

LG Electronics

**Consolidated Interim Financial Statements
March 31, 2018 and 2017**

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as of March 31, 2018, and the related consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2018 and 2017, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2017, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 8, 2018. The consolidated statement of financial position as of December 31, 2017, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2017.

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

May 15, 2018
Seoul, Korea

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|---|
| <p>This report is effective as of May 15, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p> |
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LG Electronics
Consolidated Interim Statements of Financial Position
March 31, 2018 and December 31, 2017

| <i>(in millions of Korean won)</i> | Notes | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|---------|-------------------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5,31 | 3,753,077 | 3,350,597 |
| Deposits held by financial institutions | 5,31 | 80,515 | 80,515 |
| Trade receivables | 5,6,31 | 7,144,791 | 8,178,213 |
| Loans and other receivables | 5,6,31 | 499,015 | 467,427 |
| Other financial assets | 5,7,31 | 3,349 | 3,534 |
| Inventories | 8 | 5,872,744 | 5,908,437 |
| Current income tax assets | | 116,374 | 134,159 |
| Contract assets | 9 | 533,058 | - |
| Other current assets | | 1,044,574 | 1,050,651 |
| Assets held for sale | 33 | 25,376 | 21,436 |
| | | <u>19,072,873</u> | <u>19,194,969</u> |
| Non-current assets | | | |
| Deposits held by financial institutions | 5,31 | 54,547 | 52,775 |
| Loans and other receivables | 5,6,31 | 465,365 | 470,216 |
| Other financial assets | 5,7,31 | 55,826 | 52,981 |
| Property, plant and equipment | 10 | 12,000,060 | 11,800,782 |
| Intangible assets | 10 | 1,920,756 | 1,854,620 |
| Deferred income tax assets | | 1,279,361 | 1,365,367 |
| Investments in associates and joint ventures | 11 | 5,570,987 | 5,620,331 |
| Investment properties | | 95,383 | 95,712 |
| Net defined benefit assets | 13 | - | 684 |
| Contract assets | 9 | 5,477 | - |
| Other non-current assets | | 701,378 | 712,522 |
| | | <u>22,149,140</u> | <u>22,025,990</u> |
| Total assets | | <u>41,222,013</u> | <u>41,220,959</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables | 5,31 | 7,242,998 | 8,137,526 |
| Borrowings | 5,12,31 | 1,554,061 | 1,360,756 |
| Other payables | 5,31 | 3,615,546 | 3,522,839 |
| Other financial liabilities | 5,7,31 | 12,651 | 2,280 |
| Current income tax liabilities | | 99,037 | 100,353 |
| Provisions | 14 | 598,809 | 649,555 |
| Contract liabilities | 9 | 982,717 | - |
| Other current liabilities | | 2,598,361 | 3,763,161 |
| | | <u>16,704,180</u> | <u>17,536,470</u> |
| Non-current liabilities | | | |
| Borrowings | 5,12,31 | 8,068,142 | 8,089,724 |
| Other payables | 5,31 | 18,930 | 6,490 |
| Other financial liabilities | 5,7,31 | 54,992 | 68,610 |
| Deferred income tax liabilities | | 8,650 | 8,759 |
| Net defined benefit liabilities | 13 | 390,516 | 326,699 |
| Provisions | 14 | 320,947 | 298,121 |
| Contract liabilities | 9 | 20,377 | - |
| Other non-current liabilities | | 179,265 | 212,402 |
| | | <u>9,061,819</u> | <u>9,010,805</u> |
| Total liabilities | | <u>25,765,999</u> | <u>26,547,275</u> |
| Equity attributable to owners of the Parent Company | | | |
| Paid-in capital: | 15 | | |
| Share capital | | 904,169 | 904,169 |
| Share premium | | 3,088,179 | 3,088,179 |
| Retained earnings | 16 | 11,637,459 | 10,964,155 |
| Accumulated other comprehensive income (loss) | 17 | (1,437,877) | (1,522,478) |
| Other components of equity | 18 | (209,764) | (209,764) |
| | | <u>13,982,166</u> | <u>13,224,261</u> |
| Non-controlling interests | | <u>1,473,848</u> | <u>1,449,423</u> |
| Total equity | | <u>15,456,014</u> | <u>14,673,684</u> |
| Total liabilities and equity | | <u>41,222,013</u> | <u>41,220,959</u> |

LG Electronics
Consolidated Interim Statements of Profit or Loss
Three-Month Periods Ended March 31, 2018 and 2017

| | Notes | Three-Month Period Ended March 31 | |
|---|-------|-----------------------------------|---------------------|
| | | 2018 (Unaudited) | 2017 (Unaudited) |
| <i>(in millions of Korean won, except per share amounts)</i> | | | |
| Net sales | 19 | 15,123,041 | 14,657,194 |
| Cost of sales | 20 | 11,313,399 | 10,962,990 |
| Gross profit | | 3,809,642 | 3,694,204 |
| Selling and marketing expenses | 20,21 | 1,593,156 | 1,549,012 |
| Administrative expenses | 20,21 | 303,668 | 326,789 |
| Research and development expenses | 20,21 | 522,673 | 571,547 |
| Service costs | 20,21 | 282,328 | 325,320 |
| Operating profit | | 1,107,817 | 921,536 |
| Financial income | 22 | 133,683 | 122,938 |
| Financial expenses | 23 | 214,198 | 232,114 |
| Gain (loss) from equity method valuation | 11 | (27,945) | 230,041 |
| Other non-operating income | 24 | 286,065 | 460,901 |
| Other non-operating expenses | 25 | 316,454 | 411,445 |
| Profit before income tax | | 968,968 | 1,091,857 |
| Income tax expense | | 239,097 | 256,166 |
| Profit for the period | | 729,871 | 835,691 |
| Profit for the period attributable to: | | | |
| Owners of the Parent Company | | 716,687 | 795,349 |
| Non-controlling interests | | 13,184 | 40,342 |
| | | 729,871 | 835,691 |
| Earnings per share attributable to the owners of the Parent Company during the period (in Korean won): | 26 | | |
| Earnings per ordinary share | | 3,979 | 4,416 |
| Earnings per preferred share | | 3,991 | 4,428 |

LG Electronics
Consolidated Interim Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2018 and 2017

| | Notes | Three-Month Period Ended March 31 | |
|---|-------|-----------------------------------|---------------------|
| | | 2018 (Unaudited) | 2017 (Unaudited) |
| <i>(in millions of Korean won)</i> | | | |
| Profit for the period | | 729,871 | 835,691 |
| Other comprehensive income (loss), net of tax | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Remeasurements of the net defined benefit liability | 13 | 11,408 | 8,569 |
| Share of remeasurements of associates | 11 | (1,560) | (1,376) |
| Financial assets at fair value through other comprehensive income | 7 | 2,099 | - |
| <i>Items that will be reclassified subsequently to profit or loss:</i> | | | |
| Share of other comprehensive income (loss) (excluding remeasurements) from associates and joint ventures | 11 | 47,070 | (96,768) |
| Cash flow hedges | 31 | 3,744 | 6,303 |
| Available-for-sale financial assets | 7 | - | (474) |
| Exchange differences on translation of foreign operations | | 62,565 | (340,481) |
| Other comprehensive income (loss) for the period, net of tax | | 125,326 | (424,227) |
| Total comprehensive income for the period, net of tax | | 855,197 | 411,464 |
| Total comprehensive income for the period, net of tax, attributable to: | | | |
| Owners of the Parent Company | | 827,249 | 405,880 |
| Non-controlling interests | | 27,948 | 5,584 |
| | | 855,197 | 411,464 |

LG Electronics
Consolidated Interim Statements of Changes in Equity
Three-month Periods Ended March 31, 2018 and 2017

| <u>Attributable to Owners of the Parent Company</u> | | | | | | | | |
|---|-------|--------------------|----------------------|---|----------------------------------|-------------------|------------------------------|-------------------|
| Accumulated | | | | | | | | |
| <i>(in millions of Korean won)</i> | Notes | Paid-in Capital | Retained Earnings | Other Comprehensive Income (Loss) | Other Components of Equity | Total | Non-controlling Interests | Total Equity |
| Balance at January 1, 2017 | | 3,992,348 | 9,233,416 | (1,028,962) | (209,708) | 11,987,094 | 1,369,648 | 13,356,742 |
| Total comprehensive income: | | | | | | | | |
| Profit for the period | | - | 795,349 | - | - | 795,349 | 40,342 | 835,691 |
| Remeasurements of the net defined benefit liability | 13 | - | 7,793 | - | - | 7,793 | 776 | 8,569 |
| Share of remeasurements of associates | 11 | - | (1,376) | - | - | (1,376) | - | (1,376) |
| Share of other comprehensive loss (excluding remeasurements) of associates and joint ventures | 11 | - | - | (96,768) | - | (96,768) | - | (96,768) |
| Cash flow hedges | 31 | - | - | 6,303 | - | 6,303 | - | 6,303 |
| Available-for-sale financial assets | 7 | - | - | (474) | - | (474) | - | (474) |
| Exchange differences on translation of foreign operations | | - | - | (304,947) | - | (304,947) | (35,534) | (340,481) |
| Total comprehensive income (loss) | | - | 801,766 | (395,886) | - | 405,880 | 5,584 | 411,464 |
| Transactions with owners: | | | | | | | | |
| Dividends | 16 | - | (72,885) | - | - | (72,885) | (3,503) | (76,388) |
| Changes in controlling interests in subsidiaries | | - | - | - | - | - | (223) | (223) |
| Total transactions with owners | | - | (72,885) | - | - | (72,885) | (3,726) | (76,611) |
| Balance at March 31, 2017 (Unaudited) | | <u>3,992,348</u> | <u>9,962,297</u> | <u>(1,424,848)</u> | <u>(209,708)</u> | <u>12,320,089</u> | <u>1,371,506</u> | <u>13,691,595</u> |
| Balance at January 1, 2018 | | 3,992,348 | 10,964,155 | (1,522,478) | (209,764) | 13,224,261 | 1,449,423 | 14,673,684 |
| Changes in accounting policy | 2 | - | 20,639 | (17,098) | - | 3,541 | - | 3,541 |
| Restated total equity | | <u>3,992,348</u> | <u>10,984,794</u> | <u>(1,539,576)</u> | <u>(209,764)</u> | <u>13,227,802</u> | <u>1,449,423</u> | <u>14,677,225</u> |
| Total comprehensive income: | | | | | | | | |
| Profit for the period | | - | 716,687 | - | - | 716,687 | 13,184 | 729,871 |
| Remeasurements of the net defined benefit liability | 13 | - | 10,423 | - | - | 10,423 | 985 | 11,408 |
| Share of remeasurements of associates | 11 | - | (1,560) | - | - | (1,560) | - | (1,560) |
| Financial assets at fair value through other comprehensive income | 7 | - | - | 2,092 | - | 2,092 | 7 | 2,099 |
| Share of other comprehensive income (excluding remeasurements) of associates and joint ventures | 11 | - | - | 47,070 | - | 47,070 | - | 47,070 |
| Cash flow hedges | 31 | - | - | 3,744 | - | 3,744 | - | 3,744 |
| Exchange differences on translation of foreign operations | | - | - | 48,793 | - | 48,793 | 13,772 | 62,565 |
| Total comprehensive income | | - | 725,550 | 101,699 | - | 827,249 | 27,948 | 855,197 |
| Transactions with owners: | | | | | | | | |
| Dividends | 16 | - | (72,885) | - | - | (72,885) | (3,503) | (76,388) |
| Changes in controlling interests in subsidiaries | | - | - | - | - | - | (20) | (20) |
| Total transactions with owners | | - | (72,885) | - | - | (72,885) | (3,523) | (76,408) |
| Balance at March 31, 2018 (Unaudited) | | <u>3,992,348</u> | <u>11,637,459</u> | <u>(1,437,877)</u> | <u>(209,764)</u> | <u>13,982,166</u> | <u>1,473,848</u> | <u>15,456,014</u> |

LG Electronics
Consolidated Interim Statements of Cash Flows
Three-month Periods Ended March 31, 2018 and 2017

(in millions of Korean won)

| | Note | Three-Month Period Ended March 31 | |
|--|------|-----------------------------------|---------------------|
| | | 2018 (Unaudited) | 2017 (Unaudited) |
| Cash flows from operating activities | | | |
| Cash generated from operations | 27 | 1,219,319 | 985,995 |
| Interest received | | 19,392 | 18,106 |
| Interest paid | | (92,123) | (99,094) |
| Dividend received | | 357 | 352 |
| Income tax paid | | (121,280) | (110,401) |
| Net cash inflow from operating activities | | 1,025,665 | 794,958 |
| Cash flows from investing activities | | | |
| Decrease in deposits held by financial institutions | | 2,284 | 4,913 |
| Decrease in loans and other receivables | | 27,934 | 58,304 |
| Proceeds from redemption and disposal of other financial assets | | 10,885 | 4,875 |
| Proceeds from disposal of property, plant and equipment | | 30,452 | 30,360 |
| Proceeds from disposal of intangible assets | | 1,792 | 199 |
| Proceeds from disposal of and withdrawal from investments in associates and joint ventures | | - | 1,898 |
| Proceeds from disposal of assets held for sale | | 3,356 | 12,710 |
| Decrease in others | | - | 47 |
| Increase in deposits held by financial institutions | | (3,374) | (6,200) |
| Increase in loans and other receivables | | (28,459) | (42,861) |
| Acquisition of other financial assets | | (10,077) | (23,757) |
| Acquisition of property, plant and equipment | | (674,455) | (640,111) |
| Acquisition of intangible assets | | (154,530) | (138,188) |
| Acquisition of investments in associates and joint ventures | | (1,000) | (13,019) |
| Net cash outflow from investing activities | | (795,192) | (750,830) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 514,551 | 661,274 |
| Repayments of borrowings | | (370,120) | (586,799) |
| Dividends paid and others | | (20) | (223) |
| Net cash inflow from financing activities | | 144,411 | 74,252 |
| Effects of exchange rate changes on cash and cash equivalents | | 27,596 | (101,658) |
| Net increase in cash and cash equivalents | | 402,480 | 16,722 |
| Cash and cash equivalents at the beginning of the period | | 3,350,597 | 3,015,137 |
| Cash and cash equivalents at the end of the period | | 3,753,077 | 3,031,859 |

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Notes to the Consolidated Interim Financial Statements

March 31, 2018 and 2017 (Unaudited), and December 31, 2017

1. General Information

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

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

The Parent Company and its subsidiaries (the “Group”) operate following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle Components segment designs and manufactures automobile parts; Business-to-Business segment manufactures and sells information displays, solar modules and others; and LG Innotek Co., Ltd. operates LED, optics solutions, substrate materials, and automotive components businesses. As of March 31, 2018, the Parent Company has 123 subsidiaries (Note 1 (a)), 15 associates and joint ventures (Note 11).

