

LG Electronics Inc.

**Separate Interim Financial Statements
September 30, 2020 and 2019**

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Separate Interim Financial Statements	
Separate Interim Statements of Financial Position	3 - 4
Separate Interim Statements of Profit or Loss	5
Separate Interim Statements of Comprehensive Income	6
Separate Interim Statements of Changes in Equity	7
Separate Interim Statements of Cash Flows	8
Notes to the Separate Interim Financial Statements	9 - 66



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 September 30, 2020, and the related separate interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019, and separate interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2020 and 2019, 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*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 3 to these separate interim financial statements of the Company, which describes the uncertainty, relating to the impact of the spread of Coronavirus Disease-19 (“COVID-19”) on the Company’s productivity and ability to fulfill customer’s orders. This matter does not affect our conclusion.

Other Matters

We have audited the separate statement of financial position of the Company as at December 31, 2019, 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 16, 2020. The separate statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

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

November 16, 2020
Seoul, Korea

This report is effective as of November 16, 2020, 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
September 30, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	September 30, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	4,31	1,822,697	918,795
Deposits held by financial institutions	4,31	80,000	65,500
Trade receivables	4,5,31	5,549,558	3,665,619
Other receivables	4,5,31	688,316	845,345
Other financial assets	4,6,31	10,045	2,298
Inventories	7	1,460,477	1,195,260
Current tax assets		775	1,985
Contract assets	8	364,877	420,426
Other current assets		466,489	584,975
Assets held for sale	32	13,346	-
		<u>10,456,580</u>	<u>7,700,203</u>
Non-current assets			
Deposits held by financial institutions	4,31	1,539	1,489
Other receivables	4,5,31	198,994	159,525
Other financial assets	4,6,31	95,693	61,600
Property, plant and equipment	9	7,205,692	7,331,504
Intangible assets	9	1,578,039	1,440,219
Deferred tax assets		831,437	1,058,578
Investments in subsidiaries, associates and joint ventures	10	8,986,986	9,022,290
Contract assets	8	52,788	56,559
Other non-current assets		643,248	642,924
		<u>19,594,416</u>	<u>19,774,688</u>
Total assets		<u>30,050,996</u>	<u>27,474,891</u>
Liabilities			
Current liabilities			
Trade payables	4,31	6,218,911	5,227,643
Borrowings	4,11,31	1,427,160	1,054,088
Lease liabilities	4,12,31	47,153	68,278
Other payables	4,31	1,522,412	1,900,869
Other financial liabilities	4,6,31	5,805	7,351
Current tax liabilities		14,515	18,494
Provisions	14	561,805	502,235
Contract liabilities	8	384,889	376,464
Other current liabilities		1,635,590	1,385,298
		<u>11,818,240</u>	<u>10,540,720</u>
Non-current liabilities			
Borrowings	4,11,31	7,116,602	7,165,993
Lease liabilities	4,12,31	59,492	59,999
Other payables	4,31	250	410
Other financial liabilities	4,6,31	105,902	88,032
Net defined benefit liabilities	13	763,118	488,726
Provisions	14	111,972	103,852
Contract liabilities	8	2,178	1,659
Other non-current liabilities		138,075	132,170
		<u>8,297,589</u>	<u>8,040,841</u>
Total liabilities		<u>20,115,829</u>	<u>18,581,561</u>

LG Electronics Inc.
Separate Interim Statements of Financial Position
September 30, 2020 and December 31, 2019

(in millions of Korean won)

	Notes	September 30, 2020 (Unaudited)	December 31, 2019
Equity			
Paid-in capital:	15		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	6,046,973	5,006,105
Accumulated other comprehensive loss	17	(71,335)	(72,304)
Other components of equity	18	(32,819)	(32,819)
Total equity		<u>9,935,167</u>	<u>8,893,330</u>
Total liabilities and equity		<u>30,050,996</u>	<u>27,474,891</u>

LG Electronics Inc.
Separate Interim Statements of Profit or Loss
Three-month and Nine-Month Periods Ended September 30, 2020 and 2019

(in millions of Korean won, except per share amounts)

	Notes	Period Ended September 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Net sales	19	7,964,205	21,071,528	6,703,747	22,107,818
Cost of sales	20	5,777,801	15,705,799	5,289,510	16,917,322
Gross profit		2,186,404	5,365,729	1,414,237	5,190,496
Selling and marketing expenses	20,21	789,725	2,096,217	730,164	2,202,810
Administrative expenses	20,21	125,343	343,998	136,246	402,021
Research and development expenses	20,21	525,913	1,503,426	533,242	1,505,882
Service costs	20,21	348,613	590,349	245,621	535,057
Operating profit (loss)		396,810	831,739	(231,036)	544,726
Financial income	22	49,120	174,612	38,191	100,503
Financial expenses	23	136,335	440,563	92,074	285,281
Other non-operating income	24	291,877	1,703,950	379,741	829,400
Other non-operating expenses	25	188,225	684,347	366,101	858,151
Profit (loss) before income tax		413,247	1,585,391	(271,279)	331,197
Income tax expense (benefit)		94,722	359,575	(69,282)	75,196
Profit (loss) for the period		318,525	1,225,816	(201,997)	256,001
Earnings (losses) per share during the period					
(in Korean won):	26				
Earnings (losses) per ordinary share		1,768	6,804	(1,124)	1,418
Earnings (losses) per preferred share		1,781	6,842	(1,110)	1,456

LG Electronics Inc.
Separate Interim Statements of Comprehensive Income
Three-month and Nine-Month Periods Ended September 30, 2020 and 2019

(in millions of Korean won)

	Notes	Period Ended September 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit (loss) for the period		318,525	1,225,816	(201,997)	256,001
Other comprehensive income (loss), net of tax					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	13	(15,585)	(49,039)	(35,049)	(169,391)
Financial assets at fair value through other comprehensive income	6	14,781	16,370	(1,339)	(131)
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Cash flow hedges	31	10,079	(15,401)	(10,838)	(34,312)
Other comprehensive income (loss) for the period, net of tax		9,275	(48,070)	(47,226)	(203,834)
Total comprehensive income (loss) for the period, net of tax		327,800	1,177,746	(249,223)	52,167

LG Electronics Inc.

Separate Interim Statements of Changes in Equity

Nine-month Periods Ended September 30, 2020 and 2019

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total Equity
Balance at January 1, 2019		3,992,348	5,460,710	(57,359)	(32,819)	9,362,880
Changes in accounting policy		-	(2,020)	-	-	(2,020)
Restated total equity		<u>3,992,348</u>	<u>5,458,690</u>	<u>(57,359)</u>	<u>(32,819)</u>	<u>9,360,860</u>
Total comprehensive income (loss):						
Profit for the period		-	256,001	-	-	256,001
Remeasurements of the net defined benefit liability	13	-	(169,391)	-	-	(169,391)
Financial assets at fair value through other comprehensive income	6	-	-	(131)	-	(131)
Cash flow hedges	31	-	-	(34,312)	-	(34,312)
Total comprehensive income (loss)		<u>-</u>	<u>86,610</u>	<u>(34,443)</u>	<u>-</u>	<u>52,167</u>
Transactions with owners:						
Dividends	16	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at September 30, 2019 (Unaudited)		<u>3,992,348</u>	<u>5,409,391</u>	<u>(91,802)</u>	<u>(32,819)</u>	<u>9,277,118</u>
Balance at January 1, 2020		3,992,348	5,006,105	(72,304)	(32,819)	8,893,330
Total comprehensive income (loss):						
Profit for the period		-	1,225,816	-	-	1,225,816
Remeasurements of the net defined benefit liability	13	-	(49,039)	-	-	(49,039)
Financial assets at fair value through other comprehensive income	6	-	-	16,370	-	16,370
Cash flow hedges	31	-	-	(15,401)	-	(15,401)
Total comprehensive income		<u>-</u>	<u>1,176,777</u>	<u>969</u>	<u>-</u>	<u>1,177,746</u>
Transactions with owners:						
Dividends	16	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at September 30, 2020 (Unaudited)		<u>3,992,348</u>	<u>6,046,973</u>	<u>(71,335)</u>	<u>(32,819)</u>	<u>9,935,167</u>

LG Electronics Inc.
Separate Interim Statements of Cash Flows
Nine-month Periods Ended September 30, 2020 and 2019

(in millions of Korean won)

	Notes	Nine-month Period Ended September 30	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	27	895,342	285,353
Interest received		6,150	12,448
Interest paid		(188,006)	(186,894)
Dividend received		346,165	253,567
Income tax paid		(113,259)	(51,126)
Net cash inflow from operating activities		<u>946,392</u>	<u>313,348</u>
Cash flows from investing activities			
Decrease in other receivables		46,237	52,829
Proceeds from redemption and disposal of other financial assets		2,568	5,019
Proceeds from disposal of property, plant and equipment		18,113	24,941
Proceeds from disposal of intangible assets		628	13
Proceeds from disposal of investment properties		-	95,238
Proceeds from redemption and disposal of investment in subsidiaries, associates and joint ventures		727,885	229,979
Transfer of business	27	(1,968)	529
Increase in deposits held by financial institutions		(14,550)	(372)
Increase in other receivables		(68,288)	(45,302)
Acquisition of other financial assets		(11,880)	(10,159)
Acquisition of property, plant and equipment		(521,734)	(576,838)
Acquisition of intangible assets		(261,314)	(247,627)
Acquisition of investments in subsidiaries, associates and joint ventures		(33,304)	(17,422)
Net cash outflow from investing activities		<u>(117,607)</u>	<u>(489,172)</u>
Cash flows from financing activities			
Proceeds from borrowings		877,688	1,060,062
Repayments of borrowings		(611,393)	(757,743)
Repayments of lease liabilities		(55,269)	(25,285)
Dividend paid and others		(135,909)	(135,909)
Net cash inflow from financing activities		<u>75,117</u>	<u>141,125</u>
Effects of exchange rate changes on cash and cash equivalents		-	300
Net increase (decrease) in cash and cash equivalents		<u>903,902</u>	<u>(34,399)</u>
Cash and cash equivalents at the beginning of the period		<u>918,795</u>	<u>1,109,883</u>
Cash and cash equivalents at the end of the period		<u><u>1,822,697</u></u>	<u><u>1,075,484</u></u>

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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 depository receipts (“GDRs”), are listed on the London Stock Exchange at the end of the reporting period. The Company is domiciled in Korea at Yeoui-daero, Yeongdeungpo-gu, Seoul.

