

# **LG Electronics Inc.**

**Separate Interim Financial Statements  
June 30, 2020 and 2019**

**LG Electronics Inc.**

Index

June 30, 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 June 30, 2020, and the related separate interim statements of profit or loss, comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, and separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 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 conclusion, we draw attention to Note 3 to these separate interim financial statements of the Company, which describes 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. 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.

August 14, 2020  
Seoul, Korea

<p>This report is effective as of August 14, 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.</p>
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**LG Electronics Inc.**  
**Separate Interim Statements of Financial Position**  
**June 30, 2020 and December 31, 2019**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,31	1,223,194	918,795
Deposits held by financial institutions	4,31	146,580	65,500
Trade receivables	4,5,31	4,008,448	3,665,619
Other receivables	4,5,31	587,130	845,345
Other financial assets	4,6,31	8,074	2,298
Inventories	7	1,319,265	1,195,260
Current tax assets		563	1,985
Contract assets	8	421,030	420,426
Other current assets		443,616	584,975
		<u>8,157,900</u>	<u>7,700,203</u>
<b>Non-current assets</b>			
Deposits held by financial institutions	4,31	1,704	1,489
Other receivables	4,5,31	195,232	159,525
Other financial assets	4,6,31	70,779	61,600
Property, plant and equipment	9	7,224,292	7,331,504
Intangible assets	9	1,574,623	1,440,219
Deferred tax assets		912,016	1,058,578
Investments in subsidiaries, associates and joint ventures	10	8,966,288	9,022,290
Contract assets	8	55,845	56,559
Other non-current assets		646,737	642,924
		<u>19,647,516</u>	<u>19,774,688</u>
<b>Total assets</b>		<u>27,805,416</u>	<u>27,474,891</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	4,31	4,749,749	5,227,643
Borrowings	4,11,31	1,482,137	1,054,088
Lease liabilities	4,12,31	55,065	68,278
Other payables	4,31	1,475,960	1,900,869
Other financial liabilities	4,6,31	6,165	7,351
Current tax liabilities		80,348	18,494
Provisions	14	396,469	502,235
Contract liabilities	8	365,104	376,464
Other current liabilities		1,397,573	1,385,298
		<u>10,008,570</u>	<u>10,540,720</u>
<b>Non-current liabilities</b>			
Borrowings	4,11,31	7,094,075	7,165,993
Lease liabilities	4,12,31	63,303	59,999
Other payables	4,31	250	410
Other financial liabilities	4,6,31	107,211	88,032
Net defined benefit liabilities	13	666,933	488,726
Provisions	14	120,107	103,852
Contract liabilities	8	2,283	1,659
Other non-current liabilities		135,317	132,170
		<u>8,189,479</u>	<u>8,040,841</u>
<b>Total liabilities</b>		<u>18,198,049</u>	<u>18,581,561</u>

**LG Electronics Inc.**  
**Separate Interim Statements of Financial Position**  
**June 30, 2020 and December 31, 2019**

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<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>June 30, 2020</b> <b>(Unaudited)</b>	<b>December 31, 2019</b>
<b>Equity</b>			
Paid-in capital:	15		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	5,744,033	5,006,105
Accumulated other comprehensive loss	17	(96,195)	(72,304)
Other components of equity	18	(32,819)	(32,819)
<b>Total equity</b>		<u>9,607,367</u>	<u>8,893,330</u>
<b>Total liabilities and equity</b>		<u>27,805,416</u>	<u>27,474,891</u>

**LG Electronics Inc.**  
**Separate Interim Statements of Profit or Loss**  
**Three-month and Six-Month Periods Ended June 30, 2020 and 2019**

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

	Notes	Period Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three Months	Six Months	Three Months	Six Months
<b>Net sales</b>	19	6,349,975	13,107,323	8,062,005	15,404,071
<b>Cost of sales</b>	20	4,807,751	9,927,998	5,955,313	11,627,812
<b>Gross profit</b>		1,542,224	3,179,325	2,106,692	3,776,259
Selling and marketing expenses	20,21	679,594	1,306,492	788,916	1,472,646
Administrative expenses	20,21	112,890	218,655	131,625	265,775
Research and development expenses	20,21	514,629	977,513	523,753	972,640
Service costs	20,21	137,743	241,736	155,857	289,436
<b>Operating profit</b>		97,368	434,929	506,541	775,762
Financial income	22	60,470	125,492	28,948	62,312
Financial expenses	23	130,023	304,228	107,219	193,207
Other non-operating income	24	445,377	1,412,073	274,175	449,659
Other non-operating expenses	25	149,141	496,122	271,614	492,050
Profit before income tax		324,051	1,172,144	430,831	602,476
Income tax expense		73,596	264,853	106,027	144,478
<b>Profit for the period</b>		250,455	907,291	324,804	457,998
<b>Earnings per share during the period</b>					
<i>(in Korean won) :</i>	26				
Earnings per ordinary share		1,389	5,036	1,803	2,542
Earnings per preferred share		1,402	5,061	1,815	2,566

**LG Electronics Inc.**  
**Separate Interim Statements of Comprehensive Income**  
**Three-month and Six-Month Periods Ended June 30, 2020 and 2019**

(in millions of Korean won)

	Notes	Period Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three Months	Six Months	Three Months	Six Months
<b>Profit for the period</b>		250,455	907,291	324,804	457,998
<b>Other comprehensive loss, net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	13	(32,785)	(33,454)	(94,666)	(134,342)
Financial assets at fair value through other comprehensive income	6	4,638	1,589	1,452	1,208
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Cash flow hedges	31	2,087	(25,480)	(14,004)	(23,474)
<b>Other comprehensive loss for the period, net of tax</b>		(26,060)	(57,345)	(107,218)	(156,608)
<b>Total comprehensive income for the period, net of tax</b>		<u>224,395</u>	<u>849,946</u>	<u>217,586</u>	<u>301,390</u>



**LG Electronics Inc.**

**Separate Interim Statements of Changes in Equity**

**Six-month Periods Ended June 30, 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
<b>Balance at January 1, 2019</b>		3,992,348	5,460,710	(57,359)	(32,819)	9,362,880
Changes in accounting policy		-	(2,020)	-	-	(2,020)
<b>Restated total equity</b>		<u>3,992,348</u>	<u>5,458,690</u>	<u>(57,359)</u>	<u>(32,819)</u>	<u>9,360,860</u>
<b>Total comprehensive income (loss):</b>						
Profit for the period		-	457,998	-	-	457,998
Remeasurements of the net defined benefit liability	13	-	(134,342)	-	-	(134,342)
Financial assets at fair value through other comprehensive income	6	-	-	1,208	-	1,208
Cash flow hedges	31	-	-	(23,474)	-	(23,474)
<b>Total comprehensive income (loss)</b>		<u>-</u>	<u>323,656</u>	<u>(22,266)</u>	<u>-</u>	<u>301,390</u>
<b>Transactions with owners:</b>						
Dividends	16	-	(135,909)	-	-	(135,909)
<b>Total transactions with owners</b>		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
<b>Balance at June 30, 2019 (Unaudited)</b>		<u>3,992,348</u>	<u>5,646,437</u>	<u>(79,625)</u>	<u>(32,819)</u>	<u>9,526,341</u>
<b>Balance at January 1, 2020</b>		3,992,348	5,006,105	(72,304)	(32,819)	8,893,330
<b>Total comprehensive income (loss):</b>						
Profit for the period		-	907,291	-	-	907,291
Remeasurements of the net defined benefit liability	13	-	(33,454)	-	-	(33,454)
Financial assets at fair value through other comprehensive income	6	-	-	1,589	-	1,589
Cash flow hedges	31	-	-	(25,480)	-	(25,480)
<b>Total comprehensive income (loss)</b>		<u>-</u>	<u>873,837</u>	<u>(23,891)</u>	<u>-</u>	<u>849,946</u>
<b>Transactions with owners:</b>						
Dividends	16	-	(135,909)	-	-	(135,909)
<b>Total transactions with owners</b>		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
<b>Balance at June 30, 2020 (Unaudited)</b>		<u>3,992,348</u>	<u>5,744,033</u>	<u>(96,195)</u>	<u>(32,819)</u>	<u>9,607,367</u>

**LG Electronics Inc.**  
**Separate Interim Statements of Cash Flows**  
**Six-month Periods Ended June 30, 2020 and 2019**

(in millions of Korean won)

	Notes	Six-month Period Ended June 30	
		2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	927	315,570
Interest received		4,428	7,546
Interest paid		(124,690)	(123,704)
Dividend received		327,293	154,046
Income tax paid		(33,462)	(31,578)
<b>Net cash inflow from operating activities</b>		<b>174,496</b>	<b>321,880</b>
<b>Cash flows from investing activities</b>			
Decrease in other receivables		32,574	40,682
Proceeds from redemption and disposal of other financial assets		2,868	3,134
Proceeds from disposal of property, plant and equipment		12,513	5,175
Proceeds from disposal of intangible assets		373	2
Proceeds from redemption and disposal of investment in subsidiaries, associates and joint ventures		655,616	7,470
Transfer of business	27	43	529
Increase in deposits held by financial institutions		(14,787)	(307)
Increase in other receivables		(59,947)	(35,389)
Acquisition of other financial assets		(6,320)	(8,757)
Acquisition of property, plant and equipment		(322,319)	(403,844)
Acquisition of investments in subsidiaries, associates and joint ventures		(12,606)	(14,898)
<b>Net cash inflow (outflow) from investing activities</b>		<b>288,008</b>	<b>(406,203)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		698,031	1,060,062
Repayments of borrowings		(399,571)	(657,743)
Dividend paid		(135,909)	(135,909)
Repayments of lease liabilities		(36,594)	(15,190)
<b>Net cash inflow from financing activities</b>		<b>125,957</b>	<b>251,220</b>
Effects of exchange rate changes on cash and cash equivalents		-	-
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>588,461</b>	<b>166,897</b>
Cash and cash equivalents at the beginning of the period		918,795	1,109,883
<b>Cash and cash equivalents at the end of the period</b>		<b>1,507,256</b>	<b>1,276,780</b>

**LG Electronics Inc.**  
**Notes to the Separate Interim Financial Statements**  
**June 30, 2020 and 2019 (Unaudited), and December 31, 2019**

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**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 June 30, 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 June 30, 2020, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

**LG Electronics Inc.**  
**Notes to the Separate Interim Financial Statements**  
**June 30, 2020 and 2019 (Unaudited), and December 31, 2019**

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**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 six-month period ended June 30, 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 June 30, 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*

**LG Electronics Inc.**  
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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.

*- Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

When the conditions to apply the practical expedient are met, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall not account for any changes in lease payments resulting from the rent concession as a lease modification, but recognizes it as profit or loss.

In accordance with amendments to Korean IFRS 1116, the Company applies a practical expedient which does not assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. The Company has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard. There was no cumulative impact on the beginning balance of retained earnings as at January 1, 2020 by retrospectively applying this standard, and the Company did not restate comparatives for the 2019 reporting period. 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 June 30, 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.

**LG Electronics Inc.**  
**Notes to the Separate Interim Financial Statements**  
**June 30, 2020 and 2019 (Unaudited), and December 31, 2019**

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**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 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.

**LG Electronics Inc.**  
**Notes to the Separate Interim Financial Statements**  
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(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

(g) Development Costs

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

(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.

**LG Electronics Inc.**  
**Notes to the Separate Interim Financial Statements**  
**June 30, 2020 and 2019 (Unaudited), and December 31, 2019**

**4. Financial Instruments by Category**

(a) Categorizations of financial instruments as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 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	1,223,194	-	-	-	1,223,194
Deposits held by financial institutions	148,284	-	-	-	148,284
Trade receivables	3,987,569	20,879	-	-	4,008,448
Other receivables	782,362	-	-	-	782,362
Other financial assets	-	44,336	21,098	13,419	78,853
<b>Total</b>	<b>6,141,409</b>	<b>65,215</b>	<b>21,098</b>	<b>13,419</b>	<b>6,241,141</b>

<i>(in millions of Korean won)</i>	June 30, 2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	4,749,749	-	-	4,749,749
Borrowings	8,576,212	-	-	8,576,212
Lease liabilities	-	-	118,368	118,368
Other payables	1,476,210	-	-	1,476,210
Other financial liabilities	-	-	113,376	113,376
<b>Total</b>	<b>14,802,171</b>	<b>-</b>	<b>231,744</b>	<b>15,033,915</b>

<i>(in millions of Korean won)</i>	December 31, 2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	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
<b>Total</b>	<b>5,637,919</b>	<b>56,868</b>	<b>21,282</b>	<b>4,102</b>	<b>5,720,171</b>



**LG Electronics Inc.**  
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<i>(in millions of Korean won)</i>	December 31, 2019			
	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
<b>Total</b>	<b>15,349,003</b>	<b>-</b>	<b>223,660</b>	<b>15,572,663</b>

(b) Net gains or losses on each category of financial instruments for the six-month periods ended June 30, 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	6,114	-	-	-	6,114
Exchange differences	86,992	-	-	-	86,992
Bad debt expenses	(2,190)	-	-	-	(2,190)
Loss on disposal of trade receivables	(1,350)	(473)	-	-	(1,823)
Dividend income	-	151	-	-	151
Fair value gain, net of tax (through other comprehensive income)	-	1,589	-	-	1,589
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(1,197)	(1,197)
Others	(3,445)	-	-	-	(3,445)

<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	(113,677)	-	(11,011)	(124,688)
Exchange differences	(208,660)	-	25,075	(183,585)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(24,283)	(24,283)
Others	-	-	(3,099)	(3,099)

<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	9,226	-	-	-	9,226
Exchange differences	146,317	-	-	-	146,317
Bad debt expenses	(31,598)	-	-	-	(31,598)

# LG Electronics Inc.

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<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
Loss on disposal of trade receivables	(1,268)	(1,384)	-	-	(2,652)
Dividend income	-	242	272	-	514
Fair value gain, net of tax (through other comprehensive income)	-	1,208	-	-	1,208
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(711)	(711)
Others	(8,220)	-	-	-	(8,220)

<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	(124,059)	-	(626)	(124,685)
Exchange differences	(189,935)	-	19,535	(170,400)
Loss on derivatives (through profit or loss)	-	(7)	-	(7)
Loss on derivatives, net of tax (through other comprehensive loss)	-	-	(22,763)	(22,763)
Others	-	-	(5,352)	(5,352)

### 5. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			December 31, 2019		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	4,072,433	(63,985)	4,008,448	3,727,941	(62,322)	3,665,619
Other receivables						
Current	596,787	(9,657)	587,130	854,985	(9,640)	845,345
Non-current	196,290	(1,058)	195,232	160,067	(542)	159,525

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- (b) Movements in allowance for doubtful accounts for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>			
	<b>At January 1</b>	<b>Addition</b>	<b>Write-off and other</b>	<b>At June 30</b>
Trade receivables	62,322	1,663	-	63,985
Other receivables				
Current	9,640	11	6	9,657
Non-current	542	516	-	1,058
	<b>2019</b>			
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Addition</b>	<b>Write-off and other</b>	<b>At June 30</b>
Trade receivables	30,487	31,410	(6)	61,891
Other receivables				
Current	6,267	82	-	6,349
Non-current	9	106	-	115

- (c) The aging analysis of trade receivables and other receivables as at June 30, 2020 and December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>				<b>December 31, 2019</b>			
	<b>Trade receivables</b>	<b>Other receivables</b>		<b>Total</b>	<b>Trade receivables</b>	<b>Other receivables</b>		<b>Total</b>
		<b>Current</b>	<b>Non-current</b>			<b>Current</b>	<b>Non-current</b>	
<b>Receivables not past due</b>	3,636,424	388,105	184,073	4,208,602	3,195,394	695,353	142,751	4,033,498
<b>Past due but not impaired</b>								
Up to 6 months	208,904	89,837	7,107	305,848	353,752	53,804	13,886	421,442
7 to 12 months	45,341	11,757	2,020	59,118	35,054	15,660	1,844	52,558
Over 1 year	76,957	95,881	3,090	175,928	43,775	79,694	1,586	125,055
<b>Subtotal</b>	331,202	197,475	12,217	540,894	432,581	149,158	17,316	599,055
<b>Impaired</b>	104,807	11,207	-	116,014	99,966	10,474	-	110,440
<b>Total</b>	4,072,433	596,787	196,290	4,865,510	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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Other financial assets</b>		
Derivatives	13,419	4,102
Financial assets at fair value through other	44,336	38,514

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<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
comprehensive income		
Financial assets at fair value through profit or loss	21,098	21,282
<b>Total</b>	<b>78,853</b>	<b>63,898</b>
Current	8,074	2,298
Non-current	70,779	61,600
<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Other financial liabilities</b>		
Derivatives	98,987	78,865
Financial guarantee liability	14,389	16,518
<b>Total</b>	<b>113,376</b>	<b>95,383</b>
Current	6,165	7,351
Non-current	107,211	88,032

(b) Details of derivatives as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Current</b>				
Cross-currency swap	8,074	-	2,298	-
<b>Non-current</b>				
Cross-currency swap	5,345	10,153	1,804	8,633
Interest rate swap	-	88,834	-	70,232
<b>Subtotal</b>	<b>5,345</b>	<b>98,987</b>	<b>1,804</b>	<b>78,865</b>
<b>Total</b>	<b>13,419</b>	<b>98,987</b>	<b>4,102</b>	<b>78,865</b>

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 six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>				
	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>At June 30</b>
Listed equity securities	10,835	-	-	1,881	12,716
Unlisted equity securities	27,679	3,941	-	-	31,620
<b>Total</b>	<b>38,514</b>	<b>3,941</b>	<b>-</b>	<b>1,881</b>	<b>44,336</b>

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	<b>2019</b>				
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>At June 30</b>
Listed equity securities	13,265	-	-	(1,322)	11,943
Unlisted equity securities	16,760	8,688	(2,978)	2,978	25,448
<b>Total</b>	<b>30,025</b>	<b>8,688</b>	<b>(2,978)</b>	<b>1,656</b>	<b>37,391</b>

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

	<b>2020</b>				
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>At June 30</b>
Unlisted equity securities	21,282	2,384	(2,568)	-	21,098

	<b>2019</b>				
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>At June 30</b>
Unlisted equity securities	12,685	2,018	(156)	17	14,564

