

LG Electronics Inc.

Separate Financial Statements

December 31, 2018 and 2017

LG Electronics Inc.

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December 31, 2018 and 2017

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying separate financial statements of LG Electronics Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Impairment of investments in associates

Reasons why the matter was determined to be a key audit matter

As disclosed in Note 13, the Company held 37.9% of shares of LG Display Co., Ltd. (hereinafter referred to as "LGD"), which was classified as an associate. As at December 31, 2018, the book amount of the LGD shares was ₩3,480,623 million.

The Company focused on the decline of the market value of the LGD shares during the current period and performed impairment testing in accordance with Korean IFRS 1036 *Impairment of Assets*.

We considered that the impairment of investments in associates was a key audit matter given the decline in the market value of LGD shares and the level of management's judgments involved in the value-in-use estimation of impairment testing are significant.

How our audit addressed the Key Audit Matter

We performed the following audit procedures for a valuation model, key assumptions and judgements related to value-in-use estimation. We also involved our valuation specialists when performing such audit procedures. Our audit procedures included:

- Inquiring on and obtaining an understanding of the valuation model adopted by the Company
- Obtaining an understanding of future cash flows of LGD, and verifying that such future cash flows forecasts are consistent with the corresponding information included in business plans approved by the management
- Evaluating appropriateness of the previous business plans estimated by management by comparing such business plans with actual business performance
- Evaluating appropriateness of key assumptions used in the valuation model such as discount rates, growth rates and others by comparing them with external benchmarks within the same industry and historical financial information of LGD
- Performing sensitivity analysis of key assumptions in order to quantify the downside changes in assumptions that could result in an impairment

In addition, we reviewed the workpapers on the audit procedures related to the goodwill impairment testing performed by the independent auditor of LGD (hereinafter referred to as the "component auditor") and the evaluation of competence and objectivity of independent external experts engaged by LGD's management in the goodwill impairment testing.

(b) Capitalization of internally generated development costs and their impairment

Reasons why the matter was determined to be a key audit matter

As disclosed in Note 12, the book amount of internally generated development costs of the Company was ₩858,534 million (including ₩623,303 million of construction-in-progress) as at December 31, 2018, which was material in the separate financial statements of the Company.

The Company recognized internally generated development costs which meet certain conditions defined in Korean IFRS 1038 *Intangible Assets* and applied Korean IFRS 1036 *Impairment of Assets* to determine whether they are impaired.

We considered that the capitalization of internally generated development costs and their impairment was a key audit matter given that it is related to a significant level of judgments and estimations based on management's assumptions.

How our audit addressed the Key Audit Matter

We obtained a detailed schedule of capitalized development projects with the amounts of individual project, and reconciled them to the amounts recorded in the general ledger. We also evaluated whether the accounting policies and internal controls of the Company were in compliance with the requirements for the recognition of Korean IFRS 1038 *Intangible Assets*.

For certain projects selected as samples, our audit procedures included:

- Obtaining management's analysis documentations, which included conclusions made by management, interviewing with the project managers to understand and evaluate whether each project met the criteria for capitalization, and verifying that the analyses are consistent with the explanations of the project managers
- Inspecting contracts with customers, purchase orders or quotations which represented future economic benefits
- Evaluating the appropriateness of key assumptions and raw data applied to impairment analysis and testing them by examining that they are consistent with the assumptions used in the business plans of the Company, historical business performances, strategies of management, discount rate and others
- Substantively testing occurrence and the accuracy of aggregation and allocation of capitalized expenditures by vouching proper evidences

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ki-Soo Hong, Certified Public Accountant.

Seoul, Korea
March 7, 2019

This report is effective as of March 7, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.
Separate Statements of Financial Position
December 31, 2018 and 2017

<i>(in millions of Korean won)</i>	Notes	2018	2017
Assets			
Current assets			
Cash and cash equivalents	4,5,37	1,109,883	1,586,258
Deposits held by financial institutions	4,5,37	80,500	80,500
Trade receivables	4,6,37	3,726,012	5,612,250
Other receivables	4,6,37	545,431	472,794
Other financial assets	4,7,37	1,281	-
Inventories	8	1,505,385	1,343,666
Current income tax assets		3,157	1,455
Contract assets	9	465,307	-
Other current assets	10	401,387	412,902
Assets held for sale	38	-	6,070
		7,838,343	9,515,895
Non-current assets			
Deposits held by financial institutions	4,5,37	1,211	1,785
Other receivables	4,6,37	243,485	292,123
Other financial assets	4,7,37	43,001	33,945
Property, plant and equipment	11	7,278,238	7,142,306
Intangible assets	12	1,671,617	1,474,201
Deferred income tax assets	17	967,496	973,957
Investments in subsidiaries, associates and joint ventures	13	9,108,014	8,066,087
Investment properties	14	93,999	95,307
Contract assets	9	90,092	-
Other non-current assets	10	529,967	564,175
		20,027,120	18,643,886
Total assets		27,865,463	28,159,781
Liabilities			
Current liabilities			
Trade payables	4,37	5,553,794	6,126,168
Borrowings	4,15,37	768,275	767,666
Other payables	4,16,37	2,371,053	2,351,601
Other financial liabilities	4,7,37	6,453	6,985
Provisions	19	349,001	316,235
Contract liabilities	10	458,539	-
Other current liabilities	20	1,251,123	1,907,269
		10,758,238	11,475,924
Non-current liabilities			
Borrowings	4,15,37	7,132,237	6,674,174
Other payables	4,16,37	1,011	215
Other financial liabilities	4,7,37	83,759	69,892
Net defined benefit liabilities	18	305,921	220,610
Provisions	19	124,467	91,763
Contract liabilities	10	1,034	-
Other non-current liabilities	20	95,916	82,346
		7,744,345	7,139,000
Total liabilities		18,502,583	18,614,924
Equity			
Paid-in capital:	21		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	22	5,460,710	5,602,967
Accumulated other comprehensive loss	23	(57,359)	(17,639)
Other components of equity	24	(32,819)	(32,819)
Total equity		9,362,880	9,544,857
Total liabilities and equity		27,865,463	28,159,781

LG Electronics Inc.
Separate Statements of Profit or Loss
Years Ended December 31, 2018 and 2017

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

	Notes	2018	2017
Net sales	25	29,982,010	31,966,513
Cost of sales	26	23,613,681	25,341,438
Gross profit		6,368,329	6,625,075
Selling and marketing expenses	26,27	2,851,568	2,810,541
Administrative expenses	26,27	549,614	571,445
Research and development expenses	26,27	1,922,364	1,994,767
Service costs	26,27	557,067	547,096
Operating profit		487,716	701,226
Financial income	28	203,001	219,704
Financial expenses	29	409,487	474,542
Other non-operating income	30	802,410	1,264,641
Other non-operating expenses	31	1,016,086	938,536
Profit before income tax		67,554	772,493
Income tax expense	17	72,328	14,447
Profit (loss) for the year		<u>(4,774)</u>	<u>758,046</u>
Earnings (loss) per share during the year <i>(in Korean won)</i>	32		
Earnings (loss) per ordinary share		(31)	4,205
Earnings per preferred share		19	4,255

LG Electronics Inc.**Separate Statements of Comprehensive Income (Loss)****Years Ended December 31, 2018 and 2017***(in millions of Korean won)*

	Note	2018	2017
Profit (loss) for the year		<u>(4,774)</u>	<u>758,046</u>
Other comprehensive income (loss), net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	18	(76,428)	66,233
Financial assets at fair value through other comprehensive income	7	(1,317)	-
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Cash flow hedges	37	(30,114)	29,191
Available-for-sale financial assets	7	<u>-</u>	<u>(1,180)</u>
Other comprehensive income (loss) for the year, net of tax		<u>(107,859)</u>	<u>94,244</u>
Total comprehensive income (loss) for the year, net of tax		<u>(112,633)</u>	<u>852,290</u>

LG Electronics Inc.
Separate Statements of Changes in Equity
Years Ended December 31, 2018 and 2017

				Accumulated	Other	Total
		Paid-in	Retained	Other	Components	
		Capital	Earnings	Comprehensive	of Equity	
				Income (Loss)		
<i>(in millions of Korean won)</i>						
Note						
	Balance at January 1, 2017	3,992,348	4,851,573	(45,650)	(32,819)	8,765,452
	Total comprehensive income (loss):					
	Profit for the year	-	758,046	-	-	758,046
18	Remeasurements of the net defined benefit liability	-	66,233	-	-	66,233
37	Cash flow hedges	-	-	29,191	-	29,191
7	Available-for-sale financial assets	-	-	(1,180)	-	(1,180)
	Total comprehensive income	-	824,279	28,011	-	852,290
	Transactions with owners:					
22	Dividends	-	(72,885)	-	-	(72,885)
	Total transactions with owners	-	(72,885)	-	-	(72,885)
	Balance at December 31, 2017	3,992,348	5,602,967	(17,639)	(32,819)	9,544,857
	Balance at January 1, 2018	3,992,348	5,602,967	(17,639)	(32,819)	9,544,857
	Changes in accounting policy	-	11,830	(8,289)	-	3,541
	Restated total equity	3,992,348	5,614,797	(25,928)	(32,819)	9,548,398
	Total comprehensive income (loss):					
	Loss for the year	-	(4,774)	-	-	(4,774)
18	Remeasurements of the net defined benefit liability	-	(76,428)	-	-	(76,428)
7	Financial assets at fair value through other comprehensive income	-	-	(1,317)	-	(1,317)
37	Cash flow hedges	-	-	(30,114)	-	(30,114)
	Total comprehensive loss	-	(81,202)	(31,431)	-	(112,633)
	Transactions with owners:					
22	Dividends	-	(72,885)	-	-	(72,885)
	Total transactions with owners	-	(72,885)	-	-	(72,885)
	Balance at December 31, 2018	3,992,348	5,460,710	(57,359)	(32,819)	9,362,880

LG Electronics Inc.
Separate Statements of Cash Flows
Years Ended December 31, 2018 and 2017

(in millions of Korean won)

	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations	33	1,828,269	558,366
Interest received		22,798	13,375
Interest paid		(241,441)	(216,903)
Dividends received		221,115	453,546
Income tax paid		(14,060)	(115,574)
Net cash inflow from operating activities		<u>1,816,681</u>	<u>692,810</u>
Cash flows from investing activities			
Decrease in deposits held by financial institutions		574	-
Decrease in other receivables		98,640	90,286
Proceeds from redemption and disposal of other financial assets		877	11,028
Proceeds from disposal of property, plant and equipment		41,530	490,037
Proceeds from disposal of intangible assets		1,831	1,297
Proceeds from withdrawal and disposal of investments in subsidiaries, associates and joint ventures		1,544	56,310
Proceeds from disposal of assets held for sale		3,850	12,710
Transfer of business	33	49,618	13,942
Increase in deposits held by financial institutions		-	(625)
Increase in other receivables		(44,417)	(62,062)
Acquisition of other financial assets		(14,904)	(2,963)
Acquisition of property, plant and equipment		(923,093)	(1,108,219)
Acquisition of intangible assets		(513,112)	(538,727)
Acquisition of investments in subsidiaries, associates and joint ventures		(1,341,887)	(70,138)
Net cash outflow from investing activities		<u>(2,638,949)</u>	<u>(1,107,124)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,192,215	1,527,017
Repayments of borrowings		(771,082)	(630,535)
Dividends paid	22	(72,885)	(72,885)
Net cash inflow from financing activities		<u>348,248</u>	<u>823,597</u>
Effects of exchange rate changes on cash and cash equivalents		(2,355)	(4,750)
Net increase (decrease) in cash and cash equivalents		<u>(476,375)</u>	<u>404,533</u>
Cash and cash equivalents at the beginning of the year	5	<u>1,586,258</u>	<u>1,181,725</u>
Cash and cash equivalents at the end of the year	5	<u>1,109,883</u>	<u>1,586,258</u>

LG Electronics Inc.

Notes to the Separate Financial Statements

December 31, 2018 and 2017

1. General Information

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

As at December 31, 2018, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle Components segment designs and manufactures automobile parts; and Business-to-Business segment manufactures and sells information displays, solar modules and others. As at December 31, 2018, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are stated below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

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

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company’s financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

LG Electronics Inc.

Notes to the Separate Financial Statements

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Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2018.

- Enactment of Korean IFRS 1109 *Financial Instruments*

The Company has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated, and recognized the cumulative impact of initially applying the changes in a classification of financial instruments as an adjustment to equity as at January 1, 2018. Further details on the impact of the application of the standard are as follows:

Classification and Measurement of Financial Instruments

On the date of initial application of Korean IFRS 1109, January 1, 2018, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

- *Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss*

At the date of initial application, investments amounting to ₩10,399 million that do not meet the definition of equity instruments in Korean IFRS 1032, were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss. For the year ended December 31, 2018, changes in fair value of these financial assets amounting to ₩2,002 million were recognized as loss along with related deferred income tax assets of ₩542 million.

- *Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income*

The Company elected to present subsequent changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, not held for trading, in other comprehensive income. As a result, assets with a fair value of ₩21,684 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. At the date of initial application, related accumulated other comprehensive loss of ₩8,289 million is not reclassified to profit or loss even though these assets are disposed of. Due to this change, other non-operating expenses was ₩1,273 million lower (tax impact of ₩345 million) for the year ended December 31, 2018 than if recognized under previous standard.

LG Electronics Inc.
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- *Reclassifications of financial instruments on adoption of Korean IFRS 1109*

On the date of initial application, January 1, 2018, the financial assets of the Company with any reclassifications noted, are as follows:

<i>(in millions of Korean won)</i>	Measurement category		Carrying amount	
	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109
Cash and cash equivalents	Loans and receivables	Amortized costs	1,586,258	1,586,258
Deposits held by financial institutions	Loans and receivables	Amortized costs	82,285	82,285
Trade receivables	Loans and receivables	Amortized costs	5,612,250	5,612,250
Other receivables	Loans and receivables	Amortized costs	764,917	764,917
Other financial assets	Available-for-sale financial assets	Fair value through other comprehensive income	32,083	21,684
Other financial assets	Available-for-sale financial assets	Fair value through profit or loss	-	10,399
Total financial assets excluding derivatives			8,077,793	8,077,793

Impairment of Financial Assets

The Company recognizes impairment losses based on the expected credit loss model for the following financial assets:

- debt investments measured at amortized cost,
- debt investments measured at fair value through other comprehensive income,
- lease receivables, and
- financial guarantee contracts.

The Company applies the simplified approach from initial recognition to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables.

Hedge Accounting

The Company's cross-currency swap contracts and interest rate swap contracts as at January 1, 2018, qualified as cash flow hedges under Korean IFRS 1109. The Company's risk management strategies and hedge documentation are aligned with the requirements of Korean IFRS 1109 and are thus treated as continuing hedging relationships.

- Enactment of Korean IFRS 1115 *Revenue from Contracts with Customers*

The Company has elected to apply Korean IFRS 1115 *Revenue from Contracts with Customers* on January 1, 2018, the date of initial application. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. The Company recognized the cumulative effects of initially applying the revenue standard as an adjustment to retained earnings

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as at January 1, 2018. Further details on the impact of the application of the standard on January 1, 2018, are as follows:

The statement of financial position at the date of initial application (January 1, 2018)

<i>(in millions of Korean won)</i>	December 31, 2017 (before adjustments)	K-IFRS 1115 Adjustments	January 1, 2018 (after adjustments)
Current assets			
Trade receivables	5,612,250	(184,779)	5,427,471
Other receivables	472,794	(920)	471,874
Contract assets	-	330,713	330,713
Current assets without financial effect	3,430,851	-	3,430,851
Total current assets	9,515,895	145,014	9,660,909
Non-current assets			
Contract assets	-	3,541	3,541
Non-current assets without financial effect	18,643,886	-	18,643,886
Total non-current assets	18,643,886	3,541	18,647,427
Total assets	28,159,781	148,555	28,308,336
Current liabilities			
Provisions	316,235	(370)	315,865
Contract liabilities	-	432,725	432,725
Other liabilities	1,907,269	(287,341)	1,619,928
Current liabilities without financial effect	9,252,420	-	9,252,420
Total current liabilities	11,475,924	145,014	11,620,938
Non-current liabilities			
Contract liabilities	-	1,182	1,182
Other liabilities	82,346	(1,182)	81,164
Non-current liabilities without financial effect	7,056,654	-	7,056,654
Total non-current liabilities	7,139,000	-	7,139,000
Total liabilities	18,614,924	145,014	18,759,938
Equity			
Retained earnings	5,602,967	3,541	5,606,508
Equity without financial effect	3,941,890	-	3,941,890
Total equity	9,544,857	3,541	9,548,398

LG Electronics Inc.
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¹ Accounting for returns and refunds

Under the previous standard, when the customer has a right to return the product within a given period, the Company previously recognized a provision for returns which was measured on a net basis at the gross profit on the sale. Under Korean IFRS 1115, if the customer returns a product, a gross contract liability (refund liability) for the expected refunds to customers is recognized. At the same time, a right to recover the product from the customer where the customer exercises his right of return is recognized as contract asset. Due to this change in policy, the Company reclassified ₩370 million from sales return provisions to contract liabilities of ₩1,020 million and contract assets of ₩650 million at the date of initial application.

² Accounting for variable consideration

Under the previous standard, the Company previously estimated an amount of promotional incentive and reversed sales and trade receivables. Instead, with the implementation of Korean IFRS 1115, the Company will reverse sales and recognize a refund liability. Due to this change in policy, the Company reclassified the amounts of ₩144,364 million, which was previously deducted from trade receivables, to contract liabilities at the date of initial application.