As at September 30, 2020, 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 and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle components Solutions segment designs and manufactures automobile parts; and Business Solutions segment manufactures and sells monitors, PCs, information displays, solar panels and others. As at September 30, 2020, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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 (Hangul) 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 nine-month period ended September 30, 2020, 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 September 30, 2020.

Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2020.

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Company. The amendments do not have a significant impact on the separate interim financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To determine whether an acquired set of activities and assets is a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendments do not have a significant impact on the separate interim financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation to the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based is not altered as a result of interest rate benchmark reform, when determining whether the future cash flows based on the previous benchmark rate are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the separate interim financial statements.

- Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension

When the conditions to apply the practical expedient are met, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall not account for any changes in lease payments resulting from the rent concession as a lease modification, but recognizes it as profit or loss.

In accordance with amendments to Korean IFRS 1116, the Company applies a practical expedient which does not assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. The Company has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard. There was no cumulative impact on the beginning balance of retained earnings as at January 1, 2020 by retrospectively applying this standard, and the Company did not restate comparatives for the 2019 reporting period. The amendments do 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 September 30, 2020, and not early adopted by the Company.

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, 2019, except for the changes due to the application of amendment and enactments of standards described in Note 2 and the ones described below.

Income Tax Expense

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

The 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.

During 2020, the spread of COVID-19 has a material impact on domestic and foreign economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company, and the impact is expected to be continued to the separate annual financial statements in 2020.

Significant accounting estimates and assumptions applied in the preparation of the separate interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Company's business, financial position and financial performance cannot presently be determined.

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 and others 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 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 tax assets and liabilities in the period in which such determination is made.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(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.

(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.

(h) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment of reasonable certainty to exercise (or not exercise) an extension option is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

4. Financial Instruments by Category

(a) Categorizations of financial instruments as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020				
	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	1,822,697	-	-	-	1,822,697
Deposits held by financial institutions	81,539	-	-	-	81,539
Trade receivables	5,500,064	49,494	-	-	5,549,558
Other receivables	887,310	-	-	-	887,310
Other financial assets	-	64,908	26,659	14,171	105,738
Total	8,291,610	114,402	26,659	14,171	8,446,842

<i>(in millions of Korean won)</i>	September 30, 2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	6,218,911	-	-	6,218,911
Borrowings	8,543,762	-	-	8,543,762
Lease liabilities	-	-	106,645	106,645
Other payables	1,522,662	-	-	1,522,662
Other financial liabilities	-	-	111,707	111,707
Total	16,285,335	-	218,352	16,503,687

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	December 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	918,795	-	-	-	918,795
Deposits held by financial institutions	66,989	-	-	-	66,989
Trade receivables	3,647,265	18,354	-	-	3,665,619
Other receivables	1,004,870	-	-	-	1,004,870
Other financial assets	-	38,514	21,282	4,102	63,898
Total	5,637,919	56,868	21,282	4,102	5,720,171

<i>(in millions of Korean won)</i>	December 31, 2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,227,643	-	-	5,227,643
Borrowings	8,220,081	-	-	8,220,081
Lease liabilities	-	-	128,277	128,277
Other payables	1,901,279	-	-	1,901,279
Other financial liabilities	-	-	95,383	95,383
Total	15,349,003	-	223,660	15,572,663

(b) Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020				
	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	8,715	-	-	-	8,715
Exchange differences	(17,764)	-	-	-	(17,764)
Bad debt expenses	(1,842)	-	-	-	(1,842)
Loss on disposal of trade receivables	(1,667)	(473)	-	-	(2,140)
Dividend income	-	151	-	-	151
Fair value gain, net of tax (through other comprehensive income)	-	16,370	-	-	16,370
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	2,266	2,266
Others	(3,943)	-	-	-	(3,943)

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(166,353)	-	(19,643)	(185,996)
Exchange differences	(116,509)	-	12,965	(103,544)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(17,667)	(17,667)
Others	-	-	(2,799)	(2,799)

<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	14,253	-	-	-	14,253
Exchange differences	276,879	-	-	-	276,879
Bad debt expense	(36,387)	-	-	-	(36,387)
Loss on disposal of trade receivables	(1,675)	(2,106)	-	-	(3,781)
Dividend income	-	242	272	-	514
Gain on valuation of financial assets at fair value through profit or loss	-	-	17	-	17
Fair value loss, net of tax (through other comprehensive income)	-	(131)	-	-	(131)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(1,970)	(1,970)
Others	(10,481)	-	-	-	(10,481)

<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	(184,003)	-	(3,065)	(187,068)
Exchange differences	(351,551)	-	42,999	(308,552)
Gain on derivatives (through profit or loss)	-	320	-	320
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(32,342)	(32,342)
Others	-	-	(7,658)	(7,658)

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

5. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020			December 31, 2019		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,613,212	(63,654)	5,549,558	3,727,941	(62,322)	3,665,619
Other receivables						
Current	699,005	(10,689)	688,316	854,985	(9,640)	845,345
Non-current	199,005	(11)	198,994	160,067	(542)	159,525

(b) Movements in allowance for doubtful accounts for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020			
	At January 1	Addition (Reversal)	Write-off and other	At September 30
Trade receivables	62,322	1,332	-	63,654
Other receivables				
Current	9,640	1,041	8	10,689
Non-current	542	(531)	-	11

<i>(in millions of Korean won)</i>	2019			
	At January 1	Addition	Write-off and other	At September 30
Trade receivables	30,487	32,688	5	63,180
Other receivables				
Current	6,267	765	-	7,032
Non-current	9	2,934	-	2,943

(c) The aging analysis of trade receivables and other receivables as at September 30, 2020 and December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2020				December 31, 2019			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
	Current	Non-current			Current	Non-current		
Receivables not past due	5,274,886	485,886	195,392	5,956,164	3,195,394	695,353	142,751	4,033,498
Past due but not impaired								
Up to 6 months	141,177	29,743	2,046	172,966	353,752	53,804	13,886	421,442
7 to 12 months	27,114	71,195	1,567	99,876	35,054	15,660	1,844	52,558
Over 1 year	67,211	99,615	-	166,826	43,775	79,694	1,586	125,055
Subtotal	235,502	200,553	3,613	439,668	432,581	149,158	17,316	599,055
Impaired	102,824	12,566	-	115,390	99,966	10,474	-	110,440
Total	5,613,212	699,005	199,005	6,511,222	3,727,941	854,985	160,067	4,742,993

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(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 September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Other financial assets		
Derivatives	14,171	4,102
Financial assets at fair value through other comprehensive income	64,908	38,514
Financial assets at fair value through profit or loss	26,659	21,282
Total	105,738	63,898
Current	10,045	2,298
Non-current	95,693	61,600

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Other financial liabilities		
Derivatives	98,419	78,865
Financial guarantee liability	13,288	16,518
Total	111,707	95,383
Current	5,805	7,351
Non-current	105,902	88,032

(b) Details of derivatives as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current				
Cross-currency swap	10,045	-	2,298	-
Non-current				
Cross-currency swap	4,126	15,540	1,804	8,633
Interest rate swap	-	82,879	-	70,232
Subtotal	4,126	98,419	1,804	78,865
Total	14,171	98,419	4,102	78,865

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposals	Transfer	Valuation	At September 30
Listed equity securities	10,835	-	-	833	22,453	34,121
Unlisted equity securities	27,679	3,941	-	(833)	-	30,787
Total	38,514	3,941	-	-	22,453	64,908

<i>(in millions of Korean won)</i>	2019					
	At January 1	Acquisition	Disposals	Valuation	At September 30	
Listed equity securities	13,265	-	(769)	(3,157)	9,339	
Unlisted equity securities	16,760	8,688	(2,978)	2,978	25,448	
Total	30,025	8,688	(3,747)	(179)	34,787	

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposals	Valuation	At September 30	
Unlisted equity securities	21,282	7,945	(2,568)	-	26,659	

<i>(in millions of Korean won)</i>	2019					
	At January 1	Acquisition	Disposals	Valuation	At September 30	
Unlisted equity securities	12,685	3,420	(1,272)	17	14,850	

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

7. Inventories

Inventories as at September 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	September 30, 2020			December 31, 2019		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	689,732	(30,734)	658,998	623,726	(40,988)	582,738
Work-in-process	133,542	(724)	132,818	69,214	(2,641)	66,573
Raw materials and supplies	613,657	(59,467)	554,190	554,777	(118,424)	436,353
Other	136,690	(22,219)	114,471	139,581	(29,985)	109,596
Total	1,573,621	(113,144)	1,460,477	1,387,298	(192,038)	1,195,260

8. Contract Assets and Contract Liabilities

(a) Contract assets as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Due from customers	347,640	399,802
(Less: allowance for doubtful accounts)	(2)	(2,999)
Right to recover returned products	780	704
Costs to fulfill contracts and others	69,247	79,478
Total	417,665	476,985
Current	364,877	420,426
Non-current	52,788	56,559

(b) Contract liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Expected promotional incentives for customers	152,714	147,279
Expected returns from customers	1,250	1,099
Customer loyalty program	27,073	34,446
Rendering of warranty services	19,956	8
Due to customers and others	186,074	195,291
Total	387,067	378,123
Current	384,889	376,464
Non-current	2,178	1,659

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(c) Revenue recognized in relation to contract liabilities for the nine-month periods ended September 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020	2019
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	167,303	219,023
Customer loyalty program	16,877	38,790
Rendering of warranty services	8	41
Total	184,188	257,854
Revenue recognized from performance obligations satisfied in previous periods	2,201	2,130

(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 was ₩ 426,731 million which were expected to be satisfied by 2022, at the latest. Also, as a practical expedient, the Company excluded performance obligation which was part of a contract that had an original expected duration of one year or less.