**LG Electronics Inc.**  
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**7. Inventories**

Inventories as at June 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	June 30, 2020			December 31, 2019		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	607,481	(33,192)	574,289	623,726	(40,988)	582,738
Work-in-process	104,613	(813)	103,800	69,214	(2,641)	66,573
Raw materials and supplies	616,819	(80,514)	536,305	554,777	(118,424)	436,353
Other	128,484	(23,613)	104,871	139,581	(29,985)	109,596
<b>Total</b>	<b>1,457,397</b>	<b>(138,132)</b>	<b>1,319,265</b>	<b>1,387,298</b>	<b>(192,038)</b>	<b>1,195,260</b>

**8. Contract Assets and Contract Liabilities**

(a) Contract assets as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Due from customers	403,986	399,802
(Less: allowance for doubtful accounts)	(2)	(2,999)
Right to recover returned products	1,069	704
Costs to fulfill contracts and others	71,822	79,478
<b>Total</b>	<b>476,875</b>	<b>476,985</b>
Current	421,030	420,426
Non-current	55,845	56,559

(b) Contract liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Expected promotional incentives for customers	171,185	147,279
Expected returns from customers	1,833	1,099
Customer loyalty program	20,767	34,446
Rendering of warranty services	1	8
Due to customers and others	173,601	195,291
<b>Total</b>	<b>367,387</b>	<b>378,123</b>
Current	365,104	376,464
Non-current	2,283	1,659

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(c) Revenue recognized in relation to contract liabilities for the six-month periods ended June 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	153,017	194,721
Customer loyalty program	15,122	25,431
Rendering of warranty services	7	25
<b>Total</b>	<b>168,146</b>	<b>220,177</b>
Revenue recognized from performance obligations satisfied in previous periods	2,230	1,392

(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 ₩425,224 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 six-month period ended June 30, 2020, the Company recognized a reversal of impairment loss amounting to ₩2,468 million (June 30, 2019: impairment loss of ₩70 million) in relation to due from customers, and amortization and other costs of ₩20,301 million (June 30, 2019: ₩27,477 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 six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	7,331,504	7,349,993
Acquisitions	296,173	375,972
Disposals and others	(19,010)	(25,841)
Depreciation	(383,786)	(361,587)
Impairment losses	(589)	(214)
<b>At June 30</b>	<b>7,224,292</b>	<b>7,338,323</b>

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(b) Line items including depreciation in the separate interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Cost of sales	299,814	292,537
Selling and marketing expenses	18,816	15,039
Administrative expenses	24,855	13,211
Research and development expenses	28,512	34,055
Service costs	8,869	4,492
Other non-operating expenses	2,920	2,253
<b>Total</b>	<b>383,786</b>	<b>361,587</b>

(c) Changes in right-of-use assets included in property, plant and equipment for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	133,533	80,736
Acquisitions	34,860	40,838
Disposals and others	(4,065)	(5,540)
Depreciation	(41,303)	(17,737)
<b>At June 30</b>	<b>123,025</b>	<b>98,297</b>

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the six-month period June 30, 2020, was ₩6,291 million (June 30, 2019: ₩5,529 million).

(d) Changes in intangible assets for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	1,440,219	1,671,617
Acquisitions	92,625	70,128
Acquisitions by internal development	248,924	165,787
Disposals and others	(20,987)	(14,626)
Amortization	(157,979)	(154,985)
Impairment losses	(28,179)	(116,803)
<b>At June 30</b>	<b>1,574,623</b>	<b>1,621,118</b>



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(e) Line items including amortization of intangible assets in the separate interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Cost of sales	103,347	90,376
Selling and marketing expenses	5,407	7,021
Administrative expenses	17,366	24,865
Research and development expenses	31,499	32,354
Service costs	360	365
Other non-operating expenses	-	4
<b>Total</b>	<b>157,979</b>	<b>154,985</b>

**10. Investments in Subsidiaries, Associates and Joint Ventures**

(a) Investments in subsidiaries, associates and joint ventures as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Location</b>	<b>Closing month</b>	<b>Percentage of ownership at June 30, 2020 (%)</b>	<b>Carrying amount</b>	
				<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Subsidiaries</b>					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
ZKW Holding GmbH	Austria	December	70.0	943,468	943,468
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holding B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
LG Electronics (Shenyang) Inc(LGESY)	China	December	56.3	62,033	62,033
LG Electronics (Thailand) Company Limited(LGETH)	Thailand	December	100.0	55,578	55,578
LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	Australia	December	100.0	50,664	50,664

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at June 30, 2020 (%)	Carrying amount	
				June 30, 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 <sup>1</sup>	USA	December	100.0	28,905	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.(LGSi)	India	March	100.0	20,105	20,105
Others				216,013	216,237
<b>Associates</b>					
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
Kiwigrd GmbH <sup>2</sup>	Germany	December	9.6	-	13,019
ROBOTIS Co., Ltd. <sup>3</sup>	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. <sup>4</sup>	Korea	December	-	-	2,088
Acryl Inc. <sup>3</sup>	Korea	December	14.5	2,000	2,000
<b>Joint ventures</b>					
LG HOLDINGS (HK) LIMITED <sup>4</sup>	China	December	-	-	53,277
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
LG-LHT Aircraft Solutions GmbH <sup>1</sup>	Germany	December	49.0	8,262	5,085
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
LG-LHT Passenger Solutions GmbH <sup>1</sup>	Germany	December	49.0	6,860	4,553
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD <sup>1</sup>	China	December	35.0	891	591
<b>Total</b>				<b>8,966,288</b>	<b>9,022,290</b>

<sup>1</sup> It was additionally acquired during the six-month period ended June 30, 2020.

<sup>2</sup> It was impaired during the six-month period ended June 30, 2020, and reclassified as financial assets at fair

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value through other comprehensive income due to the loss of significant influence.

<sup>3</sup> 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.

<sup>4</sup> It was disposed during the six-month period ended June 30, 2020.

(b) Changes in investments in subsidiaries, associates and joint ventures for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	9,022,290	9,108,014
Acquisitions	12,606	14,898
Disposal <sup>1</sup>	(55,365)	(7,514)
Impairment	(13,243)	-
<b>At June 30</b>	<b>8,966,288</b>	<b>9,115,398</b>

<sup>1</sup> The Company disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the six-month period ended June 30, 2020, and recognized gain on disposal of ₩666,667 million, net of related costs, in 'other non-operating income' (Note 24). ₩66,580 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 June 30, 2020 and December 31, 2019, are as follows:

	<b>June 30, 2020</b>				
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (in Korean won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	11,350	1,539,344	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	174,500	1,684,480	541,538
Robostar Co.,Ltd.	Associate	3,256,500	14,650	47,708	88,112
ROBOTIS Co.,Ltd.	Associate	961,550	12,200	11,731	9,000
	<b>December 31, 2019</b>				
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (in Korean won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Short-term borrowings	445,563	233,537
Current portion of long-term borrowings	232,964	178,679
Current portion of debentures	803,610	641,872
<b>Subtotal</b>	<b>1,482,137</b>	<b>1,054,088</b>
<b>Non-current</b>		
Long-term borrowings	2,787,661	2,687,110
Debentures	4,306,414	4,478,883
<b>Subtotal</b>	<b>7,094,075</b>	<b>7,165,993</b>
<b>Total</b>	<b>8,576,212</b>	<b>8,220,081</b>

(b) Details of borrowings as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>Latest maturity date</b>	<b>Annual interest rate at June 30, 2020 (%)</b>	<b>Carrying amount</b>	
			<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Short-term borrowings in foreign currency</b>				
LG Electronics European Shared Service Center B.V.(LGESC)	2021.4.28	0.68	445,563	233,537
<b>Long-term borrowings in local currency</b>				
Korea Development Bank and others	2035.1.9	1.61 ~ 3.50	2,375,428	2,245,000
<b>Long-term borrowings in foreign currency</b>				
KEB Hana Bank and others	2030.8.1	0.68 ~ 2.50	645,197	620,789
<b>Local currency debentures</b>				
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	800,000	920,000
<b>Foreign currency debentures</b>				
Private, non-guaranteed bonds	2028.6.8	0.95 ~ 1.91	396,231	382,074
Private, guaranteed bonds	2023.2.24	0.32	135,019	129,743
Less: discount on debentures			(11,226)	(11,062)
<b>Total</b>			<b>8,576,212</b>	<b>8,220,081</b>

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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Lease liabilities</b>		
Current	55,065	68,278
Non-current	63,303	59,999
<b>Total</b>	<b>118,368</b>	<b>128,277</b>

(b) The amounts, relating to leases, recognized in the separate interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Interest expense relating on lease liabilities	2,319	1,317
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	18,149	38,254
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)	8,526	6,869

Total expenses for leases including short-term leases and leases of low-value assets for the six-month period ended June 30, 2020, are ₩65,421 million (June 30, 2019: ₩61,524 million).