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Notes to the Consolidated Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(a) Consolidated subsidiaries as of March 31, 2018 and December 31, 2017, are as follows:

| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|-----------------------|----------------------|--|---|--------------------------|---|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership Controlling interest | Non-controlling interest | Percentage of ownership Controlling interest | Non-controlling interest | | | |
| The Republic of Korea | Korea | Hiplaza Co., Ltd. | 100.0% | - | 100.0% | - | December | Wholesales and Retails of Electronic products | More than half of voting rights |
| | Korea | Hi Entech Co., Ltd. | 100.0% | - | 100.0% | - | December | Water engineering | More than half of voting rights |
| | Korea | LG Hitachi Water Solution Co., Ltd. | 51.0% | 49.0% | 51.0% | 49.0% | December | Water treatment | More than half of voting rights |
| | Korea | ACE R&A Co., Ltd. | 100.0% | - | 100.0% | - | December | Production and Sales of Air conditioner | More than half of voting rights |
| | Korea | Hi M Solutek Co., Ltd. | 100.0% | - | 100.0% | - | December | Maintenance | More than half of voting rights |
| | Korea | Hi Teleservice Co., Ltd. | 100.0% | - | 100.0% | - | December | Marketing Services | More than half of voting rights |
| | Korea | LGE Alliance Fund | 96.2% | 3.8% | 96.2% | 3.8% | December | Investment | More than half of voting rights |
| | Korea | LG Innotek Co., Ltd. ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and Sales of Electrical/Electronic materials | De-facto control |
| | Korea | LG Innotek Alliance Fund ¹ | 40.4% | 59.6% | 40.4% | 59.6% | December | Investment | De-facto control |
| | Korea | Innowith Co., Ltd. ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Services | De-facto control |
| | Korea | Hanuri Co., Ltd. | 100.0% | - | 100.0% | - | December | Business facility maintenance | More than half of voting rights |
| Korea | LGE Alliance Fund II | 98.7% | 1.3% | 98.7% | 1.3% | December | Investment | More than half of voting rights | |
| China | China | Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of Electronic products | More than half of voting rights |

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Notes to the Consolidated Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|-----------|----------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | China | LG Electronics (China) Co., Ltd.(LGECH) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | China | LG Electronics (China) Research and Development Center Co., Ltd.(LGERD) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | China | LG Electronics (Hangzhou) Co., Ltd.(LGEHN) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of Electronic products | More than half of voting rights |
| | China | LG Electronics (Kunshan) Co., Ltd.(LGEKS) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | China | LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | China | LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | China | LG Electronics HK Ltd.(LGEHK) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | China | LG Electronics Huizhou Ltd.(LGEHZ) | 80.0% | 20.0% | 80.0% | 20.0% | December | Production of Electronic products | More than half of voting rights |
| | China | LG Electronics Nanjing Battery Pack Co., Ltd.(LGENB) ² | 50.0% | 50.0% | 50.0% | 50.0% | December | Production of Electronic products | De-facto control |
| | China | LG Electronics Nanjing New Technology co., LTD(LGENT) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of Electronic products | More than half of voting rights |
| | China | LG Electronics Nanjing Vehicle Components Co., Ltd.(LGENV) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | China | LG Electronics Qinhuangdao Inc.(LGEQH) | 100.0% | - | 100.0% | - | December | Production of Casting | More than half of voting rights |
| | China | LG Electronics Shenyang Inc.(LGESY) | 78.9% | 21.1% | 78.9% | 21.1% | December | Production of Electronic products | More than half of voting rights |

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Notes to the Consolidated Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|-----------|-----------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | China | LG Electronics Tianjin Appliances Co., Ltd.(LGETA) | 80.0% | 20.0% | 80.0% | 20.0% | December | Production of Electronic products | More than half of voting rights |
| | China | NanJing LG-Panda Appliances Co., Ltd.(LGEPN) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of Electronic products | More than half of voting rights |
| | China | Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of Electronic products | More than half of voting rights |
| | China | Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | China | Tianjin Lijie cartridge heater Co., Ltd.(LGETL) | 100.0% | - | 100.0% | - | December | Production of Heater | More than half of voting rights |
| | China | LG Innotek Yantai Co., Ltd.(LGITYT) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and Sales of Electrical/Electronic materials | De-facto control |
| | China | LG Innotek Huizhou Co.,Ltd(LGITHZ) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and Sales of Electrical/Electronic materials | De-facto control |
| | China | LG Innotek Trading (Shanghai) Co., Ltd(LGITSH) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Sales of Electrical/Electronic materials | De-facto control |
| | China | HiEntech (Tianjin) Co., LTD. | 80.0% | 20.0% | 80.0% | 20.0% | December | Water engineering | More than half of voting rights |
| Asia | Australia | LG Electronics Australia Pty, Ltd.(LGEAP) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | India | LG Electronics India Pvt. Ltd.(LGEIL) ⁴ | 100.0% | - | 100.0% | - | March | Production and Sales of Electronic products | More than half of voting rights |
| | Japan | LG Japan Lab. Inc.(LGJL) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | Japan | LG Electronics Japan, Inc.(LGEJP) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|-----------|-------------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Malaysia | LG Electronics Malaysia SDN. BHD(LGEML) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Philippines | LG Electronics Philippines Inc.(LGEPH) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Singapore | LG Electronics Singapore PTE LTD.(LGESL) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Taiwan | LG Electronics Taiwan Taipei Co., Ltd.(LGETT) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Thailand | LG Electronics Thailand Co., Ltd.(LGETH) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | India | LG Soft India Private Limited.(LGS1) ⁴ | 100.0% | - | 100.0% | - | March | R&D | More than half of voting rights |
| | Indonesia | P.T. LG Electronics Indonesia(LGEIN) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | Philippines | LG Electronics Pasig Inc. ³ | 38.0% | 62.0% | 38.0% | 62.0% | December | Real estates | De-facto control |
| | Indonesia | PT. LG Innotek Indonesia(LGITIN) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and Sales of Electrical/Electronic materials | De-facto control |
| | Taiwan | LG Innotek (Taiwan) Co., Ltd.(LGITTW) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Sales of Electrical/Electronic materials | De-facto control |
| | Vietnam | LG Innotek Vietnam Hai Phong Co., Ltd.(LGITVH) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and Sales of Electrical/Electronic materials | De-facto control |
| | Malaysia | V-ENS (M) Sdn. Bhd. | 100.0% | - | 100.0% | - | December | Automotive engineering | More than half of voting rights |
| | Vietnam | LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | Indonesia | PT.LG Electronics Service Indonesia(LGEID) | 99.8% | 0.2% | 99.8% | 0.2% | December | Services | More than half of voting rights |

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| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|-----------|-------------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|-----------------------------------|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Philippines | HI-M SOLUTEK PHILIPPINES INC. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Vietnam | HI-M SOLUTEK VIETNAM CO., LTD. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| Europe | Netherlands | LG Electronics Benelux Sales B.V.(LGEBN) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Germany | LG Electronics Deutschland GmbH(LGEDG) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Spain | LG Electronics Espana S.A.(LGEES) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Netherlands | LG Electronics European Holdings B.V.(LGEEH) | 100.0% | - | 100.0% | - | December | European Holding | More than half of voting rights |
| | Netherlands | LG Electronics European Shared Service Center B.V.(LGESC) | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | France | LG Electronics France S.A.S.(LGEFS) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Greece | LG Electronics Hellas S.A.(LGEHS) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Italy | LG Electronics Italia S.p.A(LGEIS) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Latvia | LG Electronics Latvia, LLC(LGELA) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Hungary | LG Electronics Magyar KFT(LGEMK) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Poland | LG Electronics Mlawa Sp. z o.o(LGEMA) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | Sweden | LG Electronics Nordic AB(LGESW) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Poland | LG Electronics Polska Sp. z o.o(LGEPL) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|---------------|----------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Portugal | LG Electronics Portugal S.A.(LGEPT) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | UK | LG Electronics United Kingdom Ltd.(LGEUK) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Poland | LG Electronics Wroclaw Sp.z o.o(LGEWR) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | Finland | LG Electronics Finland Lab, Oy(LGEFL) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | Poland | LG Innotek Poland Sp. z.o. o.(LGITPO) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and Sales of Electrical/Electronic materials | De-facto control |
| North America | USA | LG Electronics Miami Inc.(LGEMI) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | USA | LG Electronics Alabama Inc.(LGEAL) | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Canada | LG Electronics Canada, Inc.(LGECL) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Mexico | LG Electronics Mexicali, S.A. DE C.V.(LGEMX) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | Mexico | LG Electronics Mexico S.A. DE C.V.(LGEMS) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | USA | LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | USA | LG Electronics Mobilecomm U.S.A., Inc.(LGEMU) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Mexico | LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | Mexico | LG Electronics Reynosa S.A. DE C.V.(LGERS) | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|---------------|-----------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|--|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | USA | LG Electronics U.S.A., Inc.(LGEUS) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Mexico | Servicios Integrales LG S.A DE C.V | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Mexico | Servicios LG Monterrey Mexico S.A. de C.V. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | USA | Zenith Electronics Corporation of Pennsylvania | 100.0% | - | 100.0% | - | December | Production of Electronic products | More than half of voting rights |
| | USA | Zenith Electronics Corporation(Zenith) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | USA | LG Innotek USA, Inc.(LGITUS) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Sales of Electrical/Electronic materials | De-facto control |
| | Mexico | LG Innotek Mexico SA DE CV(LGITMX) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and Sales of Automotive materials | De-facto control |
| | USA | LG Electronics Vehicle Components U.S.A., LLC(LGEVU) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | USA | LGEUS Power, LLC | 100.0% | - | 100.0% | - | December | Investment of Solar Power Plant | More than half of voting rights |
| South America | Argentina | LG Electronics Argentina S.A.(LGEAR) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Colombia | LG Electronics Colombia Ltda.(LGECEB) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Brazil | LG Electronics do Brasil Ltda.(LGEBR) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | Honduras | LG Electronics Honduras S.de R.L. ² | 20.0% | 80.0% | 20.0% | 80.0% | December | Sales of Electronic products | De-facto control |
| | Chile | LG Electronics Inc Chile Ltda.(LGECL) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|------------------------|-----------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Panama | LG Electronics Panama, S.A.(LGEPS) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Peru | LG Electronics Peru S.A.(LGEPR) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Venezuela | LG Electronics Venezuela S.A.(LGEVZ) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Panama | LG Consulting corp. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Guatemala | LG Electronics Guatemala S.A. | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| Middle East and Africa | Nigeria | EASYTEC GLOBAL SERVICES INNOVATION LIMITED | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Angola | LG Electronics Angola Limitada(LGEAO) | 100.0% | - | 100.0% | - | December | Sales and Services of Electronic products | More than half of voting rights |
| | Jordan | LG Electronics (Levant) Jordan(LGELF) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | UAE | LG Electronics Africa Logistics FZE(LGEAF) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Algeria | LG Electronics Algeria SARL(LGEAS) | 70.0% | 30.0% | 70.0% | 30.0% | December | Sales of Electronic products | More than half of voting rights |
| | UAE | LG Electronics Dubai FZE(LGEDF) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Egypt | LG Electronics Egypt S.A.E(LGEEG) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | UAE | LG Electronics Gulf FZE(LGEGF) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | UAE | LG Electronics Middle East Co., Ltd.(LGEME) | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Morocco | LG Electronics Morocco S.A.R.L(LGEMC) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | March 31, 2018 | | December 31, 2017 | | Closing month | Major business | Basis of control |
|-----------|--------------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Nigeria | LG Electronics Nigeria Limited(LGENI) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Tunisia | LG Electronics North Africa Service Company S.A.R.L | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | UAE | LG Electronics Overseas Trading FZE(LGEOT) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | South Africa | LG Electronics S.A. (Pty) Ltd.(LGESA) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | Turkey | LG Electronics Ticaret A.S.(LGETK) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |
| | Saudi Arabia | LG-Shaker Co., Ltd.(LGESR) | 51.0% | 49.0% | 51.0% | 49.0% | December | Production of Electronic products | More than half of voting rights |
| | Kenya | LG Electronics Service Kenya Limited(LGESK) | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Saudi Arabia | LG Electronics Saudi Arabia Limited | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | UAE | HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| Other | Kazakhstan | LG Electronics Almaty Kazakhstan(LGEAK) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | Russia | LG Electronics RUS, LLC(LGERA) | 100.0% | - | 100.0% | - | December | Production and Sales of Electronic products | More than half of voting rights |
| | Ukraine | LG Electronics Ukraine Inc.(LGEUR) | 100.0% | - | 100.0% | - | December | Sales of Electronic products | More than half of voting rights |

¹ Although the Group owns less than half of the voting rights of LG Innotek Co., Ltd. which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).

² Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.

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³ Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.

⁴ In the preparation of the consolidated financial statements, the financial statements for the three-month period ended March 31, 2018 were used for those subsidiaries with different fiscal year ends.

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(b) Financial information of major subsidiaries as of March 31, 2018 and December 31, 2017, and for the three-month periods ended March 31, 2018 and 2017, is as follows (before elimination of intercompany transactions):

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | 2018 | |
|--|-------------------|-------------|-----------|-----------|---------------------------------|
| | Assets | Liabilities | Equity | Sales | Profit (loss) for the period |
| LG Innotek Co., Ltd. | 4,661,598 | 2,873,105 | 1,788,493 | 1,590,831 | (288) |
| LG Electronics U.S.A., Inc.(LGEUS) | 2,520,572 | 2,369,698 | 150,874 | 1,739,619 | 2,865 |
| LG Electronics European Shared Service Center B.V.(LGESC) | 1,561,727 | 1,530,737 | 30,990 | 51,487 | 697 |
| LG Electronics do Brasil Ltda.(LGEBR) | 1,171,317 | 629,718 | 541,599 | 562,496 | 74,911 |
| Zenith Electronics Corporation(Zenith) | 1,035,676 | 14,450 | 1,021,226 | 5,998 | (9,828) |
| LG Electronics Mlawa Sp. z O.O(LGEMA) | 990,813 | 577,757 | 413,056 | 609,273 | 14,259 |
| LG Electronics Reynosa S.A. DE C.V.(LGERS) | 904,443 | 338,520 | 565,923 | 497,501 | 61,001 |
| LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH) | 848,234 | 578,193 | 270,041 | 725,188 | 47,241 |
| LG Electronics India Pvt. Ltd.(LGEIL) | 919,288 | 425,029 | 494,259 | 659,202 | 77,375 |
| LG Electronics RUS, LLC(LGERA) | 748,742 | 197,935 | 550,807 | 308,312 | 28,111 |
| LG Electronics Mobilecomm U.S.A., Inc.(LGEMU) | 619,753 | 458,754 | 160,999 | 1,000,338 | 5,885 |
| LG Electronics (China) Co., Ltd.(LGECH) | 623,734 | 743,786 | (120,052) | 112,155 | 8,844 |
| LG Electronics Tianjin Appliances Co., Ltd.(LGETA) | 615,932 | 369,880 | 246,052 | 343,613 | 5,260 |
| Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) | 469,826 | 333,784 | 136,042 | 548,277 | 21,710 |
| Hiplaza Co., Ltd. | 589,084 | 423,372 | 165,712 | 603,467 | (2,184) |
| LG Electronics Thailand Co., Ltd.(LGETH) | 471,742 | 226,686 | 245,056 | 308,125 | 2,279 |
| Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) | 481,227 | 340,981 | 140,246 | 240,741 | 4,607 |
| LG Electronics Nanjing New Technology co.,LTD(LGENT) | 461,304 | 257,691 | 203,613 | 349,049 | 12,094 |
| NanJing LG-Panda Appliances Co., Ltd.(LGEPN) | 403,049 | 251,974 | 151,075 | 183,462 | 6,087 |
| LG Innotek Yantai Co.,Ltd.(LGITYT) | 371,413 | 179,744 | 191,669 | 177,857 | 7,328 |
| | December 31, 2017 | | | 2017 | |
| <i>(in millions of Korean won)</i> | Assets | Liabilities | Equity | Sales | Profit (loss) for the period |
| LG Innotek Co., Ltd. | 5,391,209 | 3,598,255 | 1,792,954 | 1,549,857 | 47,769 |
| LG Electronics U.S.A., Inc.(LGEUS) | 2,720,187 | 2,570,696 | 149,491 | 1,912,729 | 52,010 |
| LG Electronics European Shared Service Center B.V.(LGESC) | 1,470,147 | 1,440,606 | 29,541 | 40,700 | 2,391 |
| LG Electronics do Brasil Ltda.(LGEBR) | 1,100,403 | 630,893 | 469,510 | 590,953 | 67,167 |
| Zenith Electronics Corporation(Zenith) | 1,054,901 | 19,192 | 1,035,709 | 389 | (12,337) |
| LG Electronics Mlawa Sp. z O.O(LGEMA) | 892,918 | 501,255 | 391,663 | 638,399 | 788 |
| LG Electronics Reynosa S.A. DE C.V.(LGERS) | 848,503 | 341,584 | 506,919 | 559,161 | 22,765 |
| LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH) | 823,062 | 597,951 | 225,111 | 645,837 | 38,961 |
| LG Electronics India Pvt. Ltd.(LGEIL) | 805,095 | 378,389 | 426,706 | 647,168 | 56,067 |
| LG Electronics RUS, LLC(LGERA) | 761,958 | 239,485 | 522,473 | 335,819 | 33,318 |
| LG Electronics Mobilecomm U.S.A., Inc.(LGEMU) | 741,258 | 585,399 | 155,859 | 1,489,982 | (3,168) |
| LG Electronics (China) Co., Ltd.(LGECH) | 589,130 | 713,659 | (124,529) | 218,769 | 12,771 |
| LG Electronics Tianjin Appliances Co., Ltd.(LGETA) | 587,622 | 355,434 | 232,188 | 322,051 | 12,270 |

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| <i>(in millions of Korean won)</i> | December 31, 2017 | | | 2017 | |
|--|-------------------|-------------|---------|---------|------------------------------|
| | Assets | Liabilities | Equity | Sales | Profit (loss) for the period |
| Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) | 552,785 | 442,525 | 110,260 | 673,096 | 12,775 |
| Hiplaza Co., Ltd. | 541,414 | 373,645 | 167,769 | 440,762 | 2,547 |
| LG Electronics Thailand Co., Ltd.(LGETH) | 459,853 | 226,723 | 233,130 | 281,650 | 3,108 |
| Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) | 459,006 | 328,216 | 130,790 | 223,816 | 6,553 |
| LG Electronics Nanjing New Technology co.,LTD(LGENT) | 427,972 | 243,335 | 184,637 | 387,806 | 11,515 |
| NanJing LG-Panda Appliances Co., Ltd.(LGEPN) | 417,220 | 277,426 | 139,794 | 209,386 | 15,586 |
| LG Innotek Yantai Co.,Ltd.(LGITYT) | 418,261 | 240,555 | 177,706 | 118,911 | 3,548 |

