

# **LG Electronics**

**Consolidated Interim Financial Statements  
June 30, 2019 and 2018**

	<b>Page(s)</b>
<b>Report on Review of Interim Financial Statements</b> .....	1 - 2
<b>Consolidated Interim Financial Statements</b>	
Consolidated Interim Statements of Financial Position .....	3 - 4
Consolidated Interim Statements of Profit or Loss .....	5
Consolidated Interim Statements of Comprehensive Income .....	6
Consolidated Interim Statements of Changes in Equity .....	7
Consolidated Interim Statements of Cash Flows .....	8
Notes to the Consolidated Interim Financial Statements .....	9 - 91



## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

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

### ***Reviewed Financial Statements***

We have reviewed the accompanying consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at June 30, 2019, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2019 and 2018, and consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 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 consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

**Conclusion**

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

**Other Matters**

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

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

August 14, 2019  
Seoul, Korea

<p>This report is effective as at August 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 consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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**LG Electronics**  
**Consolidated Interim Statements of Financial Position**  
**June 30, 2019 and December 31, 2018**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>June 30, 2019</b> <b>(Unaudited)</b>	<b>December 31, 2018</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,32	3,944,245	4,270,388
Deposits held by financial institutions	5,32	80,516	80,516
Trade receivables	5,6,32	7,386,791	6,371,594
Loans and other receivables	5,6,32	520,491	506,437
Other financial assets	5,7,32	3,902	8,401
Inventories	8	6,179,534	6,021,356
Current income tax assets		89,041	151,778
Contract assets	9	727,909	763,776
Other current assets		1,176,123	1,073,396
Assets held for sale	34	26,035	115,212
		<u>20,134,587</u>	<u>19,362,854</u>
<b>Non-current assets</b>			
Deposits held by financial institutions	5,32	46,768	45,853
Loans and other receivables	5,6,32	418,772	452,366
Other financial assets	5,7,32	94,701	78,072
Property, plant and equipment	10	14,241,629	13,333,951
Intangible assets	10	2,964,817	3,001,155
Deferred income tax assets		1,467,478	1,410,793
Investments in associates and joint ventures	11	5,377,151	5,537,556
Investment properties		93,738	94,396
Net defined benefit assets	14	15	942
Contract assets	9	235,880	221,008
Other non-current assets		791,716	789,497
		<u>25,732,665</u>	<u>24,965,589</u>
<b>Total assets</b>		<u>45,867,252</u>	<u>44,328,443</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5,32	7,402,466	7,216,739
Borrowings	5,12,32	1,465,172	1,405,116
Lease liabilities	5,13,32	236,964	-
Other payables	5,32	2,866,204	3,670,453
Other financial liabilities	5,7,32	10,941	3,343
Current income tax liabilities		107,336	185,687
Provisions	15	696,296	672,544
Contract liabilities	9	1,336,127	1,119,806
Other current liabilities		3,096,740	2,861,341
		<u>17,218,246</u>	<u>17,135,029</u>
<b>Non-current liabilities</b>			
Borrowings	5,12,32	9,392,878	9,496,070
Lease liabilities	5,13,32	463,205	-
Other payables	5,32	6,840	17,995
Other financial liabilities	5,7,32	117,767	89,267
Deferred income tax liabilities		126,156	127,014
Net defined benefit liabilities	14	749,896	398,611
Provisions	15	333,809	343,811
Contract liabilities	9	24,898	23,787
Other non-current liabilities		338,559	389,952
		<u>11,554,008</u>	<u>10,886,507</u>
<b>Total liabilities</b>		<u>28,772,254</u>	<u>28,021,536</u>

**LG Electronics**  
**Consolidated Interim Statements of Financial Position**  
**June 30, 2019 and December 31, 2018**

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<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>June 30, 2019</b> <b>(Unaudited)</b>	<b>December 31, 2018</b>
<b>Equity</b>			
Paid-in capital:	16		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	17	12,447,002	12,075,414
Accumulated other comprehensive loss	18	(1,202,368)	(1,604,730)
Other components of equity	19	(209,764)	(209,764)
<b>Equity attributable to owners of the Parent Company</b>		<u>15,027,218</u>	<u>14,253,268</u>
<b>Non-controlling interests</b>		<u>2,067,780</u>	<u>2,053,639</u>
<b>Total equity</b>		<u>17,094,998</u>	<u>16,306,907</u>
<b>Total liabilities and equity</b>		<u>45,867,252</u>	<u>44,328,443</u>

**LG Electronics**  
**Consolidated Interim Statements of Profit or Loss**  
**Three-Month and Six-Month Periods Ended June 30, 2019 and 2018**

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended June 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Six months	Three months	Six months
<b>Net sales</b>	20	15,629,264	30,544,328	15,019,311	30,142,352
<b>Cost of sales</b>	21	11,672,931	22,842,978	11,101,452	22,414,851
<b>Gross profit</b>		3,956,333	7,701,350	3,917,859	7,727,501
Selling and marketing expenses	21,22	2,035,212	3,716,100	1,921,281	3,514,437
Administrative expenses	21,22	327,011	649,984	340,912	644,580
Research and development expenses	21,22	629,122	1,175,985	583,681	1,106,354
Service costs	21,22	312,751	606,405	301,016	583,344
<b>Operating profit</b>		652,237	1,552,876	770,969	1,878,786
Financial income	23	68,089	208,708	122,615	256,298
Financial expenses	24	147,553	366,308	186,036	400,234
Loss from equity method valuation	11	(206,673)	(229,896)	(105,696)	(133,641)
Other non-operating income	25	295,909	616,041	488,132	774,197
Other non-operating expenses	26	434,890	799,923	541,519	857,973
Profit before income tax		227,119	981,498	548,465	1,517,433
Income tax expense		121,106	297,520	221,979	461,076
<b>Profit for the period</b>		106,013	683,978	326,486	1,056,357
<b>Profit for the period attributable to:</b>					
Owners of the Parent Company		91,649	662,523	283,300	999,987
Non-controlling interests		14,364	21,455	43,186	56,370
		106,013	683,978	326,486	1,056,357
<b>Earnings per share attributable to the owners of the Parent Company during the period (in Korean won) :</b>	27				
Earnings per ordinary share		508	3,677	1,572	5,551
Earnings per preferred share		520	3,702	1,585	5,576

**LG Electronics**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month and Six-Month Periods Ended June 30, 2019 and 2018**

(in millions of Korean won)	Notes	Period Ended June 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Six months	Three months	Six months
<b>Profit for the period</b>		106,013	683,978	326,486	1,056,357
<b>Other comprehensive income, net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	14	(102,721)	(149,571)	(16,348)	(4,940)
Share of remeasurements of associates	11	(2,375)	(4,201)	(1,388)	(2,948)
Financial assets at fair value through other comprehensive income	7	8,827	8,849	(376)	1,723
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income					
(excluding remeasurements) of associates and joint ventures	11	1,820	65,174	2,650	49,720
Cash flow hedges	32	(20,481)	(33,963)	(16,429)	(12,685)
Exchange differences on translation of foreign operations		191,077	392,683	37,833	100,398
<b>Other comprehensive income for the period, net of tax</b>		76,147	278,971	5,942	131,268
<b>Total comprehensive income for the period, net of tax</b>		182,160	962,949	332,428	1,187,625
<b>Total comprehensive income for the period, net of tax, attributable to:</b>					
Owners of the Parent Company		160,237	918,195	283,577	1,110,826
Non-controlling interests		21,923	44,754	48,851	76,799
		182,160	962,949	332,428	1,187,625



**LG Electronics**
**Consolidated Interim Statements of Changes in Equity**
**Six-Month Periods Ended June 30, 2019 and 2018**

		Attributable to Owners of the Parent Company						
		Paid-in	Retained	Accumulated Other	Other	Total	Non-controlling	Total
		Capital	Earnings	Comprehensive Loss	Components of Equity		Interests	Equity
<i>(in millions of Korean won)</i>	Note							
<b>Balance at January 1, 2018</b>		3,992,348	10,964,155	(1,522,478)	(209,764)	13,224,261	1,449,423	14,673,684
Changes in accounting policy		-	20,639	(17,098)	-	3,541	-	3,541
<b>Restated total equity</b>		<u>3,992,348</u>	<u>10,984,794</u>	<u>(1,539,576)</u>	<u>(209,764)</u>	<u>13,227,802</u>	<u>1,449,423</u>	<u>14,677,225</u>
<b>Total comprehensive income:</b>								
Profit for the period		-	999,987	-	-	999,987	56,370	1,056,357
Remeasurements of the net defined benefit liability	14	-	(4,986)	-	-	(4,986)	46	(4,940)
Share of remeasurements of associates	11	-	(2,948)	-	-	(2,948)	-	(2,948)
Financial assets at fair value through other comprehensive income	7	-	-	1,691	-	1,691	32	1,723
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	-	-	49,720	-	49,720	-	49,720
Cash flow hedges	32	-	-	(12,685)	-	(12,685)	-	(12,685)
Exchange differences on translation of foreign operations		-	-	80,047	-	80,047	20,351	100,398
<b>Total comprehensive income</b>		<u>-</u>	<u>992,053</u>	<u>118,773</u>	<u>-</u>	<u>1,110,826</u>	<u>76,799</u>	<u>1,187,625</u>
<b>Transactions with owners:</b>								
Dividends	17	-	(72,885)	-	-	(72,885)	(32,572)	(105,457)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(20)	(20)
<b>Total transactions with owners</b>		<u>-</u>	<u>(72,885)</u>	<u>-</u>	<u>-</u>	<u>(72,885)</u>	<u>(32,592)</u>	<u>(105,477)</u>
<b>Balance at June 30, 2018 (Unaudited)</b>		<u>3,992,348</u>	<u>11,903,962</u>	<u>(1,420,803)</u>	<u>(209,764)</u>	<u>14,265,743</u>	<u>1,493,630</u>	<u>15,759,373</u>
<b>Balance at January 1, 2019</b>		3,992,348	12,075,414	(1,604,730)	(209,764)	14,253,268	2,053,639	16,306,907
Changes in accounting policy	2	-	(8,336)	-	-	(8,336)	428	(7,908)
<b>Restated total equity</b>		<u>3,992,348</u>	<u>12,067,078</u>	<u>(1,604,730)</u>	<u>(209,764)</u>	<u>14,244,932</u>	<u>2,054,067</u>	<u>16,298,999</u>
<b>Total comprehensive income:</b>								
Profit for the period		-	662,523	-	-	662,523	21,455	683,978
Remeasurements of the net defined benefit liability	14	-	(142,489)	-	-	(142,489)	(7,082)	(149,571)
Share of remeasurements of associates	11	-	(4,201)	-	-	(4,201)	-	(4,201)
Financial assets at fair value through other comprehensive income	7	-	-	8,538	-	8,538	311	8,849
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	-	-	65,174	-	65,174	-	65,174
Cash flow hedges	32	-	-	(34,063)	-	(34,063)	100	(33,963)
Exchange differences on translation of foreign operations		-	-	362,713	-	362,713	29,970	392,683
<b>Total comprehensive income</b>		<u>-</u>	<u>515,833</u>	<u>402,362</u>	<u>-</u>	<u>918,195</u>	<u>44,754</u>	<u>962,949</u>
<b>Transactions with owners:</b>								
Dividends	17	-	(135,909)	-	-	(135,909)	(30,761)	(166,670)
Changes in controlling interests in subsidiaries		-	-	-	-	-	(280)	(280)
<b>Total transactions with owners</b>		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>	<u>(31,041)</u>	<u>(166,950)</u>
<b>Balance at June 30, 2019 (Unaudited)</b>		<u>3,992,348</u>	<u>12,447,002</u>	<u>(1,202,368)</u>	<u>(209,764)</u>	<u>15,027,218</u>	<u>2,067,780</u>	<u>17,094,998</u>

**LG Electronics**  
**Consolidated Interim Statements of Cash Flows**  
**Six-Month Periods Ended June 30, 2019 and 2018**

(in millions of Korean won)

	Note	Six-Month Period Ended June 30	
		2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	1,628,957	2,272,123
Interest received		62,316	41,930
Interest paid		(207,551)	(191,748)
Dividend received		1,177	68,452
Income tax paid		(281,784)	(275,001)
<b>Net cash inflow from operating activities</b>		<u>1,203,115</u>	<u>1,915,756</u>
<b>Cash flows from investing activities</b>			
Decrease in deposits held by financial institutions		5,492	4,551
Decrease in loans and other receivables		64,651	61,829
Proceeds from redemption and disposal of other financial assets		37,217	33,030
Proceeds from disposal of property, plant and equipment		71,977	74,745
Proceeds from disposal of intangible assets		36	2,353
Proceeds from disposal of assets held for sale		110,814	37,622
Transfer of business	28	529	-
Increase in deposits held by financial institutions		(5,883)	(21,748)
Increase in loans and other receivables		(75,163)	(69,882)
Acquisition of other financial assets		(44,871)	(20,758)
Acquisition of property, plant and equipment		(1,040,452)	(1,519,421)
Acquisition of intangible assets		(263,466)	(317,006)
Acquisition of investments in associates and joint ventures		(8,703)	(1,000)
Business combination	33	(2,594)	-
<b>Net cash outflow from investing activities</b>		<u>(1,150,416)</u>	<u>(1,735,685)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		668,677	1,660,113
Repayments of borrowings		(816,356)	(447,231)
Repayments of lease liabilities		(150,906)	-
Dividends paid and others		(162,740)	(105,477)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(461,325)</u>	<u>1,107,405</u>
Effects of exchange rate changes on cash and cash equivalents		82,483	21,560
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(326,143)</u>	<u>1,309,036</u>
Cash and cash equivalents at the beginning of the period		<u>4,270,388</u>	<u>3,350,597</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>3,944,245</u>	<u>4,659,633</u>

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

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

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### 1. General Information

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

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

The Parent Company and its subsidiaries (collectively referred to as the “Group”) operate following six major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle component Solutions segment designs and manufactures automobile parts; Business Solutions segment manufactures and sells information displays, solar panels and others; and LG Innotek Co., Ltd. operates LED, optics solutions, substrate materials and automotive components businesses. As at June 30, 2019, the Parent Company has 137 subsidiaries (Note 1 (a)), 18 associates and joint ventures (Note 11).