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**13. Post-employment Benefits**

**Defined Benefit Plan**

(a) The amounts of net defined benefit liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Present value of funded obligations	3,103,052	2,961,034
Fair value of plan assets	(2,436,119)	(2,472,308)
<b>Net defined benefit liabilities</b>	<b>666,933</b>	<b>488,726</b>

(b) The amounts recognized in the separate interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current service cost	150,994	142,331
Past service cost	-	(11,847)
Net interest cost	5,572	3,931
Operating management cost	972	1,093
<b>Total</b>	<b>157,538</b>	<b>135,508</b>

(c) Line items in which expenses are included for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Cost of sales	80,200	66,439
Selling and marketing expenses	19,001	16,952
Administrative expenses	9,187	9,193
Research and development expenses	37,113	38,011
Service costs	12,037	4,913
<b>Total</b>	<b>157,538</b>	<b>135,508</b>

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(d) Movements in the present value of defined benefit obligations for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	2,961,034	2,610,800
Current service cost	150,994	142,331
Past service cost	-	(11,847)
Interest expense	33,156	32,832
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	-	95,591
- Actuarial loss arising from changes in financial assumptions	43,874	83,697
Benefits paid	(86,006)	(98,882)
Reduction due to settlement of plan	-	(22,050)
<b>At June 30</b>	<b>3,103,052</b>	<b>2,832,472</b>

(e) Movements in the fair value of plan assets for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	2,472,308	2,304,879
Interest income	27,584	28,901
Remeasurements of plan assets	(2,012)	(4,969)
Benefits paid	(60,789)	(75,959)
Reduction due to settlement of plan	-	(21,447)
Operating management cost	(972)	(1,093)
<b>At June 30</b>	<b>2,436,119</b>	<b>2,230,312</b>

(f) The significant actuarial assumptions used as at June 30, 2020 and December 31, 2019, are as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Discount rate	2.1%	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 June 30, 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>1%p increase</b>	<b>1%p decrease</b>
Discount rate	(277,387)	317,882
Expected salary growth rate	306,227	(273,452)

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

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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 six-month period ended June 30, 2020 in relation to the defined contribution plan was ₩5,276 million (June 30, 2019: ₩7,029 million).



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**14. Provisions**

(a) Changes in provisions for the six-month periods ended June 30, 2020 and 2019, are as follows:

	<b>2020</b>			
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	518,383	10,324	77,380	606,087
Additional provisions, net <sup>1</sup>	112,664	291	14,555	127,510
Utilizations	(204,961)	(246)	(11,814)	(217,021)
<b>At June 30</b>	<b>426,086</b>	<b>10,369</b>	<b>80,121</b>	<b>516,576</b>
Current	394,355	2,114	-	396,469
Non-current	31,731	8,255	80,121	120,107

  

	<b>2019</b>			
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	379,493	10,626	68,834	458,953
Additional provisions, net <sup>1</sup>	184,338	386	373	185,097
Utilizations	(150,426)	(148)	(1,740)	(152,314)
<b>At June 30</b>	<b>413,405</b>	<b>10,864</b>	<b>67,467</b>	<b>491,736</b>
Current	384,836	6,887	-	391,723
Non-current	28,569	3,977	67,467	100,013

<sup>1</sup> 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	June 30, 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
<b>Total</b>		<b>180,833,806</b>	<b>904,169</b>	<b>180,833,806</b>	<b>904,169</b>

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

(b) Share premium balance as at June 30, 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 June 30, 2020 and December 31, 2019, consist of:

(in millions of Korean won)	June 30, 2020	December 31, 2019
Legal reserve <sup>1</sup>	209,527	195,933
Discretionary reserve	4,660,572	5,128,769
Unappropriated retained earnings (undisposed accumulated deficit) <sup>2</sup>	873,934	(318,597)
<b>Total</b>	<b>5,744,033</b>	<b>5,006,105</b>

<sup>1</sup> 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.

<sup>2</sup> 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 June 30, 2020 and December 31, 2019, consists of:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Cash flow hedge	(98,531)	(73,051)
Financial assets at fair value through other comprehensive income	2,336	747
<b>Total</b>	<b>(96,195)</b>	<b>(72,304)</b>

**18. Other Components of Equity**

Other components of equity as at June 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Treasury shares <sup>1</sup>	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
<b>Total</b>	<b>(32,819)</b>	<b>(32,819)</b>

<sup>1</sup> The Company has treasury shares consisting of 763,174 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.

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**19. Net Sales**

(a) Details of net sales for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Revenue from contracts with customers:				
Sales of goods	5,981,986	12,363,963	7,713,537	14,756,174
Rendering of services	136,702	269,676	113,233	214,006
Royalty income	86,830	191,907	125,316	221,850
<b>Subtotal</b>	<b>6,205,518</b>	<b>12,825,546</b>	<b>7,952,086</b>	<b>15,192,030</b>
Revenue from other sources:				
Rental income and others	144,457	281,777	109,919	212,041
<b>Total</b>	<b>6,349,975</b>	<b>13,107,323</b>	<b>8,062,005</b>	<b>15,404,071</b>

(b) Details of revenue from contracts with customers for the six-month periods ended June 30, 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	6,059,655	1,639,859	1,673,457	965,559	1,876,736	610,280	-	12,825,546
Internal sales	8,254	-	-	-	27	35,599	(43,880)	-
	<b>6,067,909</b>	<b>1,639,859</b>	<b>1,673,457</b>	<b>965,559</b>	<b>1,876,763</b>	<b>645,879</b>	<b>(43,880)</b>	<b>12,825,546</b>
By type of products:								
Refrigerator/washing machine/air conditioner and others	4,738,131	-	-	-	-	-	(1,458)	4,736,673
TV	-	1,508,264	-	-	-	-	-	1,508,264
Mobile communications	-	-	1,673,457	-	-	-	-	1,673,457
In-vehicle infotainment	-	-	-	830,618	-	-	-	830,618
Monitor/PC and others	-	-	-	-	1,171,528	-	-	1,171,528
Others	1,329,778	131,595	-	134,941	705,235	645,879	(42,422)	2,905,006
Domestic/Export:								
Domestic	3,470,871	437,533	323,336	189,227	820,803	209,702	(43,880)	5,407,592
Export	2,597,038	1,202,326	1,350,121	776,332	1,055,960	436,177	-	7,417,954
Timing of transfer:								
Transferred at a point in time	5,850,113	1,538,611	1,612,358	948,420	1,855,798	23,180	(8,281)	11,820,199
Transferred over time	217,796	101,248	61,099	17,139	20,965	622,699	(35,599)	1,005,347

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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	6,445,309	2,099,021	2,375,228	1,288,636	1,956,804	1,027,032	-	15,192,030
Internal sales	11,965	-	-	-	12,075	38,404	(62,444)	-
	<u>6,457,274</u>	<u>2,099,021</u>	<u>2,375,228</u>	<u>1,288,636</u>	<u>1,968,879</u>	<u>1,065,436</u>	<u>(62,444)</u>	<u>15,192,030</u>
By type of products:								
Refrigerator/washing machine/air conditioner and others	5,386,060	-	-	-	-	-	(4,080)	5,381,980
TV	-	1,834,027	-	-	-	-	-	1,834,027
Mobile communications	-	-	2,375,228	-	-	-	-	2,375,228
In-vehicle infotainment	-	-	-	1,041,439	-	-	-	1,041,439
Monitor/PC and others	-	-	-	-	1,265,149	-	-	1,265,149
Others	1,071,214	264,994	-	247,197	703,730	1,065,436	(58,364)	3,294,207
Domestic/Export:								
Domestic	3,799,933	430,240	658,635	272,703	785,011	284,528	(62,444)	6,168,606
Export	2,657,341	1,668,781	1,716,593	1,015,933	1,183,868	780,908	-	9,023,424
Timing of transfer:								
Transferred at a point in time	6,267,576	1,993,364	2,317,852	1,275,844	1,947,245	26,855	(24,039)	13,804,697
Transferred over time	189,698	105,657	57,376	12,792	21,634	1,038,581	(38,405)	1,387,333

(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 six-month period ended June 30, 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 six-month periods ended June 30, 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 June 30, 2020	Impact on profit or loss for the succeeding periods
Other segments	36,458	18,792	7,159	10,507

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**20. Expenses by Nature**

Expenses that are recorded by nature for the three-month and six-month periods ended June 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Changes in finished goods and work-in-process	26,053	(17,042)	20,399	(13,953)
Raw materials and merchandise used	3,401,938	7,232,026	4,454,735	8,793,323
Employee benefit expense	1,093,416	2,065,683	1,099,210	2,109,272
Depreciation and amortization	269,976	538,845	262,517	514,969
Advertising expense	105,526	198,441	159,887	253,035
Promotion expense	54,105	96,013	79,902	137,200
Freight expense	165,577	316,852	162,905	329,642
Commission expense	443,703	889,609	481,946	910,504
Other expenses	692,313	1,351,967	833,963	1,594,317
<b>Total<sup>1</sup></b>	<b>6,252,607</b>	<b>12,672,394</b>	<b>7,555,464</b>	<b>14,628,309</b>

<sup>1</sup> 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 and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Salaries	409,347	750,354	398,000	760,039
Post-employment benefits	39,896	82,968	36,982	75,001
Employee welfare benefits	72,349	141,272	75,150	137,563
Freight expense	163,313	313,061	160,283	324,750
Rental expense	9,071	18,980	16,350	33,158
Commission expense	315,415	626,661	332,092	631,321
Depreciation	40,169	81,052	34,195	67,451
Amortization	26,659	54,632	32,505	64,605
Taxes and dues	3,268	6,740	2,366	4,487
Advertising expense	105,526	198,441	159,887	253,035
Promotional expense	54,105	96,013	79,902	137,200
R&D expense	125,980	242,311	109,316	178,359
Direct service costs	3,810	29,568	64,067	153,983
Bad debts expense (reversal)	65	(805)	21,968	31,480
Others	75,883	103,148	77,088	148,065
<b>Total</b>	<b>1,444,856</b>	<b>2,744,396</b>	<b>1,600,151</b>	<b>3,000,497</b>

