

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

LG Electronics Inc.

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June 30, 2019 and 2018

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

Conclusion

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

Other Matters

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

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

August 14, 2019
Seoul, Korea

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

LG Electronics Inc.
Separate Interim Statements of Financial Position
June 30, 2019 and December 31, 2018

<i>(in millions of Korean won)</i>	Notes	June 30, 2019 (Unaudited)	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	4,31	1,090,634	1,109,883
Deposits held by financial institutions	4,31	80,500	80,500
Trade receivables	4,5,31	4,717,628	3,726,012
Other receivables	4,5,31	468,085	545,431
Other financial assets	4,6,31	-	1,281
Inventories	7	1,398,668	1,505,385
Current income tax assets		1,149	3,157
Contract assets	8	445,205	465,307
Other current assets		512,523	401,387
		<u>8,714,392</u>	<u>7,838,343</u>
Non-current assets			
Deposits held by financial institutions	4,31	1,518	1,211
Other receivables	4,5,31	198,272	243,485
Other financial assets	4,6,31	54,858	43,001
Property, plant and equipment	9	7,338,323	7,278,238
Intangible assets	9	1,621,118	1,671,617
Deferred income tax assets		912,136	967,496
Investments in subsidiaries, associates and joint venture	10	9,115,398	9,108,014
Investment properties		93,346	93,999
Contract assets	8	98,612	90,092
Other non-current assets		569,644	529,967
		<u>20,003,225</u>	<u>20,027,120</u>
Total assets		<u>28,717,617</u>	<u>27,865,463</u>
Liabilities			
Current liabilities			
Trade payables	4,31	5,818,289	5,553,794
Borrowings	4,11,31	746,124	768,275
Lease liabilities	4,12,31	37,717	-
Other payables	4,31	1,731,233	2,371,053
Other financial liabilities	4,6,31	9,262	6,453
Provisions	14	391,723	349,001
Contract liabilities	8	532,950	458,539
Other current liabilities		1,360,195	1,251,123
		<u>10,627,493</u>	<u>10,758,238</u>
Non-current liabilities			
Borrowings	4,11,31	7,592,428	7,132,237
Lease liabilities	4,12,31	53,607	-
Other payables	4,31	1,241	1,011
Other financial liabilities	4,6,31	97,977	83,759
Net defined benefit liabilities	13	602,160	305,921
Provisions	14	114,528	124,467
Contract liabilities	8	883	1,034
Other non-current liabilities		100,959	95,916
		<u>8,563,783</u>	<u>7,744,345</u>
Total liabilities		<u>19,191,276</u>	<u>18,502,583</u>
Equity			
Paid-in capital:	15		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	5,646,437	5,460,710
Accumulated other comprehensive loss	17	(79,625)	(57,359)
Other components of equity	18	(32,819)	(32,819)
		<u>9,526,341</u>	<u>9,362,880</u>
Total equity		<u>9,526,341</u>	<u>9,362,880</u>
Total liabilities and equity		<u>28,717,617</u>	<u>27,865,463</u>

LG Electronics Inc.

Separate Interim Statements of Profit or Loss

Three-Month and Six-Month Periods Ended June 30, 2019 and 2018

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Period Ended June 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Six months	Three months	Six months
Net sales	19	8,062,005	15,404,071	8,109,625	15,777,706
Cost of sales	20	5,955,313	11,627,812	6,176,028	12,087,432
Gross profit		2,106,692	3,776,259	1,933,597	3,690,274
Selling and marketing expenses	20,21	788,916	1,472,646	753,647	1,406,108
Administrative expenses	20,21	131,625	265,775	139,560	266,009
Research and development expenses	20,21	523,753	972,640	489,241	912,429
Service costs	20,21	155,857	289,436	131,114	244,589
Operating profit		506,541	775,762	420,035	861,139
Financial income	22	28,948	62,312	50,732	110,972
Financial expenses	23	107,219	193,207	85,002	199,728
Other non-operating income	24	274,175	449,659	350,439	558,490
Other non-operating expenses	25	271,614	492,050	254,460	392,864
Profit before income tax		430,831	602,476	481,744	938,009
Income tax expense		106,027	144,478	126,515	260,131
Profit for the period		324,804	457,998	355,229	677,878
Earnings per share during the period <i>(in Korean won)</i> :	26				
Earnings per ordinary share		1,803	2,542	1,971	3,762
Earnings per preferred share		1,815	2,566	1,984	3,787

LG Electronics Inc.
Separate Interim Statements of Comprehensive Income
Three-Month and Six-Month Periods Ended June 30, 2019 and 2018

<i>(in millions of Korean won)</i>	Notes	Period Ended June 30			
		2019 (Unaudited)		2018 (Unaudited)	
		Three months	Six months	Three months	Six months
Profit for the period		<u>324,804</u>	<u>457,998</u>	<u>355,229</u>	<u>677,878</u>
Other comprehensive income (loss), net of tax					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	13	(94,666)	(134,342)	(14,455)	(4,775)
Financial assets at fair value through other comprehensive income	6	1,452	1,208	(125)	1,459
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Cash flow hedges	31	<u>(14,004)</u>	<u>(23,474)</u>	<u>(15,464)</u>	<u>(11,015)</u>
Other comprehensive income (loss) for the period, net of tax		<u>(107,218)</u>	<u>(156,608)</u>	<u>(30,044)</u>	<u>(14,331)</u>
Total comprehensive income for the period, net of tax		<u>217,586</u>	<u>301,390</u>	<u>325,185</u>	<u>663,547</u>

LG Electronics Inc.
Separate Interim Statements of Changes in Equity
Six-Month Periods Ended June 30, 2019 and 2018

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total Equity
Balance at January 1, 2018		3,992,348	5,602,967	(17,639)	(32,819)	9,544,857
Changes in accounting policy		-	11,830	(8,289)	-	3,541
Restated total equity		<u>3,992,348</u>	<u>5,614,797</u>	<u>(25,928)</u>	<u>(32,819)</u>	<u>9,548,398</u>
Total comprehensive income (loss):						
Profit for the period		-	677,878	-	-	677,878
Remeasurements of the net defined benefit liability	13	-	(4,775)	-	-	(4,775)
Financial assets at fair value through other comprehensive income	6	-	-	1,459	-	1,459
Cash flow hedges	31	-	-	(11,015)	-	(11,015)
Total comprehensive income (loss)		<u>-</u>	<u>673,103</u>	<u>(9,556)</u>	<u>-</u>	<u>663,547</u>
Transactions with owners:						
Dividends	16	-	(72,885)	-	-	(72,885)
Total transactions with owners		<u>-</u>	<u>(72,885)</u>	<u>-</u>	<u>-</u>	<u>(72,885)</u>
Balance at June 30, 2018 (Unaudited)		<u>3,992,348</u>	<u>6,215,015</u>	<u>(35,484)</u>	<u>(32,819)</u>	<u>10,139,060</u>
Balance at January 1, 2019		3,992,348	5,460,710	(57,359)	(32,819)	9,362,880
Changes in accounting policy	2	-	(2,020)	-	-	(2,020)
Restated total equity		<u>3,992,348</u>	<u>5,458,690</u>	<u>(57,359)</u>	<u>(32,819)</u>	<u>9,360,860</u>
Total comprehensive income (loss):						
Profit for the period		-	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)
Total comprehensive income (loss)		<u>-</u>	<u>323,656</u>	<u>(22,266)</u>	<u>-</u>	<u>301,390</u>
Transactions with owners:						
Dividends	16	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at June 30, 2019 (Unaudited)		<u>3,992,348</u>	<u>5,646,437</u>	<u>(79,625)</u>	<u>(32,819)</u>	<u>9,526,341</u>

