

LG Electronics

**Consolidated Interim Financial Statements
March 31, 2019 and 2018**

LG Electronics

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March 31, 2019 and 2018

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying 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, 2019, 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, 2019 and 2018, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

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

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

May 15, 2019
Seoul, Korea

This report is effective as at May 15, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying 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.

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Consolidated Interim Statements of Financial Position
March 31, 2019 and December 31, 2018

<i>(in millions of Korean won)</i>	Notes	March 31, 2019 (Unaudited)	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	5,32	4,093,584	4,270,388
Deposits held by financial institutions	5,32	80,516	80,516
Trade receivables	5,6,32	7,244,215	6,371,594
Loans and other receivables	5,6,32	482,098	506,437
Other financial assets	5,7,32	8,656	8,401
Inventories	8	6,141,670	6,021,356
Current income tax assets		105,501	151,778
Contract assets	9	735,854	763,776
Other current assets		1,142,780	1,073,396
Assets held for sale	34	141,253	115,212
		<u>20,176,127</u>	<u>19,362,854</u>
Non-current assets			
Deposits held by financial institutions	5,32	45,338	45,853
Loans and other receivables	5,6,32	432,019	452,366
Other financial assets	5,7,32	93,060	78,072
Property, plant and equipment	10	14,094,471	13,333,951
Intangible assets	10	3,002,037	3,001,155
Deferred income tax assets		1,476,211	1,410,793
Investments in associates and joint ventures	11	5,575,600	5,537,556
Investment properties		94,067	94,396
Net defined benefit assets	14	230	942
Contract assets	9	215,519	221,008
Other non-current assets		732,025	789,497
		<u>25,760,577</u>	<u>24,965,589</u>
Total assets		<u>45,936,704</u>	<u>44,328,443</u>
Liabilities			
Current liabilities			
Trade payables	5,32	7,798,463	7,216,739
Borrowings	5,12,32	1,532,210	1,405,116
Lease liabilities	5,13,32	213,607	-
Other payables	5,32	3,031,619	3,670,453
Other financial liabilities	5,7,32	2,703	3,343
Current income tax liabilities		169,944	185,687
Provisions	15	693,573	672,544
Contract liabilities	9	1,291,961	1,119,806
Other current liabilities		2,775,515	2,861,341
		<u>17,509,595</u>	<u>17,135,029</u>
Non-current liabilities			
Borrowings	5,12,32	9,523,015	9,496,070
Lease liabilities	5,13,32	470,845	-
Other payables	5,32	6,831	17,995
Other financial liabilities	5,7,32	99,796	89,267
Deferred income tax liabilities		128,115	127,014
Net defined benefit liabilities	14	539,889	398,611
Provisions	15	344,563	343,811
Contract liabilities	9	22,475	23,787
Other non-current liabilities		351,905	389,952
		<u>11,487,434</u>	<u>10,886,507</u>
Total liabilities		<u>28,997,029</u>	<u>28,021,536</u>

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Consolidated Interim Statements of Financial Position
March 31, 2019 and December 31, 2018

<i>(in millions of Korean won)</i>	Notes	March 31, 2019 (Unaudited)	December 31, 2018
Equity			
Paid-in capital:	16		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	17	12,456,700	12,075,414
Accumulated other comprehensive loss	18	(1,372,303)	(1,604,730)
Other components of equity	19	(209,764)	(209,764)
Equity attributable to owners of the Parent Company		<u>14,866,981</u>	<u>14,253,268</u>
Non-controlling interests		<u>2,072,694</u>	<u>2,053,639</u>
Total equity		<u>16,939,675</u>	<u>16,306,907</u>
Total liabilities and equity		<u>45,936,704</u>	<u>44,328,443</u>

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Consolidated Interim Statements of Profit or Loss
Three-Month Periods Ended March 31, 2019 and 2018

	Notes	Three-Month Period Ended March 31	
		2019 (Unaudited)	2018 (Unaudited)
<i>(in millions of Korean won, except per share amounts)</i>			
Net sales	20	14,915,064	15,123,041
Cost of sales	21	11,170,047	11,313,399
Gross profit		3,745,017	3,809,642
Selling and marketing expenses	21,22	1,680,888	1,593,156
Administrative expenses	21,22	322,973	303,668
Research and development expenses	21,22	546,863	522,673
Service costs	21,22	293,654	282,328
Operating profit		900,639	1,107,817
Financial income	23	140,619	133,683
Financial expenses	24	218,755	214,198
Loss from equity method valuation	11	(23,223)	(27,945)
Other non-operating income	25	320,132	286,065
Other non-operating expenses	26	365,033	316,454
Profit before income tax		754,379	968,968
Income tax expense		176,414	239,097
Profit for the period		577,965	729,871
Profit for the period attributable to:			
Owners of the Parent Company		570,874	716,687
Non-controlling interests		7,091	13,184
		577,965	729,871
Earnings per share attributable to the owners of the Parent Company during the period (in Korean won) :	27		
Earnings per ordinary share		3,169	3,979
Earnings per preferred share		3,182	3,991

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Consolidated Interim Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2019 and 2018

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2019 (Unaudited)	2018 (Unaudited)
Profit for the period		577,965	729,871
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	14	(46,850)	11,408
Share of remeasurements of associates	11	(1,826)	(1,560)
Financial assets at fair value through other comprehensive income	7	22	2,099
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income (excluding remeasurements) from associates and joint ventures	11	63,354	47,070
Cash flow hedges	32	(13,482)	3,744
Exchange differences on translation of foreign operations		201,606	62,565
Other comprehensive income for the period, net of tax		<u>202,824</u>	<u>125,326</u>
Total comprehensive income for the period, net of tax		<u>780,789</u>	<u>855,197</u>
Total comprehensive income for the period, net of tax, attributable to:			
Owners of the Parent Company		757,958	827,249
Non-controlling interests		<u>22,831</u>	<u>27,948</u>
		<u>780,789</u>	<u>855,197</u>

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Consolidated Interim Statements of Changes in Equity
Three-month Periods Ended March 31, 2019 and 2018

		Attributable to Owners of the Parent Company						
		Accumulated		Other		Other		
		Paid-in	Retained	Comprehensive	Components	Total	Non-controlling	Total
		Capital	Earnings	Income (Loss)	of Equity		Interests	Equity
(in millions of Korean won)	Note							
Balance at January 1, 2018		3,992,348	10,964,155	(1,522,478)	(209,764)	13,224,261	1,449,423	14,673,684
Changes in accounting policy		-	20,639	(17,098)	-	3,541	-	3,541
Restated total equity		3,992,348	10,984,794	(1,539,576)	(209,764)	13,227,802	1,449,423	14,677,225
Total comprehensive income:								
Profit for the period		-	716,687	-	-	716,687	13,184	729,871
Remeasurements of the net defined benefit liability	14	-	10,423	-	-	10,423	985	11,408
Share of remeasurements of associates	11	-	(1,560)	-	-	(1,560)	-	(1,560)
Financial assets at fair value through other comprehensive income	7	-	-	2,092	-	2,092	7	2,099
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	-	-	47,070	-	47,070	-	47,070
Cash flow hedges	32	-	-	3,744	-	3,744	-	3,744
Exchange differences on translation of foreign operations		-	-	48,793	-	48,793	13,772	62,565
Total comprehensive income		-	725,550	101,699	-	827,249	27,948	855,197
Transactions with owners:								
Dividends	17	-	(72,885)	-	-	(72,885)	(3,503)	(76,388)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(20)	(20)
Total transactions with owners		-	(72,885)	-	-	(72,885)	(3,523)	(76,408)
Balance at March 31, 2018 (Unaudited)		3,992,348	11,637,459	(1,437,877)	(209,764)	13,982,166	1,473,848	15,456,014
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	2	-	(8,336)	-	-	(8,336)	428	(7,908)
Restated total equity		3,992,348	12,067,078	(1,604,730)	(209,764)	14,244,932	2,054,067	16,298,999
Total comprehensive income:								
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		-	525,531	232,427	-	757,958	22,831	780,789
Transactions with owners:								
Dividends	17	-	(135,909)	-	-	(135,909)	(4,204)	(140,113)
Total transactions with owners		-	(135,909)	-	-	(135,909)	(4,204)	(140,113)
Balance at March 31, 2019 (Unaudited)		3,992,348	12,456,700	(1,372,303)	(209,764)	14,866,981	2,072,694	16,939,675

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Consolidated Interim Statements of Cash Flows
Three-month Periods Ended March 31, 2019 and 2018

(in millions of Korean won)

	Note	Three-Month Period Ended March 31	
		2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	28	685,601	1,219,319
Interest received		30,473	19,392
Interest paid		(102,494)	(92,123)
Dividend received		390	357
Income tax paid		(176,446)	(121,280)
Net cash inflow from operating activities		437,524	1,025,665
Cash flows from investing activities			
Decrease in deposits held by financial institutions		3,354	2,284
Decrease in loans and other receivables		53,967	27,934
Proceeds from redemption and disposal of other financial assets		13,277	10,885
Proceeds from disposal of property, plant and equipment		24,790	30,452
Proceeds from disposal of intangible assets		-	1,792
Proceeds from disposal of assets held for sale		-	3,356
Transfer of business	28	529	-
Increase in deposits held by financial institutions		(2,438)	(3,374)
Increase in loans and other receivables		(73,650)	(28,459)
Acquisition of other financial assets		(28,236)	(10,077)
Acquisition of property, plant and equipment		(540,594)	(674,455)
Acquisition of intangible assets		(131,944)	(154,530)
Acquisition of investments in associates and joint ventures		-	(1,000)
Business combination	33	(2,594)	-
Net cash outflow from investing activities		(683,539)	(795,192)
Cash flows from financing activities			
Proceeds from borrowings		600,996	514,551
Repayments of borrowings		(480,084)	(370,120)
Repayments of lease liabilities		(93,374)	-
Dividends paid and others		-	(20)
Net cash inflow from financing activities		27,538	144,411
Effects of exchange rate changes on cash and cash equivalents		41,673	27,596
Net increase (decrease) in cash and cash equivalents		(176,804)	402,480
Cash and cash equivalents at the beginning of the period		4,270,388	3,350,597
Cash and cash equivalents at the end of the period		4,093,584	3,753,077

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Notes to the Consolidated Interim Financial Statements

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

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

The Parent Company and its subsidiaries (the “Group”) operate following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle component Solutions segment designs and manufactures automobile parts; Business Solutions segment manufactures and sells information displays, solar panels and others; and LG Innotek Co., Ltd. operates LED, optics solutions, substrate materials, and automotive components businesses. As at March 31, 2019, the Parent Company has 139 subsidiaries (Note 1 (a)), 16 associates and joint ventures (Note 11).