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(a) Consolidated subsidiaries as at June 30, 2019 and December 31, 2018, are as follows:

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and retails of electronic products	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and sales of air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing services	More than half of voting rights
	Korea	LG Innotek Co., Ltd. <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund <sup>1</sup>	40.4%	59.6%	40.4%	59.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Business facility maintenance	More than half of voting rights
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (Kunshan) Co.,Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) <sup>2</sup>	50.0%	50.0%	50.0%	50.0%	December	Production of electronic products	De-facto control
	China	LG Electronics Nanjing New Technology co.,LTD(LGENT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	100.0%	-	December	Production of casting	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGEYS)	78.9%	21.1%	78.9%	21.1%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	100.0%	-	100.0%	-	December	Production of heater	More than half of voting rights
	China	QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	80.0%	20.0%	-	-	December	Installation and sales of air conditioners	More than half of voting rights
	China	LG Innotek Yantai Co.,Ltd.(LGITYT) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Huizhou Co.,Ltd.(LGITHZ) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co.,Ltd.(LGITSH) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	80.0%	20.0%	80.0%	20.0%	December	Water engineering	More than half of voting rights
	China	ZKW Lighting Systems (Dalian) Co. Ltd.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	China	HIPLAZA (Shenyang) Trading Co., Ltd.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	India	LG Electronics India Pvt. Ltd.(LGEIL) <sup>4</sup>	100.0%	-	100.0%	-	March	Production and sales of electronic products	More than half of voting rights
	Japan	LG Electronics Japan Lab. Inc.(LGJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) <sup>4</sup>	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	Indonesia	PT. LG Innotek Indonesia(LGITIN) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Co., Ltd.(LGITTW) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Vietnam	LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	99.8%	0.2%	December	Services	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.P.A.(LGEIS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Latvia	LG ELECTRONICS LATVIA, LLC(LGELA)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar K.F.T.(LGEMK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z.O.O.(LGEMA)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. Z.O.O(LGEPL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights



**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Finland	LG Electronics Finland Lab Oy(LGEFL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Poland	LG Innotek Poland Sp. z.o.o.(LGITPO) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Austria	ZKW Holding GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
	Austria	ZKW Group GmbH	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
	Austria	ZKW Elektronik GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Austria	ZKW Lichtsysteme GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Austria	Mommert GewerbeImmobilien Verwaltungs GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
	Austria	Mommert Immobilien GmbH	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
	Slovakia	ZKW Slovakia s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Czech	KES - kablove a elektricke systemy spol. s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Poland	KES Poland Sp.z o.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAL)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C. (LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights	

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) <sup>1</sup>	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	USA	LG Electronics Vehicle Components U.S.A., LLC(LGEVU)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	USA	LGEUS Power, LLC	100.0%	-	100.0%	-	December	Investment of solar power plant	More than half of voting rights
	USA	LG ELECTRONICS FUND I LLC	100.0%	-	100.0%	-	December	Investment in technology start-ups	More than half of voting rights
	USA	LG Technology Ventures LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	ZKW Lighting Systems USA, Inc.	70.0%	30.0%	70.0%	30.0%	December	Sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Inmobiliaria, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
	Mexico	ZKW Mexico, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Servicios, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
South America	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Honduras	LG Electronics Honduras S.de R.L. <sup>2</sup>	20.0%	80.0%	20.0%	80.0%	December	Sales of electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Middle East and Africa	Nigeria	EASYTEC GLOBAL SERVICES INNOVATION LIMITED	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and services of electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

Territory	Location	Subsidiary	June 30, 2019		December 31, 2018		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L.(LGEMC)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of electronic products	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Other	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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

## **LG Electronics**

### **Notes to the Consolidated Interim Financial Statements**

**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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- <sup>2</sup> Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.
- <sup>3</sup> Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities in operating and financing activities of the entity and is exposed to variable returns.
- <sup>4</sup> In the preparation of the consolidated interim financial statements, the financial statements for the six-month period ended June 30, 2019 were used for those subsidiaries with different fiscal year ends.

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(b) Financial information of major subsidiaries as at June 30, 2019 and December 31, 2018, and for the three-month and six-month periods ended June 30, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	June 30, 2019			2019			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	4,853,983	3,014,841	1,839,142	1,471,269	(21,962)	2,777,678	(64,266)
LG Electronics U.S.A., Inc.(LGEUS)	3,918,244	3,943,020	(24,776)	2,901,214	(184,295)	5,561,394	(105,922)
LG Electronics European Shared Service Center B.V.(LGESC)	2,004,909	1,954,872	50,037	154,802	8,208	261,091	18,575
LG Electronics Reynosa S.A. DE C.V.(LGERES)	1,449,155	483,483	965,672	702,295	112,978	1,381,470	205,149
Zenith Electronics Corporation(Zenith)	1,112,585	19,418	1,093,167	15,987	(2,543)	29,799	(5,260)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	965,070	501,193	463,877	576,268	14,860	1,291,142	26,988
LG Electronics do Brasil Ltda.(LGEBR)	1,161,714	540,772	620,942	506,927	23,220	1,030,822	56,455
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	1,039,438	669,765	369,673	811,485	(30,584)	1,684,930	26,886
LG Electronics India Pvt. Ltd.(LGEIL)	1,346,485	487,107	859,378	807,227	97,360	1,499,147	177,251
LG Electronics (China) Co., Ltd.(LGECH)	828,032	941,635	(113,603)	83,297	5,494	165,939	11,196
LG Electronics RUS, LLC(LGERA)	801,407	218,345	583,062	282,351	13,430	598,957	45,441
LG Innotek Vietnam Hai Phong Co.,Ltd.	804,775	645,146	159,629	382,739	24,734	570,157	22,806
Hiplaza Co., Ltd.	970,732	788,452	182,280	845,350	4,094	1,617,415	9,370
ZKW Lichtsysteme GmbH	836,418	474,810	361,608	236,110	9,989	470,089	17,437
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	664,173	386,196	277,977	399,868	18,906	768,722	31,344
ZKW Group GmbH	601,706	307,348	294,358	964	15,839	1,255	19,179
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	487,363	184,849	302,514	202,340	(5,508)	536,783	17,144
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	597,752	420,664	177,088	316,422	7,551	584,673	18,623
P.T. LG Electronics Indonesia(LGEIN)	578,639	237,270	341,369	327,472	11,733	663,635	33,066
LG Electronics Deutschland GmbH(LGEDG)	559,032	458,070	100,962	558,506	16,432	1,048,160	(7,161)
LG Electronics Thailand Co., Ltd.(LGETH)	549,354	236,679	312,675	321,142	11,300	724,803	20,449
LG Electronics Nanjing New Technology co.,LTD(LGENT)	443,812	248,541	195,271	351,154	15,260	763,041	27,535

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

<i>(in millions of Korean won)</i>	December 31, 2018			2018			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,062,817	3,140,216	1,922,601	1,425,122	634	3,015,953	346
LG Electronics U.S.A., Inc.(LGEUS)	3,581,129	3,495,389	85,740	1,839,975	(86,984)	3,579,594	(84,119)
LG Electronics European Shared Service Center B.V.(LGESC)	1,853,240	1,822,647	30,593	56,600	584	108,087	1,281
LG Electronics Reynosa S.A. DE C.V.(LGERS)	1,298,166	565,836	732,330	575,443	64,842	1,072,944	125,843
Zenith Electronics Corporation(Zenith)	1,080,075	18,770	1,061,305	13,416	(1,239)	19,414	(11,067)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,068,222	648,999	419,223	556,727	11,935	1,166,000	26,194
LG Electronics do Brasil Ltda.(LGEBR)	1,003,964	468,001	535,963	491,784	20,855	1,054,280	95,766
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	1,002,255	671,022	331,233	657,920	(6,423)	1,383,108	40,818
LG Electronics India Pvt. Ltd.(LGEIL)	991,303	343,183	648,120	686,312	69,397	1,345,514	146,772
LG Electronics (China) Co., Ltd.(LGECH)	890,353	1,011,156	(120,803)	81,821	7,915	193,976	16,759
LG Electronics RUS, LLC(LGERA)	791,066	268,912	522,154	295,018	19,508	603,330	47,619
LG Innotek Vietnam Hai Phong Co.,Ltd.	734,010	601,413	132,597	164,787	14,057	250,955	14,227
Hiplaza Co., Ltd.	607,368	434,258	173,110	753,142	5,108	1,356,609	2,924
ZKW Lichtsysteme GmbH <sup>1</sup>	600,317	258,424	341,893	-	-	-	-
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	590,825	351,650	239,175	338,221	7,957	681,834	13,217
ZKW Group GmbH <sup>1</sup>	565,125	298,436	266,689	-	-	-	-
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	562,263	286,881	275,382	461,313	46,320	1,009,590	68,030
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	531,273	377,870	153,403	263,108	3,896	503,849	8,503
P.T. LG Electronics Indonesia(LGEIN)	516,151	218,568	297,583	291,372	6,471	566,779	32,028
LG Electronics Deutschland GmbH(LGEDG)	497,260	391,178	106,082	507,485	2,307	949,288	(2,037)
LG Electronics Thailand Co., Ltd.(LGETH)	490,113	223,418	266,695	271,812	14,467	579,937	16,746
LG Electronics Nanjing New Technology co.,LTD(LGENT)	479,292	279,917	199,375	292,967	11,710	642,016	23,804

<sup>1</sup> The amounts of sales and profit for the period after the business combination are presented.



**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

- LG Innotek Co., Ltd. and its subsidiaries

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,238,408	1,259,456

ii) Profit (loss) and dividends attributable to non-controlling interests for the three-month and six-month periods ended June 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Profit (loss) to non-controlling interests	(775)	(19,485)	10,273	5,562
Dividends to non-controlling interests	-	4,204	-	3,503

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Current assets	2,111,632	2,233,328
Non-current assets	3,476,335	3,522,739
<b>Total assets</b>	<b>5,587,967</b>	<b>5,756,067</b>
Current liabilities	1,865,516	1,584,398
Non-current liabilities	1,644,973	2,053,434
<b>Total liabilities</b>	<b>3,510,489</b>	<b>3,637,832</b>
Equity attributable to the owners of LG Innotek Co., Ltd.	2,077,476	2,118,233
Non-controlling interests	2	2
<b>Total equity</b>	<b>2,077,478</b>	<b>2,118,235</b>

iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month and six-month periods ended June 30, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Net sales	1,522,325	2,890,955	1,517,884	3,238,414
Profit (loss) for the period	(5,166)	(38,161)	15,875	6,177
Other comprehensive income (loss), net of tax	(4,312)	4,503	4,733	16,092
Total comprehensive income (loss), net of tax	(9,478)	(33,658)	20,608	22,269

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the six-month periods ended June 30, 2019 and 2018, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cash flows from operating activities	227,885	292,265
Cash flows from investing activities	(160,621)	(755,243)
Cash flows from financing activities	(118,970)	417,265
Effects of exchange rate changes on cash and cash equivalents	3,415	2,062
Net decrease in cash and cash equivalents	(48,291)	(43,651)
Cash and cash equivalents at the beginning of the period	621,247	369,533
Cash and cash equivalents at the end of the period	572,956	325,882

(d) Significant restrictions on subsidiaries

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

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

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

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

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

There are no changes in the Parent Company's interest in subsidiaries without the loss of control for the six-month periods ended June 30, 2019 and 2018.