³ Accounting for costs to fulfil a contract

The Company's Vehicle Components segment supplies the automobile parts to car makers through development and mass production process under the contracts with such customers. If the costs incurred in fulfilling those contracts are directly related to the contracts, generate or enhance resources of the entity that will be used in satisfying performance obligations in the future, are expected to be recovered, and are not within the scope of another standard, it is recognized as an asset. Recognized assets are amortized on a systematic basis consistent with the way in which the related goods or services are provided. Due to this change in policy, the Company reclassified from retained earnings to contract assets of ₩3,541 million at the date of initial application.

⁴ Presentation of contract assets and contract liabilities

At the date of initial application, the Company has also changed the presentation of accounts in the separate statements of financial position to reflect the terminology of Korean IFRS 1115. Based on the detailed analysis, trade receivables of ₩329,143 million and other receivables of ₩920 million were reclassified to contract assets. Other liabilities of ₩288,523 million were reclassified to contract liabilities.

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Financial statement line items affected by the adoption of the new standard in the current year are as follows:

Statement of financial position

<i>(in millions of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Current assets			
Trade receivables	3,726,012	312,320	4,038,332
Other receivables	545,431	11,988	557,419
Inventories	1,505,385	121	1,505,506
Contract assets	465,307	(465,307)	-
Other assets	401,387	71,011	472,398
Current assets without financial effect	1,194,821	-	1,194,821
Total current assets	7,838,343	(69,867)	7,768,476
Non-current assets			
Contract assets	90,092	(90,092)	-
Deferred income tax assets	967,496	3,880	971,376
Non-current assets without financial effect	18,969,532	-	18,969,532
Total non-current assets	20,027,120	(86,212)	19,940,908
Total assets	27,865,463	(156,079)	27,709,384
Current liabilities			
Trade payables	5,553,794	20,304	5,574,098
Other payables	2,371,053	26,944	2,397,997
Provisions	349,001	422	349,423
Contract liabilities	458,539	(458,539)	-
Other liabilities	1,251,123	269,991	1,521,114
Current liabilities without financial effect	774,728	-	774,728
Total current liabilities	10,758,238	(140,878)	10,617,360
Non-current liabilities			
Contract liabilities	1,034	(1,034)	-
Other liabilities	95,916	1,034	96,950
Non-current liabilities without financial effect	7,647,395	-	7,647,395
Total non-current liabilities	7,744,345	-	7,744,345
Total liabilities	18,502,583	(140,878)	18,361,705
Equity			
Retained earnings	5,460,710	(15,201)	5,445,509
Equity without financial effect	3,902,170	-	3,902,170
Total equity	9,362,880	(15,201)	9,347,679

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Statement of profit or loss

<i>(in millions of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Net sales	29,982,010	15,009	29,997,019
Cost of sales	23,613,681	15,653	23,629,334
Selling and administrative expenses, and others	5,880,613	15,902	5,896,515
Finance income (expenses), net	(206,486)	-	(206,486)
Other non-operating income (expenses), net	(213,676)	1,006	(212,670)
Income tax expense	72,328	(3,880)	68,448
Loss for the year	(4,774)	(11,660)	(16,434)

Statement of cash flows

After applying Korean IFRS 1115, cash flows from operating, investing and financing activities are identical to those under the previous standard.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify that accounting for a modification to the terms and conditions and fair value measurement of a cash-settled share-based payment are in the same way as an equity-settled share-based payment when it changes the classification of the transaction from cash-settled to equity-settled. The amendment does not have a significant impact on the separate financial statements.

- Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The enactment does not have a significant impact on the separate financial statements.

- Amendments to Korean IFRS 1040 *Transfers of Investment Property*

Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence. The amendment does not have a significant impact on the separate financial statements.

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(b) New, enacted and amended standards issued, but not effective for December 31, 2018, and not early adopted by the Company

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued in May, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace 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 entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity 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 lessee may elect 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). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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

Lessee accounting

A lessee shall apply this standard to its leases either:

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

The Company plans to apply Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard as at January 1, 2019. The Company will not restate any comparative information. Instead, the cumulative effect of applying the standard will be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as

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appropriate) at the date of initial application.

The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Company is analyzing the financial effects based on available information as at December 31, 2018, to identify effects on 2018 separate financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

The total minimum lease payment expected to be paid by the Company in relation to operating leases before discounted to their present value is ₩122,531 million. And, for a contract that is, or contains, a lease, the Company plans to account for each lease component within the contract as a lease separately from non-lease components of the contract.

The Company is analyzing the effects on the financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

Lessor accounting

The Company expects the effect on the separate financial statements applying the new standard will not be significant as accounting for the Company, as a lessor, will not significantly change.

If the Company, as an intermediate lessor, classified the sublease as an operating lease before the date of initial application, the Company shall reclassify the sublease as a finance lease or an operating lease in accordance with Korean IFRS 1116. When the Company determines the sublease as a finance lease, the Company shall account the lease as a new lease entered on the date of initial application.

As at December 31, 2018, the total minimum lease payment to be received by the Company in relation to the sub-lease contracts amount to ₩16,832 million, and the Company is analyzing the effects on separate financial statements including classification of the sublease as an operating lease or a finance lease. However, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

- 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. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company does not expect the amendments to have a significant impact on the separate 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 Company does not expect the amendments to have a significant impact on the separate 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. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application. The Company does not expect the amendments to have a significant impact on the separate 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. This Interpretation will be applied for annual periods beginning on or after January 1, 2019, and an entity can either restate the comparative financial statements retrospectively or recognize the cumulative effect of initially applying the Interpretation as an adjustment in the beginning balance at the date of initial application. The Company does not expect the enactment to have a significant impact on the separate financial statements.

- Annual Improvements to Korean IFRS
- Korean IFRS 1103 *Business Combination*
- Korean IFRS 1111 *Joint Agreements*
- Korean IFRS 1012 *Income Tax*
- Korean IFRS 1023 *Borrowing Costs*

The Company does not expect the above annual improvements to have a significant impact on the separate financial statements.

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Investments in Subsidiaries, Associates and Joint ventures

In accordance with Korean IFRS 1027 *Separate Financial Statements*, the investments in subsidiaries, associates and joint ventures are recorded at acquisition cost on the basis of the direct equity interest. The Company recognizes dividend income from subsidiaries, associates and joint ventures in profit or loss when its right to receive the dividend is established.

Segment Reporting

Operating segments are established on the basis of business divisions whose internal reporting is provided to the chief operating decision-maker who is the chief executive officer. Segmental disclosures are disclosed in Note 4 of the consolidated financial statements in accordance with Korean IFRS 1108 *Operating Segment*.

Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The separate financial statements are presented in Korean won, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation in case of items subject to re-measurement. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the separate statements of profit or loss, except cash flow hedges qualifying to be recognized in other comprehensive income.

Changes in the fair value of monetary debt securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognized in the separate statements of profit or loss as part of the fair value gain or loss. Translation differences arising from equities held at fair value through profit or loss are recognized in profit or loss, and those arising from equities held at fair value through other comprehensive income are recognized in other comprehensive income.

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Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at banks, and other short-term highly liquid investments with original maturities of three months or less.

Financial Instruments

Classification

(a) Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Financial Liabilities

Financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost.

Recognition and Measurement

Typical purchases and sales of financial assets are recognized on the trade date. At initial recognition, the Company measures a financial asset and financial liabilities at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other non-operating income and expenses' and impairment losses are presented in 'other non-operating expenses'.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other non-operating income (expenses)' in the year in which it arises.

(b) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which are held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'other non-operating income' when the right to receive payments is established.

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Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other non-operating income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract assets, and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as 'borrowings' in the statement of financial position.

Financial liabilities are derecognized from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss that does not meet the conditions for hedge accounting is recognized in 'other non-operating income (expenses)' or

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'financial income (expenses)' according to the nature of transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the separate statements of profit or loss within 'other non-operating income (expenses)' or 'financial income (expenses)'.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the separate statements of profit or loss within 'other non-operating income (expenses)' or 'financial income (expenses)'.

Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the collection of trade receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value, less allowance for doubtful debts.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method, except for inventories in-transit whose cost is determined using the specific identification method. The cost of finished goods and work-in-process comprises of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The Company periodically reviews a possibility of significant changes in net realizable value of inventories from not in use, decrease in market value and obsolescence, and recognizes as Allowances for Valuation of Inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Assets Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as 'assets held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and the fair value less costs to sell.

When a component of discontinued operations or a component of the Company representing a separate major line of business or geographical area of operation has been disposed of, or is subject to a sale plan involving loss of control of a subsidiary, the Company discloses in the separate statements of profit or loss the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation. The net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented in the notes to the separate financial statements.

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Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the separate statements of profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their acquisition cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings and Structures	20, 40 years
Machinery	5, 10 years
Tools and Equipment	5 years
Supplies	5 years
Other	5 years

Each asset's depreciation method, residual values, and useful lives are reviewed and adjusted if necessary, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by differences between the proceeds from the disposal of the asset and its carrying amount and are recognized within 'other non-operating income (expenses)' in the separate statements of profit or loss.

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period of time that is required to prepare the asset for its intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

Government Grants

Grants from a government are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to income are deferred and recognized in the separate statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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Government grants relating to property, plant and equipment are presented as a deduction of related assets and are credited to depreciation over the expected lives of the related assets.

Intangible Assets

(a) Goodwill

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

(b) Industrial property rights

Industrial property rights are shown at historical cost. Industrial property rights have a limited useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of industrial property rights over their estimated useful lives of ten years.

(c) Development costs

New product development project is processed through product planning, design planning, product design, mass production verification, production readiness approval, and shipment approval. The Company generally recognizes expenditures incurred during and after the product design phase as development costs, and expenditures incurred before the phase are recognized as expenses within research and development expenses. Costs recognized as development costs are controlled by the Company and directly attributable to identifiable development projects, and meet all of the following criteria.

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset to use or sell it;
- It has the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development for using and selling the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Amortization of development costs based on the straight-line method over their estimated useful lives of one or three years begins at the commencement of sale or use of the related products.

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(d) Membership

Membership rights are regarded as intangible assets with an indefinite useful life and are not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. All membership rights are tested annually for impairment and stated at acquisition cost less accumulated impairment losses.

(e) Other intangible assets

Other intangible assets such as customer relationships, values of techniques and software which meet the definition of an intangible asset are amortized using the straight-line method over their estimated useful lives of five or ten years.

Investment Property

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After its initial recognition, investment property is carried at its cost less any accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the separate statements of profit or loss during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using the straight-line method over their estimated useful lives of 20 or 40 years.

Management reviews the depreciation method, the residual value and the useful life of an asset are reviewed at the end of each period and judges that previous estimates should be adjusted, the adjustment is accounted for as a change in an accounting estimate.

Impairment of Non-Financial Assets

Goodwill and intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. At the end of each reporting period, assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as profit or loss for the year for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use. The value-in-use is measured by determining the estimated pre-tax cash flows based on past performance and its expectations of market development, and applying the pre-tax discount rates that reflect specific risks relating to the relevant operating segments. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that

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suffered impairment loss are reviewed for possible reversal of the impairment at the end of each reporting period.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Current trade payables measured initially at fair value are not significantly different from amortized cost using the effective interest method.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the separate statements of profit or loss over the period of the borrowings using the effective interest method. The Company classifies the liability as current as long as it does not have an unconditional right to defer its settlement over 12 months after the end of the reporting period.

Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. Financial guarantees contracts provided by the Company are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the following amounts below and recognized as 'other financial liabilities':

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments*; and
- the amount initially recognized less the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. The Company recognizes a warranty provision, a provision for restoration, and a provision for litigation.

A warranty provision is accrued for the estimated costs of future warranty claims based on historical experience. Where the Company, as a tenant, is required to restore its leased assets to their original state at the end of the lease-term, the Company recognizes the present value of the estimated cost of restoration as a provision for restoration. When there is a probability that an

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outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognized as a provision for litigation in the separate financial statements.

A contingent liability is disclosed (Note 34) when;

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognized because: it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Current and Deferred Income Tax

The tax expense for the year consists of current and deferred tax. Tax is recognized in the separate statements of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor tax profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that it is probable that the deductible temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis.

Employee Benefits

(a) Post-employment benefits

The Company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company operates both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate fund. The Company has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For the defined contribution plan, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when an employee has rendered service. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liabilities are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Other long-term employee benefits

The Company provides other long-term employee benefits to their employees. The entitlement to these benefits is usually conditional on the employee working more than ten years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Company recognizes past service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These benefits are calculated annually by independent qualified actuaries.

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(c) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits or when the entity recognizes costs for a restructuring.

Share Capital

Ordinary shares and preferred shares without any obligation to repay are classified as equity.

Where the Company purchases its own ordinary shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such treasury shares are subsequently reissued, any consideration received is included in equity attributable to owners of the Company.

Revenue Recognition

(a) Identify performance obligation

The Company sells home appliances, mobile communications equipment, TVs, monitors, automobile parts, information displays and others. If the contract with a customer includes any separate services in addition to sales of goods, the Company identifies performance obligations of the services to be rendered from such sales contracts.

According to the rules and guidance on the terms and conditions of international trading (INCOTERMS 2010), the Group recognizes the transportation services as a separate performance obligation apart from the sale of goods, under the transactions with the rules where seller is responsible for paying shipping cost and insurance premium.

The Company determines standard warranty coverage periods per product and country, considering warranty periods required by law and others when entering into contracts with customers for the sales of products. If the Company provides an extended warranty beyond the standard warranty coverage periods or a customer has the option to purchase an additional warranty separately, the Company identifies the warranty as a separate performance obligation and recognizes revenue.

(b) A performance obligation satisfied at a point in time

Sales of goods are recognized when the Company has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual sales. The Company recognizes provisions for product warranties and contract liabilities for sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically.

For royalty contracts, if there are no other goods or services provided to customer in the contracts other than obligations to provide license, the nature of the contracts are provision of right to use the Company's intellectual property that exist at the time of transfer. This means that the customer can direct the use of and obtain substantially all of the remaining benefits from the license at the point in time at which the license transfers. The Company determined the royalty income as a performance obligation satisfied at a point in time.

(c) A performance obligation satisfied over time

The Company builds and sells customized equipment and design plan for a customer. The revenue is recognized over time by measuring progress only if the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. The Company performed an analysis on those contracts and determined the Company has an enforceable right to payment for performance completed to date; therefore, the revenue is recognized over time using input methods by measuring the percentage of completion.

When the outcome of a transaction involving the rendering of services provided separately to customers can be estimated reliably, revenue associated with such transaction is recognized by reference to the percentage of completion of the services. Any changes in expected revenue, cost or the amount of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue or cost which is recognized in the profit or loss in the period in which the management recognizes the changes in circumstances.

The Company receives licensing fees for the trademark held by the Company from subsidiaries and associates. The Company continues to develop the trademark's value and performs marketing activities through various media such as TV, internet, exhibitions, road shows and others. The nature of the Company's promise in granting a license is a promise to provide a right to access the Company's intellectual property over a license period; therefore, the Company determined the promised license is a performance obligation that is satisfied over time.

Income from rental, lease, extended guarantees and others is recognized on a straight-line basis over the period of the contract.

(d) Variable consideration

The Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes

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revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Company does not expect to be entitled.

(e) Allocating the transaction price

The transaction price in an arrangement must be allocated to each separate performance obligation based on the relative stand-alone selling prices of the goods or services being provided to a customer. The Company determines the stand-alone selling price for each separate performance obligation by using an 'adjusted market assessment approach'. In limited circumstances, the Company plans to use an 'expected cost plus a margin approach' to estimate expected cost plus a reasonable margin.

(f) Returns

A gross contract liability (refund liability) for the expected returns to customers is recognized as adjustment to revenue, and the Company has a right to recover the product from the customer when the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. A right to recover the products is measured at former carrying amount of the product less the costs to recover the products.

(g) Significant financing component

In general, the period between the transfer of the promised goods or services to the customer and the payment made by the customer is less than one year. In this case, the Company uses the practical expedient in which the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

(a) Lessees

The Company classifies leases that do not transfer substantially all the risks and rewards of ownership incidental to ownership of assets as operating leases. Payments made under operating leases are charged to the separate statements of profit or loss on a straight-line basis over the period of the lease.

The Company classifies leases that transfer substantially all the risks and rewards of ownership incidental to ownership of assets as finance leases. Finance leases are capitalized as financial lease assets and liabilities at the lease's commencement at the lower of the fair value of the leased property and the fair value of the minimum lease payments.

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(b) Lessors

The Company classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset at inception of the lease as a finance lease. A lease other than a finance lease is classified as an operating lease.

Lease income from operating lease is recognized on a straight-line basis over the lease term. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Dividend Distribution

A dividend liability is recognized when the dividends are approved by the shareholders at their general meeting.

Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares issued excluding shares purchased by the Company that are held as treasury shares. Preferred shares have a right to participate in the profits of the Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

Greenhouse Gas Emissions Rights (Allowances) and Obligations

Emission rights are defined as allowed amount of emissions that can be released, allocated by the Korean government as 'Act on the Allocation and Trading of Greenhouse-Gas Emission Permits' takes effect. Emission rights that are received free of charge from the government are measured at zero, while the rights purchased additionally from trading market such as the Korea Exchange are measured at acquisition cost. Emission rights are subsequently stated as acquisition cost less accumulated impairment loss. Emission liabilities are measured as the sum of the carrying amount of emission rights to be delivered to the government to settle the obligation for emissions occurred and expected expenditure required at the end of reporting period for any excess emissions. The emission rights and liabilities are classified as 'intangible assets' and 'provisions', respectively, in the separate statement of financial position.