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**22. Financial Income**

Financial income for the three-month and six-month periods ended June 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Interest income	2,462	6,114	4,522	9,226
Exchange differences	58,001	118,954	24,115	52,323
Others	7	424	311	763
<b>Total</b>	<b>60,470</b>	<b>125,492</b>	<b>28,948</b>	<b>62,312</b>

**23. Financial Expenses**

Financial expenses for the three-month and six-month periods ended June 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Interest expense	62,311	124,688	62,824	124,685
Exchange differences	65,316	170,748	34,933	51,535
Loss on disposal of trade receivables	869	1,823	1,538	2,652
Others	1,527	6,969	7,924	14,335
<b>Total</b>	<b>130,023</b>	<b>304,228</b>	<b>107,219</b>	<b>193,207</b>

**24. Other Non-operating Income**

Other non-operating income for the three-month and six-month periods ended June 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Dividend income	328,976	340,474	113,135	116,434
Exchange differences	102,075	375,118	151,940	322,608
Gain on disposal of property, plant and equipment	1,530	3,272	2,881	3,371
Gain on valuation of financial assets at fair value through profit or loss	-	-	17	17
Gain on disposal of investments in subsidiaries, associates and joint ventures	10,136	676,803	1,905	1,905
Others	2,660	16,406	4,297	5,324
<b>Total</b>	<b>445,377</b>	<b>1,412,073</b>	<b>274,175</b>	<b>449,659</b>

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**25. Other Non-operating Expenses**

Other non-operating expenses for the three-month and six-month periods ended June 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Exchange differences	86,268	414,011	156,691	342,135
Loss on disposal of property, plant and equipment	5,635	10,319	4,105	8,359
Loss on disposal of intangible assets	10,798	20,612	7,398	14,624
Impairment loss on intangible assets	27,042	28,179	97,908	116,803
Impairment loss on investments in subsidiaries, associates and joint ventures and others	13,243	13,243	-	-
Others	6,155	9,758	5,512	10,129
<b>Total</b>	<b>149,141</b>	<b>496,122</b>	<b>271,614</b>	<b>492,050</b>

**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 and six-month periods ended June 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	226,364	820,332	293,618	413,910
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,640	162,884,640	162,884,640	162,884,640
Basic earnings per ordinary share <i>(in Korean won)</i>	1,389	5,036	1,803	2,542

- (b) Basic earnings per preferred share for the three-month and six-month periods ended June 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares <i>(in millions of Korean won)</i>	24,091	86,959	31,186	44,088
Weighted average number of preferred shares outstanding <i>(unit: shares)</i>	17,181,300	17,181,300	17,181,300	17,181,300
Basic earnings per preferred share <i>(in Korean won)</i>	1,402	5,061	1,815	2,566



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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 six-month periods ended June 30, 2020 and 2019, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Profit for the period	907,291	457,998
Adjustments:		
Interest expense, net	118,574	115,459
Exchange differences, net	13,078	4,759
Depreciation	383,786	361,587
Amortization	157,979	154,985
Loss on disposal of property, plant and equipment and intangible assets, net	27,643	19,612
Provisions for severance benefits	157,538	135,508
Additional provisions, net	127,510	185,097
Dividend income	(340,474)	(116,434)
Income tax expense	264,853	144,478
Gain on disposal of investments in subsidiaries, associates and joint ventures	(676,803)	(1,905)
Impairment loss on investments in subsidiaries, associates and joint ventures and others	13,243	-
Other	20,325	201,600
	<u>267,252</u>	<u>1,204,746</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(373,536)	(1,057,884)
Decrease in other receivables	264,722	112,729
Decrease (increase) in inventories	(94,947)	80,826
Decrease in contract assets	10,097	6,463
Decrease (increase) in other assets	68,366	(210,229)
Increase (decrease) in trade payables	(433,591)	301,860
Decrease in other payables	(355,953)	(570,618)
Decrease in provisions	(217,021)	(152,314)
Increase (decrease) in contract liabilities	(6,379)	74,243
Increase in other liabilities	14,443	114,115
Payment of defined benefit liability	(25,217)	(23,526)
Deposit in plan assets, net	(24,600)	(22,839)
	<u>(1,173,616)</u>	<u>(1,347,174)</u>
<b>Cash generated from operations</b>	<u>927</u>	<u>315,570</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 June 30
			Additions	Exchange differences	Amortization and others	
Short-term borrowings	233,537	199,350	-	12,676	-	445,563
Long-term borrowings	2,865,789	130,429	-	24,407	-	3,020,625
Debentures	5,120,755	(31,319)	-	19,354	1,234	5,110,024
Lease liabilities	128,277	(36,594)	26,206	312	167	118,368
<b>Total</b>	<b>8,348,358</b>	<b>261,866</b>	<b>26,206</b>	<b>56,749</b>	<b>1,401</b>	<b>8,694,580</b>

  

2019						
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Non-cash transactions			At June 30
			Additions	Exchange differences	Amortization and others	
Short-term borrowings	-	231,554	-	5,166	-	236,720
Long-term borrowings	2,621,536	255,750	-	13,607	-	2,890,893
Debentures	5,278,976	(84,985)	-	15,415	1,533	5,210,939
Lease liabilities	74,107	(15,190)	32,320	4	83	91,324
<b>Total</b>	<b>7,974,619</b>	<b>387,129</b>	<b>32,320</b>	<b>34,192</b>	<b>1,616</b>	<b>8,429,876</b>

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of construction-in-progress to property, plant and equipment	89,984	49,669
Reclassification of construction-in-progress to intangible assets	107,911	156,871
Reclassification of current portion of borrowings and debentures	613,619	399,346
Other payables to acquire property, plant and equipment	31,033	34,908
Other payables to acquire intangible assets	14,938	13,111
Acquisition of right-of-use assets	34,860	40,838

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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>	<b>Amount</b>
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 ₩240,125 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 ₩3,662,050 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>	<b>Beneficiaries</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	1,036,680	963,997
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	588,835	705,447
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	571,944	551,509
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	280,204	271,457
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	197,490	199,659
LG Electronics Algeria SARL(LGEAS)	Citibank and others	139,272	139,809
LG Electronics Inc Chile Limitada(LGECL)	Scotiabank and others	123,112	126,445
LG Electronics Morocco	Citibank and others	95,365	92,877

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<i>(in millions of Korean won)</i>	<b>Beneficiaries</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
S.A.R.L.(LGEMC)			
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	91,112	111,189
LG Electronics Colombia Limitada(LGECB)	Citibank and others	84,720	92,663
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	HSBC	60,035	86,640
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	56,362	54,173
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	54,982	53,384
LG Electronics RUS, LLC(LGERA)	Citibank	48,028	83,652
LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	Citibank	48,028	57,890
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	36,581	35,298
LG Electronics Italia S.P.A.(LGEIS)	Intesa	27,004	25,949
LG Electronics Singapore Pte.Ltd.(LGESL)	HSBC and others	23,626	23,058
LG Electronics Japan, Inc.(LGEJP)	SMBC and others	22,321	21,269
P.T. LG Electronics Indonesia(LGEIN)	HSBC and others	18,010	23,156
Others	Citibank and others	58,339	154,696
<b>Total</b>		<b>3,662,050</b>	<b>3,874,217</b>

(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 ₩2,005,633 million

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(December 31, 2019: ₩1,895,310 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩950,000 million (December 31, 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 ₩1,190,000 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 ₩694,084 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>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Property, plant and equipment	120,100	167,585
Intangible assets	97,209	118,014
Investments in subsidiaries, associates and joint ventures	86,962	88,968
<b>Total</b>	<b>304,271</b>	<b>374,567</b>

(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>	<b>June 30, 2020</b>				<b>Total lease payments</b>
	<b>1 year or less</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	
Healthcare rental	530,076	371,026	166,586	29,717	1,097,405

ii) The Company recognized ₩269,893 million (June 30, 2019: ₩200,564 million) in lease income for the six-month period ended June 30, 2020.

