

LG Electronics

**Consolidated Interim Financial Statements
September 30, 2018 and 2017**

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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 consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as of September 30, 2018, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2018 and 2017, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2017, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 8, 2018. The consolidated statement of financial position as of December 31, 2017, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2017.

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

November 14, 2018
Seoul, Korea

This report is effective as of November 14, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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Consolidated Interim Statements of Financial Position
September 30, 2018 and December 31, 2017

<i>(in millions of Korean won)</i>	Notes	September 30, 2018 (Unaudited)	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	5,31	4,538,314	3,350,597
Deposits held by financial institutions	5,31	80,516	80,515
Trade receivables	5,6,31	7,068,749	8,178,213
Other receivables	5,6,31	426,699	467,427
Other financial assets	5,7,31	6,164	3,534
Inventories	8	6,561,603	5,908,437
Current income tax assets		129,215	134,159
Contract assets	9	649,273	-
Other current assets		1,228,615	1,050,651
Assets held for sale	33	6,062	21,436
		<u>20,695,210</u>	<u>19,194,969</u>
Non-current assets			
Deposits held by financial institutions	5,31	47,948	52,775
Other receivables	5,6,31	470,745	470,216
Other financial assets	5,7,31	72,518	52,981
Property, plant and equipment	10	13,162,842	11,800,782
Intangible assets	10	2,925,661	1,854,620
Deferred income tax assets		1,184,367	1,365,367
Investments in associates and joint ventures	11	5,487,658	5,620,331
Investment properties		94,725	95,712
Net defined benefit assets	13	-	684
Contract assets	9	180,620	-
Other non-current assets		746,038	712,522
		<u>24,373,122</u>	<u>22,025,990</u>
Total assets		<u>45,068,332</u>	<u>41,220,959</u>
Liabilities			
Current liabilities			
Trade payables	5,31	7,926,240	8,137,526
Borrowings	5,12,31	2,053,620	1,360,756
Other payables	5,31	3,028,617	3,522,839
Other financial liabilities	5,7,31	7,100	2,280
Current income tax liabilities		135,820	100,353
Provisions	14	633,481	649,555
Contract liabilities	9	1,133,570	-
Other current liabilities		2,911,972	3,763,161
Liabilities held for sale	33	1,140	-
		<u>17,831,560</u>	<u>17,536,470</u>
Non-current liabilities			
Borrowings	5,12,31	9,450,263	8,089,724
Other payables	5,31	16,394	6,490
Other financial liabilities	5,7,31	61,370	68,610
Deferred income tax liabilities		122,750	8,759
Net defined benefit liabilities	13	624,359	326,699
Provisions	14	328,134	298,121
Contract liabilities	9	21,977	-
Other non-current liabilities		165,553	212,402
		<u>10,790,800</u>	<u>9,010,805</u>
Total liabilities		<u>28,622,360</u>	<u>26,547,275</u>
Equity attributable to owners of the Parent Company			
Paid-in capital:	15		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	12,270,524	10,964,155
Accumulated other comprehensive income (loss)	17	(1,579,858)	(1,522,478)
Other components of equity	18	(209,764)	(209,764)
		<u>14,473,250</u>	<u>13,224,261</u>
Non-controlling interests		<u>1,972,722</u>	<u>1,449,423</u>
Total equity		<u>16,445,972</u>	<u>14,673,684</u>
Total liabilities and equity		<u>45,068,332</u>	<u>41,220,959</u>

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Consolidated Interim Statements of Profit or Loss

Three-Month and Nine-Month Periods Ended September 30, 2018 and 2017

(in millions of Korean won, except per share amounts)	Notes	Period Ended September 30			
		2018 (Unaudited)		2017 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Net sales	19	15,427,050	45,569,402	15,224,140	44,432,745
Cost of sales	20	11,560,721	33,975,572	11,619,978	33,412,939
Gross profit		3,866,329	11,593,830	3,604,162	11,019,806
Selling and marketing expenses	20,21	1,847,702	5,362,139	1,801,576	5,163,711
Administrative expenses	20,21	347,562	992,142	358,845	1,008,941
Research and development expenses	20,21	588,260	1,694,614	584,721	1,767,748
Service costs	20,21	334,016	917,360	342,927	977,716
Operating profit		748,789	2,627,575	516,093	2,101,690
Financial income	22	123,522	379,820	131,700	387,487
Financial expenses	23	214,539	614,773	193,826	611,902
Gain (loss) from equity method valuation	11	5,142	(128,499)	165,609	653,809
Other non-operating income	24	275,065	1,049,262	250,854	840,082
Other non-operating expenses	25	322,492	1,180,465	354,735	1,021,351
Profit before income tax		615,487	2,132,920	515,695	2,349,815
Income tax expense		118,379	579,455	179,556	663,118
Profit for the period		497,108	1,553,465	336,139	1,686,697
Profit for the period attributable to:					
Owners of the Parent Company		410,418	1,410,405	318,111	1,610,935
Non-controlling interests		86,690	143,060	18,028	75,762
		497,108	1,553,465	336,139	1,686,697
Earnings per share attributable to the owners of the Parent Company during the period (in Korean won):	26				
Earnings per ordinary share		2,278	7,829	1,766	8,943
Earnings per preferred share		2,291	7,867	1,778	8,980

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Consolidated Interim Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2018 and 2017

(in millions of Korean won)	Notes	Period Ended September 30			
		2018 (Unaudited)		2017 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit for the period		497,108	1,553,465	336,139	1,686,697
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	(45,990)	(50,930)	24,450	32,850
Share of remeasurements of associates	11	(1,315)	(4,263)	(1,068)	(3,197)
Financial assets at fair value through other comprehensive income	7	290	2,013	-	-
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income (loss) (excluding remeasurements) from associates and joint ventures	11	(70,732)	(21,012)	39,527	(3,201)
Cash flow hedges	31	1,472	(11,213)	11,066	18,798
Available-for-sale financial assets	7	-	-	97	(265)
Exchange differences on translation of foreign operations		(114,235)	(13,837)	117,991	(61,523)
Other comprehensive income (loss) for the period, net of tax		(230,510)	(99,242)	192,063	(16,538)
Total comprehensive income for the period, net of tax		266,598	1,454,223	528,202	1,670,159
Total comprehensive income for the period, net of tax, attributable to:					
Owners of the Parent Company		207,507	1,318,333	495,966	1,599,416
Non-controlling interests		59,091	135,890	32,236	70,743
Total comprehensive income for the period, net of tax		266,598	1,454,223	528,202	1,670,159

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Consolidated Interim Statements of Cash Flows
Nine-Month Periods Ended September 30, 2018 and 2017

(in millions of Korean won)

	Notes	Nine-month Period Ended September 30	
		2018 (Unaudited)	2017 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	27	3,716,905	2,682,623
Interest received		70,267	61,602
Interest paid		(308,708)	(291,604)
Dividends received		68,452	68,471
Income tax paid		(361,927)	(356,030)
Net cash inflow from operating activities		<u>3,184,989</u>	<u>2,165,062</u>
Cash flows from investing activities			
Decrease in deposits held by financial institutions		26,778	15,351
Decrease in other receivables		92,254	117,422
Proceeds from redemption and disposal of other financial assets		51,098	15,980
Proceeds from disposal of property, plant and equipment		82,204	272,185
Proceeds from disposal of intangible assets		2,825	2,193
Proceeds from withdrawal and disposal of investments in associates and joint ventures		8	14,398
Proceeds from disposal of assets held for sale		39,082	12,710
Transfer of business	27	46,130	13,942
Decrease in others		-	47
Increase in deposits held by financial institutions		(22,453)	(16,006)
Increase in other receivables		(100,129)	(88,755)
Acquisition of other financial assets		(32,745)	(42,547)
Acquisition of property, plant and equipment		(2,315,443)	(1,930,547)
Acquisition of intangible assets		(469,936)	(469,546)
Acquisition of investments in associates and joint ventures		(87,510)	(26,679)
Business combination	32	(738,029)	(3,482)
Net cash outflow from investing activities		<u>(3,425,866)</u>	<u>(2,113,334)</u>
Cash flows from financing activities			
Proceeds from borrowings		2,224,710	1,662,026
Repayments of borrowings		(655,218)	(1,154,512)
Dividends paid and others		(105,477)	(102,044)
Net cash inflow from financing activities		<u>1,464,015</u>	<u>405,470</u>
Effects of exchange rate changes on cash and cash equivalents		(35,421)	14,170
Net increase in cash and cash equivalents		<u>1,187,717</u>	<u>471,368</u>
Cash and cash equivalents at the beginning of the period		<u>3,350,597</u>	<u>3,015,137</u>
Cash and cash equivalents at the end of the period		<u>4,538,314</u>	<u>3,486,505</u>

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Notes to the Consolidated Interim Financial Statements

September 30, 2018 and 2017 (Unaudited), and December 31, 2017

1. General Information

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

As of September 30, 2018, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (the “Group”) operate 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 Components segment designs and manufactures automobile parts; Business-to-Business segment manufactures and sells information displays, solar modules and others; and LG Innotek Co., Ltd. operates LED, optics solutions, substrate materials, and automotive components businesses. As of September 30, 2018, the Parent Company has 139 subsidiaries (Note 1 (a)), 17 associates and joint ventures (Note 11).

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Notes to the Consolidated Interim Financial Statements
September 30, 2018 and 2017 (Unaudited), and December 31, 2017

(a) Consolidated subsidiaries as of September 30, 2018 and December 31, 2017, are as follows:

Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and Retails of Electronic products	More than half of voting rights
	Korea	Hi Entech Co., Ltd.	100.0%	-	100.0%	-	December	Water engineering	More than half of voting rights
	Korea	LG Hitachi Water Solution Co., Ltd.	51.0%	49.0%	51.0%	49.0%	December	Water treatment	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and Sales of Air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing Services	More than half of voting rights
	Korea	LGE Alliance Fund	96.2%	3.8%	96.2%	3.8%	December	Investment	More than half of voting rights
	Korea	LG Innotek Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund ¹	40.4%	59.6%	40.4%	59.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Business facility maintenance	More than half of voting rights
	Korea	LGE Alliance Fund II	98.7%	1.3%	98.7%	1.3%	December	Investment	More than half of voting rights
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Notes to the Consolidated Interim Financial Statements
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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Kunshan) Co., Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	China	LG Electronics HK Ltd.(LGEHK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	China	LG Electronics Huizhou Ltd.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Battery Pack Co., Ltd.(LGENB) ²	50.0%	50.0%	50.0%	50.0%	December	Production of Electronic products	De-facto control
	China	LG Electronics Nanjing New Technology co., LTD(LGENT)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Nanjing Vehicle Components Co., Ltd.(LGENV)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Qinhuangdao Inc.(LGEQH)	100.0%	-	100.0%	-	December	Production of Casting	More than half of voting rights
	China	LG Electronics Shenyang Inc.(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of Electronic products	More than half of voting rights
	China	LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of Electronic products	More than half of voting rights
	China	NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of Electronic products	More than half of voting rights
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	100.0%	-	100.0%	-	December	Production of Heater	More than half of voting rights
	China	LG Innotek Yantai Co., Ltd.(LGITYT) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	China	LG Innotek Huizhou Co.,Ltd(LGITHZ) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co., Ltd(LGITSH) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	China	HiEntech (Tianjin) Co., LTD.	80.0%	20.0%	80.0%	20.0%	December	Water engineering	More than half of voting rights
	China	ZKW Lighting Systems (Dalian) Co. Ltd.	70.0%	30.0%	-	-	December	Production and Sales of Vehicle components	More than half of voting rights
	China	HIPLAZA (Shenyang) Trading Co., Ltd.	100.0%	-	-	-	December	Sales of Electronic products	More than half of voting rights
Asia	Australia	LG Electronics Australia Pty, Ltd.(LGEAP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	India	LG Electronics India Pvt. Ltd.(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and Sales of Electronic products	More than half of voting rights
	Japan	LG Japan Lab. Inc.(LGJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Malaysia	LG Electronics Malaysia SDN. BHD(LGEML)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore PTE LTD.(LGESL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Thailand	LG Electronics Thailand Co., Ltd.(LGETH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) ⁴	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. ³	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	Indonesia	PT. LG Innotek Indonesia(LGITIN) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Co., Ltd.(LGITTW) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	Vietnam	LG Innotek Vietnam Hai Phong Co., Ltd.(LGITVH) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Indonesia	PT.LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	99.8%	0.2%	December	Services	More than half of voting rights
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holdings B.V.(LGEEH)	100.0%	-	100.0%	-	December	European Holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V. (LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S.(LGEFS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A.(LGEHS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.p.A(LGEIS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Latvia	LG ELECTRONICS LATVIA, LLC(LGELA)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar KFT(LGEMK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z. O.O.(LGEMA)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. Z. O.O(LGEPL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UK	LG Electronics United Kingdom Ltd.(LGEUK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Poland	LG Electronics Wroclaw Sp. z. O.O.(LGEWR)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Finland	LG Electronics Finland Lab, Oy(LGEFL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Poland	LG Innotek Poland Sp. z.o. o.(LGITPO) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Electrical/Electronic materials	De-facto control
	Austria	ZKW Holding GmbH	70.0%	30.0%	-	-	December	Holding company	More than half of voting rights
	Austria	ZKW Group GmbH	70.0%	30.0%	-	-	December	Services	More than half of voting rights
	Austria	ZKW Elektronik GmbH	70.0%	30.0%	-	-	December	Production and Sales of Vehicle components	More than half of voting rights
	Austria	ZKW Lichtsysteme GmbH	70.0%	30.0%	-	-	December	Production and Sales of Vehicle components	More than half of voting rights
	Austria	Mommert GewerbeImmobilien Verwaltungs GmbH	70.0%	30.0%	-	-	December	Holding company	More than half of voting rights
	Austria	Mommert Immobilien GmbH	70.0%	30.0%	-	-	December	Real estates	More than half of voting rights
	Slovakia	ZKW Slovakia s.r.o.	70.0%	30.0%	-	-	December	Production and Sales of Vehicle components	More than half of voting rights
	Czech	KES - kabelove a elektricke systemy, spol. s.r.o.	70.0%	30.0%	-	-	December	Production and Sales of Vehicle components	More than half of voting rights
	Poland	KES Poland Sp.z o.o.	70.0%	30.0%	-	-	December	Production and Sales of Vehicle components	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. DE C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa S.A. DE C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of Electronic products	More than half of voting rights
	USA	Zenith Electronics Corporation(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of Electrical/Electronic materials	De-facto control
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and Sales of Automotive materials	De-facto control