Business Combination

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred in a business combination includes fair values of the assets and liabilities from arrangements for contingent payments. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share

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of the identifiable net assets acquired is recorded as goodwill.

3. Critical Accounting Estimates and Judgments

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

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

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

The Company recognizes provisions for product warranties and others based on their historical data.

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(f) Net Defined Benefit Liabilities

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

(g) Development Costs

The Company capitalizes development costs when there is a reasonable assurance that projects have technical feasibility and the possibility of generating future economic benefits, and performs periodic impairment test. The recoverable amount of each project has been calculated on a basis of the value-in-use reflecting historical experience and future business plans. These calculations require estimates.

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4. Financial Instruments by Category and Offsetting Financial Assets and Financial Liabilities

(a) Categorizations of financial instruments as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	1,109,883	-	-	-	1,109,883
Deposits held by financial institutions	81,711	-	-	-	81,711
Trade receivables	3,678,401	47,611	-	-	3,726,012
Other receivables	788,916	-	-	-	788,916
Other financial assets	-	30,025	12,685	1,572	44,282
Total	5,658,911	77,636	12,685	1,572	5,750,804

<i>(in millions of Korean won)</i>	December 31, 2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,553,794	-	-	5,553,794
Borrowings	7,900,512	-	-	7,900,512
Other payables	2,372,064	-	-	2,372,064
Other financial liabilities	-	1,862	88,350	90,212
Total	15,826,370	1,862	88,350	15,916,582

<i>(in millions of Korean won)</i>	December 31, 2017					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	1,586,258	-	-	-	1,586,258
Deposits held by financial institutions	-	82,285	-	-	-	82,285
Trade receivables	-	5,612,250	-	-	-	5,612,250
Other receivables	-	764,917	-	-	-	764,917
Other financial assets	-	-	32,083	-	1,862	33,945
Total	-	8,045,710	32,083	-	1,862	8,079,655

<i>(in millions of Korean won)</i>	December 31, 2017			
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	6,126,168	-	6,126,168
Borrowings	-	7,441,840	-	7,441,840
Other payables	-	2,351,816	-	2,351,816
Other financial liabilities	-	-	76,877	76,877
Total	-	15,919,824	76,877	15,996,701

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(b) Net gains or losses on each category of financial instruments for the years ended December 31, 2018 and 2017, are as follows:

<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	29,051	-	-	-	29,051
Exchange differences	182,440	-	-	-	182,440
Bad debts expense	(6,974)	-	-	-	(6,974)
Loss on disposal of trade receivables	(1,931)	(2,577)	-	-	(4,508)
Dividend income	-	192	-	-	192
Loss on valuation of financial assets at fair value through profit or loss	-	-	(2,002)	-	(2,002)
Fair value loss, net of tax (through other comprehensive income)	-	(1,317)	-	-	(1,317)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	-	597	597
Others	(8,126)	-	-	-	(8,126)

<i>(in millions of Korean won)</i>	2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expense	(231,692)	-	(9,993)	(241,685)
Exchange differences	(214,251)	-	33,616	(180,635)
Gain on derivatives (through profit or loss)	-	851	-	851
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(30,711)	(30,711)
Others	-	-	1,235	1,235

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2017						
<i>(in millions of Korean won)</i>	Financial assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Held-to-maturity financial assets	Other	Total
Interest income	-	21,557	-	-	-	21,557
Exchange differences	-	(547,913)	-	-	-	(547,913)
Bad debts expense	-	5,566	-	-	-	5,566
Loss on disposal of trade receivables	-	(3,485)	-	-	-	(3,485)
Gain on disposal of available- for-sale financial assets	-	-	9,173	-	-	9,173
Impairment loss on available- for-sale financial assets	-	-	(250)	-	-	(250)
Dividend income	-	-	228	-	-	228
Loss on valuation of available- for-sale financial assets, net of tax (through other comprehensive loss)	-	-	(1,180)	-	-	(1,180)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	2,224	2,224
Others	-	334	-	-	-	334

2017				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Interest expenses	-	(190,420)	(17,317)	(207,737)
Exchange difference	-	603,212	(70,221)	532,991
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	26,967	26,967
Others	-	(589)	3,062	2,473

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(c) Recognized financial instruments that are subject to enforceable master netting arrangements or similar arrangements as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018					
	Recognized financial instrument	Recognized financial instrument offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
				Financial instruments	Cash collateral	
Financial assets						
Trade receivables	77,777	(77,392)	385	-	-	385
Financial liabilities						
Trade payables	143,868	(77,392)	66,476	-	-	66,476

<i>(in millions of Korean won)</i>	2017					
	Recognized financial instrument	Recognized financial instrument offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
				Financial instruments	Cash collateral	
Financial assets						
Trade receivables	52,820	(52,819)	1	-	-	1
Financial liabilities						
Trade payables	85,107	(52,819)	32,288	-	-	32,288

5. Cash and Cash Equivalents and Deposits held by Financial Institutions

(a) Cash and cash equivalents

Cash and cash equivalents in the separate statements of financial position are equal to the cash and cash equivalents in the separate statements of cash flows. Details are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Cash on hand	10	10
Bank deposits	1,109,873	1,586,248
Total	1,109,883	1,586,258

(b) Deposits held by financial institutions

The deposits held by financial institutions restricted in use as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Current		
Fund for business cooperation	80,500	80,500
Non-current		

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<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Deposit for checking account	33	33
National project	1,178	1,752
Subtotal	1,211	1,785
Total	81,711	82,285

6. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018			December 31, 2017		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	3,756,499	(30,487)	3,726,012	5,634,969	(22,719)	5,612,250
Other receivables						
Current	551,698	(6,267)	545,431	479,488	(6,694)	472,794
Non-current	243,494	(9)	243,485	292,634	(511)	292,123

(b) Details of other receivables as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Current		
Loans	11,470	18,206
Non-trade receivables	404,491	341,033
Accrued income	84,015	97,472
Deposits	45,455	16,083
Subtotal	545,431	472,794
Non-current		
Loans	82,887	77,091
Non-trade receivables	2,512	11,613
Deposits	158,086	203,419
Subtotal	243,485	292,123
Total	788,916	764,917

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- (c) The aging analysis of trade receivables and other receivables as at December 31, 2018 and 2017, is as follows:

(in millions of Korean won)

	December 31, 2018				December 31, 2017			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	3,446,476	417,134	230,670	4,094,280	5,351,238	353,236	282,949	5,987,423
Past due but not impaired								
Up to 6 months	210,170	13,555	11,711	235,436	236,993	14,325	9,188	260,506
7 to 12 months	77,215	23,499	610	101,324	14,090	18,324	497	32,911
Over 1 year	11,527	90,332	503	102,362	21,779	85,977	-	107,756
Subtotal	298,912	127,386	12,824	439,122	272,862	118,626	9,685	401,173
Impaired	11,111	7,178	-	18,289	10,869	7,626	-	18,495
Total	3,756,499	551,698	243,494	4,551,691	5,634,969	479,488	292,634	6,407,091

- (d) The allowance for doubtful accounts is recognized based on aging analysis and historical experience.
- (e) The Company classifies individually impaired receivables as defaulted receivables if the receivables are impaired due to reasons including bankruptcy and insolvency of the debtors. Defaulted receivables are classified into two categories of rehabilitation related receivables and other defaulted receivables. The Company performs impairment test on rehabilitation related receivables based on expected repayment amount and recognizes impairment loss on other defaulted receivables based on types and values of collaterals.
- (f) Movements in allowance for doubtful accounts for the years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)	2018			
	At January 1 ¹	Addition (Reversal)	Write-off and other	At December 31
Trade receivables	22,716	7,903	(132)	30,487
Other receivables				
Current	6,694	(427)	-	6,267
Non-current	511	(502)	-	9

(in millions of Korean won)	2017			
	At January 1	Addition (Reversal)	Write-off and other	At December 31
Trade receivables	29,033	(5,165)	(1,149)	22,719
Other receivables				
Current	9,315	(904)	(1,717)	6,694
Non-current	8	503	-	511

¹ Allowance for doubtful accounts for trade receivables as at January 1, 2018 amounting to ₩3 million was reclassified from trade receivables to contract assets upon adoption of Korean IFRS 1115.

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Bad debt expenses for trade receivables are included in 'selling and marketing expenses' in the separate statement of profit or loss and those for other receivables are included in 'other non-operating expenses'. Allowance for doubtful accounts decrease when reasons for allowance are resolved or when the receivables are written off as there is no reasonable expectation of recovery.

- (g) There are no transferred financial assets that are 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 December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Other financial assets		
Derivatives	1,572	1,862
Financial assets at fair value through other comprehensive income	30,025	-
Financial assets at fair value through profit or loss	12,685	-
Available-for-sale financial assets	-	32,083
Total	44,282	33,945
Current	1,281	-
Non-current	43,001	33,945

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Other financial liabilities		
Derivatives	75,860	68,589
Financial guarantee liability	14,352	8,288
Total	90,212	76,877
Current	6,453	6,985
Non-current	83,759	69,892

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(b) Details of derivatives as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	1,281	-	-	-
Non-current				
Currency swap	291	20,920	-	32,921
Interest rate swap	-	53,078	1,862	35,668
Share purchase contract	-	1,862	-	-
Subtotal	291	75,860	1,862	68,589
Total	1,572	75,860	1,862	68,589

The details of major derivative contracts at the end of the reporting period are presented in Note 37.

(c) Financial assets at fair value through other comprehensive income and available-for-sale financial assets

i) Changes in carrying amount of financial assets at fair value through other comprehensive income for the year ended December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018				At December 31
	At January 1	Acquisition	Disposals	Valuation (OCI)	
Listed equity securities	13,842	-	-	(577)	13,265
Unlisted equity securities	7,842	10,616	(461)	(1,237)	16,760
Total	21,684	10,616	(461)	(1,814)	30,025

ii) Changes in carrying amount of available-for-sale financial assets for the year ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	2017					At December 31
	At January 1	Acquisition	Disposals	Valuation (OCI)	Impairment	
Listed equity securities	14,835	-	-	(993)	-	13,842
Unlisted equity securities	17,746	2,963	(2,218)	-	(250)	18,241
Total	32,581	2,963	(2,218)	(993)	(250)	32,083

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the year ended December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018				
	At January 1	Acquisition	Disposals	Valuation	At December 31
Unlisted equity securities	10,399	4,288	-	(2,002)	12,685

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8. Inventories

(a) Inventories as at December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	December 31, 2018			December 31, 2017		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	664,581	(38,222)	626,359	676,318	(38,688)	637,630
Work-in-process	132,285	(3,346)	128,939	86,835	(1,741)	85,094
Raw materials and supplies	674,854	(43,914)	630,940	555,770	(63,000)	492,770
Other	141,705	(22,558)	119,147	148,126	(19,954)	128,172
Total	1,613,425	(108,040)	1,505,385	1,467,049	(123,383)	1,343,666

(b) The cost of inventories recognized as an expense during the year ended December 31, 2018 amounted to ₩22,177,103 million (2017: ₩23,633,394 million). These were included in 'cost of sales'. Loss on valuation of inventories during the year ended December 31, 2018 amounted to ₩17,441 million (2017: ₩39,098 million).

(c) There is no inventory provided as collateral for borrowings as at December 31, 2018.

9. Contract Assets and Contract Liabilities

(a) Contract assets as at December 31, 2018 and January 1, 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	January 1, 2018
Due from customers	454,920	329,146
(Less: allowance for doubtful accounts)	(2,400)	(3)
Right to recover returned products	799	650
Costs to fulfil contracts and others	102,080	4,461
Total	555,399	334,254
Current	465,307	330,713
Non-current	90,092	3,541

(b) Contract liabilities as at December 31, 2018 and January 1, 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	January 1, 2018
Expected promotional incentives for customers	140,200	144,364
Expected returns from customers	1,221	1,020
Customer loyalty program	51,015	37,755
Rendering of warranty services	55	148
Due to customers and others	267,082	250,620
Total	459,573	433,907
Current	458,539	432,725
Non-current	1,034	1,182

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(c) Revenue recognized in relation to contract liabilities for the year ended December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2018
Revenue recognized that was included in the contract liability amount at the beginning of the period:	
Due to customers and others	239,261
Customer loyalty program	35,830
Rendering of warranty services	52
Total	275,143
Revenue recognized from performance obligations satisfied in previous periods	1,252

(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 ₩747,086 million which are expected to be satisfied by 2020, at the latest. Also as a practical expedient, the Company excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

For the year ended December 31, 2018, the Company recognized an impairment loss amounting to ₩2,397 million in relation to due from customers and an amortization and other loss of ₩30,673 million in relation to costs to fulfil a contract.

10. Other Assets

Details of other assets as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Current:		
Advances	59,027	138,730
Prepaid expenses	268,137	219,055
Prepaid value added tax	74,223	55,117
Subtotal	401,387	412,902
Non-current:		
Long-term prepaid expenses	283,200	285,984
Long-term advances	246,767	278,191
Subtotal	529,967	564,175
Total	931,354	977,077

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11. Property, Plant and Equipment, and Intangible Assets

(a) Details of property, plant and equipment as at December 31, 2018 and 2017, are as follows::

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At December 31, 2018									
Acquisition cost	2,291,002	4,340,352	204,629	2,551,262	1,960,251	380,773	627,606	63,181	12,419,056
Accumulated depreciation	-	(1,012,600)	(116,487)	(1,630,251)	(1,689,594)	(302,834)	(154,126)	-	(4,905,892)
Accumulated impairment losses	-	(151,908)	(76)	(78,717)	(3,062)	(941)	(222)	-	(234,926)
Net book amount	2,291,002	3,175,844	88,066	842,294	267,595	76,998	473,258	63,181	7,278,238
At December 31, 2017									
Acquisition cost	2,121,661	4,102,134	203,543	2,438,819	1,976,031	387,351	390,993	252,407	11,872,939
Accumulated depreciation	-	(885,525)	(109,909)	(1,463,355)	(1,678,775)	(298,187)	(95,726)	-	(4,531,477)
Accumulated impairment losses	-	(130,897)	(7)	(63,068)	(3,893)	(942)	(349)	-	(199,156)
Net book amount	2,121,661	3,085,712	93,627	912,396	293,363	88,222	294,918	252,407	7,142,306

(b) Changes in property, plant and equipment for the years ended December 31, 2018 and 2017, are as follows:

	2018								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1, 2018	2,121,661	3,085,712	93,627	912,396	293,363	88,222	294,918	252,407	7,142,306
Acquisitions ¹	(8,832)	95,931	2,423	114,739	102,721	17,708	276,435	295,351	896,476
Transfer-in (out)	187,212	149,010	967	93,035	43,242	471	10,640	(484,577)	-
Disposals and others	(9,039)	(3,829)	(573)	(7,880)	(11,738)	(370)	(13,960)	-	(47,389)
Decrease due to transfer of business	-	-	-	(3,361)	(318)	(10)	-	-	(3,689)
Depreciation	-	(129,944)	(8,290)	(248,517)	(159,532)	(28,948)	(93,707)	-	(668,938)
Impairment losses ²	-	(21,036)	(88)	(18,118)	(143)	(75)	(1,068)	-	(40,528)
At December 31, 2018	2,291,002	3,175,844	88,066	842,294	267,595	76,998	473,258	63,181	7,278,238

	2017								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1, 2017	2,424,067	2,466,279	101,934	710,556	327,858	72,314	180,802	880,832	7,164,642
Acquisitions	1,979	201,469	3,034	44,361	109,879	42,568	185,567	539,074	1,127,931
Transfer-in (out)	17,393	645,636	-	447,523	46,453	7,530	2,964	(1,167,499)	-
Disposals and others	(317,077)	(108,972)	(2,794)	(8,794)	(3,486)	-	(20,849)	-	(461,972)
Decrease due to transfer of business	-	-	-	-	(827)	(6)	-	-	(833)
Depreciation	-	(104,732)	(8,523)	(231,145)	(185,277)	(33,319)	(53,566)	-	(616,562)
Impairment losses ²	-	(12,612)	(20)	(50,105)	(1,228)	(865)	-	-	(64,830)
Reclassified to assets held for sale	(4,701)	(1,356)	(4)	-	(9)	-	-	-	(6,070)
At December 31, 2017	2,121,661	3,085,712	93,627	912,396	293,363	88,222	294,918	252,407	7,142,306

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¹ It includes settlement of land purchase price.

² Certain divisions, defined as a separate cash-generating unit, were tested for impairment based on the recoverable amount, and no impairment loss was recognized for the year ended December 31, 2018 (December 31, 2017: ₩42,554 million).

(c) Line items including depreciation in the separate statements of profit or loss for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	564,211	497,663
Selling and marketing expenses	10,149	9,785
Administrative expenses	17,310	13,515
Research and development expenses	65,162	85,903
Service costs	5,272	5,255
Other non-operating expenses	6,834	4,441
Total	668,938	616,562

(d) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Capitalized borrowing costs	4,890	14,747
Capitalization rate (%)	3.15	3.13

(e) There is no property, plant and equipment pledged as a collateral for borrowings from banks.

