

LG Electronics

Consolidated Interim Financial Statements
March 31, 2020 and 2019

LG Electronics

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March 31, 2020 and 2019

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at March 31, 2020, and the related consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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 consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Conclusion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to these consolidated interim financial statements of the Group, which describes management's plans and actions taken to deal with the uncertainty, relating to the impact of the spread of Coronavirus Disease-19 ("COVID-19") on the Group's productivity and ability to fulfill customer's orders, and such events or circumstances. This matter does not affect our conclusion.

Other Matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 16, 2020. The consolidated 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.

May 15, 2020
Seoul, Korea

<p>This report is effective as at May 15, 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 consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>

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Consolidated Interim Statements of Financial Position
March 31, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	5,32	4,862,760	4,777,368
Deposits held by financial institutions	5,32	148,928	65,971
Trade receivables	5,6,32	6,562,153	6,360,288
Other receivables	5,6,32	571,006	639,150
Other financial assets	5,7,32	26,852	5,138
Inventories	8	6,285,467	5,863,418
Current tax assets		136,957	148,340
Contract assets	9	695,022	671,519
Other current assets		1,194,627	1,207,547
Assets held for sale	34	14,406	14,746
		<u>20,498,178</u>	<u>19,753,485</u>
Non-current assets			
Deposits held by financial institutions	5,32	38,416	39,368
Other receivables	5,6,32	440,842	437,957
Other financial assets	5,7,32	107,272	96,503
Property, plant and equipment	10	14,464,981	14,505,419
Intangible assets	10	2,851,866	2,691,972
Deferred tax assets		1,573,332	1,668,430
Investments in associates and joint ventures	11	4,456,856	4,544,521
Investment properties		385	291
Net defined benefit assets	14	4	8
Contract assets	9	222,198	205,976
Other non-current assets		915,822	915,945
		<u>25,071,974</u>	<u>25,106,390</u>
Total assets		<u>45,570,152</u>	<u>44,859,875</u>
Liabilities			
Current liabilities			
Trade payables	5,32	7,197,050	6,820,644
Borrowings	5,12,32	1,746,418	1,643,656
Lease liabilities	5,13,32	274,952	274,245
Other payables	5,32	2,963,227	3,318,784
Other financial liabilities	5,7,32	5,741	7,175
Current tax liabilities		300,203	172,756
Provisions	15	725,746	824,479
Contract liabilities	9	1,310,916	1,219,507
Other current liabilities		2,626,609	3,376,670
		<u>17,150,862</u>	<u>17,657,916</u>
Non-current liabilities			
Borrowings	5,12,32	8,972,624	8,843,682
Lease liabilities	5,13,32	512,593	497,179
Other payables	5,32	1,150	1,202
Other financial liabilities	5,7,32	143,946	107,973
Deferred tax liabilities		132,156	128,407
Net defined benefit liabilities	14	680,871	592,937
Provisions	15	262,823	258,521
Contract liabilities	9	106,315	27,908
Other non-current liabilities		216,141	319,012
		<u>11,028,619</u>	<u>10,776,821</u>
Total liabilities		<u>28,179,481</u>	<u>28,434,737</u>

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Consolidated Interim Statements of Financial Position
March 31, 2020 and December 31, 2019

(in millions of Korean won)

	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Equity			
Paid-in capital:	16		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	17	12,746,687	11,857,302
Accumulated other comprehensive loss	18	(1,325,504)	(1,309,801)
Other components of equity	19	(209,764)	(209,764)
Equity attributable to owners of the Parent Company		15,203,767	14,330,085
Non-controlling interests		2,186,904	2,095,053
Total equity		17,390,671	16,425,138
Total liabilities and equity		45,570,152	44,859,875

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Consolidated Interim Statements of Profit or Loss
Three-month Periods Ended March 31, 2020 and 2019

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Three-month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Net sales	20	14,727,803	14,915,064
Cost of sales	21	10,834,056	11,170,047
Gross profit		3,893,747	3,745,017
Selling and marketing expenses	21,22	1,685,336	1,680,888
Administrative expenses	21,22	290,579	322,973
Research and development expenses	21,22	571,737	546,863
Service costs	21,22	255,691	293,654
Operating profit		1,090,404	900,639
Financial income	23	290,445	140,619
Financial expenses	24	405,645	218,755
Loss from equity method valuation	11	(77,143)	(23,223)
Other non-operating income	25	1,237,012	320,132
Other non-operating expenses	26	745,700	365,033
Profit before income tax		1,389,373	754,379
Income tax expense		302,642	176,414
Profit for the period		1,086,731	577,965
Profit for the period attributable to:			
Owners of the Parent Company		1,025,438	570,874
Non-controlling interests		61,293	7,091
		1,086,731	577,965
Earnings per share attributable to the owners of the Parent Company during the period (in Korean won):	27		
Earnings per ordinary share		5,694	3,169
Earnings per preferred share		5,706	3,182

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Consolidated Interim Statements of Comprehensive Income
Three-month Periods Ended March 31, 2020 and 2019

(in millions of Korean won)	Notes	Three-month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Profit for the period		1,086,731	577,965
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	14	1,835	(46,850)
Share of remeasurements of associates	11	(666)	(1,826)
Financial assets at fair value through other comprehensive income	7	(3,851)	22
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	76,902	63,354
Cash flow hedges	32	(53,756)	(13,482)
Exchange differences on translation of foreign operations		(1,549)	201,606
Other comprehensive income for the period, net of tax		18,915	202,824
Total comprehensive income for the period, net of tax		1,105,646	780,789
Comprehensive income for the period, net of tax, attributable to:			
Owners of the Parent Company		1,009,591	757,958
Non-controlling interests		96,055	22,831
Total comprehensive income for the period, net of tax		1,105,646	780,789

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Consolidated Interim Statements of Changes in Equity
Three-month Periods Ended March 31, 2020 and 2019

		Attributable to Owners of the Parent Company						
		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total	Non-controlling Interests	Total Equity
<i>(in millions of Korean won)</i>								
	Notes							
Balance at January 1, 2019		3,992,348	12,075,414	(1,604,730)	(209,764)	14,253,268	2,053,639	16,306,907
Changes in accounting policy		-	(8,336)	-	-	(8,336)	428	(7,908)
Restated total equity		<u>3,992,348</u>	<u>12,067,078</u>	<u>(1,604,730)</u>	<u>(209,764)</u>	<u>14,244,932</u>	<u>2,054,067</u>	<u>16,298,999</u>
Total comprehensive income (loss):								
Profit for the period		-	570,874	-	-	570,874	7,091	577,965
Remeasurements of the net defined benefit liability	14	-	(43,517)	-	-	(43,517)	(3,333)	(46,850)
Share of remeasurements of associates	11	-	(1,826)	-	-	(1,826)	-	(1,826)
Financial assets at fair value through other comprehensive income	7	-	-	(57)	-	(57)	79	22
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	-	-	63,354	-	63,354	-	63,354
Cash flow hedges	32	-	-	(13,483)	-	(13,483)	1	(13,482)
Exchange differences on translation of foreign operations		-	-	182,613	-	182,613	18,993	201,606
Total comprehensive income (loss)		<u>-</u>	<u>525,531</u>	<u>232,427</u>	<u>-</u>	<u>757,958</u>	<u>22,831</u>	<u>780,789</u>
Transactions with owners:								
Dividends	17	-	(135,909)	-	-	(135,909)	(4,204)	(140,113)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>	<u>(4,204)</u>	<u>(140,113)</u>
Balance at March 31, 2019 (Unaudited)		<u>3,992,348</u>	<u>12,456,700</u>	<u>(1,372,303)</u>	<u>(209,764)</u>	<u>14,866,981</u>	<u>2,072,694</u>	<u>16,939,675</u>
Balance at January 1, 2020		<u>3,992,348</u>	<u>11,857,302</u>	<u>(1,309,801)</u>	<u>(209,764)</u>	<u>14,330,085</u>	<u>2,095,053</u>	<u>16,425,138</u>
Total comprehensive income (loss):								
Profit for the period		-	1,025,438	-	-	1,025,438	61,293	1,086,731
Remeasurements of the net defined benefit liability	14	-	522	-	-	522	1,313	1,835
Share of remeasurements of associates	11	-	(666)	-	-	(666)	-	(666)
Financial assets at fair value through other comprehensive income	7	-	-	(3,608)	-	(3,608)	(243)	(3,851)
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	-	-	76,902	-	76,902	-	76,902
Cash flow hedges	32	-	-	(48,144)	-	(48,144)	(5,612)	(53,756)
Exchange differences on translation of foreign operations		-	-	(40,853)	-	(40,853)	39,304	(1,549)
Total comprehensive income (loss)		<u>-</u>	<u>1,025,294</u>	<u>(15,703)</u>	<u>-</u>	<u>1,009,591</u>	<u>96,055</u>	<u>1,105,646</u>
Transactions with owners:								
Dividends	17	-	(135,909)	-	-	(135,909)	(4,204)	(140,113)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>	<u>(4,204)</u>	<u>(140,113)</u>
Balance at March 31, 2020 (Unaudited)		<u>3,992,348</u>	<u>12,746,687</u>	<u>(1,325,504)</u>	<u>(209,764)</u>	<u>15,203,767</u>	<u>2,186,904</u>	<u>17,390,671</u>

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Consolidated Interim Statements of Cash Flows

Three-month Periods Ended March 31, 2020 and 2019

(in millions of Korean won)

	Notes	Three-month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	28	253,153	685,601
Interest received		31,596	30,473
Interest paid		(97,696)	(102,494)
Dividend received		393	390
Income tax paid		(83,476)	(176,446)
Net cash inflow from operating activities		103,970	437,524
Cash flows from investing activities			
Decrease in deposits held by financial institutions		1,605	3,354
Decrease in other receivables		31,988	53,967
Proceeds from redemption and disposal of other financial assets		28,680	13,277
Proceeds from disposal of property, plant and equipment		35,972	24,790
Proceeds from disposal of intangible assets		1,214	-
Proceeds from redemption and disposal of investment in associates and joint ventures		644,821	-
Transfer of business		-	529
Increase in deposits held by financial institutions		(13,513)	(2,438)
Increase in other receivables		(58,425)	(73,650)
Acquisition of other financial assets		(18,502)	(28,236)
Acquisition of property, plant and equipment		(522,102)	(540,594)
Acquisition of intangible assets		(248,977)	(131,944)
Acquisition of investments in associates and joint ventures		(3,463)	-
Business combination	33	-	(2,594)
Net cash outflow from investing activities		(120,702)	(683,539)
Cash flows from financing activities			
Proceeds from borrowings		698,755	600,996
Repayments of borrowings		(573,631)	(480,084)
Repayments of lease liabilities		(71,372)	(93,374)
Net cash inflow from financing activities		53,752	27,538
Effects of exchange rate changes on cash and cash equivalents		48,372	41,673
Net increase (decrease) in cash and cash equivalents		85,392	(176,804)
Cash and cash equivalents at the beginning of the period		4,777,368	4,270,388
Cash and cash equivalents at the end of the period		4,862,760	4,093,584

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Notes to the Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

1. General Information

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

As at March 31, 2020, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (collectively referred to as the “Group”) operate following six major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle component Solutions segment designs and manufactures automobile parts; Business Solutions segment manufactures and sells monitors, PCs, information displays, solar panels and others; and LG Innotek Co., Ltd. operates optics solutions, substrate materials and automotive components businesses. As at March 31, 2020, the Parent Company has 135 subsidiaries (Note 1 (a)), 16 associates and joint ventures (Note 11).

