

LG Electronics Inc.
Separate Interim Financial Statements
September 30, 2019 and 2018

LG Electronics Inc.

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September 30, 2019 and 2018

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of LG Electronics Inc. (referred to as the “Company”). These financial statements consist of the separate interim statement of financial position of the Company as at September 30, 2019, and the related separate interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, and separate interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2019 and 2018, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

Conclusion

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

Other Matters

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

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

November 14, 2019
Seoul, Korea

This report is effective as at November 14, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.

Separate Interim Statements of Financial Position

September 30, 2019 and December 31, 2018

<i>(in millions of Korean won)</i>	Notes	September 30, 2019 (Unaudited)	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	4,31	1,075,484	1,109,883
Deposits held by financial institutions	4,31	80,500	80,500
Trade receivables	4,5,31	4,487,770	3,726,012
Other receivables	4,5,31	553,861	545,431
Other financial assets	4,6,31	-	1,281
Inventories	7	1,363,495	1,505,385
Current income tax assets		1,731	3,157
Contract assets	8	507,971	465,307
Other current assets		551,365	401,387
Assets held for sale	32	96,266	-
		<u>8,718,443</u>	<u>7,838,343</u>
Non-current assets			
Deposits held by financial institutions	4,31	1,583	1,211
Other receivables	4,5,31	186,750	243,485
Other financial assets	4,6,31	59,972	43,001
Property, plant and equipment	9	7,260,117	7,278,238
Intangible assets	9	1,501,342	1,671,617
Deferred income tax assets		1,019,949	967,496
Investments in subsidiaries, associates and joint ventures	10	9,007,276	9,108,014
Investment properties		-	93,999
Contract assets	8	112,121	90,092
Other non-current assets		573,677	529,967
		<u>19,722,787</u>	<u>20,027,120</u>
Total assets		<u>28,441,230</u>	<u>27,865,463</u>
Liabilities			
Current liabilities			
Trade payables	4,31	5,777,259	5,553,794
Borrowings	4,11,31	857,839	768,275
Lease liabilities	4,12,31	40,509	-
Other payables	4,31	1,616,137	2,371,053
Other financial liabilities	4,6,31	8,217	6,453
Current income tax liabilities		14,515	-
Provisions	14	488,035	349,001
Contract liabilities	8	404,611	458,539
Other current liabilities		1,471,546	1,251,123
		<u>10,678,668</u>	<u>10,758,238</u>
Non-current liabilities			
Borrowings	4,11,31	7,404,598	7,132,237
Lease liabilities	4,12,31	61,351	-
Other payables	4,31	1,141	1,011
Other financial liabilities	4,6,31	96,568	83,759
Net defined benefit liabilities	13	724,234	305,921
Provisions	14	90,092	124,467
Contract liabilities	8	810	1,034
Other non-current liabilities		106,650	95,916
		<u>8,485,444</u>	<u>7,744,345</u>
Total liabilities		<u>19,164,112</u>	<u>18,502,583</u>

LG Electronics Inc.**Separate Interim Statements of Financial Position****September 30, 2019 and December 31, 2018***(in millions of Korean won)*

	Notes	September 30, 2019 (Unaudited)	December 31, 2018
Equity			
Paid-in capital:			
Share capital	15	904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	5,409,391	5,460,710
Accumulated other comprehensive loss	17	(91,802)	(57,359)
Other components of equity	18	(32,819)	(32,819)
Total equity		<u>9,277,118</u>	<u>9,362,880</u>
Total liabilities and equity		<u>28,441,230</u>	<u>27,865,463</u>

LG Electronics Inc.
Separate Interim Statements of Profit or Loss
Three-month and Nine-month Periods Ended September 30, 2019 and 2018

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended September 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Net sales	19	6,703,747	22,107,818	7,732,482	23,510,188
Cost of sales	20	5,289,510	16,917,322	5,990,965	18,078,397
Gross profit		1,414,237	5,190,496	1,741,517	5,431,791
Selling and marketing expenses	20,21	730,164	2,202,810	713,341	2,119,449
Administrative expenses	20,21	136,246	402,021	143,060	409,069
Research and development expenses	20,21	533,242	1,505,882	485,359	1,397,788
Service costs	20,21	245,621	535,057	149,041	393,630
Operating profit (loss)		(231,036)	544,726	250,716	1,111,855
Financial income	22	38,191	100,503	45,200	156,172
Financial expenses	23	92,074	285,281	108,309	308,037
Other non-operating income	24	379,741	829,400	120,338	678,828
Other non-operating expenses	25	366,101	858,151	124,933	517,797
Profit (loss) before income tax		(271,279)	331,197	183,012	1,121,021
Income tax expense (benefit)		(69,282)	75,196	13,169	273,300
Profit (loss) for the period		(201,997)	256,001	169,843	847,721
Earnings (loss) per share during the period <i>(in Korean wo</i>	26				
Earnings (loss) per ordinary share		(1,124)	1,418	942	4,704
Earnings (loss) per preferred share		(1,110)	1,456	955	4,742

LG Electronics Inc.

Separate Interim Statements of Comprehensive Income

Three-month and Nine-month Periods Ended September 30, 2019 and 2018

<i>(in millions of Korean won)</i>	Notes	Period Ended September 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit (loss) for the period		<u>(201,997)</u>	<u>256,001</u>	<u>169,843</u>	<u>847,721</u>
Other comprehensive 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	(35,049)	(169,391)	(39,149)	(43,924)
Financial assets at fair value through other comprehensive income	6	(1,339)	(131)	110	1,569
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Cash flow hedges	31	<u>(10,838)</u>	<u>(34,312)</u>	<u>(594)</u>	<u>(11,609)</u>
Other comprehensive loss for the period, net of tax		<u>(47,226)</u>	<u>(203,834)</u>	<u>(39,633)</u>	<u>(53,964)</u>
Total comprehensive income (loss) for the period, net of tax		<u>(249,223)</u>	<u>52,167</u>	<u>130,210</u>	<u>793,757</u>

LG Electronics Inc.

Separate Interim Statements of Changes in Equity

Nine-month Periods Ended September 30, 2019 and 2018

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total Equity
Balance at January 1, 2018		3,992,348	5,602,967	(17,639)	(32,819)	9,544,857
Changes in accounting policy		-	11,830	(8,289)	-	3,541
Restated total equity		<u>3,992,348</u>	<u>5,614,797</u>	<u>(25,928)</u>	<u>(32,819)</u>	<u>9,548,398</u>
Total comprehensive income (loss):						
Profit for the period		-	847,721	-	-	847,721
Remeasurements of the net defined benefit liability	13	-	(43,924)	-	-	(43,924)
Financial assets at fair value through other comprehensive income	6	-	-	1,569	-	1,569
Cash flow hedges	31	-	-	(11,609)	-	(11,609)
Total comprehensive income (loss)		<u>-</u>	<u>803,797</u>	<u>(10,040)</u>	<u>-</u>	<u>793,757</u>
Transactions with owners:						
Dividends	16	-	(72,885)	-	-	(72,885)
Total transactions with owners		<u>-</u>	<u>(72,885)</u>	<u>-</u>	<u>-</u>	<u>(72,885)</u>
Balance at September 30, 2018 (Unaudited)		<u>3,992,348</u>	<u>6,345,709</u>	<u>(35,968)</u>	<u>(32,819)</u>	<u>10,269,270</u>
Balance at January 1, 2019		3,992,348	5,460,710	(57,359)	(32,819)	9,362,880
Changes in accounting policy	2	-	(2,020)	-	-	(2,020)
Restated total equity		<u>3,992,348</u>	<u>5,458,690</u>	<u>(57,359)</u>	<u>(32,819)</u>	<u>9,360,860</u>
Total comprehensive income (loss):						
Profit for the period		-	256,001	-	-	256,001
Remeasurements of the net defined benefit liability	13	-	(169,391)	-	-	(169,391)
Financial assets at fair value through other comprehensive income	6	-	-	(131)	-	(131)
Cash flow hedges	31	-	-	(34,312)	-	(34,312)
Total comprehensive income (loss)		<u>-</u>	<u>86,610</u>	<u>(34,443)</u>	<u>-</u>	<u>52,167</u>
Transactions with owners:						
Dividends	16	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at September 30, 2019 (Unaudited)		<u>3,992,348</u>	<u>5,409,391</u>	<u>(91,802)</u>	<u>(32,819)</u>	<u>9,277,118</u>

LG Electronics Inc.

Separate Interim Statements of Cash Flows

Nine-month Periods Ended September 30, 2019 and 2018

<i>(in millions of Korean won)</i>	Note	Nine-month Period Ended September 30	
		2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	27	285,353	1,400,174
Interest received		12,448	16,654
Interest paid		(186,894)	(176,657)
Dividends received		253,567	188,532
Income tax paid		(51,126)	(6,735)
Net cash inflow from operating activities		313,348	1,421,968
Cash flows from investing activities			
Decrease in other receivables		52,829	54,141
Proceeds from redemption and disposal of other financial assets		5,019	842
Proceeds from disposal of property, plant and equipment		24,941	32,834
Proceeds from disposal of intangible assets		13	1,920
Proceeds from disposal of investment properties		95,238	-
Proceeds from withdrawal and disposal of investments in subsidiaries, associates and joint ventures		229,979	1,544
Proceeds from disposal of assets held for sale		-	3,840
Transfer of business	27	529	46,130
Increase in deposits held by financial institutions		(372)	(144)
Increase in other receivables		(45,302)	(38,790)
Acquisition of other financial assets		(10,159)	(8,128)
Acquisition of property, plant and equipment		(576,838)	(632,865)
Acquisition of intangible assets		(247,627)	(363,597)
Acquisition of investments in subsidiaries, associates and joint ventures		(17,422)	(1,067,084)
Net cash outflow from investing activities		(489,172)	(1,969,357)
Cash flows from financing activities			
Proceeds from borrowings		1,060,062	1,192,214
Repayments of borrowings		(757,743)	(571,082)
Repayments of lease liabilities		(25,285)	-
Dividend paid		(135,909)	(72,885)
Net cash inflow from financing activities		141,125	548,247
Effects of exchange rate changes on cash and cash equivalents		300	(1,170)
Net decrease in cash and cash equivalents		(34,399)	(312)
Cash and cash equivalents at the beginning of the period		1,109,883	1,586,258
Cash and cash equivalents at the end of the period		1,075,484	1,585,946

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

September 30, 2019 and 2018 (Unaudited), and December 31, 2018

1. General Information

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

As at September 30, 2019, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle component Solutions segment designs and manufactures automobile parts; and Business Solutions segment manufactures and sells information displays, solar panels and others. As at September 30, 2019, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

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

The financial statements of the Company are the separate interim financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. The separate interim financial statements for the nine-month period ended September 30, 2019, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These separate interim financial statements have been prepared in accordance with Korean IFRS which is effective as at September 30, 2019.

