda.	7,115	-	7,115	-	76	76
	LG Electronics Tianjin Appliances Co., Ltd.	10,256	-	10,256	-	175	175
	LG Electronics Vehicle Component U.S.A., LLC	15,586	-	15,586	44,301	14	44,315
	Hi-M.Solutek	70,059	-	70,059	960	8,948	9,908
	Others	14,765	-	14,765	60,615	-	60,615
	<b>Subtotal</b>	<b>889,031</b>	<b>15,913</b>	<b>904,944</b>	<b>130,038</b>	<b>63,601</b>	<b>193,639</b>
Associates	LG Display Co., Ltd. and its subsidiaries	4,224,065	45,995	4,270,060	632,610	118,636	751,246
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	321,776	20,703	342,479	283,082	2,451	285,533
	LG Fuel Cell Systems Inc. and its subsidiaries	370	-	370	5,063	151	5,214
	Robostar Co.,Ltd.	77	-	77	-	-	-
	Kiwigrid GmbH	-	-	-	10,586	2,135	12,721
	ROBOTIS Co., Ltd.	-	-	-	-	188	188
	Korea Information Certificate Authority Inc.	-	-	-	10,060	2,135	12,195
	Acryl Inc.	-	-	-	-	22	22
	<b>Subtotal</b>	<b>322,223</b>	<b>20,703</b>	<b>342,926</b>	<b>308,791</b>	<b>7,249</b>	<b>316,040</b>
Joint ventures	LG-MRI LLC	384	-	384	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	42,746	1	42,747	24,295	46,828	71,123
	S&I Corp. and its subsidiaries <sup>2</sup>	2,725	3,105	5,830	163,032	56,424	219,456
	LG Management Development Institute	-	-	-	-	6,461	6,461
	LG SPORTS Ltd.	1	-	1	-	2,260	2,260
	<b>Subtotal</b>	<b>45,472</b>	<b>3,106</b>	<b>48,578</b>	<b>187,327</b>	<b>111,973</b>	<b>299,300</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	153,404	324	153,728	136,036	8,322	144,358

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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG INTERNATIONAL CORP and its subsidiaries	21,765	2,418	24,183	165,114	218,312	383,426
	LG Uplus Corp and its subsidiaries	82,289	8	82,297	461	481	942
	LG HAUSYS, LTD. and its subsidiaries and associates	1,980	-	1,980	144	-	144
	Silicon Works Co., Ltd	613	764	1,377	2,821	-	2,821
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	460	-	460	50	6	56
	GIIR Inc. and its subsidiaries	97	27	124	2	52,755	52,757
	<b>Subtotal</b>	<b>260,608</b>	<b>3,541</b>	<b>264,149</b>	<b>304,628</b>	<b>279,876</b>	<b>584,504</b>
	<b>Total</b>	<b>4,852,761</b>	<b>73,345</b>	<b>4,926,106</b>	<b>1,433,356</b>	<b>553,044</b>	<b>1,986,400</b>

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	1,408	-	1,408	-	35,298	35,298
Subsidiaries	LG Innotek Co., Ltd.	29,918	-	29,918	110,325	4,408	114,733
	Hiplaza Co., Ltd.	447,218	-	447,218	14	8,972	8,986
	LG Electronics U.S.A., Inc.	568,216	-	568,216	234	11,682	11,916
	LG Electronics Mobilecomm U.S.A., Inc.	268,077	-	268,077	-	190,740	190,740
	Inspur LG Digital Mobile Communications Co., Ltd.	250,028	38	250,066	50,076	2,930	53,006
	LG Electronics Vietnam Haiphong Co., Ltd.	279,213	-	279,213	12,948	6,117	19,065
	LG Electronics do Brasil Ltda.	133,244	-	133,244	522	596	1,118
	LG Electronics Canada, Inc.	87,541	-	87,541	-	300	300
	Qingdao LG Inspur Digital Communication Co., Ltd.	87,463	80	87,543	74,484	640	75,124
	LG Electronics (Kunshan) Co., Ltd.	111,647	-	111,647	1,096	163	1,259
	LG Electronics Australia Pty, Ltd.	89,313	-	89,313	-	947	947
	LG Electronics RUS, LLC	62,879	-	62,879	5	187	192
	LG Electronics India Pvt. Ltd.	63,019	89	63,108	2,788	264	3,052
	LG Electronics Deutschland GmbH	145,159	-	145,159	718	14,482	15,200
	LG Electronics Japan, Inc.	150,620	-	150,620	1,166	4,587	5,753
	LG Electronics Reynosa S.A. DE C.V.	71,159	-	71,159	296	116	412
	LG Electronics Mlawa Sp. z.O.O.	86,735	-	86,735	103	1,147	1,250