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

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

Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and retails of electronic products	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	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	LGE Alliance Fund	96.2%	3.8%	96.2%	3.8%	December	Investment	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	LGE Alliance Fund II	98.7%	1.3%	98.7%	1.3%	December	Investment	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

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

Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics (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
	China	LG Electronics (Kunshan) Co.,Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) 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 Inc.(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

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

Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	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
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	100.0%	-	100.0%	-	December	Production of heater	More than half of voting rights
	China	QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	80.0%	20.0%	-	-	December	Installation and sales of air conditioners	More than half of voting rights
	China	LG Innotek Yantai Co.,Ltd.(LGITYT) 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	HiEntech (Tianjin) Co., LTD.	80.0%	20.0%	80.0%	20.0%	December	Water engineering	More than half of voting rights
	China	ZKW Lighting Systems (Dalian) Co. Ltd.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	China	HIPLAZA (Shenyang) Trading Co., Ltd.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	India	LG Electronics India Pvt. Ltd.(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and sales of electronic products	More than half of voting rights

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Notes to the Consolidated Interim Financial Statements

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

Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Japan	LG Electronics Japan Lab. Inc.(LGJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) 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 Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) 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

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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
	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 Holdings 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, LLC(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

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Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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
	UK	LG Electronics United Kingdom 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	Mommert Gewerbeimmobilien Verwaltungs GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Austria	Mommert 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 - kablove 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
	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

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Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	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 Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	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	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

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Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
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 Ltda.(LGECEB)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	80.0%	20.0%	80.0%	December	Sales of electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(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	Nigeria	EASYTEC GLOBAL SERVICES INNOVATION LIMITED	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	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

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Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L.(LGEMC)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of electronic products	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	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(LGEAK)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	March 31, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities 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, 2019 were used for those subsidiaries with different fiscal year ends.

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

<i>(in millions of Korean won)</i>	March 31, 2019			2019	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	4,793,645	2,926,166	1,867,479	1,306,409	(42,304)
LG Electronics U.S.A., Inc.(LGEUS)	3,695,283	3,532,854	162,429	2,660,180	78,373
LG Electronics European Shared Service Center B.V.(LGESC)	1,761,674	1,720,888	40,786	106,289	10,367
LG Electronics Reynosa S.A. DE C.V.(LGERES)	1,278,049	439,068	838,981	679,175	92,171
Zenith Electronics Corporation(Zenith)	1,100,085	22,297	1,077,788	13,812	(2,717)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,013,072	581,666	431,406	714,874	12,128
LG Electronics do Brasil Ltda.(LGEBR)	1,137,588	562,111	575,477	523,895	33,235
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	1,013,020	618,254	394,766	873,445	57,470
LG Electronics India Pvt. Ltd.(LGEIL)	1,253,697	505,821	747,876	691,920	79,891
LG Electronics (China) Co., Ltd.(LGECH)	764,243	883,788	(119,545)	82,642	5,702
LG Electronics RUS, LLC(LGERA)	821,002	220,210	600,792	316,606	32,011
LG Innotek Vietnam Hai Phong Co.,Ltd.	710,610	577,641	132,969	187,418	(1,928)
Hiplaza Co., Ltd.	1,003,492	823,557	179,935	772,065	5,276
ZKW Lichtsysteme GmbH	776,409	422,182	354,226	233,979	7,448
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	700,318	439,919	260,399	368,854	12,438
ZKW Group GmbH	568,523	298,584	269,939	291	3,340
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	509,757	200,592	309,165	334,443	22,652
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	568,007	397,666	170,341	268,251	11,072
P.T. LG Electronics Indonesia(LGEIN)	563,338	238,967	324,371	336,163	21,333
LG Electronics Deutschland GmbH(LGEDG)	544,298	462,230	82,068	489,654	(23,593)
LG Electronics Thailand Co., Ltd.(LGETH)	598,525	312,011	286,514	403,661	9,149
LG Electronics Nanjing New Technology co.,LTD(LGENT)	510,884	291,789	219,095	411,887	12,275

<i>(in millions of Korean won)</i>	December 31, 2018			2018	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,062,817	3,140,216	1,922,601	1,590,831	(288)
LG Electronics U.S.A., Inc.(LGEUS)	3,581,129	3,495,389	85,740	1,739,619	2,865
LG Electronics European Shared Service Center B.V.(LGESC)	1,853,240	1,822,647	30,593	51,487	697
LG Electronics Reynosa S.A. DE C.V.(LGERES)	1,298,166	565,836	732,330	497,501	61,001
Zenith Electronics Corporation(Zenith)	1,080,075	18,770	1,061,305	5,998	(9,828)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,068,222	648,999	419,223	609,273	14,259
LG Electronics do Brasil Ltda.(LGEBR)	1,003,964	468,001	535,963	562,496	74,911
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	1,002,255	671,022	331,233	725,188	47,241
LG Electronics India Pvt. Ltd.(LGEIL)	991,303	343,183	648,120	659,202	77,375
LG Electronics (China) Co., Ltd.(LGECH)	890,353	1,011,156	(120,803)	112,155	8,844

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<i>(in millions of Korean won)</i>	December 31, 2018			2018	
	Assets	Liabilities	Equity	Sales	Profit (loss) for the period
LG Electronics RUS, LLC(LGERA)	791,066	268,912	522,154	308,312	28,111
LG Innotek Vietnam Hai Phong Co.,Ltd.	734,010	601,413	132,597	86,168	170
Hiplaza Co., Ltd.	607,368	434,258	173,110	603,467	(2,184)
ZKW Lichtsysteme GmbH1	600,317	258,424	341,893	-	-
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	590,825	351,650	239,175	343,613	5,260
ZKW Group GmbH1	565,125	298,436	266,689	-	-
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	562,263	286,881	275,382	548,277	21,710
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	531,273	377,870	153,403	240,741	4,607
P.T. LG Electronics Indonesia(LGEIN)	516,151	218,568	297,583	275,470	25,551
LG Electronics Deutschland GmbH(LGEDG)	497,260	391,178	106,082	441,804	(4,344)
LG Electronics Thailand Co., Ltd.(LGETH)	490,113	223,418	266,695	308,125	2,279
LG Electronics Nanjing New Technology co.,LTD(LGENT)	479,292	279,917	199,375	349,049	12,094

¹ The amounts of sales and profit for the period presented are those incurred after the business combination.

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

- LG Innotek Co., Ltd. and its subsidiaries

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,241,736	1,259,456

ii) Loss and dividends attributable to non-controlling interests for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Loss to non-controlling interests	(18,710)	(4,711)
Dividends to non-controlling interests	4,204	3,503

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- 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, 2019	December 31, 2018
Current assets	2,080,243	2,233,328
Non-current assets	3,448,651	3,522,739
Total assets	5,528,894	5,756,067
Current liabilities	1,695,322	1,584,398
Non-current liabilities	1,746,616	2,053,434
Total liabilities	3,441,938	3,637,832
Equity attributable to the owners of LG Innotek Co., Ltd.	2,086,954	2,118,233
Non-controlling interests	2	2
Total equity	2,086,956	2,118,235

- iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2019	2018
Net sales	1,368,630	1,720,530
Loss for the period	(32,995)	(9,698)
Other comprehensive income, net of tax	8,815	11,359
Total comprehensive income (loss) for the period, net of tax	(24,180)	1,661

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2019	2018
Cash flows from operating activities	193,173	324,148
Cash flows from investing activities	(185,149)	(444,493)
Cash flows from financing activities	(20,051)	84,997
Effects of exchange rate changes on cash and cash equivalents	2,394	(330)
Net decrease in cash and cash equivalents	(9,633)	(35,678)
Cash and cash equivalents at the beginning of the period	621,247	369,533
Cash and cash equivalents at the end of the period	611,614	333,855

(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.

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Accordingly, there are transfer limits on their cash and short-term financial instruments from these countries.

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

Subsidiary	The nature and extent of the protective rights for non-controlling interest
LG Hitachi Water Solution Co., Ltd.	For the following special resolutions of the Board of Directors, consents from directors who were appointed by non-controlling interest holder are required. <ul style="list-style-type: none"> - Acquisitions and disposals of assets over ₩1,000 million not included in the business plan - Borrowings and issuances of debentures over ₩1,000 million not included in the business plan - Expenditures over ₩1,000 million not included in the business plan - Initial engagement, amendment and termination of significant contracts over ₩1,000 million
LG-Shaker Co., Ltd.(LGESR)	An unanimous approval is required for the confirmation of the financial statements and dividend declaration.

