

LG Electronics Inc.

**Separate Interim Financial Statements
March 31, 2020 and 2019**

LG Electronics Inc.

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March 31, 2020 and 2019

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of LG Electronics Inc. (referred to as the "Company"). These financial statements consist of the separate interim statement of financial position of the Company as at March 31, 2020, and the related separate interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2020 and 2019, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to these separate interim financial statements of the Company, which describes management's plans and actions taken to deal with the uncertainty, relating to the impact of the spread of Coronavirus Disease-19 ("COVID-19") on the Company's productivity and ability to fulfill customer's orders, and such events or circumstances. This matter does not affect our conclusion.

Other Matters

We have audited the separate statement of financial position of the Company as at December 31, 2019, and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 16, 2020. The separate statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

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

May 15, 2020
Seoul, Korea

This report is effective as at May 15, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.
Separate Interim Statements of Financial Position
March 31, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	4,31	1,271,019	918,795
Deposits held by financial institutions	4,31	147,601	65,500
Trade receivables	4,5,31	4,147,538	3,665,619
Other receivables	4,5,31	588,647	845,345
Other financial assets	4,6,31	4,809	2,298
Inventories	7	1,357,771	1,195,260
Current tax assets		2,346	1,985
Contract assets	8	438,925	420,426
Other current assets		523,767	584,975
		<u>8,482,423</u>	<u>7,700,203</u>
Non-current assets			
Deposits held by financial institutions	4,31	1,821	1,489
Other receivables	4,5,31	190,811	159,525
Other financial assets	4,6,31	66,020	61,600
Property, plant and equipment	9	7,266,072	7,331,504
Intangible assets	9	1,553,099	1,440,219
Deferred tax assets		931,856	1,058,578
Investments in subsidiaries, associates and joint ventures	10	8,972,779	9,022,290
Contract assets	8	59,063	56,559
Other non-current assets		645,957	642,924
		<u>19,687,478</u>	<u>19,774,688</u>
Total assets		<u>28,169,901</u>	<u>27,474,891</u>
Liabilities			
Current liabilities			
Trade payables	4,31	5,438,350	5,227,643
Borrowings	4,11,31	1,235,837	1,054,088
Lease liabilities	4,12,31	63,188	68,278
Other payables	4,31	1,763,189	1,900,869
Other financial liabilities	4,6,31	6,502	7,351
Current tax liabilities		85,269	18,494
Provisions	14	413,263	502,235
Contract liabilities	8	335,478	376,464
Other current liabilities		1,164,301	1,385,298
		<u>10,505,377</u>	<u>10,540,720</u>
Non-current liabilities			
Borrowings	4,11,31	7,300,694	7,165,993
Lease liabilities	4,12,31	68,531	59,999
Other payables	4,31	250	410
Other financial liabilities	4,6,31	99,921	88,032
Net defined benefit liabilities	13	561,758	488,726
Provisions	14	115,752	103,852
Contract liabilities	8	1,669	1,659
Other non-current liabilities		132,977	132,170
		<u>8,281,552</u>	<u>8,040,841</u>
Total liabilities		<u>18,786,929</u>	<u>18,581,561</u>

LG Electronics Inc.
Separate Interim Statements of Financial Position
March 31, 2020 and December 31, 2019

(in millions of Korean won)

	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Equity			
Paid-in capital:	15		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	5,526,363	5,006,105
Accumulated other comprehensive loss	17	(102,920)	(72,304)
Other components of equity	18	(32,819)	(32,819)
Total equity		<u>9,382,972</u>	<u>8,893,330</u>
Total liabilities and equity		<u>28,169,901</u>	<u>27,474,891</u>

LG Electronics Inc.
Separate Interim Statements of Profit or Loss
Three-month Periods Ended March 31, 2020 and 2019

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

	Notes	Three-month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Net sales	19	6,757,348	7,342,066
Cost of sales	20	5,120,247	5,672,499
Gross profit		1,637,101	1,669,567
Selling and marketing expenses	20,21	626,898	683,730
Administrative expenses	20,21	105,765	134,150
Research and development expenses	20,21	462,884	448,887
Service costs	20,21	103,993	133,579
Operating profit		337,561	269,221
Financial income	22	65,022	33,364
Financial expenses	23	174,205	85,988
Other non-operating income	24	966,696	175,484
Other non-operating expenses	25	346,981	220,436
Profit before income tax		848,093	171,645
Income tax expense		191,257	38,451
Profit for the period		656,836	133,194
Earnings per share during the period <i>(in Korean won):</i>	26		
Earnings per ordinary share		3,647	739
Earnings per preferred share		3,659	751

LG Electronics Inc.
Separate Interim Statements of Comprehensive Income
Three-month Periods Ended March 31, 2020 and 2019

(in millions of Korean won)

	Notes	Three-month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Profit for the period		656,836	133,194
Other comprehensive loss, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	13	(669)	(39,676)
Financial assets at fair value through other comprehensive income	6	(3,049)	(244)
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Cash flow hedges	31	(27,567)	(9,470)
Other comprehensive loss for the period, net of tax		(31,285)	(49,390)
Total comprehensive income for the period, net of tax		625,551	83,804

LG Electronics Inc.

Separate Interim Statements of Changes in Equity

Three-month Periods Ended March 31, 2020 and 2019

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total Equity
Balance at January 1, 2019		3,992,348	5,460,710	(57,359)	(32,819)	9,362,880
Changes in accounting policy		-	(2,020)	-	-	(2,020)
Restated total equity		<u>3,992,348</u>	<u>5,458,690</u>	<u>(57,359)</u>	<u>(32,819)</u>	<u>9,360,860</u>
Total comprehensive income (loss):						
Profit for the period		-	133,194	-	-	133,194
Remeasurements of the net defined benefit liability	13	-	(39,676)	-	-	(39,676)
Financial assets at fair value through other comprehensive income	6	-	-	(244)	-	(244)
Cash flow hedges	31	-	-	(9,470)	-	(9,470)
Total comprehensive income (loss)		<u>-</u>	<u>93,518</u>	<u>(9,714)</u>	<u>-</u>	<u>83,804</u>
Transactions with owners:						
Dividends	16	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at March 31, 2019 (Unaudited)		<u>3,992,348</u>	<u>5,416,299</u>	<u>(67,073)</u>	<u>(32,819)</u>	<u>9,308,755</u>
Balance at January 1, 2020		3,992,348	5,006,105	(72,304)	(32,819)	8,893,330
Total comprehensive income (loss)						
Profit for the period		-	656,836	-	-	656,836
Remeasurements of the net defined benefit liability	13	-	(669)	-	-	(669)
Financial assets at fair value through other comprehensive income	6	-	-	(3,049)	-	(3,049)
Cash flow hedges	31	-	-	(27,567)	-	(27,567)
Total comprehensive income (loss)		<u>-</u>	<u>656,167</u>	<u>(30,616)</u>	<u>-</u>	<u>625,551</u>
Transactions with owners:						
Dividends	16	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at March 31, 2020 (Unaudited)		<u>3,992,348</u>	<u>5,526,363</u>	<u>(102,920)</u>	<u>(32,819)</u>	<u>9,382,972</u>

LG Electronics Inc.**Separate Interim Statements of Cash Flows****Three-month Periods Ended March 31, 2020 and 2019***(in millions of Korean won)*

	Notes	Three-month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	27	(94,344)	157,595
Interest received		2,679	3,774
Interest paid		(61,954)	(61,574)
Dividend received		9,322	44,850
Income tax paid		13,040	(14,504)
Net cash inflow (outflow) from operating activities		<u>(131,257)</u>	<u>130,141</u>
Cash flows from investing activities			
Decrease in other receivables		22,326	34,530
Proceeds from redemption and disposal of other financial assets		2,568	-
Proceeds from disposal of property, plant and equipment		8,419	4,827
Proceeds from disposal of intangible assets		437	-
Proceeds from redemption and disposal of investment in subsidiaries, associates and joint ventures		643,930	-
Transfer of business	27	43	529
Increase in deposits held by financial institutions		(11,701)	(202)
Increase in other receivables		(48,822)	(42,336)
Acquisition of other financial assets		(5,109)	(7,810)
Acquisition of property, plant and equipment		(169,254)	(226,669)
Acquisition of intangible assets		(188,563)	(90,844)
Acquisition of investments in subsidiaries, associates and joint ventures		(3,766)	(5,912)
Net cash inflow (outflow) from investing activities		<u>250,508</u>	<u>(333,887)</u>
Cash flows from financing activities			
Proceeds from borrowings		498,681	729,453
Repayments of borrowings		(246,786)	(452,743)
Repayments of lease liabilities		(17,582)	(9,643)
Net cash inflow from financing activities		<u>234,313</u>	<u>267,067</u>
Effects of exchange rate changes on cash and cash equivalents		(1,340)	1,325
Net increase in cash and cash equivalents		<u>352,224</u>	<u>64,646</u>
Cash and cash equivalents at the beginning of the period		918,795	1,109,883
Cash and cash equivalents at the end of the period		<u>1,271,019</u>	<u>1,174,529</u>

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2020 and 2019 (Unaudited), and December 31, 2019

1. General Information

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

As at March 31, 2020, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle components Solutions segment designs and manufactures automobile parts; and Business Solutions segment manufactures and sells monitors, PCs, information displays, solar panels and others. As at March 31, 2020, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

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March 31, 2020 and 2019 (Unaudited), and December 31, 2019

2. Significant Accounting Policies

Basis of Preparation

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

The financial statements of the Company are the separate interim financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. The separate interim financial statements for the three-month period ended March 31, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These separate interim financial statements have been prepared in accordance with Korean IFRS which is effective as at March 31, 2020.

Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2020.

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Company. The amendments do not have a significant impact on the separate interim financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To determine whether an acquired set of activities and assets is a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendments do not have a significant impact on the separate interim financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

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The amendments allow to apply the exceptions when forward-looking analysis is performed in relation to the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions assume that the interest rate benchmark on which the hedged items and the hedging instruments are based is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the separate interim financial statements.

- (b) There are no new, enacted and amended standards issued, but not effective for March 31, 2020, and not early adopted by the Company.

Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate interim financial statements for the year ended December 31, 2019, 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.

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 Company makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

During 2020, the spread of COVID-19 has a material impact on domestic and foreign economy. It may have a negative impact; such as decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company, and the impact is expected to be continued to the separate annual financial statements in 2020.

Significant accounting estimates and assumptions applied in the preparation of the separate

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interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Company's business, financial position and financial performance cannot presently be determined.

The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

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and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

(g) Development Costs

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

(h) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment of reasonable certainty to exercise (or not exercise) an extension option is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4. Financial Instruments by Category

(a) Categorizations of financial instruments as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	1,271,019	-	-	-	1,271,019
Deposits held by financial institutions	149,422	-	-	-	149,422
Trade receivables	4,134,971	12,567	-	-	4,147,538
Other receivables	779,458	-	-	-	779,458
Other financial assets	-	38,273	19,888	12,668	70,829
Total	6,334,870	50,840	19,888	12,668	6,418,266

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Notes to the Separate Interim Financial Statements

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March 31, 2020

<i>(in millions of Korean won)</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,438,350	-	-	5,438,350
Borrowings	8,536,531	-	-	8,536,531
Lease liabilities	-	-	131,719	131,719
Other payables	1,763,439	-	-	1,763,439
Other financial liabilities	-	-	106,423	106,423
Total	15,738,320	-	238,142	15,976,462

December 31, 2019

<i>(in millions of Korean won)</i>	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	918,795	-	-	-	918,795
Deposits held by financial institutions	66,989	-	-	-	66,989
Trade receivables	3,647,265	18,354	-	-	3,665,619
Other receivables	1,004,870	-	-	-	1,004,870
Other financial assets	-	38,514	21,282	4,102	63,898
Total	5,637,919	56,868	21,282	4,102	5,720,171

December 31, 2019

<i>(in millions of Korean won)</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,227,643	-	-	5,227,643
Borrowings	8,220,081	-	-	8,220,081
Lease liabilities	-	-	128,277	128,277
Other payables	1,901,279	-	-	1,901,279
Other financial liabilities	-	-	95,383	95,383
Total	15,349,003	-	223,660	15,572,663

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(b) Net gains or losses on each category of financial instruments for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020				
	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	3,652	-	-	-	3,652
Exchange differences	138,097	-	-	-	138,097
Bad debt expenses	(2,260)	-	-	-	(2,260)
Loss on disposal of trade receivables	(758)	(196)	-	-	(954)
Dividend income	-	151	-	-	151
Fair value loss, net of tax (through other comprehensive income)	-	(3,049)	-	-	(3,049)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(3,548)	(3,548)
Others	(2,633)	-	-	-	(2,633)

<i>(in millions of Korean won)</i>	2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(57,703)	-	(4,674)	(62,377)
Exchange differences	(281,706)	-	33,954	(247,752)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(24,019)	(24,019)
Others	-	-	(2,392)	(2,392)

<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	4,704	-	-	-	4,704
Exchange differences	69,839	-	-	-	69,839
Bad debt expenses	(9,176)	-	-	-	(9,176)
Loss on disposal of trade receivables	(622)	(492)	-	-	(1,114)
Dividend income	-	242	-	-	242
Fair value loss, net of tax (through other comprehensive income)	-	(244)	-	-	(244)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	40	40
Others	(3,714)	-	-	-	(3,714)

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<i>(in millions of Korean won)</i>	2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(62,325)	-	464	(61,861)
Exchange differences	(86,544)	-	9,506	(77,038)
Loss on derivatives (through profit or loss)	-	(392)	-	(392)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(9,510)	(9,510)
Others	-	-	(2,247)	(2,247)

5. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020			December 31, 2019		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	4,211,458	(63,920)	4,147,538	3,727,941	(62,322)	3,665,619
Other receivables						
Current	598,379	(9,732)	588,647	854,985	(9,640)	845,345
Non-current	191,926	(1,115)	190,811	160,067	(542)	159,525

(b) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020				
	At January 1	Addition	Write-off and other	At March 31	
Trade receivables	62,322	1,598	-	63,920	
Other receivables					
Current	9,640	89	3	9,732	
Non-current	542	573	-	1,115	

<i>(in millions of Korean won)</i>	2019				
	At January 1	Addition	Write-off and other	At March 31	
Trade receivables	30,487	9,116	(8)	39,595	
Other receivables					
Current	6,267	31	-	6,298	
Non-current	9	29	-	38	

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(c) The aging analysis of trade receivables and other receivables as at March 31, 2020 and December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2020				December 31, 2019			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	3,816,807	359,310	169,643	4,345,760	3,195,394	695,353	142,751	4,033,498
Past due but not impaired								
Up to 6 months	207,595	120,066	14,722	342,383	353,752	53,804	13,886	421,442
7 to 12 months	33,141	17,055	4,995	55,191	35,054	15,660	1,844	52,558
Over 1 year	49,763	90,671	2,566	143,000	43,775	79,694	1,586	125,055
Subtotal	290,499	227,792	22,283	540,574	432,581	149,158	17,316	599,055
Impaired	104,152	11,277	-	115,429	99,966	10,474	-	110,440
Total	4,211,458	598,379	191,926	5,001,763	3,727,941	854,985	160,067	4,742,993

(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.

6. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Other financial assets		
Derivatives	12,668	4,102
Financial assets at fair value through other comprehensive income	38,273	38,514
Financial assets at fair value through profit or loss	19,888	21,282
Total	70,829	63,898
Current	4,809	2,298
Non-current	66,020	61,600

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Other financial liabilities		
Derivatives	91,126	78,865
Financial guarantee liability	15,297	16,518
Total	106,423	95,383
Current	6,502	7,351
Non-current	99,921	88,032

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(b) Details of derivatives as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current				
Cross-currency swap	4,809	-	2,298	-
Non-current				
Cross-currency swap	7,859	7,770	1,804	8,633
Interest rate swap	-	83,356	-	70,232
Subtotal	7,859	91,126	1,804	78,865
Total	12,668	91,126	4,102	78,865

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

(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020				
	At January 1	Acquisition	Disposals	Valuation	At March 31
Listed equity securities	10,835	-	-	(4,182)	6,653
Unlisted equity securities	27,679	3,941	-	-	31,620
Total	38,514	3,941	-	(4,182)	38,273

<i>(in millions of Korean won)</i>	2019				
	At January 1	Acquisition	Disposals	Valuation	At March 31
Listed equity securities	13,265	-	-	(335)	12,930
Unlisted equity securities	16,760	6,740	-	-	23,500
Total	30,025	6,740	-	(335)	36,430

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020				
	At January 1	Acquisition	Disposals	Valuation	At March 31
Unlisted equity securities	21,282	1,174	(2,568)	-	19,888

<i>(in millions of Korean won)</i>	2019				
	At January 1	Acquisition	Disposals	Valuation	At March 31
Unlisted equity securities	12,685	1,070	-	-	13,755

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7. Inventories

Inventories as at March 31, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	March 31, 2020			December 31, 2019		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	609,584	(35,240)	574,344	623,726	(40,988)	582,738
Work-in-process	86,433	(2,329)	84,104	69,214	(2,641)	66,573
Raw materials and supplies	687,329	(93,137)	594,192	554,777	(118,424)	436,353
Other	131,407	(26,276)	105,131	139,581	(29,985)	109,596
Total	1,514,753	(156,982)	1,357,771	1,387,298	(192,038)	1,195,260

8. Contract Assets and Contract Liabilities

(a) Contract assets as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Due from customers	423,680	399,802
(Less: allowance for doubtful accounts)	(2)	(2,999)
Right to recover returned products	1,041	704
Costs to fulfill contracts and others	73,269	79,478
Total	497,988	476,985
Current	438,925	420,426
Non-current	59,063	56,559

(b) Contract liabilities as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Expected promotional incentives for customers	99,938	147,279
Expected returns from customers	1,627	1,099
Customer loyalty program	38,959	34,446
Rendering of warranty services	3	8
Due to customers and others	196,620	195,291
Total	337,147	378,123
Current	335,478	376,464
Non-current	1,669	1,659

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(c) Revenue recognized in relation to contract liabilities for the three-month periods ended March 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020	2019
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	120,070	158,238
Customer loyalty program	14,606	11,506
Rendering of warranty services	5	14
Total	134,681	169,758
Revenue recognized from performance obligations satisfied in previous periods	2,190	1,285

(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 was ₩477,542 million which were expected to be satisfied by 2022, at the latest. Also, as a practical expedient, the Company excluded performance obligation which was a part of a contract that had an original expected duration of one year or less.