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

<i>(in millions of Korean won)</i>	Note	Six-Month Period Ended June 30	
		2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	27	315,570	867,262
Interest received		7,546	9,703
Interest paid		(123,704)	(114,364)
Dividends received		154,046	147,315
Income tax paid		(31,578)	(24,761)
Net cash inflow from operating activities		321,880	885,155
Cash flows from investing activities			
Decrease in other receivables		40,682	38,029
Proceeds from redemption and disposal of other financial assets		3,134	842
Proceeds from disposal of property, plant and equipment		5,175	24,663
Proceeds from disposal of intangible assets		2	1,902
Proceeds from withdrawal and disposal of investments in subsidiaries, associates and joint ventures		7,470	1,536
Proceeds from disposal of assets held for sale		-	2,380
Transfer of business	27	529	-
Increase in deposits held by financial institutions		(307)	(13,798)
Increase in other receivables		(35,389)	(32,327)
Acquisition of other financial assets		(8,757)	(5,114)
Acquisition of property, plant and equipment		(403,844)	(435,976)
Acquisition of intangible assets		(186,146)	(248,828)
Acquisition of investments in subsidiaries, associates and joint ventures		(14,898)	(1,000)
Net cash outflow from investing activities		(592,349)	(667,691)
Cash flows from financing activities			
Proceeds from borrowings		1,060,062	861,544
Repayments of borrowings		(657,743)	(299,999)
Dividend paid		(135,909)	(72,885)
Repayments of lease liabilities		(15,190)	-
Net cash inflow from financing activities		251,220	488,660
Effects of exchange rate changes on cash and cash equivalents		-	755
Net increase (decrease) in cash and cash equivalents		(19,249)	706,879
Cash and cash equivalents at the beginning of the period		1,109,883	1,586,258
Cash and cash equivalents at the end of the period		1,090,634	2,293,137

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

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

1. General Information

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

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

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

2. Significant Accounting Policies

Basis of Preparation

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

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

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

Changes in Accounting Policies and Disclosures

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

- Enactment of Korean IFRS 1116 *Leases*

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

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

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

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

Lessee accounting

A lessee shall apply this standard to its leases either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lessor accounting

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

- Amendments to Korean IFRS 1109 *Financial Instruments*

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

- Amendments to Korean IFRS 1019 *Employee Benefits*

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

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

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

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

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

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

Application of Accounting Policies

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

Income Tax Expense

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

Leases

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

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

Lessee accounting

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

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

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

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

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Lessor accounting

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

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

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

3. Critical Accounting Estimates and Judgements

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

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

(a) Revenue recognition

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

(b) Impairment of goodwill

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

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(c) Income taxes

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

(d) Fair value of financial instruments

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

(e) Provisions

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

(f) Net defined benefit liabilities

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

(g) Development costs

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

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4. Financial Instruments by Category

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

<i>(in millions of Korean won)</i>	June 30, 2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	1,090,634	-	-	-	1,090,634
Deposits held by financial institutions	82,018	-	-	-	82,018
Trade receivables	4,496,821	220,807	-	-	4,717,628
Other receivables	666,357	-	-	-	666,357
Other financial assets	-	37,391	14,564	2,903	54,858
Total	6,335,830	258,198	14,564	2,903	6,611,495

<i>(in millions of Korean won)</i>	June 30, 2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,818,289	-	-	5,818,289
Borrowings	8,338,552	-	-	8,338,552
Lease liabilities	-	-	91,324	91,324
Other payables	1,732,474	-	-	1,732,474
Other financial liabilities	-	1,869	105,370	107,239
Total	15,889,315	1,869	196,694	16,087,878

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

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

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

<i>(in millions of Korean won)</i>	2019				Total
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	
Interest income	9,226	-	-	-	9,226
Exchange differences	146,317	-	-	-	146,317
Bad debt expense	(31,598)	-	-	-	(31,598)
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
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	(711)	(711)
Others	(8,220)	-	-	-	(8,220)

<i>(in millions of Korean won)</i>	2019			Total
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	
Interest expenses	(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 income)	-	-	(22,763)	(22,763)
Others	-	-	(5,352)	(5,352)

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<i>(in millions of Korean won)</i>	2018				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	13,036	-	-	-	13,036
Exchange differences	225,492	-	-	-	225,492
Bad debt expense	(10,032)	-	-	-	(10,032)
Loss on disposal of trade receivables	(951)	(1,501)	-	-	(2,452)
Dividend income	-	192	-	-	192
Fair value gain, net of tax (through other comprehensive income)	-	1,459	-	-	1,459
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	(28)	(28)
Others	(4,427)	-	-	-	(4,427)

<i>(in millions of Korean won)</i>	2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(108,960)	-	(6,569)	(115,529)
Exchange differences	(248,557)	-	36,234	(212,323)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	(10,987)	(10,987)
Others	-	-	192	192

5. Trade Receivables and Other Receivables

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

<i>(in millions of Korean won)</i>	June 30, 2019			December 31, 2018		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	4,779,519	(61,891)	4,717,628	3,756,499	(30,487)	3,726,012
Other receivables						
Current	474,434	(6,349)	468,085	551,698	(6,267)	545,431
Non-current	198,387	(115)	198,272	243,494	(9)	243,485

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

<i>(in millions of Korean won)</i>	2019			
	At Jan. 1	Addition	Write-off and other	At Jun. 30
Trade receivables	30,487	31,410	(6)	61,891
Other receivables				
Current	6,267	82	-	6,349
Non-current	9	106	-	115

<i>(in millions of Korean won)</i>	2018			
	At Jan. 1	Addition (Reversal)	Write-off and other	At Jun. 30
Trade receivables	22,716	8,995	8	31,719
Other receivables				
Current	6,694	(236)	-	6,458
Non-current	511	1,273	-	1,784

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

<i>(in millions of Korean won)</i>	June 30, 2019				December 31, 2018			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	4,466,894	349,355	191,230	5,007,479	3,446,476	417,134	230,670	4,094,280
Past due but not impaired								
Up to 6 months	188,408	27,838	5,482	221,728	210,170	13,555	11,711	235,436
7 to 12 months	41,768	7,772	1,673	51,213	77,215	23,499	610	101,324
Over 1 year	69,976	82,317	2	152,295	11,527	90,332	503	102,362
Subtotal	300,152	117,927	7,157	425,236	298,912	127,386	12,824	439,122
Impaired	12,473	7,152	-	19,625	11,111	7,178	-	18,289
Total	4,779,519	474,434	198,387	5,452,340	3,756,499	551,698	243,494	4,551,691

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

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6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Other financial assets		
Derivatives	2,903	1,572
Financial assets at fair value through other comprehensive income	37,391	30,025
Financial assets at fair value through profit or loss	14,564	12,685
Total	54,858	44,282
Current	-	1,281
Non-current	54,858	43,001

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Other financial liabilities		
Derivatives	89,446	75,860
Financial guarantee liability	17,793	14,352
Total	107,239	90,212
Current	9,262	6,453
Non-current	97,977	83,759

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

<i>(in millions of Korean won)</i>	June 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Current				
Cross-currency swap	-	-	1,281	-
Share purchase contract	-	1,869	-	-
Subtotal	-	1,869	1,281	-
Non-current				
Cross-currency swap	2,903	14,716	291	20,920
Interest rate swap	-	72,861	-	53,078
Share purchase contract	-	-	-	1,862
Subtotal	2,903	87,577	291	75,860
Total	2,903	89,446	1,572	75,860

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

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

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

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Acquisition	Disposals	Valuation	At Jun. 30
Listed equity securities	13,842	-	-	1,587	15,429
Unlisted equity securities	7,842	3,341	-	-	11,183
Total	21,684	3,341	-	1,587	26,612