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

- LG Innotek Co., Ltd. and its subsidiaries

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|--|----------------|-------------------|
| Percentage of ownership in non-controlling interests | 59.2% | 59.2% |
| Accumulated non-controlling interests | 1,153,409 | 1,155,402 |

ii) Profit and dividends attributable to non-controlling interests for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|--|---------|--------|
| Profit (loss) to non-controlling interests | (4,711) | 20,752 |
| Dividends to non-controlling interests | 3,503 | 3,503 |

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|---|------------------|-------------------|
| Current assets | 1,894,644 | 2,734,484 |
| Non-current assets | 3,289,085 | 3,143,005 |
| Total assets | 5,183,729 | 5,877,489 |
| Current liabilities | 1,741,263 | 2,497,247 |
| Non-current liabilities | 1,495,939 | 1,429,459 |
| Total liabilities | 3,237,202 | 3,926,706 |
| Equity attributable to the owners of LG Innotek Co., Ltd. | 1,946,525 | 1,950,781 |
| Non-controlling interests | 2 | 2 |
| Total equity | 1,946,527 | 1,950,783 |

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- iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2018 and 2017, are as follows (before elimination of intercompany transactions):

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|-------------|-------------|
| Net sales | 1,720,530 | 1,644,734 |
| Profit (loss) for the period | (9,698) | 36,567 |
| Other comprehensive income (loss), net of tax | 11,359 | (23,726) |
| Total comprehensive income for the period, net of tax | 1,661 | 12,841 |

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the three-month periods ended March 31, 2018 and 2017, are as follows (before elimination of intercompany transactions):

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|-------------|-------------|
| Cash flows from operating activities | 324,148 | 198,536 |
| Cash flows from investing activities | (444,493) | (207,869) |
| Cash flows from financing activities | 84,997 | 25,651 |
| Effects of exchange rate changes on cash and cash equivalents | (330) | (5,721) |
| Net increase (decrease) in cash and cash equivalents | (35,678) | 10,597 |
| Cash and cash equivalents at the beginning of the period | 369,533 | 341,278 |
| Cash and cash equivalents at the end of the period | 333,855 | 351,875 |

(d) Significant restrictions on subsidiaries

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

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

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

| Subsidiary | The nature and extent of the protective rights for non-controlling interest |
|-------------------------------------|---|
| LG Hitachi Water Solution Co., Ltd. | <p>For the following special resolutions of the Board of Directors, consents from directors who were appointed by non-controlling interest holder are required.</p> <ul style="list-style-type: none"> - Acquisitions and disposals of assets over ₩1,000 million not included in the business plan - Borrowings and issuances of debentures over ₩1,000 million not included in the business plan - Expenditures over ₩1,000 million not included in the business plan - Initial agreement, amendment and termination of significant contracts over ₩1,000 million |

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

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

There are no changes in the Parent Company's interest in subsidiaries without the loss of control for the three-month periods ended March 31, 2018 and 2017.

(f) Subsidiaries newly included in the scope of the preparation of the consolidated financial statements for the three-month period ended March 31, 2018, are:

During the period, there are no subsidiaries included in the scope of the preparation of the consolidated interim financial statements.

(g) Subsidiaries excluded from the scope of the preparation of the consolidated interim financial statements for the three-month period ended March 31, 2018, are:

During the period, there are no subsidiaries excluded from the scope of the preparation of the consolidated interim financial statements.

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

During the period, no gain or loss was incurred from the loss of control.

2. Significant Accounting Policies

Basis of Preparation

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

The consolidated interim financial statements for the three-month period ended March 31, 2018, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as of March 31, 2018.

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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 Group 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 of 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 Group's management has assessed which business models apply to the financial assets held by the Group 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 ₩16,078 million that do not meet the definition of equity instruments in Korean IFRS 1032, are reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss.

- *Reclassification from loans and receivables to financial assets at fair value through other comprehensive income*

At the date of initial application, ₩799,760 million of trade receivables are reclassified from loans and receivables to financial assets at fair value through other comprehensive income. At the date of initial application, the Group's business model is to hold these trade receivables for collection and sale of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of those trade receivables at the date of initial application is not significantly different from the book amount under the previous standard, and there is no impact on other comprehensive income.

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

The Group elected to present 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 ₩34,920 million are reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. At the

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date of initial application, related accumulated other comprehensive loss of ₩17,098 million is not reclassified to profit or loss even though these assets are disposed of. Due to this change, other non-operating income was ₩981 million lower (tax impact of ₩117 million) for the three-month period ended March 31, 2018 than if recognized under previous standard.

- *Reclassification from held-to-maturity financial assets to financial assets at amortized cost*

Government bonds amounting to ₩121 million are reclassified from held-to-maturity financial assets to financial assets at amortized cost. The Group holds the assets to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

- *Reclassifications of financial instruments on adoption of Korean IFRS 1109*

On the date of initial application, January 1, 2018, the financial assets of the Group 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 | 3,350,597 | 3,350,597 |
| Deposits held by financial institutions | Loans and receivables | Amortized costs | 133,290 | 133,290 |
| Trade receivables | Loans and receivables | Amortized costs | 8,178,213 | 7,378,453 |
| Trade receivables | Loans and receivables | Fair value through other comprehensive income | - | 799,760 |
| Other receivables | Loans and receivables | Amortized costs | 937,643 | 937,643 |
| Other financial assets | Held-to-maturity financial assets | Amortized costs | 121 | 121 |
| Other financial assets | Available-for-sale financial assets | Fair value through other comprehensive income | 50,998 | 34,920 |
| Other financial assets | Available-for-sale financial assets | Fair value through profit or loss | - | 16,078 |
| Total financial assets excluding derivatives | | | 12,650,862 | 12,650,862 |

Impairment of Financial Assets

The Group 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.

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The Group applies the simplified approach 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 Group's cross-currency swap contracts and interest rate swap contracts at the date of initial application, qualified as cash flow hedges under Korean IFRS 1109. The Group'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 Group 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 Group recognized the cumulative effect of initially applying the revenue standard as an adjustment to retained earnings as of January 1, 2018. Further details on the impact of the application of the standard on January 1, 2018, are as follows:

The statements 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 | 8,178,213 | 144,865 | 8,323,078 |
| Loans and other receivables | 467,427 | (920) | 466,507 |
| Contract assets | - | 435,037 | 435,037 |
| Current assets without financial effect | 10,549,329 | - | 10,549,329 |
| Total current assets | 19,194,969 | 578,982 | 19,773,951 |
| Non-current assets | | | |
| Contract assets | - | 3,541 | 3,541 |
| Non-current assets without financial effect | 22,025,990 | - | 22,025,990 |
| Total non-current assets | 22,025,990 | 3,541 | 22,029,531 |
| Total assets | 41,220,959 | 582,523 | 41,803,482 |
| Current liabilities | | | |
| Provisions | 649,555 | (36,510) | 613,045 |
| Contract liabilities | - | 951,362 | 951,362 |
| Other liabilities | 3,763,161 | (335,870) | 3,427,291 |
| Current liabilities without financial effect | 13,123,754 | - | 13,123,754 |
| Total current liabilities | 17,536,470 | 578,982 | 18,115,452 |
| Non-current liabilities | | | |

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| <i>(in millions of Korean won)</i> | December 31, 2017 (before adjustments) | K-IFRS 1115 Adjustments | January 1, 2018 (after adjustments) |
|--|---|----------------------------|--|
| Contract liabilities | - | 18,926 | 18,926 |
| Other liabilities | 212,402 | (18,926) | 193,476 |
| Non-current liabilities without financial effect | 8,798,403 | - | 8,798,403 |
| Total non-current liabilities | 9,010,805 | - | 9,010,805 |
| Total liabilities | 26,547,275 | 578,982 | 27,126,257 |

Equity

Equity attributable to owners of the Parent Company

| | | | |
|---------------------------------|-------------------|--------------|-------------------|
| Retained earnings | 10,964,155 | 3,541 | 10,967,696 |
| Equity without financial effect | 2,260,106 | - | 2,260,106 |
| Non-controlling interests | 1,449,423 | - | 1,449,423 |
| Total equity | 14,673,684 | 3,541 | 14,677,225 |

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 Group previously recognized a provision for returns which was measured on a net basis at the margin 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 Group reclassified ₩36,510 million from sales return provisions to contract liabilities of ₩114,073 million and contract assets of ₩77,563 million at the date of initial application.

² Accounting for variable consideration

Under the previous standard, the Group estimated an amount of promotional incentive and reversed sales and trade receivables. Instead, with implementation of Korean IFRS 1115, the Group will reverse sales and recognize a refund liability. Due to this change in policy, the Group reclassified the amounts of ₩501,419 million, which was previously deducted from trade receivables, to contract liabilities at the date of initial application.

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³ Accounting for costs to fulfil a contract

The Group'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 Group 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 Group has also changed the presentation of accounts in the consolidated statements of financial position to reflect the terminology of Korean IFRS 1115. Based on the detailed analysis, trade receivables of ₩356,554 million and other receivables of ₩920 million were reclassified to contract assets. Other liabilities of ₩354,796 million were reclassified to contract liabilities.

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

Interim 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 | 7,144,791 | (159,362) | 6,985,429 |
| Contract assets | 533,058 | (533,058) | - |
| Current assets without financial effect | 11,395,024 | - | 11,395,024 |
| Total current assets | 19,072,873 | (692,420) | 18,380,453 |
| Non-current assets | | | |
| Contract assets | 5,477 | (5,477) | - |
| Deferred income tax assets | 1,279,361 | 515 | 1,279,876 |
| Non-current assets without financial effect | 20,864,302 | - | 20,864,302 |
| Total non-current assets | 22,149,140 | (4,962) | 22,144,178 |
| Total assets | 41,222,013 | (697,382) | 40,524,631 |

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| <i>(in millions of Korean won)</i> | Reported amount | Adjustments | Amount before application of Korean IFRS 1115 |
|---|------------------------|--------------------|--|
| Current liabilities | | | |
| Provisions | 598,809 | 35,218 | 634,027 |
| Contract liabilities | 982,717 | (982,717) | - |
| Other liabilities | 2,598,361 | 255,079 | 2,853,440 |
| Current liabilities without financial effect | 12,524,293 | - | 12,524,293 |
| Total current liabilities | 16,704,180 | (692,420) | 16,011,760 |
| Non-current liabilities | | | |
| Contract liabilities | 20,377 | (20,377) | - |
| Other liabilities | 179,265 | 20,377 | 199,642 |
| Non-current liabilities without financial effect | 8,862,177 | - | 8,862,177 |
| Total non-current liabilities | 9,061,819 | - | 9,061,819 |
| Total liabilities | 25,765,999 | (692,420) | 25,073,579 |
| Equity | | | |
| Equity attributable to owners of the Parent Company | | | |
| Retained earnings | 11,637,459 | (4,962) | 11,632,497 |
| Equity without financial effect | 2,344,707 | - | 2,344,707 |
| Non-controlling interests | 1,473,848 | - | 1,473,848 |
| Total equity | 15,456,014 | (4,962) | 15,451,052 |

Interim statement of profit or loss

| <i>(in millions of Korean won)</i> | Reported amount | Adjustments | Amount before application of Korean IFRS 1115 |
|---|------------------------|--------------------|--|
| Sales | 15,123,041 | - | 15,123,041 |
| Cost of sales | 11,313,399 | 2,624 | 11,316,023 |
| Selling and administrative expenses, and others | 2,701,825 | 318 | 2,702,143 |
| Finance expenses | (80,515) | - | (80,515) |
| Loss from equity method valuation | (27,945) | - | (27,945) |
| Other non-operating expenses | (30,389) | 1,006 | (29,383) |
| Income tax expenses | 239,097 | (515) | 238,582 |
| Profit for the period | 729,871 | (1,421) | 728,450 |

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Interim 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 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. And also, clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment does not have a significant impact on the consolidated interim 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 Group does not expect the enactment to have a significant impact on the consolidated interim financial statements.

- Amendment 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, and provides a list of circumstances as examples. The Group does not expect the amendment to have a significant impact on the consolidated interim financial statements.

(b) New and amended standards issued, but not effective for March 31, 2018, and not early adopted by the Group

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 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

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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 Group plans to apply Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard as of January 1, 2019. The Group 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 appropriate) at the date of initial application.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Group is analyzing the financial effects based on available information as of March 31, 2018, to identify effects on consolidated 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 Group in relation to operating leases before discounted to their present value is ₩761,162 million. And, for a contract that is, or contains, a lease, the Group plans to account for each lease component within the contract as a lease separately from non-lease components of the contract.

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Lessor accounting

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

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

As of March 31, 2018, the sub-lease contract amounts to ₩13,630 million and the Group is analyzing the effects on the 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.

Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2017, except for the changes due to the application of amendment and enactments of standards described in Note 2 and the one described below.

Income Tax Expense

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

Financial Assets

From January 1, 2018, the Group has applied Korean IFRS 1109 *Financial Instruments*.

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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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 Group 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 Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the financial asset. The Group 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 (and reversal of impairment loss), interest income and foreign exchange gains and losses. 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 or expenses' and impairment loss in 'Other non-operating expenses'.

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- 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 or expenses' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments 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. Dividends from such investments continue to be recognized in profit or loss as 'Other non-operating income' when the Group's right to receive payments is established.

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

(c) Impairment

The Group 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 Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Revenue Recognition

From January 1, 2018, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

(a) Identify performance obligation

The Group 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 Group identifies performance obligations of the services to be rendered from such sales contracts.

The Group 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

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sales of products. If the Group provides an extended warranty beyond the standard warranty coverage periods or a customer has the option to purchase an additional warranty separately, the Group 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 Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

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 Group 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 Group's intellectual property that exist at the time of transfer, which means that the customer has right to direct the use at its own discretion and may obtain majority of remaining rewards of license at the point in 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 Group determined the royalty income as a performance obligation satisfied at a point in time.

(c) A performance obligation satisfied over time

The Group builds and sells customized equipment and design plan for a customer. The revenue is recognized over time by measuring progress only if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group performed an analysis on those contracts and determined the Group 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 Group receives licensing fees for the trademark held by the Group from associates. The

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Group 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 Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property over a license period; therefore, the Group determined the promised license is a performance obligation that is satisfied over time.

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

(d) Variable consideration

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes 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 Group 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 Group determines the stand-alone selling price for each separate performance obligation by using an 'adjusted market assessment approach'. In limited circumstances, the Group 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 Group 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 payment by the customer is less than one year. In this case, the Group uses the practical expedient in which the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

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3. Critical Accounting Estimates and Judgements

Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

The Group recognizes revenue using the percentage of completion method for the manufacturing of customized equipment and the rendering of installation services. When using the percentage of completion method, revenue shall be recognized in accordance with the progress of the transaction. It is calculated based on potential economic benefits and the estimated costs for the completion of the transaction. The factors for the estimation of revenue may vary.