(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, 2019 and 2018.

(f) A subsidiary newly included in the scope of the preparation of the consolidated interim financial statements for the three-month period ended March 31, 2019, is:

Subsidiary	Reason	Country	Percentage of ownership	Closing month	Major business
QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	Newly acquired	China	80%	December	Installation and sales of air conditioners

(g) A subsidiary excluded from the scope of the preparation of the consolidated interim financial statements for the three-month period ended March 31, 2019, is:

Subsidiary	Reason	Country
LG Electronics Service Kenya Limited(LGESK)	Liquidation	Kenya

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

During the three-month period ended March 31, 2019, 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 consolidated interim financial statements for the three-month period ended March 31, 2019, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at March 31, 2019.

Changes in Accounting Policies and Disclosures

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

- Enactment of Korean IFRS 1116 *Leases*

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

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

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

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

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Lessee accounting

A lessee shall apply this standard to its leases either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lessor accounting

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

- Amendments to Korean IFRS 1109 Financial Instruments

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

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- Amendments to Korean IFRS 1019 *Employee Benefits*

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

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

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

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

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

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

Application of Accounting Policies

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

Income Tax Expense

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

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Leases

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

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

Lessee accounting

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

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

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

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

Lessor accounting

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

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

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

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

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

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(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

(g) Development Costs

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

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

Significant Judgment on Accounting Policies Adopted by the Group

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

4. Segment Information

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

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

(a) The segment information for sales and operating profit (loss) for the three-month periods ended March 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019								
	H&A	HE	MC	VS	BS	Innotek	Other segments ¹	Inter-segment transactions ²	Total
Sales	5,465,943	4,023,711	1,510,373	1,346,995	625,552	1,368,630	793,161	(219,301)	14,915,064
External sales	5,457,984	4,021,000	1,509,305	1,346,982	625,391	1,208,979	745,423	-	14,915,064
Internal sales	7,959	2,711	1,068	13	161	159,651	47,738	(219,301)	-
Operating profit (loss) ³	727,586	346,502	(203,472)	(15,373)	55,538	(11,413)	1,271	-	900,639
Depreciation and amortization	152,218	80,058	41,112	104,560	53,808	139,166	31,050	-	601,972

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<i>(in millions of Korean won)</i>	2018								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments ¹	Inter-segment transactions ²	
Sales	4,923,929	4,141,944	2,134,377	839,966	642,732	1,720,530	1,025,258	(305,695)	15,123,041
External sales	4,914,849	4,139,243	2,134,285	839,966	641,524	1,537,538	915,636	-	15,123,041
Internal sales	9,080	2,701	92	-	1,208	182,992	109,622	(305,695)	-
Operating profit (loss) ³	557,564	572,999	(131,800)	(16,984)	78,842	16,826	30,370	-	1,107,817
Depreciation and amortization	117,800	71,529	51,460	50,953	48,462	120,946	9,728	-	470,878

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.

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

<i>(in millions of Korean won)</i>	March 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
H&A	17,594,385	10,782,558	15,788,755	9,577,912
HE	12,335,783	9,647,982	11,971,528	9,603,530
MC	3,993,786	6,016,803	4,127,122	5,902,259
VS	5,864,113	5,495,504	5,704,878	5,281,526
BS	2,860,427	2,264,015	2,682,832	2,123,830
Innotek	5,528,894	3,441,938	5,756,067	3,637,832
Subtotal¹	48,177,388	37,648,800	46,031,182	36,126,889
Other segments and inter-segment transactions	(2,240,684)	(8,651,771)	(1,702,739)	(8,105,353)
Total	45,936,704	28,997,029	44,328,443	28,021,536

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.

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

<i>(in millions of Korean won)</i> Geographic areas	Non-current assets ¹	
	March 31, 2019	December 31, 2018
Korea	12,598,902	12,316,318
China	1,055,258	970,706
Asia	1,024,526	951,524
North America	910,657	773,311
Europe	1,172,615	1,073,397
South America	147,883	109,667
Middle East & Africa	103,466	92,831
Russia and others	177,268	141,748
Total	17,190,575	16,429,502

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, 2019 and 2018.

5. Financial Instruments by Category

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

<i>(in millions of Korean won)</i>	March 31, 2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	4,093,584	-	-	-	4,093,584
Deposits held by financial institutions	125,854	-	-	-	125,854
Trade receivables	6,727,576	516,639	-	-	7,244,215
Other receivables	914,117	-	-	-	914,117
Other financial assets	1,729	68,868	29,387	1,732	101,716
Total	11,862,860	585,507	29,387	1,732	12,479,486

<i>(in millions of Korean won)</i>	March 31, 2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	7,798,463	-	-	7,798,463
Borrowings	11,055,225	-	-	11,055,225
Lease liabilities	684,452	-	-	684,452
Other payables	3,038,450	-	-	3,038,450
Other financial liabilities	-	12,210	90,289	102,499
Total	22,576,590	12,210	90,289	22,679,089

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December 31, 2018					
<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
Cash and cash equivalents	4,270,388	-	-	-	4,270,388
Deposits held by financial institutions	126,369	-	-	-	126,369
Trade receivables	6,013,151	358,443	-	-	6,371,594
Other receivables	958,803	-	-	-	958,803
Other financial assets	1,729	56,070	26,841	1,833	86,473
Total	11,370,440	414,513	26,841	1,833	11,813,627

December 31, 2018				
<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	7,216,739	-	-	7,216,739
Borrowings	10,901,186	-	-	10,901,186
Other payables	3,688,448	-	-	3,688,448
Other financial liabilities	-	11,273	81,337	92,610
Total	21,806,373	11,273	81,337	21,898,983

(b) Net gains or losses on each category of financial instruments for the three-month periods ended March 31, 2019 and 2018, are as follows:

2019					
<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	33,826	-	-	-	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

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<i>(in millions of Korean won)</i>	2019			
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(103,258)	-	939	(102,319)
Exchange differences	(74,999)	-	9,534	(65,465)
Loss on derivatives (through profit or loss)	-	(15,897)	-	(15,897)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(13,522)	(13,522)
Others	(1,114)	-	-	(1,114)

<i>(in millions of Korean won)</i>	2018				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	24,436	-	-	-	24,436
Exchange differences	(51,807)	(1,096)	-	-	(52,903)
Bad debt expenses	2,335	-	-	-	2,335
Loss on disposal of trade receivables	(1,581)	(3,245)	-	-	(4,826)
Dividend income	-	192	-	-	192
Gain on derivatives (through profit or loss)	-	-	8,943	-	8,943
Fair value gain, net of tax (through other comprehensive income)	-	2,099	-	-	2,099
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	295	295

<i>(in millions of Korean won)</i>	2019			
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(89,062)	-	(3,910)	(92,972)
Exchange differences	47,071	-	(2,594)	44,477
Loss on derivatives (through profit or loss)	-	(8,391)	-	(8,391)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	3,449	3,449
Others	-	-	(736)	(736)

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6. Trade Receivables and Other Receivables

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

<i>(in millions of Korean won)</i>	March 31, 2019			December 31, 2018		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	7,335,187	(90,972)	7,244,215	6,462,609	(91,015)	6,371,594
Other receivables						
Current	495,079	(12,981)	482,098	519,330	(12,893)	506,437
Non-current	432,107	(88)	432,019	452,444	(78)	452,366

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

<i>(in millions of Korean won)</i>	2019				
	At Jan. 1	Addition (reversal)	Write-off	Other	At Mar. 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

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Addition (reversal)	Write-off	Other	At Mar. 31
Trade receivables	78,883	(2,190)	(346)	1,438	77,785
Other receivables					
Current	13,132	9	(26)	(186)	12,929
Non-current	576	(154)	-	(86)	336

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

<i>(in millions of Korean won)</i>	March 31, 2019				December 31, 2018			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current				Current	
Receivables not past due	6,489,910	468,527	415,336	7,373,773	5,535,187	492,511	439,320	6,467,018
Past due but not impaired								
Up to 6 months	604,093	10,981	16,701	631,775	715,731	11,822	11,964	739,517
7 to 12 months	93,049	2,748	9	95,806	79,800	2,487	648	82,935
Over 1 year	48,775	3,207	61	52,043	21,057	2,855	512	24,424
Subtotal	745,917	16,936	16,771	779,624	816,588	17,164	13,124	846,876
Impaired	99,360	9,616	-	108,976	110,834	9,655	-	120,489
Total	7,335,187	495,079	432,107	8,262,373	6,462,609	519,330	452,444	7,434,383

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

7. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Other financial assets		
Derivatives	9,757	8,575
Financial assets at fair value through other comprehensive income	68,868	56,070
Financial assets at fair value through profit or loss	21,362	20,099
Financial assets at amortized cost	1,729	1,729
Total	101,716	86,473
Current	8,656	8,401
Non-current	93,060	78,072
Other financial liabilities		
Derivatives	102,372	92,443
Financial guarantee liability	127	167
Total	102,499	92,610
Current	2,703	3,343
Non-current	99,796	89,267

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

<i>(in millions of Korean won)</i>	March 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	8,025	2,623	6,742	3,228
Currency swap	259	-	1,542	-
Subtotal	8,284	2,623	8,284	3,228
Non-current				
Currency swap	1,473	15,472	291	20,920
Interest rate swap	-	82,023	-	66,433
Share purchase contract	-	2,254	-	1,862
Subtotal	1,473	99,749	291	89,215
Total	9,757	102,372	8,575	92,443

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

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

<i>(in millions of Korean won)</i>	2019					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Mar. 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

<i>(in millions of Korean won)</i>	2018					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Mar. 31
Listed equity securities	13,844	-	-	1,760	-	15,604
Unlisted equity securities	21,076	59	(1,000)	(52)	(40)	20,043
Total	34,920	59	(1,000)	1,708	(40)	35,647

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

<i>(in millions of Korean won)</i>	2019					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Mar. 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

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<i>(in millions of Korean won)</i>	2018					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Mar. 31
Unlisted equity securities	16,078	1,693	-	-	-	17,771

(e) Financial assets at amortized cost

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

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

- ii) The amount recognized as interest income in relation to financial assets at amortized cost for the three-month period ended March 31, 2019, was ₩8 million (March 31, 2018: ₩1 million). No impairment losses were recognized in relation to financial assets at amortized cost for the three-month periods ended March 31, 2019 and 2018.