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Electronics Vehicle Components U.S.A., LLC(LGEVU)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	USA	LGEUS Power, LLC	100.0%	-	100.0%	-	December	Investment of Solar Power Plant	More than half of voting rights
	USA	LG ELECTRONICS FUND I LLC	100.0%	-	-	-	December	Investment	More than half of voting rights
	USA	LG Technology Ventures LLC	100.0%	-	-	-	December	Services	More than half of voting rights
	USA	ZKW Lighting Systems USA, Inc.	70.0%	30.0%	-	-	December	Sales of Vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Inmobiliaria S.A. de C.V.	70.0%	30.0%	-	-	December	Real estates	More than half of voting rights
	Mexico	ZKW Mexico S.A de C.V.	70.0%	30.0%	-	-	December	Production and Sales of Vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Servicios S.A. de C.V.	70.0%	30.0%	-	-	December	Services	More than half of voting rights
South America	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Ltda.(LGECEB)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	80.0%	20.0%	80.0%	December	Sales of Electronic products	De-facto control
	Chile	LG Electronics Inc Chile Ltda.(LGECL)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
Middle East and Africa	Venezuela	LG Electronics Venezuela S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Panama	LG Consulting corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala S.A.	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	EASYTEC GLOBAL SERVICES INNOVATION LIMITED	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and Services of Electronic products	More than half of voting rights
	Jordan	LG Electronics (Levant) Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L(LGEMC)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
Tunisia	LG Electronics North Africa Service Company S.A.R.L	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights	

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Territory	Location	Subsidiary	September 30, 2018		December 31, 2017		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co., Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of Electronic products	More than half of voting rights
	Kenya	LG Electronics Service Kenya Limited(LGESK)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia Limited	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Other	Kazakhstan	LG Electronics Almaty Kazakhstan(LGEAK)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and Sales of Electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine Inc.(LGEUR)	100.0%	-	100.0%	-	December	Sales of Electronic products	More than half of voting rights

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

² Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.

³ Although the Group owns less than 50% of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.

⁴ In the preparation of the consolidated financial statements, the financial statements for the nine-month period ended September 30, 2018 were used for those subsidiaries with different fiscal year ends.

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(b) Financial information of major subsidiaries as of September 30, 2018 and December 31, 2017, and for the three-month and nine-month periods ended September 30, 2018 and 2017, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	September 30, 2018			2018			
	Assets	Liabilities	Equity	Three months		Nine months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,320,853	3,468,519	1,852,334	2,236,947	70,960	5,252,900	71,306
LG Electronics U.S.A., Inc.(LGEUS)	3,588,576	3,480,985	107,591	2,807,889	(116,022)	6,387,483	(200,141)
LG Electronics European Shared Service Center B.V.(LGESC)	1,361,341	1,325,725	35,616	61,584	4,482	169,671	5,763
LG Electronics do Brasil Ltda.(LGEBR)	914,831	399,754	515,077	389,619	31,265	1,443,899	127,031
Zenith Electronics Corporation(Zenith)	1,075,802	14,662	1,061,140	10,561	(3,072)	29,975	(14,139)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	800,211	387,707	412,504	479,194	(816)	1,645,194	25,378
LG Electronics Reynosa S.A. DE C.V.(LGERES)	1,362,471	622,334	740,137	788,556	82,658	1,861,500	208,501
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	987,383	679,910	307,473	799,482	38,987	2,182,590	79,805
LG Electronics India Pvt. Ltd.(LGEIL)	1,081,769	502,205	579,564	622,517	52,925	1,968,031	199,697
LG Electronics RUS, LLC(LGERA)	776,428	281,549	494,879	343,739	31,958	947,069	79,577
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU) ¹	-	-	-	511,286	9,845	2,554,483	11,529
LG Electronics (China) Co., Ltd.(LGECH)	727,206	832,782	(105,576)	85,807	1,316	279,783	18,075
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	561,261	310,866	250,395	221,607	8,385	903,441	21,602
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	553,695	367,989	185,706	588,337	53,789	1,597,927	121,819
Hiplaza Co., Ltd.	621,729	444,041	177,688	731,711	8,840	2,088,320	11,764
LG Electronics Thailand Co., Ltd.(LGETH)	460,988	196,620	264,368	267,128	3,339	847,065	20,085
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	534,727	391,010	143,717	293,937	6,418	797,786	14,921
LG Electronics Nanjing New Technology co.,LTD(LGENT)	428,067	235,398	192,669	312,915	10,942	954,931	34,746
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	351,840	213,654	138,186	152,488	4,993	489,948	13,932
LG Innotek Yantai Co.,Ltd.(LGITYT)	373,506	175,035	198,471	154,109	1,876	514,890	23,674
ZKW Group GmbH ²	596,722	315,860	280,862	719	734	719	734

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<i>(in millions of Korean won)</i>	September 30, 2018			2018			
	Assets	Liabilities	Equity	Three months		Nine months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
ZKW Lichtsysteme GmbH ²	579,800	245,523	334,277	149,951	5,699	149,951	5,699

¹ It was merged to LG Electronics U.S.A., Inc. during the third quarter of 2018.

² The amounts of sales and profit for the period presented are those incurred after the business combination.

<i>(in millions of Korean won)</i>	December 31, 2017			2017			
	Assets	Liabilities	Equity	Three months		Nine months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,391,209	3,598,255	1,792,954	1,694,855	34,092	4,482,594	97,475
LG Electronics U.S.A., Inc.(LGEUS)	2,720,187	2,570,696	149,491	2,338,138	(33,307)	6,343,526	4,008
LG Electronics European Shared Service Center B.V.(LGESC)	1,470,147	1,440,606	29,541	46,994	(237)	135,907	3,308
LG Electronics do Brasil Ltda.(LGEBR)	1,100,403	630,893	469,510	589,121	56,901	1,751,600	166,229
Zenith Electronics Corporation(Zenith)	1,054,901	19,192	1,035,709	7,062	(302)	8,226	(23,988)
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	892,918	501,255	391,663	532,971	6,694	1,725,101	5,231
LG Electronics Reynosa S.A. DE C.V.(LGERS)	848,503	341,584	506,919	729,568	28,112	1,852,676	108,662
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	823,062	597,951	225,111	640,898	25,474	1,927,600	70,781
LG Electronics India Pvt. Ltd.(LGEIL)	805,095	378,389	426,706	737,603	81,029	2,129,560	200,371
LG Electronics RUS, LLC(LGERA)	761,958	239,485	522,473	379,760	32,670	1,024,815	75,638
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	741,258	585,399	155,859	1,189,581	15,151	3,933,992	7,609
LG Electronics (China) Co., Ltd.(LGECH)	589,130	713,659	(124,529)	119,247	(10,150)	432,139	(18,609)
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	587,622	355,434	232,188	210,450	44	836,033	12,529
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	552,785	442,525	110,260	643,440	8,484	1,944,613	30,148
Hiplaza Co., Ltd.	541,414	373,645	167,769	611,746	2,199	1,606,674	15,753
LG Electronics Thailand Co., Ltd.(LGETH)	459,853	226,723	233,130	258,971	(1,253)	803,051	6,380
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	459,006	328,216	130,790	277,146	3,083	745,040	14,356

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<i>(in millions of Korean won)</i>	December 31, 2017			2017			
	Assets	Liabilities	Equity	Three months		Nine months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Electronics Nanjing New Technology co.,LTD(LGENT)	427,972	243,335	184,637	307,801	5,014	999,285	26,678
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	417,220	277,426	139,794	224,011	9,903	596,157	18,806
LG Innotek Yantai Co.,Ltd.(LGITYT)	418,261	240,555	177,706	132,203	2,703	367,429	7,009

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

- LG Innotek Co., Ltd. and its subsidiaries

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

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,209,288	1,155,402

ii) Profit and dividends attributable to non-controlling interests for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Profit to non-controlling interests	55,664	61,226	20,560	52,599
Dividends to non-controlling interests	-	3,503	-	3,503

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

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Current assets	2,462,553	2,734,484
Non-current assets	3,662,553	3,143,005
Total assets	6,125,106	5,877,489
Current liabilities	2,192,037	2,497,247
Non-current liabilities	1,893,974	1,429,459
Total liabilities	4,086,011	3,926,706
Equity attributable to the owners of LG Innotek Co., Ltd.	2,039,093	1,950,781
Non-controlling interests	2	2
Total equity	2,039,095	1,950,783

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- iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Net sales	2,313,182	5,551,596	1,787,244	4,771,570
Profit for the period	93,679	99,856	34,808	88,412
Other comprehensive income (loss), net of tax	(21,720)	(5,628)	11,361	750
Total comprehensive income, net of tax	71,959	94,228	46,169	89,162

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the nine-month periods ended September 30, 2018 and 2017, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2018	2017
Cash flows from operating activities	591,272	215,326
Cash flows from investing activities	(1,138,162)	(514,092)
Cash flows from financing activities	522,246	305,766
Effects of exchange rate changes on cash and cash equivalents	(194)	(2,078)
Net increase (decrease) in cash and cash equivalents	(24,838)	4,922
Cash and cash equivalents at the beginning of the period	369,533	341,278
Cash and cash equivalents at the end of the period	344,695	346,200

(d) Significant restrictions on subsidiaries

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

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

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

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

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

Changes in the Parent Company's interest in a subsidiary without loss of control for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Tianjin Lijie cartridge heater Co., Ltd. (LGETL)		
Increase in the Parent Company's interest by acquisition of common shares (A)	-	(36)
Payment to non-controlling interest (B)	-	(20)
Changes in the Parent Company's ownership interest (A+B)	-	(56)

(f) Subsidiaries newly included in the scope of the preparation of the consolidated financial statements for the nine-month period ended September 30, 2018, are:

Subsidiary	Reason	Country	Percentage of ownership	Closing month	Major business
LG ELECTRONICS FUND I LLC	Newly established	USA	100%	December	Investment
LG Technology Ventures LLC	Newly established	USA	100%	December	Services
ZKW Holding GmbH	Newly acquired	Austria	70%	December	Holding company
ZKW Group GmbH	Newly acquired	Austria	70%	December	Services
ZKW Elektronik GmbH	Newly acquired	Austria	70%	December	Production and Sales of Vehicle components
ZKW Lichtsysteme GmbH	Newly acquired	Austria	70%	December	Production and Sales of Vehicle components

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Subsidiary	Reason	Country	Percentage of ownership	Closing month	Major business
Mommert GewerbeImmobilien Verwaltungs GmbH	Newly acquired	Austria	70%	December	Holding company
Mommert Immobilien GmbH	Newly acquired	Austria	70%	December	Real estates
ZKW Slovakia s.r.o.	Newly acquired	Slovakia	70%	December	Production and Sales of Vehicle components
KES - kabelove a elektricke systemy, spol. s.r.o.	Newly acquired	Czech	70%	December	Production and Sales of Vehicle components
KES Poland Sp.z o.o.	Newly acquired	Poland	70%	December	Production and Sales of Vehicle components
ZKW Lighting Systems (Dalian) Co. Ltd.	Newly acquired	China	70%	December	Production and Sales of Vehicle components
ZKW Lighting Systems USA, Inc.	Newly acquired	USA	70%	December	Sales of Vehicle components
ZKW Mexico Inmobiliaria S.A. de C.V.	Newly acquired	Mexico	70%	December	Real estates
ZKW Mexico S.A de C.V.	Newly acquired	Mexico	70%	December	Production and Sales of Vehicle components
ZKW Mexico Servicios S.A. de C.V.	Newly acquired	Mexico	70%	December	Services
HIPLAZA (Shenyang) Trading Co., Ltd.	Newly established	China	100%	December	Sales of Electronic products

- (g) A subsidiary excluded from the scope of the preparation of the consolidated interim financial statements for the nine-month period ended September 30, 2018, are:

Subsidiary	Reason	Country
LG Electronics Mobilecomm U.S.A., Inc.(LGEMU)	Merger	USA

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

During the nine-month period ended September 30, 2018, no gain or loss was incurred from the loss of control.

2. Significant Accounting Policies

Basis of Preparation

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

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the Korean language financial statements.

The consolidated interim financial statements for the nine-month period ended September 30, 2018, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as of September 30, 2018.

Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2018.

- Enactment of Korean IFRS 1109 *Financial Instruments*

The Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated, and recognized the cumulative impact of initially applying the changes in a classification of financial instruments as an adjustment to equity as of January 1, 2018. Further details on the impact of the application of the standard are as follows:

Classification and Measurement of Financial Instruments

On the date of initial application of Korean IFRS 1109, January 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

- *Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss*

At the date of initial application, investments amounting to ₩16,078 million that do not meet the definition of equity instruments in Korean IFRS 1032, are reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss. For the nine-month period ended September 30, 2018, changes in fair value of these investments amounting to ₩2,256 million were recognized as expenses along with related deferred income tax assets of ₩621 million.