(b) Impairment of Goodwill

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

(c) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

(e) Provisions

The Group 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 Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

Significant Judgment on Accounting Policies Adopted by the Group

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

4. Segment Information

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

| Operating segment | Type of products |
|---|--|
| Home Appliance & Air Solution (H&A) | Refrigerators, washing machines, residential and commercial air conditioners, microwaves, vacuum cleaners and others |
| Home Entertainment (HE) | TVs, monitors, PCs, audio, video and others |
| Mobile Communications (MC) | Mobile communications and others |
| Vehicle Components (VC) | Vehicle components and others |
| Business-to-Business (B2B) | Information displays, solar modules and others |
| LG Innotek Co., Ltd. and its subsidiaries (Innotek) | LED, camera modules, substrate & material, motor/sensor and others |
| Other segments | Water solution, equipment production and others |

(a) The segment information for sales and operating profit (loss) for the three-month periods ended March 31, 2018 and 2017, is as follows:

| <i>(in millions of Korean won)</i> | 2018 | | | | | | | | |
|--------------------------------------|-----------|-----------|-----------|----------|---------|-----------|-----------------------------|---|------------|
| | H&A | HE | MC | VC | B2B | Innotek | Other segments ¹ | Inter-segment transactions ² | Total |
| Sales | 4,923,929 | 4,117,776 | 2,158,544 | 839,966 | 642,732 | 1,720,530 | 1,025,259 | (305,695) | 15,123,041 |
| External sales | 4,914,849 | 4,115,075 | 2,158,452 | 839,966 | 641,524 | 1,537,538 | 915,637 | - | 15,123,041 |
| Internal sales | 9,080 | 2,701 | 92 | - | 1,208 | 182,992 | 109,622 | (305,695) | - |
| Operating profit (loss) ³ | 553,149 | 577,311 | (136,112) | (16,984) | 78,842 | 16,826 | 34,785 | - | 1,107,817 |

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| | | | | | | | | | |
|-------------------------------|---------|--------|--------|--------|--------|---------|-------|---|---------|
| Depreciation and amortization | 117,821 | 70,956 | 52,033 | 50,953 | 48,462 | 120,946 | 9,707 | - | 470,878 |
|-------------------------------|---------|--------|--------|--------|--------|---------|-------|---|---------|

| <i>(in millions of Korean won)</i> | 2017 | | | | | | | | Total |
|--------------------------------------|-----------|-----------|-----------|----------|---------|-----------|-----------------------------|---|------------|
| | H&A | HE | MC | VC | B2B | Innotek | Other segments ¹ | Inter-segment transactions ² | |
| Sales | 4,504,514 | 3,835,470 | 2,986,401 | 847,182 | 519,371 | 1,644,734 | 667,974 | (348,452) | 14,657,194 |
| External sales | 4,493,576 | 3,834,538 | 2,986,379 | 847,182 | 519,332 | 1,388,902 | 587,285 | - | 14,657,194 |
| Internal sales | 10,938 | 932 | 22 | - | 39 | 255,832 | 80,689 | (348,452) | - |
| Operating profit (loss) ³ | 511,400 | 327,019 | 88 | (15,496) | 26,953 | 66,828 | 4,744 | - | 921,536 |
| Depreciation and amortization | 114,309 | 75,557 | 68,631 | 38,553 | 28,633 | 76,662 | 16,439 | - | 418,784 |

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

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

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

(b) Segment assets and liabilities as of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | | December 31, 2017 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Assets | Liabilities | Assets | Liabilities |
| H&A | 14,976,238 | 9,453,304 | 13,785,070 | 8,683,213 |
| HE | 11,259,686 | 9,583,572 | 11,000,796 | 9,828,711 |
| MC | 4,962,817 | 5,627,866 | 5,442,010 | 5,943,307 |
| VC | 3,139,041 | 3,318,724 | 2,811,607 | 2,952,173 |
| B2B | 2,621,738 | 2,080,357 | 2,454,799 | 1,968,554 |
| Innotek | 5,183,729 | 3,237,202 | 5,877,489 | 3,926,706 |
| Subtotal¹ | 42,143,249 | 33,301,025 | 41,371,771 | 33,302,664 |
| Other segments and inter-segment transactions | (921,236) | (7,535,026) | (150,812) | (6,755,389) |
| Total | 41,222,013 | 25,765,999 | 41,220,959 | 26,547,275 |

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

(c) Non-current assets by geographic area as of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | Non-current assets ¹ | |
|------------------------------------|---------------------------------|-------------------|
| | March 31, 2018 | December 31, 2017 |
| Geographic areas | | |
| Korea | 11,349,999 | 11,306,773 |
| China | 826,585 | 790,726 |
| Asia | 866,110 | 743,935 |
| North America | 326,082 | 270,944 |
| Europe | 273,357 | 267,291 |
| South America | 131,213 | 133,499 |
| Middle East & Africa | 96,316 | 95,508 |
| Russia and others | 146,537 | 142,438 |
| Total | 14,016,199 | 13,751,114 |

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

(d) There is no external customer contributing to more than 10% of net sales for the three-month periods ended March 31, 2018 and 2017.

5. Financial Instruments by Category

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

| <i>(in millions of Korean won)</i> | March 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 | 3,753,077 | - | - | - | 3,753,077 |
| Deposits held by financial institutions | 135,062 | - | - | - | 135,062 |
| Trade receivables | 6,833,721 | 311,070 | - | - | 7,144,791 |
| Loans and other receivables | 964,380 | - | - | - | 964,380 |
| Other financial assets | 121 | 35,647 | 21,120 | 2,287 | 59,175 |
| Total | 11,686,361 | 346,717 | 21,120 | 2,287 | 12,056,485 |

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | |
|------------------------------------|---|--|---------------|-------------------|
| | Financial liabilities at amortized cost | Financial liabilities at fair value through profit or loss | Other | Total |
| Trade payables | 7,242,998 | - | - | 7,242,998 |
| Borrowings | 9,622,203 | - | - | 9,622,203 |
| Other payables | 3,634,476 | - | - | 3,634,476 |
| Other financial liabilities | - | 2,072 | 65,571 | 67,643 |
| Total | 20,499,677 | 2,072 | 65,571 | 20,567,320 |

| <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 | - | 3,350,597 | - | - | - | 3,350,597 |
| Deposits held by financial institutions | - | 133,290 | - | - | - | 133,290 |
| Trade receivables | - | 8,178,213 | - | - | - | 8,178,213 |
| Loans and other receivables | - | 937,643 | - | - | - | 937,643 |
| Other financial assets | 3,534 | - | 50,998 | 121 | 1,862 | 56,515 |
| Total | 3,534 | 12,599,743 | 50,998 | 121 | 1,862 | 12,656,258 |

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| <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 | - | 8,137,526 | - | 8,137,526 |
| Borrowings | - | 9,450,480 | - | 9,450,480 |
| Other payables | - | 3,529,329 | - | 3,529,329 |
| Other financial liabilities | 2,166 | - | 68,724 | 70,890 |
| Total | 2,166 | 21,117,335 | 68,724 | 21,188,225 |

(b) Net gains or losses on each category of financial instruments for the three-month periods ended March 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 | 24,436 | - | - | - | 24,436 |
| Exchange differences | (51,807) | (1,096) | - | - | (52,903) |
| Bad debt expenses | 2,335 | - | - | - | 2,335 |
| Loss on disposal of trade receivables | (1,581) | (3,245) | - | - | (4,826) |
| Dividend income | - | 192 | - | - | 192 |
| Gain on derivatives (through profit or loss) | - | - | 8,943 | - | 8,943 |
| Fair value gain, net of tax (through other comprehensive income) | - | 2,099 | - | - | 2,099 |
| Gain on derivatives, net of tax (through other comprehensive loss) | - | - | - | 295 | 295 |

| <i>(in millions of Korean won)</i> | 2018 | | | |
|--|--|---|---------|----------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities carried at amortized cost | Other | Total |
| Interest expenses | (89,062) | - | (3,910) | (92,972) |
| Exchange differences | 47,071 | - | (2,594) | 44,477 |
| Loss on derivatives (through profit or loss) | - | (8,391) | - | (8,391) |
| Gain on derivatives, net of tax (through other comprehensive loss) | - | - | 3,449 | 3,449 |
| Others | - | - | (736) | (736) |

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| <i>(in millions of Korean won)</i> | 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 |
| Interest income | - | 21,826 | - | 1 | - | 21,827 |
| Exchange differences | - | (479,923) | - | - | - | (479,923) |
| Bad debt expenses | - | (9,875) | - | - | - | (9,875) |
| Loss on disposal of trade receivables | - | (2,886) | - | - | - | (2,886) |
| Gain on disposal of available-for-sale financial assets | - | - | 5,394 | - | - | 5,394 |
| Impairment loss of available-for-sale financial assets | - | - | (250) | - | - | (250) |
| Dividend income | - | - | 248 | - | - | 248 |
| Gain on derivatives (through profit or loss) | 3,812 | - | - | - | - | 3,812 |
| Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive income) | - | - | (474) | - | - | (474) |
| Gain on derivatives, net of tax (through other comprehensive loss) | - | - | - | - | 621 | 621 |

| <i>(in millions of Korean won)</i> | 2017 | | | |
|--|--|---|----------|----------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities carried at amortized cost | Other | Total |
| Interest expenses | - | (81,776) | (8,903) | (90,679) |
| Exchange differences | - | 518,845 | (45,999) | 472,846 |
| Loss on derivatives (through profit or loss) | (20,114) | - | - | (20,114) |
| Gain on derivatives, net of tax (through other comprehensive loss) | - | - | 5,682 | 5,682 |
| Others | - | (532) | - | (532) |

6. Trade Receivables and Other Receivables

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | December 31, 2017 | | |
|------------------------------------|-----------------|---------------------------------|-----------------|-------------------|---------------------------------|-----------------|
| | Original amount | Allowance for doubtful accounts | Carrying amount | Original amount | Allowance for doubtful accounts | Carrying amount |
| Trade receivables | 7,222,576 | (77,785) | 7,144,791 | 8,258,464 | (80,251) | 8,178,213 |
| Other receivables | | | | | | |
| Current | 511,944 | (12,929) | 499,015 | 480,559 | (13,132) | 467,427 |
| Non-current | 465,701 | (336) | 465,365 | 470,792 | (576) | 470,216 |

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- (b) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 2018 and 2017, are as follows:

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

| <i>(in millions of Korean won)</i> | 2017 | | | | |
|------------------------------------|------------------|--------------------------------|------------------|--------------|-------------------|
| | At Jan. 1 | Addition (reversal) | Write-off | Other | At Mar. 31 |
| Trade receivables | 86,481 | 10,285 | (2,222) | (2,289) | 92,255 |
| Other receivables | | | | | |
| Current | 16,339 | (430) | (1) | (444) | 15,464 |
| Non-current | 115 | 20 | - | (3) | 132 |

¹ Allowance for doubtful accounts as of January 1, 2018 amounting to ₩1,368 million was reclassified from trade receivables to contract assets upon adoption of Korean IFRS 1115.

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

| <i>(in millions of Korean won)</i> | March 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 | 6,440,265 | 488,108 | 463,169 | 7,391,542 | 7,218,180 | 454,976 | 460,392 | 8,133,548 |
| Past due but not impaired | | | | | | | | |
| Up to 6 months | 646,000 | 10,383 | 1,999 | 658,382 | 912,902 | 12,135 | 9,879 | 934,916 |
| 7 to 12 months | 29,318 | 96 | 17 | 29,431 | 25,752 | 89 | 519 | 26,360 |
| Over 1 year | 19,368 | 3,175 | 516 | 23,059 | 16,665 | 3,186 | 2 | 19,853 |
| Subtotal | 694,686 | 13,654 | 2,532 | 710,872 | 955,319 | 15,410 | 10,400 | 981,129 |
| Impaired | 87,625 | 10,182 | - | 97,807 | 84,965 | 10,173 | - | 95,138 |
| Total | 7,222,576 | 511,944 | 465,701 | 8,200,221 | 8,258,464 | 480,559 | 470,792 | 9,209,815 |

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

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7. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|---|-----------------------|--------------------------|
| Other financial assets | | |
| Derivatives | 5,636 | 5,396 |
| Financial assets at fair value through other comprehensive income | 35,647 | - |
| Financial assets at fair value through profit or loss | 17,771 | - |
| Available-for-sale | - | 50,998 |
| Financial assets at amortized cost | 121 | - |
| Held-to-maturity | - | 121 |
| Total | 59,175 | 56,515 |
| Current | 3,349 | 3,534 |
| Non-current | 55,826 | 52,981 |

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|------------------------------------|-----------------------|--------------------------|
| Other financial liabilities | | |
| Derivatives | 67,544 | 70,755 |
| Financial guarantee liability | 99 | 135 |
| Total | 67,643 | 70,890 |
| Current | 12,651 | 2,280 |
| Non-current | 54,992 | 68,610 |

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | | December 31, 2017 | |
|------------------------------------|-----------------------|--------------------|--------------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Current | | | | |
| Currency Forward | 3,349 | 2,072 | 3,534 | 2,166 |
| Currency Swap | - | 10,499 | - | - |
| Subtotal | 3,349 | 12,571 | 3,534 | 2,166 |
| Non-current | | | | |
| Currency Swap | - | 26,354 | - | 32,921 |
| Interest Rate Swap | 2,287 | 28,619 | 1,862 | 35,668 |
| Subtotal | 2,287 | 54,973 | 1,862 | 68,589 |
| Total | 5,636 | 67,544 | 5,396 | 70,755 |

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

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

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- i) Changes in financial assets at fair value through other comprehensive income for the three-month period ended March 31, 2018, are as follows:

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

- ii) Changes in available-for-sale financial assets for the three-month period ended March 31, 2017, are as follows:

| 2017 | | | | | | | |
|------------------------------------|---------------|--------------|----------------|-----------------|--------------|--------------|---------------|
| <i>(in millions of Korean won)</i> | At Jan. 1 | Acquisition | Disposal | Valuation (OCI) | Impairment | Other | At Mar. 31 |
| Listed equity securities | 14,837 | - | - | (626) | - | - | 14,211 |
| Unlisted equity securities | 35,102 | 1,200 | (1,153) | - | (250) | (697) | 34,202 |
| Total | 49,939 | 1,200 | (1,153) | (626) | (250) | (697) | 48,413 |

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

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

- (e) Financial assets at amortized cost and held-to-maturity financial assets

- i) Maturity analysis of financial assets at amortized cost and held-to-maturity financial assets as of March 31, 2018 and December 31, 2017, is as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|------------------------------------|----------------|-------------------|
| Within 1 year | - | - |
| 1 to 5 years | 121 | 121 |

- ii) The amount recognized as interest income in relation to financial assets at amortized cost and held-to-maturity financial assets for the three-month period ended March 31, 2018, is ₩1 million (March 31, 2017: ₩1 million). No impairment losses were recognized in relation to financial assets at amortized cost and held-to-maturity financial assets for the three-month periods ended March 31, 2018 and 2017.

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8. Inventories

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | December 31, 2017 | | |
|------------------------------------|------------------|---------------------|------------------|-------------------|---------------------|------------------|
| | Cost | Valuation allowance | Carrying amount | Cost | Valuation allowance | Carrying amount |
| Finished products and merchandise | 3,555,270 | (96,478) | 3,458,792 | 3,655,047 | (94,935) | 3,560,112 |
| Work-in-process | 352,409 | (8,256) | 344,153 | 386,448 | (10,385) | 376,063 |
| Raw materials and supplies | 1,854,446 | (59,951) | 1,794,495 | 1,770,261 | (79,070) | 1,691,191 |
| Other | 299,720 | (24,416) | 275,304 | 309,323 | (28,252) | 281,071 |
| Total | 6,061,845 | (189,101) | 5,872,744 | 6,121,079 | (212,642) | 5,908,437 |

9. Contract Assets and Contract Liabilities

(a) Contract assets as of March 31, 2018 and January 1, 2018, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | January 1, 2018 |
|---|----------------|-----------------|
| Due from customers | 459,575 | 357,922 |
| (Less: allowance for doubtful accounts) | (1,708) | (1,368) |
| Right to recover returned products | 75,191 | 77,563 |
| Costs to fulfil contracts and others | 5,477 | 4,461 |
| Total | 538,535 | 438,578 |
| Current | 533,058 | 435,037 |
| Non-current | 5,477 | 3,541 |

(b) Contract liabilities as of March 31, 2018 and January 1, 2018, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | January 1, 2018 |
|---|------------------|-----------------|
| Expected promotional incentives for customers | 617,229 | 501,419 |
| Expected returns from customers | 110,410 | 114,073 |
| Customer loyalty program | 39,169 | 37,755 |
| Rendering of warranty services | 41,680 | 39,766 |
| Due to customers and others | 194,606 | 277,275 |
| Total | 1,003,094 | 970,288 |
| Current | 982,717 | 951,362 |
| Non-current | 20,377 | 18,926 |

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

| <i>(in millions of Korean won)</i> | March 31, 2018 |
|---|-----------------------|
| Revenue recognized that was included in the contract liability amount at the beginning of the period: | |
| Due to customers and others | 178,278 |
| Customer loyalty program | 664 |
| Rendering of warranty services | 6,769 |
| Total | 185,711 |
| Revenue recognized from performance obligations satisfied in previous periods | 173 |

- (d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations is ₩1,057,664 million where they are expected to be satisfied by 2020, at the latest. Also as a practical expedient, the Group excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

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

10. Property, Plant and Equipment, and Intangible Assets

- (a) Changes in property, plant and equipment for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|--|-------------------|-------------------|
| At January 1 | 11,800,782 | 11,222,428 |
| Acquisitions | 585,718 | 328,259 |
| Reclassification to assets held for sale | (8,198) | (55) |
| Disposals and others | (29,953) | (19,838) |
| Depreciation | (375,701) | (314,100) |
| Impairment | (12,228) | (6,265) |
| Exchange differences | 39,640 | (123,488) |
| At March 31 | 12,000,060 | 11,086,941 |

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(b) Line items including depreciation in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| Cost of sales | 324,991 | 248,994 |
| Selling and marketing expenses | 11,467 | 11,537 |
| Administrative expenses | 10,115 | 16,367 |
| Research and development expenses | 23,558 | 29,538 |
| Service costs | 3,051 | 3,427 |
| Other non-operating expenses | 2,519 | 4,237 |
| Total | 375,701 | 314,100 |