## LG Electronics

### Notes to the Consolidated Interim Financial Statements

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

---

- (f) A subsidiary newly included in the scope of the preparation of the consolidated interim financial statements for the six-month period ended June 30, 2019, is:

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

- (g) Subsidiaries excluded from the scope of the preparation of the consolidated interim financial statements for the six-month period ended June 30, 2019, are:

<b>Subsidiary</b>	<b>Reason</b>	<b>Country</b>
LG Electronics Service Kenya Limited(LGESK)	Liquidation	Kenya
LGE Alliance Fund	Liquidation	Korea
LGE Alliance Fund II	Liquidation	Korea

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

During the six-month period ended June 30, 2019, no gain or loss was incurred from the loss of control.

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

### June 30, 2019 and 2018 (Unaudited), and December 31, 2018

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## 2. Significant Accounting Policies

### Basis of Preparation

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

The Group's consolidated interim financial statements for the six-month period ended June 30, 2019, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at June 30, 2019.

### Changes in Accounting Policies and Disclosures

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

- Enactment of Korean IFRS 1116 *Leases*

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

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

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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*Lessee accounting*

A lessee shall apply this standard to its leases either:

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

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

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

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

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

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

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

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

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

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

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

*Lessor accounting*

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

- Amendments to Korean IFRS 1109 *Financial Instruments*

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

## **LG Electronics**

### **Notes to the Consolidated Interim Financial Statements**

#### **June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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##### - Amendments to Korean IFRS 1019 *Employee Benefits*

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

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

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

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

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

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

### **Significant Accounting Policies**

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



# LG Electronics

## Notes to the Consolidated Interim Financial Statements

### June 30, 2019 and 2018 (Unaudited), and December 31, 2018

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#### Leases

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

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

#### *Lessee accounting*

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

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

#### (a) Right-of-use assets

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

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

#### (b) Lease liabilities

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

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

## **LG Electronics**

### **Notes to the Consolidated Interim Financial Statements**

#### **June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

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

#### *Lessor accounting*

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

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

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

### **3. Critical Accounting Estimates and Judgements**

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

#### **Critical Accounting Estimates and Assumptions**

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

## **LG Electronics**

### **Notes to the Consolidated Interim Financial Statements**

#### **June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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##### (a) Revenue Recognition

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

##### (b) Impairment of Goodwill

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

##### (c) Income Taxes

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

##### (d) Fair Value of Financial Instruments

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

##### (e) Provisions

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

##### (f) Net Defined Benefit Liabilities

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

##### (g) Development Costs

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

**Significant Judgment on Accounting Policies Adopted by the Group**

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

**4. Segment Information**

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

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

(a) The segment information for sales and operating profit (loss) for the three-month and six-month periods ended June 30, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	Three-month period ended June 30, 2019								Total
	H&A	HE	MC	VC	B2B	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	
Sales	6,102,794	3,671,230	1,613,267	1,423,070	675,451	1,522,325	890,889	(269,762)	15,629,264
External sales	6,089,927	3,668,750	1,612,656	1,423,047	675,234	1,355,642	804,008	-	15,629,264
Internal sales	12,867	2,480	611	23	217	166,683	86,881	(269,762)	-
Operating profit (loss) <sup>3</sup>	717,471	205,574	(312,951)	(55,767)	58,103	18,772	21,035	-	652,237
Depreciation and amortization	150,983	82,439	44,496	108,430	50,808	142,206	32,535	-	611,897

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

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

### Six-month period ended June 30, 2019

<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	11,568,737	7,694,941	3,123,640	2,770,065	1,301,003	2,890,955	1,684,050	(489,063)	30,544,328
External sales	11,547,911	7,689,739	3,121,972	2,770,029	1,300,625	2,564,621	1,549,431	-	30,544,328
Internal sales	20,826	5,202	1,668	36	378	326,334	134,619	(489,063)	-
Operating profit (loss) <sup>3</sup>	1,445,057	552,076	(516,423)	(71,140)	113,641	7,359	22,306	-	1,552,876
Depreciation and amortization	303,201	162,497	85,608	212,990	104,616	281,372	63,585	-	1,213,869

### Three-month period ended June 30, 2018

<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	5,258,108	3,845,513	2,048,966	872,859	588,494	1,517,884	1,295,670	(408,183)	15,019,311
External sales	5,246,439	3,842,993	2,048,745	872,859	587,783	1,322,819	1,097,673	-	15,019,311
Internal sales	11,669	2,520	221	-	711	195,065	197,997	(408,183)	-
Operating profit (loss) <sup>3</sup>	461,828	405,243	(183,635)	(32,540)	38,991	13,396	67,686	-	770,969
Depreciation and amortization	116,550	69,473	48,405	53,211	45,169	120,123	14,148	-	467,079

### Six-month period ended June 30, 2018

<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	Total
Sales	10,182,037	7,987,457	4,183,343	1,712,825	1,231,226	3,238,414	2,320,928	(713,878)	30,142,352
External sales	10,161,288	7,982,236	4,183,030	1,712,825	1,229,307	2,860,357	2,013,309	-	30,142,352
Internal sales	20,749	5,221	313	-	1,919	378,057	307,619	(713,878)	-
Operating profit (loss) <sup>3</sup>	1,019,392	978,242	(315,435)	(49,524)	117,833	30,222	98,056	-	1,878,786
Depreciation and amortization	234,350	141,002	99,865	104,164	93,631	241,069	23,876	-	937,957

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

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(b) Segment assets and liabilities as at June 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
H&A	18,665,040	11,244,514	15,788,755	9,577,912
HE	12,523,290	9,640,192	11,971,528	9,603,530
MC	4,398,438	6,803,115	4,127,122	5,902,259
VS	6,080,894	5,803,047	5,704,878	5,281,526
BS	2,916,896	2,276,271	2,682,832	2,123,830
Innotek	5,587,967	3,510,489	5,756,067	3,637,832
<b>Subtotal<sup>1</sup></b>	<b>50,172,525</b>	<b>39,277,628</b>	<b>46,031,182</b>	<b>36,126,889</b>
Other segments and inter-segment transactions	(4,305,273)	(10,505,374)	(1,702,739)	(8,105,353)
<b>Total</b>	<b>45,867,252</b>	<b>28,772,254</b>	<b>44,328,443</b>	<b>28,021,536</b>

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

(c) Non-current assets by geographic area as at June 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Non-current assets <sup>1</sup>	
	June 30, 2019	December 31, 2018
<b>Geographic areas</b>		
Korea	12,572,506	12,316,318
China	1,074,580	970,706
Asia	1,033,315	951,524
North America	931,761	773,311
Europe	1,221,292	1,073,397
South America	164,403	109,667
Middle East & Africa	111,283	92,831
Russia and others	191,044	141,748
<b>Total</b>	<b>17,300,184</b>	<b>16,429,502</b>

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

(d) There is no external customer contributing to more than 10% of net sales for the six-month periods ended June 30, 2019 and 2018.

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**5. Financial Instruments by Category**

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

<i>(in millions of Korean won)</i>	June 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	3,944,245	-	-	-	3,944,245
Deposits held by financial institutions	127,284	-	-	-	127,284
Trade receivables	6,814,452	572,339	-	-	7,386,791
Other receivables	939,263	-	-	-	939,263
Other financial assets	1,729	66,938	26,354	3,582	98,603
<b>Total</b>	<b>11,826,973</b>	<b>639,277</b>	<b>26,354</b>	<b>3,582</b>	<b>12,496,186</b>

<i>(in millions of Korean won)</i>	June 30, 2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	7,402,466	-	-	7,402,466
Borrowings	10,858,050	-	-	10,858,050
Lease liabilities	-	-	700,169	700,169
Other payables	2,873,044	-	-	2,873,044
Other financial liabilities	-	19,246	109,462	128,708
<b>Total</b>	<b>21,133,560</b>	<b>19,246</b>	<b>809,631</b>	<b>21,962,437</b>

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

<i>(in millions of Korean won)</i>	2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	68,951	-	-	-	68,951
Exchange differences	151,923	(1,041)	-	-	150,882
Bad debt expenses	(21,863)	-	-	-	(21,863)
Loss on disposal of trade receivables	(3,530)	(5,663)	-	-	(9,193)
Dividend income	-	262	273	-	535
Gain on valuation of financial assets at fair value through profit or loss	-	-	149	-	149
Loss on disposal of financial assets at fair value through other comprehensive income	-	(206)	-	-	(206)
Gain on derivatives (through profit or loss)	-	-	21,399	-	21,399
Fair value gain, net of tax (through other comprehensive income)	-	8,849	-	-	8,849
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(711)	(711)

<i>(in millions of Korean won)</i>	2019			
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(194,440)	-	(11,175)	(205,615)
Exchange differences	(178,092)	-	19,536	(158,556)
Loss on derivatives (through profit or loss)	-	(36,932)	-	(36,932)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(33,252)	(33,252)
Others	(2,028)	-	-	(2,028)



# LG Electronics

## Notes to the Consolidated Interim Financial Statements

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

<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	50,858	-	-	-	50,858
Exchange differences	304,169	2,364	-	-	306,533
Bad debt expenses	(15,269)	-	-	-	(15,269)
Loss on disposal of trade receivables	(2,751)	(6,428)	-	-	(9,179)
Dividend income	-	202	-	-	202
Gain on derivatives (through profit or loss)	-	-	37,723	-	37,723
Fair value gain, net of tax (through other comprehensive income)	-	1,723	-	-	1,723
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	98	98

<i>(in millions of Korean won)</i>	2018			
	Financial liabilities carried at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(186,001)	-	(6,883)	(192,884)
Exchange differences	(424,380)	-	36,234	(388,146)
Loss on derivatives (through profit or loss)	-	(21,077)	-	(21,077)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(12,783)	(12,783)
Others	(1,459)	-	-	(1,459)

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**6. Trade Receivables and Other Receivables**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>			<b>December 31, 2018</b>		
	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>
Trade receivables	7,498,158	(111,367)	7,386,791	6,462,609	(91,015)	6,371,594
Other receivables						
Current	534,258	(13,767)	520,491	519,330	(12,893)	506,437
Non-current	418,939	(167)	418,772	452,444	(78)	452,366

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

<i>(in millions of Korean won)</i>	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Addition (reversal)</b>	<b>Write-off</b>	<b>Other</b>	<b>Ending Balance</b>
Trade receivables	91,015	21,161	(3,109)	2,300	111,367
Other receivables					
Current	12,893	615	(110)	369	13,767
Non-current	78	87	-	2	167

  

<i>(in millions of Korean won)</i>	<b>2018</b>				
	<b>Beginning Balance</b>	<b>Addition (reversal)</b>	<b>Write-off</b>	<b>Other</b>	<b>Ending Balance</b>
Trade receivables	78,883	14,178	(1,778)	1,950	93,233
Other receivables					
Current	13,132	(174)	(53)	(106)	12,799
Non-current	576	1,265	-	(1)	1,840

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

<i>(in millions of Korean won)</i>	June 30, 2019				December 31, 2018			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current				Current	
<b>Receivables not past due</b>	6,609,770	512,124	411,611	7,533,505	5,535,187	492,511	439,320	6,467,018
<b>Past due but not impaired</b>								
Up to 6 months	646,412	6,903	5,608	658,923	715,731	11,822	11,964	739,517
7 to 12 months	71,482	472	1,679	73,633	79,800	2,487	648	82,935
Over 1 year	65,924	5,071	41	71,036	21,057	2,855	512	24,424
<b>Subtotal</b>	<b>783,818</b>	<b>12,446</b>	<b>7,328</b>	<b>803,592</b>	<b>816,588</b>	<b>17,164</b>	<b>13,124</b>	<b>846,876</b>
<b>Impaired</b>	<b>104,570</b>	<b>9,688</b>	<b>-</b>	<b>114,258</b>	<b>110,834</b>	<b>9,655</b>	<b>-</b>	<b>120,489</b>
<b>Total</b>	<b>7,498,158</b>	<b>534,258</b>	<b>418,939</b>	<b>8,451,355</b>	<b>6,462,609</b>	<b>519,330</b>	<b>452,444</b>	<b>7,434,383</b>