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

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

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Acquisition	Disposals	Valuation	At Jun. 30
Unlisted equity securities	10,399	1,773	-	-	12,172

7. Inventories

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

<i>(in millions of Korean won)</i>	June 30, 2019			December 31, 2018		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	654,979	(32,426)	622,553	664,581	(38,222)	626,359
Work-in-process	128,981	(3,519)	125,462	132,285	(3,346)	128,939
Raw materials and supplies	601,082	(64,818)	536,264	674,854	(43,914)	630,940
Other	135,325	(20,936)	114,389	141,705	(22,558)	119,147
Total	1,520,367	(121,699)	1,398,668	1,613,425	(108,040)	1,505,385

8. Contract Assets and Contract Liabilities

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

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<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Due from customers	417,967	454,920
(Less: allowance for doubtful accounts)	(2,999)	(2,400)
Right to recover returned products	1,948	799
Costs to fulfil contracts and others	126,901	102,080
Total	543,817	555,399
Current	445,205	465,307
Non-current	98,612	90,092

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

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Expected promotional incentives for customers	221,939	140,200
Expected returns from customers	3,628	1,221
Customer loyalty program	61,285	51,015
Rendering of warranty services	23	55
Due to customers and others	246,958	267,082
Total	533,833	459,573
Current	532,950	458,539
Non-current	883	1,034

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

<i>(in millions of Korean won)</i>	2019	2018
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	194,721	218,258
Customer loyalty program	25,431	1,587
Rendering of warranty services	25	23
Total	220,177	219,868
Revenue recognized from performance obligations satisfied in previous periods	1,392	664

(d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations is ₩658,236 million where they are expected to be satisfied by 2021, at the latest. Also as a practical expedient, the Company excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

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- (e) For the six-month period ended June 30, 2019, the Company recognized impairment loss amounting to ₩70 million (June 30, 2018: reversal of impairment loss of ₩1 million) upon due from customers and a depreciation of ₩27,477 million (June 30, 2018: ₩1,298 million) upon costs to fulfil a contract.

9. Property, Plant and Equipment, and Intangible Assets

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1¹	7,349,993	7,142,306
Acquisitions	375,972	327,400
Reclassification to assets held for sale	-	(17)
Disposals and others	(25,841)	(25,041)
Depreciation	(361,587)	(327,547)
Impairment	(214)	(1,169)
At June 30	7,338,323	7,115,932

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

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

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	292,537	279,244
Selling and marketing expenses	15,039	5,095
Administrative expenses	13,211	5,762
Research and development expenses	34,055	32,490
Service costs	4,492	2,694
Other non-operating expenses	2,253	2,262
Total	361,587	327,547

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

<i>(in millions of Korean won)</i>	2019
At January 1	80,736
Acquisitions	40,838
Disposals and others	(5,540)
Depreciation	(17,737)
At June 30	98,297

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

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1	1,671,617	1,474,201
Acquisitions	70,128	78,571
Acquisitions through internal development	165,787	221,306
Disposals and others	(14,626)	(18,735)
Amortization	(154,985)	(167,322)
Impairment	(116,803)	(2,000)
At June 30	1,621,118	1,586,021

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

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	90,376	94,742
Selling and marketing expenses	7,021	7,714
Administrative expenses	24,865	30,481
Research and development expenses	32,354	33,931
Service costs	365	454
Other non-operating expenses	4	-
Total	154,985	167,322

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10. Investments in Subsidiaries, Associates and Joint Ventures

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

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership (%)	Carrying amount	
				June 30, 2019	December 31, 2018
Subsidiaries					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
ZKW Holding GmbH (ZKW)	Austria	December	70.0	943,468	943,468
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
Hi Entech Co., Ltd.	Korea	December	100.0	63,118	63,118
LG Electronics Shenyang Inc.(LGESY)	China	December	56.3	62,033	62,033
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.0	48,624	48,624
LG Electronics Ticaret A.S.(LGETK)	Turkey	December	100.0	47,320	47,320
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0	38,744	38,744
Mommert Gewerbeimmobilien Verwaltungs GmbH (MGIV)	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 Ltda.(LGECEB)	Colombia	December	60.7	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership (%)	Carrying amount	
				June 30, 2019	December 31, 2018
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0	22,538	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGSi)	India	March	100.0	20,105	20,105
LG Electronics Fund I LLC ¹	USA	December	100.0	13,138	6,943
LGE Alliance Fund ²	Korea	December	96.2	-	6,200
LGE Alliance Fund II ²	Korea	December	98.7	-	1,314
Others				232,053	232,053
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
Robostar Co.,Ltd.	Korea	December	30.0	82,045	82,045
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Kiwigrid GmbH ³	Germany	December	16.3	13,019	13,019
ROBOTIS Co., Ltd. ³	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. ³	Korea	December	6.5	2,088	2,088
Acryl Inc. ^{1,3}	Korea	December	14.5	2,000	1,000
LG Fuel Cell Systems Inc. ⁴	USA	December	33.5	-	-
Joint ventures					
LG Holdings (HK) Ltd.	China	December	49.0	84,989	84,989
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
LG-LHT Aircraft Solutions GmbH ¹	Germany	December	49.0	3,852	-
LG-LHT Passenger Solutions GmbH ¹	Germany	December	49.0	3,851	-
Total				9,115,398	9,108,014

¹ It was additionally acquired during the six-month period ended June 30, 2019.

² It was liquidated during the six-month period ended June 30, 2019.

³ 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.

⁴ It was impaired in 2018.

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1	9,108,014	8,066,087
Acquisitions	14,898	1,000
Disposal and others	(7,514)	(1,536)
At June 30	9,115,398	8,065,551

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

June 30, 2019					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	17,850	2,420,906	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	109,000	1,052,197	541,538
Robostar Co.,Ltd.	Associate	2,927,735	23,500	68,802	82,045
ROBOTIS Co., Ltd.	Associate	961,550	16,750	16,106	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,845	7,729	2,088

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

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11. Borrowings

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

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Current		
Short-term borrowings	236,720	-
Current portion of long-term borrowings	89,572	25,000
Current portion of debentures	419,832	743,275
Subtotal	746,124	768,275
Non-current		
Long-term borrowings	2,801,321	2,596,536
Debentures	4,791,107	4,535,701
Subtotal	7,592,428	7,132,237
Total	8,338,552	7,900,512

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at June 30, 2019 (%)	Carrying amount	
			June 30, 2019	December 31, 2018
Short-term borrowings in foreign currency				
LG Electronics European Shared Service Center B.V. (LGESC)	2020. 1.15	0.79	236,720	-
Long-term borrowings in local currency				
Korea Development Bank and others	2030. 8. 1	2.21 ~ 3.50	2,265,000	2,270,000
Long-term borrowings in foreign currency				
KEB Hana Bank and others	2030. 8. 1	0.79 ~ 3.92	625,893	351,536
Local currency debentures				
Public, non-guaranteed bonds	2034. 2.21	1.48 ~ 4.44	3,790,000	3,720,000
Private, non-guaranteed bonds	2038. 4. 3	2.79 ~ 4.21	920,000	850,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028. 6. 8	3.18 ~ 3.93	381,744	368,973
Private, guaranteed bonds	2023. 2.24	0.37	131,511	351,536
Less: discount on debentures			(12,316)	(11,533)
Total			8,338,552	7,900,512

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

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12. Lease Liabilities

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

<i>(in millions of Korean won)</i>	June 30, 2019	January 1, 2019
Lease liabilities		
Current	37,717	29,733
Non-current	53,607	44,374
Total	91,324	74,107

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

<i>(in millions of Korean won)</i>	2019
Interest expense on lease liabilities	1,317
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	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)	6,869

Total expenses for leases including short-term leases and leases of low-value assets are ₩61,524 million.

13. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Present value of funded obligations	2,832,472	2,610,800
Fair value of plan assets	(2,230,312)	(2,304,879)
Net defined benefit liabilities	602,160	305,921

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

<i>(in millions of Korean won)</i>	2019	2018
Current service cost	142,331	131,089
Past service cost	(11,847)	-
Net interest cost	3,931	3,364
Operating management cost	1,093	1,043
Total	135,508	135,496

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

<i>(in millions of Korean won)</i>	2019	2018
Cost of sales	66,439	73,028
Selling and marketing expenses	16,952	16,708
Administrative expenses	9,193	9,178
Research and development expenses	38,011	34,949
Service costs	4,913	1,633
Total	135,508	135,496

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1	2,610,800	2,378,703
Current service cost	142,331	131,089
Past service cost	(11,847)	-
Interest expense	32,832	35,273
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	95,591	-
- Actuarial loss (gain) arising from changes in financial assumptions	83,697	(6,025)
Benefits paid	(98,882)	(96,605)
Reduction due to settlement of plan	(22,050)	-
Reclassification to liabilities held for sale	-	(463)
At June 30	2,832,472	2,441,972

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

<i>(in millions of Korean won)</i>	2019	2018
At January 1	2,304,879	2,158,093
Interest income	28,901	31,909
Remeasurements of plan assets	(4,969)	(12,612)
Benefits paid	(75,959)	(78,195)
Reduction due to settlement of plan	(21,447)	-
Operating management cost	(1,093)	(1,043)
Reclassification to liabilities held for sale	-	(461)
At June 30	2,230,312	2,097,691

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Discount rate	2.2%	2.6%
Expected salary growth rate	5.0%	5.0%

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

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(241,959)	279,447
Expected salary growth rate	270,684	(239,598)

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

Defined Contribution Plan

The expense recognized in the six-month period ended June 30, 2019 in relation to the defined contribution plan was ₩7,029 million (June 30, 2018: ₩4,182 million).

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14. Provisions

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

	2019			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	379,493	10,626	83,349	473,468
Additional provisions, net ¹	184,338	386	373	185,097
Utilizations	(150,426)	(148)	(1,740)	(152,314)
At June 30	413,405	10,864	81,982	506,251
Current	384,836	6,887	-	391,723
Non-current	28,569	3,977	81,982	114,528

	2018			
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	325,984	12,517	69,127	407,628
Additional provisions, net ¹	161,814	353	22,076	184,243
Utilizations	(147,096)	(2,128)	(9,876)	(159,100)
At June 30	340,702	10,742	81,327	432,771
Current	317,135	284	-	317,419
Non-current	23,567	10,458	81,327	115,352

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

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15. Paid-in Capital

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

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

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

(b) Share premium balance as at June 30, 2019, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merged with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

16. Retained Earnings

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

(in millions of Korean won)	June 30, 2019	December 31, 2018
Legal reserve ¹	195,936	182,342
Discretionary reserve	5,128,767	5,347,641
Unappropriated retained earnings (undisposed accumulated deficit) ²	321,734	(69,273)
Total	5,646,437	5,460,710

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

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

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17. Accumulated Other Comprehensive Income (Loss)

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

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Cash flow hedge	(80,620)	(57,146)
Financial assets at fair value through other comprehensive income	995	(213)
Total	(79,625)	(57,359)

18. Other Components of Equity

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

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

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

19. Net Sales

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Revenue from contracts with customers:				
Sales of goods	7,714,257	14,757,486	7,855,682	15,266,831
Rendering of services	113,233	214,006	110,641	236,504
Royalty income	125,316	221,850	68,218	133,470
Sub-total	7,952,806	15,193,342	8,034,541	15,636,805
Revenue from other sources:				
Rental income and others	109,199	210,729	75,084	140,901
Total	8,062,005	15,404,071	8,109,625	15,777,706

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<i>(in millions of Korean won)</i>	2018							
	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	Total
Domestic	3,169,492	1,006,291	705,190	234,433	157,600	1,057,248	(118,592)	6,211,662
Export	2,454,491	2,417,460	2,406,640	1,048,405	525,398	572,749	-	9,425,143
Timing of transfer:								
Transferred at a point in time	5,424,607	3,318,420	3,083,007	1,269,295	671,771	42,199	(17,922)	13,791,377
Transferred over time	199,376	105,331	28,823	13,543	11,227	1,587,798	(100,670)	1,845,428

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

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the period	Impact on profit or loss for the succeeding period
Other segments	25,559	29,051	(8,160)	4,668

20. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Changes in finished goods and work-in-process	20,399	(13,953)	(67,873)	(235,343)
Raw materials and merchandise used	4,454,735	8,793,323	4,897,793	9,676,991
Employee benefit expense	1,099,210	2,109,272	1,000,915	1,945,860
Depreciation and amortization	262,517	514,969	247,642	493,261
Advertising expense	159,887	253,035	164,584	312,337
Promotion expense	79,902	137,200	103,612	156,015
Freight expense	162,905	329,642	136,788	267,976
Commission expense	481,946	910,504	415,989	797,275
Other expenses	833,963	1,594,317	790,140	1,502,195
Total¹	7,555,464	14,628,309	7,689,590	14,916,567

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

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

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

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Six months	Three months	Six months
Salaries	416,146	778,185	360,672	687,296
Post-employment benefits	36,982	75,001	32,430	67,590
Employee benefits	77,432	139,845	60,730	119,272
Freight expense	160,283	324,750	134,823	264,536
Rental expense	16,350	33,158	27,499	59,686
Commission expense	338,545	637,774	297,220	559,148
Depreciation	34,195	67,451	25,883	46,695
Amortization	32,505	64,605	36,339	72,580
Taxes and dues	2,366	4,487	2,604	6,245
Advertising expense	159,887	253,035	164,584	312,337
Promotional expense	79,902	137,200	103,612	156,015
R&D costs	109,316	178,359	99,080	162,924
Direct service costs	64,067	153,983	87,228	159,247
Bad debts expense	21,968	31,480	9,627	8,994
Other	50,207	121,184	71,231	146,570
Total	1,600,151	3,000,497	1,513,562	2,829,135

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22. Financial Income

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Interest income	4,522	9,226	6,275	13,036
Exchange differences	24,115	52,323	43,130	95,181
Other	311	763	1,327	2,755
Total	28,948	62,312	50,732	110,972

23. Financial Expenses

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Interest expense	62,824	124,685	58,419	115,529
Exchange differences	34,933	51,535	20,551	74,757
Loss on disposal of trade receivables	1,538	2,652	1,489	2,452
Other	7,924	14,335	4,543	6,990
Total	107,219	193,207	85,002	199,728

24. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Dividend income	113,135	116,434	117,999	188,532
Exchange differences	151,940	322,608	223,582	355,781
Gain on disposal of property, plant and equipment	2,881	3,371	7,860	8,763
Gain on disposal of assets held for sale	-	-	-	1,446
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	1,905	1,905	-	-
Other	4,297	5,324	998	3,968
Total	274,175	449,659	350,439	558,490

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25. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2019		2018	
	Three months	Six months	Three months	Six months
Exchange differences	156,691	342,135	232,043	350,701
Loss on disposal of property, plant and equipment	4,105	8,359	4,981	7,797
Impairment loss on property, plant and equipment	113	214	1,131	1,169
Loss on disposal of intangible assets	7,398	14,624	7,338	14,619
Impairment loss on intangible assets	97,908	116,803	720	2,000
Other	5,399	9,915	8,247	16,578
Total	271,614	492,050	254,460	392,864

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, 2019 and 2018, is as follows:

	2019		2018	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	293,618	413,910	321,140	612,809
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,642	162,884,642	162,884,642	162,884,642
Basic earnings per ordinary share <i>(in Korean won)</i>	1,803	2,542	1,971	3,762

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

	2019		2018	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares <i>(in millions of Korean won)</i>	31,186	44,088	34,089	65,069
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>	1,815	2,566	1,984	3,787

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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, 2019 and 2018, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2019	2018
Profit for the period	457,998	677,878
Adjustments:		
Interest expense, net	115,459	102,493
Exchange differences, net	4,759	32,678
Depreciation	361,587	327,547
Amortization	154,985	167,322
Loss on disposal of property, plant and equipment and intangible assets, net	19,612	13,653
Provisions for severance benefits	135,508	135,496
Additional provisions, net	185,097	184,243
Dividend income	(116,434)	(188,532)
Income tax expense	144,478	260,131
Other	199,695	14,386
	<u>1,204,746</u>	<u>1,049,417</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	(1,057,884)	455,963
Decrease in other receivables	112,729	48,195
Decrease (increase) in inventories	80,826	(426,394)
Decrease (increase) in contract assets	6,463	(127,548)
Decrease (increase) in other assets	(210,229)	22,730
Increase (decrease) in trade payables	301,860	(173,088)
Decrease in other payables	(570,618)	(396,995)
Decrease in provisions	(152,314)	(173,614)
Increase in contract liabilities	74,243	23,725
Increase (decrease) in other liabilities	114,115	(76,343)
Payment of defined benefit liability	(23,526)	(18,410)
Deposit in plan assets, net	(22,839)	(18,254)
	<u>(1,347,174)</u>	<u>(860,033)</u>
Cash generated from operations	<u>315,570</u>	<u>867,262</u>

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(b) Changes in liabilities from financing activities

2019						
<i>(in millions of Korean won)</i>	At Jan.1	Net cash flow from financing activities	Non-cash transactions			At Jun. 30
			Addition and others	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
Total	7,974,619	387,129	32,320	34,192	1,616	8,429,876

2018						
<i>(in millions of Korean won)</i>	At Jan. 1	Net cash flow from financing activities	Non-cash transactions		At Jun. 30	
			Exchange differences	Amortization		
Short-term borrowings	127,925	-	1,777	-	129,702	
Long-term borrowings	2,177,140	107,871	9,329	-	2,294,340	
Debentures	5,136,775	453,674	28,662	1,690	5,620,801	
Total	7,441,840	561,545	39,768	1,690	8,044,843	

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2019	2018
Reclassification of construction-in-progress to property, plant and equipment	49,669	83,290
Reclassification of construction-in-progress to intangible assets	156,871	135,990
Reclassification of current portion of borrowings and debentures	399,346	647,260
Other payables to acquire property, plant and equipment	34,908	20,987
Other payables to acquire intangible assets	13,111	11,494

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

– Transfer of Membrane business

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

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

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

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

– Transfer of OLED T-Con Chip design business

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

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

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

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28. Contingencies

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩196,565 million (December 31, 2018: ₩218,461 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal amounting to EUR 100 million (December 31, 2018: USD 200 million and EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,925,697 million (December 31, 2018: ₩3,846,637 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiaries	June 30, 2019	December 31, 2018
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	910,287	820,985
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	777,112	743,021
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	550,743	531,098
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	272,687	263,743
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	200,677	190,332
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	133,576	127,169
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	HSBC and others	131,000	154,715
LG Electronics Algeria SARL(LGEAS)	Societe Generale and others	128,711	105,881
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	122,587	216,421
LG Electronics Colombia Ltda.(LGECEB)	Citibank and others	95,310	90,015
LG Electronics Morocco S.A.R.L.(LGEAC)	Citibank and others	93,031	90,175
LG Electronics RUS, LLC(LGERA)	Citibank and others	82,952	76,884
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank	57,840	71,558
LG Electronics India Pvt. Ltd.(LGEIL)	Citibank and others	54,783	52,435
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	51,275	95,880
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	45,925	44,389
LG Electronics Malaysia SDN. BHD(LGEML)	Citibank	35,262	10,042
LG Electronics Thailand Co., Ltd.(LGETH)	Citibank	26,892	25,797
LG Electronics Italia S.P.A.(LGEIS)	Intesa	26,302	25,583
LG Electronics Australia Pty, Ltd.(LGEAP)	Citibank	24,224	23,525
Others	Citibank and others	104,521	86,989
Total		3,925,697	3,846,637

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

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

29. Commitments

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

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,099,592 million (December 31, 2018: ₩1,926,486 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩900,000 million (December 31, 2018: ₩690,000 million).

(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 ₩1,160,000 million (December 31, 2018: ₩1,160,000 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩457,840 million (December 31, 2018: ₩601,258 million).

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	June 30, 2019	December 31, 2018
Property, plant and equipment	101,441	107,768
Intangible assets	31,521	40,223
Investments in subsidiaries, associates and joint ventures	101,771	9,863
Total	234,733	157,854

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

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

<i>(in millions of Korean won)</i>	June 30, 2019					Total lease payments
	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Over 4 years	
Healthcare rental	487,283	400,980	235,716	45,768	-	1,169,747
Real estate rental	765	731	731	608	-	2,835
Total	488,048	401,711	236,447	46,376	-	1,172,582

- ii) The Company recognized ₩200,564 million (June 30, 2018: ₩128,228 million) in lease income for the six-month period ended June 30, 2019.

(g) Trademark license commitments

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

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

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30. Related Party

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

i) Major income and expense transactions with related parties

		2019					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
<i>(in millions of Korean won)</i>							
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
	Inspur LG Digital Mobile Communications Co., Ltd.	233,385	134	233,519	40,565	3,904	44,469
	LG Electronics Vietnam Haiphong 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 (Kunshan) Co.,Ltd.	68,531	219	68,750	4,211	507	4,718
	LG Electronics Australia Pty, Ltd.	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 Pvt. Ltd.	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 Electronics 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	52,954	683	53,637	-	271	271
	LG Electronics Nanjing New Technology co.,LTD	144,362	-	144,362	258,310	826	259,136
	LG Electronics Mexicalli, S.A. DE C.V.	85,472	12	85,484	793	2	795
	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 Inc Chile Ltda.	13,942	6	13,948	-	215	215
	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 Component U.S.A., LLC	197,918	45	197,963	1,697	17,853	19,550
	Hi-M.Solutek	32,030	-	32,030	125,603	-	125,603
	Others	1,807,172	22,201	1,829,373	289,874	141,363	431,237
	Subtotal	8,923,693	79,536	9,003,229	1,256,160	262,678	1,518,838
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
	LG Fuel Cell Systems Inc. and its subsidiaries	105	510	615	-	69	69
	Robostar Co.,Ltd.	-	-	-	17,386	3,321	20,707
	Kiwigrid GmbH	-	-	-	-	448	448
	ROBOTIS Co., Ltd.	-	-	-	-	34	34
	Korea Information Certificate Authority Inc.	-	-	-	-	42	42
	Acryl Inc.	-	-	-	-	374	374
	Subtotal	506,961	45,197	552,158	563,465	8,000	571,465
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	28	-	28
	LG-MRI LLC	1,164	-	1,164	-	-	-
	Subtotal	1,164	-	1,164	28	-	28
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 ²	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
	Subtotal	84,064	4,306	88,370	264,490	230,093	494,583
Others ¹	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

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		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	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
	GIR Inc. and its subsidiaries	120	47	167	76	117,514	117,590
	SERVEONE Co., Ltd. ²	15	1,914	1,929	97,844	15,902	113,746
	Subtotal	647,462	17,819	665,281	739,888	578,323	1,318,211
	Total	10,164,039	146,858	10,310,897	2,824,031	1,150,540	3,974,571