(e) For the three-month period ended March 31, 2020, the Company recognized a reversal of impairment loss amounting to ₩2,468 million (March 31, 2019: impairment loss of ₩395 million) in relation to due from customers, and amortization and other costs of ₩8,242 million (March 31, 2019: ₩12,394 million) in relation to costs to fulfill contracts.

9. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	7,331,504	7,349,993
Acquisitions	131,655	182,301
Disposals and others	(6,125)	(7,601)
Depreciation	(190,901)	(178,504)
Impairment losses	(61)	(101)
At March 31	7,266,072	7,346,088

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(b) Line items including depreciation in the separate interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	148,495	144,555
Selling and marketing expenses	9,564	7,351
Administrative expenses	12,434	6,662
Research and development expenses	14,509	16,973
Service costs	4,376	1,943
Other non-operating expenses	1,523	1,020
Total	190,901	178,504

(c) Changes in right-of-use assets included in property, plant and equipment for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	133,533	80,736
Acquisitions	25,276	15,551
Disposals and others	(240)	(608)
Depreciation	(21,528)	(8,273)
At March 31	137,041	87,406

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the three-month period March 31, 2020, was ₩3,234 million (March 31, 2019: ₩2,786 million).

(d) Changes in intangible assets for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	1,440,219	1,671,617
Acquisitions	45,465	32,397
Acquisitions by internal development	158,296	68,867
Disposals and others	(10,253)	(7,226)
Amortization	(79,491)	(74,644)
Impairment losses	(1,137)	(18,895)
At March 31	1,553,099	1,672,116

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(e) Line items including amortization of intangible assets in the separate interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	51,518	42,542
Selling and marketing expenses	2,687	3,398
Administrative expenses	8,964	12,428
Research and development expenses	16,142	16,081
Service costs	180	193
Other non-operating expenses	-	2
Total	79,491	74,644

10. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at March 31, 2020 (%)	Carrying amount	March 31, 2020	December 31, 2019
Subsidiaries						
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542	955,542
ZKW Holding GmbH	Austria	December	70.0	943,468	943,468	943,468
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538	541,538
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	India	March	100.0	311,746	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091	214,091
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331	161,331
LG Electronics European Holding B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118	94,118
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	Vietnam	December	100.0	84,784	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721	68,721
LG Electronics (Shenyang) Inc(LGESY)	China	December	56.3	62,033	62,033	62,033
LG Electronics (Thailand) Company Limited(LGETH)	Thailand	December	100.0	55,578	55,578	55,578
LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	Australia	December	100.0	50,664	50,664	50,664

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at March 31, 2020 (%)	Carrying amount	
				March 31, 2020	December 31, 2019
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.0	48,624	48,624
LG Electronics Ticaret A.S.(LGETK)	Turkey	December	100.0	47,320	47,320
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics (Huizhou) Inc.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0	38,744	38,744
ZKW Austria Immobilien Holding GmbH	Austria	December	70.0	35,640	35,640
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0	32,112	32,112
Nanjing LG Panda Appliances Co., Ltd(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Colombia Limitada(LGECB)	Colombia	December	60.7	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0	22,538	22,538
LG Electronics Fund I LLC ¹	USA	December	100.0	22,385	22,083
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGS)	India	March	100.0	20,105	20,105
Others				216,237	216,237
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
Robostar Co.,Ltd.	Korea	December	33.4	88,112	88,112
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Kiwigrig GmbH ²	Germany	December	16.3	13,019	13,019
ROBOTIS Co., Ltd. ²	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. ²	Korea	December	6.5	2,088	2,088
Acryl Inc. ²	Korea	December	14.5	2,000	2,000
Joint ventures					
LG HOLDINGS (HK) LIMITED ³	China	December	-	-	53,277
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
LG-LHT Aircraft Solutions GmbH ¹	Germany	December	49.0	7,102	5,085
LG-LHT Passenger Solutions GmbH ¹	Germany	December	49.0	5,700	4,553
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD ¹	China	December	35.0	891	591
Total				8,972,779	9,022,290

¹ It was additionally acquired during the three-month period ended March 31, 2020.

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² Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

³ It was disposed during the three-month period ended March 31, 2020.

(b) Changes in investments in subsidiaries, associates and joint ventures for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	9,022,290	9,108,014
Acquisitions	3,766	5,912
Disposal ¹	(53,277)	-
At March 31	8,972,779	9,113,926

¹ The Company disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the three-month period ended March 31, 2020, and recognized gain on disposal of ₩666,667 million, net of related costs, in 'other non-operating expenses' (Note 24). ₩67,602 million of proceeds from the disposal are deposited in a financial institution to pay foreign withholding taxes.

(c) Details of marketable investments in subsidiaries and associates as at March 31, 2020 and December 31, 2019, are as follows:

March 31, 2020					
	Type	Shares held (Unit: shares)	Price per share (in Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	11,100	1,505,438	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	114,000	1,100,463	541,538
Robostar Co.,Ltd.	Associate	3,256,500	10,200	33,216	88,112
ROBOTIS Co.,Ltd.	Associate	961,550	7,750	7,452	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	2,770	5,568	2,088
December 31, 2019					
	Type	Shares held (Unit: shares)	Price per share (in Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	16,250	2,203,906	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	140,000	1,351,445	541,538
Robostar Co.,Ltd.	Associate	3,256,500	17,400	56,663	88,112
ROBOTIS Co.,Ltd.	Associate	961,550	12,400	11,923	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,785	7,609	2,088

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11. Borrowings

(a) Carrying amounts of borrowings as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Current		
Short-term borrowings	242,757	233,537
Current portion of long-term borrowings	198,464	178,679
Current portion of debentures	794,616	641,872
Subtotal	1,235,837	1,054,088
Non-current		
Long-term borrowings	2,858,865	2,687,110
Debentures	4,441,829	4,478,883
Subtotal	7,300,694	7,165,993
Total	8,536,531	8,220,081

(b) Details of borrowings as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2020 (%)	Carrying amount March 31, 2020	December 31, 2019
Short-term borrowings in foreign currency				
LG Electronics European Shared Service Center B.V.(LGESC)	2021. 1. 15	0.84	242,757	233,537
Long-term borrowings in local currency				
Korea Development Bank and others	2035. 1. 9	1.92 ~ 3.50	2,408,214	2,245,000
Long-term borrowings in foreign currency				
KEB Hana Bank and others	2030. 8. 1	0.84 ~ 3.03	649,115	620,789
Local currency debentures				
Public, non-guaranteed bonds	2035. 2.25	1.62 ~ 4.44	3,790,000	3,700,000
Private, non-guaranteed bonds	2038. 4. 3	2.79 ~ 4.21	920,000	920,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028. 6. 8	1.76 ~ 3.04	403,458	382,074
Private, guaranteed bonds	2023. 2.24	0.49	134,865	129,743
Less: discount on debentures			(11,878)	(11,062)
Total			8,536,531	8,220,081

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

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12. Lease liabilities

(a) Details of lease liabilities as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Lease liabilities		
Current	63,188	68,278
Non-current	68,531	59,999
Total	131,719	128,277

(b) The amounts, relating to leases, recognized in the separate interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Interest expense relating on lease liabilities	1,312	654
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	9,452	20,185
Payments for leases of low-value assets that are not short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	4,307	2,702

Total expenses for leases including short-term leases and leases of low-value assets for the three-month period ended March 31, 2020, are ₩32,575 million (March 31, 2019: ₩33,169 million).