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

**7. Other Financial Assets and Liabilities**

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

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
<b>Other financial assets</b>		
Derivatives	6,657	8,575
Financial assets at fair value through other comprehensive income	66,938	56,070
Financial assets at fair value through profit or loss	23,279	20,099
Financial assets at amortized cost	1,729	1,729
<b>Total</b>	<b>98,603</b>	<b>86,473</b>
Current	3,902	8,401
Non-current	94,701	78,072
<b>Other financial liabilities</b>		
Derivatives	128,628	92,443
Financial guarantee liability	80	167
<b>Total</b>	<b>128,708</b>	<b>92,610</b>
Current	10,941	3,343
Non-current	117,767	89,267

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

<i>(in millions of Korean won)</i>	June 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Currency forward	3,075	9,026	6,742	3,228
Cross-currency swap	678	-	1,542	-
Share purchase contract	-	1,869	-	-
<b>Subtotal</b>	<b>3,753</b>	<b>10,895</b>	<b>8,284</b>	<b>3,228</b>
<b>Non-current</b>				
Cross-currency swap	2,904	14,716	291	20,920
Interest rate swap	-	103,017	-	66,433
Share purchase contract	-	-	-	1,862
<b>Subtotal</b>	<b>2,904</b>	<b>117,733</b>	<b>291</b>	<b>89,215</b>
<b>Total</b>	<b>6,657</b>	<b>128,628</b>	<b>8,575</b>	<b>92,443</b>

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

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

<i>(in millions of Korean won)</i>	2019					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Jun. 30
Listed equity securities	20,463	-	-	(864)	212	19,811
Unlisted equity securities	34,055	12,505	(10,266)	10,230	603	47,127
Debt securities	1,552	-	(1,587)	(21)	56	-
<b>Total</b>	<b>56,070</b>	<b>12,505</b>	<b>(11,853)</b>	<b>9,345</b>	<b>871</b>	<b>66,938</b>

<i>(in millions of Korean won)</i>	2018					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Jun. 30
Listed equity securities	13,844	-	-	1,588	-	15,432
Unlisted equity securities	21,076	3,497	(1,550)	(353)	410	23,080
<b>Total</b>	<b>34,920</b>	<b>3,497</b>	<b>(1,550)</b>	<b>1,235</b>	<b>410</b>	<b>38,512</b>

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

<i>(in millions of Korean won)</i>	2019					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Jun. 30
Unlisted equity securities	18,488	3,098	(156)	12	37	21,479
Debt securities	1,611	-	-	137	52	1,800
<b>Total</b>	<b>20,099</b>	<b>3,098</b>	<b>(156)</b>	<b>149</b>	<b>89</b>	<b>23,279</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

<i>(in millions of Korean won)</i>	2018					
	At Jan. 1	Acquisition	Disposal	Valuation	Other	At Jun. 30
Unlisted equity securities	16,078	1,773	-	-	-	17,851

(e) Financial assets at amortized cost

- i) Maturity analysis of financial assets at amortized cost as at June 30, 2019 and December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Within one year	117	117
One to five years	1,612	1,612
<b>Total</b>	<b>1,729</b>	<b>1,729</b>

- ii) The amount recognized as interest income in relation to financial assets at amortized cost for the six-month period ended June 30, 2019, was ₩15 million (June 30, 2018: ₩1 million). No impairment losses were recognized in relation to financial assets at amortized cost for the six-month periods ended June 30, 2019 and 2018.

**8. Inventories**

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

<i>(in millions of Korean won)</i>	June 30, 2019			December 31, 2018		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,589,398	(98,887)	3,490,511	3,411,675	(107,772)	3,303,903
Work-in-process	403,805	(13,039)	390,766	384,261	(12,323)	371,938
Raw materials and supplies	2,143,143	(101,003)	2,042,140	2,156,094	(71,882)	2,084,212
Other	287,499	(31,382)	256,117	291,718	(30,415)	261,303
<b>Total</b>	<b>6,423,845</b>	<b>(244,311)</b>	<b>6,179,534</b>	<b>6,243,748</b>	<b>(222,392)</b>	<b>6,021,356</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**9. Contract Assets and Contract Liabilities**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Due from customers	675,048	711,135
(Less: allowance for doubtful accounts)	(11,482)	(5,898)
Right to recover returned products	90,796	78,499
Costs to fulfil contracts and others	209,427	201,048
<b>Total</b>	<b>963,789</b>	<b>984,784</b>
Current	727,909	763,776
Non-current	235,880	221,008

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Expected promotional incentives for customers	835,244	635,287
Expected returns from customers	133,021	115,503
Customer loyalty program	61,285	51,015
Rendering of warranty services	59,164	52,104
Due to customers and others	272,311	289,684
<b>Total</b>	<b>1,361,025</b>	<b>1,143,593</b>
Current	1,336,127	1,119,806
Non-current	24,898	23,787

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	164,835	225,505
Customer loyalty program	25,431	1,587
Rendering of warranty services	13,909	13,509
<b>Total</b>	<b>204,175</b>	<b>240,601</b>
Revenue recognized from performance obligations satisfied in previous periods	12,205	1,902

(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 ₩999,761 million where they are expected to be satisfied by 2022, at the latest. Also as a practical expedient, the Group excluded performance obligation which is a contract that has an original expected duration of one year or less.

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

- (e) For the six-month period ended June 30, 2019, the Group recognized an impairment loss amounting to ₩ 5,027 million (June 30, 2018: ₩1,140 million) upon due from customers and a depreciation of ₩74,575 million (June 30, 2018: ₩1,298 million) upon costs to fulfil contracts.

**10. Property, Plant and Equipment, and Intangible Assets**

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1<sup>1</sup></b>	14,011,212	11,800,782
Acquisitions	1,239,930	1,310,966
Acquisitions due to business combination	222	-
Classification to assets held for sale	(26,034)	(17)
Disposals and others	(131,793)	(70,154)
Depreciation	(1,021,624)	(747,701)
Impairment	(3,341)	(14,199)
Exchange differences	173,057	57,712
<b>At June 30</b>	<b>14,241,629</b>	<b>12,337,389</b>

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

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	793,541	637,499
Selling and marketing expenses	95,204	22,841
Administrative expenses	51,789	27,862
Research and development expenses	54,361	46,318
Service costs	11,869	6,158
Other non-operating expenses	14,860	7,023
<b>Total</b>	<b>1,021,624</b>	<b>747,701</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

<i>(in millions of Korean won)</i>	<b>2019</b>
<b>At January 1</b>	707,243
Acquisitions	278,399
Disposals and others	(44,588)
Depreciation	(144,090)
Exchange differences	13,946
<b>At June 30</b>	<b>810,910</b>

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the six-month period June 30, 2019, was ₩3,060 million.

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1<sup>1</sup></b>	2,985,830	1,854,620
Acquisitions	116,399	116,530
Acquisitions through internal development	209,469	257,047
Acquisitions due to business combination	77	-
Reclassification to assets held for sale	(1)	-
Disposals and others	(27,941)	(27,902)
Amortization	(206,457)	(196,621)
Impairment	(118,522)	(6,328)
Exchange differences	5,963	248
<b>At June 30</b>	<b>2,964,817</b>	<b>1,997,594</b>

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

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	114,690	104,298
Selling and marketing expenses	13,963	9,811
Administrative expenses	34,275	38,536
Research and development expenses	42,673	43,133
Service costs	846	843
Other non-operating expenses	10	-
<b>Total</b>	<b>206,457</b>	<b>196,621</b>



**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**11. Investments in Associates and Joint Ventures**

(a) Investments in associates and joint ventures

- i) Carrying amounts of investments in associates and joint ventures, as at June 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Associates	5,207,046	5,386,252
Joint ventures	170,105	151,304
<b>Total</b>	<b>5,377,151</b>	<b>5,537,556</b>

- ii) Investments in associates as at June 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>				<b>December 31, 2018</b>			
	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>
LG Display Co., Ltd.	679,218	5,125,771	(120,841)	5,004,930	679,218	5,298,615	(107,531)	5,191,084
Ericsson-LG Co., Ltd	12,649	50,010	-	50,010	12,649	47,227	-	47,227
Hitachi-LG Data Storage Inc.(HLDS)	101,961	33,872	(1,326)	32,546	101,961	28,380	(1,198)	27,182
Korea Information Certificate Authority Inc.	1,745	5,265	-	5,265	1,745	5,200	-	5,200
LG Fuel Cell Systems Inc.	111,837	-	-	-	111,837	-	-	-
One-Red, LLC <sup>1</sup>	3,128	3,045	-	3,045	3,128	2,971	-	2,971
Kiwigrd GmbH <sup>1</sup>	13,019	8,720	-	8,720	13,019	9,880	-	9,880
CCP-LGE OWNER, LLC <sup>1</sup>	11,652	11,152	-	11,152	11,652	10,819	-	10,819
ROBOTIS Co., Ltd. <sup>1</sup>	9,000	9,209	-	9,209	9,000	9,381	-	9,381
Acryl Inc. <sup>1</sup>	2,000	1,845	-	1,845	1,000	894	-	894
Robostar Co.,Ltd	82,045	80,821	(497)	80,324	82,045	81,614	-	81,614
<b>Total</b>	<b>1,028,254</b>	<b>5,329,710</b>	<b>(122,664)</b>	<b>5,207,046</b>	<b>1,027,254</b>	<b>5,494,981</b>	<b>(108,729)</b>	<b>5,386,252</b>

<sup>1</sup> The financial statements as at May 31, 2019 were used due to a different closing date.

- iii) Investments in joint ventures as at June 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>				<b>December 31, 2018</b>			
	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>
LG Holdings(HK) Ltd.	75,693	115,788	-	115,788	75,693	108,108	-	108,108
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	14,718	31,117	(754)	30,363	14,718	27,348	(193)	27,155
EIC PROPERTIES PTE LTD.	9,636	15,466	-	15,466	9,636	14,882	-	14,882
LG-MRI LLC	516	932	-	932	516	1,159	-	1,159
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-
LG-LHT Aircraft Solutions GmbH	3,852	3,765	-	3,765	-	-	-	-
LG-LHT Passenger Solutions GmbH	3,851	3,791	-	3,791	-	-	-	-
<b>Total</b>	<b>108,266</b>	<b>170,859</b>	<b>(754)</b>	<b>170,105</b>	<b>100,563</b>	<b>151,497</b>	<b>(193)</b>	<b>151,304</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(b) Associates and joint ventures

i) Associates as at June 30, 2019, are as follows:

<b>Name of associate</b>	<b>Location</b>	<b>Closing month</b>	<b>Percentage of ownership (%)</b>	<b>Nature of relationships with the Group</b>
LG Display Co., Ltd.	Korea	December	37.9	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	Production and supply of data storages
Korea Information Certificate Authority Inc. <sup>1</sup>	Korea	December	6.5	Certificate services
LG Fuel Cell Systems Inc.	USA	December	33.5	R&D of fuel cell
One-Red, LLC	USA	March	25.0	DVD related patent licensing
Kiwigrid GmbH <sup>1</sup>	Germany	December	16.3	Supply of energy management solutions
CCP-LGE OWNER, LLC <sup>2</sup>	USA	December	70.2	Solar power plant
ROBOTIS Co., Ltd. <sup>1</sup>	Korea	December	8.5	Production and sales of personal robot
Acryl Inc. <sup>1</sup>	Korea	December	14.5	Development and sales of software
Robostar Co.,Ltd	Korea	December	30.0	Production and sales of industrial robot

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

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

ii) Joint ventures as at June 30, 2019, are as follows:

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

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(c) Changes in investments in associates and joint ventures

- i) Changes in the carrying amounts of investments in associates for the six-month periods ended June 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>Opening carrying amount</b>	5,386,252	5,474,932
Acquisition	1,000	1,000
Loss from equity method valuation <sup>1</sup>	(238,366)	(146,441)
Share of other comprehensive income of associates	58,035	41,971
Dividend/ withdrawal of investment	(307)	(67,927)
Exchange differences	432	606
Changes in ownership interest over associates	-	199
<b>Closing carrying amount</b>	<b>5,207,046</b>	<b>5,304,340</b>

<sup>1</sup> The Group recognized additional loss from equity method valuation of ₩1,635 million for loans provided to Hitachi-LG Data Storage Inc. for the six-month period ended June 30, 2018.