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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Egypt S.A.E	40,265	-	40,265	-	118	118
	LG Electronics Nanjing New Technology co.,LTD	66,206	19	66,225	134,122	397	134,519
	LG Electronics Mexicali, S.A. DE C.V.	39,879	-	39,879	418	10	428
	LG Electronics Polska Sp. Z.O.O	46,693	-	46,693	533	393	926
	LG Electronics Panama, S.A. P.T. LG Electronics Indonesia	33,589	-	33,589	-	33	33
	LG Electronics (Hangzhou) Co., Ltd.	27,319	9	27,328	14,397	5	14,402
	LG Electronics Inc Chile Ltda.	24,827	-	24,827	7,094	90	7,184
	LG Electronics Colombia Ltda.	22,386	-	22,386	-	76	76
	LG Electronics Tianjin Appliances Co., Ltd.	25,274	-	25,274	3	120	123
	LG Electronics Vehicle Component U.S.A., LLC	16,706	107	16,813	23,951	1	23,952
	Hi-M.Solutek	128,979	-	128,979	720	6,083	6,803
	Others	9,554	-	9,554	24,348	13,930	38,278
	<b>Subtotal</b>	<b>1,096,460</b>	<b>297</b>	<b>1,096,757</b>	<b>60,453</b>	<b>98,975</b>	<b>159,428</b>
	<b>Subtotal</b>	<b>4,509,586</b>	<b>639</b>	<b>4,510,225</b>	<b>520,814</b>	<b>368,509</b>	<b>889,323</b>
Associates	LG Display Co., Ltd. and its subsidiaries	225,282	71	225,353	359,713	3,986	363,699
	Ericsson-LG Co., Ltd. and its subsidiaries	1,271	-	1,271	869	-	869
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	383	-	383	8,951	-	8,951
	LG Fuel Cell Systems Inc. and its subsidiaries	49	-	49	-	-	-
	<b>Subtotal</b>	<b>226,985</b>	<b>71</b>	<b>227,056</b>	<b>369,533</b>	<b>3,986</b>	<b>373,519</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	16,342	-	16,342
	LG-MRI LLC	85	-	85	838	-	838
	<b>Subtotal</b>	<b>85</b>	<b>-</b>	<b>85</b>	<b>17,180</b>	<b>-</b>	<b>17,180</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	18,441	-	18,441	28,326	71,759	100,085
	SERVEONE Co., Ltd. and its subsidiaries <sup>2</sup>	14,882	-	14,882	176,325	34,333	210,658
	LB Lusem CO., LTD. <sup>3</sup>	-	-	-	205	1	206
	LG Management Development Institute	-	-	-	1	5,570	5,571
	LG SPORTS Ltd.	-	-	-	-	1,487	1,487
	<b>Subtotal</b>	<b>33,323</b>	<b>-</b>	<b>33,323</b>	<b>204,857</b>	<b>113,150</b>	<b>318,007</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries	204,342	-	204,342	181,198	394	181,592