(c) Changes in intangible assets for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|------------------|------------------|
| At January 1 | 1,854,620 | 1,571,087 |
| Acquisitions | 61,661 | 45,350 |
| Acquisitions through internal development | 116,770 | 114,740 |
| Reclassification to assets held for sale | - | (5) |
| Disposals and others | (13,048) | (8,441) |
| Amortization | (97,367) | (108,590) |
| Impairment | (2,468) | (1,385) |
| Exchange differences | 588 | (2,320) |
| At March 31 | 1,920,756 | 1,610,436 |

(d) Line items including amortization of intangible assets for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|------------------------------------|---------------|----------------|
| Cost of sales | 51,233 | 58,642 |
| Selling and marketing expenses | 4,831 | 5,400 |
| Administrative expenses | 19,322 | 23,609 |
| Research and development expenses | 21,519 | 20,391 |
| Service costs | 462 | 548 |
| Total | 97,367 | 108,590 |

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11. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures

- i) Carrying amounts of investments in associates and joint ventures, as of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|------------------------------------|-----------------------|--------------------------|
| Associates | 5,417,073 | 5,474,932 |
| Joint ventures | 153,914 | 145,399 |
| Total | 5,570,987 | 5,620,331 |

- ii) Investments in associates as of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | | December 31, 2017 | | | |
|--|-------------------------|-------------------------|------------------------|------------------------|--------------------------|-------------------------|------------------------|------------------------|
| | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount |
| LG Display Co., Ltd. | 679,218 | 5,396,440 | (94,148) | 5,302,292 | 679,218 | 5,448,067 | (90,575) | 5,357,492 |
| Ericsson-LG Co., Ltd | 12,649 | 44,961 | (10) | 44,951 | 12,649 | 43,019 | (15) | 43,004 |
| Hitachi-LG Data Storage Inc.(HLDS) | 101,961 | 634 | (2,692) | - | 101,961 | 1,460 | (3,096) | - |
| Korea Information Certificate Authority Inc. | 1,745 | 4,827 | - | 4,827 | 1,745 | 4,825 | - | 4,825 |
| LG Fuel Cell Systems Inc. | 104,658 | 29,393 | - | 29,393 | 104,658 | 34,290 | - | 34,290 |
| SKT Vietnam PTE., Ltd. | 72,194 | 9 | - | - | 72,194 | 8 | - | - |
| One-Red, LLC ¹ | 3,128 | 3,069 | - | 3,069 | 3,128 | 3,426 | - | 3,426 |
| Kiwigrd GmbH ¹ | 13,019 | 10,776 | - | 10,776 | 13,019 | 11,243 | - | 11,243 |
| CCP-LGE OWNER, LLC ¹ | 11,652 | 11,880 | - | 11,880 | 11,652 | 11,652 | - | 11,652 |
| ROBOTIS Co., Ltd. ¹ | 9,000 | 8,885 | - | 8,885 | 9,000 | 9,000 | - | 9,000 |
| Acryl Inc. | 1,000 | 1,000 | - | 1,000 | - | - | - | - |
| Total | 1,010,224 | 5,511,874 | (96,850) | 5,417,073 | 1,009,224 | 5,566,990 | (93,686) | 5,474,932 |

¹ The financial statements as of February 28, 2018 were used due to a different closing date.

- iii) Investments in joint ventures as of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | | December 31, 2017 | | | |
|--|-------------------------|-------------------------|------------------------|------------------------|--------------------------|-------------------------|------------------------|------------------------|
| | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount |
| LG Holdings(HK) Ltd. | 75,693 | 105,744 | - | 105,744 | 75,693 | 95,632 | - | 95,632 |
| Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT) | 14,718 | 33,380 | (316) | 33,064 | 14,718 | 34,500 | (2) | 34,498 |
| EIC PROPERTIES PTE LTD. | 9,636 | 14,463 | - | 14,463 | 9,636 | 14,181 | - | 14,181 |
| LG-MRI LLC | 516 | 668 | (25) | 643 | 516 | 1,094 | (6) | 1,088 |
| Total | 100,563 | 154,255 | (341) | 153,914 | 100,563 | 145,407 | (8) | 145,399 |

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(b) Associates and joint ventures

i) Associates as of March 31, 2018, are as follows:

| Name of associate | Location | Closing month | Percentage of ownership | Nature of relationships with the Group |
|---|-----------------|----------------------|--------------------------------|---|
| LG Display Co., Ltd. | Korea | December | 37.9% | Production and supply of display products |
| Ericsson-LG Co., Ltd | Korea | December | 25.0% | Supply of communication devices and network solution products |
| Hitachi-LG Data Storage Inc.(HLDS) | Japan | December | 49.0% | Production and supply of data storages |
| Korea Information Certificate Authority Inc. ¹ | Korea | December | 6.5% | Certificate services |
| LG Fuel Cell Systems Inc. | USA | December | 33.0% | R&D of fuel cell |
| SKT Vietnam PTE., Ltd. | Singapore | December | 25.4% | Communication services |
| One-Red, LLC | USA | March | 25.0% | DVD related patent licensing |
| Kiwigrd GmbH ¹ | Germany | December | 17.6% | Supply of energy management solutions |
| CCP-LGE OWNER, LLC ² | USA | December | 70.2% | Solar power plant |
| ROBOTIS Co., Ltd. ¹ | Korea | December | 10.1% | Production and sales of personal robot |
| Acryl Inc. ¹ | Korea | December | 10.0% | Development and sales of software |

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

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

ii) Joint ventures as of March 31, 2018, are as follows:

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

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

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

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(c) Changes in investments in associates and joint ventures

- i) Changes in the carrying amounts of investments in associates for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|------------------|------------------|
| Opening carrying amount | 5,474,932 | 4,906,450 |
| Acquisition | 1,000 | 13,019 |
| Gain (loss) from equity method ¹ | (29,595) | 222,748 |
| Share of other comprehensive loss of associates | 38,743 | (82,670) |
| Dividend/ recovery | (67,927) | (68,551) |
| Exchange differences | (80) | (169) |
| Closing carrying amount | 5,417,073 | 4,990,827 |

¹ The Group recognized additional equity method loss of ₩422 million for loans provided to Hitachi-LG Data Storage Inc. for the three-month period ended March 31, 2018 (March 31, 2017: equity method gain of ₩5,431 million).

- ii) Changes in the carrying amounts of investments in joint ventures for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|----------------|----------------|
| Opening carrying amount | 145,399 | 198,108 |
| Gain from equity method | 2,072 | 1,862 |
| Share of other comprehensive loss of joint ventures | 6,767 | (15,474) |
| Dividend/ recovery | (321) | (296) |
| Exchange differences | (3) | (74) |
| Closing carrying amount | 153,914 | 184,126 |

- (d) Summarized financial information of the associates that are material to the reporting entity as of March 31, 2018 and December 31, 2017, and for the three-month periods ended March 31, 2018 and 2017, is as follows:

- LG Display Co., Ltd. and its subsidiaries

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|---|-----------------------|--------------------------|
| Current assets | 9,898,586 | 10,473,703 |
| Non-current assets | 20,096,685 | 18,685,984 |
| Total assets | 29,995,271 | 29,159,687 |
| Current liabilities | 9,548,591 | 8,978,682 |
| Non-current liabilities | 5,621,044 | 5,199,496 |
| Total liabilities | 15,169,635 | 14,178,178 |
| Equity attributable to the owners of LG Display Co., Ltd. | 14,237,278 | 14,373,482 |
| Non-controlling interests | 588,358 | 608,027 |
| Total equity | 14,825,636 | 14,981,509 |

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| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|-------------|-------------|
| Net sales | 5,675,164 | 7,062,162 |
| Profit (loss) for the period | (48,982) | 659,386 |
| Equity attributable to the owners of LG Display Co., Ltd.: | | |
| Profit (loss) for the period | (59,454) | 620,546 |
| Other comprehensive income (loss), net of tax | 102,158 | (220,286) |
| Total comprehensive income for the period, net of tax | 42,704 | 400,260 |

The Group received dividends from LG Display Co., Ltd. amounting to ₩67,813 million for three-month period ended March 31, 2018 (March 31, 2017: ₩67,813 million).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the three-month periods ended March 31, 2018 and 2017, are as follows:

- LG Display Co., Ltd. and its subsidiaries

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|-------------|-------------|
| Opening equity attributable to owners of LG Display Co., Ltd. | 14,373,482 | 12,955,997 |
| Profit (loss) for the period | (59,454) | 620,546 |
| Other comprehensive income (loss), net of tax | 102,158 | (220,286) |
| Dividends | (178,908) | (178,908) |
| Closing equity attributable to owners of LG Display Co., Ltd. | 14,237,278 | 13,177,349 |
| Group ownership (%) | 37.9 | 37.9 |
| The Group's share at the end of the reporting period | 5,396,440 | 4,994,688 |
| Unrealized gain | (94,148) | (80,150) |
| Carrying amount at the end of the reporting period | 5,302,292 | 4,914,538 |

- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month periods ended March 31, 2018 and 2017, is as follows:

| <i>(in millions of Korean won)</i> | 2018 | | 2017 | |
|---|-------------------|-----------------------|-------------------|-----------------------|
| | Associates | Joint ventures | Associates | Joint ventures |
| Profit (loss) for the period | (2,172) | 2,406 | 2,471 | 1,700 |
| Other comprehensive income (loss), net of tax | (2,126) | 6,765 | (1,708) | (15,491) |
| Total comprehensive income (loss) for the period, net of tax | (4,298) | 9,171 | 763 | (13,791) |

- (g) There are no accumulated unrecognized changes in equity due to discontinued use of the equity method as of March 31, 2018 and December 31, 2017.

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(h) The fair value of marketable investments in associates as of March 31, 2018 and December 31, 2017, are as follows:

| March 31, 2018 | | | | | |
|--|-------------|---------------------------------------|---|---|--------------------|
| | Type | Shares held (Unit: shares) | Price per share (Unit: Korean won) | Fair value (in millions of Korean won) | Book amount |
| LG Display Co., Ltd. | Associate | 135,625,000 | 26,150 | 3,546,594 | 5,302,292 |
| Korea Information Certificate Authority Inc. | Associate | 2,010,247 | 6,320 | 12,705 | 4,827 |
| December 31, 2017 | | | | | |
| | Type | Shares held (Unit: shares) | Price per share (Unit: Korean won) | Fair value (in millions of Korean won) | Book amount |
| LG Display Co., Ltd. | Associate | 135,625,000 | 29,900 | 4,055,188 | 5,357,492 |
| Korea Information Certificate Authority Inc. | Associate | 2,010,247 | 5,670 | 11,398 | 4,825 |

12. Borrowings

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|---|-----------------------|--------------------------|
| Current | | |
| Short-term borrowings | 378,456 | 314,246 |
| Current portion of long-term borrowings | 323,403 | 356,841 |
| Current portion of debentures | 852,202 | 689,669 |
| Subtotal | 1,554,061 | 1,360,756 |
| Non-current | | |
| Long-term borrowings | 2,953,897 | 2,864,425 |
| Debentures | 5,114,245 | 5,225,299 |
| Subtotal | 8,068,142 | 8,089,724 |
| Total | 9,622,203 | 9,450,480 |

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

| <i>(in millions of Korean won)</i> | Latest maturity date | Annual interest rate at March 31, 2018(%) | Carrying amount | |
|--|---------------------------------|--|---------------------------|------------------------------|
| | | | March 31, 2018 | December 31, 2017 |
| Short-term borrowings in local currency | | | | |
| Nonghyup Bank and others | - | 3.49 ~ 4.15 | 2,800 | 31,800 |
| Short-term borrowings in foreign currency | | | | |
| HSBC and others ¹ | - | 0.80 ~ 15.65 | 375,656 | 282,446 |
| Long-term borrowings in local currency | | | | |
| Korea Development Bank and others | 2030. 7. 7 | 2.21 ~ 4.00 | 2,650,792 | 2,640,901 |
| Long-term borrowings in foreign currency | | | | |
| HSBC and others | 2030. 2.26 | 2.36 ~ 14.24 | 626,508 | 580,365 |
| Local currency loans | | | | |
| Public, non-guaranteed bonds | 2030. 2. 2 | 1.48 ~ 4.44 | 4,280,000 | 4,280,000 |
| Private, non-guaranteed bonds | 2033. 1.31 | 1.95 ~ 4.21 | 1,110,000 | 1,060,000 |
| Foreign currency loans | | | | |
| Private, non-guaranteed bonds | 2022.11.22 | 2.66 ~ 2.78 | 245,295 | 246,422 |
| Private, guaranteed bonds | 2023. 2.24 | 0.38 ~ 3.91 | 344,495 | 342,205 |
| Less: discount on debentures | | | (13,343) | (13,659) |
| Total | | | 9,622,203 | 9,450,480 |

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

13. Post-employment Benefits

Defined Benefit Plan

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|--|-----------------------|--------------------------|
| Present value of funded obligations | 2,898,853 | 2,886,079 |
| Present value of unfunded obligations | 31,921 | 31,192 |
| Subtotal | 2,930,774 | 2,917,271 |
| Fair value of plan assets | (2,540,258) | (2,591,256) |
| Net defined benefit liabilities¹ | 390,516 | 326,015 |

¹ Net defined benefit assets are included.

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(b) The amounts recognized in the consolidated interim statements of profit or loss for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| Current service cost | 86,018 | 89,093 |
| Past service cost | (105) | - |
| Net interest cost | 2,554 | 3,596 |
| Operating management cost | 960 | 767 |
| Total | 89,427 | 93,456 |

(c) Line items in which expenses are included for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| Cost of sales | 47,100 | 49,211 |
| Selling and marketing expenses | 14,256 | 14,702 |
| Administrative expenses | 6,144 | 5,281 |
| Research and development expenses | 20,230 | 22,478 |
| Service costs | 1,697 | 1,784 |
| Total | 89,427 | 93,456 |

(d) Changes in the present value of defined benefit obligations for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|--|------------------|------------------|
| At January 1 | 2,917,271 | 2,788,431 |
| Current service cost | 86,018 | 89,093 |
| Past service cost | (105) | - |
| Interest expense | 21,687 | 18,588 |
| Remeasurements for: | | |
| - Actuarial gain arising from changes in financial assumptions | (23,109) | (16,274) |
| Benefits paid | (71,319) | (52,441) |
| Others | 331 | (2,619) |
| At March 31 | 2,930,774 | 2,824,778 |

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(e) Changes in the fair value of plan assets for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|------------------------------------|------------------|------------------|
| At January 1 | 2,591,256 | 2,277,909 |
| Interest income | 19,133 | 14,992 |
| Remeasurements of plan assets | (7,465) | (4,896) |
| Employer contributions | 2,946 | 1,662 |
| Benefits paid | (64,460) | (42,784) |
| Operating management cost | (960) | (767) |
| Others | (192) | (324) |
| At March 31 | 2,540,258 | 2,245,792 |

(f) The principal actuarial assumptions used as of March 31, 2018 and December 31, 2017, are as follows:

| | March 31, 2018 | December 31, 2017 |
|--|-----------------------|--------------------------|
| Weighted average of discount rate of the Group | 3.2% | 3.1% |
| Weighted average of expected salary growth rate of the Group | 5.0% | 5.0% |

As of March 31, 2018, the discount rates applied to the Parent Company and subsidiaries are between 0.3%~ 7.5% (December 31, 2017: 0.3%~ 7.5%), and the expected salary growth rates are between 1.0%~10.0% (December 31, 2017: 1.0%~10.0%).

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

| <i>(in millions of Korean won)</i> | 1%p increase | 1%p decrease |
|------------------------------------|---------------------|---------------------|
| Discount rate | (234,724) | 270,356 |
| Expected salary growth rate | 258,237 | (237,332) |

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

Defined Contribution Plan

The expense recognized in the three-month period ended March 31, 2018 in relation to the defined contribution plan was ₩4,079 million (March 31, 2017: ₩3,321 million).

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14. Provisions

(a) Changes in provisions for the three-month periods ended March 31, 2018 and 2017, are as follows:

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

| 2017 | | | | | |
|------------------------------------|-----------------|----------------------|--------------------|------------------------------|------------------|
| <i>(in millions of Korean won)</i> | Warranty | Sales returns | Restoration | Litigation and others | Total |
| At January 1 | 756,509 | 39,071 | 24,985 | 978,700 | 1,799,265 |
| Additions | 271,419 | 59,977 | 1,156 | (31,279) | 301,273 |
| Utilization | (318,484) | (61,474) | (138) | (33,911) | (414,007) |
| Exchange differences | (21,058) | (2,262) | (250) | (9,322) | (32,892) |
| At March 31 | 688,386 | 35,312 | 25,753 | 904,188 | 1,653,639 |
| Current | 641,347 | 35,312 | 7,001 | 715,482 | 1,399,142 |
| Non-current | 47,039 | - | 18,752 | 188,706 | 254,497 |

¹ Sales return provision as of January 1, 2018 amounting to ₩36,510 million was reclassified to contract liabilities upon adoption of Korean IFRS 1115.