8. Inventories

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

<i>(in millions of Korean won)</i>	March 31, 2019			December 31, 2018		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,437,823	(88,841)	3,348,982	3,411,675	(107,772)	3,303,903
Work-in-process	425,034	(13,145)	411,889	384,261	(12,323)	371,938
Raw materials and supplies	2,187,130	(76,140)	2,110,990	2,156,094	(71,882)	2,084,212
Other	303,278	(33,469)	269,809	291,718	(30,415)	261,303
Total	6,353,265	(211,595)	6,141,670	6,243,748	(222,392)	6,021,356

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9. Contract Assets and Contract Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Due from customers	685,536	711,135
(Less: allowance for doubtful accounts)	(6,681)	(5,898)
Right to recover returned products	84,319	78,499
Costs to fulfil contracts and others	188,199	201,048
Total	951,373	984,784
Current	735,854	763,776
Non-current	215,519	221,008

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Expected promotional incentives for customers	684,972	635,287
Expected returns from customers	125,197	115,503
Customer loyalty program	53,991	51,015
Rendering of warranty services	55,922	52,104
Due to customers and others	394,354	289,684
Total	1,314,436	1,143,593
Current	1,291,961	1,119,806
Non-current	22,475	23,787

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

<i>(in millions of Korean won)</i>	2019	2018
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	131,072	178,278
Customer loyalty program	11,506	664
Rendering of warranty services	6,657	6,769
Total	149,235	185,711
Revenue recognized from performance obligations satisfied in previous periods	1,688	173

(d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations is ₩993,285 million where they are expected to be satisfied by 2022, at the latest. Also as a practical expedient, the Group excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

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- (e) For the three-month period ended March 31, 2019, the Group recognized an impairment loss amounting to ₩184 million (March 31, 2018: ₩277 million) upon due from customers and a depreciation of ₩41,925 million (March 31, 2018: ₩1,038 million) upon costs to fulfil a contract.

10. Property, Plant and Equipment, and Intangible Assets

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1¹	14,011,212	11,800,782
Acquisitions	574,058	585,718
Acquisitions due to business combination	222	-
Reclassification to assets held for sale	(26,040)	(8,198)
Disposals and others	(53,437)	(29,953)
Depreciation	(505,993)	(375,701)
Impairment	(1,484)	(12,228)
Exchange differences	95,933	39,640
At March 31	14,094,471	12,000,060

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

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

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	393,177	324,991
Selling and marketing expenses	46,436	11,467
Administrative expenses	26,415	10,115
Research and development expenses	27,308	23,558
Service costs	5,671	3,051
Other non-operating expenses	6,986	2,519
Total	505,993	375,701

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

<i>(in millions of Korean won)</i>	2019
At January 1	707,243
Acquisitions	176,082
Disposals and others	(18,270)
Depreciation	(73,693)
Exchange differences	5,945
At March 31	797,307

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

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1¹	2,985,830	1,854,620
Acquisitions	61,461	61,661
Acquisitions through internal development	89,212	116,770
Acquisitions due to business combination	77	-
Reclassification to assets held for sale	(1)	-
Disposals and others	(13,752)	(13,048)
Amortization	(102,641)	(97,367)
Impairment	(19,276)	(2,468)
Exchange differences	1,127	588
At March 31	3,002,037	1,920,756

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

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

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	57,274	51,233
Selling and marketing expenses	6,847	4,831
Administrative expenses	17,094	19,322
Research and development expenses	20,990	21,519
Service costs	431	462
Other non-operating expenses	5	-
Total	102,641	97,367

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Associates	5,418,420	5,386,252
Joint ventures	157,180	151,304
Total	5,575,600	5,537,556

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

<i>(in millions of Korean won)</i>	March 31, 2019				December 31, 2018			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	5,333,403	(112,053)	5,221,350	679,218	5,298,615	(107,531)	5,191,084
Ericsson-LG Co., Ltd	12,649	46,165	-	46,165	12,649	47,227	-	47,227
Hitachi-LG Data Storage Inc.(HLDS)	101,961	32,646	(1,137)	31,509	101,961	28,380	(1,198)	27,182
Korea Information Certificate Authority Inc.	1,745	5,136	-	5,136	1,745	5,200	-	5,200
LG Fuel Cell Systems Inc.	111,837	-	-	-	111,837	-	-	-
One-Red, LLC ¹	3,128	3,019	-	3,019	3,128	2,971	-	2,971
Kiwigrd GmbH ¹	13,019	9,293	-	9,293	13,019	9,880	-	9,880
CCP-LGE OWNER, LLC ¹	11,652	10,950	-	10,950	11,652	10,819	-	10,819
ROBOTIS Co., Ltd. ¹	9,000	9,197	-	9,197	9,000	9,381	-	9,381
Acryl Inc. ¹	1,000	925	-	925	1,000	894	-	894
Robostar Co.,Ltd	82,045	81,173	(297)	80,876	82,045	81,614	-	81,614
Total	1,027,254	5,531,907	(113,487)	5,418,420	1,027,254	5,494,981	(108,729)	5,386,252

¹ The financial statements as at February 28, 2019 were used due to a different closing date.

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

<i>(in millions of Korean won)</i>	March 31, 2019				December 31, 2018			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	75,693	114,489	-	114,489	75,693	108,108	-	108,108
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	14,718	27,021	(231)	26,790	14,718	27,348	(193)	27,155
EIC PROPERTIES PTE LTD.	9,636	15,105	-	15,105	9,636	14,882	-	14,882
LG-MRI LLC	516	803	(7)	796	516	1,159	-	1,159
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-
Total	100,563	157,418	(238)	157,180	100,563	151,497	(193)	151,304

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(b) Associates and joint ventures

i) Associates as at March 31, 2019, are as follows:

Name of associate	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	Production and supply of data storages
Korea Information Certificate Authority Inc. ¹	Korea	December	6.5	Certificate services
LG Fuel Cell Systems Inc.	USA	December	33.5	R&D of fuel cell
One-Red, LLC	USA	March	25.0	DVD related patent licensing
Kiwigrd 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	8.2	Development and sales of software
Robostar Co.,Ltd	Korea	December	30.0	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, 2019, are as follows:

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

Name of joint venture	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
LG Holdings(HK) Ltd.	China	December	49.0	Real estate
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	December	50.0	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	Real estate
LG-MRI LLC	USA	December	50.0	Production and supply of digital display products
Neolite ZKW Lightings PVT Ltd.	India	March	26.0	Production and sales of vehicle components

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

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(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, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Opening carrying amount	5,386,252	5,474,932
Acquisition	-	1,000
Loss from equity method ¹	(26,009)	(29,595)
Share of other comprehensive income of associates	58,118	38,743
Dividend/ withdrawal of investment	(161)	(67,927)
Exchange differences	220	(80)
Closing carrying amount	5,418,420	5,417,073

¹ The Group recognized additional equity method loss of ₩422 million for loans provided to Hitachi-LG Data Storage Inc. for the three-month period ended March 31, 2018.

- ii) Changes in the carrying amounts of investments in joint ventures for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Opening carrying amount	151,304	145,399
Gain from equity method	2,786	2,072
Share of other comprehensive income of joint ventures	3,410	6,767
Dividend/ withdrawal of investment	(337)	(321)
Exchange differences	17	(3)
Closing carrying amount	157,180	153,914

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

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Current assets	9,513,621	8,800,127
Non-current assets	25,874,360	24,375,583
Total assets	35,387,981	33,175,710
Current liabilities	9,730,825	9,954,483
Non-current liabilities	10,367,622	8,334,981
Total liabilities	20,098,447	18,289,464
Equity attributable to the owners of LG Display Co., Ltd.	14,070,970	13,979,188
Non-controlling interests	1,218,564	907,058
Total equity	15,289,534	14,886,246

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<i>(in millions of Korean won)</i>	2019	2018
Net sales	5,878,781	5,675,164
Loss for the period	(62,640)	(48,982)
Equity attributable to the owners of LG Display Co., Ltd.:		
Loss for the period	(60,933)	(59,454)
Other comprehensive income, net of tax	152,715	102,158
Total comprehensive income for the period, net of tax	91,782	42,704

There are no dividends received from LG Display Co., Ltd. for three-month period ended March 31, 2019 (March 31, 2018: ₩67,813 million).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the three-month periods ended March 31, 2019 and 2018, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2019	2018
Opening equity attributable to owners of LG Display Co., Ltd.	13,979,188	14,373,482
Loss for the period	(60,933)	(59,454)
Other comprehensive income, net of tax	152,715	102,158
Dividends	-	(178,908)
Closing equity attributable to owners of LG Display Co., Ltd.	14,070,970	14,237,278
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	5,333,403	5,396,440
Unrealized gain	(112,053)	(94,148)
Carrying amount at the end of the reporting period	5,221,350	5,302,292