(g) Trademark license commitments

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

<b>Purpose</b>	<b>Related products</b>	<b>Provided by</b>	<b>Used by</b>
Use of license	Home appliance /Mobile	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 six-month periods ended June 30, 2020 and 2019, and balances of receivables and payables from transaction with related parties as at June 30, 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 <sup>5</sup>	Total
Significantly influencing the Company	LG Corp.	161	-	161	-	68,640	68,640
Subsidiaries	LG Innotek Co., Ltd.	52,964	13,082	66,046	110,232	2,306	112,538
	Hiplaza Co., Ltd.	1,074,939	6,413	1,081,352	-	13,586	13,586
	LG Electronics U.S.A., Inc.	2,088,606	169	2,088,775	2,526	22,393	24,919
	LG Electronics Vietnam Hai Phong Co., Ltd	1,058,105	3,425	1,061,530	213,097	10,670	223,767
	LG Electronics do Brasil Ltda.	198,186	868	199,054	1,211	2,205	3,416
	LG Electronics Canada, Inc.	115,038	-	115,038	3	2,608	2,611
	Qingdao LG Inspur Digital Communication Co., Ltd.	98,265	20	98,285	39,151	784	39,935
	LG ELECTRONICS AUSTRALIA PTY LIMITED	142,452	1	142,453	-	1,869	1,869
	LG Electronics RUS, LLC	192,278	61	192,339	500	1,988	2,488
	LG ELECTRONICS INDIA PRIVATE LIMITED	91,820	1	91,821	16,817	1,464	18,281
	LG Electronics Deutschland GmbH	19,726	649	20,375	4,434	25,347	29,781
	LG Electronics Japan, Inc.	153,215	-	153,215	2,545	15,423	17,968
	LG Electronis Reynosa, S.A. De C.V.	111,232	181	111,413	866	-	866
	LG Electronics Mlawa Sp. z.O.O.	156,553	146	156,699	3,245	4,130	7,375
	LG Electronics Egypt S.A.E	49,353	38	49,391	-	319	319
	LG Electronics Nanjing New Technology co.,LTD	155,522	128	155,650	307,122	491	307,613
	LG Electronics Polska Sp. Z.O.O	61,815	1,296	63,111	808	2,302	3,110
	LG Electronics Panama, S.A.	38,749	21	38,770	4	353	357
	P.T. LG Electronics Indonesia	66,107	383	66,490	33,487	28	33,515
	LG Electronics (Hangzhou) Co., Ltd	91,681	47	91,728	14,421	1,773	16,194
	LG Electronics Colombia Ltda.	13,627	4	13,631	-	550	550
	LG Electronics (Tianjin) Appliances Co., Ltd.	30,205	7	30,212	104,712	66	104,778

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		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others <sup>5</sup>	Total
	LG Electronics Vehicle Components U.S.A., LLC.	79,067	-	79,067	904	15,926	16,830
	LG Electronics Mexico S.A. DE C.V.	46,518	41	46,559	-	640	640
	LG Electronics Peru S.A.	27,649	8	27,657	-	449	449
	LG Electronics European Shared Service Center B.V.	225,766	22,227	247,993	2	10,066	10,068
	Taizhou LG Electronics Refrigeration Co., Ltd.	38,963	15	38,978	121,072	562	121,634
	LG Electronics Nanjing Vehicle Components Co., Ltd.	69,273	-	69,273	5,838	178	6,016
	Hi-M. Solutek	39,158	127	39,285	123,904	40,476	164,380
	Others	1,159,851	5,301	1,165,152	91,927	202,440	294,367
	<b>Subtotal</b>	<b>7,746,683</b>	<b>54,659</b>	<b>7,801,342</b>	<b>1,198,828</b>	<b>381,392</b>	<b>1,580,220</b>
Associates	LG Display Co., Ltd. and its subsidiaries	162,587	47,608	210,195	329,694	578	330,272
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,013	-	1,013	11,033	79	11,112
	Robostar Co.,Ltd. and its subsidiaries	3	-	3	27,459	1,226	28,685
	ROBOTIS Co., Ltd.	-	-	-	-	19	19
	Korea Information Certificate Authority Inc. <sup>2</sup>	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	312	312
	<b>Subtotal</b>	<b>163,604</b>	<b>47,608</b>	<b>211,212</b>	<b>368,186</b>	<b>2,253</b>	<b>370,439</b>
Joint ventures	LG-MRI LLC	4,634	-	4,634	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	68,564	1	68,565	59,915	127,155	187,070
	S&I Corp. and its subsidiaries <sup>3</sup>	8,195	-	8,195	28,264	68,073	96,337
	LG Management Development Institute	5	-	5	1	13,386	13,387
	LG SPORTS Ltd.	2	19	21	-	5,323	5,323
	LG MMA Ltd.	1	-	1	-	-	-
	<b>Subtotal</b>	<b>76,767</b>	<b>20</b>	<b>76,787</b>	<b>88,180</b>	<b>213,937</b>	<b>302,117</b>
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	389,725	5,015	394,740	253,546	437	253,983
	LG INTERNATIONAL CORP and its subsidiaries	3,983	508	4,491	276,151	406,444	682,595
	LG Uplus Corp and its subsidiaries	100,670	47	100,717	1,456	1,960	3,416
	LG HAUSYS,LTD and its subsidiaries and associates	2,406	85	2,491	4,139	45	4,184
	Silicon Works Co., Ltd.	1,194	1,396	2,590	5,346	336	5,682

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		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others <sup>5</sup>	Total
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	34,698	1	34,699	88	6	94
	GIIR Inc. and its subsidiaries	19	-	19	121	93,630	93,751
	<b>Subtotal</b>	<b>532,695</b>	<b>7,052</b>	<b>539,747</b>	<b>540,847</b>	<b>502,858</b>	<b>1,043,705</b>
	<b>Total</b>	<b>8,524,544</b>	<b>109,339</b>	<b>8,633,883</b>	<b>2,196,041</b>	<b>1,169,080</b>	<b>3,365,121</b>

(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	695	-	695	-	71,446	71,446
Subsidiaries	LG Innotek Co., Ltd.	58,781	16,107	74,888	222,764	4,002	226,766
	Hiplaza Co., Ltd.	1,193,315	-	1,193,315	17,294	1	17,295
	LG Electronics U.S.A., Inc.	2,421,438	1,951	2,423,389	996	30,815	31,811
	LG Electronics Vietnam Hai Phong Co., Ltd	693,274	9,743	703,017	44,457	9,915	54,372
	LG Electronics do Brasil Ltda.	260,428	64	260,492	1,921	2,161	4,082
	LG Electronics Canada, Inc.	140,902	18	140,920	-	2,442	2,442
	Qingdao LG Inspur Digital Communication Co., Ltd.	125,820	11	125,831	52,731	441	53,172
	LG ELECTRONICS AUSTRALIA PTY LIMITED	158,192	94	158,286	19	3,021	3,040
	LG Electronics RUS, LLC	129,160	55	129,215	561	2,383	2,944
	LG ELECTRONICS INDIA PRIVATE LIMITED	159,795	7,076	166,871	2,119	1,436	3,555
	LG Electronics Deutschland GmbH	86,626	20,121	106,747	8,449	22,970	31,419
	LG Electronics Japan, Inc.	171,151	82	171,233	2,221	11,649	13,870
	LG Electronis Reynosa, S.A. De C.V.	182,659	96	182,755	269	31	300
	LG Electronics Mlawa Sp. z.O.O.	194,023	66	194,089	7,341	2,433	9,774
	LG Electronics Egypt S.A.E	52,953	683	53,636	-	271	271
	LG Electronics Nanjing New Technology co.,LTD	144,362	-	144,362	258,310	826	259,136
	LG Electronics Polska Sp. Z.O.O	65,561	584	66,145	841	2,308	3,149
	LG Electronics Panama, S.A.	41,866	6	41,872	-	120	120
	P.T. LG Electronics Indonesia	67,046	102	67,148	32,448	381	32,829
	LG Electronics (Hangzhou) Co., Ltd	77,022	39	77,061	12,704	708	13,412



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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Colombia Ltda.	25,572	21	25,593	-	486	486
	LG Electronics (Tianjin) Appliances Co., Ltd.	35,296	-	35,296	127,972	34	128,006
	LG Electronics Vehicle Components U.S.A., LLC.	197,918	45	197,963	1,697	17,853	19,550
	LG Electronics Mexico S.A. DE C.V.	68,894	17	68,911	-	450	450
	LG Electronics Peru S.A.	38,728	36	38,764	-	-	-
	LG Electronics European Shared Service Center B.V.	243,712	15,012	258,724	5	6,798	6,803
	Taizhou LG Electronics Refrigeration Co., Ltd.	53,031	2	53,033	123,768	325	124,093
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	26,495	2,306	28,801	1,491	45	1,536
	Hi-M.Solutek	32,030	-	32,030	125,603	-	125,603
	Others	1,777,643	5,199	1,782,842	210,179	138,373	348,552
	<b>Subtotal</b>	<b>8,923,693</b>	<b>79,536</b>	<b>9,003,229</b>	<b>1,256,160</b>	<b>262,678</b>	<b>1,518,838</b>
Associates	LG Display Co., Ltd. and its subsidiaries	505,679	44,687	550,366	528,490	3,560	532,050
	Ericsson-LG Co., Ltd. and its subsidiaries	106	-	106	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,071	-	1,071	17,589	152	17,741
	Korea Information Certificate Authority Inc. <sup>2</sup>	-	-	-	-	42	42
	LG Fuel Cell Systems Inc. and its subsidiaries	105	510	615	-	69	69
	Robostar Co.,Ltd.	-	-	-	17,386	3,321	20,707
	ROBOTIS Co., Ltd.	-	-	-	-	34	34
	Kiwigrid GmbH <sup>4</sup>	-	-	-	-	448	448
	Acryl Inc.	-	-	-	-	374	374
	<b>Subtotal</b>	<b>506,961</b>	<b>45,197</b>	<b>552,158</b>	<b>563,465</b>	<b>8,000</b>	<b>571,465</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	28	-	28
	LG-MRI LLC	1,164	-	1,164	-	-	-
	<b>Subtotal</b>	<b>1,164</b>	<b>-</b>	<b>1,164</b>	<b>28</b>	<b>-</b>	<b>28</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	79,235	1	79,236	48,123	109,003	157,126
	S&I Corp. and its subsidiaries <sup>3</sup>	4,826	4,305	9,131	216,366	101,369	317,735
	LG Management Development Institute	1	-	1	1	12,889	12,890
	LG SPORTS Ltd.	2	-	2	-	6,832	6,832

**LG Electronics Inc.**  
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(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	<b>Subtotal</b>	84,064	4,306	88,370	264,490	230,093	494,583
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	330,529	11,394	341,923	299,885	8,429	308,314
	LG INTERNATIONAL CORP and its subsidiaries	41,808	2,909	44,717	335,490	435,472	770,962
	LG Uplus Corp and its subsidiaries	266,334	10	266,344	947	937	1,884
	LG HAUSYS,LTD and its subsidiaries and associates	3,645	64	3,709	721	57	778
	Silicon Works Co., Ltd.	1,200	1,480	2,680	4,822	-	4,822
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	3,811	1	3,812	103	12	115
	GIIR Inc. and its subsidiaries	120	47	167	76	117,514	117,590
	SERVEONE Co., Ltd. <sup>3</sup>	15	1,914	1,929	97,844	15,902	113,746
	<b>Subtotal</b>	647,462	17,819	665,281	739,888	578,323	1,318,211
	<b>Total</b>	10,164,039	146,858	10,310,897	2,824,031	1,150,540	3,974,571

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

<sup>2</sup> All shares of Korea Information Certificate Authority Inc. were disposed during the six-month period ended June 30, 2020.