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Notes to the Consolidated Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(a) Consolidated subsidiaries as at March 31, 2020 and December 31, 2019, are as follows:

Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and retails of electronic products	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and sales of air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing services	More than half of voting rights
	Korea	LG Innotek Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund ¹	40.4%	59.6%	40.4%	59.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Business facility maintenance	More than half of voting rights
	Korea	ZKW Lighting Systems Korea Co., Ltd.	70.0%	30.0%	70.0%	30.0%	December	R&D	More than half of voting rights
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
China		LG Electronics (Kunshan) Co., Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
China		LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
China		LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
China		LG ELECTRONICS HK LIMITED(LGEHK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
China		LG Electronics (Huizhou) Inc.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
China		LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) ²	50.0%	50.0%	50.0%	50.0%	December	Production of electronic products	De-facto control
China		LG Electronics Nanjing New Technology Co.,LTD(LGENT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
China		LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
China		LG Electronics (Qinhuangdao) Co.,LTD(LGEQH)	100.0%	-	100.0%	-	December	Production of casting	More than half of voting rights
China		LG Electronics (Shenyang) Inc(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of electronic products	More than half of voting rights
China		LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
China		Nanjing LG Panda Appliances Co., Ltd(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
China		Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	100.0%	-	100.0%	-	December	Production of heater	More than half of voting rights
	China	QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	80.0%	20.0%	80.0%	20.0%	December	Installation and sales of air conditioners	More than half of voting rights
	China	LG Innotek Yantai Co.,Ltd.(LGITYT) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Huizhou Co.,Ltd.(LGITHZ) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co.,Ltd.(LGITSH) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	China	ZKW Lighting Systems (Dalian) Co. Ltd.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	China	HIPLAZA (Shenyang) Trading Co., Ltd.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Asia	Australia	LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	India	LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and sales of electronic products	More than half of voting rights
	Japan	LG Japan Lab. Inc.(LGJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Malaysia	LG Electronics (M) Sdn. Bhd(LGEML)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore Pte.Ltd.(LGESL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Thailand	LG Electronics (Thailand) Company Limited(LGETH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS) ⁴	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. ³	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	Indonesia	PT. LG Innotek Indonesia(LGITIN) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Co., Ltd.(LGITTW) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Vietnam	LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	99.8%	0.2%	December	Services	More than half of voting rights
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holding B.V.(LGEEH)	100.0%	-	100.0%	-	December	European holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S(LGEFS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A(LGEHS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.P.A.(LGEIS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia LTD(LGELA)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar K.F.T.(LGEMK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z.O.O.(LGEMA)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. Z.O.O(LGEPL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
UK		LG Electronics U.K. LTD(LGEUK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Poland		LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
Finland		LG Electronics Finland Lab Oy(LGEFL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
Poland		LG Innotek Poland Sp. z.o.o.(LGITPO) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
Austria		ZKW Holding GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
Austria		ZKW Group GmbH	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
Austria		ZKW Elektronik GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
Austria		ZKW Lichtsysteme GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
Austria		ZKW Austria Immobilien Holding GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
Austria		ZKW Austria Immobilien GmbH	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
Slovakia		ZKW Slovakia s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
Czech		KES - kabelove a elektricke systemy spol. s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Poland	KES Poland Sp.z o.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. de C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa, S.A. De C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	USA	Zenith Electronics LLC(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Innotek USA, Inc.(LGITUS) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	USA	LG Electronics Vehicle Components U.S.A., LLC.(LGEVU)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	USA	LGEUS Power, LLC	100.0%	-	100.0%	-	December	Investment of solar power plant	More than half of voting rights
	USA	LG Electronics Fund I LLC	100.0%	-	100.0%	-	December	Investment in technology start-ups	More than half of voting rights
	USA	LG Technology Ventures LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	LG CORP. U.S.A.	100.0%	-	100.0%	-	December	Real estates	More than half of voting rights
	USA	ZKW Lighting Systems USA, Inc.	70.0%	30.0%	70.0%	30.0%	December	Sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Inmobiliaria, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
	Mexico	ZKW Mexico, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Servicios, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
South America	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Limitada(LGECB)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	80.0%	20.0%	80.0%	December	Sales of electronic products	De-facto control
	Chile	LG Electronics Inc Chile Limitada(LGECL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela, S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Consulting Corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala, S.A.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Middle East and Africa	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and services of electronic products	More than half of voting rights
	Jordan	LG Electronics Levant - Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Morocco	LG Electronics Morocco S.A.R.L.(LGEMC)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Tunisia	LGENAF Service Company SARL	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co.Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of electronic products	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Other	Kazakhstan	LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK) ⁵	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine(LGEUR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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- ¹ Although the Group owns less than half of the voting rights of LG Innotek Co., Ltd., which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).
- ² Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.
- ³ Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.
- ⁴ In the preparation of the consolidated interim financial statements, the financial statements for the three-month period ended March 31, 2020 were used for those subsidiaries with different fiscal year ends.
- ⁵ JSC Electronics Almaty Kazakhstan changed its name to LG Electronics Almaty Kazakhstan Limited Liability Partnership during the three-month period ended March 31, 2020.

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(b) Financial information of major subsidiaries as at March 31, 2020 and December 31, 2019, and for the three-month periods ended March 31, 2020 and 2019, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	March 31, 2020			2020	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	4,984,761	2,951,468	2,033,293	1,946,866	70,636
LG Electronics U.S.A., Inc.(LGEUS)	4,529,206	3,386,412	1,142,794	2,832,116	114,650
LG Electronics European Shared Service Center B.V.(LGESC)	2,278,597	2,233,981	44,616	110,604	10,934
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	1,509,890	474,753	1,035,137	622,834	76,377
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	1,510,189	965,476	544,713	1,229,906	8,697
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,041,542	541,300	500,242	664,050	15,889
Zenith Electronics LLC(Zenith)	1,235,801	38,673	1,197,128	31,595	1,842
LG Electronics do Brasil Ltda.(LGEBR)	851,506	378,395	473,111	484,545	(5,340)
LG Electronics RUS, LLC(LGERA)	816,247	276,684	539,563	352,039	17,513
Hiplaza Co., Ltd.	954,690	792,258	162,432	635,762	(16,167)
LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH)	993,567	747,306	246,261	416,470	18,324
ZKW Lichtsysteme GmbH	864,517	466,484	398,033	194,836	1,705
LG Electronics (China) Co., Ltd(LGECH)	772,472	883,494	(111,022)	45,696	1,036
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	611,073	312,068	299,005	281,041	7,776
ZKW Group GmbH	709,371	397,550	311,821	765	2,366
LG Electronics Deutschland GmbH(LGEDG)	656,080	490,896	165,184	609,637	29,338
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	585,574	372,965	212,609	236,045	8,791
LG Electronics (Thailand) Company Limited(LGETH)	646,893	285,639	361,254	407,429	27,836
P.T. LG Electronics Indonesia(LGEIN)	625,094	211,843	413,251	325,607	17,161
LG Electronics Nanjing New Technology co.,LTD(LGENT)	495,852	262,503	233,349	357,870	16,254

<i>(in millions of Korean won)</i>	December 31, 2019			2019	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,070,125	3,093,240	1,976,885	1,306,409	(42,304)
LG Electronics U.S.A., Inc.(LGEUS)	4,198,780	3,212,631	986,149	2,945,309	167,990
LG Electronics European Shared Service Center B.V.(LGESC)	2,187,220	2,154,955	32,265	106,289	10,367
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	1,388,314	427,032	961,282	691,920	79,891
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	1,343,056	823,654	519,402	873,445	57,470
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,245,535	747,770	497,765	714,874	12,128
Zenith Electronics LLC(Zenith)	1,167,950	36,033	1,131,917	13,812	(2,717)
LG Electronics do Brasil Ltda.(LGEBR)	1,105,865	520,535	585,330	523,895	33,235
LG Electronics RUS, LLC(LGERA)	997,741	359,536	638,205	316,606	32,011
Hiplaza Co., Ltd.	886,765	708,045	178,720	772,065	5,276
LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH)	830,101	614,326	215,775	187,418	(1,928)
ZKW Lichtsysteme GmbH	821,432	441,363	380,069	233,979	7,448
LG Electronics (China) Co., Ltd(LGECH)	722,510	830,334	(107,824)	82,642	5,702
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	648,200	368,298	279,902	368,854	12,438

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<i>(in millions of Korean won)</i>	December 31, 2019			2019	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
ZKW Group GmbH	640,509	340,845	299,664	291	3,340
LG Electronics Deutschland GmbH(LGEDG)	630,537	500,620	129,917	489,654	(23,593)
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	607,191	411,382	195,809	268,251	11,072
LG Electronics (Thailand) Company Limited(LGETH)	589,208	244,389	344,819	403,661	9,149
P.T. LG Electronics Indonesia(LGEIN)	589,151	215,266	373,885	336,163	21,333
LG Electronics Nanjing New Technology co.,LTD(LGENT)	482,000	273,422	208,578	411,887	12,275

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

- LG Innotek Co., Ltd. and its subsidiaries

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,375,337	1,319,261

ii) Profit (loss) and dividends attributable to non-controlling interests for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Profit (loss) to non-controlling interests	50,307	(18,710)
Dividends to non-controlling interests	4,204	4,204

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Current assets	2,506,296	2,530,944
Non-current assets	3,251,644	3,239,836
Total assets	5,757,940	5,770,780
Current liabilities	1,993,940	2,046,234
Non-current liabilities	1,469,081	1,519,942
Total liabilities	3,463,021	3,566,176
Equity attributable to the owners of LG Innotek Co., Ltd.	2,294,919	2,204,604
Non-controlling interests	-	-
Total equity	2,294,919	2,204,604

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- iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2020 and 2019, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2020	2019
Net sales	2,010,875	1,368,630
Profit (loss) for the period	80,572	(32,995)
Other comprehensive income, net of tax	16,842	8,815
Total comprehensive income (loss), net of tax	97,414	(24,180)

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2020 and 2019, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2020	2019
Cash flows from operating activities	143,853	193,173
Cash flows from investing activities	(163,969)	(185,149)
Cash flows from financing activities	(199,838)	(20,051)
Effects of exchange rate changes on cash and cash equivalents	4,234	2,394
Net decrease in cash and cash equivalents	(215,720)	(9,633)
Cash and cash equivalents at the beginning of the period	799,575	621,247
Cash and cash equivalents at the end of the period	583,855	611,614

(d) Significant restrictions on subsidiaries

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

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

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

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

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

There are no changes in the Parent Company's interest in subsidiaries without the loss of control for the three-month periods ended March 31, 2020 and 2019.