15. Paid-in Capital

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

| | Par value per share | March 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

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remaining assets as ordinary shareholders. Repayment and conversion are not applicable to preferred shares.

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

16. Retained Earnings

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|---|-----------------------|--------------------------|
| Legal reserve ¹ | 182,345 | 175,054 |
| Discretionary reserve | 5,347,638 | 4,603,535 |
| Unappropriated retained earnings ² | 6,107,476 | 6,185,566 |
| Total | 11,637,459 | 10,964,155 |

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

² Dividend for the year ended December 31, 2017, of ₩72,885 million was approved at the annual general meeting held on March 16, 2018, and paid in April 2018 (2017 payments: ₩72,885 million).

17. Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) as of March 31, 2018 and December 31, 2017, consist of:

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|---|-----------------------|--------------------------|
| Accumulated other comprehensive loss of associates and joint ventures | (149,125) | (196,195) |
| Cash flow hedge | (22,665) | (26,409) |
| Financial assets at fair value through other comprehensive income | (5,622) | - |
| Available-for-sale financial assets | - | 9,384 |
| Exchange difference on translation of foreign operations | (1,260,465) | (1,309,258) |
| Total | (1,437,877) | (1,522,478) |

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18. Other Components of Equity

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

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

¹ As of March 31, 2018, the Parent Company has treasury shares consisting of 763,172 ordinary shares (December 31, 2017: 763,172 shares) and 4,691 preferred shares (December 31, 2017: 4,690 shares) at the end of the reporting period. The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

19. Net Sales

(a) Details of net sales for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|--|-------------------|-------------------|
| Revenue from contracts with customers: | | |
| Sales of goods | 14,782,853 | 14,469,136 |
| Rendering of services | 252,997 | 164,503 |
| Royalty income | 19,188 | 23,555 |
| Sub-total | 15,055,038 | 14,657,194 |
| Revenue from other sources: | | |
| Rental income and others ¹ | 68,003 | - |
| Total | 15,123,041 | 14,657,194 |

¹ Revenue from other sources for the three-month period ended March 31, 2017 is included in rendering of services by applying Korean IFRS 1018.

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

| (in millions of Korean won) | 2018 | | | | | | | | Total |
|--|------------------|------------------|------------------|----------------|----------------|------------------|------------------|----------------------------|-------------------|
| | H&A | HE | MC | VC | B2B | Innotek | Other segments | Inter-segment transactions | |
| Revenue from contracts with customers: | | | | | | | | | |
| External sales | 4,851,663 | 4,110,753 | 2,157,672 | 839,744 | 640,692 | 1,537,416 | 917,098 | - | 15,055,038 |
| Internal sales | 9,080 | 2,600 | 91 | - | 1,206 | 182,992 | 108,091 | (304,060) | - |
| | <u>4,860,743</u> | <u>4,113,353</u> | <u>2,157,763</u> | <u>839,744</u> | <u>641,898</u> | <u>1,720,408</u> | <u>1,025,189</u> | <u>(304,060)</u> | <u>15,055,038</u> |
| By type of products: | | | | | | | | | |
| Refrigerators/ washing machine/ air conditioners and others | 4,084,060 | - | - | - | - | - | - | (2,169) | 4,081,891 |
| TV/monitor /PC and others | - | 3,787,431 | - | - | - | - | - | (2,587) | 3,784,844 |
| Mobile communications | - | - | 2,133,217 | - | - | - | - | (91) | 2,133,126 |
| In-vehicle infotainment | - | - | - | 697,333 | - | - | - | - | 697,333 |
| Information display | - | - | - | - | 390,870 | - | - | (1,206) | 389,664 |
| Camera modules | - | - | - | - | - | 1,014,145 | - | (44,864) | 969,281 |
| Others | 776,683 | 325,922 | 24,546 | 142,411 | 251,028 | 706,263 | 1,025,189 | (253,143) | 2,998,899 |
| By major geographical market ¹ : | | | | | | | | | |
| Korea | 1,620,008 | 734,620 | 456,412 | 223,380 | 93,666 | 1,542,179 | 965,034 | (232,589) | 5,402,710 |
| North America | 1,072,426 | 730,150 | 1,137,041 | 233,139 | 240,640 | 4,438 | 1,135 | (5,633) | 3,413,336 |
| Asia | 904,791 | 471,656 | 119,695 | 111,028 | 114,481 | 8,918 | 2,208 | (24,609) | 1,708,168 |
| Europe | 280,166 | 931,988 | 143,451 | 194,978 | 114,943 | 8,001 | - | (14,032) | 1,659,495 |
| South America | 217,692 | 596,258 | 216,836 | 11,280 | 22,056 | - | 190 | (2) | 1,064,310 |
| Middle East & Africa | 361,729 | 374,961 | 51,802 | - | 35,675 | - | - | (37) | 824,130 |
| China | 259,455 | 84,526 | 15,796 | 65,939 | 11,874 | 156,872 | 56,622 | (23,874) | 627,210 |
| Russia and others | 144,476 | 189,194 | 16,730 | - | 8,563 | - | - | (3,284) | 355,679 |
| Timing of transfer: | | | | | | | | | |
| Transferred at a point in time | 4,750,125 | 4,087,255 | 2,136,530 | 835,081 | 638,431 | 1,720,408 | 312,263 | (210,629) | 14,269,464 |
| Transferred over time | 110,618 | 26,098 | 21,233 | 4,663 | 3,467 | - | 712,926 | (93,431) | 785,574 |

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

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

Due to the factors causing the changes in costs of 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 three-month period ended March 31, 2018 and the succeeding period are as follows:

| <i>(in millions of Korean won)</i> | Changes in estimated total contract revenue | Changes in estimated total contract cost | Impact on profit or loss for the period | Impact on profit or loss for the succeeding period |
|------------------------------------|--|--|---|---|
| VC | (156) | (522) | 228 | 138 |
| Other segments | 43,427 | 33,051 | 4,003 | 6,373 |
| Total | 43,271 | 32,529 | 4,231 | 6,511 |

20. Expenses by Nature

Expenses that are recorded by nature for the three-month periods ended March 31, 2018 and 2017, consist of:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|-------------------|-------------------|
| Changes in finished goods and work-in-process | 64,086 | (99,918) |
| Raw materials and merchandise used | 9,129,599 | 9,104,046 |
| Employee benefit expense | 1,634,597 | 1,637,912 |
| Depreciation and amortization | 470,878 | 418,784 |
| Advertising expense | 227,312 | 193,140 |
| Promotion expense | 134,433 | 164,133 |
| Freight expense | 358,797 | 344,825 |
| Commission expense | 719,980 | 668,333 |
| Other expenses | 1,275,542 | 1,304,403 |
| Total | 14,015,224 | 13,735,658 |

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

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

Details of general operating expenses for the three-month periods ended March 31, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|------------------------------------|------------------|------------------|
| Salaries | 682,230 | 718,082 |
| Post-employment benefits | 45,552 | 46,919 |
| Employee benefits | 145,703 | 147,911 |
| Freight expense | 355,751 | 340,707 |
| Rental expense | 95,903 | 109,426 |
| Commission expense | 507,156 | 487,065 |
| Depreciation | 48,520 | 61,200 |
| Amortization | 46,134 | 49,948 |
| Taxes and dues | 35,089 | 29,374 |
| Advertising expense | 227,312 | 193,140 |
| Promotional expense | 134,433 | 164,133 |
| R&D expense | 57,756 | 47,626 |
| Direct service costs | 152,410 | 188,700 |
| Bad debts expense (reversal) | (1,913) | 10,285 |
| Other | 169,789 | 178,152 |
| Total | 2,701,825 | 2,772,668 |

22. Financial Income

Financial income for the three-month periods ended March 31, 2018 and 2017, consists of:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| Interest income | 24,436 | 21,827 |
| Exchange differences | 108,185 | 98,534 |
| Gain on derivatives | 1,062 | 2,577 |
| Total | 133,683 | 122,938 |

23. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2018 and 2017, consist of:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---------------------------------------|----------------|----------------|
| Interest expense | 92,972 | 90,679 |
| Exchange differences | 113,887 | 137,858 |
| Loss on derivatives | 1,766 | 159 |
| Loss on disposal of trade receivables | 4,826 | 2,886 |
| Other | 747 | 532 |
| Total | 214,198 | 232,114 |

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24. Other Non-operating Income

Other non-operating income for the three-month periods ended March 31, 2018 and 2017, consists of:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|--|----------------|----------------|
| Dividend income | 192 | 248 |
| Exchange differences | 266,348 | 379,885 |
| Gain on derivatives | 7,932 | 1,235 |
| Gain on disposal of property, plant and equipment | 5,070 | 10,731 |
| Gain on disposal of intangible assets | - | 13 |
| Gain on disposal of assets held for sale | 1,446 | 3,804 |
| Gain on disposal of available-for-sale financial assets | - | 5,394 |
| Gain on disposal of investments in associates and joint ventures | - | 1,260 |
| Other | 5,077 | 58,331 |
| Total | 286,065 | 460,901 |

25. Other Non-operating Expenses

Other non-operating expenses for the three-month periods ended March 31, 2018 and 2017, consist of:

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|--|----------------|----------------|
| Exchange differences | 269,167 | 347,638 |
| Loss on derivatives | 6,676 | 19,955 |
| Loss on disposal of property, plant and equipment | 9,015 | 4,340 |
| Impairment loss on disposal of property, plant and equipment | 12,235 | 6,267 |
| Loss on disposal of intangible assets | 7,285 | 8,255 |
| Impairment loss on intangible assets | 2,468 | 1,385 |
| Impairment loss on disposal of available-for-sale financial assets | - | 250 |
| Other | 9,608 | 23,355 |
| Total | 316,454 | 411,445 |

26. Earnings per Share

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

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(a) Basic earnings per ordinary share for the three-month periods ended March 31, 2018 and 2017, is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Profit attributable to ordinary shares (in millions of Korean won) | 648,109 | 719,266 |
| Weighted average number of ordinary shares outstanding (unit: shares) | 162,884,642 | 162,884,642 |
| Basic earnings per ordinary share (in Korean won) | 3,979 | 4,416 |

(b) Basic earnings per preferred share for the three-month periods ended March 31, 2018 and 2017, is as follows:

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Profit attributable to preferred shares (in millions of Korean won) | 68,578 | 76,083 |
| Weighted average number of preferred shares outstanding (unit: shares) | 17,181,301 | 17,181,301 |
| Basic earnings per preferred share (in Korean won) | 3,991 | 4,428 |

27. Cash Flow Information

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the three-month periods ended March 31, 2018 and 2017, are as follows:

(a) Cash generated from operations

| <i>(in millions of Korean won)</i> | <u>2018</u> | <u>2017</u> |
|--|------------------|----------------|
| Profit for the period | 729,871 | 835,691 |
| Adjustments: | | |
| Interest expense, net | 68,536 | 68,852 |
| Exchange differences, net | 22,674 | (21,642) |
| Loss (gain) on derivatives, net | (552) | 16,302 |
| Depreciation | 375,701 | 314,100 |
| Amortization | 97,367 | 108,590 |
| Loss on disposal of property, plant and equipment, intangible assets, net | 11,230 | 1,851 |
| Provisions for severance benefits | 89,427 | 93,456 |
| Provisions | 202,513 | 301,273 |
| Income tax expense | 239,097 | 256,166 |
| Loss (gain) from equity method | 27,945 | (230,041) |
| Other | 39,405 | 49,408 |
| | <u>1,173,343</u> | <u>958,315</u> |
| Changes in operating assets and liabilities | | |
| Decrease (increase) in trade receivables | 1,254,284 | (900,026) |
| Decrease in other receivables | 46,900 | 47,343 |

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| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---------------------------------------|------------------|----------------|
| Decrease (increase) in inventories | 65,950 | (470,766) |
| Increase in contract assets | (106,244) | - |
| Increase in other assets | (8,638) | (55,874) |
| Increase (decrease) in trade payables | (983,146) | 1,435,588 |
| Decrease in other payables | (108,775) | (99,487) |
| Decrease in provisions | (211,237) | (399,708) |
| Increase in contract liabilities | 32,628 | - |
| Decrease in other liabilities | (645,104) | (344,433) |
| Payment of defined benefit liability | (6,859) | (9,657) |
| Deposit in plan assets, net | (13,654) | (10,991) |
| | (683,895) | (808,011) |
| Cash generated from operations | 1,219,319 | 985,995 |

(b) Changes in liabilities from financing activities

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

| 2017 | | | | | | |
|------------------------------------|------------------|---|------------------------------------|--------------|----------------------------------|------------------|
| <i>(in millions of Korean won)</i> | At Jan.1 | Net cash flow from financing activities | Non-cash transactions | | | At Mar.31 |
| | | | Exchange differences (profit/loss) | Amortization | Effects of exchange rate changes | |
| Short-term borrowings | 596,541 | (56,127) | (5,221) | - | (26,692) | 508,501 |
| Long-term borrowings | 2,622,708 | (183,399) | (3,750) | - | (28,984) | 2,406,575 |
| Debentures | 5,439,762 | 314,001 | (40,725) | 1,089 | - | 5,714,127 |
| Total | 8,659,011 | 74,475 | (49,696) | 1,089 | (55,676) | 8,629,203 |

(c) Significant non-cash transactions

| <i>(in millions of Korean won)</i> | 2018 | 2017 |
|---|---------|---------|
| Reclassification of construction-in-progress to property, plant and equipment | 164,530 | 284,819 |
| Reclassification of construction-in-progress to intangible assets | 41,605 | 71,560 |
| Reclassification of current portion of borrowings and debentures | 504,186 | 355,720 |
| Reclassification of current portion of provisions | - | 710,843 |
| Other payables to acquire property, plant and equipment | 558,773 | 156,621 |
| Other payables to acquire intangible assets | 6,675 | 5,979 |

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

- Transfer of set-top box business

i) On May 17, 2017, set-top box product business of Home Entertainment segment were transferred to Technicolor SA.

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

| <i>(in millions of Korean won)</i> | Amount |
|---|---------------|
| Total consideration | |
| Cash and cash equivalents | 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 |

28. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land and buildings) with maximum amount of ₩191,072 million (December 31, 2017: ₩189,531 million) and the book amount of pledged assets is ₩190,349 million (December 31, 2017: ₩191,526 million). In addition, the Group provided buildings to Nonghyup Bank and others, which are provided with land as collateral, as collateral in order to guarantee obligations of landlords up to ₩9,120 million (December 31, 2017: ₩9,120 million) and the pledged assets were fully depreciated as of March 31, 2018. Furthermore, financial assets at fair value through other comprehensive income amounting to ₩464 million and financial assets at fair value through profit or loss amounting to ₩1,253 million of certain subsidiaries are also provided as collateral (December 31, 2017: available-for-sale financial assets ₩1,717million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩469,027 million (December 31, 2017: ₩448,068 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal US\$ 200 million, EUR 100 million (December 31, 2017: US\$ 200 million, EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2017: ₩46,000 million). Also, subsidiaries provide joint performance guarantee amounting to ₩87,252 million (December 31, 2017: ₩87,252 million), and payment guarantee for Hitachi-LG Data Storage Inc.(HLDS) amounting to US\$ 10 million (December 31, 2017: US\$ 10 million).

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

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those lawsuits on the financial position of the Group at the end of the reporting period cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Group's financial position.

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

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

29. Commitments

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

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2017: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩340,656 million (December 31, 2017: ₩212,500 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩1,498,765 million (December 31, 2017: ₩1,494,848 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩1,901,570 million (December 31, 2017: ₩1,915,663 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩500,000 million (December 31, 2017: ₩500,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩666,563 million (December 31, 2017: ₩669,625 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to US\$ 565 million (December 31, 2017: US\$ 641 million), and have sales agreements for trade receivables with a limit of US\$ 620 million (December 31, 2017: US\$ 620 million) with BTMU. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩84,000 million (December 31, 2017: ₩84,000 million) in connection with the collection of

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the trade receivables.

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

In addition, LG Innotek Co., Ltd., a subsidiary, has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and others for up to ₩184,000 million (December 31, 2017: ₩184,000 million) in connection with the payment of trade payables, where under the contracts the vendors of LG Innotek Co., Ltd. can transfer their receivables to these banks.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩65,400 million limit (December 31, 2017: ₩65,400 million) in connection with the payment of trade payables.

(e) LG Innotek Co., Ltd., a subsidiary, has an agreement for underwriting commercial paper with a limit of ₩30,000 million (December 31, 2017: ₩30,000 million).