<sup>3</sup> SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. 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.

<sup>4</sup> Kiwigrid GmbH was excluded from associates due to the loss of right to appoint a member of the board of directors during the six-month period ended June 30, 2020.

<sup>5</sup> Others include interest expense of lease liabilities.

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

(in millions of Korean won)

		June 30, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
Significantly influencing the LG Corp. Company		2,657	-	25,675	28,332	-	-	13,965	13,965
Subsidiaries	LG Innotek Co., Ltd.	44,833	-	13,856	58,689	55,375	-	20,709	76,084
	Hiplaza Co., Ltd.	276,825	-	26,495	303,320	-	-	7,570	7,570
	LG Electronics U.S.A., Inc.	648,848	-	1,302	650,150	-	-	2,904	2,904
	LG Electronics Vietnam Hai Phong Co., Ltd	422,179	-	2,765	424,944	435,902	-	1,670	437,572
	LG Electronics do Brasil Ltda.	55,946	-	36,714	92,660	1,223	-	281	1,504
	LG Electronics Canada, Inc.	52,349	-	-	52,349	-	-	457	457
	Qingdao LG Inspur Digital Communication Co., Ltd.	22,291	-	5,107	27,398	98,118	-	61	98,179
	LG ELECTRONICS AUSTRALIA PTY LIMITED	55,569	-	-	55,569	-	-	338	338
	LG Electronics RUS, LLC	58,632	-	71,293	129,925	509	-	420	929
	LG ELECTRONICS INDIA PRIVATE LIMITED	16,155	-	4,159	20,314	14,087	-	171	14,258
	LG Electronics Deutschland GmbH	144,468	-	415	144,883	-	-	7,726	7,726
	LG Electronics Japan, Inc.	37,991	-	-	37,991	-	-	3,656	3,656
	LG Electronis Reynosa, S.A. De C.V.	18,706	-	3,758	22,464	65,028	-	-	65,028
	LG Electronics Mlawa Sp. z.O.O.	40,356	-	86	40,442	450,161	-	625	450,786
	LG Electronics Egypt S.A.E	11,468	-	55,210	66,678	2,123	-	403	2,526
	LG Electronics Nanjing New Technology co.,LTD	22,864	-	303	23,167	251,020	-	78	251,098
	LG Electronics Polska Sp. Z.O.O	56,128	-	-	56,128	-	-	621	621
	LG Electronics Panama, S.A.	16,232	-	-	16,232	-	-	21	21
	P.T. LG Electronics Indonesia	11,597	-	609	12,206	163,145	-	-	163,145
	LG Electronics (Hangzhou) Co., Ltd	49,667	-	1,736	51,403	1,367	-	834	2,201
	LG Electronics Colombia Ltda.	31,683	-	-	31,683	-	-	155	155
	LG Electronics (Tianjin) Appliances Co., Ltd.	10,550	-	2,685	13,235	70,822	-	51	70,873
	LG Electronics Vehicle	62,400	-	-	62,400	-	-	2,712	2,712

**LG Electronics Inc.**  
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(in millions of Korean won)

		June 30, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
	Components U.S.A., LLC.								
	LG Electronics Mexico S.A. DE C.V.	42,311	-	-	42,311	-	-	138	138
	LG Electronics Peru S.A.	12,890	-	2	12,892	-	-	31	31
	LG Electronics European Shared Service Center B.V.	22,789	-	-	22,789	-	715,601	2	715,603
	Taizhou LG Electronics Refrigeration Co., Ltd.	17,755	-	1,097	18,852	160,571	-	33	160,604
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	64,907	-	7,702	72,609	9,094	-	196	9,290
	Hi-M.Solutek	9,963	-	88	10,051	-	-	37,678	37,678
	Others	632,301	-	49,963	682,264	579,773	-	46,762	626,535
	<b>Subtotal</b>	2,970,653	-	285,345	3,255,998	2,358,318	715,601	136,303	3,210,222
Associates	LG Display Co., Ltd. and its subsidiaries	82,625	-	57,849	140,474	113,537	-	58,989	172,526
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	788	-	-	788	8,956	-	289	9,245
	Robostar Co.,Ltd. and its subsidiaries	-	-	-	-	403	-	22,829	23,232
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	17	17
	Acryl Inc.	-	-	-	-	-	-	229	229
	<b>Subtotal</b>	83,413	-	57,849	141,262	122,896	-	82,353	205,249
Joint ventures	LG-MRI LLC.	485	-	-	485	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	34,998	-	1,010	36,008	766	-	69,588	70,354
	S&I Corp. and its subsidiaries <sup>2</sup>	7,089	-	47,248	54,337	-	-	61,302	61,302
	LG Management Development Institute	-	-	15,661	15,661	-	-	1,632	1,632
	LG SPORTS Ltd.	-	-	-	-	-	-	774	774
	<b>Subtotal</b>	42,087	-	63,919	106,006	766	-	133,296	134,062
Others <sup>1</sup>	LG Chem Ltd. and its subsidiaries and joint ventures	246,425	-	205,340	451,765	180,279	-	25,893	206,172
	LG INTERNATIONAL CORP and its subsidiaries	22,057	-	775	22,832	162,158	-	145,307	307,465
	LG Uplus Corp and its subsidiaries	19,397	-	119	19,516	-	-	338	338
	LG HAUSYS,LTD and its subsidiaries and associates	1,094	-	252	1,346	1,202	-	492	1,694
	Silicon Works Co., Ltd.	180	-	260	440	1,267	-	1,771	3,038

**LG Electronics Inc.**  
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(in millions of Korean won)

		June 30, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	19,310	-	18,275	37,585	-	-	795	795
	GIIR Inc. and its subsidiaries	-	-	10	10	-	-	114,681	114,681
	<b>Subtotal</b>	<b>308,463</b>	<b>-</b>	<b>225,031</b>	<b>533,494</b>	<b>344,906</b>	<b>-</b>	<b>289,277</b>	<b>634,183</b>
	<b>Total</b>	<b>3,407,758</b>	<b>-</b>	<b>657,819</b>	<b>4,065,577</b>	<b>2,826,886</b>	<b>715,601</b>	<b>655,194</b>	<b>4,197,681</b>

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
Significantly influencing the Company	LG Corp.	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
	LG Electronics Polska Sp. Z.O.O	110,927	-	47	110,974	-	-	564	564

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(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
	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 Ltda.	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
	<b>Subtotal</b>	<b>2,480,878</b>	<b>-</b>	<b>480,899</b>	<b>2,961,777</b>	<b>2,797,296</b>	<b>493,023</b>	<b>150,295</b>	<b>3,440,614</b>
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. <sup>3</sup>	-	-	-	-	-	-	18	18
	Acryl Inc.	-	-	-	-	-	-	229	229
	<b>Subtotal</b>	<b>144,712</b>	<b>-</b>	<b>84,620</b>	<b>229,332</b>	<b>200,797</b>	<b>-</b>	<b>102,766</b>	<b>303,563</b>
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 <sup>2</sup>	16,178	-	47,165	63,343	-	-	45,777	45,777
	LG Management Development Institute	-	-	15,660	15,660	-	-	810	810
	LG SPORTS Ltd.	-	-	-	-	-	-	2,311	2,311
	LG MMA Ltd.	341	-	-	341	-	-	-	-

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(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
	<b>Subtotal</b>	36,031	-	63,812	99,843	18,324	-	164,790	183,114
Others <sup>1</sup>	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
	GIIR Inc. and its subsidiaries	12	-	-	12	-	-	140,417	140,417
	<b>Subtotal</b>	509,508	-	238,661	748,169	274,483	-	322,246	596,729
	<b>Total</b>	3,173,478	-	893,876	4,067,354	3,290,900	493,023	767,813	4,551,736

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

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

<sup>3</sup> All shares of Korea Information Certificate Authority Inc. were disposed during the six-month period ended June 30, 2020.

<sup>4</sup> Other payables include lease liabilities.