- ii) Changes in the carrying amounts of investments in joint ventures for the six-month periods ended June 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>Opening carrying amount</b>	151,304	145,399
Acquisition	7,703	-
Gain from equity method valuation	8,470	11,165
Share of other comprehensive income of joint ventures	2,938	4,801
Dividend / withdrawal of investment	(337)	(321)
Exchange differences	27	35
<b>Closing carrying amount</b>	<b>170,105</b>	<b>161,079</b>

- (d) Summarized financial information of the associates that are material to the reporting entity as at June 30, 2019 and December 31, 2018, and for the three-month and six-month periods ended June 30, 2019 and 2018, is as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Current assets	8,989,170	8,800,127
Non-current assets	26,684,692	24,375,583
<b>Total assets</b>	<b>35,673,862</b>	<b>33,175,710</b>
Current liabilities	10,293,431	9,954,483
Non-current liabilities	10,651,873	8,334,981
<b>Total liabilities</b>	<b>20,945,304</b>	<b>18,289,464</b>
Equity attributable to the owners of LG Display Co., Ltd.	13,523,181	13,979,188
Non-controlling interests	1,205,377	907,058
<b>Total equity</b>	<b>14,728,558</b>	<b>14,886,246</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Net sales	5,353,410	11,232,191	5,611,248	11,286,412
Loss for the period	(550,180)	(612,820)	(300,543)	(349,525)
Attributable to the owners of LG Display Co., Ltd.				
Loss for the period	(548,377)	(609,310)	(297,385)	(356,839)
Other comprehensive income, net of tax	588	153,303	8,693	110,851
Total comprehensive loss, net of tax	(547,789)	(456,007)	(288,692)	(245,988)

There are no dividends received from LG Display Co., Ltd. for the six-month period ended June 30, 2019 (June 30, 2018: ₩67,813 million).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the six-month periods ended June 30, 2019 and 2018, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2019	2018
Opening equity attributable to owners of LG Display Co., Ltd.	13,979,188	14,373,482
Loss for the period	(609,310)	(356,839)
Other comprehensive income, net of tax	153,303	110,851
Dividends	-	(178,908)
Closing equity attributable to owners of LG Display Co., Ltd.	13,523,181	13,948,586
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	5,125,771	5,287,015
Unrealized gain	(120,841)	(98,722)
Carrying amount at the end of the reporting period	5,004,930	5,188,293

- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month and six-month periods ended June 30, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019			
	Associates		Joint ventures	
	Three months	Six months	Three months	Six months
Profit for the period	4,765	6,581	6,207	9,039
Other comprehensive income (loss), net of tax	(356)	(121)	(478)	2,931
Total comprehensive income, net of tax	4,409	6,460	5,729	11,970

## LG Electronics

### Notes to the Consolidated Interim Financial Statements

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

<i>(in millions of Korean won)</i>	2018			
	Associates		Joint ventures	
	Three months	Six months	Three months	Six months
Profit (loss) for the period	780	(1,392)	9,024	11,430
Other comprehensive income (loss), net of tax	2,108	(18)	(1,961)	4,804
Total comprehensive income (loss), net of tax	2,888	(1,410)	7,063	16,234

(g) There are no accumulated unrecognized changes in equity due to discontinued use of the equity method as at June 30, 2019 and December 31, 2018.

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

	June 30, 2019				
	Type	Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	17,850	2,420,906	5,004,930
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,845	7,729	5,265
Robostar Co.,Ltd	Associate	2,927,735	23,500	68,802	80,324
ROBOTIS Co.,Ltd.	Associate	961,550	16,750	16,106	9,209

  

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**12. Borrowings**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Current</b>		
Short-term borrowings	357,372	293,221
Current portion of long-term borrowings	298,167	128,760
Current portion of debentures	809,633	983,135
<b>Subtotal</b>	<b>1,465,172</b>	<b>1,405,116</b>
<b>Non-current</b>		
Long-term borrowings	4,142,841	4,241,936
Debentures	5,250,037	5,254,134
<b>Subtotal</b>	<b>9,392,878</b>	<b>9,496,070</b>
<b>Total</b>	<b>10,858,050</b>	<b>10,901,186</b>

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

<i>(in millions of Korean won)</i>	<b>Latest maturity date</b>	<b>Annual interest rate at June 30, 2019(%)</b>	<b>Carrying amount</b>	
			<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Short-term borrowings in local currency</b>				
Standard Chartered Bank Korea and others	-	2.27	49,943	17,800
<b>Short-term borrowings in foreign currency</b>				
Citibank and others	-	0.66 ~ 5.98	307,429	275,421
<b>Long-term borrowings in local currency</b>				
Korea Development Bank and others	2030. 8. 1	2.21 ~ 4.00	2,972,953	2,978,493
<b>Long-term borrowings in foreign currency</b>				
KEB Hana Bank and others	2030. 8. 1	0.11 ~ 12.12	1,468,055	1,392,203
<b>Local currency debentures</b>				
Public, non-guaranteed bonds	2034. 2.21	1.48 ~ 4.44	4,390,000	4,400,000
Private, non-guaranteed bonds	2038. 4. 3	1.95 ~ 4.21	1,170,000	1,130,000
<b>Foreign currency debentures</b>				
Private, non-guaranteed bonds	2028. 6. 8	3.18 ~ 3.93	381,744	368,973
Private, guaranteed bonds	2023. 2.24	0.37	131,511	351,536
Less: discount on debentures			(13,585)	(13,240)
<b>Total</b>			<b>10,858,050</b>	<b>10,901,186</b>

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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**13. Lease liabilities**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>January 1, 2019</b>
<b>Lease liabilities</b>		
Current	236,964	177,456
Non-current	463,205	445,003
<b>Total</b>	<b>700,169</b>	<b>622,459</b>

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

<i>(in millions of Korean won)</i>	<b>2019</b>
Interest expense relating on lease liabilities	11,413
Short term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	91,080
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)	11,170

Total expenses for leases including short-term leases and leases of low-value assets are ₩264,402 million.

**14. Post-employment Benefits**

**Defined Benefit Plan**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Present value of funded obligations	3,430,494	3,170,154
Present value of unfunded obligations	51,387	45,705
<b>Subtotal</b>	<b>3,481,881</b>	<b>3,215,859</b>
Fair value of plan assets	(2,732,000)	(2,818,190)
<b>Net defined benefit liabilities<sup>1</sup></b>	<b>749,881</b>	<b>397,669</b>

<sup>1</sup> Net defined benefit assets are included.

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Current service cost	185,331	170,891
Past service cost	(11,847)	(118)
Net interest cost	5,461	5,173
Operating management cost	1,576	1,558
<b>Total</b>	<b>180,521</b>	<b>177,504</b>

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cost of sales	86,006	92,476
Selling and marketing expenses	29,620	28,103
Administrative expenses	13,565	12,403
Research and development expenses	44,218	41,131
Service costs	7,112	3,391
<b>Total</b>	<b>180,521</b>	<b>177,504</b>

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	<b>3,215,859</b>	<b>2,917,271</b>
Current service cost	185,331	170,891
Past service cost	(11,847)	(118)
Interest expense	40,708	43,433
Remeasurements for:		
- Actuarial loss from change in demographic assumptions	95,591	-
- Actuarial loss (gain) arising from changes in financial assumptions	103,225	(7,755)
Benefits paid	(127,912)	(116,760)
Reduction due to settlement of plan	(22,050)	-
Reclassification to liabilities held for sale	-	(463)
Others <sup>1</sup>	2,976	977
<b>At June 30</b>	<b>3,481,881</b>	<b>3,007,476</b>

<sup>1</sup> The effects of exchange rate changes are included.



**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
<b>At January 1</b>	2,818,190	2,591,256
Interest income	35,247	38,260
Remeasurements of plan assets	(5,436)	(14,673)
Employer contributions	5,034	6,934
Benefits paid	(98,471)	(95,235)
Reduction due to settlement of plan	(21,447)	-
Operating management cost	(1,576)	(1,558)
Reclassification to liabilities held for sale	-	(461)
Others <sup>1</sup>	459	(253)
<b>At June 30</b>	<b>2,732,000</b>	<b>2,524,270</b>

<sup>1</sup> The effects of exchange rate changes are included.

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Weighted average discount rate of the Group	2.3%	2.6%
Weighted average expected salary growth rate of the Group	4.9%	4.9%

As at June 30, 2019, the discount rates applied to the Parent Company and subsidiaries are between 0.3%~10.2% (December 31, 2018: 0.3%~10.2%), and the expected salary growth rates are between 1.0%~10.0% (December 31, 2018: 1.0%~10.0%).

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

<i>(in millions of Korean won)</i>	<b>1%p increase</b>	<b>1%p decrease</b>
Discount rate	(287,465)	331,788
Expected salary growth rate	316,685	(289,145)

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 six-month period ended June 30, 2019 in relation to the defined contribution plan was ₩10,648 million (June 30, 2018: ₩7,805 million).

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**15. Provisions**

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

<b>2019</b>				
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1<sup>1</sup></b>	740,839	39,013	235,129	1,014,981
Additional provisions, net <sup>2</sup>	362,666	1,853	10,687	375,206
Utilization	(353,514)	(675)	(24,483)	(378,672)
Exchange differences	12,647	457	5,486	18,590
<b>At June 30</b>	<b>762,638</b>	<b>40,648</b>	<b>226,819</b>	<b>1,030,105</b>
Current	668,280	18,945	9,071	696,296
Non-current	94,358	21,703	217,748	333,809

  

<b>2018</b>				
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	652,343	34,133	224,690	911,166
Additional provisions, net <sup>2</sup>	387,630	6,595	16,735	410,960
Utilization	(372,665)	(2,755)	(13,287)	(388,707)
Exchange differences	1,578	278	(5,941)	(4,085)
<b>At June 30</b>	<b>668,886</b>	<b>38,251</b>	<b>222,197</b>	<b>929,334</b>
Current	591,602	11,035	2,142	604,779
Non-current	77,284	27,216	220,055	324,555

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

<sup>2</sup> Net amount of additional provisions equals to additional provisions less reversed amounts.

**16. Paid-in Capital**

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

	<b>Par value per share</b>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
		<b>Number of shares issued</b>	<b>Amount (in millions of Korean won)</b>	<b>Number of shares issued</b>	<b>Amount (in millions of Korean won)</b>
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
<b>Total</b>		<b>180,833,806</b>	<b>904,169</b>	<b>180,833,806</b>	<b>904,169</b>

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

---

preferred shares.

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

**17. Retained Earnings**

Retained earnings as at June 30, 2019 and December 31, 2018, consist of:

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Legal reserve <sup>1</sup>	195,936	182,342
Discretionary reserve	5,128,767	5,347,641
Unappropriated retained earnings <sup>2</sup>	7,122,299	6,545,431
<b>Total</b>	<b>12,447,002</b>	<b>12,075,414</b>

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

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

**18. Accumulated Other Comprehensive Loss**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Share of accumulated other comprehensive loss of associates and joint ventures	(139,595)	(204,769)
Cash flow hedge	(95,950)	(61,887)
Financial assets at fair value through other comprehensive income	138	(8,400)
Exchange difference on translation of foreign operations	(966,961)	(1,329,674)
<b>Total</b>	<b>(1,202,368)</b>	<b>(1,604,730)</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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**19. Other Components of Equity**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Treasury shares <sup>1</sup>	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group	(176,945)	(176,945)
<b>Total</b>	<b>(209,764)</b>	<b>(209,764)</b>

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

**20. Net Sales**

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

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Revenue from contracts with customers:				
Sales of goods	15,186,514	29,708,278	14,677,764	29,460,617
Rendering of services	284,878	544,383	250,858	503,855
Royalty income	46,986	77,341	17,581	36,769
<b>Sub-total</b>	<b>15,518,378</b>	<b>30,330,002</b>	<b>14,946,203</b>	<b>30,001,241</b>
Revenue from other sources:				
Rental income and others <sup>1</sup>	110,886	214,326	73,108	141,111
<b>Total</b>	<b>15,629,264</b>	<b>30,544,328</b>	<b>15,019,311</b>	<b>30,142,352</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