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12. Intangible assets

(a) Details of intangible assets are as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
At December 31, 2018							
Acquisition cost	86,528	827,062	2,660,126	66,237	667,563	662,263	4,969,779
Accumulated amortization and impairment losses	(1,214)	(404,604)	(2,303,842)	(2,244)	(563,837)	(22,421)	(3,298,162)
Net book amount	85,314	422,458	356,284	63,993	103,726	639,842	1,671,617

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
At December 31, 2017							
Acquisition cost	88,449	832,322	2,354,335	67,205	620,605	508,415	4,471,331
Accumulated amortization and impairment losses	(1,214)	(401,930)	(2,068,869)	(3,256)	(521,861)	-	(2,997,130)
Net book amount	87,235	430,392	285,466	63,949	98,744	508,415	1,474,201

(b) Changes in intangible assets for the years ending December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
At January 1, 2018	87,235	430,392	285,466	63,949	98,744	508,415	1,474,201
Acquisitions ¹	190	108,393	9,463	2,044	45,788	40,043	205,921
Acquisitions by internal development	-	-	2,739	-	-	417,059	419,798
Transfer-in (out)	-	-	300,411	-	1,475	(301,886)	-
Disposals and others	-	(34,070)	(75)	(720)	(628)	(1,368)	(36,861)
Decrease due to transfer of business	-	(183)	-	-	-	-	(183)
Amortization	-	(82,074)	(210,436)	-	(41,653)	-	(334,163)
Impairment losses ^{2,3,4}	(2,111)	-	(31,284)	(1,280)	-	(22,421)	(57,096)
At December 31, 2018	85,314	422,458	356,284	63,993	103,726	639,842	1,671,617

<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
At January 1, 2017	87,235	418,755	321,937	63,592	122,307	220,705	1,234,531
Acquisitions	-	123,550	14,001	1,339	13,518	44,021	196,429
Acquisitions by internal development	-	-	11,428	-	-	454,568	465,996
Transfer-in (out)	-	-	186,150	-	12,674	(198,824)	-
Disposals and others	-	(25,310)	(1,583)	-	(3)	(11,429)	(38,325)

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<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
Decrease due to transfer of business	-	-	(566)	-	-	-	(566)
Amortization	-	(80,609)	(241,247)	-	(49,450)	-	(371,306)
Impairment losses ^{2,3}	-	(5,994)	(4,654)	(982)	(302)	(626)	(12,558)
At December 31, 2017	87,235	430,392	285,466	63,949	98,744	508,415	1,474,201

¹ The Company purchased repair service business of the residential system air conditioner from Hi-M.Solutek and recorded ₩190 million as goodwill. The Company acquired no other assets or liabilities.

² Certain divisions, defined as a separate cash-generating unit, were tested for impairment based on the recoverable amount, and no impairment loss was recognized for the year ended December 31, 2018 (December 31, 2017: ₩10,855 million).

³ As a result of an impairment test for all projects related to internally generated development costs and others, an impairment loss of development costs related to certain projects determined to have low business value was recognized as 'other non-operating expenses'.

⁴ In 2018, the Company disposed of Membrane business from other segments, and an impairment loss on goodwill amounting to ₩2,111 million, based on the recoverable amount, was recognized as 'other non-operating expenses' before disposal.

(c) Line items including amortization of intangible assets for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	189,272	212,065
Selling and marketing expenses	15,389	16,658
Administrative expenses	60,017	71,184
Research and development expenses	68,720	70,136
Service costs	764	1,263
Other non-operating expenses	1	-
Total	334,163	371,306

(d) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Capitalized borrowing costs	455	282
Capitalization rate (%)	3.15	3.13

(e) There are no intangible assets pledged as a collateral for borrowings as at December 31, 2018.

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(f) Impairment tests for goodwill

- i) Goodwill is allocated among the Company's cash-generating units (CGUs) under each operating segment. As at December 31, 2018, an operating segment-level summary of goodwill allocation is presented below:

<i>(in millions of Korean won)</i>	H&A	MC	Total
Goodwill	55,420	29,894	85,314

- ii) The recoverable amount of CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate for the electronic industry in which the Company operated.
- iii) Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Value-in-use is measured by applying the pre-tax discount rates reflecting specific risks relating to the relevant operating segments. Discount rates and nominal long-term growth rates used for calculating the value-in-use of major divisions are as follows:

	H&A	MC
Discount rates	11.3%	11.0%
Nominal long-term growth rates	2.5%	0.0%

(g) Research and development expenses

Research and development expenses are for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Uncapitalized research and development expenditures	2,885,587	2,926,873
Amortization from internally generated development costs	143,911	166,235
Total	3,029,498	3,093,108

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13. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at December 31, 2018 (%)	Carrying amount	
				December 31, 2018	December 31, 2017
Subsidiaries					
ZKW Holding GmbH (ZKW) ¹	Austria	December	70.0	943,468	-
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
LG Electronics Shenyang Inc.(LGESY) ³	China	December	56.3	62,033	63,840
Hi Entech Co., Ltd.	Korea	December	100.0	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.0	48,624	48,624
LG Electronics Ticaret A.S.(LGETK) ^{1,3}	Turkey	December	100.0	47,320	9,418
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0	38,744	38,744
Mommert Gewerbeimmobilien Verwaltungs GmbH (MGIV) ¹	Austria	December	70.0	35,640	-
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0	32,112	32,112
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Colombia Ltda.(LGECEB)	Colombia	December	60.7	25,215	25,215

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at December 31, 2018 (%)	Carrying amount	
				December 31, 2018	December 31, 2017
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0	22,538	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGSII)	India	March	100.0	20,105	20,105
LG Electronics Argentina S.A.(LGEAR) ^{1,3}	Argentina	December	99.6	15,047	-
LGE Alliance Fund II ²	Korea	December	98.7	1,314	2,850
LG Electronics LLC ¹	USA	December	100.0	6,943	-
Others				223,206	223,206
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
LG Fuel Cell Systems Inc. ^{1,3}	USA	December	33.5	-	76,775
Robostar Co.,Ltd. ¹	Korea	December	30.0	82,045	-
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Kiwigrid GmbH ⁴	Germany	December	16.3	13,019	13,019
ROBOTIS Co., Ltd. ⁴	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. ⁴	Korea	December	6.5	2,088	2,088
Acryl Inc. ^{1,4}	Korea	December	8.2	1,000	-
SKT Vietnam PTE., Ltd. ⁵	Singapore	December	-	-	-
Joint ventures					
LG Holdings (HK) Ltd.	China	December	49.0	84,989	84,989
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
Total				9,108,014	8,066,087

¹ It was newly or additionally acquired in 2018.

² Conducted capital reduction with consideration in 2018.

³ It was impaired in 2018.

⁴ Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

⁵ Liquidation was completed in 2018.

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(b) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Opening carrying amount	8,066,087	7,995,665
Acquisitions	1,344,600	160,060
Disposal and others	(1,536)	(59,131)
Impairment loss	(301,137)	(30,507)
Closing carrying amount	9,108,014	8,066,087

(c) Impairment test for investments in subsidiaries, associates and joint ventures

- i) The Company records the investments in subsidiaries, associates and joint ventures at acquisition cost on the basis of the direct equity interest and assesses at the end of each reporting period whether there is any indication that asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset by future cash flow projection technique. And if the recoverable amount of an asset is less than its carrying amount, the Company recognizes an impairment loss immediately by reducing its carrying amount to its recoverable amount.
- ii) The difference of ₩135,615 million between recoverable amount and carrying amount relating to LG Electronics Ticaret A.S.(LGETK), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2018.
- iii) The difference of ₩79,762 million between recoverable amount and carrying amount relating to LG Electronics Argentina S.A.(LGEAR), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2018.
- iv) The difference of ₩1,807 million (2017: ₩2,575 million) between recoverable amount and carrying amount relating to LG Electronics Shenyang Inc.(LGESY), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2018.
- v) The difference of ₩83,953 million (2017: ₩27,884 million) between recoverable amount and carrying amount relating to LG Fuel Cell Systems Inc., an associate, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2018.

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(d) Details of marketable investments in subsidiaries and associates as at December 31, 2018 and 2017, are as follows:

December 31, 2018					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	18,050	2,448,031	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	86,400	834,035	541,538
Robostar Co., Ltd.	Associate	2,927,735	24,000	70,266	82,045
ROBOTIS Co., Ltd.	Associate	961,550	17,200	16,539	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,775	7,589	2,088

December 31, 2017					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	29,900	4,055,188	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	144,000	1,390,058	541,538
Korea Information Certificate Authority Inc.	Associate	2,010,247	5,670	11,398	2,088

14. Investment Properties

(a) Details of investment properties as at December 31, 2018 and 2017, are as follows:

December 31, 2018			
<i>(in millions of Korean won)</i>	Land	Buildings	Total
Acquisition cost	63,670	52,695	116,365
Accumulated depreciation	-	(22,366)	(22,366)
Net book amount	63,670	30,329	93,999

December 31, 2017			
<i>(in millions of Korean won)</i>	Land	Buildings	Total
Acquisition cost	63,670	52,695	116,365
Accumulated depreciation	-	(21,058)	(21,058)
Net book amount	63,670	31,637	95,307

(b) Changes in investment properties for the years ended December 31, 2018 and 2017, are as follows:

2018			
<i>(in millions of Korean won)</i>	Land	Buildings	Total
At January 1	63,670	31,637	95,307
Depreciation	-	(1,308)	(1,308)
At December 31	63,670	30,329	93,999

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<i>(in millions of Korean won)</i>	2017		
	Land	Buildings	Total
At January 1	63,670	32,945	96,615
Depreciation	-	(1,308)	(1,308)
At December 31	63,670	31,637	95,307

- (c) The fair value of investment property is valued by an independent professional appraiser with certified qualification or determined based on the evaluation reflecting official realty price or recently available transaction price of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment properties as at December 31, 2018, is ₩117,982 million (December 31, 2017: ₩109,220 million).
- (d) Rental income amounting to ₩744 million (2017: ₩2,910 million) and rental expenses amounting to ₩1,771 million (2017: ₩1,758 million) are recognized in the separate statement of profit or loss relating to investment properties for the year ended December 31, 2018.
- (e) At the end of the reporting period, the Company assumes obligation for repairs and maintenance of the investment properties owned by the Company.

15. Borrowings

- (a) The carrying amounts of borrowings as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Current		
Short-term borrowings	-	127,925
Current portion of long-term borrowings	25,000	-
Current portion of debentures	743,275	639,741
Subtotal	768,275	767,666
Non-current		
Long-term borrowings	2,596,536	2,177,140
Debentures	4,535,701	4,497,034
Subtotal	7,132,237	6,674,174
Total	7,900,512	7,441,840

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(b) Details of borrowings as at December 31, 2018 and 2017, are as follows:

i) Long-term borrowings

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2018 (%)	December 31, 2018		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2027.01.28	3M CD+0.91	190,000	-	190,000
Kookmin Bank	2029.04.30	3M CD+1.14	200,000	10,000	190,000
Nonghyup Bank	2030.07.07	3M CD+1.05	190,000	-	190,000
Woori Bank	2030.04.15	3M CD+0.82	390,000	-	390,000
Bank of China	2027.01.15	3M CD+0.95	100,000	-	100,000
KEB Hana Bank	2024.01.03	3M CD+0.98	200,000	15,000	185,000
Korea Development Bank	2023.12.19	2.65	120,000	-	120,000
Korea Development Bank	2023.12.19	2.69	80,000	-	80,000
Korea Development Bank	2025.09.09	3.00	200,000	-	200,000
The Export-Import Bank of Korea	2026.07.29	2.21	100,000	-	100,000
The Export-Import Bank of Korea	2026.07.29	2.21	100,000	-	100,000
The Export-Import Bank of Korea	2027.05.25	2.75	135,000	-	135,000
The Export-Import Bank of Korea	2027.05.25	2.75	50,000	-	50,000
The Export-Import Bank of Korea	2027.05.25	2.75	15,000	-	15,000
The Export-Import Bank of Korea	2030.08.01	3.50	200,000	-	200,000
Foreign currency loans					
KEB Hana Bank	2025.04.23	3M LIBOR+1.2	111,810	-	111,810
KEB Hana Bank	2027.05.17	3M LIBOR+1.6	111,810	-	111,810
The Export-Import Bank of Korea	2030.08.01	2.50	127,916	-	127,916
Total			2,621,536	25,000	2,596,536

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2017 (%)	December 31, 2017		
			Total	Current	Non-current
Local currency loans					
Kookmin Bank	2027.01.28	3M CD+0.91	190,000	-	190,000
Kookmin Bank	2029.04.30	3M CD+1.14	200,000	-	200,000
Nonghyup Bank	2030.07.07	3M CD+1.05	190,000	-	190,000
Woori Bank	2030.04.15	3M CD+0.82	390,000	-	390,000
Bank of China	2027.01.15	3M CD+0.95	100,000	-	100,000
KEB Hana Bank	2024.01.30	3M CD+0.98	200,000	-	200,000
Korea Development Bank	2023.12.19	2.65	120,000	-	120,000
Korea Development Bank	2023.12.19	2.69	80,000	-	80,000
Korea Development Bank	2025.09.09	3.00	200,000	-	200,000
The Export-Import Bank of Korea	2026.07.29	2.21	200,000	-	200,000

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<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2017 (%)	December 31, 2017		
			Total	Current	Non-current
The Export-Import Bank of Korea	2027.05.25	2.75	135,000	-	135,000
The Export-Import Bank of Korea	2027.05.25	2.75	50,000	-	50,000
The Export-Import Bank of Korea	2027.05.25	2.75	15,000	-	15,000
Foreign currency loans					
KEB Hana Bank	2025.04.23	3M LIBOR+1.20	107,140	-	107,140
Total			2,177,140	-	2,177,140

The Company entered into interest rate swap and cross-currency swap contracts to hedge cash flow risks related to floating interest rates and foreign exchange rates of some of these borrowings (Note 37).

ii) Debentures

<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2018 (%)	December 31, 2018		
			Total	Current	Non-current
Fixed rate notes in local currency					
Private, non-guaranteed bonds(68-1 st)	2020.05.23	3.29	100,000	-	100,000
Private, non-guaranteed bonds(68-2 nd)	2020.05.24	3.29	20,000	-	20,000
Private, non-guaranteed bonds(68-3 rd)	2023.05.22	3.68	50,000	-	50,000
Private, non-guaranteed bonds(68-4 th)	2023.05.23	3.68	30,000	-	30,000
Public, non-guaranteed bonds(69-3 rd)	2020.07.31	3.85	150,000	-	150,000
Public, non-guaranteed bonds(71-2 nd)	2020.10.18	3.82	110,000	-	110,000
Public, non-guaranteed bonds(71-3 rd)	2023.10.18	4.25	90,000	-	90,000
Public, non-guaranteed bonds(73-2 nd)	2019.01.24	3.60	120,000	120,000	-
Public, non-guaranteed bonds(73-3 rd)	2021.01.24	3.95	160,000	-	160,000
Public, non-guaranteed bonds(73-4 th)	2024.01.24	4.44	120,000	-	120,000
Public, non-guaranteed bonds(74-1 st)	2019.05.29	3.30	200,000	200,000	-
Public, non-guaranteed bonds(74-2 nd)	2021.05.29	3.52	130,000	-	130,000
Public, non-guaranteed bonds(74-3 rd)	2024.05.29	4.04	210,000	-	210,000
Public, non-guaranteed bonds(74-4 th)	2029.05.29	4.44	60,000	-	60,000
Private, non-guaranteed bonds(75 th)	2026.07.16	3.96	100,000	-	100,000
Private, non-guaranteed bonds(76-1 st)	2028.11.17	3.79	40,000	-	40,000
Private, non-guaranteed bonds(76-2 nd)	2028.11.18	3.79	60,000	-	60,000
Public, non-guaranteed bonds(77-1 st)	2020.02.02	2.28	210,000	-	210,000
Public, non-guaranteed bonds(77-2 nd)	2022.02.02	2.51	230,000	-	230,000
Public, non-guaranteed bonds(77-3 rd)	2025.02.02	2.97	210,000	-	210,000
Public, non-guaranteed bonds(77-4 th)	2030.02.02	3.45	100,000	-	100,000
Public, non-guaranteed bonds(78-1 st)	2019.02.24	1.88	110,000	110,000	-
Public, non-guaranteed bonds(78-2 nd)	2021.02.24	2.14	200,000	-	200,000
Public, non-guaranteed bonds(78-3 rd)	2023.02.24	2.45	140,000	-	140,000
Public, non-guaranteed bonds(79-1 st)	2019.09.06	1.48	90,000	90,000	-