- (f) There is no subsidiary newly included in the scope of the preparation of the consolidated interim financial statements for the three-month period ended March 31, 2020.

- (g) There is no subsidiary excluded from the scope of the preparation of the consolidated interim financial statements for the three-month period ended March 31, 2020.

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

During the three-month period ended March 31, 2020, no gain or loss was incurred from the loss of control.

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2. Significant Accounting Policies

Basis of Preparation

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

The Group's consolidated interim financial statements for the three-month period ended March 31, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at March 31, 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 Group. The amendments do not have a significant impact on the consolidated 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 consolidated 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*

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate

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benchmark reform exist. The exceptions assume 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 expected cash flows 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 consolidated interim financial statements.

- (b) There are no new, enacted and amended standards issued, but not effective for March 31, 2020, and not early adopted by the Group.

Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated interim financial statements for the year ended December 31, 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.

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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 Group, and the impact is expected to be continued to the consolidated annual financial statements in 2020.

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

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

(b) Impairment of Goodwill

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

(g) Development Costs

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

Significant Judgment on Accounting Policies Adopted by the Group

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

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4. Segment Information

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

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

(a) The segment information for sales and operating profit (loss) for the three-month periods ended March 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments ¹	Inter-segment transactions ²	
Sales	5,417,963	2,970,721	998,609	1,319,232	1,709,056	2,010,875	478,245	(176,898)	14,727,803
External sales	5,404,702	2,970,394	998,202	1,319,232	1,708,559	1,886,497	440,217	-	14,727,803
Internal sales	13,261	327	407	-	497	124,378	38,028	(176,898)	-
Operating profit (loss) ³	753,504	325,789	(237,790)	(96,780)	212,213	137,960	(4,492)	-	1,090,404
Depreciation and amortization	155,368	67,966	34,936	145,795	53,767	156,783	28,194	-	642,809
	2019								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments ¹	Inter-segment transactions ²	Total
Sales	5,465,943	3,121,511	1,510,373	1,346,995	1,651,291	1,368,630	662,832	(212,511)	14,915,064
External sales	5,457,984	3,120,908	1,509,305	1,346,982	1,649,022	1,208,979	621,884	-	14,915,064
Internal sales	7,959	603	1,068	13	2,269	159,651	40,948	(212,511)	-
Operating profit (loss) ³	727,586	247,272	(203,472)	(15,373)	167,946	(11,413)	(11,907)	-	900,639
Depreciation and amortization	152,218	67,558	41,112	104,560	68,908	139,166	28,450	-	601,972

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

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

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

(b) Segment assets and liabilities as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
H&A	19,322,441	11,024,824	18,401,578	10,601,109
HE	10,826,629	8,138,561	11,469,932	8,630,475
MC	3,767,581	7,083,355	3,909,919	7,009,620
VS	6,445,384	6,768,059	6,076,567	6,293,054
BS	5,418,037	4,025,879	5,118,346	3,904,482
Innotek	5,757,940	3,463,021	5,770,780	3,566,176
Subtotal¹	51,538,012	40,503,699	50,747,122	40,004,916
Other segments and inter-segment transactions	(5,967,860)	(12,324,218)	(5,887,247)	(11,570,179)
Total	45,570,152	28,179,481	44,859,875	28,434,737

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

(c) Non-current assets by geographic area as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Non-current assets ¹	
	March 31, 2020	December 31, 2019
Geographic areas		
Korea	12,112,488	12,044,015
China	1,064,222	1,061,738
Asia	1,073,280	1,050,815
North America	1,338,049	1,305,270
Europe	1,338,622	1,287,997
South America	116,842	144,053
Middle East & Africa	123,786	119,002
Russia and others	149,943	184,792
Total	17,317,232	17,197,682

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

(d) There is no external customer contributing to more than 10% of net sales for the three-month periods ended March 31, 2020 and 2019.

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5. Financial Instruments by Category

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

<i>(in millions of Korean won)</i>	March 31, 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	4,862,760	-	-	-	4,862,760
Deposits held by financial institutions	187,344	-	-	-	187,344
Trade receivables	5,886,098	676,055	-	-	6,562,153
Other receivables	1,011,848	-	-	-	1,011,848
Other financial assets	1,612	76,232	43,611	12,669	134,124
Total	11,949,662	752,287	43,611	12,669	12,758,229

<i>(in millions of Korean won)</i>	March 31, 2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	7,197,050	-	-	7,197,050
Borrowings	10,719,042	-	-	10,719,042
Lease liabilities	-	-	787,545	787,545
Other payables	2,964,377	-	-	2,964,377
Other financial liabilities	-	11,696	137,991	149,687
Total	20,880,469	11,696	925,536	21,817,701

<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	4,777,368	-	-	-	4,777,368
Deposits held by financial institutions	105,339	-	-	-	105,339
Trade receivables	5,747,968	612,320	-	-	6,360,288
Other receivables	1,077,107	-	-	-	1,077,107
Other financial assets	1,612	69,762	25,867	4,400	101,641
Total	11,709,394	682,082	25,867	4,400	12,421,743

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December 31, 2019				
<i>(in millions of Korean won)</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	6,820,644	-	-	6,820,644
Borrowings	10,487,338	-	-	10,487,338
Lease liabilities	-	-	771,424	771,424
Other payables	3,319,986	-	-	3,319,986
Other financial liabilities	-	14,345	100,803	115,148
Total	20,627,968	14,345	872,227	21,514,540

(b) Net gains or losses on each category of financial instruments for the three-month periods ended March 31, 2020 and 2019, are as follows:

2020					
<i>(in millions of Korean won)</i>	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	33,950	-	-	-	33,950
Exchange differences	281,458	19,706	-	-	301,164
Bad debt expenses	(8,102)	-	-	-	(8,102)
Loss on disposal of trade receivables	(1,445)	(1,962)	-	-	(3,407)
Dividend income	-	151	-	-	151
Loss on valuation of financial assets at fair value through profit or loss	-	-	(426)	-	(426)
Gain on derivatives (through profit or loss)	-	-	48,017	-	48,017
Fair value loss, net of tax (through other comprehensive income)	-	(3,851)	-	-	(3,851)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(3,548)	(3,548)

2020				
<i>(in millions of Korean won)</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(86,326)	-	(11,691)	(98,017)
Exchange differences	(543,924)	-	37,031	(506,893)
Loss on derivatives (through profit or loss)	-	(4,933)	-	(4,933)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(44,294)	(44,294)
Others	(1,032)	-	-	(1,032)

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<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	33,826	-	-	-	33,826
Exchange differences	57,521	1,478	-	-	58,999
Bad debt expenses	(245)	-	-	-	(245)
Loss on disposal of trade receivables	(2,018)	(2,858)	-	-	(4,876)
Dividend income	-	261	-	-	261
Gain on derivatives (through profit or loss)	-	-	14,601	-	14,601
Fair value gain, net of tax (through other comprehensive income)	-	22	-	-	22
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	40	40

<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	(96,945)	-	(5,374)	(102,319)
Exchange differences	(75,026)	-	9,561	(65,465)
Loss on derivatives (through profit or loss)	-	(15,897)	-	(15,897)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(13,522)	(13,522)
Others	(1,114)	-	-	(1,114)

6. Trade Receivables and Other Receivables

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

<i>(in millions of Korean won)</i>	March 31, 2020			December 31, 2019		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	6,676,630	(114,477)	6,562,153	6,471,588	(111,300)	6,360,288
Other receivables						
Current	587,928	(16,922)	571,006	655,673	(16,523)	639,150
Non-current	442,003	(1,161)	440,842	438,545	(588)	437,957

(b) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 2020 and 2019, are as follows:

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2020					
<i>(in millions of Korean won)</i>	At January 1	Addition (reversal)	Write-off	Other	At March 31
Trade receivables	111,300	4,259	(832)	(250)	114,477
Other receivables					
Current	16,523	3,268	-	(2,869)	16,922
Non-current	588	575	-	(2)	1,161

2019					
<i>(in millions of Korean won)</i>	At January 1	Addition (reversal)	Write-off	Other	At March 31
Trade receivables	91,015	312	(1,149)	794	90,972
Other receivables					
Current	12,893	(75)	(70)	233	12,981
Non-current	78	8	-	2	88

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

<i>(in millions of Korean won)</i>	March 31, 2020				December 31, 2019			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	5,694,530	560,256	419,440	6,674,226	5,597,436	622,192	421,649	6,641,277
Past due but not impaired								
Up to 6 months	724,743	9,054	14,989	748,786	634,275	15,934	13,460	663,669
7 to 12 months	36,166	594	4,995	41,755	20,937	568	1,844	23,349
Over 1 year	30,025	4,453	2,579	37,057	20,414	4,081	1,592	26,087
Subtotal	790,934	14,101	22,563	827,598	675,626	20,583	16,896	713,105
Impaired	191,166	13,571	-	204,737	198,526	12,898	-	211,424
Total	6,676,630	587,928	442,003	7,706,561	6,471,588	655,673	438,545	7,565,806

(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.

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7. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Other financial assets		
Derivatives	34,711	6,943
Financial assets at fair value through other comprehensive income	76,232	69,762
Financial assets at fair value through profit or loss	21,569	23,324
Financial assets at amortized cost	1,612	1,612
Total	134,124	101,641
Current	26,852	5,138
Non-current	107,272	96,503

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Other financial liabilities		
Derivatives	149,590	115,013
Financial guarantee liability	97	135
Total	149,687	115,148
Current	5,741	7,175
Non-current	143,946	107,973

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

<i>(in millions of Korean won)</i>	March 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	22,042	3,861	2,543	7,060
Cross-currency swap	4,810	1,799	2,595	-
Subtotal	26,852	5,660	5,138	7,060
Non-current				
Cross-currency swap	7,859	8,096	1,805	8,703
Interest rate swap	-	135,834	-	99,250
Subtotal	7,859	143,930	1,805	107,953
Total	34,711	149,590	6,943	115,013

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

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(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposal	Valuation	Other	At March 31
Listed equity securities	18,638	-	-	(5,248)	309	13,699
Unlisted equity securities	51,124	9,947	-	-	1,462	62,533
Total	69,762	9,947	-	(5,248)	1,771	76,232

<i>(in millions of Korean won)</i>	2019					
	At January 1	Acquisition	Disposal	Valuation	Other	At March 31
Listed equity securities	20,463	-	-	19	(9)	20,473
Unlisted equity securities	34,055	12,491	(9)	10	320	46,867
Debt securities	1,552	-	-	(21)	(3)	1,528
Total	56,070	12,491	(9)	8	308	68,868

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposal	Valuation	Other	At March 31
Unlisted equity securities	21,572	1,174	(2,569)	-	-	20,177
Debt securities	1,752	-	-	(426)	66	1,392
Total	23,324	1,174	(2,569)	(426)	66	21,569

<i>(in millions of Korean won)</i>	2019					
	At January 1	Acquisition	Disposal	Valuation	Other	At March 31
Unlisted equity securities	18,488	1,070	-	-	-	19,558
Debt securities	1,611	-	-	195	(2)	1,804
Total	20,099	1,070	-	195	(2)	21,362

(e) Financial assets at amortized cost

i) Maturity analysis of financial assets at amortized cost as at March 31, 2020 and December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Within one year	-	-
One to five years	1,612	1,612
Total	1,612	1,612

ii) The amount recognized as interest income in relation to financial assets at amortized cost for the three-month period ended March 31, 2020, was ₩7 million (March 31, 2019:

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₩8 million). No impairment losses were recognized in relation to financial assets at amortized cost for the three-month periods ended March 31, 2020 and 2019.