(e) For the nine-month period ended September 30, 2020, the Company recognized a reversal of impairment loss amounting to ₩ 2,468 million (September 30, 2019: impairment loss of ₩ 70 million) in relation to due from customers, and amortization and other costs of ₩ 32,756 million (September 30, 2019: ₩ 44,302 million) in relation to costs to fulfill contracts.

9. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	7,331,504	7,349,993
Acquisitions	496,399	572,947
Reclassification to assets held for sale	(13,346)	(2,920)
Disposals and others	(31,403)	(40,388)
Depreciation	(570,759)	(543,572)
Impairment losses	(6,703)	(75,943)
At September 30	7,205,692	7,260,117

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(b) Line items including depreciation in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	445,321	437,098
Selling and marketing expenses	28,148	22,747
Administrative expenses	37,154	20,770
Research and development expenses	42,538	50,310
Service costs	13,384	8,780
Other non-operating expenses	4,214	3,867
Total	570,759	543,572

(c) Changes in right-of-use assets included in property, plant and equipment for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	133,533	80,736
Acquisitions	43,300	63,248
Disposals and others	(4,685)	(7,129)
Depreciation	(61,098)	(29,248)
At September 30	111,050	107,607

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the nine-month period September 30, 2020, was ₩ 9,510 million (September 30, 2019: ₩ 8,440 million).

(d) Changes in intangible assets for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	1,440,219	1,671,617
Acquisitions	144,560	112,908
Acquisitions by internal development	299,831	208,530
Disposals and others	(32,326)	(23,214)
Amortization	(242,379)	(239,822)
Impairment losses	(31,866)	(228,677)
At September 30	1,578,039	1,501,342

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(e) Line items including amortization of intangible assets in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	161,412	142,308
Selling and marketing expenses	8,131	10,345
Administrative expenses	25,538	37,121
Research and development expenses	46,766	49,499
Service costs	532	543
Other non-operating expenses	-	6
Total	242,379	239,822

10. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at September 30, 2020 (%)	Carrying amount	September 30, 2020	December 31, 2019
Subsidiaries						
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542	955,542
ZKW Holding GmbH	Austria	December	70.0	943,468	943,468	943,468
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538	541,538
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	India	March	100.0	311,746	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091	214,091
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331	161,331
LG Electronics European Holding B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118	94,118
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721	68,721
LG Electronics (Shenyang) Inc(LGESY)	China	December	56.3	62,033	62,033	62,033
LG Electronics (Thailand) Company Limited(LGETH)	Thailand	December	100.0	55,578	55,578	55,578
LG ELECTRONICS AUSTRALIA PTY	Australia	December	100.0	50,664	50,664	50,664

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at September 30, 2020 (%)	Carrying amount	
				September 30, 2020	December 31, 2019
LIMITED(LGEAP)					
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 Fund I LLC ¹	USA	December	100.0	44,679	22,083
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics (Huizhou) Inc.(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
ZKW Austria Immobilien Holding GmbH	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 Limitada(LGECB)	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
Others				216,013	216,237
Associates					
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	33.4	88,112	88,112
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Kiwigrid GmbH ²	Germany	December	9.6	-	13,019
ROBOTIS Co., Ltd. ³	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. ⁴	Korea	December	-	-	2,088
Acryl Inc. ³	Korea	December	14.5	2,000	2,000
Joint ventures					
LG HOLDINGS (HK) LIMITED ⁴	China	December	-	-	53,277
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
LG-LHT Aircraft Solutions GmbH ¹	Germany	December	49.0	10,724	5,085
LG-LHT Passenger Solutions GmbH ¹	Germany	December	49.0	9,322	4,553
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD. ¹	China	December	35.0	891	591
Total				8,986,986	9,022,290

¹ It was additionally acquired during the nine-month period ended September 30, 2020.

² It was impaired during the nine-month period ended September 30, 2020, and reclassified as financial

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

assets at fair value through other comprehensive income due to the loss of significant influence.

³ 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.

⁴ It was disposed during the nine-month period ended September 30, 2020.

(b) Changes in investments in subsidiaries, associates and joint ventures for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	9,022,290	9,108,014
Acquisitions	33,304	17,422
Disposal ¹	(55,365)	(111,524)
Impairment	(13,243)	(6,636)
At September 30	8,986,986	9,007,276

¹ The Company disposed all shares of LG HOLDINGS (HK) LIMITED for ₩ 722,086 million during the nine-month period ended September 30, 2020, and recognized gain on disposal of ₩ 666,667 million, net of related costs, in 'other non-operating income' (Note 24).

(c) Details of marketable investments in subsidiaries and associates as at September 30, 2020 and December 31, 2019, are as follows:

September 30, 2020					
	Type	Shares held (Unit: shares)	Price per share (in Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	15,350	2,081,844	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	155,000	1,496,243	541,538
Robostar Co.,Ltd.	Associate	3,256,500	13,000	42,335	88,112
ROBOTIS Co.,Ltd.	Associate	961,550	13,200	12,692	9,000
December 31, 2019					
	Type	Shares held (Unit: shares)	Price per share (in Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	16,250	2,203,906	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	140,000	1,351,445	541,538
Robostar Co.,Ltd.	Associate	3,256,500	17,400	56,663	88,112
ROBOTIS Co.,Ltd.	Associate	961,550	12,400	11,923	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,785	7,609	2,088

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

11. Borrowings

(a) Carrying amounts of borrowings as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Current		
Short-term borrowings	451,909	233,537
Current portion of long-term borrowings	232,714	178,679
Current portion of debentures	742,537	641,872
Subtotal	1,427,160	1,054,088
Non-current		
Long-term borrowings	2,726,419	2,687,110
Debentures	4,390,183	4,478,883
Subtotal	7,116,602	7,165,993
Total	8,543,762	8,220,081

(b) Details of borrowings as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at September 30, 2020 (%)	Carrying amount	
			September 30, 2020	December 31, 2019
Short-term borrowings in foreign currency				
LG Electronics European Shared Service Center B.V.(LGESC)	2021.4.28	0.60	451,909	233,537
Long-term borrowings in local currency				
Korea Development Bank and others	2035.1.9	1.45 ~ 3.50	2,313,607	2,245,000
Long-term borrowings in foreign currency				
KEB Hana Bank and others	2030.8.1	0.60 ~ 2.50	645,526	620,789
Local currency debentures				
Public, non-guaranteed bonds	2035.2.25	1.62 ~ 4.44	3,640,000	3,700,000
Private, non-guaranteed bonds	2040.7.6	2.66 ~ 4.21	860,000	920,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028.6.8	0.93 ~ 1.83	507,005	382,074
Private, guaranteed bonds	2023.2.24	0.23	136,942	129,743
Less: discount on debentures			(11,227)	(11,062)
Total			8,543,762	8,220,081

The Company entered into 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).

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

12. Lease Liabilities

(a) Details of lease liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Lease liabilities		
Current	47,153	68,278
Non-current	59,492	59,999
Total	106,645	128,277

(b) The amounts, relating to leases, recognized in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Interest expense relating on lease liabilities	3,241	2,066
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	26,649	54,322
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)	12,737	12,522

Total expenses for leases including short-term leases and leases of low-value assets for the nine-month period ended September 30, 2020, are ₩ 97,683 million (September 30, 2019: ₩ 93,140 million).

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

13. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Present value of funded obligations	3,196,617	2,961,034
Fair value of plan assets	(2,433,499)	(2,472,308)
Net defined benefit liabilities	763,118	488,726

(b) The amounts recognized in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Current service cost	226,490	223,937
Past service cost	-	(11,847)
Net interest cost	8,358	7,140
Operating management cost	1,458	1,630
Total	236,306	220,860

(c) Line items in which expenses are included for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	120,162	108,059
Selling and marketing expenses	28,437	27,210
Administrative expenses	14,033	14,795
Research and development expenses	55,638	58,851
Service costs	18,036	11,945
Total	236,306	220,860

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(d) Movements in the present value of defined benefit obligations for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	2,961,034	2,610,800
Current service cost	226,490	223,937
Past service cost	-	(11,847)
Interest expense	49,734	48,160
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	-	95,591
- Actuarial loss arising from changes in financial assumptions	64,178	131,585
Benefits paid	(104,819)	(124,342)
Reduction due to settlement of plan	-	(22,050)
At September 30	3,196,617	2,951,834

(e) Movements in the fair value of plan assets for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	2,472,308	2,304,879
Interest income	41,376	41,020
Remeasurements of plan assets	(3,083)	(5,152)
Benefits paid	(75,644)	(90,070)
Reduction due to settlement of plan	-	(21,447)
Operating management cost	(1,458)	(1,630)
At September 30	2,433,499	2,227,600

(f) The significant actuarial assumptions used as at September 30, 2020 and December 31, 2019, are as follows:

	September 30, 2020	December 31, 2019
Discount rate	2.1%	2.3%
Expected salary growth rate	5.0%	5.0%

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at September 30, 2020, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(285,751)	327,467
Expected salary growth rate	315,461	(281,697)

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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 for the nine-month period ended September 30, 2020 in relation to the defined contribution plan was ₩ 8,001 million (September 30, 2019: ₩ 10,395 million).