<i>(in millions of Korean won)</i>	2019								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	11,340,745	7,682,052	3,120,563	2,769,497	1,299,541	2,564,418	1,553,186	-	30,330,002
Internal sales	20,826	5,130	1,668	36	376	326,328	131,755	(486,119)	-
	<u>11,361,571</u>	<u>7,687,182</u>	<u>3,122,231</u>	<u>2,769,533</u>	<u>1,299,917</u>	<u>2,890,746</u>	<u>1,684,941</u>	<u>(486,119)</u>	<u>30,330,002</u>
By type of products:									
Refrigerators/ washing machine/ air conditioners and others	9,725,492	-	-	-	-	-	-	(4,164)	9,721,328
TV/monitor /PC and others	-	7,097,013	-	-	-	-	-	(5,103)	7,091,910
Mobile communications	-	-	3,122,231	-	-	-	-	(1,668)	3,120,563
In-vehicle infotainment	-	-	-	1,604,018	-	-	-	(36)	1,603,982
Information display	-	-	-	-	783,078	-	-	(377)	782,701
Camera modules	-	-	-	-	-	1,496,120	-	(131,098)	1,365,022
Others	1,636,079	590,169	-	1,165,515	516,839	1,394,626	1,684,941	(343,673)	6,644,496
By major geographical market <sup>1</sup> :									
Korea	4,098,264	1,237,534	772,848	476,917	155,653	2,712,596	1,651,612	(455,113)	10,650,311
North America	2,468,225	1,690,531	1,809,839	566,367	486,776	3,307	-	(144)	7,024,901
Asia	2,125,071	980,866	87,670	112,625	239,178	18,193	2	(15,081)	3,548,524
Europe	699,106	1,753,198	96,898	1,321,269	303,999	13,837	-	(311)	4,187,996
South America	438,873	980,333	308,737	33,924	49,618	-	2	(4)	1,811,483
Middle East & Africa	666,654	532,426	16,003	290	37,540	-	1	(73)	1,252,841
China	548,978	166,870	28,829	258,141	17,830	142,813	33,324	(15,391)	1,181,394
Russia and others	316,400	345,424	1,407	-	9,323	-	-	(2)	672,552
Timing of transfer:									
Transferred at a point in time	11,168,883	7,631,538	3,061,219	2,701,858	1,288,531	2,890,746	571,930	(376,035)	28,938,670
Transferred over time	192,688	55,644	61,012	67,675	11,386	-	1,113,011	(110,084)	1,391,332

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

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

(in millions of Korean won)	2018								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	10,024,826	7,975,028	4,181,547	1,712,403	1,227,884	2,860,075	2,019,478	-	30,001,241
Internal sales	20,749	5,074	312	-	1,916	378,057	304,457	(710,565)	-
	<u>10,045,575</u>	<u>7,980,102</u>	<u>4,181,859</u>	<u>1,712,403</u>	<u>1,229,800</u>	<u>3,238,132</u>	<u>2,323,935</u>	<u>(710,565)</u>	<u>30,001,241</u>
By type of products:									
Refrigerators/ washing machine/ air conditioners and others	8,513,394	-	-	-	-	-	-	(5,894)	8,507,500
TV/monitor /PC and others	-	7,294,544	-	-	-	-	-	(4,978)	7,289,566
Mobile communications	-	-	4,181,859	-	-	-	-	(289)	4,181,570
In-vehicle infotainment	-	-	-	1,415,700	-	-	-	-	1,415,700
Information display	-	-	-	-	769,340	-	-	(1,852)	767,488
Camera modules	-	-	-	-	-	1,827,932	-	(132,622)	1,695,310
Others	1,532,181	685,558	-	296,703	460,460	1,410,200	2,323,935	(564,930)	6,144,107
By major geographical market <sup>1</sup> :									
Korea	3,467,913	1,220,294	841,641	465,799	191,645	2,933,080	2,281,294	(688,662)	10,713,004
North America	2,289,152	1,558,281	2,304,866	459,538	455,469	10,671	149	(245)	7,077,881
Asia	1,812,317	960,451	210,091	184,617	198,737	17,760	10	(8,787)	3,375,196
Europe	598,223	1,850,315	290,783	430,092	246,076	10,778	-	(5,792)	3,420,475
South America	421,684	1,200,181	388,898	25,475	43,122	-	325	(7)	2,079,678
Middle East & Africa	618,916	652,201	73,589	1	54,099	-	-	(65)	1,398,741
China	540,506	180,403	45,050	146,881	26,075	265,843	42,157	(7,006)	1,239,909
Russia and others	296,864	357,976	26,941	-	14,577	-	-	(1)	696,357
Timing of transfer:									
Transferred at a point in time	9,835,819	7,922,317	4,137,604	1,705,033	1,221,597	3,238,132	751,351	(442,019)	28,369,834
Transferred over time	209,756	57,785	44,255	7,370	8,203	-	1,572,584	(268,546)	1,631,407

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

The estimated total contract revenue and costs for contracts in progress have changed during the six-month period ended in June 30, 2019. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the six-month period ended June 30, 2019 and the succeeding period are as follows:

<i>(in millions of Korean won)</i>	<b>Changes in estimated total contract revenue</b>	<b>Changes in estimated total contract cost</b>	<b>Impact on profit or loss for the period</b>	<b>Impact on profit or loss for the succeeding period</b>
VS segment	29,348	24,448	433	4,467
Other segments	40,970	41,350	(6,268)	5,888
<b>Total</b>	<b>70,318</b>	<b>65,798</b>	<b>(5,835)</b>	<b>10,355</b>

**21. Expenses by Nature**

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

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Changes in finished goods and work-in-process	(80,100)	(227,446)	138,174	202,260
Raw materials and merchandise used	9,218,773	18,203,109	8,782,316	17,911,915
Employee benefit expense	2,015,693	3,855,175	1,733,790	3,368,387
Depreciation and amortization	611,897	1,213,869	467,079	937,957
Advertising expense	344,538	510,934	353,330	580,642
Promotion expense	216,335	371,297	224,613	359,046
Freight expense	440,988	859,674	383,248	742,045
Commission expense	899,444	1,711,834	794,006	1,513,986
Other expenses	1,309,459	2,493,006	1,371,786	2,647,328
<b>Total<sup>1</sup></b>	<b>14,977,027</b>	<b>28,991,452</b>	<b>14,248,342</b>	<b>28,263,566</b>

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

Details of general operating expenses for the three-month and six-month periods ended June 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Salaries	838,491	1,577,868	749,037	1,431,267
Post-employment benefits	49,365	99,847	43,265	88,817
Employee benefits	185,692	334,194	160,341	306,044
Freight expense	433,470	845,050	379,481	735,232
Rental expense	39,657	79,368	90,175	186,078
Commission expense	634,074	1,212,062	579,872	1,087,028
Depreciation	107,722	213,881	55,317	103,837
Amortization	46,395	91,757	46,189	92,323
Taxes and dues	18,515	43,944	32,361	67,450
Advertising expense	344,538	510,934	353,330	580,642
Promotional expense	216,335	371,297	224,613	359,046
R&D expense	101,207	159,874	86,016	143,772
Direct service costs	121,094	278,154	163,335	315,745
Bad debts expense	25,692	26,188	18,617	16,704
Other	141,849	304,056	164,941	334,730
<b>Total</b>	<b>3,304,096</b>	<b>6,148,474</b>	<b>3,146,890</b>	<b>5,848,715</b>

**23. Financial Income**

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Interest income	35,125	68,951	26,422	50,858
Exchange differences	31,815	135,081	95,030	203,215
Gain on derivatives	1,149	4,676	1,154	2,216
Other	-	-	9	9
<b>Total</b>	<b>68,089</b>	<b>208,708</b>	<b>122,615</b>	<b>256,298</b>



**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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**24. Financial Expenses**

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Interest expense	103,296	205,615	99,912	192,884
Exchange differences	34,552	139,711	79,449	193,336
Loss on derivatives	4,474	9,761	1,601	3,367
Loss on disposal of trade receivables	4,317	9,193	4,353	9,179
Other	914	2,028	721	1,468
<b>Total</b>	<b>147,553</b>	<b>366,308</b>	<b>186,036</b>	<b>400,234</b>

**25. Other Non-operating Income**

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Dividend income	274	535	10	202
Exchange differences	275,097	569,657	415,303	681,651
Gain on derivatives	5,581	16,871	27,661	35,593
Gain on disposal of property, plant and equipment	5,088	8,711	12,294	17,364
Gain on disposal of assets held for sale	-	-	25,012	25,238
Gain on valuation of financial assets at fair value through profit or loss	(48)	149	-	-
Gain on disposal of financial assets at fair value through other comprehensive income	32	32	-	-
Gain on disposal of investments in associates and joint ventures	-	-	199	199
Other	9,885	20,086	7,653	13,950
<b>Total</b>	<b>295,909</b>	<b>616,041</b>	<b>488,132</b>	<b>774,197</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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**26. Other Non-operating Expenses**

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Exchange differences	272,328	567,421	491,547	760,714
Loss on derivatives	16,493	27,319	11,120	17,796
Loss on disposal of property, plant and equipment	13,817	34,000	10,373	18,810
Impairment loss on property, plant and equipment	1,871	3,417	2,623	14,215
Loss on disposal of intangible assets	7,399	14,625	7,362	14,647
Impairment loss on intangible assets	99,246	118,522	3,860	6,328
Loss on disposal of financial assets at fair value through other comprehensive income	238	238	-	-
Other	23,498	34,381	14,634	25,463
<b>Total</b>	<b>434,890</b>	<b>799,923</b>	<b>541,519</b>	<b>857,973</b>

**27. Earnings per Share**

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

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

	2019		2018	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	82,710	598,919	256,074	904,183
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 per ordinary share <i>(in Korean won)</i>	508	3,677	1,572	5,551

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

	2019		2018	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares (in millions of Korean won)	8,939	63,604	27,226	95,804
Weighted average number of preferred shares outstanding (unit: shares)	17,181,300	17,181,300	17,181,300	17,181,300
Basic earnings per preferred share (in Korean won)	520	3,702	1,585	5,576

**28. Cash Flow Information**

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the six-month periods ended June 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	683,978	1,056,357
Adjustments:		
Interest expense, net	136,664	142,026
Exchange differences, net	(15,165)	43,349
Loss (gain) on derivatives, net	15,533	(16,646)
Depreciation	1,021,624	747,701
Amortization	206,457	196,621
Loss on disposal of property, plant and equipment and intangible assets, net	39,912	16,043
Provisions for severance benefits	180,521	177,504
Additional provisions, net	375,206	410,960
Income tax expense	297,520	461,076
Gain from equity method valuation	229,896	133,641
Other	277,573	94,520
	2,765,741	2,406,795
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(770,895)	886,604
Decrease in other receivables	62,166	54,951
Increase in inventories	(28,797)	(66,421)
Decrease (increase) in contract assets	32,548	(125,344)
Decrease (increase) in other assets	(242,390)	44,329
Decrease in trade payables	(1,847)	(928,220)
Decrease in other payables	(770,153)	(409,909)
Decrease in provisions	(378,672)	(403,221)
Increase in contract liabilities	188,563	97,363
Increase (decrease) in other liabilities	152,028	(290,673)

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Payment of defined benefit liability	(30,044)	(21,525)
Deposit in plan assets, net	(33,269)	(28,963)
	(1,820,762)	(1,191,029)
<b>Cash generated from operations</b>	<b>1,628,957</b>	<b>2,272,123</b>

(b) Changes in liabilities from financing activities

		<b>2019</b>					
		<b>Non-cash transactions</b>					
<i>(in millions of Korean won)</i>	<b>At Jan.1</b>	<b>Net cash flow from financing activities</b>	<b>Addition and others</b>	<b>Exchange differences (profit/loss)</b>	<b>Amortization and others</b>	<b>Effects of exchange rate changes</b>	<b>At Jun.30</b>
Short-term borrowings	293,221	10,888	-	16,002	-	37,261	357,372
Long-term borrowings	4,370,696	36,418	-	(4,261)	34	38,121	4,441,008
Debentures	6,237,269	(194,985)	-	15,415	1,971	-	6,059,670
Lease liabilities	622,459	(150,906)	226,301	50	167	2,098	700,169
<b>Total</b>	<b>11,523,645</b>	<b>(298,585)</b>	<b>226,301</b>	<b>27,206</b>	<b>2,172</b>	<b>77,480</b>	<b>11,558,219</b>

		<b>2018</b>					
		<b>Non-cash transactions</b>					
<i>(in millions of Korean won)</i>	<b>At Jan.1</b>	<b>Net cash flow from financing activities</b>	<b>Exchange differences (profit/loss)</b>	<b>Amortization</b>	<b>Effects of exchange rate changes</b>	<b>At Jun. 30</b>	
Short-term borrowings	314,246	111,338	1,988	-	(17,899)	409,673	
Long-term borrowings	3,221,266	428,723	11,162	33	1,161	3,662,345	
Debentures	5,914,968	672,821	28,663	2,148	-	6,618,600	
<b>Total</b>	<b>9,450,480</b>	<b>1,212,882</b>	<b>41,813</b>	<b>2,181</b>	<b>(16,738)</b>	<b>10,690,618</b>	

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Reclassification of construction-in-progress to property, plant and equipment	401,931	521,423
Reclassification of construction-in-progress to intangible assets	202,482	151,175
Reclassification of current portion of borrowings and debentures	810,400	870,034
Other payables to acquire property, plant and equipment	279,901	435,861
Other payables to acquire intangible assets	13,111	11,494

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

- Transfer of Membrane business

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	3,488
Other receivables <sup>1</sup>	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

<sup>1</sup> 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 the assets of the transferred business are as follows:

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

**29. Contingencies**

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land and buildings) with the secured amount of ₩208,272 million (December 31, 2018: ₩192,350 million) and the book amount of pledged assets is ₩284,727 million (December 31, 2018: ₩226,310 million). In addition, the Group provided buildings to Shinhan Bank, which are also provided with land as collateral, in order to guarantee obligations of landlords with the secured amount of ₩7,680 million (December 31, 2018: ₩6,480 million) and the book amount of pledged assets is ₩1,752 million (December 31, 2018: ₩1,743 million). Furthermore, financial assets at fair value through profit or loss amounting to ₩1,717 million (December 31, 2018: ₩1,717 million) of certain subsidiaries are also provided as collateral.