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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG INTERNATIONAL CORP and its subsidiaries	22,291	-	22,291	340,656	174,949	515,605
	LG Uplus Corp and its subsidiaries	143,464	-	143,464	347	1,871	2,218
	LG HAUSYS, LTD. and its subsidiaries	2,678	-	2,678	2,319	3	2,322
	Silicon Works Co., Ltd	211	-	211	2,345	-	2,345
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,345	-	1,345	56	38	94
	GIIR Inc. and its subsidiaries	1,932	-	1,932	7	40,784	40,791
	<b>Subtotal</b>	<b>376,263</b>	<b>-</b>	<b>376,263</b>	<b>526,928</b>	<b>218,039</b>	<b>744,967</b>
	<b>Total</b>	<b>5,147,650</b>	<b>710</b>	<b>5,148,360</b>	<b>1,639,312</b>	<b>738,982</b>	<b>2,378,294</b>

<sup>1</sup> Although the entities are not the related parties of the Company in accordance with Korean IFRS 1024, the entity belongs to the Large Enterprise Group to which the Company also belongs 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. As at March 31, 2019, S&I Corp., the existing corporation, holds 100% share of SERVEONE Co., Ltd., a newly established corporation.

<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.

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

(in millions of Korean won)

		March 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		38	-	26,852	26,890	-	-	44,616	44,616
Subsidiaries	LG Innotek Co., Ltd.	30,778	-	8,190	38,968	97,289	-	27,916	125,205
	Hiplaza Co., Ltd.	276,926	-	22,503	299,429	-	-	7,834	7,834
	LG Electronics U.S.A., Inc.	478,768	-	894	479,662	-	-	139,189	139,189
	Inspur LG Digital Mobile Communications Co., Ltd.	11,474	-	1,209	12,683	254,907	-	470	255,377
	LG Electronics Vietnam Haiphong Co., Ltd.	255,719	-	468	256,187	213,950	-	1,856	215,806
	LG Electronics do Brasil Ltda.	120,580	-	10,223	130,803	1,243	-	599	1,842
	LG Electronics Canada, Inc.	27,587	-	-	27,587	-	-	270	270
	Qingdao LG Inspur Digital Communication Co., Ltd.	25,250	-	5,107	30,357	82,932	-	46	82,978
	LG Electronics (Kunshan) Co.,Ltd.	18,403	-	1,812	20,215	75,280	-	308	75,588
	LG Electronics Australia Pty, Ltd.	36,587	-	-	36,587	-	-	685	685
	LG Electronics RUS, LLC	46,479	-	8,792	55,271	262	-	321	583
	LG Electronics India Pvt. Ltd.	39,708	-	10,978	50,686	199	-	591	790
	LG Electronics Deutschland GmbH	87,829	-	15,265	103,094	-	-	3,862	3,862
	LG Electronics Japan, Inc.	42,477	-	-	42,477	-	-	2,108	2,108
	LG Electronics Reynosa S.A. DE C.V.	17,517	-	3,558	21,075	175,345	-	31	175,376
	LG Electronics Mlawa Sp. z.O.O.	67,483	-	-	67,483	668,526	-	788	669,314
	LG Electronics Egypt S.A.E	10,229	-	70,091	80,320	5,812	-	435	6,247
	LG Electronics Nanjing New Technology co.,LTD	29,120	-	132	29,252	242,476	-	166	242,642
	LG Electronics Mexicali, S.A. DE C.V.	42,958	-	2,733	45,691	71,951	-	-	71,951
	LG Electronics Polska Sp. Z.O.O	53,631	-	105	53,736	-	-	445	445
	LG Electronics Panama, S.A.	85,063	-	-	85,063	-	-	15	15
	P.T. LG Electronics Indonesia	16,804	-	522	17,326	204,994	-	41	205,035
	LG Electronics (Hangzhou) Co., Ltd.	19,340	-	732	20,072	1,373	-	119	1,492

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(in millions of Korean won)