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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, 2019.

- Enactment of Korean IFRS 1116 *Leases*

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

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

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

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

Lessee accounting

A lessee shall apply this standard to its leases either:

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

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

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

On adoption of Korean IFRS 1116, the Company recognized right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the

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remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.15%.

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

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

<i>(in millions of Korean won)</i>	January 1, 2019
Operating lease commitments disclosed as at December 31, 2018	122,531
Discounted amount using the lessee's incremental borrowing rate at the date of initial application	91,802
Add: finance lease liabilities recognized as at December 31, 2018	4,795
Less: short-term lease payments recognized on a straight-line basis as expenses	(21,777)
Less: low-value asset lease payments recognized on a straight-line basis as expenses	(713)
Lease liabilities recognized as at January 1, 2019	74,107
Of which are:	
Current lease liabilities	29,733
Non-current lease liabilities	44,374
Total	74,107

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied using the lessee's incremental borrowing rate at the date of initial application. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

<i>(in millions of Korean won)</i>	December 31, 2018 (before adjustments)	K-IFRS 1116 Adjustments	January 1, 2019 (after adjustments)
Current assets			
Other assets	401,387	(5,039)	396,348
Current assets without financial effect	7,436,956	-	7,436,956
Total current assets	7,838,343	(5,039)	7,833,304
Non-current assets			
Other receivables	243,485	-	243,485
Property, plant and equipment	7,278,238	71,755	7,349,993
Intangible assets	1,671,617	-	1,671,617
Deferred income tax assets	967,496	743	968,239
Other assets	529,967	(167)	529,800
Non-current assets without financial effect	9,336,317	-	9,336,317
Total non-current assets	20,027,120	72,331	20,099,451
Total assets	27,865,463	67,292	27,932,755
Current liabilities			
Lease liabilities	-	29,733	29,733
Other payables	2,371,053	(4,795)	2,366,258
Other liabilities	1,251,123	-	1,251,123
Current liabilities without financial effect	7,136,062	-	7,136,062
Total current liabilities	10,758,238	24,938	10,783,176
Non-current liabilities			
Lease liabilities	-	44,374	44,374
Other payables	1,011	-	1,011
Provisions	124,467	-	124,467
Non-current liabilities without financial effect	7,618,867	-	7,618,867
Total non-current liabilities	7,744,345	44,374	7,788,719
Total liabilities	18,502,583	69,312	18,571,895
Equity			
Retained earnings	5,460,710	(2,020)	5,458,690
Equity without financial effect	3,902,170	-	3,902,170
Total equity	9,362,880	(2,020)	9,360,860

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

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

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

Lessor accounting

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

- Amendments to Korean IFRS 1109 *Financial Instruments*

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

- Amendments to Korean IFRS 1019 *Employee Benefits*

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

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

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

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

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

- (b) There are no new, enacted and amended standards issued, but not effective for September 30, 2019, and not early adopted by the Company.

Application of Accounting Policies

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

Income Tax Expense

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

Leases

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

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

Lessee accounting

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

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

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

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

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Lessor accounting

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

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

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

3. Critical Accounting Estimates and Judgements

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

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

(a) Revenue recognition

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

(b) Impairment of goodwill

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

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(c) Income taxes

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

(d) Fair value of financial instruments

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

(e) Provisions

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

(f) Net defined benefit liabilities

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

(g) Development costs

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

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4. Financial Instruments by Category

(a) Categorizations of financial instruments as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	1,075,484	-	-	-	1,075,484
Deposits held by financial institutions	82,083	-	-	-	82,083
Trade receivables	4,468,452	19,318	-	-	4,487,770
Other receivables	740,611	-	-	-	740,611
Other financial assets	-	34,787	14,850	10,335	59,972
Total	6,366,630	54,105	14,850	10,335	6,445,920

<i>(in millions of Korean won)</i>	September 30, 2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,777,259	-	-	5,777,259
Borrowings	8,262,437	-	-	8,262,437
Lease liabilities	-	-	101,860	101,860
Other payables	1,617,278	-	-	1,617,278
Other financial liabilities	-	1,542	103,243	104,785
Total	15,656,974	1,542	205,103	15,863,619

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

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

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(b) Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019				Total
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	
Interest income	14,253	-	-	-	14,253
Exchange differences	276,879	-	-	-	276,879
Bad debt expense	(36,387)	-	-	-	(36,387)
Loss on disposal of trade receivables	(1,675)	(2,106)	-	-	(3,781)
Dividend income	-	242	272	-	514
Gain on valuation of financial assets at fair value through profit or loss	-	-	17	-	17
Fair value loss, net of tax (through other comprehensive income)	-	(131)	-	-	(131)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(1,970)	(1,970)
Others	(10,481)	-	-	-	(10,481)

<i>(in millions of Korean won)</i>	2019			Total
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	
Interest expenses	(184,003)	-	(3,065)	(187,068)
Exchange differences	(351,551)	-	42,999	(308,552)
Gain on derivatives (through profit or loss)	-	320	-	320
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(32,342)	(32,342)
Others	-	-	(7,658)	(7,658)

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<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	21,413	-	-	-	21,413
Exchange differences	183,835	-	-	-	183,835
Bad debt expense	(12,069)	-	-	-	(12,069)
Loss on disposal of trade receivables	(1,508)	(1,905)	-	-	(3,413)
Dividend income	-	192	-	-	192
Loss on valuation of financial assets at fair value through profit or loss	-	-	(2,002)	-	(2,002)
Fair value gain, net of tax (through other comprehensive income)	-	1,569	-	-	1,569
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	104	104
Others	(6,493)	-	-	-	(6,493)

<i>(in millions of Korean won)</i>	2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(170,578)	-	(8,157)	(178,735)
Exchange differences	(204,682)	-	29,682	(175,000)
Gain on derivatives (through profit or loss)	-	264	-	264
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(11,713)	(11,713)
Others	-	-	638	638

5. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019			December 31, 2018		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	4,550,950	(63,180)	4,487,770	3,756,499	(30,487)	3,726,012
Other receivables						
Current	560,893	(7,032)	553,861	551,698	(6,267)	545,431
Non-current	189,693	(2,943)	186,750	243,494	(9)	243,485

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(b) Movements in allowance for doubtful accounts for the nine-month periods ended September 30, 2019 and 2018, are as follows:

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

<i>(in millions of Korean won)</i>	2018			
	At Jan. 1	Addition (Reversal)	Write-off and other	At Sept. 30
Trade receivables	22,716	12,870	11	35,597
Other receivables				
Current	6,694	(300)	-	6,394
Non-current	511	(501)	-	10

(c) The aging analysis of trade receivables and other receivables as at September 30, 2019 and December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2019				December 31, 2018			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	4,213,719	413,224	175,621	4,802,564	3,446,476	417,134	230,670	4,094,280
Past due but not impaired								
Up to 6 months	174,029	46,898	8,582	229,509	210,170	13,555	11,711	235,436
7 to 12 months	38,440	11,493	2,708	52,641	77,215	23,499	610	101,324
Over 1 year	25,084	81,416	2	106,502	11,527	90,332	503	102,362
Subtotal	237,553	139,807	11,292	388,652	298,912	127,386	12,824	439,122
Impaired	99,678	7,862	2,780	110,320	11,111	7,178	-	18,289
Total	4,550,950	560,893	189,693	5,301,536	3,756,499	551,698	243,494	4,551,691

(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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6. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Other financial assets		
Derivatives	10,335	1,572
Financial assets at fair value through other comprehensive income	34,787	30,025
Financial assets at fair value through profit or loss	14,850	12,685
Total	59,972	44,282
Current	-	1,281
Non-current	59,972	43,001

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Other financial liabilities		
Derivatives	88,094	75,860
Financial guarantee liability	16,691	14,352
Total	104,785	90,212
Current	8,217	6,453
Non-current	96,568	83,759

(b) Details of derivatives as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Current				
Cross-currency swap	-	-	1,281	-
Share purchase contract	-	1,542	-	-
Subtotal	-	1,542	1,281	-
Non-current				
Cross-currency swap	10,335	4,268	291	20,920
Interest rate swap	-	82,284	-	53,078
Share purchase contract	-	-	-	1,862
Subtotal	10,335	86,552	291	75,860
Total	10,335	88,094	1,572	75,860

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

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(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the nine-month periods ended September 30, 2019 and 2018, are as follows:

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

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Acquisition	Disposals	Valuation	At Sept. 30
Listed equity securities	13,842	-	-	3,437	17,279
Unlisted equity securities	7,842	5,561	-	(1,698)	11,705
Total	21,684	5,561	-	1,739	28,984

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the nine-month periods ended September 30, 2019 and 2018, are as follows:

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

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Acquisition	Disposals	Valuation	At Sept. 30
Unlisted equity securities	10,399	2,567	-	(2,002)	10,964