14. Provisions

Changes in provisions for the nine-month periods ended September 30, 2020 and 2019, are as follows:

	2020			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	518,383	10,324	77,380	606,087
Additional provisions, net ¹	400,631	364	16,264	417,259
Utilizations	(326,971)	(372)	(22,226)	(349,569)
At September 30	592,043	10,316	71,418	673,777
Current	559,790	2,015	-	561,805
Non-current	32,253	8,301	71,418	111,972

	2019			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	379,493	10,626	68,834	458,953
Additional provisions, net ¹	389,206	438	7,864	397,508
Utilizations	(261,824)	(887)	(15,623)	(278,334)
At September 30	506,875	10,177	61,075	578,127
Current	481,420	6,615	-	488,035
Non-current	25,455	3,562	61,075	90,092

¹ Net amount of additional provisions equals to additional provisions less reversed amounts.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

15. Paid-in Capital

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

	Par value per share	September 30, 2020		December 31, 2019	
		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
Total		180,833,806	904,169	180,833,806	904,169

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

(b) Share premium balance as at September 30, 2020, 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 (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩ 880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

16. Retained Earnings

Retained earnings as at September 30, 2020 and December 31, 2019, consist of:

(in millions of Korean won)	September 30, 2020	December 31, 2019
Legal reserve ¹	209,527	195,933
Discretionary reserve	4,660,572	5,128,769
Unappropriated retained earnings (undisposed accumulated deficit) ²	1,176,874	(318,597)
Total	6,046,973	5,006,105

¹ 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.

² Dividend for the year ended December 31, 2019 of ₩ 135,909 million was approved at the annual general meeting held on March 26, 2020, and paid in April 2020 (2019 payments: ₩ 135,909 million).

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

17. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as at September 30, 2020 and December 31, 2019, consists of:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Cash flow hedge	(88,452)	(73,051)
Financial assets at fair value through other comprehensive income	17,117	747
Total	(71,335)	(72,304)

18. Other Components of Equity

Other components of equity as at September 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Total	(32,819)	(32,819)

¹ The Company has treasury shares consisting of 763,174 ordinary shares (December 31, 2019: 763,173 shares) and 4,692 preferred shares (December 31, 2019: 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 and nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Revenue from contracts with customers:				
Sales of goods	7,530,205	19,894,168	6,305,806	21,061,980
Rendering of services	132,843	402,519	135,091	349,097
Royalty income	139,254	331,161	141,975	363,825
Subtotal	7,802,302	20,627,848	6,582,872	21,774,902
Revenue from other sources:				
Rental income and others	161,903	443,680	120,875	332,916
Total	7,964,205	21,071,528	6,703,747	22,107,818

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(b) Details of revenue from contracts with customers for the nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020							Total
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	9,505,756	2,922,915	2,835,904	1,808,244	2,740,706	814,323	-	20,627,848
Internal sales	13,916	-	-	-	27	56,708	(70,651)	-
	<u>9,519,672</u>	<u>2,922,915</u>	<u>2,835,904</u>	<u>1,808,244</u>	<u>2,740,733</u>	<u>871,031</u>	<u>(70,651)</u>	<u>20,627,848</u>
By type of products:								
Refrigerator/washing machine/air conditioner and others	7,478,816	-	-	-	-	-	(2,531)	7,476,285
TV	-	2,661,305	-	-	-	-	-	2,661,305
Mobile communications	-	-	2,835,904	-	-	-	-	2,835,904
In-vehicle infotainment	-	-	-	1,560,995	-	-	-	1,560,995
Monitor/PC and others	-	-	-	-	1,687,238	-	-	1,687,238
Others	2,040,856	261,610	-	247,249	1,053,495	871,031	(68,120)	4,406,121
Domestic/Export:								
Domestic	5,161,306	670,625	508,511	317,332	1,100,404	330,842	(70,651)	8,018,369
Export	4,358,366	2,252,290	2,327,393	1,490,912	1,640,329	540,189	-	12,609,479
Timing of transfer:								
Transferred at a point in time	9,179,032	2,751,556	2,741,513	1,779,722	2,710,286	34,880	(13,943)	19,183,046
Transferred over time	340,640	171,359	94,391	28,522	30,447	836,151	(56,708)	1,444,802

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	2019							Total
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	9,208,915	3,093,103	3,405,837	1,839,012	2,801,598	1,426,437	-	21,774,902
Internal sales	15,217	-	-	-	17,205	58,558	(90,980)	-
	<u>9,224,132</u>	<u>3,093,103</u>	<u>3,405,837</u>	<u>1,839,012</u>	<u>2,818,803</u>	<u>1,484,995</u>	<u>(90,980)</u>	<u>21,774,902</u>
By type of products:								
Refrigerator/washing machine/air conditioner and others	7,653,384	-	-	-	-	-	(6,102)	7,647,282
TV	-	2,715,052	-	-	-	-	-	2,715,052
Mobile communications	-	-	3,405,837	-	-	-	-	3,405,837
In-vehicle infotainment	-	-	-	1,499,108	-	-	-	1,499,108
Monitor/PC and others	-	-	-	-	1,730,630	-	-	1,730,630
Others	1,570,748	378,051	-	339,904	1,088,173	1,484,995	(84,878)	4,776,993
Domestic/Export:								
Domestic	5,377,333	642,058	951,507	371,737	1,073,829	385,118	(90,980)	8,710,602
Export	3,846,799	2,451,045	2,454,330	1,467,275	1,744,974	1,099,877	-	13,064,300
Timing of transfer:								
Transferred at a point in time	8,914,399	2,932,613	3,302,901	1,820,319	2,783,220	39,088	(32,424)	19,760,116
Transferred over time	309,733	160,490	102,936	18,693	35,583	1,445,907	(58,556)	2,014,786

(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 nine-month period ended September 30, 2020, the estimated total contract revenue and 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 nine-month periods ended September 30, 2020 and the succeeding periods are as follows:

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the period ended September 30, 2020	Impact on profit or loss for the succeeding periods
Other segments	37,432	27,924	(753)	10,261

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

20. Expenses by Nature

Expenses that are recorded by nature for the three-month and nine-month periods ended September 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	(129,390)	(146,432)	59,983	46,030
Raw materials and merchandise used	4,396,308	11,628,334	3,827,292	12,620,615
Employee benefit expense	1,132,939	3,198,622	1,089,108	3,198,380
Depreciation and amortization	270,079	808,924	265,206	780,175
Advertising expense	171,733	370,174	157,306	410,341
Promotion expense	55,574	151,587	62,446	199,646
Freight expense	195,431	512,283	153,516	483,158
Commission expense	470,411	1,360,020	449,897	1,360,401
Other expenses	1,004,310	2,356,277	870,029	2,464,346
Total¹	7,567,395	20,239,789	6,934,783	21,563,092

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

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 and nine-month periods ended September 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Salaries	403,250	1,153,604	407,116	1,167,155
Post-employment benefits	42,219	125,187	44,257	119,258
Employee welfare benefits	74,884	216,156	70,757	208,320
Freight expense	192,862	505,923	151,300	476,050
Rental expense	8,911	27,891	15,869	49,027
Commission expense	335,722	962,383	307,721	939,042
Depreciation	40,172	121,224	35,811	103,261
Amortization	26,335	80,967	32,903	97,508
Taxes and dues	8,953	15,693	8,915	13,402
Advertising expense	171,733	370,174	157,306	410,341
Promotional expense	55,574	151,587	62,446	199,646
R&D expense	132,572	374,883	123,714	302,073
Direct service costs	248,185	277,753	157,508	311,491
Bad debts expense (reversal)	(331)	(1,136)	1,278	32,758
Others	48,553	151,701	68,372	216,438
Total	1,789,594	4,533,990	1,645,273	4,645,770

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

22. Financial Income

Financial income for the three-month and nine-month periods ended September 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Interest income	2,601	8,715	5,027	14,253
Exchange differences	45,896	164,850	32,097	84,420
Others	623	1,047	1,067	1,830
Total	49,120	174,612	38,191	100,503

23. Financial Expenses

Financial expenses for the three-month and nine-month periods ended September 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Interest expense	61,308	185,996	62,383	187,068
Exchange differences	73,890	244,638	22,928	74,463
Loss on disposal of trade receivables	317	2,140	1,128	3,781
Others	820	7,789	5,635	19,969
Total	136,335	440,563	92,074	285,281

24. Other Non-operating Income

Other non-operating income for the three-month and nine-month periods ended September 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Dividend income	125,400	465,874	92,319	208,753
Exchange differences	152,739	527,857	129,263	451,871
Gain on disposal of property, plant and equipment	3,101	6,373	5,797	9,168
Gain on valuation of financial assets at fair value through profit or loss	-	-	-	17
Gain on disposal of investments in subsidiaries, associates and joint ventures	299	677,102	150,461	152,366
Others	10,338	26,744	1,901	7,225
Total	291,877	1,703,950	379,741	829,400

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

25. Other Non-operating Expenses

Other non-operating expenses for the three-month and nine-month periods ended September 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Exchange differences	150,963	564,974	142,883	485,018
Loss on disposal of property, plant and equipment	7,331	17,650	4,713	13,072
Impairment loss on property, plant and equipment	6,113	6,703	75,729	75,943
Loss on disposal of intangible assets	11,084	31,696	7,804	22,428
Impairment loss on intangible assets	3,687	31,866	111,874	228,677
Loss on disposal of investments in subsidiaries, associates and joint ventures	-	-	2,530	2,530
Impairment loss on investments in subsidiaries, associates and joint ventures and others	-	13,243	6,636	6,636
Others	9,047	18,215	13,932	23,847
Total	188,225	684,347	366,101	858,151

26. Earnings (Losses) 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 (losses) per ordinary share for the three-month and nine-month periods ended September 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to ordinary shares <i>(in millions of Korean won)</i>	287,938	1,108,270	(182,919)	230,991
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,640	162,884,640	162,884,640	162,884,640
Basic earnings (losses) per ordinary share <i>(in Korean won)</i>	1,768	6,804	(1,124)	1,418