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13. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Present value of funded obligations	3,018,445	2,961,034
Fair value of plan assets	(2,456,687)	(2,472,308)
Net defined benefit liabilities	561,758	488,726

(b) The amounts recognized in the separate interim statements of profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Current service cost	75,497	69,324
Net interest cost	2,786	1,966
Operating management cost	487	548
Total	78,770	71,838

(c) Line items in which expenses are included for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	40,137	38,470
Selling and marketing expenses	9,478	9,015
Administrative expenses	4,542	4,661
Research and development expenses	18,596	18,851
Service costs	6,017	841
Total	78,770	71,838

(d) Movements in the present value of defined benefit obligations for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	2,961,034	2,610,800
Current service cost	75,497	69,324
Interest expense	16,578	16,416
Remeasurements for:		
- Actuarial loss arising from changes in financial assumptions	-	51,898
Benefits paid	(34,664)	(66,361)
At March 31	3,018,445	2,682,077

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- (e) Movements in the fair value of plan assets for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	2,472,308	2,304,879
Interest income	13,792	14,450
Remeasurements of plan assets	(919)	(2,520)
Benefits paid	(28,007)	(53,422)
Operating management cost	(487)	(548)
At March 31	2,456,687	2,262,839

- (f) The significant actuarial assumptions used as at March 31, 2020 and December 31, 2019, are as follows:

	March 31, 2020	December 31, 2019
Discount rate	2.3%	2.3%
Expected salary growth rate	5.0%	5.0%

- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at March 31, 2020, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(269,824)	309,214
Expected salary growth rate	297,878	(265,996)

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 for the three-month period ended March 31, 2020 in relation to the defined contribution plan was ₩2,953 million (March 31, 2019: ₩3,665 million).

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14. Provisions

(a) Changes in provisions for the three-month periods ended March 31, 2020 and 2019, are as follows:

	2020			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	518,383	10,324	77,380	606,087
Additional provisions, net ¹	30,983	372	12,489	43,844
Utilizations	(115,077)	(188)	(5,651)	(120,916)
At March 31	434,289	10,508	84,218	529,015
Current	407,618	5,645	-	413,263
Non-current	26,671	4,863	84,218	115,752

	2019			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	379,493	10,626	68,834	458,953
Additional provisions, net ¹	99,536	156	337	100,029
Utilizations	(70,438)	(68)	(4)	(70,510)
At March 31	408,591	10,714	69,167	488,472
Current	380,912	5,729	-	386,641
Non-current	27,679	4,985	69,167	101,831

¹ Net amount of additional provisions equals to additional provisions less reversed amounts.

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15. Paid-in Capital

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

	Par value per share	March 31, 2020		December 31, 2019	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

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

(b) Share premium balance as at March 31, 2020, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

16. Retained Earnings

Retained earnings as at March 31, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Legal reserve ¹	209,527	195,933
Discretionary reserve	4,660,572	5,128,769
Unappropriated retained earnings (undisposed accumulated deficit) ²	656,264	(318,597)
Total	5,526,363	5,006,105

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

² Dividend for the year ended December 31, 2019 of ₩135,909 million was approved at the annual general meeting held on March 26, 2020, and paid in April 2020 (2019 payments: ₩135,909 million).

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17. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as at March 31, 2020 and December 31, 2019, consists of:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Cash flow hedge	(100,618)	(73,051)
Financial assets at fair value through other comprehensive income	(2,302)	747
Total	(102,920)	(72,304)

18. Other Components of Equity

Other components of equity as at March 31, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Total	(32,819)	(32,819)

¹ The Company has treasury shares consisting of 763,173 ordinary shares (December 31, 2019: 763,173 shares) and 4,692 preferred shares (December 31, 2019: 4,692 shares) at the end of the reporting period. The Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

19. Net Sales

(a) Details of net sales for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Revenue from contracts with customers:		
Sales of goods	6,381,977	7,042,637
Rendering of services	132,974	100,773
Royalty income	105,076	96,534
Subtotal	6,620,027	7,239,944
Revenue from other sources:		
Rental income and others	137,321	102,122
Total	6,757,348	7,342,066

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(b) Details of revenue from contracts with customers for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020							Total
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	2,953,961	934,449	694,332	617,355	1,098,788	321,142	-	6,620,027
Internal sales	4,325	-	-	-	-	17,431	(21,756)	-
	<u>2,958,286</u>	<u>934,449</u>	<u>694,332</u>	<u>617,355</u>	<u>1,098,788</u>	<u>338,573</u>	<u>(21,756)</u>	<u>6,620,027</u>
By type of products:								
Refrigerator/washing machine/air conditioner and others	2,244,673	-	-	-	-	-	(757)	2,243,916
TV	-	859,275	-	-	-	-	-	859,275
Mobile communications	-	-	694,332	-	-	-	-	694,332
In-vehicle infotainment	-	-	-	539,161	-	-	-	539,161
Monitor/PC and others	-	-	-	-	690,526	-	-	690,526
Others	713,613	75,174	-	78,194	408,262	338,573	(20,999)	1,592,817
Domestic/Export:								
Domestic	1,588,102	226,084	104,883	84,122	484,701	92,324	(21,756)	2,558,460
Export	1,370,184	708,365	589,449	533,233	614,087	246,249	-	4,061,567
Timing of transfer:								
Transferred at a point in time	2,842,589	881,437	666,999	610,466	1,086,876	10,059	(4,352)	6,094,074
Transferred over time	115,697	53,012	27,333	6,889	11,912	328,514	(17,404)	525,953

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<i>(in millions of Korean won)</i>	2019							Total
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	3,033,651	1,154,624	937,307	541,683	1,079,560	493,119	-	7,239,944
Internal sales	5,148	-	-	-	-	21,703	(26,851)	-
	<u>3,038,799</u>	<u>1,154,624</u>	<u>937,307</u>	<u>541,683</u>	<u>1,079,560</u>	<u>514,822</u>	<u>(26,851)</u>	<u>7,239,944</u>
By type of products:								
Refrigerator/washing machine/air conditioner and others	2,503,695	-	-	-	-	-	(1,983)	2,501,712
TV	-	1,009,322	-	-	-	-	-	1,009,322
Mobile communications	-	-	937,307	-	-	-	-	937,307
In-vehicle infotainment	-	-	-	440,534	-	-	-	440,534
Monitor/PC and others	-	-	-	-	741,430	-	-	741,430
Others	535,104	145,302	-	101,149	338,130	514,822	(24,868)	1,609,639
Domestic/Export:								
Domestic	1,769,731	230,175	256,344	133,931	478,890	115,363	(26,851)	2,957,583
Export	1,269,068	924,449	680,963	407,752	600,670	399,459	-	4,282,361
Timing of transfer:								
Transferred at a point in time	2,951,421	1,102,501	910,485	535,937	1,069,813	20,324	(5,148)	6,585,333
Transferred over time	87,378	52,123	26,822	5,746	9,747	494,498	(21,703)	654,611

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

Due to the factors causing the changes in the costs of other segments during the three-month period ended March 31, 2020, the estimated total contract revenue and costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the three-month periods ended March 31, 2020 and the succeeding periods are as follows:

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the period ended March 31, 2020	Impact on profit or loss for the succeeding periods
Other segments	32,970	9,946	10,847	12,177

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20. Expenses by Nature

Expenses that are recorded by nature for the three-month periods ended March 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020	2019
Changes in finished goods and work-in-process	(43,095)	(34,352)
Raw materials and merchandise used	3,830,088	4,338,588
Employee benefit expense	972,267	1,010,062
Depreciation and amortization	268,869	252,452
Advertising expense	92,915	93,148
Promotion expense	41,908	57,298
Freight expense	151,275	166,737
Commission expense	445,906	428,558
Other expenses	659,654	760,354
Total¹	6,419,787	7,072,845

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

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

Details of general operating expenses for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Salaries	361,666	362,039
Post-employment benefits	43,072	38,019
Employee welfare benefits	71,659	62,413
Freight expense	149,748	164,467
Rental expense	9,909	16,808
Commission expense	315,208	299,229
Depreciation	40,883	33,256
Amortization	27,973	32,100
Advertising expense	92,915	93,148
Promotional expense	41,908	57,298
R&D expense	116,331	69,043
Direct service costs	25,758	89,916
Bad debts expense (reversal)	(870)	9,512
Others	3,380	73,098
Total	1,299,540	1,400,346

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22. Financial Income

Financial income for the three-month periods ended March 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Interest income	3,652	4,704
Exchange differences	60,953	28,209
Others	417	451
Total	65,022	33,364

23. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020	2019
Interest expense	62,377	61,861
Exchange differences	105,432	16,601
Loss on disposal of trade receivables	954	1,114
Others	5,442	6,412
Total	174,205	85,988

24. Other Non-operating Income

Other non-operating income for the three-month periods ended March 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Dividend income	11,498	3,299
Exchange differences	273,043	170,668
Gain on disposal of property, plant and equipment	1,742	490
Gain on disposal of investments in subsidiaries, associates and joint ventures	666,667	-
Others	13,746	1,027
Total	966,696	175,484

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25. Other Non-operating Expenses

Other non-operating expenses for the three-month periods ended March 31, 2020 and 2019, consist of:

<u>(in millions of Korean won)</u>	<u>2020</u>	<u>2019</u>
Exchange differences	327,743	185,444
Loss on disposal of property, plant and equipment	4,684	4,254
Loss on disposal of intangible assets	9,814	7,226
Impairment loss on intangible assets	1,137	18,895
Others	3,603	4,617
Total	346,981	220,436

26. Earnings per Share

The Company 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 periods ended March 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shares ¹ <i>(in millions of Korean won)</i>	593,968	120,292
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i> ²	162,884,641	162,884,641
Basic earnings per ordinary share <i>(in Korean won)</i>	3,647	739

(b) Basic earnings per preferred share for the three-month periods ended March 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Profit attributable to preferred shares <i>(in millions of Korean won)</i>	62,868	12,902
Weighted average number of preferred shares outstanding <i>(unit: shares)</i>	17,181,300	17,181,300
Basic earnings per preferred share <i>(in Korean won)</i>	3,659	751

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27. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the three-month periods ended March 31, 2020 and 2019, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2020	2019
Profit for the period	656,836	133,194
Adjustments:		
Interest expense, net	58,725	57,157
Exchange differences, net	53,221	10,701
Depreciation	190,901	178,504
Amortization	79,491	74,644
Loss on disposal of property, plant and equipment and intangible assets, net	12,740	10,990
Provisions for severance benefits	78,770	71,838
Additional provisions, net	43,844	100,029
Dividend income	(11,498)	(3,299)
Income tax expense	191,257	38,451
Gain on disposal of investments in subsidiaries, associates and joint ventures	(666,667)	-
Other	(9,526)	44,648
	<u>21,258</u>	<u>583,663</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(458,024)	(933,463)
Decrease in other receivables	261,958	131,389
Decrease (increase) in inventories	(144,047)	5,447
Decrease (increase) in contract assets	(5,668)	20,123
Decrease (increase) in other assets	21,221	(154,578)
Increase in trade payables	154,637	785,897
Decrease in other payables	(226,999)	(367,899)
Decrease in provisions	(120,916)	(70,510)
Increase (decrease) in contract liabilities	(36,996)	108,929
Decrease in other liabilities	(198,561)	(60,276)
Payment of defined benefit liability	(6,657)	(12,939)
Deposit in plan assets, net	(12,386)	(11,382)
	<u>(772,438)</u>	<u>(559,262)</u>
Cash generated from operations	<u>(94,344)</u>	<u>157,595</u>

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(b) Changes in liabilities from financing activities

2020						
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Non-cash transactions			At March 31
			Additions	Exchange differences	Amortization and others	
Short-term borrowings	233,537	-	-	9,220	-	242,757
Long-term borrowings	2,865,789	163,214	-	28,326	-	3,057,329
Debentures	5,120,755	88,681	-	26,399	610	5,236,445
Lease liabilities	128,277	(17,582)	20,632	313	79	131,719
Total	8,348,358	234,313	20,632	64,258	689	8,668,250

2019						
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Non-cash transactions			At March 31
			Additions	Exchange differences	Amortization and others	
Short-term borrowings	-	231,554	-	(1,611)	-	229,943
Long-term borrowings	2,621,536	-	-	3,770	-	2,625,306
Debentures	5,278,976	45,156	-	5,429	858	5,330,419
Lease liabilities	74,107	(9,643)	15,275	(12)	15	79,742
Total	7,974,619	267,067	15,275	7,576	873	8,265,410

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of construction-in-progress to property, plant and equipment	53,615	18,934
Reclassification of construction-in-progress to intangible assets	59,648	95,697
Reclassification of current portion of borrowings and debentures	416,329	246,585
Other payables to acquire property, plant and equipment	28,366	43,210
Other payables to acquire intangible assets	2,781	2,523
Acquisition of right-of-use assets	25,276	15,551

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

- Transfer of vehicle rear lamp business

- i) On December 19, 2019, vehicle rear lamp business was transferred to ZKW Holding GmbH.
- ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	2,597
Other payables	1,443
Assets of the transferred business:	
Inventories	6,883
Property, plant and equipment	499
Intangible assets	722
Other assets	1,013
Liabilities of the transferred business:	
Other liabilities	2,623

28. Contingencies

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩239,525 million (December 31, 2019: ₩240,968 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal amounting to EUR 100 million (December 31, 2019: EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,906,075 million (December 31, 2019: ₩3,874,217 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiaries	March 31, 2020	December 31, 2019
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	1,037,011	963,997
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	675,952	705,447
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	582,376	551,509
LG Electronics (China) Co., Ltd(LGECH)	Citibank and others	285,124	271,457
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	205,105	199,659
LG Electronics Algeria SARL(LGEAS)	Citibank and others	146,118	139,809
LG Electronics Inc Chile Limitada(LGECL)	Scotiabank and others	121,460	126,445
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	112,528	111,189

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<i>(in millions of Korean won)</i>	Beneficiaries	March 31, 2020	December 31, 2019
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	93,694	92,877
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	HSBC and others	90,858	86,640
LG Electronics RUS, LLC(LGERA)	Citibank and others	79,624	83,652
LG Electronics Colombia Limitada(LGECB)	Citibank and others	79,425	92,663
LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	Citibank	61,130	57,890
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	57,350	53,384
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	57,166	54,173
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	37,242	35,298
LG Electronics (Thailand) Company Limited(LGETH)	Citibank	28,196	27,022
LG Electronics Italia S.P.A.(LGEIS)	Intesa	26,973	25,949
P.T. LG Electronics Indonesia(LGEIN)	HSBC and others	24,452	23,156
LG Electronics Singapore Pte.Ltd.(LGESL)	HSBC and others	23,866	23,058
Others	Citibank and others	80,425	148,943
Total		3,906,075	3,874,217

(c) At the end of the reporting period, the Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2019: ₩46,000 million).

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

29. Commitments

(a) At the end of the reporting period, the Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2019: ₩165,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,044,221 million (December 31, 2019: ₩1,895,310 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩900,000 million (December 31,

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2019: ₩900,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,210,000 million (December 31, 2019: ₩1,210,000 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩696,712 million (December 31, 2019: ₩688,936 million).

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	March 31, 2020	December 31, 2019
Property, plant and equipment	145,771	167,585
Intangible assets	113,643	118,014
Investments in subsidiaries, associates and joint ventures	89,176	88,968
Total	348,590	374,567

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

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

<i>(in millions of Korean won)</i>	March 31, 2020				Total lease payments
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	
Healthcare rental	524,561	402,499	207,791	38,380	1,173,231

ii) The Company recognized ₩131,176 million (March 31, 2019: ₩96,372 million) in lease income for the three-month period ended March 31, 2020.

(g) Trademark license commitments

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

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

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30. Related Party

(a) Major transactions for the three-month periods ended March 31, 2020 and 2019, and balances of receivables and payables from transaction with related parties as at March 31, 2020 and December 31, 2019, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2020					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	41	-	41	-	34,924	34,924
Subsidiaries	LG Innotek Co., Ltd.	13,574	7,162	20,736	63,391	1,484	64,875
	Hiplaza Co., Ltd.	489,318	2,922	492,240	-	6,864	6,864
	LG Electronics U.S.A., Inc.	1,129,742	127	1,129,869	1,314	12,437	13,751
	LG Electronics Vietnam Hai Phong Co., Ltd	554,381	642	555,023	40,945	4,430	45,375
	LG Electronics do Brasil Ltda.	127,997	868	128,865	39	1,674	1,713
	LG Electronics Canada, Inc.	57,117	-	57,117	3	1,353	1,356
	Qingdao LG Inspur Digital Communication Co., Ltd.	52,046	20	52,066	23,333	516	23,849
	LG ELECTRONICS AUSTRALIA PTY LIMITED	60,897	1	60,898	-	911	911
	LG Electronics RUS, LLC	132,710	47	132,757	383	1,041	1,424
	LG ELECTRONICS INDIA PRIVATE LIMITED	73,514	1	73,515	340	1,097	1,437
	LG Electronics Deutschland GmbH	4,177	621	4,798	880	12,311	13,191
	LG Electronics Japan, Inc.	54,366	-	54,366	1,193	6,727	7,920
	LG Electronis Reynosa, S.A. De C.V.	67,966	181	68,147	268	-	268
	LG Electronics Mlawa Sp. z.O.O.	107,231	60	107,291	652	2,290	2,942
	LG Electronics Egypt S.A.E	29,255	33	29,288	-	157	157
	LG Electronics Nanjing New Technology co.,LTD	86,420	-	86,420	176,606	310	176,916
	LG Electronics Polska Sp. Z.O.O	33,879	1,277	35,156	374	1,020	1,394
	LG Electronics Panama, S.A.	28,920	-	28,920	4	264	268
	P.T. LG Electronics Indonesia	40,444	83	40,527	14,179	28	14,207
	LG Electronics (Hangzhou) Co., Ltd	38,992	21	39,013	9,756	539	10,295
	LG Electronics Colombia Limitada	6,058	-	6,058	-	326	326
	LG Electronics (Tianjin) Appliances Co., Ltd.	18,038	3	18,041	31,941	15	31,956