- *Reclassification from loans and receivables to financial assets at fair value through other comprehensive income*

At the date of initial application, ₩799,760 million of trade receivables are reclassified from loans and receivables to financial assets at fair value through other comprehensive income. At the date of initial application, the Group's business model is to hold these trade receivables for collection and sale of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of those trade receivables at the date of initial application is not significantly different from the book amount under the previous standard, and

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there is no impact on other comprehensive income.

- *Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income*

The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, not held for trading, in other comprehensive income. As a result, assets with a fair value of ₩34,920 million are reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. At the date of initial application, related accumulated other comprehensive loss of ₩17,098 million is not reclassified to profit or loss even though these assets are disposed of. Due to this change, other non-operating expenses was ₩1,022 million lower (tax impact of ₩350 million) for the nine-month period ended September 30, 2018 than if recognized under previous standard.

- *Reclassification from held-to-maturity financial assets to financial assets at amortized cost*

Government bonds amounting to ₩121 million are reclassified from held-to-maturity financial assets to financial assets at amortized cost. The Group holds the assets to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

- *Reclassifications of financial instruments on adoption of Korean IFRS 1109*

On the date of initial application, January 1, 2018, the financial assets of the Group with any reclassifications noted, are as follows:

<i>(in millions of Korean won)</i>	Measurement category		Carrying amount	
	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109
Cash and cash equivalents	Loans and receivables	Amortized costs	3,350,597	3,350,597
Deposits held by financial institutions	Loans and receivables	Amortized costs	133,290	133,290
Trade receivables	Loans and receivables	Amortized costs	8,178,213	7,378,453
Trade receivables	Loans and receivables	Fair value through other comprehensive income	-	799,760
Other receivables	Loans and receivables	Amortized costs	937,643	937,643
Other financial assets	Held-to-maturity financial assets	Amortized costs	121	121
Other financial assets	Available-for-sale financial assets	Fair value through other comprehensive income	50,998	34,920
Other financial assets	Available-for-sale financial assets	Fair value through profit or loss	-	16,078
Total financial assets excluding derivatives			12,650,862	12,650,862

Impairment of Financial Assets

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The Group recognizes impairment losses based on the expected credit loss model for the following financial assets:

- debt investments measured at amortized cost,
- debt investments measured at fair value through other comprehensive income,
- lease receivables, and
- financial guarantee contracts.

The Group applies the simplified approach from initial recognition to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables.

Hedge Accounting

The Group's cross-currency swap contracts and interest rate swap contracts at the date of initial application, qualified as cash flow hedges under Korean IFRS 1109. The Group's risk management strategies and hedge documentation are aligned with the requirements of Korean IFRS 1109 and are thus treated as continuing hedging relationships.

- Enactment of Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group has elected to apply Korean IFRS 1115 *Revenue from Contracts with Customers* on January 1, 2018, the date of initial application. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. The Group recognized the cumulative effect of initially applying the revenue standard as an adjustment to retained earnings as of January 1, 2018. Further details on the impact of the application of the standard on January 1, 2018, are as follows:

Consolidated statement of financial position at the date of initial application (January 1, 2018):

<i>(in millions of Korean won)</i>	December 31, 2017 (before adjustments)	K-IFRS 1115 Adjustments	January 1, 2018 (after adjustments)
Current assets			
Trade receivables	8,178,213	144,865	8,323,078
Other receivables	467,427	(920)	466,507
Contract assets	-	435,037	435,037
Current assets without financial effect	10,549,329	-	10,549,329
Total current assets	19,194,969	578,982	19,773,951
Non-current assets			
Contract assets	-	3,541	3,541
Non-current assets without financial effect	22,025,990	-	22,025,990
Total non-current assets	22,025,990	3,541	22,029,531
Total assets	41,220,959	582,523	41,803,482
Current liabilities			

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<i>(in millions of Korean won)</i>	December 31, 2017 (before adjustments)	K-IFRS 1115 Adjustments	January 1, 2018 (after adjustments)
Provisions	649,555	(36,510)	613,045
Contract liabilities	-	951,362	951,362
Other liabilities	3,763,161	(335,870)	3,427,291
Current liabilities without financial effect	13,123,754	-	13,123,754
Total current liabilities	17,536,470	578,982	18,115,452
Non-current liabilities			
Contract liabilities	-	18,926	18,926
Other liabilities	212,402	(18,926)	193,476
Non-current liabilities without financial effect	8,798,403	-	8,798,403
Total non-current liabilities	9,010,805	-	9,010,805
Total liabilities	26,547,275	578,982	27,126,257
Equity			
Equity attributable to owners of the Parent Company			
Retained earnings	10,964,155	3,541	10,967,696
Equity without financial effect	2,260,106	-	2,260,106
Non-controlling interests	1,449,423	-	1,449,423
Total equity	14,673,684	3,541	14,677,225

¹ Accounting for returns and refunds

Under the previous standard, when the customer has a right to return the product within a given period, the Group previously recognized a provision for returns which was measured on a net basis at the gross profit on the sale. Under Korean IFRS 1115, if the customer returns a product, a gross contract liability (refund liability) for the expected refunds to customers is recognized. At the same time, a right to recover the product from the customer where the customer exercises his right of return is recognized as contract asset. Due to this change in policy, the Group reclassified ₩36,510 million from sales return provisions to contract liabilities of ₩114,073 million and contract assets of ₩77,563 million at the date of initial application.

² Accounting for variable consideration

Under the previous standard, the Group estimated an amount of promotional incentive and reversed sales and trade receivables. Instead, with implementation of Korean IFRS 1115, the Group will reverse sales and recognize a refund liability. Due to this change in policy, the Group reclassified the amounts of ₩501,419 million, which was previously deducted from trade receivables, to contract liabilities at the date of initial application.

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³ Accounting for costs to fulfil a contract

The Group's Vehicle Components segment supplies the automobile parts to car makers through development and mass production process under the contracts with such customers. If the costs incurred in fulfilling those contracts are directly related to the contracts, generate or enhance resources of the entity that will be used in satisfying performance obligations in the future, are expected to be recovered, and are not within the scope of another standard, it is recognized as an asset. Recognized assets are amortized on a systematic basis consistent with the way in which the related goods or services are provided. Due to this change in policy, the Group reclassified from retained earnings to contract assets of ₩3,541 million at the date of initial application.

⁴ Presentation of contract assets and contract liabilities

At the date of initial application, the Group has also changed the presentation of accounts in the consolidated statements of financial position to reflect the terminology of Korean IFRS 1115. Based on the detailed analysis, trade receivables of ₩356,554 million and other receivables of ₩920 million were reclassified to contract assets. Other liabilities of ₩354,796 million were reclassified to contract liabilities.

Financial statement line items affected by the adoption of the new standard in the current period are as follows:

Consolidated interim statement of financial position

<i>(in millions of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Current assets			
Trade receivables	7,068,749	(160,315)	6,908,434
Contract assets	649,273	(649,273)	-
Other assets	1,228,615	94,940	1,323,555
Current assets without financial effect	11,748,573	-	11,748,573
Total current assets	20,695,210	(714,648)	19,980,562
Non-current assets			
Trade receivables	-	67,057	67,057
Contract assets	180,620	(180,620)	-
Deferred income tax assets	1,184,367	2,894	1,187,261
Other assets	746,038	47,579	793,617
Non-current assets without financial effect	22,262,097	-	22,262,097
Total non-current assets	24,373,122	(63,090)	24,310,032
Total assets	45,068,332	(777,738)	44,290,594

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<i>(in millions of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Current liabilities			
Provisions	633,481	34,489	667,970
Contract liabilities	1,133,570	(1,133,570)	-
Other liabilities	2,911,972	332,870	3,244,842
Current liabilities without financial effect	13,152,537	-	13,152,537
Total current liabilities	17,831,560	(766,211)	17,065,349
Non-current liabilities			
Contract liabilities	21,977	(21,977)	-
Other liabilities	165,553	21,977	187,530
Non-current liabilities without financial effect	10,603,270	-	10,603,270
Total non-current liabilities	10,790,800	-	10,790,800
Total liabilities	28,622,360	(766,211)	27,856,149
Equity			
Equity attributable to owners of the Parent Company			
Retained earnings	12,270,524	(11,527)	12,258,997
Equity without financial effect	2,202,726	-	2,202,726
Non-controlling interests	1,972,722	-	1,972,722
Total equity	16,445,972	(11,527)	16,434,445

Consolidated interim statement of profit or loss

<i>(in millions of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Net sales	45,569,402	-	45,569,402
Cost of sales	33,975,572	11,269	33,986,841
Selling and administrative expenses, and others	8,966,255	617	8,966,872
Finance income (expenses), net	(234,953)	-	(234,953)
Loss from equity method valuation	(128,499)	-	(128,499)
Other non-operating income (expenses), net	(131,203)	1,006	(130,197)
Income tax expense	579,455	(2,894)	576,561
Profit for the period	1,553,465	(7,986)	1,545,479

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Consolidated interim statement of cash flows

After applying Korean IFRS 1115, cash flows from operating, investing and financing activities are identical to those under the previous standard.

- Amendment to Korean IFRS 1102 Share-based Payment

Amendments to Korean IFRS 1102 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. And also, clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment does not have a significant impact on the consolidated interim financial statements.

- Enactment of Interpretation 2122 Foreign Currency Transaction and Advance Consideration

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The Group does not expect the enactment to have a significant impact on the consolidated interim financial statements.

- Amendment to Korean IFRS 1040 Transfers of Investment Property

Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and provides a list of circumstances as examples. The Group does not expect the amendment to have a significant impact on the consolidated interim financial statements.

(b) New, enacted and amended standards issued, but not effective for September 30, 2018, and not early adopted by the Group

- Enactment of Korean IFRS 1116 Leases

Korean IFRS 1116 *Leases* issued in May, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace 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 entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical

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expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity 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 lessee may elect 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). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Lessor accounting treatment does 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.

The Group plans to apply Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard as of January 1, 2019. The Group will not restate any comparative information. Instead, the cumulative effect of applying the standard will be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Group is analyzing the financial effects based on available information as of September 30, 2018, to identify effects on consolidated financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

The total minimum lease payment expected to be paid by the Group in relation to operating leases before discounted to their present value is ₩756,824 million. And, for a contract that is, or contains, a lease, the Group plans to account for each lease component within the contract as a lease separately from non-lease components of the contract.

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Lessor accounting

The Group expects the effect on the consolidated financial statements applying the new standard will not be significant as accounting for the Group, as a lessor, will not significantly change.

If the Group, as an intermediate lessor, classified the sublease as an operating lease before the date of initial application, the Group shall reclassify the sublease as a finance lease or an operating lease in accordance with Korean IFRS 1116. When the Group determines the sublease as a finance lease, the Group shall account the lease as a new lease entered on the date of initial application.

As of September 30, 2018, the total minimum lease payment to be received by the Group in relation to the sub-lease contracts amount to ₩9,927 million, and the Group is analyzing the effects on consolidated financial statements including classification of the sublease as an operating lease or a finance lease. However, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2017, 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.

Financial Assets

From January 1, 2018, the Group has applied Korean IFRS 1109 *Financial Instruments*.

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

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The classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the financial asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Financial income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from

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these financial assets is included in 'Financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other non-operating income or expenses' and impairment loss in 'Other non-operating expenses'.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of profit or loss within 'Other non-operating income or expenses' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as 'Other non-operating income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Other non-operating income or expenses' in the consolidated statement of profit or loss as applicable. Impairment loss (and reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract assets and lease receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Revenue Recognition

From January 1, 2018, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

(a) Identify performance obligation

The Group sells home appliances, mobile communications equipment, TVs, monitors, automobile parts, information displays and others. If the contract with a customer includes any separate

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services in addition to sales of goods, the Group identifies performance obligations of the services to be rendered from such sales contracts.

The Group determines standard warranty coverage periods per product and country, considering warranty periods required by law and others when entering into contracts with customers for the sales of products. If the Group provides an extended warranty beyond the standard warranty coverage periods or a customer has the option to purchase an additional warranty separately, the Group identifies the warranty as a separate performance obligation and recognizes revenue.

(b) A performance obligation satisfied at a point in time

Sales of goods are recognized when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual sales. The Group recognizes provisions for product warranties and contract liabilities for sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically.

For royalty contracts, if there are no other goods or services provided to customer in the contracts other than obligations to provide license, the nature of the contracts are provision of right to use the Group's intellectual property that exist at the time of transfer. This means that the customer can direct the use of and obtain substantially all of the remaining benefits from the license at the point in time at which the license transfers. The Group determined the royalty income as a performance obligation satisfied at a point in time.

(c) A performance obligation satisfied over time

The Group builds and sells customized equipment and design plan for a customer. The revenue is recognized over time by measuring progress only if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group performed an analysis on those contracts and determined the Group has an enforceable right to payment for performance completed to date; therefore, the revenue is recognized over time using input methods by measuring the percentage of completion.

When the outcome of a transaction involving the rendering of services provided separately to customers can be estimated reliably, revenue associated with such transaction is recognized by reference to the percentage of completion of the services. Any changes in expected revenue, cost or the amount of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue or cost which is recognized

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in the profit or loss in the period in which the management recognizes the changes in circumstances.

The Group receives licensing fees for the trademark held by the Group from subsidiaries and associates. The Group continues to develop the trademark's value and performs marketing activities through various media such as TV, internet, exhibitions, road shows and others. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property over a license period; therefore, the Group determined the promised license is a performance obligation that is satisfied over time.