In addition, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2017: ₩40,000 million).

(f) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩4,620,488 million (December 31, 2017: ₩4,698,230 million).

(g) 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> | March 31, 2018 | December 31, 2017 |
|------------------------------------|-----------------------|--------------------------|
| Property, plant and equipment | 279,067 | 360,394 |
| Intangible assets | 28,485 | 33,615 |
| Total | 307,552 | 394,009 |

(h) Operating lease commitments – the Group as a 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> | March 31, 2018 | | | |
|------------------------------------|-----------------------|---------------------|---------------------|-----------------------------|
| | Within 1 year | 1 to 5 years | Over 5 years | Total lease payments |
| Land | 238 | 683 | 930 | 1,851 |
| Buildings and offices | 230,449 | 374,042 | 68,427 | 672,918 |
| Vehicles | 25,702 | 24,550 | - | 50,252 |

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| | | | | |
|----------------------|----------------|----------------|---------------|----------------|
| Equipment and others | 19,886 | 16,255 | - | 36,141 |
| Total | 276,275 | 415,530 | 69,357 | 761,162 |

ii) Lease payment under operating lease recognized in the consolidated interim statement of profit or loss for the three-month period ended March 31, 2018, is ₩89,154 million (March 31, 2017: ₩85,664 million).

iii) As of March 31, 2018, total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to ₩13,630 million and lease income recognized related to the sublease for the three-month period ended March 31, 2018, amounts to ₩2,092 million (March 31, 2017: ₩2,415 million).

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

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | |
|------------------------------------|----------------|----------------|--------------|----------------------|
| | Within 1 year | 1 to 5 years | Over 5 years | Total lease payments |
| Healthcare rental | 269,365 | 456,149 | - | 725,514 |
| Real estate rental | 154 | 136 | - | 290 |
| Total | 269,519 | 456,285 | - | 725,804 |

ii) The Group recognized ₩59,552 million (March 31, 2017: ₩33,118 million) in lease income for the three-month period ended March 31, 2018.

(j) Finance lease commitments – the Group as a lessee

At the end of the reporting period, the Group has entered into a finance lease agreement for vehicle lease and has recognized related assets and liabilities in the consolidated statements of financial position. Net book amount of the leased assets amounts to ₩1,634 million, and the present value of the finance lease liabilities amounts to ₩795 million.

As of March 31, 2018, future minimum lease payments under the finance lease agreement are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | | December 31, 2017 | |
|------------------------------------|------------------------|------------------------------|------------------------|------------------------------|
| | Minimum lease payments | PV of minimum lease payments | Minimum lease payments | PV of minimum lease payments |
| Within 1 year | 617 | 585 | 708 | 665 |
| 1 to 5 years | 218 | 210 | 304 | 292 |
| Total | 835 | 795 | 1,012 | 957 |

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(k) Trademark license commitments

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

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

30. Related Party

(a) Major transactions for the three-month periods ended March 31, 2018 and 2017, and balances of receivables and payables from transaction with related parties as of March 31, 2018 and December 31, 2017, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

| | | 2018 | | | | | |
|-------------------------------------|--|---------------------|---------------|--------------|----------------------|---------------|--------------|
| | | Income transactions | | | Expense transactions | | |
| <u>Classification</u> | <u>Name</u> | <u>Sales</u> | <u>Others</u> | <u>Total</u> | <u>Purchases</u> | <u>Others</u> | <u>Total</u> |
| Significantly influencing the Group | LG Corp. | 1,408 | - | 1,408 | 147 | 40,184 | 40,331 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 438,563 | 71 | 438,634 | 1,105,581 | 3,986 | 1,109,567 |
| | Ericsson-LG Co., Ltd. and its subsidiaries | 1,271 | - | 1,271 | 869 | - | 869 |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries | 383 | 53 | 436 | 26,259 | - | 26,259 |
| | LG Fuel Cell Systems Inc. and its subsidiaries | 107 | - | 107 | - | - | - |
| | Subtotal | | 440,324 | 124 | 440,448 | 1,132,709 | 3,986 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 31,080 | - | 31,080 | 18,450 | - | 18,450 |
| | LG Holdings (HK) Ltd. and its subsidiaries | - | - | - | - | 469 | 469 |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | 194 | 194 |
| | LG-MRI LLC | 85 | - | 85 | 7,853 | - | 7,853 |
| | Subtotal | | 31,165 | - | 31,165 | 26,303 | 663 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 19,929 | - | 19,929 | 32,233 | 103,752 | 135,985 |
| | SERVEONE Co., Ltd. and its subsidiaries | 28,860 | - | 28,860 | 287,394 | 143,254 | 430,648 |
| | LB Lusem CO., LTD. ² | 6,114 | - | 6,114 | 205 | 1 | 206 |
| | LG Management Development Institute | - | - | - | 1 | 6,567 | 6,568 |
| | LG SPORTS Ltd. | - | - | - | - | 1,487 | 1,487 |
| | LG MMA Ltd. | 3 | - | 3 | 71 | - | 71 |
| | LG Holdings Japan Co., Ltd. | 4 | - | 4 | - | 794 | 794 |
| | LG Corp. U.S.A. | 323 | - | 323 | - | - | - |
| Subtotal | | 55,233 | - | 55,233 | 319,904 | 255,855 | 575,759 |
| Others ¹ | LG Chem Ltd. and its subsidiaries and joint | 250,061 | 1,085 | 251,146 | 240,912 | 438 | 241,350 |

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| | | 2018 | | | | | |
|----------------|---|---------------------|--------------|----------------|----------------------|----------------|------------------|
| Classification | Name | Income transactions | | | Expense transactions | | |
| | | Sales | Others | Total | Purchases | Others | Total |
| | ventures | | | | | | |
| | LG INTERNATIONAL CORP and its subsidiaries | 31,770 | - | 31,770 | 802,200 | 448,814 | 1,251,014 |
| | LG Uplus Corp and its subsidiaries | 159,497 | - | 159,497 | 13,169 | 2,534 | 15,703 |
| | LG HAUSYS,LTD. and its subsidiaries and associates | 3,181 | - | 3,181 | 3,108 | 3 | 3,111 |
| | Silicon Works Co., Ltd. | 5,933 | - | 5,933 | 2,663 | - | 2,663 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries | 1,348 | - | 1,348 | 69 | 255 | 324 |
| | G II R Inc. and its subsidiaries | 2,765 | - | 2,765 | 7 | 63,524 | 63,531 |
| | Subtotal | 454,555 | 1,085 | 455,640 | 1,062,128 | 515,568 | 1,577,696 |
| | Total | 982,685 | 1,209 | 983,894 | 2,541,191 | 816,256 | 3,357,447 |

(in millions of Korean won)

| | | 2017 | | | | | |
|-------------------------------------|--|---------------------|------------|----------------|----------------------|----------------|------------------|
| Classification | Name | Income transactions | | | Expense transactions | | |
| | | Sales | Others | Total | Purchases | Others | Total |
| Significantly influencing the Group | LG Corp. | 315 | - | 315 | 16 | 38,253 | 38,269 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 530,276 | - | 530,276 | 1,497,325 | 1,932 | 1,499,257 |
| | Ericsson-LG Co., Ltd. and its subsidiaries | 1,914 | - | 1,914 | 1,123 | - | 1,123 |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries | 486 | 61 | 547 | 36,288 | 72 | 36,360 |
| | LG Fuel Cell Systems Inc. and its subsidiaries | 340 | 240 | 580 | - | - | - |
| | Subtotal | 533,016 | 301 | 533,317 | 1,534,736 | 2,004 | 1,536,740 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 23,666 | - | 23,666 | 3,786 | 7,415 | 11,201 |
| | LG Holdings (HK) Ltd. and its subsidiaries | - | - | - | - | 651 | 651 |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | 191 | 191 |
| | LG-MRI LLC | 70 | - | 70 | 6,899 | 2 | 6,901 |
| | Subtotal | 23,736 | - | 23,736 | 10,685 | 8,259 | 18,944 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 19,942 | - | 19,942 | 23,224 | 80,437 | 103,661 |
| | SERVEONE Co., Ltd. and its subsidiaries | 19,145 | - | 19,145 | 283,091 | 88,685 | 371,776 |
| | SK Siltron Co., Ltd. and its subsidiaries ³ | 1,007 | - | 1,007 | 19 | - | 19 |
| | LUSEM CO., LTD. | 9,940 | - | 9,940 | 394 | - | 394 |
| | LG Management Development Institute | - | - | - | 2 | 6,012 | 6,014 |
| | LG SPORTS Ltd. | - | - | - | - | 1,223 | 1,223 |
| | LG MMA Ltd. | 300 | - | 300 | 13 | - | 13 |
| | LG Holdings Japan Co., Ltd. | 5 | - | 5 | - | 887 | 887 |
| | Subtotal | 50,339 | - | 50,339 | 306,743 | 177,244 | 483,987 |
| Others ¹ | LG Chem Ltd. and its subsidiaries and joint ventures | 164,324 | - | 164,324 | 239,333 | 863 | 240,196 |
| | LG INTERNATIONAL CORP and its subsidiaries | 66,799 | - | 66,799 | 845,492 | 421,335 | 1,266,827 |

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| | | 2017 | | | | | |
|----------------|---|---------------------|------------|------------------|----------------------|----------------|------------------|
| Classification | Name | Income transactions | | | Expense transactions | | |
| | | Sales | Others | Total | Purchases | Others | Total |
| | LG Uplus Corp and its subsidiaries | 235,369 | - | 235,369 | 16,902 | 813 | 17,715 |
| | LG HAUSYS,LTD. and its subsidiaries and associates | 5,274 | - | 5,274 | 9,238 | 249 | 9,487 |
| | Silicon Works Co., Ltd. | 2,563 | - | 2,563 | 2,547 | - | 2,547 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries | 574 | - | 574 | 67 | 48 | 115 |
| | G II R Inc. and its subsidiaries | 507 | - | 507 | 22 | 54,678 | 54,700 |
| | Subtotal | 475,410 | - | 475,410 | 1,113,601 | 477,986 | 1,591,587 |
| | Total | 1,082,816 | 301 | 1,083,117 | 2,965,781 | 703,746 | 3,669,527 |

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

² All shares of 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. As of March 31, 2018, LB Lusem CO., LTD. belongs to LG Group, as defined by the Korean Fair Trade Commission.

³ 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.

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

(in millions of Korean won)

| | | March 31, 2018 | | | | | | | |
|-------------------------------------|---|-------------------|---------------|-------------------|----------------|----------------|------------|----------------|----------------|
| Classification | Name | Receivables | | | Payables | | | | |
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables | Total |
| Significantly influencing the Group | LG Corp. | 36 | - | 27,057 | 27,093 | - | - | 40,360 | 40,360 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 491,400 | - | 222,816 | 714,216 | 857,090 | - | 88,239 | 945,329 |
| | Ericsson-LG Co., Ltd. and its subsidiaries | 318 | - | 2 | 320 | 834 | - | - | 834 |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries ² | 10 | 12,925 | 1,574 | 14,509 | 25,393 | - | 329 | 25,722 |
| | LG Fuel Cell Systems Inc. and its subsidiaries | 34 | - | 107 | 141 | - | - | 5 | 5 |
| | Korea Information Certificate Authority Inc. | - | - | 114 | 114 | - | - | - | - |
| | Subtotal | 491,762 | 12,925 | 224,613 | 729,300 | 883,317 | - | 88,573 | 971,890 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 19,012 | - | - | 19,012 | 17,578 | - | - | 17,578 |
| | LG Holdings (HK) Ltd. and its subsidiaries | - | - | - | - | - | - | 1,183 | 1,183 |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | - | - | 1 | 1 |
| | LG-MRI LLC | 108 | - | - | 108 | 3,560 | - | 63 | 3,623 |
| | Subtotal | 19,120 | - | - | 19,120 | 21,138 | - | 1,247 | 22,385 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 28,412 | - | 1,811 | 30,223 | 4,687 | - | 197,695 | 202,382 |
| | SERVEONE Co., Ltd. and its subsidiaries | 75,306 | - | 66,839 | 142,145 | 271,392 | - | 244,504 | 515,896 |
| | LB Lusem CO., LTD. ³ | - | - | - | - | 216 | - | - | 216 |

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| | | March 31, 2018 | | | | | | | |
|---------------------|--|-------------------|--------|-------------------|-----------|----------------|------------|----------------|-----------|
| Classification | Name | Receivables | | | | Payables | | | |
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables | Total |
| | LG Management Development Institute | - | - | 17,864 | 17,864 | - | - | 1,335 | 1,335 |
| | LG SPORTS Ltd. | - | - | - | - | - | - | 701 | 701 |
| | LG MMA Ltd. | 97 | - | - | 97 | 61 | - | - | 61 |
| | LG Holdings Japan Co., Ltd. | - | - | 3,473 | 3,473 | - | - | - | - |
| | LG Corp. U.S.A. | - | - | 3,757 | 3,757 | - | - | - | - |
| | Subtotal | 103,815 | - | 93,744 | 197,559 | 276,356 | - | 444,235 | 720,591 |
| Others ² | LG Chem Ltd. and its subsidiaries and joint ventures | 202,516 | - | 198,047 | 400,563 | 232,052 | - | 32,589 | 264,641 |
| | LG INTERNATIONAL CORP and its subsidiaries | 23,306 | - | 10,866 | 34,172 | 480,290 | - | 241,182 | 721,472 |
| | LG Uplus Corp and its subsidiaries | 48,499 | - | 231 | 48,730 | 1,236 | - | 447 | 1,683 |
| | LG HAUSYS,LTD. and its subsidiaries and associates | 7,971 | - | 11,417 | 19,388 | 2,982 | - | 726 | 3,708 |
| | Silicon Works Co., Ltd. | 5,813 | - | - | 5,813 | 2,564 | - | 756 | 3,320 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries | 680 | - | 711 | 1,391 | 31 | - | 1,580 | 1,611 |
| | G II R Inc. and its subsidiaries | 2,406 | - | - | 2,406 | 4,715 | - | 172,692 | 177,407 |
| | Subtotal | 291,191 | - | 221,272 | 512,463 | 723,870 | - | 449,972 | 1,173,842 |
| | Total | 905,924 | 12,925 | 566,686 | 1,485,535 | 1,904,681 | - | 1,024,387 | 2,929,068 |

(in millions of Korean won)

| | | December 31, 2017 | | | | | | | |
|-------------------------------------|--|-------------------|--------|-------------------|---------|----------------|------------|----------------|-----------|
| Classification | Name | Receivables | | | | Payables | | | |
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables | Total |
| Significantly influencing the Group | LG Corp. | 39 | - | 26,634 | 26,673 | - | - | 13,196 | 13,196 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 623,699 | - | 16,318 | 640,017 | 1,053,036 | - | 104,156 | 1,157,192 |
| | Ericsson-LG Co., Ltd. and its subsidiaries | 316 | - | 202 | 518 | 1,302 | - | - | 1,302 |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries | 33 | 13,347 | 1,625 | 15,005 | 21,589 | - | 237 | 21,826 |
| | LG Fuel Cell Systems Inc. and its subsidiaries | 1,201 | - | - | 1,201 | - | - | 5 | 5 |
| | Korea Information Certificate Authority Inc. | - | - | - | - | - | - | 7 | 7 |
| | Subtotal | 625,249 | 13,347 | 18,145 | 656,741 | 1,075,927 | - | 104,405 | 1,180,332 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 6,811 | - | - | 6,811 | 2,548 | - | - | 2,548 |
| | LG Holdings (HK) Ltd. and its subsidiaries | - | - | - | - | - | - | 1,329 | 1,329 |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | - | - | 64 | 64 |
| | LG-MRI LLC | 248 | - | - | 248 | 3,871 | - | 214 | 4,085 |
| | Subtotal | 7,059 | - | - | 7,059 | 6,419 | - | 1,607 | 8,026 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 21,674 | - | 2,430 | 24,104 | 4,355 | - | 165,793 | 170,148 |

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| | | December 31, 2017 | | | | | | | |
|---------------------|--|-------------------|---------------|-------------------|------------------|------------------|------------|------------------|------------------|
| Classification | Name | Receivables | | | | Payables | | | |
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables | Total |
| | SERVEONE Co., Ltd. and its subsidiaries | 92,615 | - | 66,627 | 159,242 | 294,980 | - | 224,411 | 519,391 |
| | LUSEM CO., LTD. | 16,151 | - | - | 16,151 | 244 | - | 46 | 290 |
| | LG Management Development Institute | - | - | 17,864 | 17,864 | - | - | 1,609 | 1,609 |
| | LG SPORTS Ltd. | - | - | - | - | - | - | 1,952 | 1,952 |
| | LG MMA Ltd. | 423 | - | - | 423 | 18 | - | 9 | 27 |
| | LG Holdings Japan Co., Ltd. | - | - | 3,321 | 3,321 | - | - | - | - |
| | LG Corp. U.S.A. | - | - | 12,534 | 12,534 | - | - | - | - |
| | Subtotal | 130,863 | - | 102,776 | 233,639 | 299,597 | - | 393,820 | 693,417 |
| Others ² | LG Chem Ltd. and its subsidiaries and joint ventures | 317,285 | - | 7,964 | 325,249 | 328,823 | - | 88,265 | 417,088 |
| | LG INTERNATIONAL CORP and its subsidiaries | 28,245 | - | 28,352 | 56,597 | 599,376 | - | 266,176 | 865,552 |
| | LG Uplus Corp and its subsidiaries | 53,778 | - | 458 | 54,236 | 3,550 | - | 911 | 4,461 |
| | LG HAUSYS, LTD. and its subsidiaries and associates | 18,932 | - | 169 | 19,101 | 4,548 | - | 4,098 | 8,646 |
| | Silicon Works Co., Ltd. | 6,312 | - | - | 6,312 | 2,181 | - | 852 | 3,033 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries | 2,048 | - | - | 2,048 | 30 | - | 1,431 | 1,461 |
| | G II R Inc. and its subsidiaries | 339 | - | 2,365 | 2,704 | 6,491 | - | 247,555 | 254,046 |
| | Subtotal | 426,939 | - | 39,308 | 466,247 | 944,999 | - | 609,288 | 1,554,287 |
| | Total | 1,190,149 | 13,347 | 186,863 | 1,390,359 | 2,326,942 | - | 1,122,316 | 3,449,258 |

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

² The Group recognized additional equity method loss of ₩422 million for loans provided to Hitachi-LG Data Storage Inc. and others for the three-month period ended March 31, 2018 (March 31, 2017: equity method gain of ₩ 5,431 million).