		March 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Inc Chile Ltda.	66,833	-	-	66,833	-	-	32	32
	LG Electronics Colombia Ltda.	86,952	-	-	86,952	-	-	118	118
	LG Electronics Tianjin Appliances Co., Ltd.	13,007	-	1,719	14,726	94,640	-	-	94,640
	LG Electronics Vehicle Component U.S.A., LLC	111,273	-	1,109	112,382	-	-	2,367	2,367
	Hi-M.Solutek	8,679	-	83	8,762	-	-	32,218	32,218
	Others	831,822	-	41,025	872,847	735,864	229,943	38,781	1,004,588
	<b>Subtotal</b>	<b>2,959,276</b>	<b>-</b>	<b>207,250</b>	<b>3,166,526</b>	<b>2,927,043</b>	<b>229,943</b>	<b>261,611</b>	<b>3,418,597</b>
Associates	LG Display Co., Ltd. and its subsidiaries	478,840	-	113,307	592,147	251,375	-	227,854	479,229
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	99	-	-	99	16,028	-	490	16,518
	LG Fuel Cell Systems Inc. and its subsidiaries	4	-	-	4	-	-	-	-
	Robostar Co.,Ltd.	-	-	-	-	4,529	-	8,085	12,614
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	114	114
	Korea Information Certificate Authority Inc.	-	-	161	161	-	-	49	49
	Acryl Inc.	-	-	-	-	-	-	249	249
	<b>Subtotal</b>	<b>478,943</b>	<b>-</b>	<b>113,468</b>	<b>592,411</b>	<b>271,932</b>	<b>-</b>	<b>236,841</b>	<b>508,773</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	4,457	-	-	4,457
	LG-MRI LLC	369	-	-	369	-	-	-	-
	<b>Subtotal</b>	<b>369</b>	<b>-</b>	<b>-</b>	<b>369</b>	<b>4,457</b>	<b>-</b>	<b>-</b>	<b>4,457</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	44,493	-	1,972	46,465	139	-	60,402	60,541
	S&I Corp. and its subsidiaries <sup>2</sup>	3,937	-	58,791	62,728	196,534	-	123,957	320,491
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,656	1,656
	LG SPORTS Ltd.	-	-	-	-	-	-	1,372	1,372
	<b>Subtotal</b>	<b>48,430</b>	<b>-</b>	<b>76,423</b>	<b>124,853</b>	<b>196,673</b>	<b>-</b>	<b>187,387</b>	<b>384,060</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	249,751	-	248,560	498,311	284,727	-	59,932	344,659
	LG INTERNATIONAL CORP and its subsidiaries	37,805	-	3,334	41,139	217,019	-	128,765	345,784
	LG Uplus Corp and its subsidiaries	58,215	-	230	58,445	-	-	385	385
	LG HAUSYS,LTD. and its subsidiaries and associates	867	-	1,470	2,337	-	-	305	305
	Silicon Works Co., Ltd	-	-	-	-	2,299	-	1,124	3,423

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		March 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	108	-	90	198	-	-	104	104
	GIR Inc. and its subsidiaries	122	-	-	122	-	-	178,405	178,405
	<b>Subtotal</b>	<b>346,868</b>	<b>-</b>	<b>253,684</b>	<b>600,552</b>	<b>504,045</b>	<b>-</b>	<b>369,020</b>	<b>873,065</b>
	<b>Total</b>	<b>3,833,924</b>	<b>-</b>	<b>677,677</b>	<b>4,511,601</b>	<b>3,904,150</b>	<b>229,943</b>	<b>1,099,475</b>	<b>5,233,568</b>

(in millions of Korean won)