Income from rental, lease, extended guarantees and others is recognized on a straight-line basis over the period of the contract.

(d) Variable consideration

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

(e) Allocating the transaction price

The transaction price in an arrangement must be allocated to each separate performance obligation based on the relative stand-alone selling prices of the goods or services being provided to a customer. The Group determines the stand-alone selling price for each separate performance obligation by using an 'adjusted market assessment approach'. In limited circumstances, the Group plans to use an 'expected cost plus a margin approach' to estimate expected cost plus a reasonable margin.

(f) Returns

A gross contract liability (refund liability) for the expected returns to customers is recognized as adjustment to revenue, and the Group has a right to recover the product from the customer when the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. A right to recover the products is measured at former carrying amount of the product less the costs to recover the products.

(g) Significant financing component

In general, the period between the transfer of the promised goods or services to the customer and payment by the customer is less than one year. In this case, the Group uses the practical expedient in which the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

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3. Critical Accounting Estimates and Judgements

Critical Accounting Estimates and Assumptions

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

(a) Revenue Recognition

The Group recognizes revenue using the percentage of completion method for the manufacturing of customized equipment and the rendering of installation services. When using the percentage of completion method, revenue shall be recognized in accordance with the progress of the transaction. It is calculated based on potential economic benefits and the estimated costs for the completion of the transaction. The factors for the estimation of revenue may vary.

(b) Impairment of Goodwill

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

(c) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Income tax expense in each interim period is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year as explained in Note 2. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

(e) Provisions

The Group recognizes provisions for product warranties and others based on their historical data.

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(f) Net Defined Benefit Liabilities

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

Significant Judgment on Accounting Policies Adopted by the Group

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

4. Segment Information

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

Operating segment	Type of products
Home Appliance & Air Solution (H&A)	Refrigerators, washing machines, residential and commercial air conditioners, microwaves, vacuum cleaners and others
Home Entertainment (HE)	TVs, monitors, PCs, audio, video and others
Mobile Communications (MC)	Mobile communications and others
Vehicle Components (VC)	Vehicle components and others
Business-to-Business (B2B)	Information displays, solar modules and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	LED, camera modules, substrate & material, motor/sensor and others
Other segments	Water solution, equipment production and others

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(a) The segment information for sales and operating profit (loss) for the three-month and nine-month periods ended September 30, 2018 and 2017, is as follows:

Three-month period ended September 30, 2018									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	4,852,020	3,711,029	2,041,052	1,175,973	576,663	2,313,182	1,058,811	(301,680)	15,427,050
External sales	4,839,984	3,708,588	2,040,961	1,175,973	576,143	2,148,450	936,951	-	15,427,050
Internal sales	12,036	2,441	91	-	520	164,732	121,860	(301,680)	-
Operating profit (loss) ³	409,679	325,154	(146,349)	(42,892)	35,048	129,695	38,454	-	748,789
Depreciation and amortization	121,036	71,621	49,669	73,128	46,752	123,991	14,552	-	500,749

Nine-month period ended September 30, 2018									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	15,034,057	11,651,054	6,271,825	2,888,799	1,807,889	5,551,596	3,379,740	(1,015,558)	45,569,402
External sales	15,001,272	11,643,392	6,271,421	2,888,799	1,805,450	5,008,807	2,950,261	-	45,569,402
Internal sales	32,785	7,662	404	-	2,439	542,789	429,479	(1,015,558)	-
Operating profit (loss) ³	1,419,991	1,309,423	(467,810)	(92,416)	152,881	159,917	145,589	-	2,627,575
Depreciation and amortization	355,428	211,940	150,217	177,292	140,383	365,060	38,386	-	1,438,706

Three-month period ended September 30, 2017									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	4,780,655	4,059,187	2,684,216	833,021	641,980	1,787,244	995,013	(557,176)	15,224,140
External sales	4,771,004	4,050,475	2,684,119	833,021	641,137	1,562,803	681,581	-	15,224,140
Internal sales	9,651	8,712	97	-	843	224,441	313,432	(557,176)	-
Operating profit (loss) ³	411,430	390,746	(380,893)	(30,811)	54,640	55,928	15,053	-	516,093
Depreciation and amortization	113,378	75,849	62,531	45,196	47,933	83,891	9,485	-	438,263

Nine-month period ended September 30, 2017									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VC	B2B	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	14,325,451	11,565,054	8,235,328	2,520,627	1,693,001	4,771,570	2,601,671	(1,279,957)	44,432,745
External sales	14,290,810	11,543,052	8,234,945	2,520,627	1,690,501	4,103,135	2,049,675	-	44,432,745
Internal sales	34,641	22,002	383	-	2,500	668,435	551,996	(1,279,957)	-
Operating profit (loss) ³	1,372,201	1,000,188	(520,478)	(64,916)	104,148	155,284	55,263	-	2,101,690
Depreciation and amortization	340,287	227,552	197,435	125,944	124,233	238,362	36,088	-	1,289,901

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

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

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

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(b) Segment assets and liabilities as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
H&A	15,702,492	9,525,887	13,785,070	8,683,213
HE	11,720,540	9,695,864	11,000,796	9,828,711
MC	4,742,607	5,867,326	5,442,010	5,943,307
VC	5,458,611	4,951,240	2,811,607	2,952,173
B2B	2,687,321	2,109,753	2,454,799	1,968,554
Innotek	6,125,106	4,086,011	5,877,489	3,926,706
Subtotal¹	46,436,677	36,236,081	41,371,771	33,302,664
Other segments and inter-segment transactions	(1,368,345)	(7,613,721)	(150,812)	(6,755,389)
Total	45,068,332	28,622,360	41,220,959	26,547,275

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

(c) Non-current assets by geographic area as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Non-current assets¹	
	September 30, 2018	December 31, 2017
Geographic areas		
Korea	12,137,551	11,306,773
China	898,441	790,726
Asia	951,717	743,935
North America	669,473	270,944
Europe	1,186,466	267,291
South America	106,990	133,499
Middle East & Africa	94,702	95,508
Russia and others	137,888	142,438
Total	16,183,228	13,751,114

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

(d) There is no external customer contributing to more than 10% of net sales for the nine-month periods ended September 30, 2018 and 2017.

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5. Financial Instruments by Category

(a) Categorizations of financial instruments as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	4,538,314	-	-	-	4,538,314
Deposits held by financial institutions	128,464	-	-	-	128,464
Trade receivables	6,274,473	794,276	-	-	7,068,749
Other receivables	897,444	-	-	-	897,444
Other financial assets	1,729	50,010	24,080	2,863	78,682
Total	11,840,424	844,286	24,080	2,863	12,711,653

<i>(in millions of Korean won)</i>	September 30, 2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	7,926,240	-	-	7,926,240
Borrowings	11,503,883	-	-	11,503,883
Other payables	3,045,011	-	-	3,045,011
Other financial liabilities	-	14,787	53,683	68,470
Liabilities held for sale	856	-	-	856
Total	22,475,990	14,787	53,683	22,544,460

<i>(in millions of Korean won)</i>	December 31, 2017					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Cash and cash equivalents	-	3,350,597	-	-	-	3,350,597
Deposits held by financial institutions	-	133,290	-	-	-	133,290
Trade receivables	-	8,178,213	-	-	-	8,178,213
Other receivables	-	937,643	-	-	-	937,643
Other financial assets	3,534	-	50,998	121	1,862	56,515
Total	3,534	12,599,743	50,998	121	1,862	12,656,258

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<i>(in millions of Korean won)</i>	December 31, 2017			
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	8,137,526	-	8,137,526
Borrowings	-	9,450,480	-	9,450,480
Other payables	-	3,529,329	-	3,529,329
Other financial liabilities	2,166	-	68,724	70,890
Total	2,166	21,117,335	68,724	21,188,225

(b) Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<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	81,459	-	-	-	81,459
Exchange differences	294,524	(6,172)	-	-	288,352
Bad debts expense	(13,595)	-	-	-	(13,595)
Loss on disposal of trade receivables	(4,289)	(10,209)	-	-	(14,498)
Dividend income	-	217	-	-	217
Loss on valuation of financial assets at fair value through profit or loss	-	-	(2,214)	-	(2,214)
Gain on derivatives (through profit or loss)	-	-	58,128	-	58,128
Fair value gain, net of tax (through other comprehensive income)	-	2,013	-	-	2,013
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	104	104
Others	(827)	-	-	-	(827)

<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 expense	(298,186)	-	(8,751)	(306,937)
Exchange differences	(433,713)	-	29,910	(403,803)
Loss on derivatives (through profit or loss)	-	(33,721)	-	(33,721)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(11,317)	(11,317)
Others	(2,827)	-	-	(2,827)

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<i>(in millions of Korean won)</i>	2017					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Other	Total
Interest income	-	72,162	-	2	-	72,164
Exchange differences	-	(360,920)	-	-	-	(360,920)
Bad debts expense	-	(5,142)	-	-	-	(5,142)
Loss on disposal of trade receivables	-	(9,698)	-	-	-	(9,698)
Gain on disposal of available-for-sale financial assets	-	-	5,398	-	-	5,398
Impairment loss on available-for-sale financial assets	-	-	(1,750)	-	-	(1,750)
Dividend income	-	-	248	-	-	248
Gain on derivatives (through profit or loss)	10,671	-	-	-	-	10,671
Loss on valuation of available-for-sale financial assets, net of tax (through other comprehensive income)	-	-	(265)	-	-	(265)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	-	-	2,076	2,076

<i>(in millions of Korean won)</i>	2017			
	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Interest expense	-	(252,898)	(20,113)	(273,011)
Exchange differences	-	411,607	(45,266)	366,341
Loss on derivatives (through profit or loss)	(33,631)	-	-	(33,631)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	16,722	16,722
Others	-	(1,544)	-	(1,544)

6. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018			December 31, 2017		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	7,159,555	(90,806)	7,068,749	8,258,464	(80,251)	8,178,213
Other receivables						
Current	439,249	(12,550)	426,699	480,559	(13,132)	467,427
Non-current	470,808	(63)	470,745	470,792	(576)	470,216

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(b) Movements in allowance for doubtful accounts for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1 ¹	Addition (reversal)	Write-off	Other	At Sep. 30
Trade receivables	78,883	14,625	(3,252)	550	90,806
Other receivables					
Current	13,132	(523)	(138)	79	12,550
Non-current	576	(507)	-	(6)	63

<i>(in millions of Korean won)</i>	2017				
	At Jan. 1	Addition (reversal)	Write-off	Other	At Sep. 30
Trade receivables	86,481	5,800	(15,483)	11,688	88,486
Other receivables					
Current	16,339	(623)	(3)	(247)	15,466
Non-current	115	(35)	-	671	751

¹ Allowance for doubtful accounts as of January 1, 2018 amounting to ₩1,368 million was reclassified from trade receivables to contract assets upon adoption of Korean IFRS 1115.

(c) The aging analysis of trade receivables and other receivables as of September 30, 2018 and December 31, 2017, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2018				December 31, 2017			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	6,275,546	407,516	467,001	7,150,063	7,218,180	454,976	460,392	8,133,548
Past due but not impaired								
Up to 6 months	697,114	18,487	3,029	718,630	912,902	12,135	9,879	934,916
7 to 12 months	81,632	576	175	82,383	25,752	89	519	26,360
Over 1 year	18,934	2,968	603	22,505	16,665	3,186	2	19,853
Subtotal	797,680	22,031	3,807	823,518	955,319	15,410	10,400	981,129
Impaired	86,329	9,702	-	96,031	84,965	10,173	-	95,138
Total	7,159,555	439,249	470,808	8,069,612	8,258,464	480,559	470,792	9,209,815

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

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7. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Other financial assets		
Derivatives	8,768	5,396
Financial assets at fair value through other comprehensive income	50,010	-
Financial assets at fair value through profit or loss	18,175	-
Available-for-sale	-	50,998
Financial assets at amortized cost	1,729	-
Held-to-maturity	-	121
Total	78,682	56,515
Current	6,164	3,534
Non-current	72,518	52,981

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Other financial liabilities		
Derivatives	68,390	70,755
Financial guarantee liabilities	80	135
Total	68,470	70,890
Current	7,100	2,280
Non-current	61,370	68,610

(b) Details of derivatives as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	5,905	7,088	3,534	2,166
Currency swap	142	-	-	-
Subtotal	6,047	7,088	3,534	2,166
Non-current				
Currency swap	190	16,355	-	32,921
Interest rate swap	2,531	42,498	1,862	35,668
Share purchase contract	-	2,449	-	-
Subtotal	2,721	61,302	1,862	68,589
Total	8,768	68,390	5,396	70,755

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

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(c) Financial assets at fair value through other comprehensive income and available-for-sale financial assets

i) Changes in financial assets at fair value through other comprehensive income for the nine-month period ended September 30, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018						At Sep. 30
	At Jan. 1	Increase due to business combination	Acquisition	Disposal	Valuation (OCI)	Other	
Listed equity securities	13,844	7,225	-	-	3,505	(72)	24,502
Unlisted equity securities	21,076	-	5,737	(1,550)	(2,051)	376	23,588
Debt securities	-	1,744	-	-	195	(19)	1,920
Total	34,920	8,969	5,737	(1,550)	1,649	285	50,010

ii) Changes in available-for-sale financial assets for the nine-month period ended September 30, 2017, are as follows:

<i>(in millions of Korean won)</i>	2017						At Sep. 30
	At Jan. 1	Acquisition	Disposal	Valuation (OCI)	Impairment	Other	
Listed equity securities	14,837	-	-	(349)	-	-	14,488
Unlisted equity securities	35,102	3,397	(1,342)	-	(1,750)	(414)	34,993
Total	49,939	3,397	(1,342)	(349)	(1,750)	(414)	49,481

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

<i>(in millions of Korean won)</i>	2018						At Sep. 30
	At Jan. 1	Increase due to business combination	Acquisition	Disposal	Valuation	Other	
Unlisted equity securities	16,078	-	2,567	-	(2,256)	-	16,389
Debt securities	-	1,762	-	-	42	(18)	1,786
Total	16,078	1,762	2,567	-	(2,214)	(18)	18,175

(e) Financial assets at amortized cost and held-to-maturity financial assets

i) Maturity analysis of financial assets at amortized cost as of September 30, 2018 and held-to-maturity financial assets as of December 31, 2017, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Within 1 year	117	-
1 to 5 years	1,612	121
Total	1,729	121

ii) The amount recognized as interest income in relation to financial assets at amortized cost and held-to-maturity financial assets for the nine-month period ended September 30, 2018, is ₩7 million (September 30, 2017: ₩2 million). No impairment losses were

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recognized in relation to financial assets at amortized cost and held-to-maturity financial assets for the nine-month periods ended September 30, 2018 and 2017.