8. Inventories

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

<i>(in millions of Korean won)</i>	March 31, 2020			December 31, 2019		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,546,424	(86,156)	3,460,268	3,477,772	(119,958)	3,357,814
Work-in-process	405,132	(7,332)	397,800	376,397	(12,665)	363,732
Raw materials and supplies	2,287,845	(108,128)	2,179,717	2,039,659	(138,212)	1,901,447
Other	283,052	(35,370)	247,682	280,725	(40,300)	240,425
Total	6,522,453	(236,986)	6,285,467	6,174,553	(311,135)	5,863,418

9. Contract Assets and Contract Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Due from customers	654,100	614,294
(Less: allowance for doubtful accounts)	(8,584)	(9,769)
Right to recover returned products	81,181	88,312
Costs to fulfill contracts and others	190,523	184,658
Total	917,220	877,495
Current	695,022	671,519
Non-current	222,198	205,976

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Expected promotional incentives for customers	733,086	775,117
Expected returns from customers	123,314	133,539
Customer loyalty program	74,480	70,033
Rendering of warranty services	60,992	58,733
Due to customers and others	425,359	209,993
Total	1,417,231	1,247,415
Current	1,310,916	1,219,507
Non-current	106,315	27,908

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- (c) Revenue recognized in relation to contract liabilities for the three-month periods ended March 31, 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	80,627	131,072
Customer loyalty program	14,606	11,506
Rendering of warranty services	7,243	6,657
Total	102,476	149,235
Revenue recognized from performance obligations satisfied in previous periods	7,655	1,688

- (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 ₩833,164 million which were expected to be satisfied by 2024, at the latest. Also, as a practical expedient, the Group excluded performance obligation which was a part of a contract that had an original expected duration of one year or less.

- (e) For the three-month period ended March 31, 2020, the Group recognized a reversal of impairment loss amounting to ₩2,318 million (March 31, 2019: impairment loss of ₩184 million) in relation to due from customers, and amortization and other costs of ₩13,770 million (March 31, 2019: ₩41,925 million) in relation to costs to fulfill contracts.

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10. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	14,505,419	14,011,212
Acquisitions	441,813	574,058
Acquisitions from business combination	-	222
Reclassification to assets held for sale	-	(26,040)
Disposals and others	(23,823)	(53,437)
Depreciation	(540,315)	(505,993)
Impairment losses	(2,417)	(1,484)
Exchange differences	84,304	95,933
At March 31	14,464,981	14,094,471

(b) Line items including depreciation in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	413,778	393,177
Selling and marketing expenses	56,453	46,436
Administrative expenses	32,808	26,415
Research and development expenses	24,154	27,308
Service costs	8,565	5,671
Other non-operating expenses	4,557	6,986
Total	540,315	505,993

(c) Changes in right-of-use assets included in property, plant and equipment for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	875,491	707,243
Acquisitions	95,102	176,082
Disposals and others	(7,723)	(18,270)
Depreciation	(77,936)	(73,693)
Exchange differences	6,283	5,945
At March 31	891,217	797,307

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the three-month period ended March 31, 2020, was ₩2,038 million (March 31, 2019: ₩1,493 million).

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(d) Changes in intangible assets for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	2,691,972	2,985,830
Acquisitions	96,298	61,461
Acquisitions by internal development	171,557	89,212
Acquisitions from business combination	-	77
Reclassification to assets held for sale	-	(1)
Disposals and others	(14,113)	(13,752)
Amortization	(107,050)	(102,641)
Impairment losses	(2,413)	(19,276)
Exchange differences	15,615	1,127
At March 31	2,851,866	3,002,037

(e) Line items including amortization of intangible assets in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	66,460	57,274
Selling and marketing expenses	6,074	6,847
Administrative expenses	13,875	17,094
Research and development expenses	20,207	20,990
Service costs	434	431
Other non-operating expenses	-	5
Total	107,050	102,641

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11. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures

i) Carrying amounts of investments in associates and joint ventures, as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Associates	4,404,846	4,405,567
Joint ventures	52,010	138,954
Total	4,456,856	4,544,521

ii) Investments in associates as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020				December 31, 2019			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	4,309,187	(113,252)	4,195,935	679,218	4,298,463	(116,170)	4,182,293
Ericsson-LG Co., Ltd.	12,649	46,282	-	46,282	12,649	52,716	-	52,716
Hitachi-LG Data Storage Inc.(HLDS)	101,961	46,283	(1,140)	45,143	101,961	49,686	(1,176)	48,510
Korea Information Certificate Authority Inc.	1,745	5,550	-	5,550	1,745	5,518	-	5,518
One-Red, LLC ¹	-	-	-	-	2,257	2,260	-	2,260
Kiwigrig GmbH ²	13,019	7,292	-	7,292	13,019	7,873	-	7,873
CCP-LGE OWNER, LLC ²	11,652	11,276	-	11,276	11,652	11,288	-	11,288
ROBOTIS Co., Ltd. ²	9,000	8,915	-	8,915	9,000	9,086	-	9,086
Acryl Inc. ²	2,000	1,790	-	1,790	2,000	1,799	-	1,799
Robostar Co., Ltd.	88,112	83,517	(854)	82,663	88,112	85,158	(934)	84,224
Total	919,356	4,520,092	(115,246)	4,404,846	921,613	4,523,847	(118,280)	4,405,567

¹ It was liquidated during the three-month period ended March 31, 2020.

² The financial statements as at February 29, 2020 were used due to a different closing date.

iii) Investments in joint ventures as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020				December 31, 2019			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG HOLDINGS (HK) LIMITED ¹	-	-	-	-	47,449	88,301	-	88,301
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	14,718	32,351	(936)	31,415	14,718	31,396	(63)	31,333
EIC PROPERTIES PTE LTD.	9,636	15,645	-	15,645	9,636	15,696	-	15,696
LG-MRI LLC	516	1,070	-	1,070	516	1,216	-	1,216
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-
LG-LHT Aircraft Solutions GmbH	7,102	1,579	-	1,579	5,085	243	-	243

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<i>(in millions of Korean won)</i>	March 31, 2020				December 31, 2019			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG-LHT Passenger Solutions GmbH	5,700	1,417	-	1,417	4,553	1,600	-	1,600
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	891	884	-	884	591	565	-	565
Total	38,563	52,946	(936)	52,010	82,548	139,017	(63)	138,954

¹ It was disposed during the three-month period ended March 31, 2020.

(b) Associates and joint ventures

i) Associates as at March 31, 2020, are as follows:

Name of associate	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9	Production and supply of display products
Ericsson-LG Co., Ltd.	Korea	December	25.0	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	Production and supply of data storages
Korea Information Certificate Authority Inc. ¹	Korea	December	6.5	Certificate services
Kiwigrid GmbH ¹	Germany	December	16.3	Supply of energy management solutions
CCP-LGE OWNER, LLC ²	USA	December	70.2	Solar power plant
ROBOTIS Co., Ltd. ¹	Korea	December	8.5	Production and sales of personal robot
Acryl Inc. ¹	Korea	December	14.5	Development and sales of software
Robostar Co., Ltd.	Korea	December	33.4	Production and sales of industrial robot

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

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

ii) Joint ventures as at March 31, 2020, are as follows:

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

Name of joint venture	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	December	50.0	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	Real estate
LG-MRI LLC	USA	December	50.0	Production and supply of digital display products
Neolite ZKW Lightings PVT Ltd.	India	March	26.0	Production and sales of vehicle components

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

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

(c) Changes in investments in associates and joint ventures

i) Changes in the carrying amounts of investments in associates for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	4,405,567	5,386,252
Loss from equity method valuation	(75,188)	(26,009)
Share of other comprehensive income of associates	84,550	58,118
Withdrawal of investments by dividend / capital reduction / liquidation and others	(10,711)	(161)
Exchange differences	628	220
At March 31	4,404,846	5,418,420

ii) Changes in the carrying amounts of investments in joint ventures for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	138,954	151,304
Acquisition	3,463	-
Gain (loss) from equity method valuation	(1,955)	2,786
Share of other comprehensive income (loss) of joint ventures	(721)	3,410
Withdrawal of investments by dividend / capital reduction / liquidation and others	(349)	(337)
Disposal ¹	(87,413)	-
Exchange differences	31	17
At March 31	52,010	157,180

¹ The Group disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the three-month period ended March 31, 2020, and recognized gain on disposal of ₩640,124 million, net of related costs, in 'other non-operating expenses' (Note 25). The amount reclassified from accumulated other comprehensive income and included in gain on disposal was ₩7,593 million. ₩67,602 million of proceeds from the disposal are deposited in a financial institution to pay foreign withholding taxes.

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- (d) Summarized financial information of the associates that are material to the reporting entity as at March 31, 2020 and December 31, 2019, and for the three-month periods ended March 31, 2020 and 2019, is as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Current assets	10,158,676	10,248,315
Non-current assets	25,726,896	25,326,248
Total assets	35,885,572	35,574,563
Current liabilities	11,213,457	10,984,976
Non-current liabilities	12,109,055	12,101,306
Total liabilities	23,322,512	23,086,282
Equity attributable to the owners of LG Display Co., Ltd.	11,368,810	11,340,483
Non-controlling interests	1,194,250	1,147,798
Total equity	12,563,060	12,488,281

<i>(in millions of Korean won)</i>	2020	2019
Net sales	4,724,249	5,878,781
Loss for the period	(198,897)	(62,640)
Attributable to the owners of LG Display Co., Ltd.		
Loss for the period	(198,991)	(60,933)
Other comprehensive income, net of tax	227,318	152,715
Total comprehensive income, net of tax	28,327	91,782

There are no dividends received from LG Display Co., Ltd. for the three-month period ended March 31, 2020 (March 31, 2019: nil).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the three-month periods ended March 31, 2020 and 2019, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2020	2019
Opening equity attributable to owners of LG Display Co., Ltd.	11,340,483	13,979,188
Loss for the period	(198,991)	(60,933)
Other comprehensive income, net of tax	227,318	152,715
Dividends	-	-
Closing equity attributable to owners of LG Display Co., Ltd.	11,368,810	14,070,970
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	4,309,187	5,333,403
Unrealized gain	(113,252)	(112,053)
Carrying amount at the end of the reporting period	4,195,935	5,221,350

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- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month periods ended March 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Associates	Joint ventures	Associates	Joint ventures
Profit (loss) for the period	(2,773)	(1,067)	1,816	2,832
Other comprehensive income (loss), net of tax	(1,622)	(8,329)	235	3,409
Total comprehensive income (loss), net of tax	(4,395)	(9,396)	2,051	6,241

- (g) There are no accumulated unrecognized changes in equity due to discontinued use of the equity method as at March 31, 2020 and December 31, 2019.