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(b) Basic earnings (losses) per preferred share for the three-month and nine-month periods ended September 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to preferred shares <i>(in millions of Korean won)</i>	30,587	117,546	(19,078)	25,010
Weighted average number of preferred shares outstanding <i>(unit: shares)</i>	17,181,300	17,181,300	17,181,300	17,181,300
Basic earnings (losses) per preferred share <i>(in Korean won)</i>	1,781	6,842	(1,110)	1,456

27. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2020 and 2019, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2020	2019
Profit for the period	1,225,816	256,001
Adjustments:		
Interest expense, net	177,281	172,815
Exchange differences, net	42,071	5,510
Depreciation	570,759	543,572
Amortization	242,379	239,822
Loss on disposal of property, plant and equipment and intangible assets, net	42,957	26,332
Provisions for severance benefits	244,307	220,860
Additional provisions, net	417,259	397,508
Dividend income	(465,874)	(208,753)
Income tax expense	359,575	75,196
Gain on disposal of investments in subsidiaries, associates and joint ventures	(677,102)	(149,836)
Impairment loss on investments in subsidiaries, associates and joint ventures and others	13,243	6,636
Other	21,497	433,869
	988,352	1,763,531
Changes in operating assets and liabilities		
Increase in trade receivables	(1,932,170)	(786,380)
Decrease in other receivables	248,320	52,873
Decrease (increase) in inventories	(216,847)	91,911
Decrease (increase) in contract assets	65,473	(68,276)
Increase in other assets	(84,081)	(286,460)
Increase in trade payables	1,043,856	211,095
Decrease in other payables	(286,889)	(700,236)
Decrease in provisions	(349,569)	(278,334)

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	2020	2019
Increase (decrease) in contract liabilities	13,400	(55,824)
Increase in other liabilities	253,692	154,565
Payment of defined benefit liability	(37,176)	(34,875)
Deposit in plan assets, net	(36,835)	(34,238)
	<u>(1,318,826)</u>	<u>(1,734,179)</u>
Cash generated from operations	895,342	285,353

(b) Changes in liabilities from financing activities

2020						
<i>(in millions of Korean won)</i>	Net cash flows from financing activities		Non-cash transactions			At September 30
At January 1	activities	Additions	Exchange differences	Amortization and others		
Short-term borrowings	233,537	199,350	-	19,022	-	451,909
Long-term borrowings	2,865,789	68,607	-	24,737	-	2,959,133
Debentures	5,120,755	(1,662)	-	11,774	1,853	5,132,720
Lease liabilities	128,277	(55,269)	33,060	364	213	106,645
Total	8,348,358	211,026	33,060	55,897	2,066	8,650,407

2019						
<i>(in millions of Korean won)</i>	Net cash flows from financing activities		Non-cash transactions			At September 30
At January 1	activities	Additions	Exchange differences	Amortization and others		
Short-term borrowings	-	231,554	-	5,081	-	236,635
Long-term borrowings	2,621,536	245,750	-	22,367	-	2,889,653
Debentures	5,278,976	(174,985)	-	29,996	2,162	5,136,149
Lease liabilities	74,107	(25,285)	52,769	58	211	101,860
Total	7,974,619	277,034	52,769	57,502	2,373	8,364,297

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of construction-in-progress to property, plant and equipment	112,697	92,346
Reclassification of construction-in-progress to intangible assets	310,536	220,944
Reclassification of current portion of borrowings and debentures	765,213	611,049
Other payables to acquire property, plant and equipment	22,326	37,399
Other payables to acquire intangible assets	8,604	5,499
Acquisition of right-of-use assets	43,300	63,248

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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

- Transfer of vehicle rear lamp business

i) On December 19, 2019, vehicle rear lamp business was transferred to ZKW Holding GmbH.

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

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	2,597
Other payables ¹	1,443
Assets of the transferred business:	
Inventories	6,883
Property, plant and equipment	499
Intangible assets	722
Other assets	1,013
Liabilities of the transferred business:	
Other liabilities	2,623

¹ These were paid during the nine-month period ended September 30, 2020.

28. Contingencies

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩ 236,196 million (December 31, 2019: ₩ 240,968 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal amounting to EUR 100 million (December 31, 2019: 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 ₩ 3,573,936 million (December 31, 2019: ₩ 3,874,217 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiaries	September 30, 2020	December 31, 2019
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	1,048,566	963,997
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	565,591	705,447
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	558,987	551,509
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	277,446	271,457
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	190,484	199,659
LG Electronics Algeria SARL(LGEAS)	Citibank and others	136,819	139,809
LG Electronics Inc Chile	Scotiabank and others	113,982	126,445

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	Beneficiaries	September 30, 2020	December 31, 2019
Limitada(LGECL)			
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	97,413	92,877
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	85,952	111,189
LG Electronics Colombia Limitada(LGECB)	Citibank and others	74,925	92,663
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	HSBC	58,675	86,640
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	55,100	53,384
LG Electronics RUS, LLC(LGERA)	Citibank	46,940	83,652
LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	Citibank	46,940	57,890
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	35,767	35,298
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	31,837	54,173
LG Electronics Italia S.P.A.(LGEIS)	Intesa	27,388	25,949
LG Electronics Singapore Pte.Ltd.(LGESL)	HSBC and others	23,222	23,058
LG Electronics Japan, Inc.(LGEJP)	SMBC and others	22,241	21,269
P.T. LG Electronics Indonesia(LGEIN)	HSBC and others	17,603	23,156
Others	Citibank and others	58,058	154,696
Total		3,573,936	3,874,217

(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, 2019: ₩ 46,000 million).

(d) There are a number of legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the 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.

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, 2019: ₩ 165,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

receivables with KEB Hana Bank and 19 other banks amounting to ₩ 1,899,032 million (December 31, 2019: ₩ 1,895,310 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩ 950,000 million (December 31, 2019: ₩ 900,000 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 ₩ 1,190,000 million (December 31, 2019: ₩ 1,210,000 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 ₩ 690,820 million (December 31, 2019: ₩ 688,936 million).

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	September 30, 2020	December 31, 2019
Property, plant and equipment	122,864	167,585
Intangible assets	93,953	118,014
Investments in subsidiaries, associates and joint ventures	83,235	88,968
Total	300,052	374,567

(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. The future aggregate lease receipts under operating leases at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020				Total lease payments
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	
Healthcare rental	533,912	356,590	160,451	31,949	1,082,902

- ii) The Company recognized ₩ 425,750 million (September 30, 2019: ₩ 315,576 million) in lease income for the nine-month period ended September 30, 2020.

(g) Trademark license commitments

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

Purpose	Related products	Provided by	Used by
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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

30. Related Party

(a) Major transactions for the nine-month periods ended September 30, 2020 and 2019, and balances of receivables and payables from transaction with related parties as at September 30, 2020 and December 31, 2019, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2020					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁵	Total
Significantly influencing the Company	LG Corp.	279	-	279	-	104,848	104,848
Subsidiaries	LG Innotek Co., Ltd.	100,242	20,665	120,907	178,514	4,375	182,889
	Hiplaza Co., Ltd.	1,613,664	9,639	1,623,303	-	21,530	21,530
	LG Electronics U.S.A., Inc.	3,518,507	595	3,519,102	2,986	37,811	40,797
	LG Electronics Vietnam Hai Phong Co., Ltd	1,844,720	5,498	1,850,218	380,136	16,709	396,845
	LG Electronics do Brasil Ltda.	342,205	868	343,073	2,532	2,778	5,310
	LG Electronics Canada, Inc.	273,482	-	273,482	3	4,292	4,295
	Qingdao LG Inspur Digital Communication Co., Ltd.	138,753	20	138,773	53,400	1,171	54,571
	LG ELECTRONICS AUSTRALIA PTY LIMITED	232,437	51	232,488	-	3,003	3,003
	LG Electronics RUS, LLC	299,012	61	299,073	988	3,334	4,322
	LG ELECTRONICS INDIA PRIVATE LIMITED	162,887	45	162,932	20,684	2,313	22,997
	LG Electronics Deutschland GmbH	95,581	1,029	96,610	6,375	39,881	46,256
	LG Electronics Japan, Inc.	196,428	-	196,428	3,768	22,633	26,401
	LG Electronis Reynosa, S.A. De C.V.	229,045	181	229,226	1,665	-	1,665
	LG Electronics Mlawa Sp. z.O.O.	370,824	219	371,043	3,389	4,733	8,122
	LG Electronics Egypt S.A.E	68,686	66	68,752	-	494	494
	LG Electronics Nanjing New Technology co.,LTD	237,079	191	237,270	404,224	947	405,171
	LG Electronics Polska Sp. Z.O.O	115,781	1,448	117,229	1,220	3,416	4,636
	LG Electronics Panama, S.A.	63,737	21	63,758	4	555	559
	P.T. LG Electronics Indonesia	150,203	3,230	153,433	54,421	33	54,454
	LG Electronics (Hangzhou) Co., Ltd	158,070	61	158,131	21,444	2,225	23,669
	LG Electronics Colombia Ltda.	36,982	4	36,986	-	766	766
	LG Electronics (Tianjin) Appliances Co., Ltd.	44,255	691	44,946	154,206	54	154,260