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<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2018 (%)	December 31, 2018		
			Total	Current	Non-current
Public, non-guaranteed bonds(79-2 nd)	2021.09.06	1.75	90,000	-	90,000
Public, non-guaranteed bonds(79-3 rd)	2023.09.06	2.08	130,000	-	130,000
Public, non-guaranteed bonds(79-4 th)	2026.09.06	2.67	150,000	-	150,000
Private, non-guaranteed bonds(81 st)	2027.03.10	3.42	50,000	-	50,000
Private, non-guaranteed bonds(82 nd)	2027.03.22	3.29	50,000	-	50,000
Public, non-guaranteed bonds(83-1 st)	2022.04.28	2.36	160,000	-	160,000
Public, non-guaranteed bonds(83-2 nd)	2024.04.28	2.79	130,000	-	130,000
Public, non-guaranteed bonds(83-3 rd)	2027.04.28	3.20	70,000	-	70,000
Private, non-guaranteed bonds(85-1 st)	2027.11.17	3.62	30,000	-	30,000
Private, non-guaranteed bonds(85-2 nd)	2032.11.17	4.03	20,000	-	20,000
Private, non-guaranteed bonds(87-1 st)	2026.01.04	3.26	120,000	-	120,000
Private, non-guaranteed bonds(87-2 nd)	2028.01.04	3.55	10,000	-	10,000
Private, non-guaranteed bonds(88-1 st)	2033.01.31	4.21	60,000	-	60,000
Private, non-guaranteed bonds(89-1 st)	2026.03.16	3.39	80,000	-	80,000
Private, non-guaranteed bonds(89-2 nd)	2028.03.16	3.71	10,000	-	10,000
Private, non-guaranteed bonds(90 th)	2038.04.03	4.20	20,000	-	20,000
Private, non-guaranteed bonds(91-1 st)	2025.05.28	3.00	60,000	-	60,000
Private, non-guaranteed bonds(91-2 nd)	2028.05.28	3.52	200,000	-	200,000
Public, non-guaranteed bonds(91-3 rd)	2033.05.28	3.75	90,000	-	90,000
Floating rate notes in foreign currency					
Private, non-guaranteed bonds(92 th)	2028.06.08	3M LIBOR+1.61	111,810	-	111,810
Private, guaranteed bonds(70 th)	2019.01.31	3M LIBOR+1.60	223,620	223,620	-
Private, non-guaranteed bonds(80 th)	2022.02.02	1M LIBOR+0.90	111,810	-	111,810
Private, guaranteed bonds(84 th)	2023.02.24	3M EURIBOR+0.75	127,916	-	127,916
Private, non-guaranteed bonds(86-1 st)	2020.11.22	1M LIBOR+0.78	50,315	-	50,315
Private, non-guaranteed bonds(86-2 nd)	2022.11.22	1M LIBOR+0.86	95,038	-	95,038
Less: discount on debentures			(11,533)	(345)	(11,188)
Total			5,278,976	743,275	4,535,701

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<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2017 (%)	December 31, 2017		
			Total	Current	Non-current
Fixed rate notes in local currency					
Private, non-guaranteed bonds(67 th)	2018.03.21	3.11	300,000	300,000	-
Private, non-guaranteed bonds(68-1 st)	2020.05.23	3.29	100,000	-	100,000
Private, non-guaranteed bonds(68-2 nd)	2020.05.24	3.29	20,000	-	20,000
Private, non-guaranteed bonds(68-3 rd)	2023.05.22	3.68	50,000	-	50,000
Private, non-guaranteed bonds(68-4 th)	2023.05.23	3.68	30,000	-	30,000
Public, non-guaranteed bonds(69-2 nd)	2018.07.31	3.54	140,000	140,000	-
Public, non-guaranteed bonds(69-3 rd)	2020.07.31	3.85	150,000	-	150,000
Public, non-guaranteed bonds(71-1 st)	2018.10.18	3.55	200,000	200,000	-
Public, non-guaranteed bonds(71-2 nd)	2020.10.19	3.82	110,000	-	110,000
Public, non-guaranteed bonds(71-3 rd)	2023.10.18	4.25	90,000	-	90,000
Public, non-guaranteed bonds(73-2 nd)	2019.01.24	3.60	120,000	-	120,000
Public, non-guaranteed bonds(73-3 rd)	2021.01.24	3.95	160,000	-	160,000
Public, non-guaranteed bonds(73-4 th)	2024.01.24	4.44	120,000	-	120,000
Public, non-guaranteed bonds(74-1 st)	2019.05.29	3.30	200,000	-	200,000
Public, non-guaranteed bonds(74-2 nd)	2021.05.29	3.52	130,000	-	130,000
Public, non-guaranteed bonds(74-3 rd)	2024.05.29	4.04	210,000	-	210,000
Public, non-guaranteed bonds(74-4 th)	2029.05.29	4.44	60,000	-	60,000
Private, non-guaranteed bonds(75 th)	2026.07.16	3.96	100,000	-	100,000
Private, non-guaranteed bonds(76-1 st)	2028.11.17	3.79	40,000	-	40,000
Private, non-guaranteed bonds(76-2 nd)	2028.11.18	3.79	60,000	-	60,000
Public, non-guaranteed bonds(77-1 st)	2020.02.02	2.28	210,000	-	210,000
Public, non-guaranteed bonds(77-2 nd)	2022.02.02	2.51	230,000	-	230,000
Public, non-guaranteed bonds(77-3 rd)	2025.02.02	2.97	210,000	-	210,000
Public, non-guaranteed bonds(77-4 th)	2030.02.02	3.45	100,000	-	100,000
Public, non-guaranteed bonds(78-1 st)	2019.02.24	1.88	110,000	-	110,000
Public, non-guaranteed bonds(78-2 nd)	2021.02.24	2.14	200,000	-	200,000
Public, non-guaranteed bonds(78-3 rd)	2023.02.24	2.45	140,000	-	140,000
Public, non-guaranteed bonds(79-1 st)	2019.09.06	1.48	90,000	-	90,000
Public, non-guaranteed bonds(79-2 nd)	2021.09.06	1.75	90,000	-	90,000
Public, non-guaranteed bonds(79-3 rd)	2023.09.06	2.08	130,000	-	130,000
Public, non-guaranteed bonds(79-4 th)	2026.09.06	2.67	150,000	-	150,000
Private, non-guaranteed bonds(81 st)	2027.03.10	3.42	50,000	-	50,000
Private, non-guaranteed bonds(82 nd)	2027.03.22	3.29	50,000	-	50,000
Public, non-guaranteed bonds(83-1 st)	2022.04.28	2.36	160,000	-	160,000
Public, non-guaranteed bonds(83-2 nd)	2024.04.28	2.79	130,000	-	130,000
Public, non-guaranteed bonds(83-3 rd)	2027.04.28	3.20	70,000	-	70,000
Private, non-guaranteed bonds(85-1 st)	2027.11.17	3.62	30,000	-	30,000
Private, non-guaranteed bonds(85-2 nd)	2032.11.17	4.03	20,000	-	20,000
Floating rate notes in foreign currency					
Private, guaranteed bonds(70 th)	2019.01.31	3M LIBOR+1.60	214,280	-	214,280
Private, non-guaranteed bonds(80 th)	2022.02.02	1M LIBOR+0.90	107,140	-	107,140
Private, guaranteed bonds(84 th)	2023.02.24	3M EURIBOR+0.75	127,925	-	127,925

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<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2017 (%)	December 31, 2017		
			Total	Current	Non-current
Private, non-guaranteed bonds(86-1 st)	2020.11.22	1M LIBOR+0.78	48,213	-	48,213
Private, non-guaranteed bonds(86-2 nd)	2022.11.22	1M LIBOR+0.86	91,069	-	91,069
Less: discount on debentures			(11,852)	(259)	(11,593)
Total			5,136,775	639,741	4,497,034

The Company entered into interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of the debentures (Note 37).

The principal and interests of private guaranteed bonds (70th, 84th) are guaranteed by Shinhan Bank (Note 34).

16. Other Payables

Other payables as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Current		
Non-trade payables	1,868,774	1,644,556
Accrued expenses	489,703	690,532
Leasehold deposits received	12,576	16,513
Subtotal	2,371,053	2,351,601
Non-current		
Leasehold deposits received	1,011	215
Total	2,372,064	2,351,816

17. Current and Deferred Income Tax

Income tax expense

(a) Details of income tax expense for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Current income taxes		
Current tax on profits for the year	47,251	124,070
Adjustments in respect of prior years	(19,993)	(1,087)
Deferred tax		
Changes in temporary differences	32,417	(38,555)
Changes in tax credit carryforwards	86,946	(198,506)
Changes in tax loss carryforwards	(74,293)	128,525
Income tax expense	72,328	14,447

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(b) The reconciliation between loss before income tax and income tax expense for the years ended December 31, 2018 and 2017, is as follows:

<i>(in millions of Korean won)</i>	2018	2017
Profit before income tax	67,554	772,493
Tax expense based on statutory tax rate	16,348	186,943
Income not subject to tax	(7,513)	(15,456)
Expenses not deductible for tax purposes	17,913	66,947
Recognition of deferred tax asset on tax credits	(64,077)	(172,652)
Adjustments in respect of prior years	(19,993)	(1,087)
Changes in unrecognized deferred tax assets and others	129,650	(50,248)
Income tax expense	72,328	14,447
Effective tax rate	107.1%	1.9%

Deferred income tax

(a) Deferred tax assets and deferred tax liabilities after offsetting as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	551,933	617,279
Deferred tax asset to be recovered after more than 12 months	1,628,624	1,582,570
Deferred tax assets before offsetting	2,180,557	2,199,849
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	1,945	3,484
Deferred tax liability to be settled after more than 12 months	1,211,116	1,222,408
Deferred tax liabilities before offsetting	1,213,061	1,225,892
Deferred tax assets after offsetting	967,496	973,957

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(b) Changes in deferred income tax assets and liabilities for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018			
	At January 1	Charged (credited) to statement of profit or loss	Charged to other comprehensive income	At December 31
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(289,666)	34,736	-	(254,930)
Property, plant and equipment	(93,202)	27,001	-	(66,201)
Accrued expenses	386,821	(136,595)	-	250,226
Provisions	89,645	6,502	-	96,147
Other ¹	152,312	35,939	38,609	226,860
Subtotal	245,910	(32,417)	38,609	252,102
Tax credit carryforwards	712,022	(86,946)	-	625,076
Tax loss carryforwards	16,025	74,293	-	90,318
Deferred tax assets (liabilities)	973,957	(45,070)	38,609	967,496
	2017			
<i>(in millions of Korean won)</i>	At January 1	Charged (credited) to statement of profit or loss	Credited to other comprehensive income	At December 31
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(252,697)	(36,969)	-	(289,666)
Property, plant and equipment	(138,947)	45,745	-	(93,202)
Accrued expenses	364,769	22,052	-	386,821
Provisions	136,903	(47,258)	-	89,645
Other	116,560	54,985	(19,233)	152,312
Subtotal	226,588	38,555	(19,233)	245,910
Tax credit carryforwards	513,516	198,506	-	712,022
Tax loss carryforwards	144,550	(128,525)	-	16,025
Deferred tax assets (liabilities)	884,654	108,536	(19,233)	973,957

¹ In accordance with the adoption of Korean IFRS 1109 *Financial Instruments*, the cumulative impact of the change in classification of financial instruments as at January 1, 2018, amounting to ₩2,935 million, is included.

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(c) Tax effects recognized in other comprehensive income directly for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018			2017		
	Before tax	Tax effects	After tax	Before tax	Tax effects	After tax
Remeasurements of net defined benefit liabilities	(103,560)	27,132	(76,428)	77,584	(11,351)	66,233
Cash flow hedges	(41,094)	10,980	(30,114)	36,886	(7,695)	29,191
Financial assets at fair value through other comprehensive income	(1,814)	497	(1,317)	-	-	-
Available-for-sale financial assets	-	-	-	(993)	(187)	(1,180)
Total	(146,468)	38,609	(107,859)	113,477	(19,233)	94,244

(d) Details of deductible (taxable) temporary differences, tax credits and tax losses carryforward unrecognized as deferred tax assets (liabilities) as at December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018	Remark
Taxable temporary difference (investment in subsidiary)	(792,336)	Permanent reinvestment of undistributed profit planned
Deductible temporary difference (investment in subsidiary)	1,369,312	Unlikely to reverse (dispose of) in the foreseeable future
Tax credit carryforwards	289,388	Uncertainty of future taxable profit

(e) Expirations of unrecognized tax credit carryforwards as at December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	1 year or less	1 to 2 years	2 to 3 years	Over 3 years
Tax credit carryforwards	52,371	979	145,842	90,196

18. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Present value of funded obligations	2,610,800	2,378,703
Fair value of plan assets	(2,304,879)	(2,158,093)
Net defined benefit liability	305,921	220,610

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(b) The amounts recognized in the separate statements of profit or loss for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Current service cost	260,305	269,927
Past service cost	(3,689)	-
Net interest cost	6,670	9,359
Operating management cost	2,073	1,812
Total	265,359	281,098

(c) Line items in which expenses are included for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Manufacturing costs	140,814	143,563
Selling and marketing expenses	33,415	35,596
Administrative expenses	18,547	18,123
Research and development expenses	69,344	80,292
Service costs	3,239	3,524
Total	265,359	281,098

(d) Movements in the present value of defined benefit obligations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	2,378,703	2,265,932
Current service cost	260,305	269,927
Interest cost	69,936	59,910
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	23,982	6,706
- Actuarial loss or gain arising from changes in financial assumptions	112,326	(73,443)
- Actuarial gain arising from experience adjustments	(57,171)	(28,296)
Benefits paid	(135,526)	(122,033)
Past service cost	(3,689)	-
Decrease due to plan liquidation	(38,066)	-
At December 31	2,610,800	2,378,703

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(e) Movements in the fair value of plan assets for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	2,158,093	1,920,564
Interest income	63,266	50,551
Remeasurements of plan assets	(24,423)	(17,449)
Employer contributions	250,000	300,000
Benefits paid	(104,836)	(93,761)
Decrease due to plan liquidation	(35,148)	-
Operating management cost	(2,073)	(1,812)
At December 31	2,304,879	2,158,093

(f) The significant actuarial assumptions used as at December 31, 2018 and 2017, are as follows:

	December 31, 2018	December 31, 2017
Discount rate	2.6%	3.1%
Expected salary growth rate	5.0%	5.0%

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(223,023)	257,577
Expected salary growth rate	249,500	(220,847)

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.

(h) Plan assets consist of:

<i>(in millions of Korean won)</i>	December 31, 2018		December 31, 2017	
	Amount	Composition (%)	Amount	Composition (%)
Securities combined with derivatives (guaranteed)	996,958	43.3	955,971	44.3
Time deposits and others	1,307,921	56.7	1,202,122	55.7
Total	2,304,879	100.0	2,158,093	100.0

(i) The weighted average duration of the defined benefit obligations is 9.7 years. Expected maturity analysis of undiscounted pension benefits as at December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	Within 1 year	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Pension benefits	111,639	180,568	534,359	830,791	1,779,170	3,436,527

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The Company evaluates the fund contribution level annually and if there is a shortfall in the funds, the Company has a policy to finance the funds. Expected contributions to post-employment benefit plans for the year ending December 31, 2019, are ₩300,000 million.

Defined Contribution Plan

The expense recognized in the current year in relation to defined contribution plan was ₩9,476 million (2017: ₩6,610 million).

19. Provisions

(a) Changes in provisions for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018			
	Warranty	Restoration	Litigation and others	Total
At January 1¹	325,984	12,517	69,127	407,628
Additions	386,201	522	32,725	419,448
Utilizations	(332,612)	(2,413)	(18,503)	(353,528)
Decrease due to transfer of business	(80)	-	-	(80)
At December 31	379,493	10,626	83,349	473,468
Current	348,818	183	-	349,001
Non-current	30,675	10,443	83,349	124,467

<i>(in millions of Korean won)</i>	2017				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	397,950	272	14,185	791,577	1,203,984
Additions	364,681	40,608	1,483	92,790	499,562
Utilizations	(436,647)	(40,510)	(3,151)	(815,240)	(1,295,548)
At December 31	325,984	370	12,517	69,127	407,998
Current	314,051	370	1,814	-	316,235
Non-current	11,933	-	10,703	69,127	91,763

¹ Sales return provision as at January 1, 2018 amounting to ₩370 million was reclassified to contract liabilities upon adoption of Korean IFRS 1115.

(b) Greenhouse Gas Emission Liabilities

As at December 31, 2018, emission rights received free of charge for each reporting period and greenhouse gas emission estimated by management, are as follows:

<i>(in tons)</i>	2018	2017
Emission rights received free of charge ¹	1,387,113	1,298,851

¹ Emission rights received free of charge are defined as allowed amount of emissions that can be released, allocated by the Korean government for free in accordance with 'Act on the Allocation and Trading of Greenhouse-Gas Emission Permits'.

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In 2018, there is no emission right that the Company additionally purchased from the market, and there is no recognized emission liability as greenhouse gas emission estimated by management is 1,000,540 tons.

20. Other Liabilities

Other liabilities as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Current		
Advances from customers ¹	221,806	407,409
Unearned revenue ¹	-	42,890
Withholding	120,958	143,440
Accrued expenses	908,359	1,313,530
Subtotal	1,251,123	1,907,269
Non-current		
Accrued expenses	95,916	81,164
Unearned revenue ¹	-	1,182
Subtotal	95,916	82,346
Total	1,347,039	1,989,615

¹ Advances from customers and unearned revenue as at January 1, 2018 amounting to ₩288,523 million was reclassified to contract liabilities upon adoption of Korean IFRS 1115.

21. Paid-in Capital

(a) As at December 31, 2018 and 2017, the number of shares authorized is 600 million.

	Par value per share	December 31, 2018		December 31, 2017	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

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

(b) Share premium balance as at December 31, 2018, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of

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ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion options 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.