8. Inventories

Inventories as of September 30, 2018 and December 31, 2017, consist of:

<i>(in millions of Korean won)</i>	September 30, 2018			December 31, 2017		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,544,869	(103,634)	3,441,235	3,655,047	(94,935)	3,560,112
Work-in-process	514,382	(13,958)	500,424	386,448	(10,385)	376,063
Raw materials and supplies	2,423,810	(62,105)	2,361,705	1,770,261	(79,070)	1,691,191
Other	284,824	(26,585)	258,239	309,323	(28,252)	281,071
Total	6,767,885	(206,282)	6,561,603	6,121,079	(212,642)	5,908,437

9. Contract Assets and Contract Liabilities

(a) Contract assets as of September 30, 2018 and January 1, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	January 1, 2018
Due from customers	597,987	357,922
(Less: allowance for doubtful accounts)	(2,543)	(1,368)
Right to recover returned products	77,509	77,563
Costs to fulfil contracts and others	156,940	4,461
Total	829,893	438,578
Current	649,273	435,037
Non-current	180,620	3,541

(b) Contract liabilities as of September 30, 2018 and January 1, 2018, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	January 1, 2018
Expected promotional incentives for customers	688,702	501,419
Expected returns from customers	111,998	114,073
Customer loyalty program	49,392	37,755
Rendering of warranty services	55,952	39,766
Due to customers and others	249,503	277,275
Total	1,155,547	970,288
Current	1,133,570	951,362
Non-current	21,977	18,926

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

<i>(in millions of Korean won)</i>	2018
Revenue recognized that was included in the contract liability amount at the beginning of the period:	
Due to customers and others	241,853
Customer loyalty program	2,896
Rendering of warranty services	21,982
Total	266,731
Revenue recognized from performance obligations satisfied in previous periods	1,713

(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 ₩1,139,564 million where they are expected to be satisfied by 2022, at the latest. Also, as a practical expedient, the Group excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

(e) For the nine-month period ended September 30, 2018, the Group recognized an impairment loss amounting to ₩1,152 million in relation to due from customers, and a depreciation and other loss of ₩2,157 million in relation to costs to fulfil a contract.

10. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	11,800,782	11,222,428
Acquisitions	2,047,173	1,816,340
Acquisitions due to business combination	571,775	621
Reclassification to assets held for sale	(3,629)	(371,197)
Disposals and others	(82,397)	(216,981)
Decrease due to transfer of business	(9)	(833)
Depreciation	(1,146,496)	(973,077)
Impairment	(15,385)	(76,881)
Exchange differences	(8,972)	(15,321)
At September 30	13,162,842	11,385,099

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(b) Line items including depreciation for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	974,805	787,570
Selling and marketing expenses	34,284	33,173
Administrative expenses	45,358	46,006
Research and development expenses	69,839	84,593
Service costs	9,268	10,758
Other non-operating expenses	12,942	10,977
Total	1,146,496	973,077

(c) Changes in intangible assets for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	1,854,620	1,571,087
Acquisitions	187,545	163,957
Acquisitions through internal development	365,653	403,207
Acquisitions due to business combination	897,065	-
Reclassification to assets held for sale	(183)	-
Disposals and others	(42,747)	(25,506)
Decrease due to transfer of business	-	(566)
Amortization	(304,165)	(326,812)
Impairment	(28,309)	(7,652)
Exchange differences	(3,818)	238
At September 30	2,925,661	1,777,953

(d) Line items including amortization of intangible assets for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	164,018	176,631
Selling and marketing expenses	16,357	15,600
Administrative expenses	57,630	70,620
Research and development expenses	64,966	62,482
Service costs	1,194	1,479
Total	304,165	326,812

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11. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures

- i) Carrying amounts of investments in associates and joint ventures, as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Associates	5,341,316	5,474,932
Joint ventures	146,342	145,399
Total	5,487,658	5,620,331

- ii) Investments in associates as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018				December 31, 2017			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	5,229,498	(102,332)	5,127,166	679,218	5,448,067	(90,575)	5,357,492
Ericsson-LG Co., Ltd	12,649	44,491	-	44,491	12,649	43,019	(15)	43,004
Hitachi-LG Data Storage Inc.(HLDS)	101,961	22,464	(1,156)	21,308	101,961	1,460	(3,096)	-
Korea Information Certificate Authority Inc.	1,745	5,099	-	5,099	1,745	4,825	-	4,825
LG Fuel Cell Systems Inc.	111,836	27,519	-	27,519	104,658	34,290	-	34,290
SKT Vietnam PTE., Ltd.	72,194	-	-	-	72,194	8	-	-
One-Red, LLC ¹	3,128	2,986	-	2,986	3,128	3,426	-	3,426
Kiwigrid GmbH ¹	13,019	10,308	-	10,308	13,019	11,243	-	11,243
CCP-LGE OWNER, LLC ¹	11,652	11,115	-	11,115	11,652	11,652	-	11,652
ROBOTIS Co., Ltd. ¹	9,000	8,837	-	8,837	9,000	9,000	-	9,000
Acryl Inc.	1,000	999	-	999	-	-	-	-
Robostar Co.,Ltd	82,045	81,488	-	81,488	-	-	-	-
Total	1,099,447	5,444,804	(103,488)	5,341,316	1,009,224	5,566,990	(93,686)	5,474,932

¹ The financial statements as of August 31, 2018 were used due to a different closing date.

- iii) Investments in joint ventures as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018				December 31, 2017			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Holdings(HK) Ltd.	75,693	106,727	-	106,727	75,693	95,632	-	95,632
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	14,718	23,950	(75)	23,875	14,718	34,500	(2)	34,498
EIC PROPERTIES PTE LTD.	9,636	14,709	-	14,709	9,636	14,181	-	14,181
LG-MRI LLC	516	1,031	-	1,031	516	1,094	(6)	1,088
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-
Total	100,563	146,417	(75)	146,342	100,563	145,407	(8)	145,399

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(b) Associates and joint ventures

i) Associates as of September 30, 2018, are as follows:

Name of associate	Location	Closing month	Percentage of ownership	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9%	Production and supply of display products
Ericsson-LG Co., Ltd	Korea	December	25.0%	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0%	Production and supply of data storage products
Korea Information Certificate Authority Inc. ¹	Korea	December	6.5%	Certificate services
LG Fuel Cell Systems Inc.	USA	December	33.5%	R&D of fuel cell
SKT Vietnam PTE., Ltd.	Singapore	December	25.4%	Communication services
One-Red, LLC	USA	March	25.0%	DVD related patent licensing
Kiwigrid GmbH ¹	Germany	December	16.3%	Supply of energy management solutions
CCP-LGE OWNER, LLC ²	USA	December	70.2%	Solar power plant
ROBOTIS Co., Ltd. ¹	Korea	December	10.1%	Production and sales of personal robot
Acryl Inc. ¹	Korea	December	8.2%	Development and sales of software
Robostar Co.,Ltd	Korea	December	30.0%	Production and sales of industrial robot

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

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

ii) Joint ventures as of September 30, 2018, are as follows:

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

Name of joint venture	Location	Closing month	Percentage of ownership	Nature of relationships with the Group
LG Holdings(HK) Ltd.	China	December	49.0%	Real estates
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0%	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.2%	Real estates
LG-MRI LLC	USA	December	50.0%	Production and supply of digital display products
Neolite ZKW Lightings PVT Ltd.	India	March	26.0%	Production and sales of vehicle components

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

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(c) Changes in investments in associates and joint ventures

- i) Changes in the carrying amounts of investments in associates for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Opening carrying amount	5,474,932	4,906,450
Acquisition	90,223	26,679
Gain (loss) from equity method ¹	(139,537)	639,970
Share of other comprehensive loss of associates	(17,110)	(1,992)
Dividend / withdrawal of investment	(67,913)	(81,065)
Exchange differences	503	(111)
Changes in ownership interest over associates	218	5,018
Closing carrying amount	5,341,316	5,494,949

¹ The Group recognized additional equity method gain of ₩1,635 million for loans provided to Hitachi-LG Data Storage Inc. for the nine-month period ended September 30, 2018 (September 30, 2017: equity method gain of ₩6,298 million).

- ii) Changes in the carrying amounts of investments in joint ventures for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Opening carrying amount	145,399	198,108
Gain from equity method	9,403	7,541
Share of other comprehensive loss of joint ventures	(8,166)	(4,406)
Dividend / withdrawal of investment	(321)	(296)
Exchange differences	27	(49)
Closing carrying amount	146,342	200,898

- (d) Summarized financial information of the associates that are material to the reporting entity as of September 30, 2018 and December 31, 2017, and for the three-month and nine-month periods ended September 30, 2018 and 2017, is as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Current assets	9,245,299	10,473,703
Non-current assets	22,874,328	18,685,984
Total assets	32,119,627	29,159,687
Current liabilities	10,143,749	8,978,682
Non-current liabilities	7,283,799	5,199,496
Total liabilities	17,427,548	14,178,178
Equity attributable to the owners of LG Display Co., Ltd.	13,796,840	14,373,482
Non-controlling interests	895,239	608,027
Total equity	14,692,079	14,981,509

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<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Net sales	6,102,363	17,388,775	6,973,095	20,664,143
Profit (loss) for the period	17,508	(332,017)	477,244	1,893,409
Attributable to the owners of LG Display Co., Ltd.				
Profit (loss) for the period	3,421	(353,418)	441,982	1,765,772
Other comprehensive income (loss), net of tax	(155,167)	(44,316)	90,878	(8,546)
Total comprehensive income (loss), net of tax	(151,746)	(397,734)	532,860	1,757,226

The Company received dividends from LG Display Co., Ltd. amounting to ₩67,813 million for the nine-month period ended September 30, 2018 (September 30, 2017: ₩67,813 million).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the nine-month periods ended September 30, 2018 and 2017, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2018	2017
Opening equity attributable to owners of LG Display Co., Ltd.	14,373,482	12,955,997
Profit (loss) for the period	(353,418)	1,765,772
Other comprehensive loss, net of tax	(44,316)	(8,546)
Dividends	(178,908)	(178,908)
Closing equity attributable to owners of LG Display Co., Ltd.	13,796,840	14,534,315
Group ownership (%)	37.9%	37.9%
The Group's share at the end of the reporting period	5,229,498	5,509,027
Unrealized gain	(102,332)	(90,390)
Carrying amount at the end of the reporting period	5,127,166	5,418,637

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- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month and nine-month periods ended September 30, 2018 and 2017, is as follows:

<i>(in millions of Korean won)</i>	2018			
	Associates		Joint ventures	
	Three months	Nine months	Three months	Nine months
Profit (loss) for the period	8,777	7,385	(1,962)	9,468
Other comprehensive loss, net of tax	(293)	(311)	(12,970)	(8,166)
Total comprehensive income (loss), net of tax	8,484	7,074	(14,932)	1,302

<i>(in millions of Korean won)</i>	2017			
	Associates		Joint ventures	
	Three months	Nine months	Three months	Nine months
Profit (loss) for the period	(2,422)	(5,282)	3,449	6,866
Other comprehensive income (loss), net of tax	1,024	728	3,759	(4,418)
Total comprehensive income (loss), net of tax	(1,398)	(4,554)	7,208	2,448

- (g) There are no accumulated unrecognized changes in equity due to discontinued use of the equity method as of September 30, 2018 and December 31, 2017.