7. Inventories

Inventories as at September 30, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	September 30, 2019			December 31, 2018		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	569,289	(43,810)	525,479	664,581	(38,222)	626,359
Work-in-process	121,588	(1,233)	120,355	132,285	(3,346)	128,939
Raw materials and supplies	670,913	(68,779)	602,134	674,854	(43,914)	630,940
Other	138,274	(22,747)	115,527	141,705	(22,558)	119,147
Total	1,500,064	(136,569)	1,363,495	1,613,425	(108,040)	1,505,385

8. Contract Assets and Contract Liabilities

(a) Contract assets as at September 30, 2019 and December 31, 2018, are as follows:

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<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Due from customers	472,244	454,920
(Less: allowance for doubtful accounts)	(2,999)	(2,400)
Right to recover returned products	836	799
Costs to fulfil contracts and others	150,011	102,080
Total	620,092	555,399
Current	507,971	465,307
Non-current	112,121	90,092

(b) Contract liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Expected promotional incentives for customers	158,218	140,200
Expected returns from customers	1,350	1,221
Customer loyalty program	66,106	51,015
Rendering of warranty services	14	55
Due to customers and others	179,733	267,082
Total	405,421	459,573
Current	404,611	458,539
Non-current	810	1,034

(c) Revenue recognized in relation to contract liabilities for the nine-month periods ended September 30, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019	2018
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	219,023	229,961
Customer loyalty program	38,790	2,896
Rendering of warranty services	41	37
Total	257,854	232,894
Revenue recognized from performance obligations satisfied in previous periods	2,130	794

(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 ₩744,187 million where they are expected to be satisfied by 2021, at the latest. Also as a practical expedient, the Company excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

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- (e) For the nine-month period ended September 30, 2019, the Company recognized impairment loss amounting to ₩70 million (September 30, 2018: reversal of impairment loss of ₩1 million) upon due from customers and a depreciation of ₩44,302 million (September 30, 2018: ₩2,157 million) upon costs to fulfil a contract.

9. Property, Plant and Equipment, and Intangible Assets

- (a) Changes in property, plant and equipment for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
At January 1¹	7,349,993	7,142,306
Acquisitions	572,947	551,420
Reclassification to assets held for sale	(2,920)	(3,629)
Disposals and others	(40,388)	(33,589)
Decrease due to transfer of business	-	(9)
Depreciation	(543,572)	(494,688)
Impairment	(75,943)	(1,200)
At September 30	7,260,117	7,160,611

¹ Property, plant and equipment as at January 1, 2019, amounting to ₩71,755 million, was newly recognized upon adoption of Korean IFRS 1116 *Leases*.

- (b) Line items including depreciation in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	437,098	418,129
Selling and marketing expenses	22,747	7,629
Administrative expenses	20,770	11,385
Research and development expenses	50,310	48,771
Service costs	8,780	4,056
Other non-operating expenses	3,867	4,718
Total	543,572	494,688

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

<i>(in millions of Korean won)</i>	2019
At January 1	80,736
Acquisitions	63,248
Disposals and others	(7,129)
Depreciation	(29,248)
At September 30	107,607

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

(d) Changes in intangible assets for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
At January 1	1,671,617	1,474,201
Acquisitions	112,908	122,505
Acquisitions through internal development	208,530	321,002
Reclassified to assets held for sale	-	(183)
Disposals and others	(23,214)	(34,186)
Amortization	(239,822)	(252,019)
Impairment	(228,677)	(23,606)
At September 30	1,501,342	1,607,714

(e) Line items including amortization of intangible assets for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	142,308	143,145
Selling and marketing expenses	10,345	11,671
Administrative expenses	37,121	45,441
Research and development expenses	49,499	51,154
Service costs	543	608
Other non-operating expenses	6	-
Total	239,822	252,019

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10. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership (%)	Carrying amount	
				September 30, 2019	December 31, 2018
Subsidiaries					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
ZKW Holding GmbH	Austria	December	70.0	943,468	943,468
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holding B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
LG Electronics Shenyang Inc.(LGESY)	China	December	56.3	62,033	62,033
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.0	48,624	48,624
LG Electronics Ticaret A.S.(LGETK)	Turkey	December	100.0	47,320	47,320
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology Co.,Ltd(LGENT)	China	December	45.0	38,744	38,744
ZKW Austria Immobilien Holding GmbH ¹	Austria	December	70.0	35,640	35,640
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0	32,112	32,112
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Colombia Limitada(LGECB)	Colombia	December	60.7	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0	22,538	22,538

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership (%)	Carrying amount	
				September 30, 2019	December 31, 2018
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGSi)	India	March	100.0	20,105	20,105
LG Electronics Fund I LLC ²	USA	December	100.0	13,427	6,943
Hi Entech Co., Ltd. ³	Korea	December	100.0	-	63,118
LG Hitachi Water Solution Co., Ltd. ³	Korea	December	51.0	-	9,180
LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) ⁴	China	December	50.0	-	6,636
LGE Alliance Fund ⁵	Korea	December	96.2	-	6,200
LGE Alliance Fund II ⁵	Korea	December	98.7	-	1,314
Others				216,237	216,237
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
Robostar Co.,Ltd.	Korea	December	30.0	82,045	82,045
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Kiwigrd GmbH ⁶	Germany	December	16.3	13,019	13,019
ROBOTIS Co., Ltd. ⁶	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. ⁶	Korea	December	6.5	2,088	2,088
Acryl Inc. ^{2,6}	Korea	December	14.5	2,000	1,000
LG Fuel Cell Systems Inc. ⁷	USA	December	33.5	-	-
Joint ventures					
LG Holdings (HK) Ltd. ⁸	China	December	49.0	53,277	84,989
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
LG-LHT Aircraft Solutions GmbH ²	Germany	December	49.0	5,085	-
LG-LHT Passenger Solutions GmbH ²	Germany	December	49.0	4,553	-
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD ²	China	December	35.0	300	-
Total				9,007,276	9,108,014

¹ Mommert Gewerbeimmobilien Verwaltungs GmbH changed its name to ZKW Austria Immobilien Holding GmbH during the nine-month period ended September 30, 2019.

² It was additionally acquired during the nine-month period ended September 30, 2019.

³ It was disposed during the nine-month period ended September 30, 2019.

⁴ It was impaired during the nine-month period ended September 30, 2019.

⁵ It was liquidated during the nine-month period ended September 30, 2019.

⁶ Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

⁷ It was impaired in 2018.

⁸ Conducted capital reduction with consideration during the nine-month period ended September 30, 2019.

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(b) Changes in investments in subsidiaries, associates and joint ventures for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
At January 1	9,108,014	8,066,087
Acquisitions	17,422	1,069,797
Disposal and others	(111,524)	(1,536)
Impairment loss	(6,636)	-
At September 30	9,007,276	9,134,348

(c) Details of marketable investments in subsidiaries and associates as at September 30, 2019 and December 31, 2018, are as follows:

September 30, 2019					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	14,150	1,919,094	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	114,000	1,100,463	541,538
Robostar Co.,Ltd.	Associate	2,927,735	19,050	55,773	82,045
ROBOTIS Co., Ltd.	Associate	961,550	11,350	10,914	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,550	7,136	2,088

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

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11. Borrowings

(a) The carrying amounts of borrowings as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Current		
Short-term borrowings	236,635	-
Current portion of long-term borrowings	141,394	25,000
Current portion of debentures	479,810	743,275
Subtotal	857,839	768,275
Non-current		
Long-term borrowings	2,748,259	2,596,536
Debentures	4,656,339	4,535,701
Subtotal	7,404,598	7,132,237
Total	8,262,437	7,900,512

(b) Details of borrowings as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at September 30, 2019 (%)	Carrying amount	
			September 30, 2019	December 31, 2018
Short-term borrowings in foreign currency				
LG Electronics European Shared Service Center B.V. (LGESC)	2020. 1.15	0.79	236,635	-
Long-term borrowings in local currency				
Korea Development Bank and others	2030. 8. 1	2.21 ~ 3.50	2,255,000	2,270,000
Long-term borrowings in foreign currency				
KEB Hana Bank and others	2030. 8. 1	0.79 ~ 3.70	634,653	351,536
Local currency debentures				
Public, non-guaranteed bonds	2034. 2.21	1.48 ~ 4.44	3,700,000	3,720,000
Private, non-guaranteed bonds	2038. 4. 3	2.79 ~ 4.21	920,000	850,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028. 6. 8	2.81 ~ 3.71	396,430	368,973
Private, guaranteed bonds	2023. 2.24	0.31	131,464	351,536
Less: discount on debentures			(11,745)	(11,533)
Total			8,262,437	7,900,512

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

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12. Lease Liabilities

(a) Details of lease liabilities as at September 30, 2019 and January 1, 2019, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	January 1, 2019
Lease liabilities		
Current	40,509	29,733
Non-current	61,351	44,374
Total	101,860	74,107

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

<i>(in millions of Korean won)</i>	2019
Interest expense on lease liabilities	2,066
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	54,322
Payments for leases of low-value assets that are not short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	12,522

Total expenses for leases including short-term leases and leases of low-value assets are ₩93,140 million.

13. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Present value of funded obligations	2,951,834	2,610,800
Fair value of plan assets	(2,227,600)	(2,304,879)
Net defined benefit liabilities	724,234	305,921

(b) The amounts recognized in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Current service cost	223,937	195,644
Past service cost	(11,847)	(3,689)
Net interest cost	7,140	5,015
Operating management cost	1,630	1,565
Total	220,860	198,535

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(c) Line items in which expenses are included for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	108,059	104,859
Selling and marketing expenses	27,210	25,071
Administrative expenses	14,795	13,830
Research and development expenses	58,851	52,332
Service costs	11,945	2,443
Total	220,860	198,535

(d) Movements in the present value of defined benefit obligations for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
At January 1	2,610,800	2,378,703
Current service cost	223,937	195,644
Past service cost	(11,847)	(3,689)
Interest expense	48,160	52,587
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	95,591	-
- Actuarial loss arising from changes in financial assumptions	131,585	42,028
Benefits paid	(124,342)	(114,382)
Reduction due to settlement of plan	(22,050)	(38,066)
Reclassification to liabilities held for sale	-	(1,330)
At September 30	2,951,834	2,511,495

(e) Movements in the fair value of plan assets for the nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
At January 1	2,304,879	2,158,093
Interest income	41,020	47,572
Remeasurements of plan assets	(5,152)	(18,557)
Benefits paid	(90,070)	(90,807)
Reduction due to settlement of plan	(21,447)	(35,147)
Operating management cost	(1,630)	(1,565)
Reclassification to liabilities held for sale	-	(1,180)
At September 30	2,227,600	2,058,409

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- (f) The significant actuarial assumptions used as at September 30, 2019 and December 31, 2018, are as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Discount rate	2.1%	2.6%
Expected salary growth rate	5.0%	5.0%

- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at September 30, 2019, is as follows:

<u>(in millions of Korean won)</u>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(252,155)	291,223
Expected salary growth rate	282,091	(249,695)

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 nine-month period ended September 30, 2019 in relation to the defined contribution plan was ₩10,395 million (September 30, 2018: ₩6,809 million).

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14. Provisions

(a) Changes in provisions for the nine-month periods ended September 30, 2019 and 2018, are as follows:

2019				
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1¹	379,493	10,626	68,834	458,953
Additional provisions, net ²	389,206	438	7,864	397,508
Utilizations	(261,824)	(887)	(15,623)	(278,334)
At September 30	506,875	10,177	61,075	578,127
Current	481,420	6,615	-	488,035
Non-current	25,455	3,562	61,075	90,092

2018				
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	325,984	12,517	69,127	407,628
Additional provisions, net ²	263,865	409	26,762	291,036
Utilizations	(240,532)	(2,229)	(13,203)	(255,964)
At September 30	349,317	10,697	82,686	442,700
Current	322,297	80	-	322,377
Non-current	27,020	10,617	82,686	120,323

¹ Provision for "litigation and others" related to income tax as at January 1, 2019, amounting to ₩14,515 million, was reclassified to current income tax liabilities.

² Net amount of additional provisions equals to additional provisions less reversed amounts.

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15. Paid-in Capital

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

	Par value per share	September 30, 2019		December 31, 2018	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

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

(b) Share premium balance as at September 30, 2019, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merged 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 at September 30, 2019 and December 31, 2018, consist of:

(in millions of Korean won)	September 30, 2019	December 31, 2018
Legal reserve ¹	195,936	182,342
Discretionary reserve	5,128,767	5,347,641
Unappropriated retained earnings (undisposed accumulated deficit) ²	84,688	(69,273)
Total	5,409,391	5,460,710

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

² Dividend for the year ended December 31, 2018 of ₩135,909 million was approved at the annual general meeting held on March 15, 2019 and paid in April 2019 (2018 payments: ₩72,885 million).

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17. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as at September 30, 2019 and December 31, 2018, consists of:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Cash flow hedge	(91,458)	(57,146)
Financial assets at fair value through other comprehensive income	(344)	(213)
Total	(91,802)	(57,359)

18. Other Components of Equity

Other components of equity as at September 30, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Total	(32,819)	(32,819)

¹ The Company has treasury shares consisting of 763,172 ordinary shares (December 31, 2018: 763,172 shares) and 4,692 preferred shares (December 31, 2018: 4,692 shares) at the end of the reporting period. The Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

19. Net Sales

(a) Details of net sales for the three-month and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Revenue from contracts with customers:				
Sales of goods	6,306,060	21,063,546	7,470,994	22,737,825
Rendering of services	135,091	349,097	111,816	348,320
Royalty income	141,975	363,825	65,927	199,397
Sub-total	6,583,126	21,776,468	7,648,737	23,285,542
Revenue from other sources:				
Rental income and others	120,621	331,350	83,745	224,646
Total	6,703,747	22,107,818	7,732,482	23,510,188

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(b) Details of revenue from contracts with customers for the nine-month periods ended September 30, 2019 and 2018, are as follows:

(in millions of Korean won)	2019							Total
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	9,360,276	4,504,699	3,447,623	1,865,536	1,171,897	1,426,437	-	21,776,468
Internal sales	15,217	-	-	-	-	75,763	(90,980)	-
	<u>9,375,493</u>	<u>4,504,699</u>	<u>3,447,623</u>	<u>1,865,536</u>	<u>1,171,897</u>	<u>1,502,200</u>	<u>(90,980)</u>	<u>21,776,468</u>
By type of products:								
Refrigerators/ washing machine/ air conditioners and others	7,764,202	-	-	-	-	-	(6,102)	7,758,100
TV/ monitor /PC and others	-	4,069,251	-	-	-	-	-	4,069,251
Mobile communications	-	-	3,447,623	-	-	-	-	3,447,623
In-vehicle infotainment	-	-	-	1,516,945	-	-	-	1,516,945
Information display	-	-	-	-	491,364	-	-	491,364
Others	1,611,291	435,448	-	348,591	680,533	1,502,200	(84,878)	4,493,185
Domestic / Export:								
Domestic	5,440,496	1,537,624	968,689	382,642	195,042	402,323	(90,980)	8,835,836
Export	3,934,997	2,967,075	2,478,934	1,482,894	976,855	1,099,877	-	12,940,632
Timing of transfer:								
Transferred at a point in time	9,051,799	4,321,936	3,340,792	1,844,371	1,152,234	56,293	(32,424)	19,735,001
Transferred over time	323,694	182,763	106,831	21,165	19,663	1,445,907	(58,556)	2,041,467

(in millions of Korean won)	2018							Total
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	8,426,207	5,043,207	4,601,098	1,894,101	1,102,459	2,218,470	-	23,285,542
Internal sales	27,411	-	-	-	-	128,947	(156,358)	-
	<u>8,453,618</u>	<u>5,043,207</u>	<u>4,601,098</u>	<u>1,894,101</u>	<u>1,102,459</u>	<u>2,347,417</u>	<u>(156,358)</u>	<u>23,285,542</u>
By type of products:								
Refrigerators/ washing machine/ air conditioners and others	6,959,941	-	-	-	-	-	(8,239)	6,951,702
TV/ monitor /PC and others	-	4,510,784	-	-	-	-	-	4,510,784
Mobile communications	-	-	4,601,098	-	-	-	-	4,601,098
In-vehicle infotainment	-	-	-	1,445,258	-	-	-	1,445,258
Information display	-	-	-	-	459,538	-	-	459,538
Others	1,493,677	532,423	-	448,843	642,921	2,347,417	(148,119)	5,317,162
Domestic / Export:								

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<i>(in millions of Korean won)</i>	2018							
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	Total
Domestic	4,847,192	1,432,199	948,875	348,623	237,307	1,447,226	(156,358)	9,105,064
Export	3,606,426	3,611,008	3,652,223	1,545,478	865,152	900,191	-	14,180,478
Timing of transfer:								
Transferred at a point in time	8,157,479	4,885,116	4,561,929	1,875,161	1,086,223	84,086	(53,201)	20,596,793
Transferred over time	296,139	158,091	39,169	18,940	16,236	2,263,331	(103,157)	2,688,749

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

Due to the factors causing the changes in the costs of other segments during the nine-month period ended September 30, 2019, the estimated total contract revenue and costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the nine-month period ended September 30, 2019 and the succeeding period are as follows:

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the period	Impact on profit or loss for the succeeding period
Other segments	43,512	37,515	(1,526)	7,523

20. Expenses by Nature

Expenses that are recorded by nature for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	59,983	46,030	181,715	(53,628)
Raw materials and merchandise used	3,827,292	12,620,615	4,429,281	14,106,272
Employee benefit expense	1,089,108	3,198,380	893,934	2,839,794
Depreciation and amortization	265,206	780,175	249,709	742,970
Advertising expense	157,306	410,341	161,973	474,310
Promotion expense	62,446	199,646	70,431	226,446
Freight expense	153,516	483,158	145,614	413,590
Commission expense	449,897	1,360,401	408,012	1,205,287
Other expenses	870,029	2,464,346	941,097	2,443,292
Total¹	6,934,783	21,563,092	7,481,766	22,398,333

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 and nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Salaries	443,773	1,221,958	362,405	1,049,701
Post-employment benefits	44,257	119,258	31,665	99,255
Employee benefits	75,367	215,212	58,848	178,120
Freight expense	151,300	476,050	143,695	408,231
Rental expense	15,869	49,027	26,807	86,493
Commission expense	320,758	958,532	291,246	850,394
Depreciation	35,811	103,261	26,127	72,822
Amortization	32,903	97,508	36,294	108,874
Taxes and dues	8,915	13,402	8,360	14,605
Advertising expense	157,306	410,341	161,973	474,310
Promotional expense	62,446	199,646	70,431	226,446
R&D costs	123,714	302,073	98,779	261,703
Direct service costs	157,508	311,491	101,680	260,927
Bad debts expense	1,278	32,758	3,875	12,869
Other	14,068	135,253	68,616	215,186
Total	1,645,273	4,645,770	1,490,801	4,319,936

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22. Financial Income

Financial income for the three-month and nine-month periods ended September 30, 2019 and 2018, consists of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Interest income	5,027	14,253	8,377	21,413
Exchange differences	32,097	84,420	34,516	129,697
Other	1,067	1,830	2,307	5,062
Total	38,191	100,503	45,200	156,172

23. Financial Expenses

Financial expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Interest expense	62,383	187,068	63,206	178,735
Exchange differences	22,928	74,463	40,215	114,972
Loss on disposal of trade receivables	1,128	3,781	961	3,413
Other	5,635	19,969	3,927	10,917
Total	92,074	285,281	108,309	308,037