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁵	Total
	LG Electronics Vehicle Components U.S.A., LLC.	139,596	71	139,667	1,712	23,823	25,535
	LG Electronics Mexico S.A. DE C.V.	105,274	41	105,315	-	979	979
	LG Electronics Peru S.A.	48,794	8	48,802	-	449	449
	LG Electronics European Shared Service Center B.V.	333,012	24,060	357,072	5	14,766	14,771
	Taizhou LG Electronics Refrigeration Co., Ltd.	76,612	142	76,754	209,042	581	209,623
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	146,458	146	146,604	8,934	360	9,294
	Hi-M.Solutek	58,913	178	59,091	185,176	59,671	244,847
	Others	1,983,537	7,188	1,990,725	137,235	269,171	406,406
	Subtotal	13,184,776	76,417	13,261,193	1,832,063	542,853	2,374,916
Associates	LG Display Co., Ltd. and its subsidiaries	213,289	74,261	287,550	538,957	580	539,537
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,673	-	1,673	16,347	79	16,426
	Robostar Co.,Ltd. and its subsidiaries	6	-	6	37,437	2,505	39,942
	ROBOTIS Co., Ltd.	-	-	-	-	27	27
	Korea Information Certificate Authority Inc. ²	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	468	468
	Subtotal	214,969	74,261	289,230	592,741	3,698	596,439
Joint ventures	LG-MRI LLC	5,196	-	5,196	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	102,875	3	102,878	90,885	205,083	295,968
	S&I Corp. and its subsidiaries ³	11,646	-	11,646	30,555	116,634	147,189
	LG Management Development Institute	8	-	8	8	18,940	18,948
	LG SPORTS Ltd.	3	19	22	-	9,035	9,035
	LG MMA Ltd.	1	-	1	-	-	-
	Subtotal	114,533	22	114,555	121,448	349,692	471,140
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	504,990	5,632	510,622	424,941	514	425,455
	LG INTERNATIONAL CORP and its subsidiaries	5,011	633	5,644	438,705	639,596	1,078,301
	LG Uplus Corp and its subsidiaries	151,303	49	151,352	2,257	2,144	4,401
	LG HAUSYS,LTD and its subsidiaries and associates	3,444	155	3,599	5,525	48	5,573
	Silicon Works Co., Ltd.	2,623	1,396	4,019	8,177	337	8,514

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁵	Total
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	46,604	1	46,605	111	7	118
	GIIR Inc. and its subsidiaries	28	-	28	123	136,392	136,515
	Subtotal	714,003	7,866	721,869	879,839	779,038	1,658,877
	Total	14,233,756	158,566	14,392,322	3,426,091	1,780,129	5,206,220

(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	799	-	799	-	106,796	106,796
Subsidiaries	LG Innotek Co., Ltd.	71,097	28,438	99,535	296,197	6,183	302,380
	Hiplaza Co., Ltd.	1,643,766	-	1,643,766	24,460	7	24,467
	LG Electronics U.S.A., Inc.	3,366,735	4,404	3,371,139	1,766	53,719	55,485
	LG Electronics Vietnam Haiphong Co., Ltd.	1,210,174	19,854	1,230,028	78,776	15,787	94,563
	LG Electronics do Brasil Ltda.	376,240	1,333	377,573	2,046	3,534	5,580
	LG Electronics Canada, Inc.	221,811	20	221,831	-	4,341	4,341
	Qingdao LG Inspur Digital Communication Co., Ltd.	205,751	11	205,762	83,936	752	84,688
	LG Electronics Australia Pty, Ltd.	217,491	113	217,604	54	4,179	4,233
	LG Electronics RUS, LLC	215,842	219	216,061	686	3,608	4,294
	LG Electronics India Pvt. Ltd.	228,660	10,667	239,327	5,088	2,162	7,250
	LG Electronics Deutschland GmbH	76,231	22,307	98,538	10,185	33,723	43,908
	LG Electronics Japan, Inc.	241,361	82	241,443	3,450	18,661	22,111
	LG Electronics Reynosa S.A. DE C.V.	296,128	97	296,225	409	31	440
	LG Electronics Mlawa Sp. z.O.O.	293,369	87	293,456	8,122	3,648	11,770
	LG Electronics Egypt S.A.E	69,535	934	70,469	-	477	477
	LG Electronics Nanjing New Technology Co.,Ltd.	200,415	-	200,415	351,733	1,958	353,691
	LG Electronics Polska Sp. Z.O.O	84,440	584	85,024	1,294	3,644	4,938
	LG Electronics Panama, S.A.	65,808	183	65,991	-	685	685
	P.T. LG Electronics Indonesia	98,008	132	98,140	50,249	381	50,630
	LG Electronics (Hangzhou) Co., Ltd.	140,862	53	140,915	20,209	2,092	22,301
	LG Electronics Colombia Limitada	45,890	24	45,914	-	647	647

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Tianjin Appliances Co., Ltd.	46,387	1,385	47,772	156,630	120	156,750
	LG Electronics Vehicle Components U.S.A, LLC	255,429	900	256,329	2,169	29,243	31,412
	LG Electronics Mexico S.A. DE C.V	81,718	17	81,735	-	659	659
	LG Electronics Peru S.A.	75,766	123	75,889	-	260	260
	LG Electronics European Shared Service Center B.V.	365,720	15,104	380,824	5	12,095	12,100
	Taizhou LG Electronics Refrigeration Co., Ltd.	73,548	81	73,629	199,494	847	200,341
	LG Electronics Nanjing Vehicle Components Co., Ltd.	36,212	2,306	38,518	2,775	55	2,830
	Hi-M.Solutek	47,834	-	47,834	189,953	-	189,953
	Others	2,397,206	6,370	2,403,576	293,753	224,077	517,830
	Subtotal	12,749,434	115,828	12,865,262	1,783,439	427,575	2,211,014
Associates	LG Display Co., Ltd. and its subsidiaries	726,487	71,861	798,348	739,301	3,774	743,075
	Ericsson-LG Co., Ltd. and its subsidiaries	106	-	106	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,828	-	1,828	22,459	318	22,777
	LG Fuel Cell Systems Inc. and its subsidiaries	49	510	559	13	69	82
	Robostar Co.,Ltd.	1	-	1	32,952	5,121	38,073
	ROBOTIS Co., Ltd.	-	-	-	-	202	202
	Korea Information Certificate Authority Inc. ²	1	-	1	-	64	64
	Kiwigrd GmbH ⁴	-	-	-	-	479	479
	Acryl Inc.	-	-	-	-	548	548
	Subtotal	728,472	72,371	800,843	794,725	10,575	805,300
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	28	-	28
	LG-MRI LLC	2,336	-	2,336	-	-	-
	Subtotal	2,336	-	2,336	28	-	28
Other related parties	LG CNS Co., Ltd. and its subsidiaries	110,988	2	110,990	70,660	217,765	288,425
	S&I Corp. and its subsidiaries ³	12,908	4,296	17,204	218,667	142,714	361,381
	LG Management Development Institute	2	-	2	7	20,462	20,469
	LG SPORTS Ltd.	3	21	24	-	10,825	10,825
	LG MMA Ltd.	1	-	1	-	-	-
	Subtotal	123,902	4,319	128,221	289,334	391,766	681,100

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

Classification	Name	2019					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	626,559	18,462	645,021	446,489	8,533	455,022
	LG INTERNATIONAL CORP and its subsidiaries	54,424	3,123	57,547	511,423	635,114	1,146,537
	LG Uplus Corp and its subsidiaries	364,009	34	364,043	1,194	1,795	2,989
	LG HAUSYS,LTD. and its subsidiaries and associates	4,771	234	5,005	1,182	341	1,523
	Silicon Works Co., Ltd.	2,056	2,253	4,309	9,184	-	9,184
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	5,914	1	5,915	162	212	374
	GIIR Inc. and its subsidiaries	155	47	202	76	164,273	164,349
	SERVEONE Co., Ltd. ²	48	2,492	2,540	144,761	27,591	172,352
Subtotal	1,057,936	26,646	1,084,582	1,114,471	837,859	1,952,330	
Total	14,662,879	219,164	14,882,043	3,981,997	1,774,571	5,756,568	

¹ Although the entities are not the related parties of the Company in accordance with Korean IFRS 1024, the entities belong to the Large Enterprise Group to which the Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

² All shares of Korea Information Certificate Authority Inc. were disposed during the nine-month period ended September 30, 2020.

³ SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

⁴ Kiwigrid GmbH was excluded from associates due to the loss of right to appoint a member of the board of directors during the nine-month period ended September 30, 2020.

⁵ Others include interest expense of lease liabilities.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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

(in millions of Korean won)

		September 30, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
Significantly influencing the LG Corp. Company		43	-	27,947	27,990	-	-	10,449	10,449
Subsidiaries	LG Innotek Co., Ltd.	59,461	-	15,323	74,784	73,285	-	23,753	97,038
	Hiplaza Co., Ltd.	246,402	-	26,694	273,096	-	-	8,686	8,686
	LG Electronics U.S.A., Inc.	885,782	-	426	886,208	-	-	6,713	6,713
	LG Electronics Vietnam Hai Phong Co., Ltd	298,080	-	1,234	299,314	507,687	-	1,772	509,459
	LG Electronics do Brasil Ltda.	81,721	-	28,819	110,540	1,421	-	578	1,999
	LG Electronics Canada, Inc.	114,601	-	-	114,601	-	-	635	635
	Qingdao LG Inspur Digital Communication Co., Ltd.	19,155	-	40,844	59,999	67,758	-	184	67,942
	LG ELECTRONICS AUSTRALIA PTY LIMITED	35,236	-	49	35,285	-	-	347	347
	LG Electronics RUS, LLC	159,314	-	218	159,532	730	-	381	1,111
	LG ELECTRONICS INDIA PRIVATE LIMITED	48,937	-	238	49,175	1,753	-	289	2,042
	LG Electronics Deutschland GmbH	345,732	-	380	346,112	-	-	4,590	4,590
	LG Electronics Japan, Inc.	35,079	-	-	35,079	-	-	2,491	2,491
	LG Electronis Reynosa, S.A. De C.V.	41,690	-	-	41,690	166,267	-	-	166,267
	LG Electronics Mlawa Sp. z.O.O.	142,537	-	15	142,552	691,271	-	245	691,516
	LG Electronics Egypt S.A.E	11,678	-	52,197	63,875	6,967	-	925	7,892
	LG Electronics Nanjing New Technology Co., Ltd.	30,632	-	1	30,633	279,812	-	94	279,906
	LG Electronics Polska Sp. Z.O.O	72,382	-	19	72,401	-	-	441	441
	LG Electronics Panama, S.A.	82,707	-	-	82,707	-	-	54	54
	P.T. LG Electronics Indonesia	23,710	-	1,942	25,652	254,758	-	7	254,765
	LG Electronics (Hangzhou) Co., Ltd.	60,419	-	44	60,463	1,565	-	1,701	3,266
	LG Electronics Colombia Ltda.	97,987	-	-	97,987	-	-	162	162
	LG Electronics (Tianjin) Appliances Co., Ltd.	12,503	-	10,951	23,454	59,039	-	52	59,091
	LG Electronics Vehicle	150,774	-	-	150,774	-	-	2,628	2,628