- (h) Details of marketable investments in associates as at March 31, 2020 and December 31, 2019, are as follows:

	Type	March 31, 2020			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(in Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	11,100	1,505,438	4,195,935
Korea Information Certificate Authority Inc.	Associate	2,010,247	2,770	5,568	5,550
Robostar Co., Ltd.	Associate	3,256,500	10,200	33,216	82,663
ROBOTIS Co., Ltd.	Associate	961,550	7,750	7,452	8,915

	Type	December 31, 2019			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(in Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	16,250	2,203,906	4,182,293
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,785	7,609	5,518
Robostar Co., Ltd.	Associate	3,256,500	17,400	56,663	84,224
ROBOTIS Co., Ltd.	Associate	961,550	12,400	11,923	9,086

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12. Borrowings

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Current		
Short-term borrowings	460,211	271,541
Current portion of long-term borrowings	431,630	410,329
Current portion of debentures	854,577	961,786
Subtotal	1,746,418	1,643,656
Non-current		
Long-term borrowings	4,071,169	3,908,525
Debentures	4,901,455	4,935,157
Subtotal	8,972,624	8,843,682
Total	10,719,042	10,487,338

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2020(%)	Carrying amount	
			March 31, 2020	December 31, 2019
Short-term borrowings in local currency				
Nonghyup Bank and others	-	2.29 ~ 2.89	76,678	28,000
Short-term borrowings in foreign currency				
Citibank and others	-	0.65 ~ 6.20	383,533	243,541
Long-term borrowings in local currency				
Korea Development Bank and others	2035. 1. 9	1.92 ~ 3.79	3,065,602	2,914,870
Long-term borrowings in foreign currency				
KEB Hana Bank and others	2030. 8. 1	0.75 ~ 5.98	1,437,197	1,403,984
Local currency debentures				
Public, non-guaranteed bonds	2035. 2.25	1.62 ~ 4.44	4,170,000	4,230,000
Private, non-guaranteed bonds	2038. 4. 3	2.79 ~ 4.21	1,000,000	1,110,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028. 6. 8	1.76 ~ 3.04	403,458	382,074
Private, guaranteed bonds	2026.10.26	0.49 ~ 2.89	195,995	187,634
Less: discount on debentures			(13,421)	(12,765)
Total			10,719,042	10,487,338

The Group 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 32).

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13. Lease liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Lease liabilities		
Current	274,952	274,245
Non-current	512,593	497,179
Total	787,545	771,424

(b) The amounts, relating to leases, recognized in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Interest expense relating on lease liabilities	7,642	6,313
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	16,252	49,984
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)	8,747	4,179

Total expenses for leases including short-term leases and leases of low-value assets for the three-month period ended March 31, 2020, are ₩102,508 million (March 31, 2019: ₩153,758 million).

14. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Present value of funded obligations	3,641,217	3,567,014
Present value of unfunded obligations	58,575	61,713
Subtotal	3,699,792	3,628,727
Fair value of plan assets	(3,018,925)	(3,035,798)
Net defined benefit liabilities¹	680,867	592,929

¹ Net defined benefit assets are included.

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- (b) The amounts recognized in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Current service cost	96,210	90,490
Net interest cost	3,325	2,713
Operating management cost	790	954
Total	100,325	94,157

- (c) Line items in which expenses are included for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	49,542	48,338
Selling and marketing expenses	15,849	15,182
Administrative expenses	6,070	6,725
Research and development expenses	21,663	22,006
Service costs	7,201	1,906
Total	100,325	94,157

- (d) Movements in the present value of defined benefit obligations for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	3,628,727	3,215,859
Current service cost	96,210	90,490
Interest expense	20,353	20,340
Remeasurements for:		
- Actuarial loss (gain) arising from changes in financial assumptions	(4,772)	60,949
Benefits paid	(40,605)	(78,718)
Others	(121)	1,260
At March 31	3,699,792	3,310,180

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- (e) Movements in the fair value of plan assets for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	3,035,798	2,818,190
Interest income	17,028	17,627
Remeasurements of plan assets	(1,279)	(2,889)
Employer contributions	2,827	3,497
Benefits paid	(34,718)	(65,216)
Operating management cost	(790)	(954)
Others	59	266
At March 31	3,018,925	2,770,521

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

	March 31, 2020	December 31, 2019
Weighted average discount rate of the Group	2.3%	2.3%
Weighted average expected salary growth rate of the Group	4.9%	4.9%

As at March 31, 2020, the discount rates applied to the Parent Company and subsidiaries are between 0.2%~9.1% (December 31, 2019: 0.2%~8.0%), and the expected salary growth rates are between 1.0%~10.0% (December 31, 2019: 1.0%~10.0%).

- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at March 31, 2020, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(323,673)	375,361
Expected salary growth rate	355,785	(324,798)

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

Defined Contribution Plan

The expense recognized for the three-month period ended March 31, 2020 in relation to the defined contribution plan was ₩3,861 million (March 31, 2019: ₩5,375 million).

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15. Provisions

(a) Changes in provisions for the three-month periods ended March 31, 2020 and 2019, are as follows:

	2020			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	878,555	38,444	166,001	1,083,000
Additional provisions, net ¹	114,512	701	13,552	128,765
Utilizations	(211,414)	(288)	(8,898)	(220,600)
Exchange differences	1,721	126	(4,443)	(2,596)
At March 31	783,374	38,983	166,212	988,569
Current	702,136	17,948	5,662	725,746
Non-current	81,238	21,035	160,550	262,823

	2019			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	740,839	39,013	214,374	994,226
Additional provisions, net ¹	195,155	834	12,578	208,567
Utilizations	(179,391)	(2)	(12,782)	(192,175)
Exchange differences	5,183	232	1,348	6,763
At March 31	761,786	40,077	215,518	1,017,381
Current	666,681	17,674	9,218	693,573
Non-current	95,105	22,403	206,300	323,808

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

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16. Paid-in Capital

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

	Par value per share	March 31, 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 March 31, 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 Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

17. Retained Earnings

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Legal reserve ¹	209,527	195,933
Discretionary reserve	4,660,572	5,128,769
Unappropriated retained earnings ²	7,876,588	6,532,600
Total	12,746,687	11,857,302

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

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).

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18. Accumulated Other Comprehensive Loss

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Share of accumulated other comprehensive loss of associates and joint ventures	(88,853)	(165,755)
Cash flow hedge	(139,439)	(91,295)
Financial assets at fair value through other comprehensive income	(3,642)	(34)
Exchange difference on translation of foreign operations	(1,093,570)	(1,052,717)
Total	(1,325,504)	(1,309,801)

19. Other Components of Equity

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

<i>(in millions of Korean won)</i>	March 31, 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
Capital transactions within the Group	(176,945)	(176,945)
Total	(209,764)	(209,764)

¹ The Parent Company has treasury shares consisting of 763,173 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 Parent Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

20. Net Sales

(a) Details of net sales for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Revenue from contracts with customers:		
Sales of goods	14,307,845	14,521,172
Rendering of services	255,896	259,505
Royalty income	24,881	30,355
Subtotal	14,588,622	14,811,032
Revenue from other sources:		
Rental income and others	139,181	104,032
Total	14,727,803	14,915,064

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(b) Details of revenue from contracts with customers for the three-month periods ended March 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	5,269,344	2,967,202	997,542	1,317,642	1,706,825	1,886,338	443,729	-	14,588,622
Internal sales	13,177	327	407	-	497	124,378	36,768	(175,554)	-
	<u>5,282,521</u>	<u>2,967,529</u>	<u>997,949</u>	<u>1,317,642</u>	<u>1,707,322</u>	<u>2,010,716</u>	<u>480,497</u>	<u>(175,554)</u>	<u>14,588,622</u>
By type of products:									
Refrigerator/ washing machine/ air conditioner and others	4,348,574	-	-	-	-	-	-	(52)	4,348,522
TV	-	2,767,969	-	-	-	-	-	(340)	2,767,629
Mobile communications	-	-	997,949	-	-	-	-	(407)	997,542
In-vehicle infotainment	-	-	-	824,846	-	-	-	-	824,846
Monitor/PC and others	-	-	-	-	1,170,840	-	-	(457)	1,170,383
Camera module	-	-	-	-	-	1,334,305	-	(30,927)	1,303,378
Others	933,947	199,560	-	492,796	536,482	676,411	480,497	(143,371)	3,176,322
By major geographical market ¹ :									
Korea	1,684,291	278,383	139,324	190,853	587,818	1,923,223	480,497	(153,509)	5,130,880
North America	1,232,309	655,812	646,468	274,499	511,108	6,530	-	(38)	3,326,688
Asia	1,077,090	400,906	24,548	80,948	138,212	11,654	-	(9,137)	1,724,221
Europe	354,760	774,078	49,576	668,876	251,698	20,570	-	(124)	2,119,434
South America	211,876	388,303	129,254	12,446	64,983	-	-	-	806,862
Middle East & Africa	393,635	265,181	3,019	920	28,525	-	-	(37)	691,243
China	145,723	23,988	5,557	89,100	98,407	48,739	-	(12,699)	398,815
Russia and others	182,837	180,878	203	-	26,571	-	-	(10)	390,479
Timing of transfer:									
Transferred at a point in time	5,163,156	2,927,666	965,925	1,283,824	1,698,074	2,010,716	133,767	(139,775)	14,043,353
Transferred over time	119,365	39,863	32,024	33,818	9,248	-	346,730	(35,779)	545,269