24. Other Non-operating Income

Other non-operating income for the three-month and nine-month periods ended September 30, 2019 and 2018, consists of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Dividend income	92,319	208,753	-	188,532
Exchange differences	129,263	451,871	78,003	433,784
Gain on disposal of property, plant and equipment	5,797	9,168	2,596	11,359
Gain on disposal of assets held for sale	-	-	-	1,446
Gain on valuation of financial assets at fair value through profit or loss	-	17	-	-
Gain on disposal of investments in subsidiaries, associates and joint ventures	150,461	152,366	8	8
Gain on transfer of business	-	-	38,789	38,789
Other	1,901	7,225	942	4,910
Total	379,741	829,400	120,338	678,828

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25. Other Non-operating Expenses

Other non-operating expenses for the three-month and nine-month periods ended September 30, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Nine months	Three months	Nine months
Exchange differences	142,883	485,018	77,031	427,732
Loss on disposal of property, plant and equipment	4,713	13,072	5,554	13,351
Impairment loss on property, plant and equipment	75,729	75,943	31	1,200
Loss on disposal of intangible assets	7,804	22,428	8,463	23,082
Impairment loss on intangible assets	111,874	228,677	21,606	23,606
Loss on valuation of financial assets at fair value through profit or loss	-	-	2,002	2,002
Loss on disposal of investments in subsidiaries, associates and joint ventures	2,530	2,530	-	-
Impairment loss on investments in subsidiaries, associates and joint ventures	6,636	6,636	-	-
Other	13,932	23,847	10,246	26,824
Total	366,101	858,151	124,933	517,797

26. Earnings (loss) per Share

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

(a) Basic earnings (loss) per ordinary share for the three-month and nine-month periods ended September 30, 2019 and 2018, is as follows:

	2019		2018	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to ordinary shares <i>(in millions of Korean won)</i>	(182,919)	230,991	153,442	766,251
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,642	162,884,642	162,884,642	162,884,642
Basic earnings (loss) per ordinary share <i>(in Korean won)</i>	(1,124)	1,418	942	4,704

(b) Basic earnings (loss) per preferred share for the three-month and nine-month periods ended September 30, 2019 and 2018, is as follows:

	2019		2018	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to preferred shares <i>(in millions of Korean won)</i>	(19,078)	25,010	16,401	81,470

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Weighted average number of preferred shares outstanding (unit: shares)	17,181,300	17,181,300	17,181,300	17,181,300
Basic earnings (loss) per preferred share (in Korean won)	(1,110)	1,456	955	4,742

27. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2019 and 2018, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2019	2018
Profit for the period	256,001	847,721
Adjustments:		
Interest expense, net	172,815	157,322
Exchange differences, net	5,510	14,994
Depreciation	543,572	494,688
Amortization	239,822	252,019
Loss on disposal of property, plant and equipment and intangible assets, net	26,332	25,074
Provisions for severance benefits	220,860	198,535
Additional provisions, net	397,508	291,036
Dividend income	(208,753)	(188,532)
Income tax expense	75,196	273,300
Gain on disposal of investments in subsidiaries, associates and joint ventures	(149,836)	(8)
Impairment loss on investments in subsidiaries, associates and joint ventures	6,636	-
Other	433,869	19,730
	<u>1,763,531</u>	<u>1,538,158</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	(786,380)	639,703
Decrease in other receivables	52,873	68,161
Decrease (increase) in inventories	91,911	(168,843)
Increase in contract assets	(68,276)	(203,671)
Increase in other assets	(286,460)	(101,148)
Increase (decrease) in trade payables	211,095	(432,835)
Decrease in other payables	(700,236)	(223,119)
Decrease in provisions	(278,334)	(270,398)
Increase (decrease) in contract liabilities	(55,824)	6,421
Increase (decrease) in other liabilities	154,565	(246,032)
Payment of defined benefit liability	(34,875)	(26,494)
Deposit in plan assets, net	(34,238)	(27,450)
	<u>(1,734,179)</u>	<u>(985,705)</u>
Cash generated from operations	<u>285,353</u>	<u>1,400,174</u>

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(b) Changes in liabilities from financing activities

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

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Net cash flow from financing activities	Non-cash transactions		At Sept. 30
			Exchange differences	Amortization	
Short-term borrowings	127,925	(127,925)	-	-	-
Long-term borrowings	2,177,140	435,383	9,474	-	2,621,997
Debentures	5,136,775	313,674	23,665	2,506	5,476,620
Total	7,441,840	621,132	33,139	2,506	8,098,617

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2019	2018
Reclassification of construction-in-progress to property, plant and equipment	92,346	367,974
Reclassification of construction-in-progress to intangible assets	220,944	170,859
Reclassification of current portion of borrowings and debentures	611,049	747,135
Other payables to acquire property, plant and equipment	37,399	49,826
Other payables to acquire intangible assets	5,499	5,994

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

– Transfer of Membrane business

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

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

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	3,488
Other receivables ¹	529
Assets of the transferred business:	
Inventories	2,175
Property, plant and equipment	3,680
Intangible assets	183
Other assets	75
Liabilities of the transferred business:	
Other payables	510
Provisions	80
Other liabilities	399

¹ Collected during the three-month period ended March 31, 2019.

– Transfer of OLED T-Con Chip design business

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

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

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

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28. Contingencies

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩192,885 million (December 31, 2018: ₩218,461 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal amounting to EUR 100 million (December 31, 2018: USD 200 million and EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,973,368 million (December 31, 2018: ₩3,846,637 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiaries	September 30, 2019	December 31, 2018
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	912,881	820,985
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	781,884	743,021
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	571,929	531,098
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	279,622	263,743
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	204,055	190,332
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	HSBC and others	136,470	154,715
LG Electronics Inc Chile Limitada(LGECL)	Scotiabank and others	134,246	127,169
LG Electronics Algeria SARL(LGEAS)	Citibank and others	131,473	105,881
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	128,449	216,421
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	95,080	90,175
LG Electronics Colombia Limitada(LGECB)	Citibank and others	92,663	90,015
LG Electronics RUS, LLC(LGERA)	Citibank and others	85,212	76,884
JSC LG Electronics Almaty Kazakhstan(LGEAK)	Citibank	60,065	71,558
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	54,656	95,880
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	47,692	44,389
LG Electronics India Pvt. Ltd.(LGEIL)	Citibank and others	38,936	52,435
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	36,613	10,042
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank	27,947	25,797
LG Electronics Italia S.P.A.(LGEIS)	Intesa	26,293	25,583
LG Electronics Australia Pty, Ltd.(LGEAP)	Citibank	24,092	23,525
Others	Citibank and others	103,110	86,989

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<i>(in millions of Korean won)</i>	Beneficiaries	September 30, 2019	December 31, 2018
Total		3,973,368	3,846,637

(c) At the end of the reporting period, the Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2018: ₩46,000 million).

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

29. Commitments

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

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,084,256 million (December 31, 2018: ₩1,926,486 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩900,000 million (December 31, 2018: ₩690,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,210,000 million (December 31, 2018: ₩1,160,000 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩510,065 million (December 31, 2018: ₩601,258 million).

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Property, plant and equipment	77,215	107,768
Intangible assets	140,811	40,223
Investments in subsidiaries, associates and joint ventures	97,977	9,863
Total	316,003	157,854

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(f) Operating lease commitments – the Company as a lessor

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

<i>(in millions of Korean won)</i>	September 30, 2019					Total lease payments
	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Over 4 years	
Healthcare rental	507,967	406,425	220,706	36,805	-	1,171,903
Real estate rental	70	-	-	-	-	70
Total	508,037	406,425	220,706	36,805	-	1,171,973

- ii) The Company recognized ₩315,576 million (September 30, 2018: ₩205,756 million) in lease income for the nine-month period ended September 30, 2019.

(g) Trademark license commitments

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

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

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30. Related Party

(a) Major transactions for the nine-month periods ended September 30, 2019 and 2018, and balances of receivables and payables from transaction with related parties as at September 30, 2019 and December 31, 2018, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2019					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	799	-	799	-	106,796	106,796
Subsidiaries	LG Innotek Co., Ltd.	71,097	28,438	99,535	296,197	6,183	302,380
	Hiplaza Co., Ltd.	1,643,766	-	1,643,766	24,460	7	24,467
	LG Electronics U.S.A., Inc.	3,366,735	4,404	3,371,139	1,766	53,719	55,485
	Inspur LG Digital Mobile Communications Co., Ltd.	240,044	134	240,178	45,190	5,319	50,509
	LG Electronics Vietnam Haiphong Co., Ltd.	1,210,174	19,854	1,230,028	78,776	15,787	94,563
	LG Electronics do Brasil Ltda.	376,240	1,333	377,573	2,046	3,534	5,580
	LG Electronics Canada, Inc.	221,811	20	221,831	-	4,341	4,341
	Qingdao LG Inspur Digital Communication Co., Ltd.	205,751	11	205,762	83,936	752	84,688
	LG Electronics (Kunshan) Co., Ltd.	98,080	219	98,299	5,633	833	6,466
	LG Electronics Australia Pty, Ltd.	217,491	113	217,604	54	4,179	4,233
	LG Electronics RUS, LLC	215,842	219	216,061	686	3,608	4,294
	LG Electronics India Pvt. Ltd.	228,660	10,667	239,327	5,088	2,162	7,250
	LG Electronics Deutschland GmbH	76,231	22,307	98,538	10,185	33,723	43,908
	LG Electronics Japan, Inc.	241,361	82	241,443	3,450	18,661	22,111
	LG Electronics Reynosa S.A. DE C.V.	296,128	97	296,225	409	31	440
	LG Electronics Mlawa Sp. z.O.O.	293,369	87	293,456	8,122	3,648	11,770
	LG Electronics Egypt S.A.E	69,535	934	70,469	-	477	477
	LG Electronics Nanjing New Technology Co.,Ltd.	200,415	-	200,415	351,733	1,958	353,691
	LG Electronics Mexicali, S.A. DE C.V.	139,924	12	139,936	1,257	2	1,259
	LG Electronics Polska Sp. Z.O.O	84,440	584	85,024	1,294	3,644	4,938
	LG Electronics Panama, S.A.	65,808	183	65,991	-	685	685
	P.T. LG Electronics Indonesia	98,008	132	98,140	50,249	381	50,630
	LG Electronics (Hangzhou) Co., Ltd.	140,862	53	140,915	20,209	2,092	22,301