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	1,776	-	1,776	-	70,492	70,492
Subsidiaries	LG Innotek Co., Ltd.	103,454	10,337	113,791	251,144	7,476	258,620
	Hiplaza Co., Ltd.	1,003,849	4,322	1,008,171	20	16,243	16,263
	LG Electronics U.S.A., Inc.	1,363,533	44	1,363,577	594	28,414	29,008
	LG Electronics Mobilecomm U.S.A., Inc.	758,336	-	758,336	55	286,107	286,162
	Inspur LG Digital Mobile Communications Co., Ltd.	488,654	52	488,706	107,913	10,231	118,144
	LG Electronics Vietnam Haiphong Co., Ltd.	570,786	92	570,878	24,552	9,999	34,551
	LG Electronics do Brasil Ltda.	228,016	11	228,027	551	1,254	1,805
	LG Electronics Canada, Inc.	190,075	-	190,075	62	851	913
	Qingdao LG Inspur Digital Communication Co., Ltd.	175,249	93	175,342	103,096	2,714	105,810
	LG Electronics (Kunshan) Co.,Ltd.	210,344	-	210,344	2,016	444	2,460
	LG Electronics Australia Pty, Ltd.	152,637	-	152,637	38	1,773	1,811
	LG Electronics RUS, LLC	117,422	271	117,693	273	365	638
	LG Electronics India Pvt. Ltd.	118,792	14,763	133,555	3,366	708	4,074
	LG Electronics Deutschland GmbH	236,314	19,098	255,412	1,325	24,918	26,243
	LG Electronics Japan, Inc.	237,357	55	237,412	2,329	10,244	12,573
	LG Electronics Reynosa S.A. DE C.V.	147,039	22	147,061	1,201	116	1,317
	LG Electronics Mlawa Sp. z.O.O.	156,543	-	156,543	365	2,815	3,180
	LG Electronics Egypt S.A.E	83,941	2,467	86,408	-	249	249
	LG Electronics Nanjing New Technology co.,LTD	111,912	19	111,931	215,119	657	215,776
	LG Electronics Mexicali, S.A. DE C.V.	81,635	-	81,635	1,461	11	1,472

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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Electronics Polska Sp. Z.O.O	74,023	447	74,470	1,128	710	1,838
	LG Electronics Panama, S.A. P.T. LG Electronics Indonesia	66,485	-	66,485	-	102	102
	LG Electronics (Hangzhou) Co., Ltd.	63,699	225	63,924	27,518	13	27,531
	LG Electronics Inc Chile Ltda.	56,047	30	56,077	15,849	257	16,106
	LG Electronics Colombia Ltda.	47,765	13	47,778	-	147	147
	LG Electronics Tianjin Appliances Co., Ltd.	56,902	10	56,912	15	260	275
	LG Electronics Vehicle Component U.S.A., LLC	33,779	122	33,901	65,601	167	65,768
	Hi-M.Solutek	232,955	49	233,004	1,423	14,086	15,509
	Others	21,724	155	21,879	44,892	37,937	82,829
	Subtotal	2,080,520	15,921	2,096,441	126,258	175,375	301,633
Associates	LG Display Co., Ltd. and its subsidiaries	9,269,787	68,618	9,338,405	998,164	634,643	1,632,807
	Ericsson-LG Co., Ltd. and its subsidiaries	568,714	12,021	580,735	692,190	8,146	700,336
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,318	31	1,349	1,729	-	1,729
	LG Fuel Cell Systems Inc. and its subsidiaries	385	-	385	19,232	153	19,385
	Korea Information Certificate Authority Inc.	2,556	-	2,556	-	-	-
	Subtotal	-	-	-	-	1	1
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	572,973	12,052	585,025	713,151	8,300	721,451
	LG-MRI LLC	-	-	-	40,934	-	40,934
	Subtotal	377	-	377	838	-	838
Other related parties	LG CNS Co., Ltd. and its subsidiaries	377	-	377	41,772	-	41,772
	SERVEONE Co., Ltd. and its subsidiaries	54,202	1	54,203	57,345	150,572	207,917
	LB Lusem CO., LTD. ³	24,060	5,374	29,434	309,447	122,702	432,149
	LG Management Development Institute	-	-	-	205	1	206
	LG SPORTS Ltd.	-	-	-	81	12,216	12,297
	Subtotal	1	-	1	-	5,497	5,497
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	78,263	5,375	83,638	367,078	290,988	658,066
	LG INTERNATIONAL CORP and its subsidiaries	599,155	6,445	605,600	384,872	545	385,417
		44,134	631	44,765	350,926	346,387	697,313

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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG Uplus Corp and its subsidiaries	372,197	60	372,257	679	3,253	3,932
	LG HAUSYS,LTD. and its subsidiaries and joint ventures	5,605	117	5,722	4,151	6	4,157
	Silicon Works Co., Ltd	922	575	1,497	3,787	-	3,787
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,130	4	3,134	115	56	171
	GIIR Inc. and its subsidiaries	2,028	-	2,028	7	96,723	96,730
	Subtotal	1,027,171	7,832	1,035,003	744,537	446,970	1,191,507
	Total	10,950,347	93,877	11,044,224	2,864,702	1,451,393	4,316,095

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

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

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

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

(in millions of Korean won)

		June 30, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		331	-	25,656	25,987	-	-	4,861	4,861
Subsidiaries	LG Innotek Co., Ltd.	27,638	-	16,386	44,024	110,977	-	18,547	129,524
	Hiplaza Co., Ltd.	261,829	-	24,822	286,651	-	-	7,328	7,328
	LG Electronics U.S.A., Inc.	601,191	-	1,523	602,714	-	-	53,443	53,443
	Inspur LG Digital Mobile Communications Co., Ltd.	38,790	-	1,199	39,989	159,340	-	480	159,820
	LG Electronics Vietnam Haiphong Co., Ltd.	300,089	-	9,782	309,871	171,578	-	2,226	173,804
	LG Electronics do Brasil Ltda.	105,514	-	11,417	116,931	642	-	618	1,260
	LG Electronics Canada, Inc.	25,634	-	18	25,652	-	-	446	446
	Qingdao LG Inspur Digital Communication Co., Ltd.	35,617	-	5,107	40,724	112,334	-	92	112,426
	LG Electronics (Kunshan) Co.,Ltd.	33,931	-	3,030	36,961	21,907	-	417	22,324

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		June 30, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics Australia Pty, Ltd.	27,837	-	25	27,862	-	-	478	478
	LG Electronics RUS, LLC	47,456	-	7,321	54,777	804	-	53	857
	LG Electronics India Pvt. Ltd.	44,533	-	12,912	57,445	40	-	133	173
	LG Electronics Deutschland GmbH	121,242	-	3,892	125,134	-	-	4,160	4,160
	LG Electronics Japan, Inc.	39,537	-	41	39,578	-	-	2,343	2,343
	LG Electronics Reynosa S.A. DE C.V.	26,948	-	4,426	31,374	140,941	-	-	140,941
	LG Electronics Mlawa Sp. z.O.O.	41,339	-	66	41,405	593,209	-	99	593,308
	LG Electronics Egypt S.A.E	9,198	-	68,987	78,185	5,133	-	112	5,245
	LG Electronics Nanjing New Technology co.,LTD	18,237	-	171	18,408	223,772	-	99	223,871
	LG Electronics Mexicali, S.A. DE C.V.	34,667	-	2,862	37,529	64,082	-	-	64,082
	LG Electronics Polska Sp. Z.O.O	37,351	-	73	37,424	-	-	732	732
	LG Electronics Panama, S.A.	63,964	-	-	63,964	-	-	3	3
	P.T. LG Electronics Indonesia	13,610	-	430	14,040	205,076	-	11	205,087
	LG Electronics (Hangzhou) Co., Ltd.	39,928	-	1,548	41,476	1,852	-	156	2,008
	LG Electronics Inc Chile Ltda.	62,089	-	-	62,089	-	-	27	27
	LG Electronics Colombia Ltda.	94,055	-	-	94,055	-	-	164	164
	LG Electronics Tianjin Appliances Co., Ltd.	15,439	-	5,217	20,656	82,215	-	6	82,221
	LG Electronics Vehicle Component U.S.A., LLC	133,943	-	285	134,228	-	-	3,064	3,064
	Hi-M.Solutek	8,557	-	81	8,638	-	-	33,092	33,092
	Others	877,718	-	49,866	927,584	791,322	499,742	39,391	1,330,455
	Subtotal	3,187,881	-	231,487	3,419,368	2,685,224	499,742	167,720	3,352,686
Associates	LG Display Co., Ltd. and its subsidiaries	355,684	-	97,345	453,029	159,462	-	96,247	255,709
	Ericsson-LG Co., Ltd. and its subsidiaries	116	-	-	116	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	363	-	-	363	36,557	-	282	36,839
	LG Fuel Cell Systems Inc. and its subsidiaries	-	-	-	-	-	-	69	69
	Robostar Co.,Ltd.	-	-	-	-	428	-	4,526	4,954
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	36	36