		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		42	-	26,068	26,110	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	119,338	-	8,102	127,440	121,495	-	31,240	152,735
	Hiplaza Co., Ltd.	166,265	-	22,790	189,055	-	-	7,112	7,112
	LG Electronics U.S.A., Inc.	273,496	-	72,993	346,489	-	-	139,866	139,866
	Inspur LG Digital Mobile Communications Co., Ltd.	25,430	-	1,180	26,610	296,959	-	815	297,774
	LG Electronics Vietnam Haiphong Co., Ltd.	307,408	-	588	307,996	182,917	-	1,420	184,337
	LG Electronics do Brasil Ltda.	107,098	-	40,575	147,673	184	-	325	509
	LG Electronics Canada, Inc.	24,518	-	-	24,518	-	-	409	409
	Qingdao LG Inspur Digital Communication Co., Ltd.	16,527	-	5,025	21,552	121,781	-	35	121,816
	LG Electronics (Kunshan) Co., Ltd.	43,192	-	3,512	46,704	50,047	-	370	50,417
	LG Electronics Australia Pty, Ltd.	59,931	-	1,615	61,546	-	-	84	84
	LG Electronics RUS, LLC	39,246	-	13,812	53,058	640	-	71	711
	LG Electronics India Pvt. Ltd.	34,300	-	7,653	41,953	404	-	591	995
	LG Electronics Deutschland GmbH	85,735	-	10,720	96,455	-	-	7,080	7,080
	LG Electronics Japan, Inc.	66,765	-	-	66,765	-	-	3,084	3,084
	LG Electronics Reynosa S.A. DE C.V.	20,412	-	4,402	24,814	97,454	-	-	97,454
	LG Electronics Mlawa Sp. z.O.O.	46,794	-	61	46,855	759,727	-	533	760,260
	LG Electronics Egypt S.A.E	4,107	-	78,560	82,667	2,784	-	110	2,894
	LG Electronics Nanjing New Technology	38,011	-	145	38,156	195,626	-	39	195,665

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(in millions of Korean won)

		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	co.,LTD								
	LG Electronics Mexicali, S.A. DE C.V.	40,700	-	4,456	45,156	49,605	-	-	49,605
	LG Electronics Polska Sp. Z.O.O	41,452	-	188	41,640	-	-	359	359
	LG Electronics Panama, S.A.	46,924	-	-	46,924	-	-	38	38
	P.T. LG Electronics Indonesia	12,692	-	169	12,861	216,133	-	102	216,235
	LG Electronics (Hangzhou) Co., Ltd.	44,162	-	942	45,104	1,831	-	104	1,935
	LG Electronics Inc Chile Ltda.	49,754	-	49	49,803	-	-	28	28
	LG Electronics Colombia Ltda.	74,614	-	25	74,639	-	-	34	34
	LG Electronics Tianjin Appliances Co., Ltd.	10,789	-	1,449	12,238	56,012	-	30	56,042
	LG Electronics Vehicle Component U.S.A., LLC	112,509	-	412	112,921	-	-	7,840	7,840
	Hi-M.Solutek	8,436	-	47	8,483	-	-	27,853	27,853
	Others	546,862	-	49,923	596,785	479,985	-	44,425	524,410
	<b>Subtotal</b>	<b>2,467,467</b>	<b>-</b>	<b>329,393</b>	<b>2,796,860</b>	<b>2,633,584</b>	<b>-</b>	<b>273,997</b>	<b>2,907,581</b>
Associates	LG Display Co., Ltd. and its subsidiaries	414,242	-	130,319	544,561	212,350	-	137,027	349,377
	Ericsson-LG Co., Ltd. and its subsidiaries	31	-	-	31	534	-	-	534
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	109	-	-	109	11,685	-	397	12,082
	LG Fuel Cell Systems Inc. and its subsidiaries	12	-	-	12	-	-	28	28
	Robostar Co.,Ltd.	-	-	-	-	13,406	-	399	13,805
	Kiwigrid GmbH	-	-	-	-	-	-	54	54
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	168	168
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	55	55
	Acryl Inc.	-	-	-	-	-	-	312	312
	<b>Subtotal</b>	<b>414,394</b>	<b>-</b>	<b>130,319</b>	<b>544,713</b>	<b>237,975</b>	<b>-</b>	<b>138,440</b>	<b>376,415</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	4,175	-	-	4,175
	LG-MRI LLC	643	-	-	643	-	-	-	-
	<b>Subtotal</b>	<b>643</b>	<b>-</b>	<b>-</b>	<b>643</b>	<b>4,175</b>	<b>-</b>	<b>-</b>	<b>4,175</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,106	-	1,972	21,078	147	-	121,579	121,726
	S&I Corp. and its subsidiaries <sup>2</sup>	2,444	-	59,587	62,031	124,740	-	181,643	306,383
	LG Management	-	-	15,660	15,660	-	-	1,637	1,637