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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Inc Chile Limitada	10,577	90	10,667	-	323	323
	LG Electronics Colombia Limitada	45,890	24	45,914	-	647	647
	LG Electronics Tianjin Appliances Co., Ltd.	46,387	1,385	47,772	156,630	120	156,750
	LG Electronics Vehicle Components U.S.A, LLC	255,429	900	256,329	2,169	29,243	31,412
	Hi-M.Solutek	47,834	-	47,834	189,953	-	189,953
	Others	2,541,545	23,546	2,565,091	443,947	231,516	675,463
	Subtotal	12,749,434	115,828	12,865,262	1,783,439	427,575	2,211,014
Associates	LG Display Co., Ltd. and its subsidiaries	726,487	71,861	798,348	739,301	3,774	743,075
	Ericsson-LG Co., Ltd. and its subsidiaries	106	-	106	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,828	-	1,828	22,459	318	22,777
	LG Fuel Cell Systems Inc. and its subsidiaries	49	510	559	13	69	82
	Robostar Co.,Ltd.	1	-	1	32,952	5,121	38,073
	Kiwigrid GmbH	-	-	-	-	479	479
	ROBOTIS Co., Ltd.	-	-	-	-	202	202
	Korea Information Certificate Authority Inc.	1	-	1	-	64	64
	Acryl Inc.	-	-	-	-	548	548
	Subtotal	728,472	72,371	800,843	794,725	10,575	805,300
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	28	-	28
	LG-MRI LLC	2,336	-	2,336	-	-	-
	Subtotal	2,336	-	2,336	28	-	28
Other related parties	LG CNS Co., Ltd. and its subsidiaries	110,988	2	110,990	70,660	217,765	288,425
	S&I Corp. and its subsidiaries ²	12,908	4,296	17,204	218,667	142,714	361,381
	LG Management Development Institute	2	-	2	7	20,462	20,469
	LG SPORTS Ltd.	3	21	24	-	10,825	10,825
	LG MMA Ltd.	1	-	1	-	-	-
	Subtotal	123,902	4,319	128,221	289,334	391,766	681,100
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	626,559	18,462	645,021	446,489	8,533	455,022
	LG INTERNATIONAL CORP and its subsidiaries	54,424	3,123	57,547	511,423	635,114	1,146,537
	LG Uplus Corp and its subsidiaries	364,009	34	364,043	1,194	1,795	2,989
	LG HAUSYS,LTD. and its subsidiaries and	4,771	234	5,005	1,182	341	1,523

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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	associates						
	Silicon Works Co., Ltd.	2,056	2,253	4,309	9,184	-	9,184
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	5,914	1	5,915	162	212	374
	GIIR Inc. and its subsidiaries	155	47	202	76	164,273	164,349
	SERVEONE Co., Ltd. ²	48	2,492	2,540	144,761	27,591	172,352
	Subtotal	1,057,936	26,646	1,084,582	1,114,471	837,859	1,952,330
	Total	14,662,879	219,164	14,882,043	3,981,997	1,774,571	5,756,568

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	1,879	-	1,879	-	105,394	105,394
Subsidiaries	LG Innotek Co., Ltd.	205,160	18,148	223,308	351,382	10,180	361,562
	Hiplaza Co., Ltd.	1,515,850	6,520	1,522,370	20	26,456	26,476
	LG Electronics U.S.A., Inc.	2,531,008	7,238	2,538,246	1,527	48,155	49,682
	LG Electronics Mobilecomm U.S.A., Inc.	968,652	31	968,683	104	4,354	4,458
	Inspur LG Digital Mobile Communications Co., Ltd.	752,592	857	753,449	173,494	18,653	192,147
	LG Electronics Vietnam Haiphong Co., Ltd.	905,802	611	906,413	36,141	13,615	49,756
	LG Electronics do Brasil Ltda.	341,348	97	341,445	811	1,956	2,767
	LG Electronics Canada, Inc.	282,883	11	282,894	62	1,448	1,510
	Qingdao LG Inspur Digital Communication Co., Ltd.	277,711	525	278,236	153,398	4,379	157,777
	LG Electronics (Kunshan) Co., Ltd.	286,315	-	286,315	5,138	632	5,770
	LG Electronics Australia Pty, Ltd.	248,733	8	248,741	38	2,792	2,830
	LG Electronics RUS, LLC	216,776	302	217,078	273	476	749
	LG Electronics India Pvt. Ltd.	234,393	21,216	255,609	4,086	1,187	5,273
	LG Electronics Deutschland GmbH	323,151	25,655	348,806	2,035	35,870	37,905
	LG Electronics Japan, Inc.	291,291	56	291,347	3,532	16,751	20,283
	LG Electronics Reynosa S.A. DE C.V.	280,606	48	280,654	1,421	116	1,537
	LG Electronics Mlawa Sp. z.O.O.	252,590	28	252,618	1,311	3,826	5,137
	LG Electronics Egypt S.A.E	93,445	3,619	97,064	-	327	327
	LG Electronics Nanjing New Technology Co.,Ltd.	159,614	19	159,633	310,556	1,053	311,609

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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Mexicali, S.A. DE C.V.	147,382	10	147,392	1,826	11	1,837
	LG Electronics Polska Sp. Z.O.O	117,546	567	118,113	1,657	1,384	3,041
	LG Electronics Panama, S.A. P.T. LG Electronics Indonesia	107,505	144	107,649	-	129	129
	LG Electronics (Hangzhou) Co., Ltd.	100,563	381	100,944	46,163	13	46,176
	LG Electronics Inc Chile Limitada	92,035	88	92,123	25,314	381	25,695
	LG Electronics Colombia Limitada	69,935	178	70,113	-	227	227
	LG Electronics Tianjin Appliances Co., Ltd.	73,465	92	73,557	15	401	416
	LG Electronics Vehicle Components U.S.A, LLC	44,476	216	44,692	107,675	167	107,842
	Hi-M.Solutek	366,343	58	366,401	1,856	22,594	24,450
	Others	27,923	7,566	35,489	86,441	44,894	131,335
	Subtotal	2,790,409	26,671	2,817,080	187,837	267,827	455,664
	Subtotal	14,105,502	120,960	14,226,462	1,504,113	530,254	2,034,367
Associates	LG Display Co., Ltd. and its subsidiaries	839,106	25,908	865,014	915,764	9,150	924,914
	Ericsson-LG Co., Ltd. and its subsidiaries	1,417	45	1,462	2,552	-	2,552
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	563	-	563	30,001	254	30,255
	LG Fuel Cell Systems Inc. and its subsidiaries	2,502	-	2,502	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	2	2
	Subtotal	843,588	25,953	869,541	948,317	9,406	957,723
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	46,230	-	46,230
	LG-MRI LLC	1,489	-	1,489	838	-	838
	Subtotal	1,489	-	1,489	47,068	-	47,068
Other related parties	LG CNS Co., Ltd. and its subsidiaries	84,692	71	84,763	89,659	232,594	322,253
	SERVEONE Co., Ltd. and its subsidiaries	25,988	7,576	33,564	422,072	253,201	675,273
	LB Lusem CO., LTD. ³	-	-	-	205	1	206
	LG Management Development Institute	-	-	-	82	18,970	19,052
	LG SPORTS Ltd.	2	19	21	-	9,334	9,334
	Subtotal	110,682	7,666	118,348	512,018	514,100	1,026,118
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	1,089,186	10,949	1,100,135	565,767	650	566,417

LG Electronics Inc.
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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG INTERNATIONAL CORP and its subsidiaries	64,389	1,371	65,760	513,000	551,886	1,064,886
	LG Uplus Corp and its subsidiaries	446,539	86	446,625	1,316	3,759	5,075
	LG HAUSYS,LTD. and its subsidiaries and joint ventures	9,263	263	9,526	4,801	6	4,807
	Silicon Works Co., Ltd	1,701	47,450	49,151	5,412	-	5,412
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	3,778	5	3,783	151	285	436
	GIIR Inc. and its subsidiaries	2,259	12	2,271	125	149,346	149,471
	Subtotal	1,617,115	60,136	1,677,251	1,090,572	705,932	1,796,504
	Total	16,680,255	214,715	16,894,970	4,102,088	1,865,086	5,967,174

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

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

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

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

(in millions of Korean won)

		September 30, 2019							
Classification	Name	Receivables			Payables				
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		38	-	25,605	25,643	-	-	782	782
Subsidiaries	LG Innotek Co., Ltd.	33,223	-	11,944	45,167	55,367	-	13,986	69,353
	Hiplaza Co., Ltd.	178,711	-	24,656	203,367	-	-	7,739	7,739
	LG Electronics U.S.A., Inc.	572,498	-	2,629	575,127	-	-	6,419	6,419
	Inspur LG Digital Mobile Communications Co., Ltd.	-	-	1,199	1,199	10,730	-	959	11,689
	LG Electronics Vietnam Haiphong Co., Ltd.	445,938	-	3,528	449,466	345,747	-	2,325	348,072
	LG Electronics do Brasil Ltda.	136,234	-	12,164	148,398	126	-	864	990
	LG Electronics Canada, Inc.	38,140	-	-	38,140	-	-	644	644
	Qingdao LG Inspur Digital	23,995	-	5,107	29,102	98,871	-	45	98,916