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

		September 30, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
	Components U.S.A., LLC.								
	LG Electronics Mexico S.A. DE C.V.	124,920	-	-	124,920	-	-	100	100
	LG Electronics Peru S.A.	73,869	-	-	73,869	-	-	31	31
	LG Electronics European Shared Service Center B.V.	29,845	-	-	29,845	-	725,793	3	725,796
	Taizhou LG Electronics Refrigeration Co., Ltd.	36,266	-	72	36,338	185,559	-	35	185,594
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	104,227	-	1,964	106,191	44,561	-	1,059	45,620
	Hi-M.Solutek	9,951	-	103	10,054	-	-	37,519	37,519
	Others	956,478	-	76,105	1,032,583	740,166	-	60,746	800,912
	Subtotal	4,392,075	-	257,638	4,649,713	3,082,599	725,793	156,221	3,964,613
Associates	LG Display Co., Ltd. and its subsidiaries	48,767	-	55,852	104,619	123,735	-	68,563	192,298
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	473	-	-	473	15,843	-	229	16,072
	Robostar Co.,Ltd. and its subsidiaries	-	-	-	-	396	-	15,218	15,614
	Acryl Inc.	-	-	-	-	-	-	172	172
	Subtotal	49,240	-	55,852	105,092	139,974	-	84,182	224,156
Joint ventures	LG-MRI LLC.	827	-	-	827	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	35,335	-	1,012	36,347	2,282	-	79,796	82,078
	S&I Corp. and its subsidiaries ²	6,277	-	47,167	53,444	-	-	56,461	56,461
	LG Management Development Institute	1	-	15,660	15,661	-	-	1,084	1,084
	LG SPORTS Ltd.	-	-	-	-	-	-	586	586
	Subtotal	41,613	-	63,839	105,452	2,282	-	137,927	140,209
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	267,255	-	168,646	435,901	224,585	-	30,710	255,295
	LG INTERNATIONAL CORP and its subsidiaries	13,839	-	75	13,914	151,348	-	150,164	301,512
	LG Uplus Corp and its subsidiaries	56,505	-	247	56,752	-	-	1,593	1,593
	LG HAUSYS,LTD and its subsidiaries and associates	1,369	-	115	1,484	1,385	-	505	1,890
	Silicon Works Co., Ltd.	-	-	-	-	2,739	-	713	3,452
	LG HOUSEHOLD &	4,040	-	25,490	29,530	-	-	595	595

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

		September 30, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
	HEALTH CARE LTD. and its subsidiaries								
	GIIR Inc. and its subsidiaries	-	-	7	7	-	-	104,644	104,644
	Subtotal	343,008	-	194,580	537,588	380,057	-	288,924	668,981
	Total	4,826,806	-	599,856	5,426,662	3,604,912	725,793	677,703	5,008,408

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
Significantly influencing the Company	LG Corp.	38	-	25,884	25,922	-	-	27,716	27,716
Subsidiaries	LG Innotek Co., Ltd.	42,548	-	5,851	48,399	61,571	-	18,853	80,424
	Hiplaza Co., Ltd.	157,004	-	25,881	182,885	-	-	7,466	7,466
	LG Electronics U.S.A., Inc.	146,000	-	123,082	269,082	-	-	9,901	9,901
	LG Electronics Vietnam Hai Phong Co., Ltd	330,415	-	959	331,374	211,406	-	2,113	213,519
	LG Electronics do Brasil Ltda.	95,804	-	42,281	138,085	1,291	-	669	1,960
	LG Electronics Canada, Inc.	25,781	-	-	25,781	-	-	832	832
	Qingdao LG Inspur Digital Communication Co., Ltd.	19,987	-	5,107	25,094	118,304	-	142	118,446
	LG ELECTRONICS AUSTRALIA PTY LIMITED	55,061	-	-	55,061	-	-	255	255
	LG Electronics RUS, LLC	57,771	-	77,911	135,682	631	-	316	947
	LG ELECTRONICS INDIA PRIVATE LIMITED	34,579	-	7,873	42,452	34	-	444	478
	LG Electronics Deutschland GmbH	192,597	-	49,979	242,576	-	-	6,112	6,112
	LG Electronics Japan, Inc.	21,340	-	-	21,340	-	-	3,159	3,159
	LG Electronis Reynosa, S.A. De C.V.	8,409	-	3,606	12,015	153,814	-	-	153,814
	LG Electronics Mlawa Sp. z.O.O.	48,560	-	11	48,571	903,612	-	219	903,831
	LG Electronics Egypt S.A.E	9,339	-	56,530	65,869	2,919	-	1,573	4,492
	LG Electronics Nanjing New Technology Co., Ltd.	41,432	-	174	41,606	208,782	-	359	209,141
	LG Electronics Polska Sp. Z.O.O	110,927	-	47	110,974	-	-	564	564
	LG Electronics Panama,	44,508	-	-	44,508	-	-	71	71

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
	S.A.								
	P.T. LG Electronics Indonesia	14,988	-	330	15,318	255,857	-	11	255,868
	LG Electronics (Hangzhou) Co., Ltd	46,101	-	1,124	47,225	4,411	-	1,477	5,888
	LG Electronics Colombia Ltda.	76,803	-	4	76,807	-	-	85	85
	LG Electronics (Tianjin) Appliances Co., Ltd.	11,284	-	11,619	22,903	54,918	-	14	54,932
	LG Electronics Vehicle Components U.S.A., LLC.	26,851	-	997	27,848	-	-	2,299	2,299
	LG Electronics Mexico S.A. DE C.V.	68,146	-	-	68,146	-	-	29	29
	LG Electronics Peru S.A.	79,532	-	37	79,569	-	-	61	61
	LG Electronics European Shared Service Center B.V.	16,960	-	13,257	30,217	-	493,023	5,076	498,099
	Taizhou LG Electronics Refrigeration Co., Ltd.	21,388	-	3,314	24,702	222,979	-	428	223,407
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	47,222	-	8,236	55,458	34,231	-	1,266	35,497
	Hi-M.Solutek	9,503	-	102	9,605	-	-	38,630	38,630
	Others	620,038	-	42,587	662,625	562,536	-	47,871	610,407
	Subtotal	2,480,878	-	480,899	2,961,777	2,797,296	493,023	150,295	3,440,614
Associates	LG Display Co., Ltd. and its subsidiaries	143,998	-	84,620	228,618	188,615	-	76,812	265,427
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	714	-	-	714	12,182	-	411	12,593
	Robostar Co.,Ltd.	-	-	-	-	-	-	25,151	25,151
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	145	145
	Korea Information Certificate Authority Inc. ³	-	-	-	-	-	-	18	18
	Acryl Inc.	-	-	-	-	-	-	229	229
	Subtotal	144,712	-	84,620	229,332	200,797	-	102,766	303,563
Joint ventures	LG-MRI LLC	2,311	-	-	2,311	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,512	-	987	20,499	18,324	-	115,892	134,216
	S&I Corp. and its subsidiaries ²	16,178	-	47,165	63,343	-	-	45,777	45,777
	LG Management Development Institute	-	-	15,660	15,660	-	-	810	810
	LG SPORTS Ltd.	-	-	-	-	-	-	2,311	2,311
	LG MMA Ltd.	341	-	-	341	-	-	-	-
	Subtotal	36,031	-	63,812	99,843	18,324	-	164,790	183,114

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	468,058	-	228,082	696,140	173,341	-	60,039	233,380
	LG INTERNATIONAL CORP and its subsidiaries	13,043	-	1,397	14,440	97,908	-	115,903	213,811
	LG Uplus Corp and its subsidiaries	5,820	-	98	5,918	-	-	551	551
	LG HAUSYS,LTD and its subsidiaries and associates	2,296	-	117	2,413	469	-	1,496	1,965
	Silicon Works Co., Ltd.	215	-	258	473	2,764	-	485	3,249
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	20,064	-	8,709	28,773	1	-	3,355	3,356
	GIIR Inc. and its subsidiaries	12	-	-	12	-	-	140,417	140,417
	Subtotal	509,508	-	238,661	748,169	274,483	-	322,246	596,729
	Total	3,173,478	-	893,876	4,067,354	3,290,900	493,023	767,813	4,551,736

¹ Although the entities are not the related parties of the Company in accordance with Korean IFRS 1024, the entities belong to the Large Enterprise Group to which the Company also belongs to in accordance with the Monopoly Regulation and Fair Trade Act.

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

³ All shares of Korea Information Certificate Authority Inc. were disposed during the nine-month period ended September 30, 2020.