- (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, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	Associates	Joint ventures	Associates	Joint ventures
Profit (loss) for the period	1,816	2,832	(2,172)	2,406
Other comprehensive income (loss), net of tax	235	3,409	(2,126)	6,765
Total comprehensive income (loss) for the period, net of tax	2,051	6,241	(4,298)	9,171

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

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

March 31, 2019					
	Type	Shares held (Unit: shares)	Price per share (Unit: Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	19,500	2,644,688	5,221,350
Korea Information Certificate Authority Inc.	Associate	2,010,247	4,295	8,634	5,136
Robostar Co.,Ltd	Associate	2,927,735	28,650	83,880	80,876
ROBOTIS Co.,Ltd.	Associate	961,550	19,250	18,510	9,197

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

12. Borrowings

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Current		
Short-term borrowings	359,135	293,221
Current portion of long-term borrowings	203,617	128,760
Current portion of debentures	969,458	983,135
Subtotal	1,532,210	1,405,116
Non-current		
Long-term borrowings	4,233,535	4,241,936
Debentures	5,289,480	5,254,134
Subtotal	9,523,015	9,496,070
Total	11,055,225	10,901,186

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2019(%)	Carrying amount	
			March 31, 2019	December 31, 2018
Short-term borrowings in local currency				
Nonghyup Bank and others	-	2.37 ~ 3.77	49,795	17,800
Short-term borrowings in foreign currency				
HSBC and others	-	0.69 ~ 5.98	309,340	275,421
Long-term borrowings in local currency				
Korea Development Bank and others	2030. 8. 1	2.21 ~ 4.00	2,978,061	2,978,493
Long-term borrowings in foreign currency				
HSBC and others	2030. 8. 1	0.75 ~ 12.12	1,459,091	1,392,202
Local currency debentures				
Public, non-guaranteed bonds	2034. 2.21	1.48 ~ 4.44	4,670,000	4,400,000
Private, non-guaranteed bonds	2038. 4. 3	1.95 ~ 4.21	1,100,000	1,130,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028. 6. 8	3.28 ~ 4.20	375,474	368,973
Private, guaranteed bonds	2023. 2.24	0.40	127,746	351,536
Less: discount on debentures			(14,282)	(13,240)
Total			11,055,225	10,901,186

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

13. Lease liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2019	January 1, 2019
Lease liabilities		
Current	213,607	177,456
Non-current	470,845	445,003
Total	684,452	622,459

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

<i>(in millions of Korean won)</i>	2019
Interest expense relating on lease liabilities	6,313
Short term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	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)	4,179

Total expenses for leases including short-term leases and leases of low-value assets are ₩153,758 million.

14. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Present value of funded obligations	3,260,180	3,170,154
Present value of unfunded obligations	50,000	45,705
Subtotal	3,310,180	3,215,859
Fair value of plan assets	(2,770,521)	(2,818,190)
Net defined benefit liabilities¹	539,659	397,669

¹ Net defined benefit assets are included.

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

<i>(in millions of Korean won)</i>	2019	2018
Current service cost	90,490	86,018
Past service cost	-	(105)
Net interest cost	2,713	2,554
Operating management cost	954	960
Total	94,157	89,427

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

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	48,338	47,100
Selling and marketing expenses	15,182	14,256
Administrative expenses	6,725	6,144
Research and development expenses	22,006	20,230
Service costs	1,906	1,697
Total	94,157	89,427

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1	3,215,859	2,917,271
Current service cost	90,490	86,018
Past service cost	-	(105)
Interest expense	20,340	21,687
Remeasurements for:		
- Actuarial loss (gain) arising from changes in financial assumptions	60,949	(23,109)
Benefits paid	(78,718)	(71,319)
Others	1,260	331
At March 31	3,310,180	2,930,774

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1	2,818,190	2,591,256
Interest income	17,627	19,133
Remeasurements of plan assets	(2,889)	(7,465)
Employer contributions	3,497	2,946
Benefits paid	(65,216)	(64,460)
Operating management cost	(954)	(960)
Others	266	(192)
At March 31	2,770,521	2,540,258

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Weighted average discount rate of the Group	2.4%	2.6%
Weighted average expected salary growth rate of the Group	4.9%	4.9%

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

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

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(273,147)	315,261
Expected salary growth rate	300,714	(274,932)

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

Defined Contribution Plan

The expense recognized in the three-month period ended March 31, 2019 in relation to the defined contribution plan was ₩5,375 million (March 31, 2018: ₩4,079 million).

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15. Provisions

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

2019				
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1¹	740,839	39,013	235,129	1,014,981
Additions	195,155	834	12,578	208,567
Utilization	(179,391)	(2)	(12,782)	(192,175)
Exchange differences	5,183	232	1,348	6,763
At March 31	761,786	40,077	236,273	1,038,136
Current	666,681	17,674	9,218	693,573
Non-current	95,105	22,403	227,055	344,563

2018				
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	652,343	34,133	224,690	911,166
Additions	188,451	4,945	9,117	202,513
Utilization	(188,674)	(2,415)	(5,634)	(196,723)
Exchange differences	1,717	268	815	2,800
At March 31	653,837	36,931	228,988	919,756
Current	585,623	11,321	1,865	598,809
Non-current	68,214	25,610	227,123	320,947

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

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, 2019		December 31, 2018	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
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.

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- (b) Share premium balance as at March 31, 2019, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the 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, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Legal reserve ¹	195,936	182,342
Discretionary reserve	5,128,767	5,347,641
Unappropriated retained earnings ²	7,131,997	6,545,431
Total	12,456,700	12,075,414

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, 2018 of ₩135,909 million was approved at the annual general meeting held on March 15, 2019, and paid in April 2019 (2018 payments: ₩72,885 million).

18. Accumulated Other Comprehensive Income (Loss)

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Accumulated other comprehensive loss of associates and joint ventures	(141,415)	(204,769)
Cash flow hedge	(75,370)	(61,887)
Financial assets at fair value through other comprehensive income	(8,457)	(8,400)
Exchange difference on translation of foreign operations	(1,147,061)	(1,329,674)
Total	(1,372,303)	(1,604,730)

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19. Other Components of Equity

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
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 763,172 ordinary shares (December 31, 2018: 763,172 shares) and 4,692 preferred shares (December 31, 2018: 4,692 shares) at the end of the reporting period. The Parent Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

20. Net Sales

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

<i>(in millions of Korean won)</i>	2019	2018
Revenue from contracts with customers:		
Sales of goods	14,521,764	14,782,853
Rendering of services	259,505	252,997
Royalty income	30,355	19,188
Sub-total	14,811,624	15,055,038
Revenue from other sources:		
Rental income and others	103,440	68,003
Total	14,915,064	15,123,041

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(b) Details of revenue from contracts with customers for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	5,358,367	4,016,882	1,508,694	1,346,712	624,860	1,208,863	747,246	-	14,811,624
Internal sales	7,959	2,676	1,068	13	160	159,648	46,301	(217,825)	-
	<u>5,366,326</u>	<u>4,019,558</u>	<u>1,509,762</u>	<u>1,346,725</u>	<u>625,020</u>	<u>1,368,511</u>	<u>793,547</u>	<u>(217,825)</u>	<u>14,811,624</u>
By type of products:									
Refrigerators/ washing machine/ air conditioners and others	4,561,345	-	-	-	-	-	-	(1,965)	4,559,380
TV/monitor /PC and others	-	3,708,792	-	-	-	-	-	(2,673)	3,706,119
Mobile communications	-	-	1,509,762	-	-	-	-	(1,057)	1,508,705
In-vehicle infotainment	-	-	-	771,465	-	-	-	(8)	771,457
Information display	-	-	-	-	401,033	-	-	(160)	400,873
Camera modules	-	-	-	-	-	666,062	-	(59,299)	606,763
Others	804,981	310,766	-	575,260	223,987	702,449	793,547	(152,663)	3,258,327
By major geographical market ¹ :									
Korea	1,933,917	724,235	308,529	223,961	72,440	1,273,924	780,424	(203,675)	5,113,755
North America	1,108,306	837,972	926,202	264,033	223,778	1,951	-	(54)	3,362,188
Asia	1,014,141	496,699	49,971	58,768	131,218	10,097	1	(7,966)	1,752,929
Europe	328,466	911,307	44,823	655,380	143,335	5,974	-	(190)	2,089,095
South America	221,449	496,563	152,722	13,128	24,342	-	-	(1)	908,203
Middle East & Africa	341,206	269,070	9,157	-	17,457	-	-	(36)	636,854
China	273,056	85,143	17,265	131,455	7,660	76,565	13,122	(5,902)	598,364
Russia and others	145,785	198,569	1,093	-	4,790	-	-	(1)	350,236
Timing of transfer:									
Transferred at a point in time	5,277,073	3,994,909	1,479,868	1,304,200	620,067	1,368,511	209,243	(182,467)	14,071,404
Transferred over time	89,253	24,649	29,894	42,525	4,953	-	584,304	(35,358)	740,220