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(in millions of Korean won)	2019								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	5,357,774	3,117,593	1,508,694	1,346,712	1,647,304	1,208,863	624,092	-	14,811,032
Internal sales	7,959	568	1,068	13	2,268	159,648	39,511	(211,035)	-
	<u>5,365,733</u>	<u>3,118,161</u>	<u>1,509,762</u>	<u>1,346,725</u>	<u>1,649,572</u>	<u>1,368,511</u>	<u>663,603</u>	<u>(211,035)</u>	<u>14,811,032</u>
By type of products:									
Refrigerator/ washing machine/ air conditioner and others	4,561,345	-	-	-	-	-	-	(1,965)	4,559,380
TV	-	2,807,395	-	-	-	-	-	(565)	2,806,830
Mobile communications	-	-	1,509,762	-	-	-	-	(1,057)	1,508,705
In-vehicle infotainment	-	-	-	771,465	-	-	-	(8)	771,457
Monitor/PC and others	-	-	-	-	1,302,430	-	-	(2,268)	1,300,162
Camera module	-	-	-	-	-	666,062	-	(59,299)	606,763
Others	804,388	310,766	-	575,260	347,142	702,449	663,603	(145,873)	3,257,735
By major geographical market ¹ :									
Korea	1,933,324	300,012	308,529	223,961	619,818	1,273,924	650,480	(196,885)	5,113,163
North America	1,108,306	700,282	926,202	264,033	361,468	1,951	-	(54)	3,362,188
Asia	1,014,141	413,185	49,971	58,768	214,732	10,097	1	(7,966)	1,752,929
Europe	328,466	768,893	44,823	655,380	285,749	5,974	-	(190)	2,089,095
South America	221,449	452,202	152,722	13,128	68,703	-	-	(1)	908,203
Middle East & Africa	341,206	254,697	9,157	-	31,830	-	-	(36)	636,854
China	273,056	58,161	17,265	131,455	34,642	76,565	13,122	(5,902)	598,364
Russia and others	145,785	170,729	1,093	-	32,630	-	-	(1)	350,236
Timing of transfer:									
Transferred at a point in time	5,276,480	3,095,271	1,479,868	1,304,200	1,642,050	1,368,511	80,108	(175,677)	14,070,811
Transferred over time	89,253	22,890	29,894	42,525	7,522	-	583,495	(35,358)	740,221

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

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

Due to the factors causing the changes in the costs of VS and other segments during the three-month period ended March 31, 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 three-month periods ended March 31, 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 March 31, 2020	Impact on profit or loss for the succeeding periods
VS	6,221	13,052	(4,904)	(1,927)
Other segments	26,372	4,796	10,660	10,916
Total	32,593	17,848	5,756	8,989

21. Expenses by Nature

Expenses that are recorded by nature for the three-month periods ended March 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020	2019
Changes in finished goods and work-in-process	(184,699)	(147,346)
Raw materials and merchandise used	8,608,710	8,984,336
Employee benefit expense	1,924,168	1,839,482
Depreciation and amortization	642,809	601,972
Advertising expense	173,855	166,396
Promotion expense	142,197	154,962
Freight expense	423,982	418,686
Commission expense	883,066	812,390
Other expenses	1,023,311	1,183,547
Total¹	13,637,399	14,014,425

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

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

Details of general operating expenses for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Salaries	747,012	739,377
Post-employment benefits	56,538	50,482
Employee welfare benefits	170,624	148,502
Freight expense	414,328	411,580
Rental expense	23,167	39,711
Commission expense	615,214	577,988
Depreciation	121,981	106,159
Amortization	40,590	45,362
Advertising expense	173,855	166,396
Promotional expense	142,197	154,962
R&D expense	112,611	58,667
Direct service costs	91,748	157,060
Bad debts expense	1,941	496
Others	91,537	187,636
Total	2,803,343	2,844,378

23. Financial Income

Financial income for the three-month periods ended March 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Interest income	33,950	33,826
Exchange differences	241,771	103,266
Gain on derivatives	14,724	3,527
Total	290,445	140,619

24. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020	2019
Interest expense	98,017	102,319
Exchange differences	299,163	105,159
Loss on derivatives	4,026	5,287
Loss on disposal of trade receivables	3,407	4,876
Others	1,032	1,114
Total	405,645	218,755

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25. Other Non-operating Income

Other non-operating income for the three-month periods ended March 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Dividend income	151	261
Exchange differences	550,896	294,560
Gain on derivatives	35,971	11,290
Gain on disposal of property, plant and equipment	4,222	3,623
Gain on disposal of intangible assets	22	-
Gain on disposal of investments in associates and joint ventures	640,124	-
Others	5,626	10,398
Total	1,237,012	320,132

26. Other Non-operating Expenses

Other non-operating expenses for the three-month periods ended March 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020	2019
Exchange differences	688,572	295,093
Loss on derivatives	3,585	10,826
Loss on disposal of property, plant and equipment	10,512	20,183
Impairment loss on property, plant and equipment	2,476	1,546
Loss on disposal of intangible assets	9,858	7,226
Impairment loss on intangible assets	2,413	19,276
Loss on valuation of financial assets at fair value through profit or loss	426	-
Loss on disposal of investments in associates and joint ventures	1,369	-
Others	26,489	10,883
Total	745,700	365,033

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27. Earnings per Share

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

- (a) Basic earnings per ordinary share for the three-month periods ended March 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shares (in millions of Korean won)	927,400	516,209
Weighted average number of ordinary shares outstanding (unit: shares)	162,884,641	162,884,641
Basic earnings per ordinary share (in Korean won)	5,694	3,169

- (b) Basic earnings per preferred share for the three-month periods ended March 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Profit attributable to preferred shares (in millions of Korean won)	98,038	54,665
Weighted average number of preferred shares outstanding (unit: shares)	17,181,300	17,181,300
Basic earnings per preferred share (in Korean won)	5,706	3,182

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28. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the three-month periods ended March 31, 2020 and 2019, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2020	2019
Profit for the period	1,086,731	577,965
Adjustments:		
Interest expense, net	64,067	68,493
Exchange differences, net	113,643	5,681
Loss (gain) on derivatives, net	(43,084)	1,296
Depreciation	540,315	505,993
Amortization	107,050	102,641
Loss on disposal of property, plant and equipment and intangible assets, net	16,126	23,786
Provisions for severance benefits	100,325	94,157
Additional provisions, net	128,765	208,567
Income tax expense	302,642	176,414
Loss from equity method valuation	77,143	23,223
Gain on disposal of investments in associates and joint ventures	(638,755)	-
Other	(7,794)	63,033
	<u>760,443</u>	<u>1,273,284</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(135,406)	(665,577)
Decrease in other receivables	88,240	79,517
Increase in inventories	(364,589)	(37,242)
Decrease (increase) in contract assets	(15,378)	39,750
Increase in other assets	(21,418)	(125,303)
Increase in trade payables	145,119	382,453
Decrease in other payables	(343,734)	(632,878)
Decrease in provisions	(220,600)	(192,175)
Increase (decrease) in contract liabilities	(72,173)	156,726
Decrease in other liabilities	(630,409)	(140,136)
Payment of defined benefit liability	(5,887)	(13,502)
Deposit in plan assets, net	(17,786)	(17,281)
	<u>(1,594,021)</u>	<u>(1,165,648)</u>
Cash generated from operations	<u>253,153</u>	<u>685,601</u>

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(b) Changes in liabilities from financing activities

<i>(in millions of Korean won)</i>	2020						
	At January 1	Net cash flows from financing activities	Non-cash transactions				At March 31
			Additions	Exchange differences (profit/loss)	Amortization and others	Effects of exchange rate changes	
Short-term borrowings	271,541	188,137	-	15,406	-	(14,873)	460,211
Long-term borrowings	4,318,854	108,306	-	36,981	18	38,640	4,502,799
Debentures	5,896,943	(171,319)	-	29,640	768	-	5,756,032
Lease liabilities	771,424	(71,372)	81,644	666	1,505	3,678	787,545
Total	11,258,762	53,752	81,644	82,693	2,291	27,445	11,506,587

<i>(in millions of Korean won)</i>	2019						
	At January 1	Net cash flows from financing activities	Non-cash transactions				At March 31
			Additions	Exchange differences (profit/loss)	Amortization and others	Effects of exchange rate changes	
Short-term borrowings	293,221	47,164	-	6,151	-	12,599	359,135
Long-term borrowings	4,370,696	58,592	-	(8,882)	17	16,729	4,437,152
Debentures	6,237,269	15,156	-	5,430	1,083	-	6,258,938
Lease liabilities	622,459	(93,374)	156,594	(1)	92	(1,318)	684,452
Total	11,523,645	27,538	156,594	2,698	1,192	28,010	11,739,677

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of construction-in-progress to property, plant and equipment	218,781	197,362
Reclassification of construction-in-progress to intangible assets	76,757	123,462
Reclassification of current portion of borrowings and debentures	474,968	544,187
Other payables to acquire property, plant and equipment	248,139	216,725
Other payables to acquire intangible assets	2,781	2,523
Acquisition of right-of-use assets	95,102	176,082

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

- Transfer of water solution business

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

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

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

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29. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land, buildings) with the pledged amount of ₩212,054 million (December 31, 2019: ₩207,854 million) and the book amount of pledged assets is ₩228,910 million (December 31, 2019: ₩276,924 million). In addition, the Group provided buildings as collateral to Shinhan Bank, the mortgagee, in order to guarantee obligations of landlords, who leased the land to the Group, with the pledged amount of ₩6,480 million (December 31, 2019: ₩7,680 million), and the book amount of pledged assets is ₩1,484 million (December 31, 2019: ₩1,536 million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩261,217 million (December 31, 2019: ₩261,921 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company and LG Innotek Co., Ltd. are provided with guarantee of principal amounting to EUR 100 million and USD 50 million (December 31, 2019: EUR 100 million, USD 50 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2019: ₩46,000 million). Also, LG Electronics U.S.A., Inc., a subsidiary, provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 5 million (December 31, 2019: USD 6.25 million).

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

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

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30. Commitments

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2019: ₩165,500 million).

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2019: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩390,925 million (December 31, 2019: ₩346,642 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩1,507,801 million (December 31, 2019: ₩1,509,846 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,044,221 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 ₩900,000 million (December 31, 2019: ₩900,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩1,020,871 million (December 31, 2019: ₩735,203 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 547 million (December 31, 2019: USD 665 million), and have sales agreements for trade receivables with a limit of USD 500 million (December 31, 2019: USD 500 million) with Credit Agricole. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩1,000 million (December 31, 2019: ₩1,000 million) in connection with the collection of the trade receivables.

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,210,000 million (December 31, 2019: ₩1,210,000 million) in connection with the payment of trade payables.

In addition, LG Innotek Co., Ltd., a subsidiary, has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and others for up to ₩204,000 million (December 31, 2019: ₩204,000 million) in connection with the payment of trade payables, where under the contracts the vendors of LG Innotek Co., Ltd. can transfer their receivables to these banks.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩38,900 million limit (December 31, 2019: ₩38,900 million) in connection with the

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payment of trade payables.

(d) At the end of the reporting period, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2019: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩3,223,355 million (December 31, 2019: ₩3,471,626 million). In addition, the limit of long-term borrowing agreements that LG Innotek Co., Ltd. commits to additionally have after the end of the reporting period is ₩100,000 million (December 31, 2019: ₩100,000 million).