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iii) Significant capital transactions with related parties and others for the six-month periods ended June 30, 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 <sup>3</sup>
Significantly influencing the Company	LG Corp.	-	41,321	-	-	-	-	13,751
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG ELECTRONICS INDIA PRIVATE LIMITED	211,626	-	-	-	-	-	-
	LG Electronics RUS, LLC	72,738	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	18,210	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	12,430	-	-	-	-	-	-
	LG Electronics Dubai FZE	12,193	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	1,779	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	430,776	230,960
	LG Electronics Fund I LLC	-	-	6,822	-	-	-	-
	<b>Subtotal</b>	<b>331,872</b>	<b>-</b>	<b>6,822</b>	<b>-</b>	<b>-</b>	<b>430,776</b>	<b>230,960</b>
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc. <sup>1</sup>	201	-	-	-	-	-	-
	<b>Subtotal</b>	<b>8,451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Joint ventures	LG-LHT Aircraft Solutions GmbH	-	-	3,177	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	2,307	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY	-	-	300	-	-	-	-
	<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>5,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>340,323</b>	<b>41,321</b>	<b>12,606</b>	<b>-</b>	<b>-</b>	<b>430,776</b>	<b>244,711</b>

(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 Hitachi Water Solution Co., Ltd.	11,705	-	-	-	-	-	-
	Hi Entech Co., Ltd. <sup>2</sup>	20,003	-	-	-	-	-	-
	LG Electronics RUS, LLC	57,345	-	-	-	-	-	-



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Classification	Name	2019						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
	LG Electronics Nanjing New Technology co., LTD	16,461	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	718	-	-	-	-	-	-
	Nanjing LG-Panda Appliances Co., Ltd.	6,485	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	6,195	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	492,304	-
	<b>Subtotal</b>	<b>115,613</b>	<b>-</b>	<b>6,195</b>	<b>-</b>	<b>-</b>	<b>492,304</b>	<b>-</b>
Associates and joint ventures	Robostar Co.,Ltd.	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	Korea Information Certificate Authority Inc. <sup>1</sup>	161	-	-	-	-	-	-
	<b>Subtotal</b>	<b>307</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>115,920</b>	<b>41,321</b>	<b>7,195</b>	<b>-</b>	<b>-</b>	<b>492,304</b>	<b>-</b>

<sup>1</sup> All shares of Korea Information Certificate Authority Inc. were disposed during the six-month period ended June 30, 2020.

<sup>2</sup> All shares of Hi Entech Co., Ltd. were disposed to Techcross Vision Investment Inc. on September 26, 2019. And the name of Hi Entech Co., Ltd. was changed to Techcross Environmental Services Inc. On December 30, 2019, Techcross Environmental Services Inc. was excluded from the Large Enterprise Group in accordance with the Monopoly Regulations and Fair Trade Act.

<sup>3</sup> Repayments of financing borrowing transactions include repayment of principal elements of lease liabilities.

(b) The compensation paid or payable to key management personnel for the six-month periods ended June 30, 2020 and 2019, consists of:

(in millions of Korean won)	2020	2019
Salaries and other short-term benefits	7,605	13,052
Post-employment benefits	1,227	1,740
Other long-term benefits	51	53
<b>Total</b>	<b>8,883</b>	<b>14,845</b>

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.

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- (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 June 30, 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>	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	8,799	(8,799)	(52,607)	52,607
EUR/KRW	(6,955)	6,955	(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 with all other variables held constant, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the six-month periods ended June 30, 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	6,116	(6,116)	5,453	(5,453)
Interest expenses	2,565	(2,565)	2,499	(2,499)

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	9,628	10,153
	HSBC Seoul (EUR/KRW)	EUR 150	1,329.0	0.78	2020. 4. 28	2021. 4. 28	3,791	-
Interest rate swap	Woori Bank and others	KRW 1,214,714 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8. 24	2023. 2. 24 ~ 2030. 7. 7	-	88,834

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	837,445	(5,695)
Interest rate swap	Borrowings	1,349,075	18,914

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	5,695	Interest expense and exchange differences	(18,147)	(12,452)	(35,980)
Interest rate swap	(18,914)	Interest expense	5,886	(13,028)	(62,551)

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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>	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
	<b>30% increase</b>	<b>30% decrease</b>	<b>30% increase</b>	<b>30% decrease</b>
KOSDAQ	5,175	(5,175)	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 ₩1,101,780 million (December 31, 2019: ₩1,247,063 million) and its risk is managed appropriately within insurer's credit limit of ₩2,489,965 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 June 30, 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Trade payables	4,749,749	4,749,749	-	-	-
Borrowings	9,732,686	1,494,159	1,433,197	2,657,283	4,148,047
Lease liabilities	123,851	58,180	33,845	28,016	3,810
Other payables	1,476,210	1,475,960	250	-	-
<b>Total</b>	<b>16,082,496</b>	<b>7,778,048</b>	<b>1,467,292</b>	<b>2,685,299</b>	<b>4,151,857</b>

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>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts	3,708,051	3,026,112	150,064	249,710	282,165

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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Liability (A)	18,198,049	18,581,561
Equity (B)	9,607,367	8,893,330
Cash and cash equivalents (C)	1,223,194	918,795
Borrowings and lease liabilities (D)	8,694,580	8,348,358
Debt-to-equity ratio (A/B)	189.4%	208.9%
Net borrowings ratio ((D-C)/B)	77.8%	83.5%

**Fair Value Estimation**

(a) The book amount and fair value of the Company's financial assets and liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	21,098	1
Financial assets at fair value through other comprehensive income				
Trade receivables	20,879	1	-	-
Other financial assets				
Listed equity securities	-	-	12,716	12,716
Unlisted equity securities	-	-	31,620	1
Derivatives for hedging purposes				
Other financial assets	8,074	8,074	5,345	5,345
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	1,223,194	1	-	-
Deposits held by financial institutions	146,580	1	1,704	1,704
Trade receivables	3,987,569	1	-	-
Other receivables	587,130	1	195,232	183,053
<b>Total</b>	<b>5,973,426</b>		<b>267,715</b>	

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<i>(in millions of Korean won)</i>	<b>June 30, 2020</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Liabilities at fair value</b>				
Derivatives for hedging purposes				
Other financial liabilities	-	-	98,987	98,987
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	4,749,749	<sup>1</sup>	-	-
Borrowings	1,482,137	<sup>1</sup>	7,094,075	7,179,468
Other payables	1,475,960	<sup>1</sup>	250	245
<b>Other liabilities</b>				
Lease liabilities	55,065	<sup>2</sup>	63,303	<sup>2</sup>
Other financial liabilities	6,165	<sup>3</sup>	8,224	<sup>3</sup>
<b>Total</b>	<b>7,769,076</b>		<b>7,264,839</b>	
	<b>December 31, 2019</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	21,282	<sup>1</sup>
Financial assets at fair value through other comprehensive income				
Trade receivables	18,354	<sup>1</sup>	-	-
Other financial assets				
Listed equity securities	-	-	10,835	10,835
Unlisted equity securities	-	-	27,679	<sup>1</sup>
Derivatives for hedging purposes				
Other financial assets	2,298	2,298	1,804	1,804
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	918,795	<sup>1</sup>	-	-
Deposits held by financial institutions	65,500	<sup>1</sup>	1,489	1,489
Trade receivables	3,647,265	<sup>1</sup>	-	-
Other receivables	845,345	<sup>1</sup>	159,525	149,720
<b>Total</b>	<b>5,497,557</b>		<b>222,614</b>	



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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
<b>Liabilities at fair value</b>				
Derivatives for hedging purposes				
Other financial liabilities	-	-	78,865	78,865
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	5,227,643	<sup>1</sup>	-	-
Borrowings	1,054,088	<sup>1</sup>	7,165,993	7,410,003
Other payables	1,900,869	<sup>1</sup>	410	396
<b>Other liabilities</b>				
Lease liabilities	68,278	<sup>2</sup>	59,999	<sup>2</sup>
Other financial liabilities	7,351	<sup>3</sup>	9,167	<sup>3</sup>
<b>Total</b>	<b>8,258,229</b>		<b>7,314,434</b>	

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

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

<sup>3</sup> Measured at the higher of the amount of the loss allowance determined in accordance with Korean IFRS 1109 *Financial Instruments*, and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*, 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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	12,716	-	-	12,716
Derivatives for hedging purposes	-	13,419	-	13,419
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	-	98,987	-	98,987

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<i>(in millions of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
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
<b>Liabilities</b>				
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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2020	December 31, 2019		
<b>Assets</b>				
Other financial assets				
Derivatives for hedging purposes	13,419	4,102	Discounted cash flow	Discount rate and exchange rate
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	98,987	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 June 30, 2020 and December 31, 2019, are as follows:

<b>June 30, 2020</b>				
<i>(in millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	1,704	1,704
Non-current other receivables	-	-	183,053	183,053
<b>Liabilities</b>				
Non-current borrowings	-	-	7,179,468	7,179,468
Non-current other payables	-	-	245	245
<b>December 31, 2019</b>				
<i>(in millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	1,489	1,489
Non-current other receivables	-	-	149,720	149,720
<b>Liabilities</b>				
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 June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 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				
<b>Assets</b>								
Non-current deposits held by financial institutions	1,704	1,704	1,489	1,489	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	195,232	183,053	159,525	149,720	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.6% ~ 3.2%
<b>Liabilities</b>								
Non-current borrowings	7,094,075	7,179,468	7,165,993	7,410,003	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.3% ~ 3.1%
Non-current other payables	250	245	410	396	Discounted cash flow	Discount rate	Discount rate	1.3% ~ 1.4%