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(in millions of Korean won)	2018								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	4,851,663	4,135,299	2,133,126	839,744	640,692	1,537,416	917,098	-	15,055,038
Internal sales	9,080	2,600	91	-	1,206	182,992	108,091	(304,060)	-
	<u>4,860,743</u>	<u>4,137,899</u>	<u>2,133,217</u>	<u>839,744</u>	<u>641,898</u>	<u>1,720,408</u>	<u>1,025,189</u>	<u>(304,060)</u>	<u>15,055,038</u>
By type of products:									
Refrigerators/ washing machine/ air conditioners and others	4,084,060	-	-	-	-	-	-	(2,169)	4,081,891
TV/monitor /PC and others	-	3,787,431	-	-	-	-	-	(2,587)	3,784,844
Mobile communications	-	-	2,133,217	-	-	-	-	(91)	2,133,126
In-vehicle infotainment	-	-	-	697,333	-	-	-	-	697,333
Information display	-	-	-	-	390,870	-	-	(1,206)	389,664
Camera modules	-	-	-	-	-	1,014,145	-	(44,864)	969,281
Others	776,683	350,468	-	142,411	251,028	706,263	1,025,189	(253,143)	2,998,899
By major geographical market ¹ :									
Korea	1,620,008	746,556	444,476	223,380	93,666	1,542,179	965,034	(232,589)	5,402,710
North America	1,072,426	742,428	1,124,763	233,139	240,640	4,438	1,135	(5,633)	3,413,336
Asia	904,791	471,696	119,655	111,028	114,481	8,918	2,208	(24,609)	1,708,168
Europe	280,166	931,983	143,456	194,978	114,943	8,001	-	(14,032)	1,659,495
South America	217,692	596,258	216,836	11,280	22,056	-	190	(2)	1,064,310
Middle East & Africa	361,729	375,148	51,615	-	35,675	-	-	(37)	824,130
China	259,455	84,617	15,705	65,939	11,874	156,872	56,622	(23,874)	627,210
Russia and others	144,476	189,213	16,711	-	8,563	-	-	(3,284)	355,679
Timing of transfer:									
Transferred at a point in time	4,750,125	4,111,411	2,112,374	835,081	638,431	1,720,408	312,263	(210,629)	14,269,464
Transferred over time	110,618	26,488	20,843	4,663	3,467	-	712,926	(93,431)	785,574

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 revenue and total costs

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

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the period	Impact on profit or loss for the succeeding period
VS segment	13,184	5,776	4,804	2,604
Other segments	14,430	16,076	(4,995)	3,349
Total	27,614	21,852	(191)	5,953

21. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2019	2018
Changes in finished goods and work-in-process	(147,346)	64,086
Raw materials and merchandise used	8,984,336	9,129,599
Employee benefit expense	1,839,482	1,634,597
Depreciation and amortization	601,972	470,878
Advertising expense	166,396	227,312
Promotion expense	154,962	134,433
Freight expense	418,686	358,797
Commission expense	812,390	719,980
Other expenses	1,183,547	1,275,542
Total	14,014,425	14,015,224

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, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Salaries	739,377	682,230
Post-employment benefits	50,482	45,552
Employee benefits	148,502	145,703
Freight expense	411,580	355,751
Rental expense	39,711	95,903
Commission expense	577,988	507,156
Depreciation	106,159	48,520
Amortization	45,362	46,134
Taxes and dues	25,429	35,089
Advertising expense	166,396	227,312
Promotional expense	154,962	134,433
R&D expense	58,667	57,756
Direct service costs	157,060	152,410
Bad debts expense (reversal)	496	(1,913)
Other	162,207	169,789
Total	2,844,378	2,701,825

23. Financial Income

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

<i>(in millions of Korean won)</i>	2019	2018
Interest income	33,826	24,436
Exchange differences	103,266	108,185
Gain on derivatives	3,527	1,062
Total	140,619	133,683

24. Financial Expenses

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

<i>(in millions of Korean won)</i>	2019	2018
Interest expense	102,319	92,972
Exchange differences	105,159	113,887
Loss on derivatives	5,287	1,766
Loss on disposal of trade receivables	4,876	4,826
Other	1,114	747
Total	218,755	214,198

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25. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2019	2018
Dividend income	261	192
Exchange differences	294,560	266,348
Gain on derivatives	11,290	7,932
Gain on disposal of property, plant and equipment	3,623	5,070
Gain on disposal of assets held for sale	-	1,446
Other	10,398	5,077
Total	320,132	286,065

26. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2019	2018
Exchange differences	295,093	269,167
Loss on derivatives	10,826	6,676
Loss on disposal of property, plant and equipment	20,183	9,015
Impairment loss on property, plant and equipment	1,546	12,235
Loss on disposal of intangible assets	7,226	7,285
Impairment loss on intangible assets	19,276	2,468
Other	10,883	9,608
Total	365,033	316,454

27. Earnings per Share

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

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

	<u>2019</u>	<u>2018</u>
Profit attributable to ordinary shares (in millions of Korean won)	516,209	648,109
Weighted average number of ordinary shares outstanding (unit: shares)	162,884,642	162,884,642
Basic earnings per ordinary share (in Korean won)	3,169	3,979

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

	<u>2019</u>	<u>2018</u>
Profit attributable to preferred shares (in millions of Korean won)	54,665	68,578
Weighted average number of preferred shares outstanding (unit: shares)	17,181,300	17,181,300
Basic earnings per preferred share (in Korean won)	3,182	3,991

28. Cash Flow Information

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

(a) Cash generated from operations

<u>(in millions of Korean won)</u>	<u>2019</u>	<u>2018</u>
Profit for the period	577,965	729,871
Adjustments:		
Interest expense, net	68,493	68,536
Exchange differences, net	5,681	22,674
Loss (gain) on derivatives, net	1,296	(552)
Depreciation	505,993	375,701
Amortization	102,641	97,367
Loss on disposal of property, plant and equipment and intangible assets, net	23,786	11,230
Provisions for severance benefits	94,157	89,427
Provisions	208,567	202,513
Income tax expense	176,414	239,097
Loss from equity method	23,223	27,945
Other	63,033	39,405
	<u>1,273,284</u>	<u>1,173,343</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(665,577)	1,254,284
Decrease in other receivables	79,517	46,900

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<i>(in millions of Korean won)</i>	2019	2018
Decrease (increase) in inventories	(37,242)	65,950
Decrease (increase) in contract assets	39,750	(106,244)
Increase in other assets	(125,303)	(8,638)
Increase (decrease) in trade payables	382,453	(983,146)
Decrease in other payables	(632,878)	(108,775)
Decrease in provisions	(192,175)	(211,237)
Increase in contract liabilities	156,726	32,628
Decrease in other liabilities	(140,136)	(645,104)
Payment of defined benefit liability	(13,502)	(6,859)
Deposit in plan assets, net	(17,281)	(13,654)
	<u>(1,165,648)</u>	<u>(683,895)</u>
Cash generated from operations	685,601	1,219,319

(b) Changes in liabilities from financing activities

2019							
<i>(in millions of Korean won)</i>	Non-cash transactions						
	At Jan.1	Net cash flow from financing activities	Addition	Exchange differences (profit/loss)	Amortization and others	Effects of exchange rate changes	At Mar.31
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

2018							
<i>(in millions of Korean won)</i>	Non-cash transactions						
	At Jan.1	Net cash flow from financing activities	Exchange differences (profit/loss)	Amortization	Effects of exchange rate changes	At Mar.31	
Short-term borrowings	314,246	29,696	1,536	-	32,978	378,456	
Long-term borrowings	3,221,266	65,459	(1,826)	16	(7,615)	3,277,300	
Debentures	5,914,968	49,276	1,136	1,067	-	5,966,447	
Total	9,450,480	144,431	846	1,083	25,363	9,622,203	

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2019	2018
Reclassification of construction-in-progress to property, plant and equipment	197,362	164,530
Reclassification of construction-in-progress to intangible assets	123,462	41,605
Reclassification of current portion of borrowings and debentures	544,187	504,186
Other payables to acquire property, plant and equipment	216,725	558,773
Other payables to acquire intangible assets	2,523	6,675

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

- Transfer of Membrane business

i) On December 17, 2018, Membrane business was transferred to LG Chem Ltd.

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

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

- Transfer of OLED T-Con chip design business

i) On July 1, 2018, OLED T-Con chip design business was transferred to Silicon Works Co., Ltd.

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

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

29. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land and buildings) with the secured amount of ₩195,186 million (December 31, 2018: ₩192,350 million) and the book amount of pledged assets is ₩222,912

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million (December 31, 2018: ₩226,310 million). In addition, the Group provided buildings to Shinhan Bank, which are also provided with land as collateral, in order to guarantee obligations of landlords with the secured amount of ₩6,480 million (December 31, 2018: ₩6,480 million) and the book amount of pledged assets is ₩1,691 million (December 31, 2018: ₩1,743 million). Furthermore, financial assets at fair value through profit or loss amounting to ₩1,717 million (December 31, 2018: ₩1,717 million) of certain subsidiaries are also provided as collateral.

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩346,385 million (December 31, 2018: ₩355,761 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal EUR 100 million (December 31, 2018: USD 200 million, EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2018: ₩46,000 million). Also, subsidiaries provide joint performance guarantee amounting to ₩32,862 million (December 31, 2018: ₩32,862 million), and payment guarantee for Hitachi-LG Data Storage Inc.(HLDS) amounting to USD 7.5 million (December 31, 2018: USD 7.5 million).

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

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

At the end of the reporting period, the European Commission imposed a penalty amounting to EUR 37,121 thousand on Hitachi-LG Data Storage Inc. (HLDS), an associate of the Group, for anti-competitive activities among Optical Disk Drive (ODD) manufactures as a result of an investigation. However, HLDS appealed against the decision of the European Commission. The outcome of the investigation may affect gain or loss from equity method valuation. The Group does not have individual responsibility in the case above.