22. Retained Earnings and Dividends

(a) Retained earnings as at December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Legal reserves ¹	182,342	175,054
Discretionary reserves	5,347,641	4,603,535
Unappropriated retained earnings (undisposed accumulated deficit)	(69,273)	824,378
Total	5,460,710	5,602,967

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

(b) Appropriation of retained earnings for the years ended December 31, 2018 and 2017, is as follows:

<i>(in millions of Korean won)</i>	2018	2017
Unappropriated retained earnings (deficit for disposition)		
Unappropriated retained earnings carried over from prior year	99	99
Effect of changes in accounting policy	11,830	-
Remeasurement of net defined benefit liability	(76,428)	66,233
Profit (loss) for the year	(4,774)	758,046
	<u>(69,273)</u>	<u>824,378</u>
Transfer from discretionary reserve		
Reserve for research and manpower development	5,347,641	4,603,535
Total	<u>5,347,641</u>	<u>4,603,535</u>
Appropriation of retained earnings		
Earned profit reserves	13,591	7,288
Reserve for research and manpower development	5,128,769	5,347,641
Dividends	135,909	72,885
Ordinary Share :		
₩ 750 (15%) in 2018		
₩ 400 (8%) in 2017		
Preferred share :		
₩ 800 (16%) in 2018		
₩ 450 (9%) in 2017		
	<u>5,278,269</u>	<u>5,427,814</u>
Unappropriated retained earnings to be carried forward to subsequent year	<u>99</u>	<u>99</u>

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(c) Dividends

Details of dividends per share and a total dividend in respect of the year ended December 31, 2018, which is to be proposed at the annual general meeting on March 15, 2019, are as follows. These separate financial statements do not reflect this dividend payable.

<i>(Unit: shares)</i>	2018		2017	
	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares
Outstanding shares	163,647,814	17,185,992	163,647,814	17,185,992
Treasury shares	(763,172)	(4,692)	(763,172)	(4,690)
Numbers of shares for dividend	162,884,642	17,181,300	162,884,642	17,181,302
Par value <i>(in Korean won)</i>	5,000	5,000	5,000	5,000
Dividend rate	15%	16%	8%	9%
Dividends per share <i>(in Korean won)</i>	750	800	400	450
Total dividend amount <i>(in millions of Korean won)</i>	122,164	13,745	65,154	7,731
Dividend payout ratio ¹ <i>(Dividends/Net profit)</i>	-	-	8.59%	1.02%
Stock price ² <i>(in Korean won)</i>	62,025	25,913	100,375	44,988
Dividend yield ratio <i>(Dividend per share/ Market price)</i>	1.21%	3.09%	0.40%	1.00%

¹ Dividend payout ratio is not calculated for the year ended December 31, 2018 due to the net loss of the Company.

² Average of prices in the stock market for one week preceding the two business days before the record date of the shareholders' list for the general meeting of shareholders related to above dividends.

23. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as at December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Cash flow hedge	(57,146)	(27,032)
Financial assets at fair value through other comprehensive income	(213)	-
Available-for-sale financial assets	-	9,393
Total	(57,359)	(17,639)

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24. Other Components of Equity

Other components of equity as at December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
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
At December 31	(32,819)	(32,819)

¹ At the end of the reporting period, the Company has treasury shares consisting of 763,172 ordinary shares (December 31, 2017: 763,172 shares) and 4,692 preferred shares (December 31, 2017: 4,690 shares). The Company intends to either grant these treasury shares to employees and directors as compensation or sell them in the future.

25. Net Sales

(a) Details of net sales for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Revenue from contracts with customers:		
Sales of goods	28,945,267	30,930,643
Rendering of services	443,066	486,296
Royalty income	275,953	549,574
Sub-total	29,664,286	31,966,513
Revenue from other sources:		
Rental income and others ¹	317,724	-
Total	29,982,010	31,966,513

¹ Revenue from other sources for the year ended December 31, 2017 is included in sales of goods and rendering of services by applying Korean IFRS 1018.

(b) Details of revenue from contracts with customers for the year ended December 31, 2018 are as follows:

<i>(in millions of Korean won)</i>	2018							Total
	H&A	HE	MC	VC	B2B	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	10,847,501	6,367,757	5,552,144	2,590,737	1,450,324	2,855,823	-	29,664,286
Internal sales	35,461	-	-	-	-	157,751	(193,212)	-
	10,882,962	6,367,757	5,552,144	2,590,737	1,450,324	3,013,574	(193,212)	29,664,286
By type of products:								
Refrigerators/washing machine/air conditioners and others	8,978,490	-	-	-	-	-	(11,060)	8,967,430
TV/monitor/PC and others	-	5,766,844	-	-	-	-	-	5,766,844

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2018								
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Other segments	Inter-segment transactions	Total
Mobile communications	-	-	5,452,195	-	-	-	-	5,452,195
In-vehicle infotainment	-	-	-	1,967,359	-	-	-	1,967,359
Information display	-	-	-	-	606,730	-	-	606,730
Others	1,904,472	600,913	99,949	623,378	843,594	3,013,574	(182,152)	6,903,728
Domestic / Export:								
Domestic	6,198,357	1,781,572	1,264,853	500,662	304,077	1,539,998	(193,212)	11,396,307
Export	4,684,605	4,586,185	4,287,291	2,090,075	1,146,247	1,473,576	-	18,267,979
Timing of transfer:								
Transferred at a point in time	10,519,217	6,145,450	5,503,057	2,560,743	1,428,941	103,985	(66,533)	26,194,860
Transferred over time	363,745	222,307	49,087	29,994	21,383	2,909,589	(126,679)	3,469,426

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

Due to the factors causing the changes in the costs of VC and other segments in 2018, 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 year and the succeeding year 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 year	Impact on profit or loss for the succeeding year
VC	(1,428)	(3,765)	2,611	(274)
Other segments	111,989	99,309	4,598	8,082
Total	110,561	95,544	7,209	7,808

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26. Expenses by Nature

Expenses that are recorded by nature for the years ended December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Changes in finished goods and work-in-process	(55,161)	(76,808)
Raw materials and merchandise used	18,258,714	19,842,961
Employee benefit expense	3,752,534	3,890,052
Depreciation and amortization	997,574	984,735
Advertising expense	676,017	631,319
Promotion expense	304,898	313,683
Freight expense	542,221	563,591
Commission expense	1,637,371	1,624,546
Other expenses	3,380,126	3,491,208
Total¹	29,494,294	31,265,287

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

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

Details of general operating expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Salaries	1,379,200	1,433,748
Post-employment benefits	131,167	143,734
Employee welfare benefits	240,971	236,069
Freight expense	532,367	555,489
Rental expense	112,172	169,636
Commission expense	1,150,609	1,144,211
Depreciation	99,201	115,766
Amortization	144,890	159,241
Taxes and dues	19,004	36,361
Advertising expense	676,017	631,319
Promotional expense	304,898	313,683
R&D expense	407,701	330,380
Direct service costs	383,051	373,160
Bad debts expense	10,300	(5,165)
Other	289,065	286,217
Total	5,880,613	5,923,849

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28. Financial Income

Financial income for the years ended December 31, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018	2017
Interest income	29,051	21,557
Exchange differences	166,920	184,004
Other	7,030	14,143
Total	203,001	219,704

29. Financial Expenses

Financial expenses for the years ended December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Interest expense	241,685	207,737
Exchange differences	149,373	251,984
Loss on disposal of trade receivables	4,508	3,485
Other	13,921	11,336
Total	409,487	474,542

30. Other Non-operating Income

Other non-operating income for the years ended December 31, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018	2017
Dividend income	225,095	464,714
Exchange differences	517,709	685,683
Gain on disposal of property, plant and equipment	13,124	65,575
Gain on disposal of assets held for sale	1,391	3,804
Gain on disposal of available-for-sale financial assets	-	9,173
Gain on disposal of investments in subsidiaries, associates and joint ventures	8	4,253
Gain on transfer of business	38,789	4,882
Gain on derivatives	851	-
Other	5,443	26,557
Total	802,410	1,264,641

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31. Other Non-operating Expenses

Other non-operating expenses for the years ended December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Exchange differences	521,320	632,625
Loss on disposal of property, plant and equipment	18,505	39,149
Impairment loss on property, plant and equipment	40,528	64,830
Loss on disposal of intangible assets	35,032	37,027
Impairment loss on intangible assets	57,096	12,558
Loss on valuation of financial assets at fair value through profit or loss	2,002	-
Impairment loss on available-for-sale financial assets	-	250
Loss on disposal of investments in subsidiaries, associates and joint ventures	-	7,120
Impairment loss on investments in subsidiaries, associates and joint ventures	301,137	30,507
Other	40,466	114,470
Total	1,016,086	938,536

32. Earnings per Share

The Company has no potential dilutive ordinary shares. Accordingly, basic earnings (loss) per share is identical to diluted earnings (loss) per share.

- (a) Basic earnings (loss) per ordinary share for the years December 31, 2018 and 2017, is as follows:

	2018	2017
Profit (loss) attributable to ordinary shares ¹ <i>(in millions of Korean won)</i>	(5,095)	684,939
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i> ²	162,884,642	162,884,642
Basic earnings (loss) per ordinary share <i>(in Korean won)</i>	(31)	4,205

- (b) Basic earnings per preferred share for the years December 31, 2018 and 2017, is as follows:

	2018	2017
Profit attributable to preferred shares ¹ <i>(in millions of won)</i>	321	73,107
Weighted average number of preferred shares outstanding <i>(unit: shares)</i> ²	17,181,300	17,181,300
Basic earnings per preferred share <i>(in Korean won)</i>	19	4,255

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¹ Profit (loss) attributable to ordinary and preferred shares are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Profit (loss) for the year (A)	(4,774)	758,046
Ordinary share dividends (B)	122,164	65,154
Preferred share dividends (C)	13,745	7,731
Undistributed profit (loss) (D=A-B-C)	(140,683)	685,161
Undistributed profit (loss) available for ordinary shares (E)	(127,259)	619,785
Undistributed profit (loss) available for preferred shares (F)	(13,424)	65,376
Profit (loss) attributable to ordinary shares (G=B+E)	(5,095)	684,939
Profit attributable to preferred shares (H=C+F)	321	73,107

² Weighted average numbers of shares outstanding are calculated as follows:

<i>(unit: shares)</i>	2018	2017
Ordinary shares issued	163,647,814	163,647,814
Ordinary treasury shares	(763,172)	(763,172)
Ordinary shares outstanding	162,884,642	162,884,642
Weighted average number of ordinary shares outstanding	162,884,642	162,884,642
Preferred shares issued	17,185,992	17,185,992
Preferred treasury shares	(4,692)	(4,692)
Preferred shares outstanding	17,181,300	17,181,300
Weighted average number of preferred shares outstanding	17,181,300	17,181,300

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33. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the years ended December 31, 2018 and 2017, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2018	2017
Profit (loss) for the year	(4,774)	758,046
Adjustments:		
Interest expense, net	212,634	186,180
Exchange differences, net	13,881	(24,648)
Depreciation	668,938	616,562
Amortization	334,163	371,306
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	40,413	10,601
Provisions for severance benefits	265,359	281,098
Provisions	419,448	499,562
Dividend income	(225,095)	(464,714)
Income tax expense	72,328	14,447
Loss (gain) on disposal of investments in subsidiaries, associates and joint ventures	(8)	2,867
Impairment loss on investments in subsidiaries, associates and joint ventures	301,137	30,507
Other	134,042	136,238
	<u>2,237,240</u>	<u>1,660,006</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	1,659,763	(819,844)
Increase in other receivables	(93,113)	(3,605)
Increase in inventories	(182,802)	(196,077)
Increase in contract assets	(201,494)	-
Increase in other assets	(59,989)	(206,494)
Increase (decrease) in trade payables	(544,264)	713,255
Increase in other payables	25,505	289,616
Decrease in provisions	(368,042)	(1,295,548)
Increase in contract liabilities	26,151	-
Increase (decrease) in other liabilities	(345,534)	18,573
Payment of defined benefit liability	(33,608)	(28,272)
Deposit in plan assets, net	(286,770)	(331,290)
	<u>(404,197)</u>	<u>(1,859,686)</u>
Cash generated from operations	<u>1,828,269</u>	<u>558,366</u>

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(b) Changes in liabilities arising from financing activities

<i>(in millions of Korean won)</i>	2018				
	At January 1	Net cash flow from financing activities	Non-cash transactions		At December 31
			Exchange differences	Amortization	
Short-term borrowings	127,925	(131,082)	3,157	-	-
Long-term borrowings	2,177,140	438,541	5,855	-	2,621,536
Debentures	5,136,775	113,674	24,988	3,539	5,278,976
Total	7,441,840	421,133	34,000	3,539	7,900,512

<i>(in millions of Korean won)</i>	2017				
	At January 1	Net cash flow from financing activities	Non-cash transactions		At December 31
			Exchange differences	Amortization	
Short-term borrowings	-	135,549	(7,624)	-	127,925
Long-term borrowings	1,880,000	303,052	(5,912)	-	2,177,140
Debentures	4,751,320	457,881	(75,912)	3,486	5,136,775
Total	6,631,320	896,482	(89,448)	3,486	7,441,840

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2018	2017
Reclassification of construction-in-progress to property, plant and equipment	484,577	1,167,499
Reclassification of construction-in-progress to intangible assets	301,886	198,824
Reclassification of current portion of borrowings and debentures	757,135	639,615
Debt for equity swaps of trade receivables from subsidiaries	-	89,922
Other payables to acquire property, plant and equipment	104,187	136,144
Other payables to acquire intangible assets	19,908	15,693

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

– Transfer of Membrane business

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

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

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<i>(in millions of Korean won)</i>	Amount
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 assets and liabilities 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

- Transfer of set-top box business
 - i) On May 17, 2017, set-top box product business of Home Entertainment segment was transferred to Technicolor SA.
 - ii) Total consideration received and assets of the transferred business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	13,942
Assets of the transferred business:	
Trade receivables and other receivables	4,481
Inventories	3,180
Property, plant and equipment and intangible assets	1,399

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34. Contingencies

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩218,461 million (December 31, 2017: ₩191,608 million) from Seoul Guarantee Insurance Company and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal US\$ 200 million and EUR 100 million (December 31, 2017: US\$ 200 million and EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bond.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,846,637 million (December 31, 2017: ₩3,997,783 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	December 31, 2018	December 31, 2017
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	820,985	766,832
LG Electronics do Brasil Ltda.(LGEBR)	CHUBB and others	743,021	466,970
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	531,098	301,162
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	263,743	257,264
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	216,421	392,537
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	190,332	188,121
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	HSBC and others	154,715	368,074
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	127,169	160,487
LG Electronics Algeria SARL(LGEAS)	SG and others	105,881	99,622
LG Electronics Egypt S.A.E(LGEEG)	MISR and others	95,880	92,432
LG Electronics Morocco S.A.R.L.(LGMCC)	Citibank and others	90,175	87,949
LG Electronics Colombia Ltda.(LGECL)	Citibank and others	90,015	104,310
LG Electronics RUS, LLC(LGERA)	Citibank and others	76,884	80,056
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank	71,558	73,430
LG Electronics India Pvt. Ltd.(LGEIL)	Citibank and others	52,435	99,568
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	44,389	47,892
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank	25,797	56,847
LG Electronics Italia S.P.A.(LGEIS)	Intesa	25,583	25,585
LG Electronics Australia Pty, Ltd.(LGEAP)	Citibank	23,525	24,603
P.T. LG Electronics Indonesia(LGEIN)	HSBC and others	22,362	28,928
Others	Citibank and others	74,669	275,114
Total		3,846,637	3,997,783

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(c) At the end of the reporting period, the Company is providing KEB Hana Bank with a payment guarantee for buyers up to ₩46,000 million (December 31, 2017: ₩46,000 million).

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

35. Commitments

(a) At the end of the reporting period, the Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2017: ₩165,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩1,926,486 million (December 31, 2017: ₩1,915,663 million) and has sales agreements for domestic trade receivables with MUFG Bank amounting to ₩690,000 million (December 31, 2017: ₩500,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,160,000 million (December 31, 2017: ₩1,160,000 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩601,258 million (December 31, 2017: ₩453,570 million).

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Property, plant and equipment	107,768	122,189
Intangible assets	40,223	18,703
Investments in subsidiaries, associates and joint ventures	9,863	-
Total	157,854	140,892

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(f) Operating lease commitments – the Company as lessee

- i) The future aggregate minimum lease payments under non-cancellable operating leases at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018			Total lease payments
	1 year or less	1 to 5 years	Over 5 years	
Buildings	48,843	36,697	2,485	88,025
Vehicles	5,130	3,124	-	8,254
Equipment and others	15,406	10,846	-	26,252
Total	69,379	50,667	2,485	122,531

- ii) Lease payment under operating lease recognized in the separate statement of profit or loss for the year ended December 31, 2018, is ₩108,689 million (2017: ₩124,373 million).
- iii) At the end of the reporting period, the total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to ₩16,832 million and lease income recognized related to the subleases for the year ended December 31, 2018, amounts to ₩12,593 million (2017: ₩14,184 million).