## **LG Electronics**

### **Notes to the Consolidated Interim Financial Statements**

#### **June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩328,819 million (December 31, 2018: ₩355,761 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal amounting to EUR 100 million (December 31, 2018: USD 200 million, EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2018: ₩46,000 million). Also, subsidiaries provide joint performance guarantee amounting to ₩6,313 million (December 31, 2018: ₩32,862 million), and payment guarantee for Hitachi-LG Data Storage Inc.(HLDS) amounting to USD 7.5 million (December 31, 2018: USD 7.5 million).

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

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

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

### **30. Commitments**

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

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2018: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩373,893 million (December 31, 2018: ₩389,791 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩1,391,464 million (December 31, 2018: ₩1,387,534 million) with Citibank and others.

## **LG Electronics**

### **Notes to the Consolidated Interim Financial Statements**

#### **June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

---

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,099,592 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).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩734,568 million (December 31, 2018: ₩709,994 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 627 million (December 31, 2018: USD 768 million), and have sales agreements for trade receivables with a limit of USD 400 million (December 31, 2018: USD 400 million) with MUFG Bank. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩81,000 million (December 31, 2018: ₩81,000 million) in connection with the collection of the trade receivables.

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

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

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩68,900 million limit (December 31, 2018: ₩69,900 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩30,000 million (December 31, 2018: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩3,536,201 million (December 31, 2018: ₩3,663,920 million).

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(f) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Property, plant and equipment	203,615	228,841
Intangible assets	44,411	52,632
Investments in associates and joint ventures	101,771	9,863
<b>Total</b>	<b>349,797</b>	<b>291,336</b>

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>					<b>Total lease payments</b>
	<b>Within 1 year</b>	<b>Within 2 years</b>	<b>Within 3 years</b>	<b>Within 4 years</b>	<b>Over 4 years</b>	
Healthcare rental	486,779	400,565	235,472	45,721	-	1,168,537
Real estate rental	931	760	731	608	-	3,030
<b>Total</b>	<b>487,710</b>	<b>401,325</b>	<b>236,203</b>	<b>46,329</b>	<b>-</b>	<b>1,171,567</b>

- ii) The Group recognized ₩200,440 million (June 30, 2018: ₩128,220 million) in lease income for the six-month period ended June 30, 2019.

(h) Trademark license commitments

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

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



**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

**31. Related Party**

(a) Major transactions for the six-month periods ended June 30, 2019 and 2018, and balances of receivables and payables from transaction with related parties as at June 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 Group	LG Corp.	699	-	699	437	79,923	80,360
Associates	LG Display Co., Ltd. and its subsidiaries	713,052	44,687	757,739	1,803,045	3,569	1,806,614
	Ericsson-LG Co., Ltd. and its subsidiaries	106	-	106	-	-	-
	Hitachi-LG Data Storage Inc. and its subsidiaries	1,071	-	1,071	46,095	247	46,342
	LG Fuel Cell Systems Inc. and its subsidiaries	295	510	805	-	69	69
	Korea Information Certificate Authority Inc.	-	-	-	-	42	42
	Acryl Inc.	-	-	-	-	374	374
	Kiwigrid GmbH	-	-	-	-	448	448
	ROBOTIS Co., Ltd.	-	-	-	-	34	34
	Robostar Co.,Ltd	3	-	3	22,972	3,321	26,293
		<b>Subtotal</b>	<b>714,527</b>	<b>45,197</b>	<b>759,724</b>	<b>1,872,112</b>	<b>8,104</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	20,660	-	20,660	52,710	-	52,710
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	1,078	1,078
	EIC PROPERTIES PTE LTD.	-	-	-	-	400	400
	LG-MRI LLC	1,164	-	1,164	13,275	-	13,275
		<b>Subtotal</b>	<b>21,824</b>	<b>-</b>	<b>21,824</b>	<b>65,985</b>	<b>1,478</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	82,634	1	82,635	57,820	177,934	235,754
	S&I Corp. and its subsidiaries <sup>2</sup>	25,175	4,305	29,480	369,411	136,615	506,026
	LG Management Development Institute	1	-	1	5	15,038	15,043
	LG SPORTS Ltd.	8	-	8	-	6,832	6,832
	LG MMA Ltd.	3	-	3	51	-	51
	LG Holdings Japan Co., Ltd.	9	-	9	-	1,720	1,720
	LG Corp. U.S.A.	721	-	721	-	-	-
	<b>Subtotal</b>	<b>108,551</b>	<b>4,306</b>	<b>112,857</b>	<b>427,287</b>	<b>338,139</b>	<b>765,426</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	494,010	11,394	505,404	510,620	8,706	519,326
	LG INTERNATIONAL CORP and its subsidiaries	44,443	2,921	47,364	1,531,290	962,368	2,493,658
	LG Uplus Corp and its subsidiaries	291,431	10	291,441	27,760	2,794	30,554
	LG HAUSYS,LTD. and its subsidiaries and associates	4,294	90	4,384	721	59	780
	Silicon Works Co., Ltd.	13,013	1,480	14,493	5,447	-	5,447
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,813	1	3,814	149	219	368

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	G II R Inc. and its subsidiaries	1,793	47	1,840	76	194,455	194,531
	SERVEONE Co., Ltd. and its subsidiaries <sup>2</sup>	4,912	1,914	6,826	151,362	26,378	177,740
	<b>Subtotal</b>	<b>857,709</b>	<b>17,857</b>	<b>875,566</b>	<b>2,227,425</b>	<b>1,194,979</b>	<b>3,422,404</b>
	<b>Total</b>	<b>1,703,310</b>	<b>67,360</b>	<b>1,770,670</b>	<b>4,593,246</b>	<b>1,622,623</b>	<b>6,215,869</b>

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	1,776	-	1,776	298	79,889	80,187
Associates	LG Display Co., Ltd. and its subsidiaries	987,266	12,021	999,287	2,169,775	8,146	2,177,921
	Ericsson-LG Co., Ltd. and its subsidiaries	1,318	31	1,349	1,729	-	1,729
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	385	108	493	57,554	153	57,707
	LG Fuel Cell Systems Inc. and its subsidiaries	2,927	-	2,927	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	1	1
	<b>Subtotal</b>	<b>991,896</b>	<b>12,160</b>	<b>1,004,056</b>	<b>2,229,058</b>	<b>8,300</b>	<b>2,237,358</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	50,465	-	50,465	47,194	-	47,194
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	1,125	1,125
	EIC PROPERTIES PTE LTD.	-	-	-	-	386	386
	LG-MRI LLC	377	-	377	23,165	-	23,165
	<b>Subtotal</b>	<b>50,842</b>	<b>-</b>	<b>50,842</b>	<b>70,359</b>	<b>1,511</b>	<b>71,870</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	57,327	1	57,328	65,263	219,507	284,770
	SERVEONE Co., Ltd. and its subsidiaries	51,260	5,374	56,634	523,704	337,657	861,361
	LB Lusem CO., LTD. <sup>2</sup>	6,114	-	6,114	205	1	206
	LG Management Development Institute	-	-	-	82	14,186	14,268
	LG SPORTS Ltd.	8	-	8	-	5,497	5,497
	LG MMA Ltd.	10	-	10	190	-	190
	LG Holdings Japan Co., Ltd.	9	-	9	-	1,587	1,587
	LG Corp. U.S.A.	652	-	652	-	-	-
	<b>Subtotal</b>	<b>115,380</b>	<b>5,375</b>	<b>120,755</b>	<b>589,444</b>	<b>578,435</b>	<b>1,167,879</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	707,280	45,602	752,882	494,934	589	495,523
	LG INTERNATIONAL CORP and its subsidiaries	47,407	636	48,043	1,255,148	933,075	2,188,223
	LG Uplus Corp and its subsidiaries	402,999	60	403,059	28,137	4,598	32,735
	LG HAUSYS,LTD. and its subsidiaries and associates	6,596	117	6,713	5,752	6	5,758
	Silicon Works Co., Ltd.	11,724	575	12,299	4,804	-	4,804

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

### June 30, 2019 and 2018 (Unaudited), and December 31, 2018

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,137	4	3,141	220	378	598
	G II R Inc. and its subsidiaries	2,891	-	2,891	7	163,082	163,089
	<b>Subtotal</b>	<b>1,182,034</b>	<b>46,994</b>	<b>1,229,028</b>	<b>1,789,002</b>	<b>1,101,728</b>	<b>2,890,730</b>
	<b>Total</b>	<b>2,341,928</b>	<b>64,529</b>	<b>2,406,457</b>	<b>4,678,161</b>	<b>1,769,863</b>	<b>6,448,024</b>

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

<sup>2</sup> 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.

<sup>3</sup> 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)

		June 30, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	331	-	31,158	31,489	-	-	4,901	4,901
Associates	LG Display Co., Ltd. and its subsidiaries	466,805	-	107,317	574,122	396,825	-	111,070	507,895
	Ericsson-LG Co., Ltd. and its subsidiaries	116	-	-	116	-	-	-	-
	Hitachi-LG Data Storage Inc. and its subsidiaries	363	-	-	363	36,557	-	282	36,839
	LG Fuel Cell Systems Inc. and its subsidiaries	21	-	-	21	-	-	69	69
	Acryl Inc.	-	-	-	-	-	-	283	283
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	36	36
	Robostar Co.,Ltd	-	-	-	-	428	-	6,021	6,449
	<b>Subtotal</b>	<b>467,305</b>	<b>-</b>	<b>107,317</b>	<b>574,622</b>	<b>433,810</b>	<b>-</b>	<b>117,761</b>	<b>551,571</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	7,603	-	26	7,629	21,109	-	-	21,109
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,114	1,114
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	68	68
	LG-MRI LLC	1,766	-	-	1,766	-	-	-	-
	<b>Subtotal</b>	<b>9,369</b>	<b>-</b>	<b>26</b>	<b>9,395</b>	<b>21,109</b>	<b>-</b>	<b>1,182</b>	<b>22,291</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	39,200	-	2,267	41,467	5,964	-	113,135	119,099
	S&I Corp. and its subsidiaries <sup>2</sup>	8,346	-	66,602	74,948	323	-	50,170	50,493
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,410	1,410

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

(in millions of Korean won)

		June 30, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG SPORTS Ltd.	1	-	-	1	-	-	1,073	1,073
	LG MMA Ltd.	1	-	-	1	-	-	-	-
	LG Holdings Japan Co., Ltd.	-	-	3,971	3,971	-	-	-	-
	LG Corp. U.S.A.	5	-	11,009	11,014	-	-	-	-
	<b>Subtotal</b>	<b>47,553</b>	<b>-</b>	<b>101,713</b>	<b>149,266</b>	<b>6,287</b>	<b>-</b>	<b>165,788</b>	<b>172,075</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	288,069	-	257,808	545,877	318,293	-	63,494	381,787
	LG INTERNATIONAL CORP and its subsidiaries	42,404	-	1,913	44,317	256,365	-	292,929	549,294
	LG Uplus Corp and its subsidiaries	63,400	-	91	63,491	-	-	108	108
	LG HAUSYS,LTD. and its subsidiaries and associates	1,194	-	1,283	2,477	104	-	847	951
	Silicon Works Co., Ltd.	6,608	-	267	6,875	2,659	-	959	3,618
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	514	-	119	633	31	-	508	539
	G II R Inc. and its subsidiaries	26	-	173	199	392	-	193,171	193,563
	SERVEONE Co., Ltd. and its subsidiaries <sup>2</sup>	3,812	-	-	3,812	294,854	-	91,343	386,197
	<b>Subtotal</b>	<b>406,027</b>	<b>-</b>	<b>261,654</b>	<b>667,681</b>	<b>872,698</b>	<b>-</b>	<b>643,359</b>	<b>1,516,057</b>
	<b>Total</b>	<b>930,585</b>	<b>-</b>	<b>501,868</b>	<b>1,432,453</b>	<b>1,333,904</b>	<b>-</b>	<b>932,991</b>	<b>2,266,895</b>