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		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Development Institute								
	LG SPORTS Ltd.	-	-	-	-	-	-	1,859	1,859
	<b>Subtotal</b>	21,550	-	77,219	98,769	124,887	-	306,718	431,605
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	365,515	-	270,879	636,394	216,571	-	59,817	276,388
	LG INTERNATIONAL CORP and its subsidiaries	14,102	-	8,917	23,019	276,367	-	114,247	390,614
	LG Uplus Corp and its subsidiaries	13,879	-	148	14,027	-	-	369	369
	LG HAUSYS, LTD. and its subsidiaries and associates	519	-	1,344	1,863	-	-	476	476
	Silicon Works Co., Ltd	362	-	-	362	1,581	-	748	2,329
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,247	-	350	2,597	-	-	608	608
	GIR Inc. and its subsidiaries	76	-	-	76	-	-	200,560	200,560
	<b>Subtotal</b>	396,700	-	281,638	678,338	494,519	-	376,825	871,344
	<b>Total</b>	3,300,796	-	844,637	4,145,433	3,495,140	-	1,095,980	4,591,120

<sup>1</sup> Although the entities are not the related parties of the Company in accordance with Korean IFRS 1024, the entity belongs to the Large Enterprise Group to which the Company also belongs 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. As at March 31, 2019, S&I Corp., the existing corporation, holds 100% share of SERVEONE Co., Ltd., a newly established corporation.

iii) Significant capital transactions with related parties and others for the three-month periods ended March 31, 2019 and 2018, are as follows:

(in millions of Korean won)

		2019						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	41,321	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	5,912	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	231,554	-
	<b>Subtotal</b>	2,896	-	5,912	-	-	231,554	-

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(in millions of Korean won)

		2019						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Associates	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	<b>Subtotal</b>	161	-	-	-	-	-	-
	<b>Total</b>	3,057	41,321	5,912	-	-	231,554	-

(in millions of Korean won)

		2018						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,414	-	-	-	-	-	-
	LGE Alliance Fund II	-	-	(1,536)	-	-	-	-
	<b>Subtotal</b>	2,414	-	(1,536)	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	<b>Subtotal</b>	67,927	-	-	-	-	-	-
	<b>Total</b>	70,341	22,038	(1,536)	-	-	-	-

- (b) The compensation paid or payable to key management personnel for the three-month periods ended March 31, 2019 and 2018, consists of:

(in millions of Korean won)	2019	2018
Wages and salaries	10,493	9,942
Post-employment benefits	855	945
Other long-term benefits	27	28
<b>Total</b>	<b>11,375</b>	<b>10,915</b>

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 28.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

**LG Electronics Inc.**  
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**31. Risk Management**

**Financial Risk Management**

The Company'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 Company 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 Company mainly implements FRM. This involves setting-up risk management policies and recognizing, evaluating and hedging risks from a global point of view.

The Company 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 4 and Note 11, respectively.

(a) Market risk

i) Foreign exchange risk

Due to its multinational business operations, the Company 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 Company's foreign exchange risk management is implemented under its own foreign exchange policy through which the Company 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 Company 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 March 31, 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>	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(19,905)	19,905	(31,735)	31,735
EUR/KRW	(2,914)	2,914	(5,091)	5,091

**LG Electronics Inc.**  
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ii) Interest rate risk

The Company 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 Company minimizes its borrowings from others and optimizes its deposits. The Company periodically establishes the plan for reaction by the monitoring trends of internal and external interest rates and minimizes the risk of net interest expense by properly operating short-term borrowings with variable interest rates and deposits.

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 three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	2,936	(2,936)	3,391	(3,391)
Interest expense	575	(575)	328	(328)

iii) Details of derivatives contracts are as follows:

*Hedging purposes*

The Company entered into the cross-currency swap contracts and 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
USD/KRW CRS	BTMU and others	USD 530	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017.2.2 ~ 2018. 6. 8	2020.11.23 ~ 2028. 6. 8	1,473	15,472
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8.24	2023. 2.24 ~ 2030. 7. 7	-	62,018

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings (Note 11).