(g) Operating lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	December 31, 2018			Total lease payments
	1 year or less	1 to 5 years	Over 5 years	
Healthcare rental	402,557	632,154	-	1,034,711
Real estate rental	814	2,687	-	3,501
Total	403,371	634,841	-	1,038,212

- ii) The Company recognized ₩292,467 million (2017: ₩160,573 million) in lease income for the year ended December 31, 2018.
- iii) Details of assets subject to operating lease are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Acquisition cost	653,110	419,452
Accumulated depreciation	(149,127)	(87,218)
Accumulated impairment losses	(105)	(231)
Net book amount	503,878	332,003

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- iv) Changes in net book amount of assets subject to operating lease for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	332,003	201,843
Acquisition	274,383	182,276
Disposal	(13,846)	(8,103)
Depreciation	(87,594)	(44,013)
Impairment loss	(1,068)	-
At December 31	503,878	332,003

- (h) Finance lease commitments – the Company as lessee

At the end of the reporting period, the Company has entered into a finance lease agreement with a lease company for the use of energy storage system and has recognized related assets and liabilities in the separate statements of financial position. Net book amount of the leased assets amounts to ₩5,107 million, and the present value of the finance lease liabilities amounts to ₩4,797 million. Details of future minimum lease payments related to the finance lease as at December 21, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018		December 31, 2017	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	1,661	1,528	-	-
One to five years	3,433	3,269	-	-
Over five years	-	-	-	-
Total	5,094	4,797	-	-

- (i) Trademark license agreements

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

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

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36. Related Party

(a) Major transactions for the years ended December 31, 2018 and 2017, and balances of receivables and payables from transaction with related parties as at December 31, 2018 and 2017, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

		2018					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	2,241	-	2,241	-	141,285	141,285
Subsidiaries	LG Innotek Co., Ltd.	237,452	32,525	269,977	454,164	13,647	467,811
	Hiplaza Co., Ltd.	1,939,882	10,997	1,950,879	20	30,202	30,222
	LG Electronics U.S.A., Inc.	3,388,404	12,873	3,401,277	2,587	66,592	69,179
	LG Electronics Mobilecomm U.S.A., Inc.	968,652	31	968,683	104	4,354	4,458
	LG Electronics Vehicle Component U.S.A., LLC	519,598	463	520,061	2,592	35,326	37,918
	Inspur LG Digital Mobile Communications Co., Ltd.	925,513	857	926,370	198,076	22,160	220,236
	LG Electronics Vietnam Haiphong Co., Ltd.	1,200,743	911	1,201,654	52,810	19,713	72,523
	LG Electronics do Brasil Ltda.	453,491	97	453,588	945	2,290	3,235
	LG Electronics Gulf FZE	268,216	237	268,453	2	1,118	1,120
	LG Electronics Canada, Inc.	339,314	11	339,325	62	2,298	2,360
	Qingdao LG Inspur Digital Communication Co., Ltd.	353,292	525	353,817	191,909	5,357	197,266
	LG Electronics (Kunshan) Co.,Ltd.	331,460	434	331,894	10,858	953	11,811
	LG Electronics Australia Pty, Ltd.	308,853	8	308,861	38	2,952	2,990
	LG Electronics RUS, LLC	299,670	302	299,972	392	735	1,127
	LG Electronics India Pvt. Ltd.	291,412	26,087	317,499	6,012	2,147	8,159
	LG Electronics (Levant) Jordan	210,357	225	210,582	858	2,414	3,272
	LG Electronics Deutschland GmbH	371,551	36,689	408,240	4,003	41,431	45,434
	LG Electronics Japan, Inc.	377,638	56	377,694	4,708	23,926	28,634
	LG Electronics Mlawa Sp. z.O.O.	343,741	92	343,833	2,173	4,721	6,894
	LG Electronics Egypt S.A.E	111,435	4,662	116,097	-	598	598
	LG Electronics Nanjing New Technology co.,LTD	237,553	19	237,572	425,878	1,419	427,297
	LG Electronics United Kingdom Ltd.	156,808	824	157,632	21	8,742	8,763
	LG Electronics Thailand Co., Ltd.	129,542	630	130,172	46,146	4,521	50,667
	LG Electronics Inc Chile Ltda.	70,220	227	70,447	-	329	329

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		2018					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	LG Electronics Colombia Ltda.	78,846	118	78,964	15	493	508
	Others	3,920,395	51,358	3,971,753	592,090	414,233	1,006,323
	Subtotal	17,834,038	181,258	18,015,296	1,996,463	712,671	2,709,134
Associates	LG Display Co., Ltd. and its subsidiaries	1,108,838	42,687	1,151,525	1,200,252	14,902	1,215,154
	Ericsson-LG Co., Ltd. and its subsidiaries	1,636	52	1,688	3,460	-	3,460
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	680	1	681	37,551	2,326	39,877
	LG Fuel Cell Systems Inc. and its subsidiaries	3,315	608	3,923	-	-	-
	Robostar Co.,Ltd.	-	-	-	20,430	2,106	22,536
	Kiwigrid GmbH	-	-	-	-	906	906
	ROBOTIS Co., Ltd.	-	-	-	-	220	220
	Korea Information Certificate Authority Inc	-	-	-	-	51	51
	Acryl Inc.	-	-	-	-	1,658	1,658
	Subtotal	1,114,469	43,348	1,157,817	1,261,693	22,169	1,283,862
Joint ventures	LG-MRI LLC	2,477	-	2,477	1,185	-	1,185
Other related parties	LG CNS Co., Ltd. and its subsidiaries	108,783	144	108,927	119,857	371,873	491,730
	S&I Corp. and its subsidiaries ²	26,798	9,483	36,281	579,969	345,416	925,385
	LB Lusem CO., LTD. ³	-	-	-	205	1	206
	LG Management Development Institute	-	-	-	110	26,073	26,183
	LG SPORTS Ltd.	2	19	21	-	13,384	13,384
	Subtotal	135,583	9,646	145,229	700,141	756,747	1,456,888
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	1,451,320	20,599	1,471,919	785,315	874	786,189
	LG INTERNATIONAL CORP and its subsidiaries	97,784	8,333	106,117	641,990	743,675	1,385,665
	LG Uplus Corp and its subsidiaries	536,470	144	536,614	1,687	4,668	6,355
	LG HAUSYS,LTD. and its subsidiaries and associates	10,885	339	11,224	5,032	27	5,059
	Silicon Works Co., Ltd	2,743	48,160	50,903	7,673	-	7,673
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	7,444	5	7,449	205	299	504
	G II R Inc. and its subsidiaries	2,339	12	2,351	125	249,437	249,562
	Subtotal	2,108,985	77,592	2,186,577	1,442,027	998,980	2,441,007
	Total	21,197,793	311,844	21,509,637	5,401,509	2,631,852	8,033,361

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		2017					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	1,532	13	1,545	2	149,128	149,130
Subsidiaries	LG Innotek Co., Ltd.	525,074	-	525,074	596,875	8,246	605,121
	Hiplaza Co., Ltd.	1,487,116	-	1,487,116	49	20,536	20,585
	LG Electronics U.S.A., Inc.	4,289,841	-	4,289,841	5,014	116,447	121,461
	LG Electronics Mobilecomm U.S.A., Inc.	2,094,680	-	2,094,680	-	8,592	8,592
	LG Electronics Vehicle Component U.S.A., LLC	10,884	-	10,884	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	1,334,399	3,333	1,337,732	149,525	20,077	169,602
	LG Electronics Vietnam Haiphong Co., Ltd.	1,213,916	770	1,214,686	33,216	11,801	45,017
	LG Electronics do Brasil Ltda.	764,376	-	764,376	3,532	1,561	5,093
	LG Electronics Gulf FZE	536,981	-	536,981	-	1,211	1,211
	LG Electronics Canada, Inc.	465,386	-	465,386	47	3,795	3,842
	Qingdao LG Inspur Digital Communication Co., Ltd.	448,249	537	448,786	73,397	4,942	78,339
	LG Electronics (Kunshan) Co.,Ltd.	393,665	8	393,673	10,565	2,881	13,446
	LG Electronics Australia Pty, Ltd.	344,528	-	344,528	7	1,990	1,997
	LG Electronics RUS, LLC	333,758	185	333,943	3	1,536	1,539
	LG Electronics India Pvt. Ltd.	330,961	317	331,278	2,426	1,146	3,572
	LG Electronics (Levant) Jordan	330,882	-	330,882	900	5,064	5,964
	LG Electronics Deutschland GmbH	323,831	-	323,831	1,846	33,107	34,953
	LG Electronics Japan, Inc.	321,293	-	321,293	5,293	21,833	27,126
	LG Electronics Mlawa Sp. z.O.O.	287,997	221	288,218	1,979	5,415	7,394
	LG Electronics Egypt S.A.E	247,768	194	247,962	-	270	270
	LG Electronics Nanjing New Technology co.,LTD	238,850	78	238,928	431,449	1,349	432,798
	LG Electronics United Kingdom Ltd.	141,145	-	141,145	1,107	7,137	8,244
	LG Electronics Thailand Co., Ltd.	110,946	506	111,452	38,092	563	38,655
	LG Electronics Inc Chile Ltda.	89,657	-	89,657	-	425	425
	LG Electronics Colombia Ltda.	87,642	-	87,642	116	900	1,016
	Others	3,928,655	700	3,929,355	399,661	338,358	738,019
	Subtotal	20,682,480	6,849	20,689,329	1,755,099	619,182	2,374,281

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		2017					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Associates	LG Display Co., Ltd. and its subsidiaries	1,126,672	-	1,126,672	1,675,829	13,551	1,689,380
	Ericsson-LG Co., Ltd. and its subsidiaries	7,746	-	7,746	4,250	-	4,250
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	676	-	676	17,626	714	18,340
	LG Fuel Cell Systems Inc. and its subsidiaries	2,485	-	2,485	-	-	-
	Korea Information Certificate Authority Inc	-	-	-	-	15	15
	Subtotal		1,137,579	-	1,137,579	1,697,705	14,280
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	47,140	-	47,140
	LG-MRI LLC	635	-	635	-	-	-
	Subtotal	635	-	635	47,140	-	47,140
Other related parties	LG CNS Co., Ltd. and its subsidiaries	71,365	-	71,365	141,595	323,508	465,103
	SERVEONE Co., Ltd. and its subsidiaries ²	122,933	223,000	345,933	640,143	299,699	939,842
	LB Lusem CO., LTD. ³	2	-	2	1,746	27	1,773
	LG Management Development Institute	35	-	35	300	24,487	24,787
	LG SPORTS Ltd.	19	-	19	-	13,698	13,698
	LG MMA Ltd.	1,229	-	1,229	-	-	-
	Subtotal		195,583	223,000	418,583	783,784	661,419
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	682,310	2,065	684,375	717,086	2,856	719,942
	LG INTERNATIONAL CORP and its subsidiaries	126,266	-	126,266	1,639,218	698,995	2,338,213
	LG Uplus Corp and its subsidiaries	716,852	-	716,852	2,106	5,076	7,182
	LG HAUSYS,LTD. and its subsidiaries and associates	37,577	-	37,577	13,976	1,033	15,009
	Silicon Works Co., Ltd	5,088	-	5,088	9,933	-	9,933
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	5,393	-	5,393	242	59	301
	G I R Inc. and its subsidiaries	666	-	666	3,906	263,248	267,154
	SK Siltron Co., Ltd. and its subsidiaries ⁴	3,169	-	3,169	28	-	28
	Subtotal		1,577,321	2,065	1,579,386	2,386,495	971,267
Total		23,595,130	231,927	23,827,057	6,670,225	2,415,276	9,085,501

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- ¹ Although the entities are not the related parties of the Company in accordance with Korean IFRS 1024, the entity belongs to the Large Enterprise Group to which the Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.
- ² SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. As at December 31, 2018, 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.
- ⁴ All shares of LG Siltron Incorporated were sold to SK Holdings Co., Ltd. on August 17, 2017, and the name of LG Siltron Incorporated was changed to SK Siltron Co., Ltd.

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

(in millions of Korean won)

		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Company	LG Corp.	42	-	26,068	26,110	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	119,338	-	8,102	127,440	121,495	-	31,240	152,735
	Hiplaza Co., Ltd.	166,265	-	22,790	189,055	-	-	7,112	7,112
	LG Electronics U.S.A., Inc.	273,496	-	72,993	346,489	-	-	139,866	139,866
	LG Electronics Vehicle Component U.S.A., LLC	112,509	-	412	112,921	-	-	7,840	7,840
	Inspur LG Digital Mobile Communications Co., Ltd.	25,430	-	1,180	26,610	296,959	-	815	297,774
	LG Electronics Vietnam Haiphong Co., Ltd.	307,408	-	588	307,996	182,917	-	1,420	184,337
	LG Electronics do Brasil Ltda.	107,098	-	40,575	147,673	184	-	325	509
	LG Electronics Gulf FZE	14,283	-	-	14,283	-	-	26	26
	LG Electronics Canada, Inc.	24,518	-	-	24,518	-	-	409	409
	Qingdao LG Inspur Digital Communication Co., Ltd.	16,527	-	5,025	21,552	121,781	-	35	121,816
	LG Electronics (Kunshan) Co.,Ltd.	43,192	-	3,512	46,704	50,047	-	370	50,417
	LG Electronics Australia Pty, Ltd.	59,931	-	1,615	61,546	-	-	84	84
	LG Electronics RUS, LLC	39,246	-	13,812	53,058	640	-	71	711
	LG Electronics India Pvt. Ltd.	34,300	-	7,653	41,953	404	-	591	995
	LG Electronics (Levant) Jordan	19,483	-	-	19,483	-	-	133	133
	LG Electronics Deutschland GmbH	85,735	-	10,720	96,455	-	-	7,080	7,080
	LG Electronics Japan, Inc.	66,765	-	-	66,765	-	-	3,084	3,084
	LG Electronics Mlawa Sp. z.O.O.	46,794	-	61	46,855	759,727	-	533	760,260
	LG Electronics Egypt S.A.E	4,107	-	78,560	82,667	2,784	-	110	2,894
	LG Electronics Nanjing New Technology co.,LTD	38,011	-	145	38,156	195,626	-	39	195,665
	LG Electronics United Kingdom Ltd.	25,536	-	185	25,721	-	-	1,490	1,490
	LG Electronics Thailand Co., Ltd.	22,251	-	303	22,554	118,439	-	145	118,584
	LG Electronics Inc Chile Ltda.	49,754	-	49	49,803	-	-	28	28

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		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Colombia Ltda.	74,614	-	25	74,639	-	-	34	34
	Others	690,876	-	61,088	751,964	782,581	-	71,117	853,698
	Subtotal	2,467,467	-	329,393	2,796,860	2,633,584	-	273,997	2,907,581
Associates	LG Display Co., Ltd. and its subsidiaries	414,242	-	130,319	544,561	212,350	-	137,027	349,377
	Ericsson-LG Co., Ltd. and its subsidiaries	31	-	-	31	534	-	-	534
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	109	-	-	109	11,685	-	397	12,082
	LG Fuel Cell Systems Inc. and its subsidiaries	12	-	-	12	-	-	28	28
	Robostar Co.,Ltd.	-	-	-	-	13,406	-	399	13,805
	Kiwigrid GmbH	-	-	-	-	-	-	54	54
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	168	168
	Korea Information Certificate Authority Inc	-	-	-	-	-	-	55	55
	Acryl Inc.	-	-	-	-	-	-	312	312
	Subtotal	414,394	-	130,319	544,713	237,975	-	138,440	376,415
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	4,175	-	-	4,175
	LG-MRI LLC	643	-	-	643	-	-	-	-
	Subtotal	643	-	-	643	4,175	-	-	4,175
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,106	-	1,972	21,078	147	-	121,579	121,726
	S&I Corp. and its subsidiaries ²	2,444	-	59,587	62,031	124,740	-	181,643	306,383
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,637	1,637
	LG SPORTS Ltd.	-	-	-	-	-	-	1,859	1,859
	Subtotal	21,550	-	77,219	98,769	124,887	-	306,718	431,605
Others ¹	LG Chem Ltd. and its subsidiaries	365,515	-	270,879	636,394	216,571	-	59,817	276,388
	LG INTERNATIONAL CORP and its subsidiaries	14,102	-	8,917	23,019	276,367	-	114,247	390,614
	LG Uplus Corp and its subsidiaries	13,879	-	148	14,027	-	-	369	369
	LG HAUSYS,LTD. and its subsidiaries	519	-	1,344	1,863	-	-	476	476
	Silicon Works Co., Ltd	362	-	-	362	1,581	-	748	2,329
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,247	-	350	2,597	-	-	608	608
	G II R Inc. and its subsidiaries	76	-	-	76	-	-	200,560	200,560

LG Electronics Inc.
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(in millions of Korean won)

		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Subtotal	396,700	-	281,638	678,338	494,519	-	376,825	871,344
	Total	3,300,796	-	844,637	4,145,433	3,495,140	-	1,095,980	4,591,120

(in millions of Korean won)