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. As of March 31, 2018, LB Lusem CO., LTD. belongs to LG Group, as defined by the Korean Fair Trade Commission.

iii) Significant capital transactions with related parties and others for the three-month periods ended March 31, 2018 and 2017, are as follows:

(in millions of Korean won)

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

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| Classification | Name | 2018 | | | | | | |
|----------------|--------------|-----------------|---------------|-------------------------------|-----------------------------|-------------|----------------------------------|------------|
| | | Dividend income | Dividend paid | Cash distribution (reduction) | Financing loan transactions | | Financing borrowing transactions | |
| | | | | | Loans | Collections | Borrowings | Repayments |
| | Inc. | | | | | | | |
| | LG-MRI LLC | 321 | - | - | - | - | - | - |
| | Total | 68,248 | 22,038 | - | - | - | - | - |

(in millions of Korean won)

| Classification | Name | 2017 | | | | | | |
|-------------------------------------|--|-----------------|---------------|-------------------------------|-----------------------------|--------------|----------------------------------|------------|
| | | Dividend income | Dividend paid | Cash distribution (reduction) | Financing loan transactions | | Financing borrowing transactions | |
| | | | | | Loans | Collections | Borrowings | Repayments |
| Significantly influencing the Group | LG Corp. | - | 22,038 | - | - | - | - | - |
| | LG Display Co., Ltd. | 67,813 | - | - | - | - | - | - |
| Associates | Korea Information Certificate Authority Inc. | 100 | - | - | - | - | - | - |
| | Hitachi-LG Data Storage Inc.(HLDS) | - | - | - | - | 7,413 | - | - |
| | Total | 67,913 | 22,038 | - | - | 7,413 | - | - |

- (b) The compensation paid or payable to key management personnel for the three-month periods ended March 31, 2018 and 2017, consists of:

| (in millions of Korean won) | 2018 | 2017 |
|-----------------------------|---------------|--------------|
| Wages and salaries | 9,942 | 6,946 |
| Post-employment benefits | 945 | 1,197 |
| Other long-term benefits | 28 | 34 |
| Total | 10,915 | 8,177 |

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

- (c) The Group provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to US\$ 10 million at the end of the reporting period.
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

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31. Risk Management

Financial Risk Management

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

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

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

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

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

(a) Market risk

i) Foreign exchange risk

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

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

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

As of March 31, 2018 and December 31, 2017, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than

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functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | | December 31, 2017 | |
|------------------------------------|----------------|--------------|-------------------|--------------|
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD/KRW | (39,966) | 39,966 | 38,886 | (38,886) |
| EUR/KRW | 27,563 | (27,563) | 19,998 | (19,998) |

ii) Interest rate risk

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

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

If interest rates fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the three-month periods ended March 31, 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 | 9,160 | (9,160) | 7,332 | (7,332) |
| Interest expense | 1,241 | (1,241) | 895 | (895) |

iii) Details of derivatives contracts are as follows:

Hedging purposes

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

| March 31, 2018 | Contractor | Contracted amount <i>(in millions)</i> | Contracted currency rate | Interest rate <i>(paid)</i> | Starting date | Expiration date |
|--------------------|-------------------------|---|--------------------------|--------------------------------|----------------------------|----------------------------|
| USD/KRW CRS | Shinhan Bank and others | USD 530 | 1,097.3 ~ 1,155.2 | 2.17 ~ 3.22 | 2013. 7.31 ~ 2017.11.22 | 2019. 1.31 ~ 2025. 4.23 |
| Interest rate swap | Woori Bank and others | KRW 1,270,000 / EUR 100 / USD 85 | - | 1.00 ~ 4.53 | 2014. 1. 3 ~ 2018. 2.26 | 2023. 2.24 ~ 2030. 7. 7 |

Interest rates received for the above swap contracts equal to annual interest rates of

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borrowings (Note 12).

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩975 million for the three-month period ended March 31, 2018 (March 31, 2017: loss on valuation amounting to ₩35,414 million) after applying the tax effect, is recognized in other comprehensive income. The Group has reclassified ₩4,719 million to loss from equity for the three-month period ended March 31, 2018 (March 31, 2017: ₩41,717 million to loss from equity). Therefore, other comprehensive income from cash flow hedges amounts to ₩3,744 million for the three-month period ended March 31, 2018 (March 31, 2017: other comprehensive income of ₩6,303 million) after applying the tax effect.

Trading purposes

The Group entered into the currency forward contracts to manage the risk against possible future changes in foreign exchange rates. The subsidiaries' currency forward contracts as of March 31, 2018, and related profit or loss for the three-month period ended March 31, 2018, are as follows:

| <i>(in millions of Korean won)</i> | Purchase | Sale | Loss on valuation | Gain on transaction |
|------------------------------------|-----------------|-------------|--------------------------|----------------------------|
| Currency forward | 576,801 | 576,960 | 42 | 594 |

iv) Price risk

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

The listed securities owned by the Group 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 Group have correlation with the relevant past index.

| <i>(in millions of Korean won)</i> | March 31, 2018 | | December 31, 2017 | |
|------------------------------------|-----------------------|---------------------|--------------------------|---------------------|
| | 30% increase | 30% decrease | 30% increase | 30% decrease |
| KOSDAQ | 3,238 | (3,238) | 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.

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(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Group is ₩7,222,576 million (December 31, 2017: ₩8,258,464 million) and its risk is managed appropriately within insurer's credit limit of ₩27,448,398 million (December 31, 2017: ₩28,176,815 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

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

(c) Liquidity risk

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

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

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

- i) Cash flow information on maturity of financial liabilities as of March 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 | 7,242,998 | 7,242,998 | - | - | - |
| Borrowings | 11,065,637 | 1,863,363 | 1,419,630 | 3,823,290 | 3,959,354 |
| Other payables | 3,634,674 | 3,615,615 | 12,715 | 6,094 | 250 |
| Other financial liabilities | 2,072 | 2,072 | - | - | - |
| Total | 21,945,381 | 12,724,048 | 1,432,345 | 3,829,384 | 3,959,604 |

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within

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other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩2,072 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

- ii) At the end of the reporting period, the maturity analysis of financial guarantee contracts provided by the Group to third party companies 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 | 56,665 | 48,666 | 2,666 | 5,333 | - |

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

Capital Risk Management

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

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

| <i>(in millions of Korean won, except for ratios)</i> | March 31, 2018 | December 31, 2017 |
|---|-----------------------|--------------------------|
| Liability (A) | 25,765,999 | 26,547,275 |
| Equity (B) | 15,456,014 | 14,673,684 |
| Cash and cash equivalents (C) | 3,753,077 | 3,350,597 |
| Borrowings (D) | 9,622,203 | 9,450,480 |
| Debt-to-equity ratio (A/B) | 166.7% | 180.9% |
| Net borrowings ratio ((D-C)/B) | 38.0% | 41.6% |

Fair Value Estimation

- (a) The book amount and fair value of the Group's financial assets and liabilities as of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 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 | 3,349 | 3,349 | 17,771 | 1 |
| Financial assets at fair value through | | | | |

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| <i>(in millions of Korean won)</i> | March 31, 2018 | | | |
|---|-------------------|------------|----------------|------------|
| | Current | | Non-current | |
| | Book amount | Fair value | Book amount | Fair value |
| other comprehensive income | | | | |
| Trade receivables | 311,070 | 1 | - | - |
| Other financial assets | | | | |
| Marketable equity securities | - | - | 15,604 | 15,604 |
| Non-marketable equity securities | - | - | 20,043 | 1 |
| Derivatives for hedging purposes | | | | |
| Other financial assets | - | - | 2,287 | 2,287 |
| Assets at amortized cost | | | | |
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents | 3,753,077 | 1 | - | - |
| Deposits held by financial institutions | 80,515 | 1 | 54,547 | 54,547 |
| Trade receivables | 6,833,721 | 1 | - | - |
| Other receivables | 499,015 | 1 | 465,365 | 441,032 |
| Other financial assets | - | - | 121 | 1 |
| Total | 11,480,747 | | 575,738 | |

| <i>(in millions of Korean won)</i> | March 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 | 2,072 | 2,072 | - | - |
| Derivatives for hedging purposes | | | | |
| Other financial liabilities | 10,499 | 10,499 | 54,973 | 54,973 |
| Liabilities at amortized cost | | | | |
| Financial liabilities at amortized cost | | | | |
| Trade payables | 7,242,998 | 1 | - | - |
| Borrowings | 1,554,061 | 1 | 8,068,142 | 8,037,847 |
| Other payables | 3,615,546 | 1 | 18,930 | 18,586 |
| Other liabilities | | | | |
| Other financial liabilities | 80 | 2 | 19 | 2 |
| Total | 12,425,256 | | 8,142,064 | |

| <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 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Other financial assets | 3,534 | 3,534 | - | - |
| Derivatives for hedging purposes | | | | |
| Other financial assets | - | - | 1,862 | 1,862 |
| Available-for-sale financial assets | | | | |

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| <i>(in millions of Korean won)</i> | December 31, 2017 | | | |
|---|-------------------|------------|----------------|------------|
| | Current | | Non-current | |
| | Book amount | Fair value | Book amount | Fair value |
| Other financial assets | - | - | 13,844 | 13,844 |
| Assets at amortized cost | | | | |
| Loans and other receivables | | | | |
| Cash and cash equivalents | 3,350,597 | 1 | - | - |
| Deposits held by financial institutions | 80,515 | 1 | 52,775 | 52,775 |
| Trade receivables | 8,178,213 | 1 | - | - |
| Other receivables | 467,427 | 1 | 470,216 | 451,855 |
| Held-to-maturity financial assets | | | | |
| Other financial assets | - | - | 121 | 1 |
| Assets at cost | | | | |
| Available-for-sale financial assets | | | | |
| Other financial assets | - | - | 37,154 | 3 |
| Total | 12,080,286 | | 575,972 | |

| <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 | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Other financial liabilities | 2,166 | 2,166 | - | - |
| Derivatives for hedging purposes | | | | |
| Other financial liabilities | - | - | 68,589 | 68,589 |
| Liabilities at amortized cost | | | | |
| Trade payables | 8,137,526 | 1 | - | - |
| Borrowings | 1,360,756 | 1 | 8,089,724 | 8,076,497 |
| Other payables | 3,522,839 | 1 | 6,490 | 6,496 |
| Other liabilities | | | | |
| Other financial liabilities | 114 | 4 | 21 | 4 |
| Total | 13,023,401 | | 8,164,824 | |

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

² Measured at the higher of the amount of the loss allowance determined in accordance with Korean IFRS 1109 *Financial Instruments*, and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*.

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*.

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

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

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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 of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 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 | 15,604 | - | - | 15,604 |
| Financial assets at fair value through profit or loss | - | 3,349 | - | 3,349 |
| Derivatives for hedging purposes | - | 2,287 | - | 2,287 |
| Liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | - | 2,072 | - | 2,072 |
| Derivatives for hedging purposes | - | 65,472 | - | 65,472 |

| <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 | 13,844 | - | - | 13,844 |
| Financial assets at fair value through profit or loss | - | 3,534 | - | 3,534 |
| Derivatives for hedging purposes | - | 1,862 | - | 1,862 |
| Liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | - | 2,166 | - | 2,166 |
| 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 of March 31, 2018 and December 31, 2017, are as follows:

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| <i>(in millions of Korean won)</i> | Fair value | | Valuation techniques | Inputs |
|--|----------------|-------------------|----------------------|---------------------------------|
| | March 31, 2018 | December 31, 2017 | | |
| Assets | | | | |
| Other financial assets | | | | |
| Financial assets at fair value through profit or loss | 3,349 | 3,534 | Discounted cash flow | Discount rate and exchange rate |
| Derivatives for hedging purposes | 2,287 | 1,862 | Discounted cash flow | Discount rate and exchange rate |
| Liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 2,072 | 2,166 | Discounted cash flow | Discount rate and exchange rate |
| Derivatives for hedging purposes | 65,472 | 68,589 | Discounted cash flow | Discount rate and exchange rate |

- Fair value measurements categorized within 'level 3'

There are no changes in financial assets and financial liabilities that are measured at fair value and categorized within 'level 3' for the three-month periods ended March 31, 2018 and 2017.

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 of March 31, 2018 and December 31, 2017, are as follows:

| <i>(in millions of Korean won)</i> | March 31, 2018 | | | |
|---|----------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Non-current deposits held by financial institutions | - | - | 54,547 | 54,547 |
| Non-current other receivables | - | - | 441,032 | 441,032 |
| Liabilities | | | | |
| Non-current borrowings | - | - | 8,037,847 | 8,037,847 |
| Non-current other payables | - | - | 18,586 | 18,586 |

| <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 | - | - | 52,775 | 52,775 |
| Non-current other receivables | - | - | 451,855 | 451,855 |
| Liabilities | | | | |

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| | | | | |
|----------------------------|---|---|-----------|-----------|
| Non-current borrowings | - | - | 8,076,497 | 8,076,497 |
| Non-current other payables | - | - | 6,496 | 6,496 |

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

| <i>(in millions of Korean won)</i> | March 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 | 54,547 | 54,547 | 52,775 | 52,775 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 0.1% ~ 1.8% |
| Non-current other receivables | 465,365 | 441,032 | 470,216 | 451,855 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 3.5% ~ 4.8% |
| Liabilities | | | | | | | | |
| Non-current borrowings | 8,068,142 | 8,037,847 | 8,089,724 | 8,076,497 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 1.9% ~ 4.1% |
| Non-current other payables | 18,930 | 18,586 | 6,490 | 6,496 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 1.9% ~ 3.6% |

32. Business Combinations

- (a) On July 1, 2017, the Group acquired R&D institutions in Japan from LG Chem, Ltd. and LG Display Co., Ltd. in order to create synergy effects by integrating R&D base in Japan.
- (b) The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

| <i>(in millions of Korean won)</i> | Amount |
|--|--------|
| Consideration | |
| Cash and cash equivalents | 1,378 |
| Recognized amounts of identifiable assets acquired and liabilities assumed | |
| Current assets | |
| Other assets | 4 |
| Non-current assets | |
| Property, plant and equipment | 621 |

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| <i>(in millions of Korean won)</i> | Amount |
|--|---------------|
| Other receivables ¹ | 753 |
| Fair value of total identifiable net assets | 1,378 |
| Goodwill | - |

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

The acquisition-related direct costs incurred in relation to business combination amounting to ₩10 million was recognized as expenses as incurred.

33. Assets Classified as Held for Sale

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

| <i>(in millions of Korean won)</i> | March 31, 2018 | December 31, 2017 |
|--|-----------------------|--------------------------|
| Property, plant and equipment ¹ | 25,376 | 21,436 |

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

34. Events After the Reporting Period

On April 26, 2018, the Group decided to acquire 70% of shares of ZKW Holding GmbH and its subsidiaries for ₩1,010,794 million with the approval of the Board of Directors.