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Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	<b>Hedged items</b>	<b>Book amount</b>	<b>Changes in fair value (net of tax)</b>	<b>Accumulated other comprehensive loss</b>
USD/KRW CRS	Borrowings	601,540	(6,893)	(22,874)
Interest rate swap	Borrowings	1,396,870	8,626	(43,741)

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	<b>Changes in fair value of derivatives (net of tax)</b>	<b>Line items in profit or loss</b>	<b>Reclassified to profit or loss (net of tax)</b>	<b>Other comprehensive loss (net of tax)</b>
USD/KRW CRS	6,893	Interest expense and exchange differences	(9,803)	(2,910)
Interest rate swap	(8,626)	Interest expense	2,066	(6,560)

*Trading purposes*

The Company 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 Company recognized derivative liabilities amounting to ₩2,713 million at the time of acquisition of Robostar Co.,Ltd. and recognized loss on valuation of derivatives amounting to ₩392 million during the three-month period ended March 31, 2019. Accordingly, the related derivative liabilities amounted to ₩2,254 million at the end of the reporting period.

iv) Price risk

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

The listed securities owned by the Company are traded in the open market, and related to KOSDAQ 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 Company have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
	<b>30% increase</b>	<b>30% decrease</b>	<b>30% increase</b>	<b>30% decrease</b>
KOSDAQ	2,979	(2,979)	3,057	(3,057)

The valuation and the reclassification of the financial assets at fair value through other comprehensive income related to the market risk above are presented in Note 6.

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(b) Credit risk

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

In regard to receivables, the Company operates an integrated receivable insurance program with the Korea Trade Insurance Corporation (K-SURE) and Seoul Guarantee Insurance (Coface). In an effort to minimize receivable credit risk, the Company applies the credit rating of the counterparty when determining the insurance coverage. In addition, the Company performs stringent credit risk managements based on credit valuation criteria for receivables without insurance coverage or collateral.

At the end of reporting period, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,759,230 million (December 31, 2018: ₩1,289,032 million) and its risk is managed appropriately within insurer's credit limit of ₩3,216,615 million (December 31, 2018: ₩3,223,554 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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

(c) Liquidity risk

The Company forecasts its cash flow and liquidity status and sets action plans on a regular base to manage liquidity risk proactively. The Company 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 Company maintains adequate amount of cash and committed credit facilities in Kookmin Bank and Shinhan Bank to cope with potential financial distress.

In addition, the Company is able to source funds any time in 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 March 31, 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	6,381,305	6,381,305	-	-	-
Borrowings	9,610,887	1,033,493	1,439,444	2,640,651	4,497,299
Lease liabilities	87,409	34,925	26,060	24,107	2,317
Other payables	2,070,272	2,069,031	200	1,041	-
Other financial liabilities	11,774	11,774	-	-	-
<b>Total</b>	<b>18,161,647</b>	<b>9,530,528</b>	<b>1,465,704</b>	<b>2,665,799</b>	<b>4,499,616</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. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies as at March 31, 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>3 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts	3,704,699	2,579,015	457,428	400,873	267,383

The financial guarantee contracts provided to the subsidiaries are analysed by their maturities according to the residual periods. And, the financial guarantee contracts provided to the third party companies are analysed at the maximum amount of guarantees allocated to earliest period in which the Company can be required to make the payments.

**Capital Risk Management**

The Company's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Company 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 March 31, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Liability (A)	19,592,875	18,502,583
Equity (B)	9,308,755	9,362,880
Cash and cash equivalents (C)	1,174,529	1,109,883
Borrowings and lease liabilities (D)	8,265,410	7,900,512
Debt-to-equity ratio (A/B)	210.5%	197.6%
Net borrowings ratio ((D-C)/B)	76.2%	72.5%

**Fair Value Estimation**

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

<i>(in millions of Korean won)</i>	<b>March 31, 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	-	-	13,755	1
Financial assets at fair value through other comprehensive income				