(in millions of Korean won)

		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	42	-	29,398	29,440	-	-	742	742
Associates	LG Display Co., Ltd. and its subsidiaries	563,778	-	136,544	700,322	518,663	-	168,882	687,545
	Ericsson-LG Co., Ltd. and its subsidiaries	31	-	-	31	534	-	-	534
	Hitachi-LG Data Storage Inc. and its subsidiaries	109	7,257	31	7,397	32,687	-	397	33,084
	LG Fuel Cell Systems Inc. and its subsidiaries	12	-	240	252	-	-	28	28
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	55	55
	Acryl Inc.	-	-	-	-	-	-	312	312
	Kiwigrd GmbH	-	-	-	-	-	-	54	54
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	168	168
	Robostar Co.,Ltd	-	-	-	-	13,406	-	519	13,925
	<b>Subtotal</b>	<b>563,930</b>	<b>7,257</b>	<b>136,815</b>	<b>708,002</b>	<b>565,290</b>	<b>-</b>	<b>170,415</b>	<b>735,705</b>

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

### June 30, 2019 and 2018 (Unaudited), and December 31, 2018

(in millions of Korean won)

		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	2,733	-	-	2,733	4,779	-	-	4,779
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,210	1,210
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	1	1
	LG-MRI LLC	643	-	-	643	9,228	-	63	9,291
	<b>Subtotal</b>	3,376	-	-	3,376	14,007	-	1,274	15,281
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,819	-	2,218	22,037	3,959	-	182,146	186,105
	S&I Corp. and its subsidiaries <sup>2</sup>	10,819	-	67,510	78,329	247,412	-	225,331	472,743
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,850	1,850
	LG SPORTS Ltd.	2	-	-	2	-	-	1,859	1,859
	LG MMA Ltd.	86	-	-	86	51	-	21	72
	LG Holdings Japan Co., Ltd.	-	-	3,546	3,546	-	-	-	-
	LG Corp. U.S.A.	4	-	8,062	8,066	-	-	-	-
	<b>Subtotal</b>	30,730	-	99,200	129,930	251,422	-	411,207	662,629
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	490,832	-	270,963	761,795	277,880	-	84,364	362,244
	LG INTERNATIONAL CORP and its subsidiaries	19,582	-	9,362	28,944	558,108	-	269,497	827,605
	LG Uplus Corp and its subsidiaries	19,219	-	182	19,401	-	-	378	378
	LG HAUSYS,LTD. and its subsidiaries and associates	725	-	1,354	2,079	29	-	485	514
	Silicon Works Co., Ltd.	3,309	-	-	3,309	2,011	-	748	2,759
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,270	-	350	2,620	32	-	734	766
	G II R Inc. and its subsidiaries	83	-	137	220	334	-	251,174	251,508
	<b>Subtotal</b>	536,020	-	282,348	818,368	838,394	-	607,380	1,445,774
<b>Total</b>	1,134,098	7,257	547,761	1,689,116	1,669,113	-	1,191,018	2,860,131	

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

<sup>2</sup> SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018, and S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity, on May, 15, 2019.

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2019		2018	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	41,321	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	LG-MRI LLC	337	-	-	-	-	-	-
	Robostar Co.,Ltd	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	<b>Total</b>	<b>644</b>	<b>41,321</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2018		2017	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	LG-MRI LLC	321	-	-	-	-	-	-
	<b>Total</b>	<b>68,234</b>	<b>22,038</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

(in millions of Korean won)	2019	2018
Salaries and other short-term employee benefits	13,052	13,039
Post-employment benefits	1,740	1,883
Other long-term benefits	53	56
<b>Total</b>	<b>14,845</b>	<b>14,978</b>

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

- (c) The Group provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 7.5 million at the end of the reporting period.
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from

# **LG Electronics**

## **Notes to the Consolidated Interim Financial Statements**

### **June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

---

related parties at the end of the reporting period.

## **32. Risk Management**

### **Financial Risk Management**

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

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

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

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

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

#### **(a) Market risk**

##### **i) Foreign exchange risk**

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

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

---

As at June 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>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(43,895)	43,895	(40,378)	40,378
EUR/KRW	23,363	(23,363)	18,956	(18,956)

ii) Interest rate risk

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

The Group minimizes its borrowings from others and optimizes its deposits by expanding internal finance sharing. The Group establishes the plan for reaction by periodically monitoring the 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 six-month periods ended June 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	<b>1%p increase</b>	<b>1%p decrease</b>	<b>1%p increase</b>	<b>1%p decrease</b>
Interest income	18,249	(18,249)	23,245	(23,245)
Interest expenses	4,145	(4,145)	2,490	(2,490)



**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

iii) Details of derivative contracts are as follows:

*Hedging purposes*

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount (in millions of Korean won)	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 530 (USD/KRW)	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017. 2. 2 ~ 2018. 6. 8	2020.11.23 ~ 2028. 6. 8	2,904	14,716
	Commerzbank and others	CZK 566 (EUR/CZK)	26.0 ~ 26.4	-	2018. 6.28 ~ 2019.6.3	2019. 7. 2 ~ 2020.4.1	678	-
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 103 / USD 235	-	1.00 ~ 4.53	2012. 2. 3 ~ 2018. 5.24	2019. 9.30 ~ 2030. 7. 7	-	94,666

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

Details of hedged items are as follows:

(in millions of Korean won)	Hedged items	Book amount	Changes in fair value (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	Borrowings	640,834	(9,899)	(27,932)
Interest rate swap	Borrowings	1,671,457	29,501	(67,992)

The results of hedge accounting are as follows:

(in millions of Korean won)	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)
Cross-currency swap	9,899	Interest expense and exchange differences	(18,243)	(8,344)
Interest rate swap	(29,501)	Interest expense	3,882	(25,619)

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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*Trading purposes*

The Group entered into the currency forward contracts and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. The subsidiaries' currency forward contracts and the interest rate swap contracts as at June 30, 2019, and related profit or loss for the six-month period ended June 30, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Purchase</b>	<b>Sale</b>	<b>Loss on valuation</b>	<b>Gain (loss) on transaction</b>
Currency forward	799,534	808,001	(7,140)	(6,485)
Interest rate swap	-	-	(1,969)	68

*Share Purchase Agreement*

The Group entered into a contract to additionally purchase shares of Robostar Co., Ltd. in December 2019 at the average price of immediate four months with a 25% mark up. In relation to this share purchase contract, the Group recognized derivative liabilities amounting to ₩2,713 million at the time of acquisition of Robostar Co., Ltd. and recognized loss on valuation of derivatives amounting to ₩7 million during the six-month period ended June 30, 2019. Accordingly, the related derivative liabilities amounted to ₩1,869 million at the end of the reporting period.

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>30% increase</b>	<b>30% decrease</b>	<b>30% increase</b>	<b>30% decrease</b>
KOSDAQ	2,801	(2,801)	3,057	(3,057)
Austrian Traded Index	2,898	(2,898)	3,108	(3,108)

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Group is ₩7,498,158 million (December 31, 2018: ₩6,462,609 million) and its risk is managed appropriately within insurer's credit limit of ₩24,684,519 million (December 31, 2018: ₩23,936,144 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

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

(c) Liquidity risk

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

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

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

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

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Trade payables	7,402,466	7,402,466	-	-	-
Borrowings	12,501,084	1,785,998	1,762,850	4,407,515	4,544,721
Lease liabilities	766,800	253,008	194,450	239,562	79,780
Other payables	2,873,218	2,866,236	5,441	1,541	-
Other financial liabilities	27,034	18,683	-	5,459	2,892
<b>Total</b>	<b>23,570,602</b>	<b>12,326,391</b>	<b>1,962,741</b>	<b>4,654,077</b>	<b>4,627,393</b>

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩9,026 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

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

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts	54,676	48,892	5,784	-	-

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

**Capital Risk Management**

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

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

<i>(in millions of Korean won, except for ratios)</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Liability (A)	28,772,254	28,021,536
Equity (B)	17,094,998	16,306,907
Cash and cash equivalents (C)	3,944,245	4,270,388
Borrowings and lease liabilities (D)	11,558,219	10,901,186
Debt-to-equity ratio (A/B)	168.3%	171.8%
Net borrowings ratio ((D-C)/B)	44.5%	40.7%



# LG Electronics

## Notes to the Consolidated Interim Financial Statements

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

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

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

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

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

# LG Electronics

## Notes to the Consolidated Interim Financial Statements

### June 30, 2019 and 2018 (Unaudited), and December 31, 2018

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<sup>3</sup> 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*.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

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





**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

- 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 June 30, 2019 and December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2019	December 31, 2018		
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through profit or loss	3,107	6,742	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	3,582	1,833	Discounted cash flow	Discount rate and exchange rate
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	19,246	11,273	Discounted cash flow	Discount rate, exchange rate and share price
Derivatives for hedging purposes	109,382	81,170	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

There are no changes in financial assets and financial liabilities that are measured at fair value and categorized within 'level 3' for the six-month periods ended June 30, 2019 and 2018.

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

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

<i>(in millions of Korean won)</i>	June 30, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	46,768	46,768
Non-current other receivables	-	-	399,176	399,176
<b>Liabilities</b>				
Non-current borrowings	-	-	9,760,722	9,760,722
Non-current other payables	-	-	6,692	6,692

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

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

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

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

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

<i>(in millions of Korean won)</i>	June 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				
<b>Assets</b>								
Non-current deposits held by financial institutions	46,768	46,768	45,853	45,853	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.8%
Non-current other receivables	418,772	399,176	452,366	426,804	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.1% ~ 3.8%
<b>Liabilities</b>								
Non-current borrowings	9,392,878	9,760,722	9,496,070	9,764,971	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7% ~ 3.2%
Non-current other payables	6,840	6,692	17,995	18,407	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7% ~ 1.8%

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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**33. Business Combinations**

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

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

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

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

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

Net sales and profit of QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO., LTD. for the period from March 5, 2019, the acquisition date, included in the consolidated interim statements of profit or loss are ₩1,263 million and ₩21 million, respectively. Net sales and profit for the current reporting period as though the acquisition date had been as at the beginning of the annual reporting period are as follows:

<i>(in millions of Korean won)</i>	<b>Before adjustments</b>	<b>Adjustments</b>	<b>After adjustments</b>
Net sales	30,544,328	1,086	30,545,414
Profit for the period	683,978	4	683,982

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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

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

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	979,108
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	241,079
Trade receivables <sup>1</sup>	189,572
Other receivables <sup>1</sup>	28,118
Inventories	152,472
Other assets	182,918
Non-current assets	
Property, plant and equipment	571,775
Intangibles assets	354,719
Other receivables <sup>1</sup>	2,107
Other assets	254,969
Current liabilities	
Trade and other payables	201,785
Borrowings	216,114
Other liabilities	202,933
Non-current liabilities	
Borrowings	297,802
Other liabilities	202,332
<b>Fair value of total identifiable net assets</b>	<b>856,763</b>
<b>Non-controlling interest<sup>2</sup></b>	<b>420,001</b>
<b>Goodwill<sup>3</sup></b>	<b>542,346</b>

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

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

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

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

**LG Electronics**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2019 and 2018 (Unaudited), and December 31, 2018**

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**34. Assets Classified as Held for Sale**

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

<i>(in millions of Korean won)</i>	<b>June 30, 2019<sup>1</sup></b>	<b>December 31, 2018<sup>2</sup></b>
Assets held for sale		
Building	5,149	-
Land	18,946	-
Machinery	492	115,212
Other property, plant and equipment and intangible assets	1,448	-
<b>Total</b>	<b>26,035</b>	<b>115,212</b>

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

<sup>2</sup> The Group entered into a sales contract in December 2018 and the sale was completed in April 2019.

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

**35. Events after the reporting period**

- (a) The Company decided to dispose 100% shares of Hi Entech Co., Ltd. and 51% shares of LG Hitachi Water Solutions Co., Ltd, both entities operating water engineering business, to Techcross Inc. with the approval of the Board of Directors on July 23, 2019. The sales price amounts to ₩227,950 million (total sales price including non-controlling interests amounts to ₩250,000 million).
- (b) The Company decided to dispose the main, annexed and other buildings of its research institutes located in Anyang due to the lack of demands for rent, to KT&G Corp., with the approval of the Board of Directors on July 23, 2019. The sales price amounts to ₩100,916 million, and the book amount of the asset for sale amounts to ₩93,978 million.