30. Commitments

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

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2018: ₩27,000 million). The total

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limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩393,620 million (December 31, 2018: ₩389,791 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩1,362,762 million (December 31, 2018: ₩1,387,534 million) with Citibank and others.

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

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩722,503 million (December 31, 2018: ₩709,994 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 760 million (December 31, 2018: USD 768 million), and have sales agreements for trade receivables with a limit of USD 400 million (December 31, 2018: USD 400 million) with MUFG Bank. 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 ₩81,000 million (December 31, 2018: ₩81,000 million) in connection with the collection of the trade receivables.

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

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

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩69,900 million limit (December 31, 2018: ₩69,900 million) in connection with the 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, 2018: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩2,357,641 million (December 31, 2018: ₩3,663,920 million).

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(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, 2019	December 31, 2018
Property, plant and equipment	246,478	228,841
Intangible assets	52,576	52,632
Investments in associates and joint ventures	109,762	9,863
Total	408,816	291,336

(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, 2019			
	Within 1 year	1 to 5 years	Over 5 years	Total lease payments
Healthcare rental	454,408	765,179	-	1,219,587
Real estate rental	944	2,332	-	3,276
Total	455,352	767,511	-	1,222,863

- ii) The Group recognized ₩96,314 million (March 31, 2018: ₩59,552 million) in lease income for the three-month period ended March 31, 2019.

(h) Trademark license commitments

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

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

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31. Related Party

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

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2019					
		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	1,008,803
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	10,318	-	10,318	15,634	-	15,634
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	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 ²	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.	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 I R Inc. and its subsidiaries	1,127	26	1,153	2	83,298	83,300

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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	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

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	1,408	-	1,408	147	40,184	40,331
Associates	LG Display Co., Ltd. and its subsidiaries	438,563	71	438,634	1,105,581	3,986	1,109,567
	Ericsson-LG Co., Ltd. and its subsidiaries	1,271	-	1,271	869	-	869
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	383	53	436	26,259	-	26,259
	LG Fuel Cell Systems Inc. and its subsidiaries	107	-	107	-	-	-
	Subtotal	440,324	124	440,448	1,132,709	3,986	1,136,695
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	31,080	-	31,080	18,450	-	18,450
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	469	469
	EIC PROPERTIES PTE LTD.	-	-	-	-	194	194
	LG-MRI LLC	85	-	85	7,853	-	7,853
	Subtotal	31,165	-	31,165	26,303	663	26,966
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,929	-	19,929	32,233	103,752	135,985
	SERVEONE Co., Ltd. and its subsidiaries ²	28,860	-	28,860	287,394	143,254	430,648
	LB Lusem CO., LTD. ³	6,114	-	6,114	205	1	206
	LG Management Development Institute	-	-	-	1	6,567	6,568
	LG SPORTS Ltd.	-	-	-	-	1,487	1,487
	LG MMA Ltd.	3	-	3	71	-	71
	LG Holdings Japan Co., Ltd.	4	-	4	-	794	794
	LG Corp. U.S.A.	323	-	323	-	-	-
	Subtotal	55,233	-	55,233	319,904	255,855	575,759
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	250,061	1,085	251,146	240,912	438	241,350
	LG INTERNATIONAL CORP and its subsidiaries	31,770	-	31,770	802,200	448,814	1,251,014
	LG Uplus Corp and its subsidiaries	159,497	-	159,497	13,169	2,534	15,703
	LG HAUSYS,LTD. and its subsidiaries and associates	3,181	-	3,181	3,108	3	3,111
	Silicon Works Co., Ltd.	5,933	-	5,933	2,663	-	2,663
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,348	-	1,348	69	255	324
	G IIR Inc. and its subsidiaries	2,765	-	2,765	7	63,524	63,531
	Subtotal	454,555	1,085	455,640	1,062,128	515,568	1,577,696
	Total	982,685	1,209	983,894	2,541,191	816,256	3,357,447

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.

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² SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. As at March 31, 2019, S&I Corp., the existing corporation, holds 100% share of SERVEONE Co., Ltd., newly established corporation.

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

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

(in millions of Korean won)

		March 31, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	38	-	31,265	31,303	-	-	45,333	45,333
Associates	LG Display Co., Ltd. and its subsidiaries	617,637	-	120,519	738,156	667,023	-	241,077	908,100
	Hitachi-LG Data Storage Inc. and its subsidiaries	99	-	-	99	26,732	-	490	27,222
	LG Fuel Cell Systems Inc. and its subsidiaries	24	-	60	84	-	-	-	-
	Korea Information Certificate Authority Inc.	-	-	161	161	-	-	49	49
	Acryl Inc.	-	-	-	-	-	-	249	249
	Kiwigrid GmbH	-	-	-	-	-	-	-	-
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	114	114
	Robostar Co.,Ltd	-	-	-	-	4,529	-	8,559	13,088
	Subtotal	617,760	-	120,740	738,500	698,284	-	250,538	948,822
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	9,651	-	-	9,651	26,232	-	-	26,232
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,191	1,191
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	67	67
	LG-MRI LLC	369	-	-	369	7,509	-	95	7,604
	Subtotal	10,020	-	-	10,020	33,741	-	1,353	35,094
Other related parties	LG CNS Co., Ltd. and its subsidiaries	46,106	-	2,071	48,177	3,944	-	103,696	107,640
	S&I Corp. and its subsidiaries ²	12,147	-	66,723	78,870	324,151	-	157,520	481,671
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,983	1,983
	LG SPORTS Ltd.	1	-	-	1	-	-	1,372	1,372
	LG MMA Ltd.	86	-	-	86	30	-	-	30
	LG Holdings Japan Co., Ltd.	-	-	3,804	3,804	-	-	-	-
	LG Corp. U.S.A.	5	-	10,779	10,784	-	-	-	-
	Subtotal	58,345	-	101,241	159,586	328,125	-	264,571	592,696

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		March 31, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	343,957	-	249,478	593,435	405,896	-	60,024	465,920
	LG INTERNATIONAL CORP and its subsidiaries	44,579	-	3,585	48,164	374,234	-	269,425	643,659
	LG Uplus Corp and its subsidiaries	67,657	-	230	67,887	-	-	417	417
	LG HAUSYS,LTD. and its subsidiaries and associates	1,136	-	1,481	2,617	-	-	305	305
	Silicon Works Co., Ltd.	5,601	-	-	5,601	2,547	-	1,124	3,671
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	108	-	90	198	21	-	175	196
	G I I R Inc. and its subsidiaries	122	-	20	142	702	-	205,973	206,675
	Subtotal	463,160	-	254,884	718,044	783,400	-	537,443	1,320,843
	Total	1,149,323	-	508,130	1,657,453	1,843,550	-	1,099,238	2,942,788

(in millions of Korean won)

		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	42	-	29,398	29,440	-	-	742	742
Associates	LG Display Co., Ltd. and its subsidiaries	563,778	-	136,544	700,322	518,663	-	168,882	687,545
	Ericsson-LG Co., Ltd. and its subsidiaries	31	-	-	31	534	-	-	534
	Hitachi-LG Data Storage Inc. and its subsidiaries	109	7,257	31	7,397	32,687	-	397	33,084
	LG Fuel Cell Systems Inc. and its subsidiaries	12	-	240	252	-	-	28	28
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	55	55
	Acryl Inc.	-	-	-	-	-	-	312	312
	Kiwigrd GmbH	-	-	-	-	-	-	54	54
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	168	168
	Robostar Co.,Ltd	-	-	-	-	13,406	-	519	13,925
	Subtotal	563,930	7,257	136,815	708,002	565,290	-	170,415	735,705
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	2,733	-	-	2,733	4,779	-	-	4,779
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,210	1,210
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	1	1
	LG-MRI LLC	643	-	-	643	9,228	-	63	9,291
	Subtotal	3,376	-	-	3,376	14,007	-	1,274	15,281

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		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,819	-	2,218	22,037	3,959	-	182,146	186,105
	S&I Corp. and its subsidiaries ²	10,819	-	67,510	78,329	247,412	-	225,331	472,743
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,850	1,850
	LG SPORTS Ltd.	2	-	-	2	-	-	1,859	1,859
	LG MMA Ltd.	86	-	-	86	51	-	21	72
	LG Holdings Japan Co., Ltd.	-	-	3,546	3,546	-	-	-	-
	LG Corp. U.S.A.	4	-	8,062	8,066	-	-	-	-
	Subtotal	30,730	-	99,200	129,930	251,422	-	411,207	662,629
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	490,832	-	270,963	761,795	277,880	-	84,364	362,244
	LG INTERNATIONAL CORP and its subsidiaries	19,582	-	9,362	28,944	558,108	-	269,497	827,605
	LG Uplus Corp and its subsidiaries	19,219	-	182	19,401	-	-	378	378
	LG HAUSYS, LTD. and its subsidiaries and associates	725	-	1,354	2,079	29	-	485	514
	Silicon Works Co., Ltd.	3,309	-	-	3,309	2,011	-	748	2,759
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,270	-	350	2,620	32	-	734	766
	G II R Inc. and its subsidiaries	83	-	137	220	334	-	251,174	251,508
	Subtotal	536,020	-	282,348	818,368	838,394	-	607,380	1,445,774
	Total	1,134,098	7,257	547,761	1,689,116	1,669,113	-	1,191,018	2,860,131

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 SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. As at March 31, 2019, S&I Corp., the existing corporation, holds 100% share of SERVEONE Co., Ltd., a newly established corporation.