- (h) The fair value of marketable investments in associates as of September 30, 2018 and December 31, 2017, are as follows:

	Type	September 30, 2018			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	19,100	2,590,438	5,127,166
Korea Information Certificate Authority Inc.	Associate	2,010,247	4,850	9,750	5,099
Robostar Co.,Ltd	Associate	2,927,735	32,000	93,688	81,488

	Type	December 31, 2017			
		Shares held <i>(Unit: shares)</i>	Price per share <i>(Unit: Korean won)</i>	Fair value <i>(in millions of Korean won)</i>	Book amount
LG Display Co., Ltd.	Associate	135,625,000	29,900	4,055,188	5,357,492
Korea Information Certificate Authority Inc.	Associate	2,010,247	5,670	11,398	4,825

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12. Borrowings

(a) The carrying amounts of borrowings as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Current		
Short-term borrowings	634,039	314,246
Current portion of long-term borrowings	268,019	356,841
Current portion of debentures	1,151,562	689,669
Subtotal	2,053,620	1,360,756
Non-current		
Long-term borrowings	4,127,156	2,864,425
Debentures	5,323,107	5,225,299
Subtotal	9,450,263	8,089,724
Total	11,503,883	9,450,480

(b) Details of borrowings as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at September 30, 2018(%)	Carrying amount	
			September 30, 2018	December 31, 2017
Short-term borrowings in local currency				
Nonghyup Bank and others	-	2.12 ~ 4.14	70,671	31,800
Short-term borrowings in foreign currency				
HSBC and others	-	0.80 ~ 36.23	563,368	282,446
Long-term borrowings in local currency				
Korea Development Bank and others	2030. 8. 1	2.21 ~ 4.00	2,859,168	2,640,901
Long-term borrowings in foreign currency				
HSBC and others	2030. 8. 1	0.75 ~ 14.24	1,536,007	580,365
Local currency notes				
Public, non-guaranteed bonds	2033. 5.28	1.48 ~ 4.44	4,640,000	4,280,000
Private, non-guaranteed bonds	2038. 4. 3	1.95 ~ 4.21	1,130,000	1,060,000
Foreign currency notes				
Private, non-guaranteed bonds	2028. 6. 8	3.04 ~ 4.01	367,191	246,422
Private, guaranteed bonds	2023. 2.24	0.39 ~ 4.00	351,997	342,205
Less: discount on debentures			(14,519)	(13,659)
Total			11,503,883	9,450,480

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

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13. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Present value of funded obligations	3,069,006	2,886,079
Present value of unfunded obligations	47,230	31,192
Subtotal	3,116,236	2,917,271
Fair value of plan assets	(2,491,877)	(2,591,256)
Net defined benefit liabilities¹	624,359	326,015

¹ Net defined benefit assets are included.

(b) The amounts recognized in the consolidated interim statements of profit or loss for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Current service cost	255,076	266,521
Past service cost	(3,873)	26
Net interest cost	7,840	10,802
Operating management cost	2,157	1,837
Total	261,200	279,186

(c) Line items in which expenses are included for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	134,076	146,979
Selling and marketing expenses	41,797	42,950
Administrative expenses	18,526	16,648
Research and development expenses	61,528	67,211
Service costs	5,273	5,398
Total	261,200	279,186

(d) Changes in the present value of defined benefit obligations for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	2,917,271	2,788,431
Current service cost	255,076	266,521
Past service cost	(3,873)	26
Interest expense	64,935	55,783
Remeasurements for:		

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<i>(in millions of Korean won)</i>	2018	2017
- Actuarial loss (gain) arising from changes in financial assumptions	48,233	(58,008)
Benefits paid	(141,098)	(124,244)
Increase due to business combination	15,347	-
Decrease due to plan curtailments and others	(38,066)	-
Reclassification to liabilities held for sale	(1,330)	-
Others	(259)	(356)
At September 30	3,116,236	2,928,153

(e) Changes in the fair value of plan assets for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	2,591,256	2,277,909
Interest income	57,095	44,981
Remeasurements of plan assets	(21,683)	(14,595)
Employer contributions	16,966	6,422
Benefits paid	(112,457)	(94,292)
Operating management cost	(2,157)	(1,837)
Decrease due to plan curtailments and others	(35,147)	-
Reclassification to liabilities held for sale	(1,180)	-
Others	(816)	(106)
At September 30	2,491,877	2,218,482

(f) The principal actuarial assumptions used as of September 30, 2018 and December 31, 2017, are as follows:

	September 30, 2018	December 31, 2017
Weighted average of discount rate of the Group	2.9%	3.1%
Weighted average of expected salary growth rate of the Group	5.0%	5.0%

As of September 30, 2018, the discount rates applied to the Parent Company and subsidiaries are between 0.3%~ 8.8% (December 31, 2017: 0.3%~ 7.5%), and the expected salary growth rates are between 1.0%~10.0% (December 31, 2017: 1.0%~10.0%).

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of September 30, 2018, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(248,334)	286,036
Expected salary growth rate	273,530	(250,823)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in

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principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations.

Defined Contribution Plan

The expense recognized in the nine-month period ended September 30, 2018 in relation to the defined contribution plan was ₩11,965 million (September 30, 2017: ₩9,679 million).

14. Provisions

Changes in provisions for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018				Total
	Warranty	Restoration	Litigation and others		
At January 1¹	652,343	34,133	224,690		911,166
Increase due to business combination	16,039	-	13,711		29,750
Additions	604,432	7,326	32,037		643,795
Utilization	(575,915)	(2,472)	(31,831)		(610,218)
Exchange differences	(3,682)	13	(9,209)		(12,878)
At September 30	693,217	39,000	229,398		961,615
Current	604,096	10,960	18,425		633,481
Non-current	89,121	28,040	210,973		328,134

<i>(in millions of Korean won)</i>	2017				Total
	Warranty	Sales returns	Restoration	Litigation and others	
At January 1	756,509	39,071	24,985	978,700	1,799,265
Additions	735,503	191,718	11,035	84,175	1,022,431
Utilization	(833,677)	(193,977)	(4,456)	(839,954)	(1,872,064)
Exchange differences	(2,499)	(112)	112	197	(2,302)
At September 30	655,836	36,700	31,676	223,118	947,330
Current	596,484	36,700	4,450	7,509	645,143
Non-current	59,352	-	27,226	215,609	302,187

¹ Sales return provision as of January 1, 2018 amounting to ₩36,510 million was reclassified to contract liabilities upon adoption of Korean IFRS 1115.

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15. Paid-in Capital

(a) As of September 30, 2018 and December 31, 2017, the number of shares authorized is 600 million.

	Par value per share	September 30, 2018		December 31, 2017	
		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 in addition to that of ordinary shares. This preferred dividend rate is not applicable to share 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 of September 30, 2018, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

16. Retained Earnings

Retained earnings as of September 30, 2018 and December 31, 2017, consist of:

(in millions of Korean won)	September 30, 2018	December 31, 2017
Legal reserve ¹	182,345	175,054
Discretionary reserve	5,347,638	4,603,535
Unappropriated retained earnings ²	6,740,541	6,185,566
Total	12,270,524	10,964,155

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

² Dividend for the year ended December 31, 2017, of ₩72,885 million was approved at the annual general meeting held on March 16, 2018, and paid in April 2018 (2017 payments: ₩72,885 million).

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17. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as of September 30, 2018 and December 31, 2017, consist of:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Accumulated other comprehensive loss of associates and joint ventures	(217,207)	(196,195)
Cash flow hedge	(37,498)	(26,409)
Financial assets at fair value through other comprehensive income	(5,783)	-
Available-for-sale financial assets	-	9,384
Exchange difference on translation of foreign operations	(1,319,370)	(1,309,258)
Total	(1,579,858)	(1,522,478)

18. Other Components of Equity

Other components of equity as of September 30, 2018 and December 31, 2017, consist of:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
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
Capital transactions within the Group	(176,945)	(176,945)
Total	(209,764)	(209,764)

¹ At the end of the reporting period, the Parent Company has treasury shares consisting of 763,172 ordinary shares (December 31, 2017: 763,172 shares) and 4,692 preferred shares (December 31, 2017: 4,690 shares). The Parent Company intends to either grant these treasury shares to employees and directors as compensation, or sell them in the future.

19. Net Sales

(a) Details of net sales for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Revenue from contracts with customers:				
Sales of goods	15,082,577	44,543,194	14,658,590	43,455,252
Rendering of services	244,327	748,182	254,010	615,692
Royalty income	16,577	53,346	311,540	361,801
Sub-total	15,343,481	45,344,722	15,224,140	44,432,745
Revenue from other sources:				
Rental income and others ¹	83,569	224,680	-	-
Total	15,427,050	45,569,402	15,224,140	44,432,745

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¹ Revenue from other sources for the nine-month period ended September 30, 2017 is included in rendering of services by applying Korean IFRS 1018.

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

(in millions of Korean won)	2018								Total
	H&A	HE	MC	VC	B2B	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	14,783,300	11,632,516	6,269,784	2,888,149	1,803,592	5,008,429	2,958,952	-	45,344,722
Internal sales	32,785	7,469	404	-	2,435	542,787	424,838	(1,010,718)	-
	<u>14,816,085</u>	<u>11,639,985</u>	<u>6,270,188</u>	<u>2,888,149</u>	<u>1,806,027</u>	<u>5,551,216</u>	<u>3,383,790</u>	<u>(1,010,718)</u>	<u>45,344,722</u>
By type of products:									
Refrigerators/ washing machine/ air conditioners and others	12,609,507	-	-	-	-	-	-	(8,897)	12,600,610
TV/monitor/PC and others	-	10,726,072	-	-	-	-	-	(7,292)	10,718,780
Mobile communications	-	-	6,198,468	-	-	-	-	(359)	6,198,109
In-vehicle infotainment	-	-	-	2,146,085	-	-	-	-	2,146,085
Information display	-	-	-	-	1,140,464	-	-	(2,307)	1,138,157
Camera modules	-	-	-	-	-	3,423,124	-	(142,776)	3,280,348
Others	2,206,578	913,913	71,720	742,064	665,563	2,128,092	3,383,790	(849,087)	9,262,633
By major geographical market ¹ :									
Korea	5,220,529	1,717,639	1,113,568	692,522	281,192	5,132,258	3,299,012	(975,420)	16,481,300
North America	3,498,922	2,513,206	3,750,285	729,569	679,371	15,356	211	(288)	11,186,632
Asia	2,539,330	1,524,249	284,371	237,436	290,156	29,072	10	(17,378)	4,887,246
Europe	913,205	2,601,680	402,321	912,166	365,333	14,967	5	(7,784)	5,201,893
South America	637,017	1,635,754	539,540	43,430	62,363	-	356	(8)	2,918,452
Middle East & Africa	794,763	850,997	86,565	1	66,887	-	-	(122)	1,799,091
China	726,506	261,917	62,485	273,025	39,036	359,563	84,196	(9,714)	1,797,014
Russia and others	485,813	534,543	31,053	-	21,689	-	-	(4)	1,073,094
Timing of transfer:									
Transferred at a point in time	14,497,864	11,558,430	6,204,171	2,852,748	1,794,174	5,551,216	1,130,758	(626,648)	42,962,713
Transferred over time	318,221	81,555	66,017	35,401	11,853	-	2,253,032	(384,070)	2,382,009

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

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

Due to the factors causing the changes in costs of VC and other segments in 2018, the estimated total revenue and total costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the nine-month period ended September 30, 2018 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
VC	(1,669)	(3,649)	2,035	(55)
Other segments	134,858	110,621	7,967	16,270
Total	133,189	106,972	10,002	16,215

20. Expenses by Nature

Expenses that are recorded by nature for the three-month and nine-month periods ended September 30, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Changes in finished goods and work-in-process	(300,752)	(98,492)	(584,020)	(829,772)
Raw materials and merchandise used	9,538,929	27,450,844	9,767,336	27,843,843
Employee benefit expense	1,794,733	5,163,120	1,734,248	5,052,044
Depreciation and amortization	500,749	1,438,706	438,263	1,289,901
Advertising expense	326,252	906,894	292,093	844,985
Promotion expense	188,609	547,655	214,669	572,175
Transportation expense	418,184	1,160,229	393,618	1,099,252
Commission expense	775,796	2,289,782	772,412	2,174,715
Other expenses	1,435,761	4,083,089	1,679,428	4,283,912
Total¹	14,678,261	42,941,827	14,708,047	42,331,055

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

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

Details of general operating expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Salaries	758,138	2,189,405	741,108	2,190,326
Post-employment benefits	43,365	132,182	51,361	146,153
Employee benefits	152,460	458,504	156,555	456,190
Transportation expense	413,689	1,148,921	390,053	1,088,019
Rental expense	86,716	272,794	112,595	333,184
Commission expense	568,386	1,655,414	569,769	1,591,960
Depreciation	55,899	159,736	55,345	175,519
Amortization	47,824	140,147	50,757	150,181
Taxes and dues	30,198	97,648	49,574	108,123
Advertising expense	326,252	906,894	292,093	844,985
Promotional expense	188,609	547,655	214,669	572,175
R&D costs	91,809	235,581	50,525	185,296
Direct service costs	184,423	500,168	200,714	563,309
Bad debts expense	(927)	15,777	(13,748)	5,800
Other	170,699	505,429	166,699	506,896
Total	3,117,540	8,966,255	3,088,069	8,918,116

22. Financial Income

Financial income for the three-month and nine-month periods ended September 30, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Interest income	30,601	81,459	26,547	72,164
Exchange differences	87,302	290,517	104,694	311,915
Gain on derivatives	5,618	7,834	459	3,408
Other	1	10	-	-
Total	123,522	379,820	131,700	387,487

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23. Financial Expenses

Financial expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Interest expense	114,053	306,937	91,175	273,011
Exchange differences	92,150	285,486	98,850	327,208
Loss on derivatives	821	4,188	210	441
Loss on disposal of trade receivables	5,319	14,498	3,088	9,698
Other	2,196	3,664	503	1,544
Total	214,539	614,773	193,826	611,902

24. Other Non-operating Income

Other non-operating income for the three-month and nine-month periods ended September 30, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Dividend income	15	217	-	248
Exchange differences	207,848	889,499	231,353	763,653
Gain on derivatives	15,053	50,646	1,605	7,263
Gain on disposal of property, plant and equipment	8,549	25,913	6,644	20,072
Gain on disposal of intangible assets	6	56	-	31
Gain on disposal of assets held for sale	-	25,238	-	3,804
Gain on disposal of available-for-sale financial assets	-	-	15	5,398
Gain on disposal of investments in associates and joint ventures	26	225	-	6,279
Gain on transfer of business	38,789	38,789	-	4,882
Other	4,779	18,679	11,237	28,452
Total	275,065	1,049,262	250,854	840,082

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25. Other Non-operating Expenses