LG Electronics Inc.
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		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Vehicle Components U.S.A., LLC.	54,456	-	54,456	571	7,796	8,367
	LG Electronics Mexico S.A. DE C.V.	35,684	-	35,684	-	324	324
	LG Electronics Peru S.A.	22,982	6	22,988	-	282	282
	LG Electronics European Shared Service Center B.V.	130,146	22,227	152,373	-	5,317	5,317
	Taizhou LG Electronics Refrigeration Co., Ltd.	19,833	5	19,838	50,684	530	51,214
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	39,985	-	39,985	2,588	123	2,711
	Hi-M.Solutek	20,865	71	20,936	61,520	22,868	84,388
	Others	687,561	4,514	692,075	42,475	121,185	163,660
	Subtotal	4,218,554	40,892	4,259,446	523,439	214,219	737,658
Associates	LG Display Co., Ltd. and its subsidiaries	101,393	24,383	125,776	196,010	285	196,295
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	296	-	296	6,607	21	6,628
	Robostar Co.,Ltd.	2	-	2	15,670	15	15,685
	ROBOTIS Co., Ltd.	-	-	-	-	19	19
	Korea Information Certificate Authority Inc.	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	156	156
	Subtotal	101,692	24,383	126,075	218,287	535	218,822
Joint ventures	LG-MRI LLC	3,470	-	3,470	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	34,845	1	34,846	31,774	70,608	102,382
	S&I Corp. and its subsidiaries ²	2,784	-	2,784	25,927	19,618	45,545
	LG Management Development Institute	2	-	2	-	5,586	5,586
	LG SPORTS Ltd.	1	-	1	-	2,163	2,163
	LG MMA Ltd.	1	-	1	-	-	-
	Subtotal	37,633	1	37,634	57,701	97,975	155,676
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	205,465	4,695	210,160	122,780	129	122,909
	LG INTERNATIONAL CORP and its subsidiaries	2,130	247	2,377	145,365	198,647	344,012
	LG Uplus Corp and its subsidiaries	22,468	45	22,513	865	35	900
	LG HAUSYS,LTD. and its subsidiaries and associates	1,483	50	1,533	2,916	41	2,957
	Silicon Works Co., Ltd.	594	685	1,279	2,781	-	2,781

LG Electronics Inc.
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		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	18,975	-	18,975	47	5	52
	GIIR Inc. and its subsidiaries	10	-	10	1	49,096	49,097
	Subtotal	251,125	5,722	256,847	274,755	247,953	522,708
	Total	4,612,515	70,998	4,683,513	1,074,182	595,606	1,669,788

(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	9	-	9	-	35,310	35,310
Subsidiaries	LG Innotek Co., Ltd.	14,676	7,310	21,986	106,961	1,613	108,574
	Hiplaza Co., Ltd.	581,504	-	581,504	8,896	1	8,897
	LG Electronics U.S.A., Inc.	1,044,754	1,696	1,046,450	436	11,515	11,951
	LG Electronics Vietnam Hai Phong Co., Ltd	317,312	273	317,585	16,386	4,747	21,133
	LG Electronics do Brasil Ltda.	138,244	-	138,244	1,250	945	2,195
	LG Electronics Canada, Inc.	52,317	-	52,317	-	968	968
	Qingdao LG Inspur Digital Communication Co., Ltd.	57,797	11	57,808	36,273	253	36,526
	LG ELECTRONICS AUSTRALIA PTY LIMITED	81,282	5	81,287	-	1,627	1,627
	LG Electronics RUS, LLC	72,825	7	72,832	8	1,387	1,395
	LG ELECTRONICS INDIA PRIVATE LIMITED	79,662	3,531	83,193	900	835	1,735
	LG Electronics Deutschland GmbH	16,045	16,177	32,222	6,722	10,103	16,825
	LG Electronics Japan, Inc.	88,193	-	88,193	1,085	5,534	6,619
	LG Electronis Reynosa, S.A. De C.V.	99,926	-	99,926	127	31	158
	LG Electronics Mlawa Sp. z.O.O.	117,644	-	117,644	852	1,571	2,423
	LG Electronics Egypt S.A.E	29,182	383	29,565	-	151	151
	LG Electronics Nanjing New Technology co.,LTD	84,435	-	84,435	162,893	416	163,309
	LG Electronics Polska Sp. Z.O.O	39,100	316	39,416	370	1,030	1,400
	LG Electronics Panama, S.A.	14,709	-	14,709	-	39	39
	P.T. LG Electronics Indonesia	36,796	-	36,796	16,741	369	17,110
	LG Electronics (Hangzhou) Co., Ltd	35,435	19	35,454	6,712	351	7,063

LG Electronics Inc.
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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Colombia Limitada	10,256	-	10,256	-	175	175
	LG Electronics (Tianjin) Appliances Co., Ltd.	15,586	-	15,586	44,301	14	44,315
	LG Electronics Vehicle Components U.S.A., LLC.	70,059	-	70,059	960	8,948	9,908
	LG Electronics Mexico S.A. DE C.V.	32,115	-	32,115	-	108	108
	LG Electronics Peru S.A.	10,682	-	10,682	-	-	-
	LG Electronics European Shared Service Center B.V.	101,548	14,499	116,047	5	1,493	1,498
	Taizhou LG Electronics Refrigeration Co., Ltd.	23,926	-	23,926	54,000	163	54,163
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	8,279	711	8,990	404	17	421
	Hi-M.Solutek	14,765	-	14,765	60,615	-	60,615
	Others	935,011	1,057	936,068	105,713	64,232	169,945
	Subtotal	4,224,065	45,995	4,270,060	632,610	118,636	751,246
Associates	LG Display Co., Ltd. and its subsidiaries	321,776	20,703	342,479	283,082	2,451	285,533
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	370	-	370	5,063	151	5,214
	LG Fuel Cell Systems Inc. and its subsidiaries	77	-	77	-	-	-
	Robostar Co.,Ltd.	-	-	-	10,586	2,135	12,721
	ROBOTIS Co., Ltd.	-	-	-	10,060	2,135	12,195
	Kiwigrid GmbH	-	-	-	-	188	188
	Korea Information Certificate Authority Inc.	-	-	-	-	22	22
	Acryl Inc.	-	-	-	-	167	167
	Subtotal	322,223	20,703	342,926	308,791	7,249	316,040
Joint ventures	LG-MRI LLC	384	-	384	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	42,746	1	42,747	24,295	46,828	71,123
	S&I Corp. and its subsidiaries ²	2,725	3,105	5,830	163,032	56,424	219,456
	LG Management Development Institute	-	-	-	-	6,461	6,461
	LG SPORTS Ltd.	1	-	1	-	2,260	2,260
	Subtotal	45,472	3,106	48,578	187,327	111,973	299,300
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	153,404	324	153,728	136,036	8,322	144,358

LG Electronics Inc.
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Classification	Name	2019					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG INTERNATIONAL CORP and its subsidiaries	21,765	2,418	24,183	165,114	218,312	383,426
	LG Uplus Corp and its subsidiaries	82,289	8	82,297	461	481	942
	LG HAUSYS,LTD. and its subsidiaries and joint ventures	1,980	-	1,980	144	-	144
	Silicon Works Co., Ltd	613	764	1,377	2,821	-	2,821
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	460	-	460	50	6	56
	GIR Inc. and its subsidiaries	97	27	124	2	52,755	52,757
	Subtotal	260,608	3,541	264,149	304,628	279,876	584,504
	Total	4,852,761	73,345	4,926,106	1,433,356	553,044	1,986,400

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

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

LG Electronics Inc.
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ii) The balances of receivables from and payables to related parties

(in millions of Korean won)