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		September 30, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Communication Co., Ltd.								
	LG Electronics (Kunshan) Co., Ltd.	31,863	-	1,668	33,531	33,824	-	376	34,200
	LG Electronics Australia Pty, Ltd.	21,835	-	-	21,835	-	-	406	406
	LG Electronics RUS, LLC	65,295	-	10,032	75,327	633	-	752	1,385
	LG Electronics India Pvt. Ltd.	33,700	-	10,361	44,061	2,594	-	185	2,779
	LG Electronics Deutschland GmbH	138,762	-	2,138	140,900	-	-	4,120	4,120
	LG Electronics Japan, Inc.	16,716	-	-	16,716	-	-	2,700	2,700
	LG Electronics Reynosa S.A. DE C.V.	35,709	-	5,061	40,770	147,458	-	-	147,458
	LG Electronics Mlawa Sp. z.O.O.	58,350	-	21	58,371	661,075	-	672	661,747
	LG Electronics Egypt S.A.E	6,677	-	64,160	70,837	11,162	-	147	11,309
	LG Electronics Nanjing New Technology Co.,Ltd	19,509	-	160	19,669	245,953	-	165	246,118
	LG Electronics Mexicali, S.A. DE C.V.	49,263	-	2,992	52,255	108,247	-	-	108,247
	LG Electronics Polska Sp. Z.O.O	64,957	-	-	64,957	-	-	621	621
	LG Electronics Panama, S.A.	92,545	-	-	92,545	-	-	215	215
	P.T. LG Electronics Indonesia	16,139	-	488	16,627	212,915	-	29	212,944
	LG Electronics (Hangzhou) Co., Ltd.	60,752	-	1,242	61,994	2,635	-	946	3,581
	LG Electronics Inc Chile Limitada	29,783	-	-	29,783	-	-	33	33
	LG Electronics Colombia Limitada	92,905	-	-	92,905	-	-	119	119
	LG Electronics Tianjin Appliances Co., Ltd.	8,495	-	4,393	12,888	60,794	-	38	60,832
	LG Electronics Vehicle Components U.S.A, LLC	136,626	-	340	136,966	-	-	3,476	3,476
	Hi-M.Solutek	7,497	-	100	7,597	-	-	31,149	31,149
	Others	887,511	-	42,563	930,074	797,109	499,563	60,078	1,356,750
	Subtotal	3,303,628	-	206,946	3,510,574	2,795,240	499,563	139,208	3,434,011
Associates	LG Display Co., Ltd. and its subsidiaries	155,554	-	95,911	251,465	183,545	-	66,794	250,339
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,034	-	-	1,034	28,807	-	349	29,156
	LG Fuel Cell Systems Inc. and its subsidiaries	-	-	-	-	-	-	72	72
	Robostar Co.,Ltd.	-	-	-	-	615	-	12,653	13,268
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	148	148

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		September 30, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	22	22
	Acryl Inc.	-	-	-	-	-	-	256	256
	Subtotal	156,588	-	95,911	252,499	212,967	-	80,294	293,261
Joint ventures	LG-MRI LLC.	839	-	-	839	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	31,421	-	999	32,420	1,022	-	85,666	86,688
	S&I Corp. and its subsidiaries ²	8,253	-	58,677	66,930	40	-	49,332	49,372
	LG Management Development Institute	-	-	15,660	15,660	-	-	2,321	2,321
	LG SPORTS Ltd.	-	-	-	-	-	-	714	714
	Subtotal	39,674	-	75,336	115,010	1,062	-	138,033	139,095
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	319,240	-	295,314	614,554	184,601	-	42,752	227,353
	LG INTERNATIONAL CORP and its subsidiaries	25,446	-	1,310	26,756	201,070	-	122,995	324,065
	LG Uplus Corp and its subsidiaries	22,933	-	89	23,022	-	-	148	148
	LG HAUSYS,LTD. and its subsidiaries and associates	1,062	-	1,255	2,317	469	-	790	1,259
	Silicon Works Co., Ltd.	215	-	290	505	3,181	-	1,298	4,479
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	59	-	1,459	1,518	-	-	269	269
	GIR Inc. and its subsidiaries	12	-	-	12	-	-	118,193	118,193
	Techcross Environmental Services Inc. ³	1	-	-	1	-	-	192	192
	Techcross Water & Energy Inc. ³	21	-	84	105	-	-	188	188
	Subtotal	368,989	-	299,801	668,790	389,321	-	286,825	676,146
	Total	3,869,756	-	703,599	4,573,355	3,398,590	499,563	645,142	4,543,295

(in millions of Korean won)

		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		42	-	26,068	26,110	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	119,338	-	8,102	127,440	121,495	-	31,240	152,735
	Hiplaza Co., Ltd.	166,265	-	22,790	189,055	-	-	7,112	7,112
	LG Electronics U.S.A.,	273,496	-	72,993	346,489	-	-	139,866	139,866

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		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Inc.								
	Inspur LG Digital Mobile Communications Co., Ltd.	25,430	-	1,180	26,610	296,959	-	815	297,774
	LG Electronics Vietnam Haiphong Co., Ltd.	307,408	-	588	307,996	182,917	-	1,420	184,337
	LG Electronics do Brasil Ltda.	107,098	-	40,575	147,673	184	-	325	509
	LG Electronics Canada, Inc.	24,518	-	-	24,518	-	-	409	409
	Qingdao LG Inspur Digital Communication Co., Ltd.	16,527	-	5,025	21,552	121,781	-	35	121,816
	LG Electronics (Kunshan) Co., Ltd.	43,192	-	3,512	46,704	50,047	-	370	50,417
	LG Electronics Australia Pty, Ltd.	59,931	-	1,615	61,546	-	-	84	84
	LG Electronics RUS, LLC	39,246	-	13,812	53,058	640	-	71	711
	LG Electronics India Pvt. Ltd.	34,300	-	7,653	41,953	404	-	591	995
	LG Electronics Deutschland GmbH	85,735	-	10,720	96,455	-	-	7,080	7,080
	LG Electronics Japan, Inc.	66,765	-	-	66,765	-	-	3,084	3,084
	LG Electronics Reynosa S.A. DE C.V.	20,412	-	4,402	24,814	97,454	-	-	97,454
	LG Electronics Mlawa Sp. z.O.O.	46,794	-	61	46,855	759,727	-	533	760,260
	LG Electronics Egypt S.A.E	4,107	-	78,560	82,667	2,784	-	110	2,894
	LG Electronics Nanjing New Technology Co.,Ltd.	38,011	-	145	38,156	195,626	-	39	195,665
	LG Electronics Mexicali, S.A. DE C.V.	40,700	-	4,456	45,156	49,605	-	-	49,605
	LG Electronics Polska Sp. Z.O.O	41,452	-	188	41,640	-	-	359	359
	LG Electronics Panama, S.A.	46,924	-	-	46,924	-	-	38	38
	P.T. LG Electronics Indonesia	12,692	-	169	12,861	216,133	-	102	216,235
	LG Electronics (Hangzhou) Co., Ltd.	44,162	-	942	45,104	1,831	-	104	1,935
	LG Electronics Inc Chile Limitada	49,754	-	49	49,803	-	-	28	28
	LG Electronics Colombia Limitada	74,614	-	25	74,639	-	-	34	34
	LG Electronics Tianjin Appliances Co., Ltd.	10,789	-	1,449	12,238	56,012	-	30	56,042
	LG Electronics Vehicle Components U.S.A, LLC	112,509	-	412	112,921	-	-	7,840	7,840
	Hi-M.Solutek	8,436	-	47	8,483	-	-	27,853	27,853

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		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Others	546,862	-	49,923	596,785	479,985	-	44,425	524,410
	Subtotal	2,467,467	-	329,393	2,796,860	2,633,584	-	273,997	2,907,581
Associates	LG Display Co., Ltd. and its subsidiaries	414,242	-	130,319	544,561	212,350	-	137,027	349,377
	Ericsson-LG Co., Ltd. and its subsidiaries	31	-	-	31	534	-	-	534
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	109	-	-	109	11,685	-	397	12,082
	LG Fuel Cell Systems Inc. and its subsidiaries	12	-	-	12	-	-	28	28
	Robostar Co.,Ltd.	-	-	-	-	13,406	-	399	13,805
	Kiwigrd GmbH	-	-	-	-	-	-	54	54
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	168	168
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	55	55
	Acryl Inc.	-	-	-	-	-	-	312	312
	Subtotal	414,394	-	130,319	544,713	237,975	-	138,440	376,415
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	4,175	-	-	4,175
	LG-MRI LLC.	643	-	-	643	-	-	-	-
	Subtotal	643	-	-	643	4,175	-	-	4,175
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,106	-	1,972	21,078	147	-	121,579	121,726
	S&I Corp. and its subsidiaries ²	2,444	-	59,587	62,031	124,740	-	181,643	306,383
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,637	1,637
	LG SPORTS Ltd.	-	-	-	-	-	-	1,859	1,859
	Subtotal	21,550	-	77,219	98,769	124,887	-	306,718	431,605
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	365,515	-	270,879	636,394	216,571	-	59,817	276,388
	LG INTERNATIONAL CORP and its subsidiaries	14,102	-	8,917	23,019	276,367	-	114,247	390,614
	LG Uplus Corp and its subsidiaries	13,879	-	148	14,027	-	-	369	369
	LG HAUSYS,LTD. and its subsidiaries and associates	519	-	1,344	1,863	-	-	476	476
	Silicon Works Co., Ltd.	362	-	-	362	1,581	-	748	2,329
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	2,247	-	350	2,597	-	-	608	608
	GIR Inc. and its	76	-	-	76	-	-	200,560	200,560

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

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

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

³ All shares of Hi Entech Co., Ltd. and LG Hitachi Water Solution Co., Ltd. were disposed to Techcross Vision Investment Inc. on September 26, 2019. And, the name of Hi Entech Co., Ltd. and LG Hitachi Water Solution Co., Ltd. were changed to Techcross Environmental Services Inc. and Techcross Water & Energy Inc., respectively. At the end of the reporting period, Techcross Environmental Services Inc. and Techcross Water & Energy Inc. belong to the Large Enterprise Group in accordance with the Monopoly Regulations and Fair Trade Act.