Other non-operating expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018		2017	
	Three months	Nine months	Three months	Nine months
Exchange differences	237,233	997,947	227,472	742,939
Loss on derivatives	12,089	29,885	8,602	33,190
Loss on disposal of property, plant and equipment	9,428	28,238	8,310	19,276
Impairment loss on property, plant and equipment	1,189	15,404	61,930	76,887
Loss on disposal of intangible assets	8,477	23,124	8,922	23,344
Impairment loss on intangible assets	21,981	28,309	5,761	7,652
Loss on valuation of financial assets at fair value through profit or loss	2,214	2,214	-	-
Impairment loss on available-for-sale financial assets	-	-	1,500	1,750
Other	29,881	55,344	32,238	116,313
Total	322,492	1,180,465	354,735	1,021,351

26. Earnings per Share

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

(a) Basic earnings per ordinary share for the three-month and nine-month periods ended September 30, 2018 and 2017, is as follows:

	2018		2017	
	Three months	Nine months	Three months	Nine months
Profit attributable to ordinary shares <i>(in millions of Korean won)</i>	371,064	1,275,247	287,563	1,456,642
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>	2,278	7,829	1,766	8,943

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- (b) Basic earnings per preferred share for the three-month and nine-month periods ended September 30, 2018 and 2017, is as follows:

	2018		2017	
	Three months	Nine months	Three months	Nine months
Profit attributable to preferred shares (in millions of Korean won)	39,354	135,158	30,548	154,293
Weighted average number of preferred shares outstanding (unit: shares)	17,181,300	17,181,300	17,181,300	17,181,300
Basic earnings per preferred share (in Korean won)	2,291	7,867	1,778	8,980

27. Cash Flow Information

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2018 and 2017, are as follows:

- (a) Cash generated from operations

(in millions of Korean won)	2018	2017
Profit for the period	1,553,465	1,686,697
Adjustments:		
Interest expense, net	225,478	200,847
Exchange differences, net	47,778	(240)
Loss (gain) on derivatives, net	(24,407)	22,960
Depreciation	1,146,496	973,077
Amortization	304,165	326,812
Loss on disposal of property, plant and equipment and intangible assets, net	25,393	22,517
Provisions for severance benefits	261,200	279,186
Provisions	643,795	1,022,431
Income tax expense	579,455	663,118
Loss (gain) from equity method	128,499	(653,809)
Other	146,792	183,204
	3,484,644	3,040,103
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	1,354,071	(719,584)
Decrease in other receivables	80,176	80,586
Increase in inventories	(635,412)	(1,284,095)
Increase in contract assets	(204,987)	-
Increase in other assets	(26,339)	(126,580)
Increase (decrease) in trade payables	(304,548)	1,353,512
Increase (decrease) in other payables	(277,904)	219,166
Decrease in provisions	(624,653)	(1,872,064)
Increase in contract liabilities	146,857	-
Increase (decrease) in other liabilities	(746,684)	369,805
Payment of defined benefit liability	(31,560)	(29,952)
Deposit in plan assets, net	(50,221)	(34,971)

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<i>(in millions of Korean won)</i>	2018	2017
	(1,321,204)	(2,044,177)
Cash generated from operations	3,716,905	2,682,623

(b) Changes in liabilities from financing activities

		2018					
		Net cash flow from financing activities	Non-cash transactions			Effects of exchange rate changes	At Sep. 30
<i>(in millions of Korean won)</i>	At Jan. 1		Business combination	Exchange differences (profit/loss)	Amortization		
Short-term borrowings	314,246	146,638	216,114	1,354	-	(44,313)	634,039
Long-term borrowings	3,221,266	890,032	297,802	14,006	50	(27,981)	4,395,175
Debentures	5,914,968	532,822	-	23,665	3,214	-	6,474,669
Total	9,450,480	1,569,492	513,916	39,025	3,264	(72,294)	11,503,883

		2017					
		Net cash flow from financing activities	Non-cash transactions			Effects of exchange rate changes	At Sep. 30
<i>(in millions of Korean won)</i>	At Jan. 1		Exchange differences (profit/loss)	Amortization	Effects of exchange rate changes		
Short-term borrowings	596,541	(260,942)	5,007	-	54,002	394,608	
Long-term borrowings	2,622,708	303,983	(3,220)	-	(19,071)	2,904,400	
Debentures	5,439,762	464,473	(42,928)	3,355	-	5,864,662	
Total	8,659,011	507,514	(41,141)	3,355	34,931	9,163,670	

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2018	2017
Reclassification of construction-in-progress to property, plant and equipment	1,065,658	1,493,526
Reclassification of construction-in-progress to intangible assets	196,168	177,406
Reclassification of current portion of borrowings and debentures	1,043,946	613,553
Other payables to acquire property, plant and equipment	372,199	343,661
Other payables to acquire intangible assets	5,994	6,721

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

- Transfer of OLED T-Con chip design business

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

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

<i>(in millions of Korean won)</i>	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

- Transfer of set-top box business

i) On May 17, 2017, set-top box product business of Home Entertainment segment was transferred to Technicolor SA.

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

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	13,942
Assets of the transferred business:	
Trade receivables and other receivables	4,481
Inventories	3,180
Property, plant and equipment and intangible assets	1,399

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28. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land, buildings and others) with maximum amount of ₩191,752 million (December 31, 2017: ₩189,531 million) and the book amount of pledged assets is ₩224,332 million (December 31, 2017: ₩191,526 million). In addition, the Group provided buildings to Shinhan Bank, which are also provided with land as collateral, in order to guarantee obligations of landlords up to ₩6,480 million (December 31, 2017: ₩9,120 million) and the book amount of pledged assets is ₩1,795 million (December 31, 2017: ₩186 million). Furthermore, financial assets at fair value through other comprehensive income amounting to ₩464 million and financial assets at fair value through profit or loss amounting to ₩1,253 million of certain subsidiaries are also provided as collateral (December 31, 2017: available-for-sale financial assets ₩1,717 million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩328,805 million (December 31, 2017: ₩448,068 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal USD 200 million, EUR 100 million (December 31, 2017: USD 200 million, EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2017: ₩46,000 million). Also, subsidiaries provide joint performance guarantee amounting to ₩87,252 million (December 31, 2017: ₩87,252 million), and payment guarantee for Hitachi-LG Data Storage Inc. (HLDS) amounting to USD 8.8 million (December 31, 2017: USD 10 million).

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

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

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

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29. Commitments

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2017: ₩165,500 million).

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2017: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩376,656 million (December 31, 2017: ₩212,500 million).

Other subsidiaries have overdraft facility agreements with a limit of ₩1,454,657 million (December 31, 2017: ₩1,494,848 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩1,917,182 million (December 31, 2017: ₩1,915,663 million) and has sales agreements for domestic trade receivables with BTMU amounting to ₩500,000 million (December 31, 2017: ₩500,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩695,438 million (December 31, 2017: ₩669,625 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank and others on a revolving basis, for up to USD 677 million (December 31, 2017: USD 641 million), and have sales agreements for trade receivables with a limit of USD 400 million (December 31, 2017: USD 620 million) with BTMU. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with Shinhan Bank and others with a limit of ₩81,000 million (December 31, 2017: ₩84,000 million) in connection with the collection of the trade receivables.

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,160,000 million (December 31, 2017: ₩1,160,000 million) in connection with the payment of trade payables.

In addition, LG Innotek Co., Ltd., a subsidiary, has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and others for up to ₩204,000 million (December 31, 2017: ₩184,000 million) in connection with the payment of trade payables, where under the contracts the vendors of LG Innotek Co., Ltd. can transfer their receivables to these banks.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩70,400 million limit (December 31, 2017: ₩65,400 million) in connection with the payment of trade payables.

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(d) LG Innotek Co., Ltd., a subsidiary, has an agreement for underwriting commercial paper with a limit of ₩30,000 million (December 31, 2017: ₩30,000 million).

In addition, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2017: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩3,552,810 million (December 31, 2017: ₩4,698,230 million).

(f) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Property, plant and equipment	265,870	360,394
Intangible assets	30,939	33,615
Investments in associates and joint ventures	13,151	-
Total	309,960	394,009

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

i) The future aggregate minimum lease payments under non-cancellable operating leases at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Land	337	1,390	743	2,470
Buildings and offices	229,772	334,897	106,744	671,413
Vehicles	24,851	22,557	-	47,408
Equipment and others	20,129	15,404	-	35,533
Total	275,089	374,248	107,487	756,824

ii) Under the above operating lease agreement, lease expense recognized in the consolidated interim statement of profit or loss for the nine-month period ended September 30, 2018, is ₩241,069 million (September 30, 2017: ₩266,653 million).

iii) As of September 30, 2018, total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to ₩9,927 million and lease income recognized under the sublease agreements for the nine-month period ended September 30, 2018, amounts to ₩6,076 million (September 30, 2017: ₩7,146 million).

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

i) The Group has non-cancellable operating lease agreements regarding healthcare rental business that lends water purifiers and others to customers and real estate rentals business. The future aggregate lease receipts under operating lease agreements at the

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end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018			
	Within 1 year	1 to 5 years	Over 5 years	Total lease payments
Healthcare rental	362,434	676,769	-	1,039,203
Real estate rental	902	2,910	-	3,812
Total	363,336	679,679	-	1,043,015

- ii) The Group recognized ₩205,716 million (September 30, 2017: ₩111,769 million) of lease income for the nine-month period ended September 30, 2018.

- (i) Finance lease commitments – the Group as a lessee

At the end of the reporting period, the Group has entered into a finance lease agreement for vehicle lease and has recognized related assets and liabilities in the consolidated interim statements of financial position. Net book amount of the leased assets amounts to ₩11,920 million, and the present value of the finance lease liabilities amounts to ₩11,765 million.

As of September 30, 2018 and December 31, 2017, future minimum lease payments under the finance lease agreement are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018		December 31, 2017	
	Minimum lease payments	PV of minimum lease payments	Minimum lease payments	PV of minimum lease payments
Within 1 year	2,643	2,363	708	665
1 to 5 years	3,626	2,728	304	292
Over 5 years	7,928	6,674	-	-
Total	14,197	11,765	1,012	957

- (j) Trademark license commitments

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

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

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30. Related Party

(a) Major transactions for the nine-month periods ended September 30, 2018 and 2017, and balances of receivables and payables from transaction with related parties as of September 30, 2018 and December 31, 2017, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	1,879	-	1,879	489	120,808	121,297
Associates	LG Display Co., Ltd. and its subsidiaries	1,426,808	25,908	1,452,716	3,122,613	9,162	3,131,775
	Ericsson-LG Co., Ltd. and its subsidiaries	1,417	45	1,462	2,552	-	2,552
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	563	161	724	82,494	255	82,749
	LG Fuel Cell Systems Inc. and its subsidiaries	2,878	-	2,878	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	2	2
	Subtotal	1,431,666	26,114	1,457,780	3,207,659	9,419	3,217,078
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	54,611	-	54,611	52,704	-	52,704
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	1,757	1,757
	EIC PROPERTIES PTE LTD.	-	-	-	-	580	580
	LG-MRI LLC	1,489	-	1,489	36,064	-	36,064
	Subtotal	56,100	-	56,100	88,768	2,337	91,105
Other related parties	LG CNS Co., Ltd. and its subsidiaries	89,808	71	89,879	102,500	342,513	445,013
	SERVEONE Co., Ltd. and its subsidiaries	66,092	7,576	73,668	748,284	513,120	1,261,404
	LB Lusem CO., LTD. ²	6,114	-	6,114	205	1	206
	LG Management Development Institute	-	-	-	96	21,891	21,987
	LG SPORTS Ltd.	13	19	32	-	9,334	9,334
	LG MMA Ltd.	26	-	26	315	10	325
	LG Holdings Japan Co., Ltd.	13	-	13	-	2,393	2,393
	LG Corp. U.S.A.	980	-	980	-	-	-
	Subtotal	163,046	7,666	170,712	851,400	889,262	1,740,662
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	1,277,527	50,105	1,327,632	735,072	1,438	736,510
	LG INTERNATIONAL CORP and its subsidiaries	69,797	1,377	71,174	2,023,233	1,464,222	3,487,455
	LG Uplus Corp and its subsidiaries	488,646	86	488,732	39,145	5,874	45,019
	LG HAUSYS,LTD. and its subsidiaries and associates	10,812	263	11,075	6,538	6	6,544
	Silicon Works Co., Ltd.	19,261	47,450	66,711	6,444	1,042	7,486
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,791	5	3,796	307	729	1,036

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		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	G IIR Inc. and its subsidiaries	4,189	12	4,201	125	268,730	268,855
	Subtotal	1,874,023	99,298	1,973,321	2,810,864	1,742,041	4,552,905
	Total	3,526,714	133,078	3,659,792	6,959,180	2,763,867	9,723,047

(in millions of Korean won)

		2017					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	1,429	14	1,443	310	122,372	122,682
Associates	LG Display Co., Ltd. and its subsidiaries	1,304,060	-	1,304,060	3,958,761	13,933	3,972,694
	Ericsson-LG Co., Ltd. and its subsidiaries	5,793	-	5,793	2,965	-	2,965
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	969	174	1,143	101,003	9,339	110,342
	LG Fuel Cell Systems Inc. and its subsidiaries	2,188	473	2,661	-	-	-
	Korea Information Certificate Authority Inc.	-	-	-	-	14	14
	Subtotal	1,313,010	647	1,313,657	4,062,729	23,286	4,086,015
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	62,287	-	62,287	61,448	2	61,450
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	1,956	1,956
	EIC PROPERTIES PTE LTD.	-	-	-	-	575	575
	LG-MRI LLC	360	-	360	16,880	-	16,880
	Subtotal	62,647	-	62,647	78,328	2,533	80,861
Other related parties	LG CNS Co., Ltd. and its subsidiaries	57,356	-	57,356	89,059	334,456	423,515
	SERVEONE Co., Ltd. and its subsidiaries	119,138	-	119,138	836,130	336,809	1,172,939
	LUSEM CO., LTD. ²	33,699	-	33,699	1,346	23	1,369
	LG Management Development Institute	35	-	35	153	21,262	21,415
	LG SPORTS Ltd.	19	-	19	-	9,690	9,690
	LG MMA Ltd.	1,370	-	1,370	98	-	98
	LG Holdings Japan Co., Ltd.	14	-	14	-	2,667	2,667
	LG Corp. U.S.A.	-	84,809	84,809	-	-	-
	Subtotal	211,631	84,809	296,440	926,786	704,907	1,631,693
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	531,104	2,065	533,169	706,615	2,806	709,421
	LG INTERNATIONAL CORP and its subsidiaries	126,239	-	126,239	2,594,204	1,317,490	3,911,694
	LG Uplus Corp and its subsidiaries	584,208	-	584,208	43,748	4,859	48,607
	LG HAUSYS,LTD. and its subsidiaries and associates	31,560	-	31,560	23,214	253	23,467
	Silicon Works Co., Ltd.	9,195	-	9,195	9,371	-	9,371
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,388	-	3,388	211	439	650
	G IIR Inc. and its subsidiaries	2,155	-	2,155	3,737	239,657	243,394
	SK Siltron Co., Ltd. and its subsidiaries ³	6,261	-	6,261	28	-	28

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		2017					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	Subtotal	1,294,110	2,065	1,296,175	3,381,128	1,565,504	4,946,632
	Total	2,882,827	87,535	2,970,362	8,449,281	2,418,602	10,867,883

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

² 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.