		March 31, 2020							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. ² Company		43	-	27,116	27,159	-	-	62,188	62,188
Subsidiaries	LG Innotek Co., Ltd.	27,827	-	4,055	31,882	32,490	-	17,433	49,923
	Hiplaza Co., Ltd.	208,389	-	26,028	234,417	-	-	8,199	8,199
	LG Electronics U.S.A., Inc.	506,411	-	1,662	508,073	149	-	4,023	4,172
	LG Electronics Vietnam Hai Phong Co., Ltd	405,827	-	789	406,616	441,876	-	2,048	443,924
	LG Electronics do Brasil Ltda.	43,912	-	34,007	77,919	88	-	1,356	1,444
	LG Electronics Canada, Inc.	39,075	-	32	39,107	-	-	708	708
	Qingdao LG Inspur Digital Communication Co., Ltd.	17,232	-	5,127	22,359	105,994	-	256	106,250
	LG ELECTRONICS AUSTRALIA PTY LIMITED	35,667	-	-	35,667	-	-	262	262
	LG Electronics RUS, LLC	35,752	-	70,168	105,920	688	-	588	1,276
	LG ELECTRONICS INDIA PRIVATE LIMITED	38,884	-	9,791	48,675	52	-	218	270
	LG Electronics Deutschland GmbH	152,050	-	11,099	163,149	-	-	5,167	5,167
	LG Electronics Japan, Inc.	22,815	-	-	22,815	-	-	3,740	3,740
	LG Electronis Reynosa, S.A. De C.V.	23,989	-	6,859	30,848	113,197	-	-	113,197
	LG Electronics Mlawa Sp. z.O.O.	65,798	-	60	65,858	678,402	-	1,840	680,242
	LG Electronics Egypt S.A.E	10,885	-	56,169	67,054	10,875	-	1,636	12,511
	LG Electronics Nanjing New Technology co.,LTD	23,326	-	117	23,443	204,071	-	162	204,233
	LG Electronics Polska Sp. Z.O.O	47,671	-	47	47,718	-	-	465	465
	LG Electronics Panama, S.A.	76,415	-	-	76,415	-	-	162	162
	P.T. LG Electronics Indonesia	18,752	-	513	19,265	189,760	-	8	189,768
	LG Electronics (Hangzhou) Co., Ltd	38,017	-	899	38,916	5,025	-	278	5,303
	LG Electronics Colombia Limitada	44,868	-	-	44,868	-	-	202	202
	LG Electronics (Tianjin) Appliances Co., Ltd.	14,401	-	1,954	16,355	54,850	-	-	54,850
	LG Electronics Vehicle	67,507	-	965	68,472	-	-	2,620	2,620

LG Electronics Inc.
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		March 31, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Components U.S.A., LLC.								
	LG Electronics Mexico S.A. DE C.V.	44,414	-	-	44,414	-	-	140	140
	LG Electronics Peru S.A.	70,316	-	-	70,316	-	-	152	152
	LG Electronics European Shared Service Center B.V.	40,340	-	-	40,340	-	512,487	678	513,165
	Taizhou LG Electronics Refrigeration Co., Ltd.	18,520	-	1,187	19,707	183,523	-	286	183,809
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	62,086	-	9,943	72,029	38,082	-	726	38,808
	Hi-M.Solutek	9,176	-	100	9,276	-	-	39,216	39,216
	Others	676,325	-	39,902	716,227	608,368	-	47,299	655,667
	Subtotal	2,886,647	-	281,473	3,168,120	2,667,490	512,487	139,868	3,319,845
Associates	LG Display Co., Ltd. and its subsidiaries	109,307	-	62,418	171,725	144,335	-	89,660	233,995
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	242	-	-	242	14,527	-	234	14,761
	Robostar Co.,Ltd.	-	-	-	-	1,492	-	25,902	27,394
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	22	22
	Korea Information Certificate Authority Inc.	-	-	201	201	-	-	43	43
	Acryl Inc.	-	-	-	-	-	-	229	229
	Subtotal	109,549	-	62,619	172,168	160,354	-	116,090	276,444
Joint ventures	LG-MRI LLC.	2,627	-	-	2,627	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	36,251	-	1,052	37,303	1,010	-	76,483	77,493
	S&I Corp. and its subsidiaries ³	8,759	-	47,239	55,998	-	-	52,661	52,661
	LG Management Development Institute	-	-	15,661	15,661	-	-	1,283	1,283
	LG SPORTS Ltd.	-	-	-	-	-	-	1,201	1,201
	LG MMA Ltd.	341	-	-	341	-	-	-	-
	Subtotal	45,351	-	63,952	109,303	1,010	-	131,628	132,638
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	392,063	-	202,194	594,257	159,363	-	29,251	188,614
	LG INTERNATIONAL CORP and its subsidiaries	9,595	-	1,875	11,470	175,738	-	131,278	307,016
	LG Uplus Corp and its subsidiaries	6,822	-	91	6,913	-	-	1,234	1,234
	LG HAUSYS,LTD. and its subsidiaries and	1,121	-	388	1,509	2,916	-	418	3,334

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		March 31, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	associates								
	Silicon Works Co., Ltd.	215	-	267	482	2,782	-	485	3,267
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	5,407	-	20,451	25,858	2	-	506	508
	GIR Inc. and its subsidiaries	-	-	-	-	-	-	112,542	112,542
	Subtotal	415,223	-	225,266	640,489	340,801	-	275,714	616,515
	Total	3,459,440	-	660,426	4,119,866	3,169,655	512,487	725,488	4,407,630

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ³	Total
Significantly influencing the Company	LG Corp. ²	38	-	25,884	25,922	-	-	27,716	27,716
Subsidiaries	LG Innotek Co., Ltd.	42,548	-	5,851	48,399	61,571	-	18,853	80,424
	Hiplaza Co., Ltd.	157,004	-	25,881	182,885	-	-	7,466	7,466
	LG Electronics U.S.A., Inc.	146,000	-	123,082	269,082	-	-	9,901	9,901
	LG Electronics Vietnam Hai Phong Co., Ltd	330,415	-	959	331,374	211,406	-	2,113	213,519
	LG Electronics do Brasil Ltda.	95,804	-	42,281	138,085	1,291	-	669	1,960
	LG Electronics Canada, Inc.	25,781	-	-	25,781	-	-	832	832
	Qingdao LG Inspur Digital Communication Co., Ltd.	19,987	-	5,107	25,094	118,304	-	142	118,446
	LG ELECTRONICS AUSTRALIA PTY LIMITED	55,061	-	-	55,061	-	-	255	255
	LG Electronics RUS, LLC	57,771	-	77,911	135,682	631	-	316	947
	LG ELECTRONICS INDIA PRIVATE LIMITED	34,579	-	7,873	42,452	34	-	444	478
	LG Electronics Deutschland GmbH	192,597	-	49,979	242,576	-	-	6,112	6,112
	LG Electronics Japan, Inc.	21,340	-	-	21,340	-	-	3,159	3,159
	LG Electronis Reynosa, S.A. De C.V.	8,409	-	3,606	12,015	153,814	-	-	153,814
	LG Electronics Mlawa Sp. z.O.O.	48,560	-	11	48,571	903,612	-	219	903,831
	LG Electronics Egypt S.A.E	9,339	-	56,530	65,869	2,919	-	1,573	4,492
	LG Electronics Nanjing New Technology co.,LTD	41,432	-	174	41,606	208,782	-	359	209,141

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		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ³	Total
	LG Electronics Polska Sp. Z.O.O	110,927	-	47	110,974	-	-	564	564
	LG Electronics Panama, S.A.	44,508	-	-	44,508	-	-	71	71
	P.T. LG Electronics Indonesia	14,988	-	330	15,318	255,857	-	11	255,868
	LG Electronics (Hangzhou) Co., Ltd	46,101	-	1,124	47,225	4,411	-	1,477	5,888
	LG Electronics Colombia Limitada	76,803	-	4	76,807	-	-	85	85
	LG Electronics (Tianjin) Appliances Co., Ltd.	11,284	-	11,619	22,903	54,918	-	14	54,932
	LG Electronics Vehicle Components U.S.A., LLC.	26,851	-	997	27,848	-	-	2,299	2,299
	LG Electronics Mexico S.A. DE C.V.	68,146	-	-	68,146	-	-	29	29
	LG Electronics Peru S.A.	79,532	-	37	79,569	-	-	61	61
	LG Electronics European Shared Service Center B.V.	16,960	-	13,257	30,217	-	493,023	5,076	498,099
	Taizhou LG Electronics Refrigeration Co., Ltd.	21,388	-	3,314	24,702	222,979	-	428	223,407
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	47,222	-	8,236	55,458	34,231	-	1,266	35,497
	Hi-M.Solutek	9,503	-	102	9,605	-	-	38,630	38,630
	Others	620,038	-	42,587	662,625	562,536	-	47,871	610,407
	Subtotal	2,480,878	-	480,899	2,961,777	2,797,296	493,023	150,295	3,440,614
Associates	LG Display Co., Ltd. and its subsidiaries	143,998	-	84,620	228,618	188,615	-	76,812	265,427
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	714	-	-	714	12,182	-	411	12,593
	Robostar Co.,Ltd.	-	-	-	-	-	-	25,151	25,151
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	145	145
	Korea Information Certificate Authority Inc	-	-	-	-	-	-	18	18
	Acryl Inc.	-	-	-	-	-	-	229	229
	Subtotal	144,712	-	84,620	229,332	200,797	-	102,766	303,563
Joint ventures	LG-MRI LLC	2,311	-	-	2,311	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,512	-	987	20,499	18,324	-	115,892	134,216
	S&I Corp. and its subsidiaries ³	16,178	-	47,165	63,343	-	-	45,777	45,777
	LG Management Development Institute	-	-	15,660	15,660	-	-	810	810

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		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ³	Total
	LG SPORTS Ltd.	-	-	-	-	-	-	2,311	2,311
	LG MMA Ltd.	341	-	-	341	-	-	-	-
	Subtotal	36,031	-	63,812	99,843	18,324	-	164,790	183,114
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	468,058	-	228,082	696,140	173,341	-	60,039	233,380
	LG INTERNATIONAL CORP and its subsidiaries	13,043	-	1,397	14,440	97,908	-	115,903	213,811
	LG Uplus Corp and its subsidiaries	5,820	-	98	5,918	-	-	551	551
	LG HAUSYS,LTD. and its subsidiaries and associates	2,296	-	117	2,413	469	-	1,496	1,965
	Silicon Works Co., Ltd	215	-	258	473	2,764	-	485	3,249
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	20,064	-	8,709	28,773	1	-	3,355	3,356
	G II R Inc. and its subsidiaries	12	-	-	12	-	-	140,417	140,417
	Subtotal	509,508	-	238,661	748,169	274,483	-	322,246	596,729
	Total	3,173,478	-	893,876	4,067,354	3,290,900	493,023	767,813	4,551,736

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

² Other payables include lease liabilities.

³ SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

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iii) Significant capital transactions with related parties and others for the three-month periods ended March 31, 2020 and 2019, are as follows:

(in millions of Korean won)

Classification	Name	2020						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	41,321	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	303	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	230,960	(230,960)
	Subtotal	2,896	-	303	-	-	230,960	(230,960)
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	201	-	-	-	-	-	-
	Subtotal	8,451	-	-	-	-	-	-
Joint ventures	LG-LHT Aircraft Solutions GmbH	-	-	2,016	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	1,147	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	-	-	300	-	-	-	-
	Subtotal	-	-	3,463	-	-	-	-
Total	11,347	41,321	3,766	-	-	230,960	(230,960)	

(in millions of Korean won)

Classification	Name	2019						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	41,321	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	5,912	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	231,554	-
	Subtotal	2,896	-	5,912	-	-	231,554	-
Associates and joint ventures	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	Subtotal	161	-	-	-	-	-	-
Total	3,057	41,321	5,912	-	-	231,554	-	

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- (b) The compensation paid or payable to key management personnel for the three-month periods ended March 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Salaries and other short-term benefits	5,161	10,493
Post-employment benefits	612	855
Other long-term benefits	9	27
Total	5,782	11,375

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

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

31. Risk Management

Financial Risk Management

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

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

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

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

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(a) Market risk

i) Foreign exchange risk

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

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

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

As at March 31, 2020 and December 31, 2019, 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>	March 31, 2020		December 31, 2019	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	18,136	(18,136)	(52,607)	52,607
EUR/KRW	(4,950)	4,950	(14,797)	14,797

ii) Interest rate risk

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

The Company minimizes its borrowings from others and optimizes its deposits. The Company periodically monitors both domestic and foreign interest rate trends to establish countermeasures against changes in 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 three-month periods ended March 31, 2020 and 2019, are as follows:

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<i>(in millions of Korean won)</i>	2020		2019	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	3,177	(3,177)	2,936	(2,936)
Interest expenses	1,281	(1,281)	575	(575)

iii) Details of derivative contracts are as follows:

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others (USD/KRW)	USD 530	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017.2.2 ~ 2018. 6. 8	2020.11.23 ~ 2028. 6. 8	12,668	7,770
Interest rate swap	Woori Bank and others	KRW 1,235,000 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8.24	2023. 2.24 ~ 2030. 7. 7	-	83,356

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

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	646,472	(7,168)
Interest rate swap	Borrowings	1,369,152	12,202

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	7,168	Interest expense and exchange differences	(25,226)	(18,058)	(41,586)
Interest rate swap	(12,202)	Interest expense	2,693	(9,509)	(59,032)

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iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	March 31, 2020		December 31, 2019	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	2,048	(2,048)	2,654	(2,654)

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

(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,324,811 million (December 31, 2019: ₩1,247,063 million) and its risk is managed appropriately within insurer's credit limit of ₩2,781,118 million (December 31, 2019: ₩2,974,501 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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

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(c) Liquidity risk

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

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

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

i) Cash flow information on maturity of financial liabilities as at March 31, 2020, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	5,438,350	5,438,350	-	-	-
Borrowings	9,828,971	1,468,407	1,009,828	3,037,666	4,313,070
Lease liabilities	137,896	66,627	33,840	33,145	4,284
Other payables	1,763,439	1,763,189	150	100	-
Total	17,168,656	8,736,573	1,043,818	3,070,911	4,317,354

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

ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies is as follows

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	3,952,075	3,285,806	116,487	262,471	287,311

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

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Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2020	December 31, 2019
Liability (A)	18,786,929	18,581,561
Equity (B)	9,382,972	8,893,330
Cash and cash equivalents (C)	1,271,019	918,795
Borrowings and lease liabilities (D)	8,668,250	8,348,358
Debt-to-equity ratio (A/B)	200.2%	208.9%
Net borrowings ratio ((D-C)/B)	78.8%	83.5%

Fair Value Estimation

(a) The book amount and fair value of the Company's financial assets and liabilities as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	19,888	1
Financial assets at fair value through other comprehensive income				
Trade receivables	12,567	1	-	-
Other financial assets				
Listed equity securities	-	-	6,653	6,653
Unlisted equity securities	-	-	31,620	1
Derivatives for hedging purposes				
Other financial assets	4,809	4,809	7,859	7,859
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,271,019	1	-	-
Deposits held by financial institutions	147,601	1	1,821	1,821
Trade receivables	4,134,971	1	-	-
Other receivables	588,647	1	190,811	177,753
Total	6,159,614		258,652	

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<i>(in millions of Korean won)</i>	March 31, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	91,126	91,126
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,438,350	1	-	-
Borrowings	1,235,837	1	7,300,694	7,339,139
Other payables	1,763,189	1	250	243
Other liabilities				
Lease liabilities	63,188	2	68,531	2
Other financial liabilities	6,502	3	8,795	3
Total	8,507,066		7,469,396	
	December 31, 2019			
	Current		Non-current	
<i>(in millions of Korean won)</i>	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	21,282	1
Financial assets at fair value through other comprehensive income				
Trade receivables	18,354	1	-	-
Other financial assets				
Listed equity securities	-	-	10,835	10,835
Unlisted equity securities	-	-	27,679	1
Derivatives for hedging purposes				
Other financial assets	2,298	2,298	1,804	1,804
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	918,795	1	-	-
Deposits held by financial institutions	65,500	1	1,489	1,489
Trade receivables	3,647,265	1	-	-
Other receivables	845,345	1	159,525	149,720
Total	5,497,557		222,614	

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<i>(in millions of Korean won)</i>	December 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	78,865	78,865
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,227,643	¹	-	-
Borrowings	1,054,088	¹	7,165,993	7,410,003
Other payables	1,900,869	¹	410	396
Other liabilities				
Lease liabilities	68,278	²	59,999	²
Other financial liabilities	7,351	³	9,167	³
Total	8,258,229		7,314,434	

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

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

³ Measured at the higher of the amount of the loss allowance determined in accordance with Korean IFRS 1109 *Financial Instruments*, and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*, and excluded from disclosure as there is no significant difference between the book amount and its fair value.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price for financial assets held by the Company is the closing price at the end of the reporting period. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily listed equity securities 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 Company uses various valuation techniques that the Company develops or figures that external valuation agencies provide, and makes judgements based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	6,653	-	-	6,653
Derivatives for hedging purposes	-	12,668	-	12,668
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	91,126	-	91,126

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<i>(in millions of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	10,835	-	-	10,835
Derivatives for hedging purposes	-	4,102	-	4,102
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	78,865	-	78,865

The above fair value amounts are recurring fair value measurements.

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

Valuation technique and inputs for fair value measurements categorized within 'level 2' as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2020	December 31, 2019		
Assets				
Other financial assets				
Derivatives for hedging purposes	12,668	4,102	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	91,126	78,865	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

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

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

Financial instruments not measured at fair value but for which the fair value is disclosed as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,821	1,821
Non-current other receivables	-	-	177,753	177,753
Liabilities				
Non-current borrowings	-	-	7,339,139	7,339,139
Non-current other payables	-	-	243	243
<i>(in millions of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,489	1,489
Non-current other receivables	-	-	149,720	149,720
Liabilities				
Non-current borrowings	-	-	7,410,003	7,410,003
Non-current other payables	-	-	396	396

- 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'.

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at March 31, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2020		December 31, 2019		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	1,821	1,821	1,489	1,489	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	190,811	177,753	159,525	149,720	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.8% ~ 3.5%
Liabilities								
Non-current borrowings	7,300,694	7,339,139	7,165,993	7,410,003	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.6% ~ 3.3%
Non-current other payables	250	243	410	396	Discounted cash flow	Discount rate	Discount rate	1.7%