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

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2019		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	-	-	-	-	-	-
	Total	498	41,321	-	-	-	-	-

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2018		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	LG-MRI LLC	321	-	-	-	-	-	-
	Total	68,248	22,038	-	-	-	-	-

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

(in millions of Korean won)

	2019	2018
Wages and salaries	10,493	9,942
Post-employment benefits	855	945
Other long-term benefits	27	28
Total	11,375	10,915

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

- (c) The Group provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 7.5 million at the end of the reporting period (December 31, 2018: USD 7.5 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.

As at March 31, 2019 and December 31, 2018, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than

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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, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(37,703)	37,703	(40,378)	40,378
EUR/KRW	15,341	(15,341)	18,956	(18,956)

ii) Interest rate risk

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

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

If interest rates fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the three-month periods ended March 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	10,008	(10,008)	9,160	(9,160)
Interest expenses	2,182	(2,182)	1,241	(1,241)

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iii) Details of derivative contracts are as follows:

Hedging purposes

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount (in millions of Korean won)	
							Assets	Liabilities
Cross-currency swap	BTMU and others	USD 530 (USD/KRW)	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017. 2. 2 ~ 2018. 6. 8	2020.11.23 ~ 2028. 6. 8	1,473	15,472
	Commerzbank	CZK 544 (EUR/CZK)	25.9 ~ 26.4	1.48	2018. 6.27 ~ 2018.12.17	2019. 4. 1 ~ 2019.12. 2	259	-
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 103 / USD 235	-	1.00 ~ 4.53	2012. 2. 3 ~ 2018. 5.24	2019. 9.30 ~ 2030. 7. 7	-	74,690

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)	Accumulated other comprehensive loss
Cross-currency swap	Borrowings	628,440	(6,866)	(22,494)
Interest rate swap	Borrowings	1,668,085	12,775	(52,949)

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)
Cross-currency swap	6,866	Interest expense and exchange differences	(9,773)	(2,907)
Interest rate swap	(12,775)	Interest expense	2,200	(10,575)

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Trading purposes

The Group entered into the currency forward contracts and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. The subsidiaries' currency forward contracts and the interest rate swap contracts as at March 31, 2019, and related profit or loss for the three-month period ended March 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Gain (loss) on valuation	Gain (loss) on transaction
Currency forward	873,946	872,456	4,208	(3,994)
Interest rate swap	-	-	(1,158)	40

Share Purchase Agreement

The Group entered into a contract to additionally purchase shares of Robostar Co., Ltd. in December 2019 at the average price of immediate four months with a 25% mark up. In relation to this share purchase contract, the Group recognized derivative liabilities amounting to ₩2,713 million at the time of acquisition of Robostar Co., Ltd. and recognized loss on valuation of derivatives amounting to ₩392 million during the three-month period ended March 31, 2019. Accordingly, the related derivative liabilities amounted to ₩2,254 million at the end of the reporting period.

iv) Price risk

The 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, 2019		December 31, 2018	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	2,979	(2,979)	3,057	(3,057)
Austrian Traded Index	3,261	(3,261)	3,108	(3,108)

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

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(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 when determining the insurance coverage. In addition, the Group performs stringent credit risk management based on credit valuation criteria for receivables without insurance coverage or collateral.

At the end of reporting period, trade receivable balance of the Group is ₩7,335,187 million (December 31, 2018: ₩6,462,609 million) and its risk is managed appropriately within insurer's credit limit of ₩24,353,469 million (December 31, 2018: ₩23,936,144 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

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

(c) Liquidity risk

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

The Group maintains adequate amount of cash and committed credit facilities in Kookmin Bank and Shinhan Bank to cope with potential 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, 2019, 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	7,798,463	7,798,463	-	-	-
Borrowings	12,759,549	1,862,384	1,853,864	4,075,063	4,968,238
Lease liabilities	798,173	237,066	196,902	258,316	105,889
Other payables	3,038,525	3,031,650	5,334	1,541	-
Other financial liabilities	21,729	14,396	-	-	7,333
Total	24,416,439	12,943,959	2,056,100	4,334,920	5,081,460

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The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩2,623 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	54,534	48,845	5,689	-	-

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

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2019	December 31, 2018
Liability (A)	28,997,029	28,021,536
Equity (B)	16,939,675	16,306,907
Cash and cash equivalents (C)	4,093,584	4,270,388
Borrowings and lease liabilities (D)	11,739,677	10,901,186
Debt-to-equity ratio (A/B)	171.2%	171.8%
Net borrowings ratio ((D-C)/B)	45.1%	40.7%

Fair Value Estimation

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

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<i>(in millions of Korean won)</i>	March 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	8,025	8,025	21,362	1
Financial assets at fair value through other comprehensive income				
Trade receivables	516,639	1	-	-
Other financial assets				
Listed equity securities	-	-	20,473	20,473
Unlisted equity securities	-	-	46,867	1
Debt securities	-	-	1,528	1
Derivatives for hedging purposes				
Other financial assets	259	259	1,473	1,473
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	4,093,584	1	-	-
Deposits held by financial institutions	80,516	1	45,338	45,338
Trade receivables	6,727,576	1	-	-
Other receivables	482,098	1	432,019	411,611
Other financial assets	117	1	1,612	1
Total	11,908,814		570,672	

<i>(in millions of Korean won)</i>	March 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	2,623	2,623	9,587	9,587
Derivatives for hedging purposes				
Other financial liabilities	-	-	90,162	90,162
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	7,798,463	1	-	-
Borrowings	1,532,210	1	9,523,015	9,860,114
Lease liabilities	213,607	1	470,845	471,089
Other payables	3,031,619	1	6,831	6,673
Other liabilities				
Other financial liabilities	80	2	47	2
Total	12,578,602		10,100,487	

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

<i>(in millions of Korean won)</i>	December 31, 2018			
	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	3,228	3,228	8,045	8,045
Derivatives for hedging purposes				
Other financial liabilities	-	-	81,170	81,170
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	7,216,739	1	-	-
Borrowings	1,405,116	1	9,496,070	9,764,971
Other payables	3,670,453	1	17,995	18,407
Other liabilities				
Other financial liabilities	115	2	52	2
Total	12,295,651		9,603,332	

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

² 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*.

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

- Level 3: When financial instruments are measured by using a discounted cash flow, if one or more of the significant inputs are unobservable market data, the instrument is included in 'level 3'. Assets or liabilities categorized within 'level 3' include financial instruments such as debt securities.

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

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

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

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

<i>(in millions of Korean won)</i>	March 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	20,473	-	-	20,473
Financial assets at fair value through profit or loss	-	8,025	-	8,025
Derivatives for hedging purposes	-	1,732	-	1,732
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	90,162	-	90,162
December 31, 2018				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	20,463	-	-	20,463
Financial assets at fair value through profit or loss	-	6,742	-	6,742
Derivatives for hedging purposes	-	1,833	-	1,833
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	11,273	-	11,273
Derivatives for hedging purposes	-	81,170	-	81,170

The above fair value amounts are recurring fair value measurements.

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2019	December 31, 2018		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	8,025	6,742	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	1,732	1,833	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	12,210	11,273	Discounted cash flow	Discount rate, exchange rate and share price
Derivatives for hedging purposes	90,162	81,170	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

There are no changes in financial assets and financial liabilities that are measured at fair value and categorized within 'level 3' for the three-month periods ended March 31, 2019 and 2018.

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

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

<i>(in millions of Korean won)</i>	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	45,338	45,338
Non-current other receivables	-	-	411,611	411,611
Liabilities				
Non-current borrowings	-	-	9,860,114	9,860,114
Non-current lease liabilities	-	-	471,089	471,089
Non-current other payables	-	-	6,673	6,673

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

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

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

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

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

<i>(in millions of Korean won)</i>	March 31, 2019		December 31, 2018		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	45,338	45,338	45,853	45,853	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.8%
Non-current other receivables	432,019	411,611	452,366	426,804	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.3% ~ 3.9%
Liabilities								
Non-current borrowings	9,523,015	9,860,114	9,496,070	9,764,971	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.9% ~ 3.5%
Non-current lease liabilities	470,845	471,089	-	-	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.5% ~ 12.7%
Non-current other payables	6,831	6,673	17,995	18,407	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.9% ~ 2.1%

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33. Business Combinations

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

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

<i>(in millions of Korean won)</i>	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.

Net sales and profit of QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO., LTD. for the period from March 5, 2019, the acquisition date, included in the consolidated interim statements of profit or loss are ₩432 million and ₩31 million, respectively. Net sales and profit for the current reporting period as though the acquisition date had been as at the beginning of the annual reporting period are as follows:

<i>(in millions of Korean won)</i>	Before adjustments	Adjustments	After adjustments
Net sales	14,915,064	1,086	14,916,150
Profit for the period	577,965	4	577,969

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

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

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	979,108
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	241,079
Trade receivables ¹	189,572
Other receivables ¹	28,118
Inventories	152,472
Other assets	182,918
Non-current assets	
Property, plant and equipment	571,775
Intangibles assets	354,719
Other receivables ¹	2,107
Other assets	254,969
Current liabilities	
Trade and other payables	201,785
Borrowings	216,114
Other liabilities	202,933
Non-current liabilities	
Borrowings	297,802
Other liabilities	202,332
Fair value of total identifiable net assets	856,763
Non-controlling interest²	420,001
Goodwill³	542,346

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

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

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

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

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34. Assets Classified as Held for Sale

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

<i>(in millions of Korean won)</i>	March 31, 2019	December 31, 2018
Assets held for sale ¹		
Property, plant and equipment	141,252	115,212
Intangible assets	1	-
Total	141,253	115,212

¹ At the end of the reporting period, sales procedure of the assets is in progress and the sale is expected to be completed by the third quarter of 2019.

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