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<i>(in millions of Korean won)</i>	March 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Trade receivables	109,950	1	-	-
Other financial assets				
Listed equity securities	-	-	12,930	12,930
Unlisted equity securities	-	-	23,500	23,500
Derivatives for hedging purposes				
Other financial assets	-	-	1,473	1,473
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	1,174,529	1	-	-
Deposits held by financial institutions	80,500	1	1,413	1,413
Trade receivables	4,568,961	1	-	-
Other receivables	446,351	1	200,519	189,837
<b>Total</b>	<b>6,380,291</b>		<b>253,590</b>	

<i>(in millions of Korean won)</i>	March 31, 2019			
	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	-	-	2,254	2,254
Derivatives for hedging purposes				
Other financial liabilities	-	-	77,490	77,490
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	6,381,305	1	-	-
Borrowings	791,487	1	7,394,181	7,671,065
Lease liabilities	34,026	1	45,716	45,960
Other payables	2,069,031	1	1,241	1,156
<b>Other liabilities</b>				
Other financial liabilities	7,390	2	10,732	2
<b>Total</b>	<b>9,283,239</b>		<b>7,531,614</b>	

<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	-	-	12,685	1
Financial assets at fair value through other comprehensive income				
Trade receivables	47,611	1	-	-
Other financial assets				
Listed equity securities	-	-	13,265	13,265

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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
Unlisted equity securities	-	-	16,760	<sup>1</sup>
Derivatives for hedging purposes				
Other financial assets	1,281	1,281	291	291
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	1,109,883	<sup>1</sup>	-	-
Deposits held by financial institutions	80,500	<sup>1</sup>	1,211	1,211
Trade receivables	3,678,401	<sup>1</sup>	-	-
Other receivables	545,431	<sup>1</sup>	243,485	228,662
<b>Total</b>	<b>5,463,107</b>		<b>287,697</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	-	-	1,862	1,862
Derivatives for hedging purposes				
Other financial liabilities	-	-	73,998	73,998
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	5,553,794	<sup>1</sup>	-	-
Borrowings	768,275	<sup>1</sup>	7,132,237	7,354,957
Other payables	2,371,053	<sup>1</sup>	1,011	929
<b>Other liabilities</b>				
Other financial liabilities	6,453	<sup>2</sup>	7,899	<sup>2</sup>
<b>Total</b>	<b>8,699,575</b>		<b>7,217,007</b>	

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

<sup>2</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 Company

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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 price 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 Company 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 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 Company uses various valuation techniques that the company 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'.

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.



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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2019	December 31, 2018		
<b>Assets</b>				
Other financial assets				
Derivatives for hedging purposes	1,473	1,572	Discounted cash flow	Discount rate and exchange rate
<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2019	December 31, 2018		
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	2,254	1,862	Discounted cash flow	Discount rate and share price
Derivatives for hedging purposes	77,490	73,998	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

At the end of the reporting period, no financial instruments measured at fair value are categorized within 'level 3'.

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 March 31, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	1,413	1,413
Non-current other receivables	-	-	189,837	189,837
<b>Liabilities</b>				
Non-current borrowings	-	-	7,671,065	7,671,065
Non-current lease liabilities	-	-	45,960	45,960
Non-current other payables	-	-	1,156	1,156

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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	-	-	1,211	1,211
Non-current other receivables	-	-	228,662	228,662
<b>Liabilities</b>				
Non-current borrowings	-	-	7,354,957	7,354,957
Non-current other payables	-	-	929	929

- 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 March 31, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	March 31, 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	1,413	1,413	1,211	1,211	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	200,519	189,837	243,485	228,662	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3%~3.9%
<b>Liabilities</b>								
Non-current borrowings	7,394,181	7,671,065	7,132,237	7,354,957	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.9%~3.5%
Non-current lease liabilities	45,716	45,960	-	-	Discounted cash flow	Discount rate	Discount rate	2.96%
Non-current other payables	1,241	1,156	1,011	929	Discounted cash flow	Discount rate	Discount rate	2.0%~2.1%