(f) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Property, plant and equipment	217,351	214,719
Intangible assets	132,790	137,951
Investments in associates and joint ventures	89,176	88,968
Total	439,317	441,638

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

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

<i>(in millions of Korean won)</i>	March 31, 2020				Total lease payments
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	
Healthcare rental	527,474	405,525	210,997	39,879	1,183,875
Real estate rental	88	-	-	-	88
Total	527,562	405,525	210,997	39,879	1,183,963

- ii) The Group recognized ₩131,747 million (March 31, 2019: ₩96,314 million) in lease income for the three-month period ended March 31, 2020.

(h) Trademark license commitments

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

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

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31. Related Party

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

i) Major income and expense transactions with related parties

(in millions of Korean won)

		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	41	-	41	-	38,975	38,975
Associates	LG Display Co., Ltd. and its subsidiaries	134,336	24,383	158,719	740,376	286	740,662
	Hitachi-LG Data Storage Inc. and its subsidiaries	296	-	296	13,550	21	13,571
	Korea Information Certificate Authority Inc.	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	156	156
	ROBOTIS Co., Ltd.	-	-	-	-	19	19
	Robostar Co., Ltd.	3	-	3	15,912	15	15,927
	Subtotal	134,636	24,383	159,019	769,838	536	770,374
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	18,053	-	18,053	34,458	-	34,458
	LG HOLDINGS (HK) LIMITED and its subsidiaries ²	-	-	-	-	472	472
	EIC PROPERTIES PTE LTD.	-	-	-	-	205	205
	LG-MRI LLC	3,470	-	3,470	15,980	-	15,980
	Subtotal	21,523	-	21,523	50,438	677	51,115
Other related parties	LG CNS Co., Ltd. and its subsidiaries	35,554	28	35,582	36,774	108,488	145,262
	S&I Corp. and its subsidiaries ³	4,509	-	4,509	26,506	23,490	49,996
	LG Management Development Institute	2	-	2	1	6,323	6,324
	LG SPORTS Ltd.	4	-	4	-	2,163	2,163
	LG MMA Ltd.	27	-	27	34	-	34
	LG Holdings Japan Co., Ltd.	5	-	5	-	928	928
	Subtotal	40,101	28	40,129	63,315	141,392	204,707
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	295,287	4,694	299,981	253,133	129	253,262
	LG INTERNATIONAL CORP and its subsidiaries	10,726	247	10,973	712,913	411,289	1,124,202
	LG Uplus Corp and its subsidiaries	29,745	45	29,790	10,559	70	10,629
	LG HAUSYS,LTD. and its subsidiaries and associates	2,061	148	2,209	2,916	41	2,957
	Silicon Works Co., Ltd.	6,144	685	6,829	3,117	-	3,117
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	18,979	-	18,979	146	233	379
	G IIR Inc. and its subsidiaries	1,526	-	1,526	1	72,400	72,401
	Subtotal	364,468	5,819	370,287	982,785	484,162	1,466,947
	Total	560,769	30,230	590,999	1,866,376	665,742	2,532,118

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(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	9	-	9	212	39,409	39,621
Associates	LG Display Co., Ltd. and its subsidiaries	431,046	20,703	451,749	957,672	2,451	960,123
	Hitachi-LG Data Storage Inc. and its subsidiaries	370	-	370	20,884	153	21,037
	LG Fuel Cell Systems Inc. and its subsidiaries	199	-	199	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	22	22
	Acryl Inc.	-	-	-	-	167	167
	Kiwigrid GmbH	-	-	-	-	188	188
	ROBOTIS Co., Ltd.	-	-	-	10,060	2,134	12,194
	Robostar Co., Ltd.	-	-	-	12,937	2,135	15,072
	Subtotal		431,615	20,703	452,318	1,001,553	7,250
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	10,318	-	10,318	15,634	-	15,634
	LG HOLDINGS (HK) LIMITED and its subsidiaries ²	-	-	-	-	566	566
	EIC PROPERTIES PTE LTD.	-	-	-	-	198	198
	LG-MRI LLC	384	-	384	10,182	-	10,182
	Subtotal	10,702	-	10,702	25,816	764	26,580
Other related parties	LG CNS Co., Ltd. and its subsidiaries	43,540	1	43,541	28,494	77,217	105,711
	S&I Corp. and its subsidiaries ³	15,026	3,105	18,131	276,278	79,423	355,701
	LG Management Development Institute	-	-	-	1	7,543	7,544
	LG SPORTS Ltd.	4	-	4	-	2,260	2,260
	LG MMA Ltd.	-	-	-	51	-	51
	LG Holdings Japan Co., Ltd.	5	-	5	-	835	835
	LG Corp. U.S.A. ⁴	350	-	350	-	-	-
Subtotal	58,925	3,106	62,031	304,824	167,278	472,102	
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	235,549	324	235,873	253,325	8,323	261,648
	LG INTERNATIONAL CORP and its subsidiaries	23,066	2,418	25,484	751,574	465,592	1,217,166
	LG Uplus Corp and its subsidiaries	94,541	8	94,549	13,424	1,398	14,822
	LG HAUSYS,LTD. and its subsidiaries and associates	2,330	-	2,330	144	1	145
	Silicon Works Co., Ltd.	6,132	764	6,896	3,068	-	3,068
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	462	-	462	86	68	154
	G I R Inc. and its subsidiaries	1,127	26	1,153	2	83,298	83,300
	Subtotal	363,207	3,540	366,747	1,021,623	558,680	1,580,303
Total	864,458	27,349	891,807	2,354,028	773,381	3,127,409	

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

² All shares of LG HOLDINGS (HK) LIMITED were disposed to RECO CHANGAN PRIVATE LIMITED on March 20, 2020.

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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 LG Electronics U.S.A., Inc., a subsidiary, acquired all shares of LG CORP. U.S.A. from LG Corp. on October 30, 2019.

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

(in millions of Korean won)

		March 31, 2020							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
Significantly influencing the Group	LG Corp.	43	-	27,177	27,220	-	-	62,862	62,862
Associates	LG Display Co., Ltd. and its subsidiaries	148,559	-	62,586	211,145	458,517	-	92,230	550,747
	Hitachi-LG Data Storage Inc. and its subsidiaries	242	-	-	242	21,279	-	235	21,514
	Korea Information Certificate Authority Inc.	-	-	201	201	-	-	43	43
	Acryl Inc.	-	-	-	-	-	-	229	229
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	22	22
	Robostar Co., Ltd.	-	-	-	-	1,492	-	27,732	29,224
	Subtotal	148,801	-	62,787	211,588	481,288	-	120,491	601,779
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	15,360	-	-	15,360	29,210	-	56	29,266
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	69	69
	LG-MRI LLC	2,627	-	404	3,031	12,301	-	52	12,353
	Subtotal	17,987	-	404	18,391	41,511	-	177	41,688
Other related parties	LG CNS Co., Ltd. and its subsidiaries	36,360	-	1,319	37,679	15,770	-	113,760	129,530
	S&I Corp. and its subsidiaries ³	10,072	-	55,161	65,233	7,286	-	53,253	60,539
	LG Management Development Institute	-	-	17,865	17,865	-	-	1,545	1,545
	LG SPORTS Ltd.	1	-	-	1	-	-	1,201	1,201
	LG MMA Ltd.	400	-	-	400	14	-	-	14
	LG Holdings Japan Co., Ltd.	315	-	3,836	4,151	-	-	-	-
	Subtotal	47,148	-	78,181	125,329	23,070	-	169,759	192,829
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	491,796	-	202,235	694,031	313,446	-	29,265	342,711
	LG INTERNATIONAL CORP and its subsidiaries	17,630	-	1,978	19,608	337,156	-	231,695	568,851
	LG Uplus Corp and its subsidiaries	10,686	-	91	10,777	636	-	1,256	1,892

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		March 31, 2020							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
	LG HAUSYS,LTD. and its subsidiaries and associates	1,625	-	399	2,024	2,916	-	418	3,334
	Silicon Works Co., Ltd.	4,255	-	296	4,551	3,016	-	485	3,501
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	5,408	-	20,451	25,859	33	-	601	634
	G IIR Inc. and its subsidiaries	7	-	226	233	496	-	136,241	136,737
	Subtotal	531,407	-	225,676	757,083	657,699	-	399,961	1,057,660
	Total	745,386	-	394,225	1,139,611	1,203,568	-	753,250	1,956,818

(in millions of Korean won)

		December 31, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
Significantly influencing the Group	LG Corp.	38	-	29,207	29,245	-	-	55,798	55,798
Associates	LG Display Co., Ltd. and its subsidiaries	182,862	-	86,133	268,995	575,758	-	76,851	652,609
	Hitachi-LG Data Storage Inc. and its subsidiaries	714	-	-	714	19,421	-	410	19,831
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	18	18
	Acryl Inc.	-	-	-	-	-	-	229	229
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	145	145
	Robostar Co., Ltd.	-	-	-	-	-	-	27,480	27,480
	Subtotal	183,576	-	86,133	269,709	595,179	-	105,133	700,312
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	5,827	-	-	5,827	7,685	-	-	7,685
	LG HOLDINGS (HK) LIMITED and its subsidiaries ²	-	-	-	-	-	-	807	807
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	68	68
	LG-MRI LLC	2,311	-	384	2,695	1,645	-	2	1,647
	Subtotal	8,138	-	384	8,522	9,330	-	877	10,207
Other related parties	LG CNS Co., Ltd. and its subsidiaries	21,711	-	1,118	22,829	31,425	-	166,750	198,175
	S&I Corp. and its subsidiaries ³	18,296	-	55,086	73,382	5,985	-	52,949	58,934
	LG Management Development Institute	-	-	17,864	17,864	-	-	968	968
	LG SPORTS Ltd.	1	-	-	1	-	-	2,311	2,311
	LG MMA Ltd.	372	-	-	372	42	-	-	42
	LG Holdings Japan Co., Ltd.	-	-	3,940	3,940	-	-	-	-
	Subtotal	40,380	-	78,008	118,388	37,452	-	222,978	260,430

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		December 31, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁴	Total
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	546,852	-	228,217	775,069	240,870	-	60,068	300,938
	LG INTERNATIONAL CORP and its subsidiaries	25,803	-	1,438	27,241	192,466	-	228,945	421,411
	LG Uplus Corp and its subsidiaries	10,695	-	98	10,793	180	-	554	734
	LG HAUSYS,LTD. and its subsidiaries and associates	2,550	-	133	2,683	469	-	1,496	1,965
	Silicon Works Co., Ltd.	3,792	-	279	4,071	3,022	-	485	3,507
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	20,067	-	8,709	28,776	32	-	3,409	3,441
	G IIR Inc. and its subsidiaries	41	-	210	251	710	-	182,130	182,840
	Subtotal	609,800	-	239,084	848,884	437,749	-	477,087	914,836
	Total	841,932	-	432,816	1,274,748	1,079,710	-	861,873	1,941,583

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

² All shares of LG HOLDINGS (HK) LIMITED were disposed to RECO CHANGAN PRIVATE LIMITED on March 20, 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 Other payables include lease liabilities.

iii) Significant capital transactions with related parties and others for the three-month periods ended March 31, 2020 and 2019, are as follows:

(in millions of Korean won)

		2020						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	41,321	-	-	-	-	-
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	201	-	-	-	-	-	-
	LG-MRI LLC	349	-	-	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	2,016	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	1,147	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	-	-	300	-	-	-	-
	Total	8,800	-	3,463	-	-	-	-

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Classification	Name	2020						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Total		8,800	41,321	3,463	-	-	-	-

(in millions of Korean won)

Classification	Name	2019						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	41,321	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	LG-MRI LLC	337	-	-	-	-	-	-
		498	-	-	-	-	-	-
Total		498	41,321	-	-	-	-	-

- (b) The compensation paid or payable to key management personnel for the three-month periods ended March 31, 2020 and 2019, consists of:

(in millions of Korean won)	2020	2019
Salaries and other short-term benefits	5,161	10,493
Post-employment benefits	612	855
Other long-term benefits	9	27
Total	5,782	11,375

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

- (c) LG Electronics U.S.A., Inc., a subsidiary, provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 5 million at the end of the reporting period (December 31, 2019: USD 6.25 million).
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

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32. Risk Management

Financial Risk Management

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

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

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

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

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

(a) Market risk

i) Foreign exchange risk

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

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

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

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As at March 31, 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>	March 31, 2020		December 31, 2019	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	33,514	(33,514)	(89,461)	89,461
EUR/KRW	(1,979)	1,979	2,049	(2,049)

ii) Interest rate risk

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

The Group minimizes its borrowings from others and optimizes its deposits by expanding internal finance sharing. The Group 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 three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	11,930	(11,930)	10,008	(10,008)
Interest expenses	1,993	(1,993)	2,182	(2,182)

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iii) Details of derivative contracts are as follows:

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount (in millions of Korean won)	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 580 (USD/KRW)	1,067.9 ~ 1,171.0	2.06 ~ 3.64	2017. 2. 2 ~ 2019.10.25	2020.11.23 ~ 2028. 6. 8	12,669	8,096
	Commerzbank and others	CZK 660 (EUR/CZK)	25.5 ~ 26.3	-	2019. 6. 3 ~ 2020. 3. 2	2020. 4. 1 ~ 2021. 6. 2	-	1,799
Interest rate swap	Woori Bank and others	KRW 1,235,000 / EUR 100 / USD 235	-	1.00 ~ 4.53	2014. 1. 3 ~ 2018. 5.24	2023. 2.24 ~ 2030. 7. 7	-	127,999

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

Details of hedged items are as follows:

(in millions of Korean won)	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	739,446	(5,331)
Interest rate swap	Borrowings	1,656,341	28,761

The results of hedge accounting are as follows:

(in millions of Korean won)	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	5,331	Interest expense and exchange differences	(27,734)	(22,403)	(45,048)
Interest rate swap	(28,761)	Interest expense	3,320	(25,441)	(90,925)

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Non-derivative for hedging purposes

LG Innotek Co., Ltd., a subsidiary, applied cash flow hedging accounting by designating the amount of advances from customers as hedging instrument to hedge foreign exchange risk of the future expected sales.

Details of hedging instruments are as follows:

	Contracted amount (in millions)	Starting date	Expiration date	Book amount (in millions of Korean won)
Advances	USD 11	2019.12	2020.05	12,870
Advances	USD 151	2019.12	2021.12	184,001

The highly probable forecast transactions in relation to cash flow hedges are expected to happen on various dates in next 2 months/21 months, and they are expected to affect cash flows in next 2 months/21 months. Advances of ₩118,013 million and ₩78,858 million will be realized within one year and one to two years, respectively. At the end of the reporting period, the book amount of advances is a reasonable approximation of its fair value.

There is no forecasted transaction that needs to be changed for which hedges had previously been used, but which is no longer expected to occur.

The amount recognized in other comprehensive loss in relation to cash flow hedges for the period ended March 31, 2020, is ₩7,790 million and the amount reclassified from equity to profit or loss is ₩1,876 million.

Trading purposes

The Group entered into the currency forward contracts and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. The subsidiaries' currency forward contracts and the interest rate swap contracts as at March 31, 2020, and related profit or loss for the three-month period ended March 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Gain (loss) on valuation	Gain (loss) on transaction
Currency forward	661,226	642,418	23,083	20,303
Interest rate swap	-	-	(222)	(80)

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iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	March 31, 2020		December 31, 2019	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	2,048	(2,048)	2,654	(2,654)
Austrian Traded Index	2,532	(2,532)	2,867	(2,867)

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

(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Group is ₩6,676,630 million (December 31, 2019: ₩6,471,588 million) and its risk is managed appropriately within insurer's credit limit of ₩24,849,750 million (December 31, 2019: ₩24,680,001 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

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

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(c) Liquidity risk

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

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

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

i) Cash flow information on maturity of financial liabilities as at March 31, 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	7,197,050	7,197,050	-	-	-
Borrowings	12,187,870	2,040,605	1,780,580	3,697,571	4,669,114
Lease liabilities	852,482	292,679	204,832	251,156	103,815
Other payables	2,964,448	2,963,261	432	755	-
Other financial liabilities	13,549	7,099	2,192	4,258	-
Total	23,215,399	12,500,694	1,988,036	3,953,740	4,772,929

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩3,861 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	52,113	52,113	-	-	-

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

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Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2020	December 31, 2019
Liability (A)	28,179,481	28,434,737
Equity (B)	17,390,671	16,425,138
Cash and cash equivalents (C)	4,862,760	4,777,368
Borrowings and lease liabilities (D)	11,506,587	11,258,762
Debt-to-equity ratio (A/B)	162.0%	173.1%
Net borrowings ratio ((D-C)/B)	38.2%	39.5%

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Fair Value Estimation

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

<i>(in millions of Korean won)</i>	March 31, 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	22,042	22,042	21,569	1
Financial assets at fair value through other comprehensive income				
Trade receivables	676,055	1	-	-
Other financial assets				
Listed equity securities	-	-	13,699	13,699
Unlisted equity securities	-	-	62,533	1
Derivatives for hedging purposes				
Other financial assets	4,810	4,810	7,859	7,859
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	4,862,760	1	-	-
Deposits held by financial institutions	148,928	1	38,416	38,416
Trade receivables	5,886,098	1	-	-
Other receivables	571,006	1	440,842	425,242
Other financial assets	-	1	1,612	1
Total	12,171,699		586,530	

<i>(in millions of Korean won)</i>	March 31, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	3,861	3,861	7,835	7,835
Derivatives for hedging purposes				
Other financial liabilities	1,799	1,799	136,095	136,095
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	7,197,050	1	-	-
Borrowings	1,746,418	1	8,972,624	9,051,909
Other payables	2,963,227	1	1,150	1,145
Other liabilities				
Lease liabilities	274,952	2	512,593	2
Other financial liabilities	81	3	16	3
Total	12,187,388		9,630,313	

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<i>(in millions of Korean won)</i>	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	2,543	2,543	23,324	1
Financial assets at fair value through other comprehensive income				
Trade receivables	612,320	1	-	-
Other financial assets				
Listed equity securities	-	-	18,638	18,638
Unlisted equity securities	-	-	51,124	1
Derivatives for hedging purposes				
Other financial assets	2,595	2,595	1,805	1,805
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	4,777,368	1	-	-
Deposits held by financial institutions	65,971	1	39,368	39,368
Trade receivables	5,747,968	1	-	-
Other receivables	639,150	1	437,957	422,927
Other financial assets	-	-	1,612	1
Total	11,847,915		573,828	

<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				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	7,060	7,060	7,285	7,285
Derivatives for hedging purposes				
Other financial liabilities	-	-	100,668	100,668
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	6,820,644	1	-	-
Borrowings	1,643,656	1	8,843,682	9,174,232
Other payables	3,318,784	1	1,202	1,192
Other liabilities				
Lease liabilities	274,245	2	497,179	2
Other financial liabilities	115	3	20	3
Total	12,064,504		9,450,036	

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*.

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

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

- Level 1: Financial instruments measured at the quoted prices in an active market for identical assets or liabilities are included in 'level 1'. Assets or liabilities categorized within 'level 1' 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 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 Group is the closing price at the end of the reporting period. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily 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 Group uses various valuation techniques that the Group develops or figures that external valuation agencies provide, and makes judgements based on current market conditions. These valuation techniques maximize the use of observable

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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 March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	13,699	-	-	13,699
Financial assets at fair value through profit or loss	-	22,042	-	22,042
Derivatives for hedging purposes	-	12,669	-	12,669
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	11,696	-	11,696
Derivatives for hedging purposes	-	137,894	-	137,894

<i>(in millions of Korean won)</i>	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	18,638	-	-	18,638
Financial assets at fair value through profit or loss	-	2,543	-	2,543
Derivatives for hedging purposes	-	4,400	-	4,400
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	14,345	-	14,345
Derivatives for hedging purposes	-	100,668	-	100,668

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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 March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2020	December 31, 2019		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	22,042	2,543	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	12,669	4,400	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	11,696	14,345	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	137,894	100,668	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

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

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

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

<i>(in millions of Korean won)</i>	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	38,416	38,416
Non-current other receivables	-	-	425,242	425,242
Liabilities				
Non-current borrowings	-	-	9,051,909	9,051,909
Non-current other payables	-	-	1,145	1,145

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<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	-	-	39,368	39,368
Non-current other receivables	-	-	422,927	422,927
Liabilities				
Non-current borrowings	-	-	9,174,232	9,174,232
Non-current other payables	-	-	1,192	1,192

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

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

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

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

<i>(in millions of Korean won)</i>	March 31, 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	38,416	38,416	39,368	39,368	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.6%
Non-current other receivables	440,842	425,242	437,957	422,927	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.8% ~ 3.5%
Liabilities								
Non-current borrowings	8,972,624	9,051,909	8,843,682	9,174,232	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.4% ~ 3.3%
Non-current other payables	1,150	1,145	1,202	1,192	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7%

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33. Business Combinations

- (a) On October 30, 2019, LG Electronics U.S.A., Inc., a subsidiary, acquired 100% shares of LG CORP. U.S.A. from LG Corp., which holds a building to be used for future office building.

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

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	192,786
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	2,739
Other assets	3
Non-current assets	
Property, plant and equipment	329,695
Other assets	474
Current liabilities	
Short-term borrowings	116,840
Other liabilities	23,285
Current liabilities	
Deferred tax liabilities	1,853
Fair value of total identifiable net assets	190,933
Goodwill	1,853

The acquisition-related direct costs incurred in relation to business combination amounting to ₩36 million was recognized as expenses as incurred.

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

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

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

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

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

34. Assets Classified as Held for Sale

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

<i>(in millions of Korean won)</i>	March 31, 2020¹	December 31, 2019¹
Assets held for sale		
Building	7,993	8,673
Land	6,413	6,073
Total	14,406	14,746

¹ At the end of the reporting period, sales procedure of the above assets is in progress and the sale is expected to be completed by 2020.

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