⁴ Other payables include lease liabilities.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

iii) Significant capital transactions with related parties and others for the nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution	2020		2019	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments ³
Significantly influencing the Company	LG Corp.	-	41,321	-	-	-	-	20,707
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG ELECTRONICS INDIA PRIVATE LIMITED	211,626	-	-	-	-	-	-
	LG Electronics RUS, LLC	72,738	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	72,314	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	37,618	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	18,210	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	12,430	-	-	-	-	-	-
	LG Electronics Dubai FZE	12,193	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	10,804	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	4,664	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co.,Ltd.	1,779	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	430,776	230,960
	LG Electronics Fund I LLC	-	-	22,596	-	-	-	-
	Subtotal	457,272	-	22,596	-	-	430,776	230,960
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc. ¹	201	-	-	-	-	-	-
	Subtotal	8,451	-	-	-	-	-	-
Joint ventures	LG-LHT Aircraft Solutions GmbH	-	-	5,639	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	4,769	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY	-	-	300	-	-	-	-
	Subtotal	-	-	10,708	-	-	-	-
	Total	465,723	41,321	33,304	-	-	430,776	251,667

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2019		2019	
					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 Hitachi Water Solution Co., Ltd.	11,705	-	-	-	-	-	-
	Hi Entech Co., Ltd. ²	20,003	-	-	-	-	-	-
	LG Electronics RUS, LLC	57,345	-	-	-	-	-	-
	LG Electronics Nanjing New Technology Co., Ltd.	16,461	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	718	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	6,485	-	-	-	-	-	-
	LG Electronics Fund I LLC.	-	-	6,484	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	492,304	-
	LG Electronics Huizhou Ltd.	3,174	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	26,037	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	63,108	-	-	-	-	-	-
	Subtotal	207,932	-	6,484	-	-	492,304	-
Associates	LG HOLDINGS (HK) LIMITED.	-	-	(29,182)	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	702	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	1,234	-	-	-	-
	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	Robostar Co., Ltd.	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	Subtotal	307	-	(26,246)	-	-	-	-
	Total	208,239	41,321	(19,762)	-	-	492,304	-

¹ All shares of Korea Information Certificate Authority Inc. were disposed during the nine-month period ended September 30, 2020.

² All shares of Hi Entech Co., Ltd. were disposed to Techcross Vision Investment Inc. on September 26, 2019. And the name of Hi Entech Co., Ltd. was changed to Techcross Environmental Services Inc. On December 30, 2019, Techcross Environmental Services Inc. was excluded from the Large Enterprise Group in accordance with the Monopoly Regulations and Fair Trade Act.

³ Repayments of financing borrowing transactions include repayment of principal elements of lease liabilities.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

- (b) The compensation paid or payable to key management personnel for the nine-month periods ended September 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Salaries and other short-term benefits	10,041	15,622
Post-employment benefits	1,825	2,585
Other long-term benefits	77	80
Total	11,943	18,287

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.

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.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(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 September 30, 2020 and December 31, 2019, 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>	<u>September 30, 2020</u>		<u>December 31, 2019</u>	
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
USD/KRW	14,759	(14,759)	(52,607)	52,607
EUR/KRW	10,317	(10,317)	(14,797)	14,797

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 monitors both domestic and foreign interest rate trends to establish countermeasures against changes in interest rates.

If interest rates fluctuate by 1%p with all other variables held constant, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the nine-month periods ended September 30, 2020 and 2019, are as follows:

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	2020		2019	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	13,670	(13,670)	8,066	(8,066)
Interest expenses	3,903	(3,903)	3,747	(3,747)

iii) Details of derivative contracts are as follows:

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate <i>(paid) (%)</i>	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 530 (USD/KRW)	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017. 2. 2 ~ 2018. 6. 8	2020. 11. 23 ~ 2028. 6. 8	5,756	15,540
	HSBC Seoul	EUR 150 (EUR/KRW)	1,329.0	0.78	2020. 4. 28	2021. 4. 28	6,738	-
	DBS	SGD 140 (SGD/KRW)	859.3	1.21	2020. 7. 9	2024. 7. 9	1,677	-
Interest rate swap	Woori Bank and others	KRW 1,179,679 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8. 24	2023. 2. 24 ~ 2030. 7. 7	-	82,879

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

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	945,244	(1,319)
Interest rate swap	Borrowings	1,316,005	18,157

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	1,319	Interest expense and exchange differences	(7,966)	(6,647)	(30,175)
Interest rate swap	(18,157)	Interest expense	9,403	(8,754)	(58,277)

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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>	September 30, 2020		December 31, 2019	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	8,303	(8,303)	2,654	(2,654)

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

(b) Credit risk

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

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 rated by insurers, 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 ₩ 1,221,137 million (December 31, 2019: ₩ 1,247,063 million) and its risk is managed appropriately within insurer's credit limit of ₩ 2,506,219 million (December 31, 2019: ₩ 2,974,501 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(c) Liquidity risk

The Company forecasts its cash flow and liquidity status and sets action plans on a regular basis 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 liquidity risk arising from financial distress.

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

- i) Cash flow information on maturity of financial liabilities as at September 30, 2020, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	6,218,911	6,218,911	-	-	-
Borrowings	9,688,704	1,566,083	1,214,253	3,068,174	3,840,194
Lease liabilities	111,239	50,505	32,927	24,471	3,336
Other payables	1,522,662	1,522,412	250	-	-
Total	17,541,516	9,357,911	1,247,430	3,092,645	3,843,530

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 is as follows

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	3,619,936	2,876,910	265,798	201,455	275,773

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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 September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2020	December 31, 2019
Liability (A)	20,115,829	18,581,561
Equity (B)	9,935,167	8,893,330
Cash and cash equivalents (C)	1,822,697	918,795
Borrowings and lease liabilities (D)	8,650,407	8,348,358
Debt-to-equity ratio (A/B)	202.5%	208.9%
Net borrowings ratio ((D-C)/B)	68.7%	83.5%

Fair Value Estimation

(a) The book amount and fair value of the Company's financial assets and liabilities as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	26,659	1
Financial assets at fair value through other comprehensive income				
Trade receivables	49,494	1	-	-
Other financial assets				
Listed equity securities	-	-	34,121	34,121
Unlisted equity securities	-	-	30,787	1
Derivatives for hedging purposes				
Other financial assets	10,045	10,045	4,126	4,126
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,822,697	1	-	-
Deposits held by financial institutions	80,000	1	1,539	1,539
Trade receivables	5,500,064	1	-	-
Other receivables	688,316	1	198,994	187,407
Total	8,150,616		296,226	

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	September 30, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	98,419	98,419
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	6,218,911	¹	-	-
Borrowings	1,427,160	¹	7,116,602	7,365,492
Other payables	1,522,412	¹	250	246
Other liabilities				
Lease liabilities	47,153	²	59,492	²
Other financial liabilities	5,805	³	7,483	³
Total	9,221,441		7,282,246	
	December 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	21,282	¹
Financial assets at fair value through other comprehensive income				
Trade receivables	18,354	¹	-	-
Other financial assets				
Listed equity securities	-	-	10,835	10,835
Unlisted equity securities	-	-	27,679	¹
Derivatives for hedging purposes				
Other financial assets	2,298	2,298	1,804	1,804
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	918,795	¹	-	-
Deposits held by financial institutions	65,500	¹	1,489	1,489
Trade receivables	3,647,265	¹	-	-
Other receivables	845,345	¹	159,525	149,720
Total	5,497,557		222,614	

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	December 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	78,865	78,865
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,227,643	¹	-	-
Borrowings	1,054,088	¹	7,165,993	7,410,003
Other payables	1,900,869	¹	410	396
Other liabilities				
Lease liabilities	68,278	²	59,999	²
Other financial liabilities	7,351	³	9,167	³
Total	8,258,229		7,314,434	

¹ Excluded from disclosure such as fair value hierarchy and measurement method as the book amount is the reasonable approximate of fair value.

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

³ 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*, and excluded from disclosure as there is no significant difference between the book amount and its fair value.

(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 maximizes the use of market information and minimizes the use of unobservable inputs.

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

- Level 1: Financial instruments measured at the quoted prices in an active market for identical assets or liabilities are included in 'level 1'. Assets or liabilities categorized within 'level 1' are 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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

instrument is included in 'level 2'. Assets or liabilities categorized within 'level 2' are 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 listed equity securities classified as financial assets at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The 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.

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	34,121	-	-	34,121
Derivatives for hedging purposes	-	14,171	-	14,171
Liabilities				
Other financial liabilities				

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

<i>(in millions of Korean won)</i>	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Derivatives for hedging purposes	-	98,419	-	98,419

<i>(in millions of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	10,835	-	-	10,835
Derivatives for hedging purposes	-	4,102	-	4,102
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	78,865	-	78,865

The above fair value amounts are recurring fair value measurements.

- 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 September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2020	December 31, 2019		
Assets				
Other financial assets				
Derivatives for hedging purposes	14,171	4,102	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	98,419	78,865	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'.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

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

Financial instruments not measured at fair value but for which the fair value is disclosed as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,539	1,539
Non-current other receivables	-	-	187,407	187,407
Liabilities				
Non-current borrowings	-	-	7,365,492	7,365,492
Non-current other payables	-	-	246	246
<i>(in millions of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,489	1,489
Non-current other receivables	-	-	149,720	149,720
Liabilities				
Non-current borrowings	-	-	7,410,003	7,410,003
Non-current other payables	-	-	396	396

- 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'

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020		December 31, 2019		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	1,539	1,539	1,489	1,489	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	198,994	187,407	159,525	149,720	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.5% ~ 3.0%
Liabilities								
Non-current borrowings	7,116,602	7,365,492	7,165,993	7,410,003	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.2% ~ 3.0%
Non-current other payables	250	246	410	396	Discounted cash flow	Discount rate	Discount rate	1.1% ~ 1.2%

32. Assets Classified as Held for Sale

(a) Details of assets classified as held for sale as at September 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2020 ¹	December 31, 2019
Assets classified as held for sale		
Land	9,723	-
Building	3,552	-
Other property, plant and equipment	71	-
Total	13,346	-

¹At the end of the reporting period, procedure to sell the above assets is in progress and the selling procedure is expected to be completed by 2021.

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