		December 31, 2017							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Company	LG Corp.	39	-	23,325	23,364	-	-	9,272	9,272
Subsidiaries	LG Innotek Co., Ltd.	380,623	-	2,368	382,991	149,835	-	38,605	188,440
	Hiplaza Co., Ltd.	155,550	-	11,732	167,282	-	-	9,750	9,750
	LG Electronics U.S.A., Inc.	500,636	-	-	500,636	-	-	11,237	11,237
	LG Electronics Vehicle Component U.S.A., LLC	10,884	-	-	10,884	-	-	-	-
	LG Electronics Mobilecomm U.S.A., Inc.	267,876	-	-	267,876	-	-	28,559	28,559
	Inspur LG Digital Mobile Communications Co., Ltd.	115,718	-	-	115,718	295,003	-	1,960	296,963
	LG Electronics Vietnam Haiphong Co., Ltd.	151,420	-	1,283	152,703	170,225	-	1,894	172,119
	LG Electronics do Brasil Ltda.	244,857	-	38,524	283,381	386	-	331	717
	LG Electronics Gulf FZE	126,018	-	-	126,018	-	-	16	16
	LG Electronics Canada, Inc.	42,105	-	-	42,105	-	-	37	37
	Qingdao LG Inspur Digital Communication Co., Ltd.	31,377	-	-	31,377	98,183	-	-	98,183
	LG Electronics (Kunshan) Co., Ltd.	82,536	-	-	82,536	27,360	-	10,693	38,053
	LG Electronics Australia Pty, Ltd.	58,662	-	-	58,662	-	-	609	609
	LG Electronics RUS, LLC	44,353	-	12,087	56,440	475	-	301	776
	LG Electronics India Pvt. Ltd.	21,776	-	7,318	29,094	1,059	-	212	1,271
	LG Electronics (Levant) Jordan	68,467	-	9	68,476	-	-	626	626
	LG Electronics Deutschland GmbH	117,195	-	14,331	131,526	-	-	10,456	10,456
	LG Electronics Japan, Inc.	76,677	-	-	76,677	-	-	2,591	2,591
	LG Electronics Mlawa Sp. z.O.O.	33,601	-	2	33,603	662,898	-	775	663,673
	LG Electronics Egypt S.A.E	55,145	-	66,906	122,051	11,029	-	5	11,034

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December 31, 2017

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Nanjing New Technology co.,LTD	28,956	-	167	29,123	151,227	-	-	151,227
	LG Electronics United Kingdom Ltd.	66,926	-	1,418	68,344	-	-	877	877
	LG Electronics Thailand Co., Ltd.	17,688	-	322	18,010	229,286	-	54	229,340
	LG Electronics Inc Chile Ltda.	67,959	-	65	68,024	-	-	23	23
	LG Electronics Colombia Ltda.	70,282	-	66	70,348	-	-	142	142
	Others	883,750	-	70,247	953,997	617,624	127,925	84,195	829,744
	Subtotal	3,721,037	-	226,845	3,947,882	2,414,590	127,925	203,948	2,746,463
Associates	LG Display Co., Ltd. and its subsidiaries	387,785	-	9,980	397,765	538,254	-	86,253	624,507
	Ericsson-LG Co., Ltd. and its subsidiaries	316	-	202	518	1,302	-	-	1,302
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	33	-	1,531	1,564	6,106	-	237	6,343
	LG Fuel Cell Systems Inc. and its subsidiaries	1,201	-	-	1,201	-	-	5	5
	Korea Information Certificate Authority Inc	-	-	-	-	-	-	7	7
	Subtotal	389,335	-	11,713	401,048	545,662	-	86,502	632,164
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	1,692	-	-	1,692
	LG-MRI LLC	248	-	-	248	-	-	-	-
	Subtotal	248	-	-	248	1,692	-	-	1,692
Other related parties	LG CNS Co., Ltd. and its subsidiaries	20,662	-	2,202	22,864	2,498	-	117,524	120,022
	SERVEONE Co., Ltd. and its subsidiaries ²	73,380	-	58,704	132,084	116,305	-	158,893	275,198
	LUSEM CO., LTD. ³	-	-	-	-	244	-	46	290
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,272	1,272
	LG SPORTS Ltd.	-	-	-	-	-	-	1,952	1,952
	LG MMA Ltd.	256	-	-	256	-	-	-	-
	Subtotal	94,298	-	76,566	170,864	119,047	-	279,687	398,734
Others ¹	LG Chem Ltd. and its subsidiaries	274,747	-	7,272	282,019	261,385	-	88,240	349,625
	LG INTERNATIONAL CORP and its subsidiaries	20,900	-	18,834	39,734	392,637	-	116,795	509,432
	LG Uplus Corp and its subsidiaries	46,992	-	458	47,450	-	-	855	855

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		December 31, 2017							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG HAUSYS,LTD. and its subsidiaries	18,164	-	169	18,333	2,547	-	3,187	5,734
	Silicon Works Co., Ltd	2,489	-	-	2,489	2,178	-	756	2,934
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,048	-	-	2,048	-	-	1,258	1,258
	G I I R Inc. and its subsidiaries	339	-	-	339	-	-	219,536	219,536
	Subtotal	365,679	-	26,733	392,412	658,747	-	430,627	1,089,374
	Total	4,570,636	-	365,182	4,935,818	3,739,738	127,925	1,010,036	4,877,699

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

² SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. As at December 31, 2018, 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.

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iii) Significant capital transactions with related parties and others for the years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2018		2017	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,414	-	-	-	-	-	-
	LG Electronics RUS, LLC	63,354	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co., LTD	10,391	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	473	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	7,087	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	3,051	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	25,764	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	7,893	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	8,561	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.(LGEBR)	28,002	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	6,943	-	-	-	-
	LG Electronics Ticaret A.S.(LGETK)	-	-	173,517	-	-	-	-
	LG Electronics Argentina S.A.(LGEAR)	-	-	94,809	-	-	-	-
	LGE Alliance Fund	-	-	(1,544)	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	-	131,082
	Subtotal	156,990	-	273,725	-	-	-	131,082
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	-	7,178	-	-	-	-
	Subtotal	67,913	-	7,178	-	-	-	-
	Total	224,903	22,038	280,903	-	-	-	131,082

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Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2017			
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Electronics Egypt S.A.E ¹	-	-	89,922	-	-	-	-
	LG Innotek Co., Ltd.	2,413	-	-	-	-	-	-
	LG Soft India Private Limited	23,921	-	-	-	-	-	-
	LG Electronics RUS, LLC	62,944	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co., LTD	8,127	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	252	-	-	-	-	-	-
	P.T. LG Electronics Indonesia	75,560	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	6,174	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	11,032	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	3,622	-	-	-	-	-	-
	LG Electronics India Pvt. Ltd.	145,581	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	22,398	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	135,549	-
	LG-Shaker Co., Ltd.	14,755	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	19,780	-	-	-	-	-	-
	Tianjin Lijie cartridge heater Co., Ltd.	-	-	20	-	-	-	-
	LG Electronics Finland Lab, Oy	-	-	2,105	-	-	-	-
	LGE Alliance Fund	-	-	1,710	-	-	-	-
	Subtotal	396,559	-	93,757	-	-	135,549	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	-	35,284	-	-	-	-
	Ericsson-LG Co., Ltd. and its subsidiaries	-	-	(12,500)	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	10,710	-	-	-	-
	LG Holdings(HK) Ltd.	-	-	(37,277)	-	-	-	-
	Subtotal	67,927	-	(3,783)	-	-	-	-
	Total	464,486	22,038	89,974	-	-	135,549	-

¹ Includes the amount of debt for equity swaps of trade receivables.

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- (b) The compensation paid or payable to key management personnel for the years ended December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Wages and salaries	19,257	16,248
Post-employment benefits	3,731	4,136
Other long-term benefits	111	137
Total	23,099	20,521

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 34.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

37. Risk Management

Financial Risk Management

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

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

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

The carrying amount, and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 4 and Note 15, respectively.

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(a) Market risk

i) Foreign exchange risk

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

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

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

As at December 31, 2018 and 2017, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	December 31, 2018		December 31, 2017	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(31,735)	31,735	56,741	(56,741)
EUR/KRW	(5,091)	5,091	(486)	486

ii) Interest rate risk

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

The Company minimizes its borrowings from others and optimizes its deposits and periodically monitors trends of internal and external interest rates to establish plans for interest rate fluctuations.

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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 years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	11,099	(11,099)	15,862	(15,862)
Interest expense	-	-	1,279	(1,279)

iii) Details of derivative contracts are as follows:

Hedging purposes

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
USD/KRW CRS	Shinhan Bank and others	USD 730	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2013. 7.31 ~ 2018. 6. 8	2019. 1.31 ~ 2028. 6. 8	1,572	20,920
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8.24	2023. 2.24 ~ 2030. 7. 7	-	53,078

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings and debentures (Note 15).

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)	Accumulated other comprehensive loss
USD/KRW CRS	Borrowings	814,543	(11,521)	(19,965)
Interest rate swap	Borrowings	1,396,987	24,411	(37,181)

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)
USD/KRW CRS	11,521	Interest expense and exchange differences	(26,831)	(15,310)
Interest rate swap	(24,411)	Interest expense	9,607	(14,804)

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Trading purposes

The Company entered into a contract to additionally purchase shares of Robostar Co.,Ltd. in December 2019 at the average price of immediate four months with a 25% mark up. In relation to this share purchase contract, the Company recognized derivative liabilities amounting to ₩2,713 million at the time of acquisition of Robostar Co.,Ltd. and recognized gain on valuation of derivatives amounting to ₩851 million during the year ended December 31, 2018.

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	December 31, 2018		December 31, 2017	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,057	(3,057)	3,095	(3,095)

The valuation and the reclassification of the financial assets at fair value through other comprehensive income and available-for-sale financial assets related to the market risk above are presented in Note 7.

(b) Credit risk

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

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

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Details of credit quality for trade receivables that are neither past due nor impaired are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Trade receivables with insurance or collateral		
Excellent	116,482	427,933
Good	162,404	148,860
Fair	113,721	223,258
Poor ¹	64,091	206,519
Subtotal	456,698	1,006,570
Trade receivables without insurance or collateral		
Tier 1	2,659,935	3,934,661
Tier 2	292,473	397,330
Tier 3	37,370	12,677
Subtotal	2,989,778	4,344,668
Total	3,446,476	5,351,238

¹Debtors with insurance or collateral, but without credit rating are included herein.

Criteria of categorizing trade receivables with insurance or collateral are as follows:

Category	Coface	K-SURE
Excellent	8~10	A~B
Good	7	C
Fair	3~6	D~E
Poor	0~2	F~R

Debtors for which credit ratings are not provided by insurance company are categorized using the criteria from domestic credit rating agency.

Criteria of categorizing trade receivables without insurance or collateral are as follows:

Tier 1 – National or local government, domestic credit rating agency AA- ~ AAA+, related parties including subsidiaries, associates, and others

Tier 2 – Debtors with domestic credit rating other than Tier 1

Tier 3 – Small debtors without credit history

The credit rating of cash equivalents and deposits held by financial institutions estimated by the Company using external credit rating criteria as at December 31, 2018 and 2017, is as follows:

Category	December 31, 2018	December 31, 2017
Excellent	1,191,584	1,668,533
Good	-	-
Total	1,191,584	1,668,533

Excellent: Equal to or more than A-(Global credit rating agency such as Moody's), AAA(Domestic credit rating agency such as Korea investors service)

Good: Equal to or more than BBB-(Global credit rating agency such as Moody's), AA(Domestic credit rating agency such as Korea investors service)

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(c) Liquidity risk

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

The Company maintains adequate amount of cash and committed credit facilities in Kookmin Bank and Shinhan Bank to cope with potential financial distress.

In addition, the Company is able to source funds any time in domestic and international financial markets because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB from Standard & Poors, and Baa3 from Moody's as at December 31, 2018, respectively.

- i) Cash flow information on maturity of financial liabilities as at December 31, 2018, are 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	5,553,794	5,553,794	-	-	-
Borrowings	9,259,777	1,002,082	1,028,139	2,951,619	4,277,937
Other payables	2,372,064	2,371,053	120	891	-
Other financial liabilities	9,863	9,863	-	-	-
Total	17,195,498	8,936,792	1,028,259	2,952,510	4,277,937

The above cash flows are calculated at nominal value based on the earliest maturity dates, and include cash flows of principal and interests. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

- ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies as at December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	3,892,637	3,112,057	104,232	413,594	262,754

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

Capital Risk Management

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

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the capital structure.

Debt-to-equity ratio and net borrowing ratio as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	December 31, 2018	December 31, 2017
Liability (A)	18,502,583	18,614,924
Equity (B)	9,362,880	9,544,857
Cash and cash equivalents (C)	1,109,883	1,586,258
Borrowings (D)	7,900,512	7,441,840
Debt-to-equity ratio (A/B)	197.6%	195.0%
Net borrowings ratio ((D-C)/B)	72.5%	61.3%

Fair Value Estimation

(a) The book amounts and fair values of the Company's financial assets and liabilities as at December 31, 2018 and 2017, are as follows:

<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	-	-	12,685	1
Financial assets at fair value through other comprehensive income				
Trade receivables	47,611	1	-	-
Other financial assets				
Listed equity securities	-	-	13,265	13,265
Unlisted equity securities	-	-	16,760	1
Derivatives for hedging purposes				
Other financial assets	1,281	1,281	291	291
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,109,883	1	-	-
Deposits held by financial institutions	80,500	1	1,211	1,211
Trade receivables	3,678,401	1	-	-
Other receivables	545,431	1	243,485	228,662
Total	5,463,107		287,697	

<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	-	-	1,862	1,862

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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
Derivatives for hedging purposes				
Other financial liabilities	-	-	73,998	73,998
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,553,794	1	-	-
Borrowings	768,275	1	7,132,237	7,354,957
Other payables	2,371,053	1	1,011	929
Other liabilities				
Other financial liabilities	6,453	2	7,899	2
Total	8,699,575		7,217,007	

<i>(in millions of Korean won)</i>	December 31, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Derivatives for hedging purposes				
Other financial assets	-	-	1,862	1,862
Available-for-sale financial assets				
Other financial assets	-	-	13,842	13,842
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	1,586,258	1	-	-
Deposits held by financial institutions	80,500	1	1,785	1,785
Trade receivables	5,612,250	1	-	-
Other receivables	472,794	1	292,123	278,305
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	18,241	3
Total	7,751,802		327,853	

<i>(in millions of Korean won)</i>	December 31, 2017			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	68,589	68,589
Liabilities at amortized cost				
Trade payables	6,126,168	1	-	-
Borrowings	767,666	1	6,674,174	6,637,249
Other payables	2,351,601	1	215	208
Other liabilities				
Other financial liabilities	6,985	4	1,303	4
Total	9,252,420		6,744,281	

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¹ Excluded from disclosures 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*.

³ Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

⁴ Measured at the higher of the amount determined in accordance with Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and the amount initially recognized less cumulative amortization recognized in accordance with Korean IFRS 1018 *Revenue*.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

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

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	13,265	-	-	13,265
Derivatives for hedging purposes	-	1,572	-	1,572
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,862	-	1,862
Derivatives for hedging purposes	-	73,998	-	73,998

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<i>(in millions of Korean won)</i>	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Listed equity securities	13,842	-	-	13,842
Derivatives for hedging purposes	-	1,862	-	1,862
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	68,589	-	68,589

The above fair value amounts are recurring fair value measurements.

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

Valuation technique and inputs for fair value measurements categorized within 'level 2' as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2018	December 31, 2017		
Assets				
Other financial assets				
Derivatives for hedging purposes	1,572	1,862	Discounted cash flow	Discount rate and exchange rate

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2018	December 31, 2017		
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	1,862	-	Discounted cash flow	Discount rate and share price
Derivatives for hedging purposes	73,998	68,589	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

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

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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 December 31, 2018 and 2017, are as follows:

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

<i>(in millions of Korean won)</i>	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,785	1,785
Non-current other receivables	-	-	278,305	278,305
Liabilities				
Non-current borrowings	-	-	6,637,249	6,637,249
Non-current other payables	-	-	208	208

- 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 December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018		December 31, 2017		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	1,211	1,211	1,785	1,785	Discounted cash flow	Discount rate	Discount rate	0.1%

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<i>(in millions of Korean won)</i>	December 31, 2018		December 31, 2017		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Non-current other receivables	243,485	228,662	292,123	278,305	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.4% ~ 3.9%
Liabilities								
Non-current borrowings	7,132,237	7,354,957	6,674,174	6,637,249	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.1% ~ 3.6%
Non-current other payables	1,011	929	215	208	Discounted cash flow	Discount rate	Discount rate	2.0% ~ 2.2%

38. Assets Classified as Held for Sale

(a) Details of assets classified as held for sale as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2018	December 31, 2017
Assets classified as held for sale		
Property, plant and equipment ¹	-	6,070

¹ Sale of assets was completed in 2018.

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

39. Approval of the Separate Financial Statements

The issuance of the December 31, 2018 separate financial statements of the Company was approved by the Board of Directors on January 29, 2019.

**Report on Independent Auditor's
Review of the Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Chief Executive Officer of
LG Electronics Inc.

We have reviewed the accompanying management's report on the effectiveness of the Internal Control over Financial Reporting ("ICFR") of LG Electronics Inc. (the "Company") as of December 31, 2018. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of the ICFR and issue a report based on our review. The management's report on the effectiveness of the ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as at December 31, 2018, is designed and operating effectively, in all material respects, in conformity with the Best Practice Guideline."

Our review was conducted in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the effectiveness of the ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's ICFR is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. Because of its inherent limitations, ICFR may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the effectiveness of the ICFR, referred to above, is not presented fairly, in all material respects, in accordance with the Best Practice Guideline.

Our review is based on the Company's ICFR as of December 31, 2018, and we did not review management's assessment of its ICFR subsequent to December 31, 2018. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc. in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
March 7, 2019

**Report on the Effectiveness of
the Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Audit Committee of
LG Electronics Inc.

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting (“ICFR”) Officer of LG Electronics Inc. (“the Company”), assessed the effectiveness of the design and operations of the Company’s Internal Control over Financial Reporting for the year ended December 31, 2018.

The Company’s management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We followed the ‘Best Practice Guideline’ which is established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment results, we believe that the Company’s ICFR, as at December 31, 2018, is designed and operating effectively, in all material respects, in conformity with the Best Practice Guideline.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

January 29, 2019

Do Hyun Jung
Chief Executive Officer

Min Kyo Kim
Internal Accounting Control Officer