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		June 30, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Acryl Inc.	-	-	-	-	-	-	283	283
	Subtotal	356,163	-	97,345	453,508	196,447	-	101,443	297,890
Joint ventures	LG-MRI LLC	1,766	-	-	1,766	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	38,600	-	1,972	40,572	628	-	67,519	68,147
	S&I Corp. and its subsidiaries ²	3,275	-	58,680	61,955	-	-	44,553	44,553
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,190	1,190
	LG SPORTS Ltd.	-	-	-	-	-	-	1,073	1,073
	Subtotal	41,875	-	76,312	118,187	628	-	114,335	114,963
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	196,195	-	257,664	453,859	208,345	-	61,194	269,539
	LG INTERNATIONAL CORP and its subsidiaries	38,631	-	1,486	40,117	159,861	-	143,696	303,557
	LG Uplus Corp and its subsidiaries	53,851	-	91	53,942	-	-	79	79
	LG HAUSYS,LTD. and its subsidiaries and associates	918	-	1,270	2,188	104	-	847	951
	Silicon Works Co., Ltd	215	-	267	482	2,530	-	959	3,489
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	96	-	119	215	-	-	71	71
	GIR Inc. and its subsidiaries	26	-	-	26	-	-	160,542	160,542
	SERVEONE Co., Ltd. ²	457	-	-	457	142,444	-	72,469	214,913
	Subtotal	290,389	-	260,897	551,286	513,284	-	439,857	953,141
	Total	3,878,405	-	691,697	4,570,102	3,395,583	499,742	828,216	4,723,541

(in millions of Korean won)

		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		42	-	26,068	26,110	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	119,338	-	8,102	127,440	121,495	-	31,240	152,735
	Hiplaza Co., Ltd.	166,265	-	22,790	189,055	-	-	7,112	7,112
	LG Electronics U.S.A., Inc.	273,496	-	72,993	346,489	-	-	139,866	139,866
	Inspur LG Digital Mobile Communications Co., Ltd.	25,430	-	1,180	26,610	296,959	-	815	297,774
	LG Electronics Vietnam	307,408	-	588	307,996	182,917	-	1,420	184,337

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		December 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Haiphong Co., Ltd.								
	LG Electronics do Brasil Ltda.	107,098	-	40,575	147,673	184	-	325	509
	LG Electronics Canada, Inc.	24,518	-	-	24,518	-	-	409	409
	Qingdao LG Inspur Digital Communication Co., Ltd.	16,527	-	5,025	21,552	121,781	-	35	121,816
	LG Electronics (Kunshan) Co.,Ltd.	43,192	-	3,512	46,704	50,047	-	370	50,417
	LG Electronics Australia Pty, Ltd.	59,931	-	1,615	61,546	-	-	84	84
	LG Electronics RUS, LLC	39,246	-	13,812	53,058	640	-	71	711
	LG Electronics India Pvt. Ltd.	34,300	-	7,653	41,953	404	-	591	995
	LG Electronics Deutschland GmbH	85,735	-	10,720	96,455	-	-	7,080	7,080
	LG Electronics Japan, Inc.	66,765	-	-	66,765	-	-	3,084	3,084
	LG Electronics Reynosa S.A. DE C.V.	20,412	-	4,402	24,814	97,454	-	-	97,454
	LG Electronics Mlawa Sp. z.O.O.	46,794	-	61	46,855	759,727	-	533	760,260
	LG Electronics Egypt S.A.E	4,107	-	78,560	82,667	2,784	-	110	2,894
	LG Electronics Nanjing New Technology co.,LTD	38,011	-	145	38,156	195,626	-	39	195,665
	LG Electronics Mexicali, S.A. DE C.V.	40,700	-	4,456	45,156	49,605	-	-	49,605
	LG Electronics Polska Sp. Z.O.O	41,452	-	188	41,640	-	-	359	359
	LG Electronics Panama, S.A.	46,924	-	-	46,924	-	-	38	38
	P.T. LG Electronics Indonesia	12,692	-	169	12,861	216,133	-	102	216,235
	LG Electronics (Hangzhou) Co., Ltd.	44,162	-	942	45,104	1,831	-	104	1,935
	LG Electronics Inc Chile Ltda.	49,754	-	49	49,803	-	-	28	28
	LG Electronics Colombia Ltda.	74,614	-	25	74,639	-	-	34	34
	LG Electronics Tianjin Appliances Co., Ltd.	10,789	-	1,449	12,238	56,012	-	30	56,042
	LG Electronics Vehicle Component U.S.A., LLC	112,509	-	412	112,921	-	-	7,840	7,840
	Hi-M.Solutek	8,436	-	47	8,483	-	-	27,853	27,853
	Others	546,862	-	49,923	596,785	479,985	-	44,425	524,410
	Subtotal	2,467,467	-	329,393	2,796,860	2,633,584	-	273,997	2,907,581
Associates	LG Display Co., Ltd. and its subsidiaries	414,242	-	130,319	544,561	212,350	-	137,027	349,377

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		December 31, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	Ericsson-LG Co., Ltd. and its subsidiaries	31	-	-	31	534	-	-	534
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	109	-	-	109	11,685	-	397	12,082
	LG Fuel Cell Systems Inc. and its subsidiaries	12	-	-	12	-	-	28	28
	Robostar Co.,Ltd.	-	-	-	-	13,406	-	399	13,805
	Kiwigrid GmbH	-	-	-	-	-	-	54	54
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	168	168
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	55	55
	Acryl Inc.	-	-	-	-	-	-	312	312
	Subtotal	414,394	-	130,319	544,713	237,975	-	138,440	376,415
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	4,175	-	-	4,175
	LG-MRI LLC	643	-	-	643	-	-	-	-
	Subtotal	643	-	-	643	4,175	-	-	4,175
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,106	-	1,972	21,078	147	-	121,579	121,726
	S&I Corp. and its subsidiaries ²	2,444	-	59,587	62,031	124,740	-	181,643	306,383
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,637	1,637
	LG SPORTS Ltd.	-	-	-	-	-	-	1,859	1,859
	Subtotal	21,550	-	77,219	98,769	124,887	-	306,718	431,605
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	365,515	-	270,879	636,394	216,571	-	59,817	276,388
	LG INTERNATIONAL CORP and its subsidiaries	14,102	-	8,917	23,019	276,367	-	114,247	390,614
	LG Uplus Corp and its subsidiaries	13,879	-	148	14,027	-	-	369	369
	LG HAUSYS,LTD. and its subsidiaries and associates	519	-	1,344	1,863	-	-	476	476
	Silicon Works Co., Ltd	362	-	-	362	1,581	-	748	2,329
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,247	-	350	2,597	-	-	608	608
	GIR Inc. and its subsidiaries	76	-	-	76	-	-	200,560	200,560
	Subtotal	396,700	-	281,638	678,338	494,519	-	376,825	871,344
	Total	3,300,796	-	844,637	4,145,433	3,495,140	-	1,095,980	4,591,120