iii) Significant capital transactions with related parties and others for the nine-month periods ended September 30, 2019 and 2018, are as follows:

(in millions of Korean won)

		2019						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
Classification	Name				Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	41,321	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG Hitachi Water Solution Co., Ltd.	11,705	-	-	-	-	-	-
	Hi Entech Co., Ltd.	20,003	-	-	-	-	-	-
	LG Electronics RUS, LLC	57,345	-	-	-	-	-	-
	LG Electronics Nanjing New Technology Co., Ltd.	16,461	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	718	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	6,485	-	-	-	-	-	-
	LG Electronics Fund I LLC.	-	-	6,484	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	492,304	-
	LG Electronics Huizhou Ltd.	3,174	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	26,037	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co.,	63,108	-	-	-	-	-	-

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		2019						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
	Ltd.							
	Subtotal	207,932	-	6,484	-	-	492,304	-
Associates	LG HOLDINGS (HK) LIMITED.	-	-	(29,182)	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	702	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	1,234	-	-	-	-
	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	Robostar Co.,Ltd.	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	Subtotal	307	-	(26,246)	-	-	-	-
	Total	208,239	41,321	(19,762)	-	-	492,304	-

(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 Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,414	-	-	-	-	-	-
	LG Electronics RUS, LLC	63,354	-	-	-	-	-	-
	LG Electronics Nanjing New Technology Co.,Ltd.	10,391	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd.	473	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	7,087	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	3,051	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	25,764	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	7,893	-	-	-	-	-	-
	LGE Alliance Fund II	-	-	(1,536)	-	-	-	-
	Subtotal	120,427	-	(1,536)	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	LG Fuel Cell Systems Inc.	-	-	7,178	-	-	-	-
	Subtotal	67,913	-	7,178	-	-	-	-
	Total	188,340	22,038	5,642	-	-	-	-

(b) The compensation paid or payable to key management personnel for the nine-month periods ended September 30, 2019 and 2018, consists of:

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<i>(in millions of Korean won)</i>	2019	2018
Salaries and other short-term employee benefits	15,622	16,175
Post-employment benefits	2,585	2,833
Other long-term benefits	80	84
Total	18,287	19,092

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 28.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

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31. Risk Management

Financial Risk Management

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

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

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

The carrying amount, and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 4 and Note 11, respectively.

(a) Market risk

i) Foreign exchange risk

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

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

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

As at September 30, 2019 and December 31, 2018, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than 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>	September 30, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(27,039)	27,039	(31,735)	31,735
EUR/KRW	3,696	(3,696)	(5,091)	5,091

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ii) Interest rate risk

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

The Company minimizes its borrowings from others and optimizes its deposits. The Company periodically establishes the plan for reaction by the monitoring trends of internal and external interest rates.

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 nine-month periods ended September 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	8,066	(8,066)	11,895	(11,895)
Interest expense	3,747	(3,747)	-	-

iii) Details of derivatives contracts are as follows:

Hedging purposes

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
USD/KRW CRS	MUFG Bank and others	USD 530	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017.2.2 ~ 2018. 6. 8	2020.11.23 ~ 2028. 6. 8	10,335	4,268
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8.24	2023. 2.24 ~ 2030. 7. 7	-	82,284

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

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Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)
USD/KRW CRS	Borrowings	635,153	(23,681)
Interest rate swap	Borrowings	1,385,667	27,318

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
USD/KRW CRS	23,681	Interest expense and exchange differences	(36,484)	(12,803)	(32,768)
Interest rate swap	(27,318)	Interest expense	5,809	(21,509)	(58,690)

Trading purposes

The Company entered into a contract to additionally purchase shares of Robostar Co.,Ltd. in December 2019 at the average price of immediate four months with a 25% mark up. In relation to this share purchase contract, the Company recognized derivative liabilities amounting to ₩2,713 million at the time of acquisition of Robostar Co.,Ltd. and recognized gain on valuation of derivatives amounting to ₩320 million during the nine-month period ended September 30, 2019. Accordingly, the related derivative liabilities amounted to ₩1,542 million at the end of the reporting period.

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2019		December 31, 2018	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	2,260	(2,260)	3,057	(3,057)

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

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(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,247,322 million (December 31, 2018: ₩1,289,032 million) and its risk is managed appropriately within insurer's credit limit of ₩3,206,750 million (December 31, 2018: ₩3,223,554 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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

(c) Liquidity risk

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

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

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

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- i) Cash flow information on maturity of financial liabilities as at September 30, 2019, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	5,777,259	5,777,259	-	-	-
Borrowings	9,566,158	1,090,911	1,186,410	3,202,749	4,086,088
Lease liabilities	106,737	42,009	29,484	33,093	2,151
Other payables	1,617,278	1,616,137	100	1,041	-
Other financial liabilities	7,829	7,829	-	-	-
Total	17,075,261	8,534,145	1,215,994	3,236,883	4,088,239

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

- ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies as at September 30, 2019, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	4,019,368	3,213,214	243,161	280,688	282,305

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

Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2019	December 31, 2018
Liability (A)	19,164,112	18,502,583
Equity (B)	9,277,118	9,362,880
Cash and cash equivalents (C)	1,075,484	1,109,883
Borrowings and lease liabilities (D)	8,364,297	7,900,512
Debt-to-equity ratio (A/B)	206.6%	197.6%
Net borrowings ratio ((D-C)/B)	78.6%	72.5%

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Fair Value Estimation

(a) The book amount and fair value of the Company's financial assets and liabilities as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	14,850	1
Financial assets at fair value through other comprehensive income				
Trade receivables	19,318	1	-	-
Other financial assets				
Listed equity securities	-	-	9,339	9,339
Unlisted equity securities	-	-	25,448	1
Derivatives for hedging purposes				
Other financial assets	-	-	10,335	10,335
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,075,484	1	-	-
Deposits held by financial institutions	80,500	1	1,583	1,583
Trade receivables	4,468,452	1	-	-
Other receivables	553,861	1	186,750	176,417
Total	6,197,615		248,305	

<i>(in millions of Korean won)</i>	September 30, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	1,542	1,542	-	-
Derivatives for hedging purposes				
Other financial liabilities	-	-	86,552	86,552
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,777,259	1	-	-
Borrowings	857,839	1	7,404,598	7,718,585
Other payables	1,616,137	1	1,141	1,082
Other liabilities				
Lease liabilities	40,509	2	61,351	2
Other financial liabilities	6,675	3	10,016	3
Total	8,299,961		7,563,658	

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<i>(in millions of Korean won)</i>	December 31, 2018			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	12,685	1
Financial assets at fair value through other comprehensive income				
Trade receivables	47,611	1	-	-
Other financial assets				
Listed equity securities	-	-	13,265	13,265
Unlisted equity securities	-	-	16,760	1
Derivatives for hedging purposes				
Other financial assets	1,281	1,281	291	291
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,109,883	1	-	-
Deposits held by financial institutions	80,500	1	1,211	1,211
Trade receivables	3,678,401	1	-	-
Other receivables	545,431	1	243,485	228,662
Total	5,463,107		287,697	

<i>(in millions of Korean won)</i>	December 31, 2018			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	-	-	1,862	1,862
Derivatives for hedging purposes				
Other financial liabilities	-	-	73,998	73,998
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,553,794	1	-	-
Borrowings	768,275	1	7,132,237	7,354,957
Other payables	2,371,053	1	1,011	929
Other liabilities				
Other financial liabilities	6,453	3	7,899	3
Total	8,699,575		7,217,007	

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

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

³ Measured at the higher of the amount of the loss allowance determined in accordance with Korean IFRS 1109 *Financial Instruments*, and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*.

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

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

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

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

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

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

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

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

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ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	9,339	-	-	9,339
Derivatives for hedging purposes	-	10,335	-	10,335
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,542	-	1,542
Derivatives for hedging purposes	-	86,552	-	86,552
December 31, 2018				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	13,265	-	-	13,265
Derivatives for hedging purposes	-	1,572	-	1,572
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,862	-	1,862
Derivatives for hedging purposes	-	73,998	-	73,998

The above fair value amounts are recurring fair value measurements.

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

Valuation technique and inputs for fair value measurements categorized within 'level 2' as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2019	December 31, 2018		
Assets				
Other financial assets				
Derivatives for hedging purposes	10,335	1,572	Discounted cash flow	Discount rate and exchange rate

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2019	December 31, 2018		
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	1,542	1,862	Discounted cash flow	Discount rate and share price
Derivatives for hedging purposes	86,552	73,998	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

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

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

Financial instruments not measured at fair value but for which the fair value is disclosed as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,583	1,583
Non-current other receivables	-	-	176,417	176,417
Liabilities				
Non-current borrowings	-	-	7,718,585	7,718,585
Non-current other payables	-	-	1,082	1,082

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<i>(in millions of Korean won)</i>	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,211	1,211
Non-current other receivables	-	-	228,662	228,662
Liabilities				
Non-current borrowings	-	-	7,354,957	7,354,957
Non-current other payables	-	-	929	929

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

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

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019		December 31, 2018		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	1,583	1,583	1,211	1,211	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	186,750	176,417	243,485	228,662	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.7%~3.7%
Liabilities								
Non-current borrowings	7,404,598	7,718,585	7,132,237	7,354,957	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.6%~3.1%
Non-current other payables	1,141	1,082	1,011	929	Discounted cash flow	Discount rate	Discount rate	1.6%~1.7%

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32. Assets Classified as Held for Sale

(a) Details of assets classified as held for sale as at September 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2019	December 31, 2018
Assets classified as held for sale		
Property, plant and equipment	2,920	-
Investment properties	93,346	-
Total	96,266	-

As at September 30, 2019, the sales procedure is in progress and is expected to be completed in 2019.

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