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

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

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

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2019			
					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.	20,003	-	-	-	-	-	-
	LG Electronics RUS, LLC	57,345	-	-	-	-	-	-
	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	-
	Subtotal	115,613	-	6,195	-	-	492,304	-
Associates	Korea Information Certificate Authority Inc.	161	-	-	-	-	-	-
	Robostar Co.,Ltd	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	Subtotal	307	-	1,000	-	-	-	-
	Total	115,920	41,321	7,195	-	-	492,304	-

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2018			
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,414	-	-	-	-	-	-
	LG Electronics RUS, LLC	63,354	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	10,391	-	-	-	-	-	-

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Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2018		2018	
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
	LG Electronics (Hangzhou) Co., Ltd.	473	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	7,087	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	3,051	-	-	-	-	-	-
	Inspur LG Digital Communication Co., Ltd.	25,764	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	7,893	-	-	-	-	-	-
	LGE Alliance Fund II	-	-	(1,536)	-	-	-	-
	Subtotal	120,427	-	(1,536)	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	Subtotal	67,913	-	-	-	-	-	-
	Total	188,340	22,038	(1,536)	-	-	-	-

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

(in millions of Korean won)

	2019	2018
Salaries and other short-term employee benefits	13,052	13,039
Post-employment benefits	1,740	1,883
Other long-term benefits	53	56
Total	14,845	14,978

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

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

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31. Risk Management

Financial Risk Management

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

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

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

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

(a) Market risk

i) Foreign exchange risk

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

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

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

As at June 30, 2019 and December 31, 2018, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	June 30, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(10,338)	10,338	(31,735)	31,735
EUR/KRW	714	(714)	(5,091)	5,091

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ii) Interest rate risk

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

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

If interest rates fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the six-month periods ended June 30, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	5,453	(5,453)	11,466	(11,466)
Interest expense	2,499	(2,499)	649	(649)

iii) Details of derivatives contracts are as follows:

Hedging purposes

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
USD/KRW CRS	MUFG Bank and others	USD 530	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017.2.2 ~ 2018. 6. 8	2020.11.23 ~ 2028. 6. 8	2,903	14,716
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8.24	2023. 2.24 ~ 2030. 7. 7	-	72,861

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

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Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)	Accumulated other comprehensive loss
USD/KRW CRS	Borrowings	611,609	(9,616)	(28,644)
Interest rate swap	Borrowings	1,395,664	18,338	(51,976)

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)
USD/KRW CRS	9,616	Interest expense and exchange differences	(18,294)	(8,678)
Interest rate swap	(18,338)	Interest expense	3,542	(14,796)

Trading purposes

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

iv) Price risk

The 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>	June 30, 2019		December 31, 2018	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	2,801	(2,801)	3,057	(3,057)

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

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(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,591,638 million (December 31, 2018: ₩1,289,032 million) and its risk is managed appropriately within insurer's credit limit of ₩3,081,803 million (December 31, 2018: ₩3,223,554 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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

(c) Liquidity risk

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

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

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

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	5,818,289	5,818,289	-	-	-
Borrowings	9,726,889	987,997	1,250,054	3,320,435	4,168,403
Lease liabilities	100,035	38,846	27,799	30,679	2,711
Other payables	1,732,474	1,731,233	200	1,041	-
Other financial liabilities	9,657	9,657	-	-	-
Total	17,387,344	8,586,022	1,278,053	3,352,155	4,171,114

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

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	3,971,697	3,156,954	134,293	408,602	271,848

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

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2019	December 31, 2018
Liability (A)	19,191,276	18,502,583
Equity (B)	9,526,341	9,362,880
Cash and cash equivalents (C)	1,090,634	1,109,883
Borrowings and lease liabilities (D)	8,429,876	7,900,512
Debt-to-equity ratio (A/B)	201.5%	197.6%
Net borrowings ratio ((D-C)/B)	77.0%	72.5%

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Fair Value Estimation

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

<i>(in millions of Korean won)</i>	June 30, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	14,564	1
Financial assets at fair value through other comprehensive income				
Trade receivables	220,807	1	-	-
Other financial assets				
Listed equity securities	-	-	11,943	11,943
Unlisted equity securities	-	-	25,448	1
Derivatives for hedging purposes				
Other financial assets	-	-	2,903	2,903
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,090,634	1	-	-
Deposits held by financial institutions	80,500	1	1,518	1,518
Trade receivables	4,496,821	1	-	-
Other receivables	468,085	1	198,272	179,116
Total	6,356,847		254,648	

<i>(in millions of Korean won)</i>	June 30, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	1,869	1,869	-	-
Derivatives for hedging purposes				
Other financial liabilities	-	-	87,577	87,577
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,818,289	1	-	-
Borrowings	746,124	1	7,592,428	7,885,002
Lease liabilities	37,717	2	53,607	2
Other payables	1,731,233	1	1,241	1,173
Other liabilities				
Other financial liabilities	7,393	3	10,400	3
Total	8,342,625		7,745,253	

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

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

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

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

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

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

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

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

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ii) Financial instruments measured at fair value

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

June 30, 2019				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	11,943	-	-	11,943
Derivatives for hedging purposes		2,903		2,903
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	1,869	-	1,869
	-	87,577	-	87,577
December 31, 2018				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	13,265	-	-	13,265
Derivatives for hedging purposes	-	1,572	-	1,572
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	1,862	-	1,862
	-	73,998	-	73,998

The above fair value amounts are recurring fair value measurements.

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2019	December 31, 2018		
Assets				
Other financial assets				
Derivatives for hedging purposes	2,903	1,572	Discounted cash flow	Discount rate and exchange rate
<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2019	December 31, 2018		
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	1,869	1,862	Discounted cash flow	Discount rate and share price
Derivatives for hedging purposes	87,577	73,998	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

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

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

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

<i>(in millions of Korean won)</i>	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,518	1,518
Non-current other receivables	-	-	179,116	179,116
Liabilities				
Non-current borrowings	-	-	7,885,002	7,885,002
Non-current other payables	-	-	1,173	1,173

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

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

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

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

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

<i>(in millions of Korean won)</i>	June 30, 2019		December 31, 2018		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	1,518	1,518	1,211	1,211	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	198,272	179,116	243,485	228,662	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.1%~3.8%
Liabilities								
Non-current borrowings	7,592,428	7,885,002	7,132,237	7,354,957	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.8%~3.2%
Non-current other payables	1,241	1,173	1,011	929	Discounted cash flow	Discount rate	Discount rate	1.7%~1.8%

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32. Events After the Reporting Period

- (a) The Company decided to dispose 100% shares of Hi Entech Co., Ltd. and 51% shares of LG Hitachi Water Solutions Co., Ltd, both entities operating water engineering business, to Techcross Inc. with the approval of the Board of Directors on July 23, 2019. The sales price amounts to ₩227,950 million, and the book amount of the shares for sale amounts to ₩72,298 million.

- (b) The Company decided to dispose the main, annexed and other buildings of its research institutes located in Anyang due to the lack of demands for rent, to KT&G Corp., with the approval of the Board of Directors on July 23, 2019. The sales price amounts to ₩100,916 million, and the book amount of the asset for sale amounts to ₩93,978 million.