³ All shares of LG Siltron Incorporated were sold to SK Holdings Co., Ltd. on August 17, 2017, and the name of LG Siltron Incorporated was changed to SK Siltron Co., Ltd.

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

(in millions of Korean won)

		September 30, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	42	-	28,849	28,891	-	-	3,268	3,268
Associates	LG Display Co., Ltd. and its subsidiaries	356,353	-	214,324	570,677	571,134	-	84,416	655,550
	Ericsson-LG Co., Ltd. and its subsidiaries	12	-	3	15	806	-	-	806
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries ²	175	7,028	3	7,206	26,837	-	334	27,171
	LG Fuel Cell Systems Inc. and its subsidiaries	744	-	163	907	-	-	1	1
	Subtotal	357,284	7,028	214,493	578,805	598,777	-	84,751	683,528
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	5,164	-	-	5,164	4,000	-	-	4,000
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,295	1,295
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	61	61
	LG-MRI LLC	1,429	-	-	1,429	6,965	-	106	7,071
	Subtotal	6,593	-	-	6,593	10,965	-	1,462	12,427
Other related parties	LG CNS Co., Ltd. and its subsidiaries	42,294	-	2,427	44,721	6,040	-	116,857	122,897
	SERVEONE Co., Ltd. and its subsidiaries	15,141	-	67,514	82,655	350,888	-	144,359	495,247
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,691	1,691
	LG SPORTS Ltd.	1	-	-	1	-	-	697	697
	LG MMA Ltd.	14	-	-	14	72	-	21	93
	LG Holdings Japan Co., Ltd.	-	-	3,434	3,434	-	-	-	-
	LG Corp. U.S.A.	-	-	9,805	9,805	-	-	-	-
	Subtotal	57,450	-	101,044	158,494	357,000	-	263,625	620,625
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	453,827	-	236,512	690,339	188,575	-	108,407	296,982
	LG INTERNATIONAL CORP and its subsidiaries	20,560	-	4,728	25,288	684,703	-	294,552	979,255
	LG Uplus Corp and its subsidiaries	47,768	-	108	47,876	-	-	149	149

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		September 30, 2018							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG HAUSYS,LTD. and its subsidiaries and associates	10,030	-	3,004	13,034	397	-	591	988
	Silicon Works Co., Ltd.	6,925	-	-	6,925	1,625	-	1,551	3,176
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	27	-	1,426	1,453	33	-	754	787
	G IIR Inc. and its subsidiaries	241	-	425	666	243	-	179,186	179,429
	Subtotal	539,378	-	246,203	785,581	875,576	-	585,190	1,460,766
	Total	960,747	7,028	590,589	1,558,364	1,842,318	-	938,296	2,780,614

(in millions of Korean won)

		December 31, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the Group	LG Corp.	39	-	26,634	26,673	-	-	13,196	13,196
Associates	LG Display Co., Ltd. and its subsidiaries	623,699	-	17,315	641,014	1,053,036	-	104,156	1,157,192
	Ericsson-LG Co., Ltd. and its subsidiaries	316	-	202	518	1,302	-	-	1,302
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries ²	33	13,347	1,625	15,005	21,589	-	237	21,826
	LG Fuel Cell Systems Inc. and its subsidiaries	1,201	-	-	1,201	-	-	5	5
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	7	7
	Subtotal	625,249	13,347	19,142	657,738	1,075,927	-	104,405	1,180,332
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	6,811	-	-	6,811	2,548	-	-	2,548
	LG Holdings (HK) Ltd. and its subsidiaries	-	-	-	-	-	-	1,329	1,329
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	64	64
	LG-MRI LLC	248	-	-	248	3,871	-	214	4,085
	Subtotal	7,059	-	-	7,059	6,419	-	1,607	8,026
Other related parties	LG CNS Co., Ltd. and its subsidiaries	21,674	-	2,430	24,104	4,355	-	165,793	170,148
	SERVEONE Co., Ltd. and its subsidiaries	92,615	-	66,627	159,242	294,980	-	224,411	519,391
	LUSEM CO., LTD. ³	16,151	-	-	16,151	244	-	46	290
	LG Management Development Institute	-	-	17,864	17,864	-	-	1,609	1,609
	LG SPORTS Ltd.	-	-	-	-	-	-	1,952	1,952
	LG MMA Ltd.	423	-	-	423	18	-	9	27
	LG Holdings Japan Co., Ltd.	-	-	3,321	3,321	-	-	-	-
	LG Corp. U.S.A.	-	-	12,534	12,534	-	-	-	-
	Subtotal	130,863	-	102,776	233,639	299,597	-	393,820	693,417
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	317,285	-	7,964	325,249	328,823	-	88,265	417,088
	LG INTERNATIONAL CORP and its subsidiaries	28,245	-	28,352	56,597	599,376	-	266,176	865,552
	LG Uplus Corp and its subsidiaries	53,778	-	458	54,236	3,550	-	911	4,461

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		December 31, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG HAUSYS,LTD. and its subsidiaries and associates	18,932	-	169	19,101	4,548	-	4,098	8,646
	Silicon Works Co., Ltd.	6,312	-	-	6,312	2,181	-	852	3,033
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,048	-	-	2,048	30	-	1,431	1,461
	G I I R Inc. and its subsidiaries	339	-	2,365	2,704	6,491	-	247,555	254,046
	Subtotal	426,939	-	39,308	466,247	944,999	-	609,288	1,554,287
	Total	1,190,149	13,347	187,860	1,391,356	2,326,942	-	1,122,316	3,449,258

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

² Excess equity method loss of ₩1,635 million relating to Hitachi-LG Data Storage Inc. was deducted from loans as of December 31, 2017.

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.

iii) Significant capital transactions with related parties and others for the nine-month periods ended September 30, 2018 and 2017, are as follows:

(in millions of Korean won)

		2018						
Classification	Name	Dividend income	Dividend paid	Cash distribution	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	-	-	7,238	-	-
Associates and joint ventures	LG Fuel Cell Systems Inc.	-	-	7,178	-	-	-	-
	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	LG-MRI LLC	321	-	-	-	-	-	-
	Subtotal	68,234	-	7,178	-	7,238	-	-
	Total	68,234	22,038	7,178	-	7,238	-	-

(in millions of Korean won)

		2017						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	22,038	-	-	-	-	-
	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS)	-	-	-	-	7,413	-	-

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Classification	Name	2017						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
	LG Fuel Cell Systems Inc.	-	-	13,660	-	13,593	-	-
	Ericsson-LG Co., Ltd. and its subsidiaries	-	-	(12,500)	-	-	-	-
	Subtotal	67,927	-	1,160	-	21,006	-	-
	Total	67,927	22,038	1,160	-	21,006	-	-

- (b) The compensation paid or payable to key management personnel for the nine-month periods ended September 30, 2018 and 2017, consists of:

(in millions of Korean won)	2018	2017
Salaries and other short-term employee benefits	16,175	13,193
Post-employment benefits	2,833	3,529
Other long-term benefits	84	102
Total	19,092	16,824

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

- (c) The Group provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 8.8 million at the end of the reporting period.
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

31. Risk Management

Financial Risk Management

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

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

The Group anticipatively and systematically manages the financial risks over global business activities through its four regional treasury centers in New Jersey (United States), Amsterdam (Netherlands), Beijing (China), and Singapore in coordination with Finance Division in the Parent

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Company. And it also helps to improve overseas subsidiaries' business competitiveness by performing integration of their finance functions.

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

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

(a) Market risk

i) Foreign exchange risk

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

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

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

As of September 30, 2018 and December 31, 2017, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	September 30, 2018		December 31, 2017	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(11,804)	11,804	38,886	(38,886)
EUR/KRW	29,170	(29,170)	19,998	(19,998)

ii) Interest rate risk

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

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The Group minimizes its borrowings from others and optimizes its deposits by expanding internal finance sharing. The Group periodically establishes the plan for reaction by the monitoring trends of internal and external interest rates and minimizes the risk of net interest expense by properly operating short-term borrowings with variable interest rates and deposits.

If interest rates fluctuate by 1%p without other variables changing, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the nine-month periods ended September 30, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	32,731	(32,731)	25,158	(25,158)
Interest expenses	4,236	(4,236)	3,420	(3,420)

iii) Details of derivative contracts are as follows:

Hedging purposes

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
Cross-currency swap	Shinhan Bank and others	USD 730 (USD/KRW)	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2013. 7.31 ~ 2018. 6. 8	2019. 1.31 ~ 2028. 6. 8	227	16,280
	Commerzbank and others	CZK 938 (EUR/CZK)	25.7 ~ 26.3	1.48	2018. 2.28 ~ 2018. 7. 2	2018.10. 1 ~ 2019.12. 2	105	75
Interest rate swap	Woori Bank and others	KRW 1,270,000 / EUR 106 / USD 155	-	1.00 ~ 4.53	2012. 2. 3 ~ 2018. 5.24	2019. 9.30 ~ 2030. 7. 7	2,531	37,248

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

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	Borrowings	810,254	(12,645)	(14,363)
Interest rate swap	Borrowings	1,570,937	8,527	(23,259)

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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)
Cross-currency swap	12,645	Interest expense and exchange differences	(22,976)	(10,331)
Interest rate swap	(8,527)	Interest expense	7,645	(882)

Trading purposes

The Group entered into the currency forward contracts and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. The subsidiaries' currency forward contracts and the interest rate swap contracts as of September 30, 2018, and related profit or loss for the nine-month period ended September 30, 2018, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Gain (loss) on valuation	Gain on transaction
Currency forward	678,555	699,980	(1,187)	25,141
Interest rate swap	-	-	185	5

The Group entered into a contract to additionally purchase shares of Robostar Co.,Ltd. in December 2019 at the average price of immediate four months with a 25% mark up. In relation to this share purchase contract, the Group recognized derivative liabilities amounting to ₩ 2,713 million at the time of acquisition of Robostar Co.,Ltd. and recognized gain on valuation of derivatives amounting to ₩ 264 million during the nine-month period ended September 30, 2018.

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2018		December 31, 2017	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,671	(3,671)	3,095	(3,095)
Austrian Traded Index	3,277	(3,277)	-	-

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The valuation and the reclassification of the financial assets at fair value through other comprehensive income and available-for-sale financial assets related to the market risk above are presented in Note 7.

(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Group is ₩7,159,555 million (December 31, 2017: ₩8,258,464 million) and its risk is managed appropriately within insurer's credit limit of ₩26,399,777 million (December 31, 2017: ₩28,176,815 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

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

(c) Liquidity risk

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

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

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

- i) Cash flow information on maturity of financial liabilities as of September 30, 2018, are 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	7,926,240	7,926,240	-	-	-
Borrowings	13,254,295	2,445,213	1,470,650	4,485,314	4,853,118
Other payables	3,047,443	3,028,879	9,213	1,423	7,928
Other financial liabilities	25,489	7,088	13,151	-	5,250

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<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Liabilities held for sale	856	856	-	-	-
Total	24,254,323	13,408,276	1,493,014	4,486,737	4,866,296

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩7,088 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	55,736	48,782	4,173	2,781	-

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

Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2018	December 31, 2017
Liability (A)	28,622,360	26,547,275
Equity (B)	16,445,972	14,673,684
Cash and cash equivalents (C)	4,538,314	3,350,597
Borrowings (D)	11,503,883	9,450,480
Debt-to-equity ratio (A/B)	174.0%	180.9%
Net borrowings ratio ((D-C)/B)	42.4%	41.6%

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Fair Value Estimation

(a) The book amount and fair value of the Group's financial assets and liabilities as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 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	5,905	5,905	18,175	1
Financial assets at fair value through other comprehensive income				
Trade receivables	794,276	1	-	-
Other financial assets				
Listed equity securities	-	-	24,502	24,502
Unlisted equity securities	-	-	25,508	1
Derivatives for hedging purposes				
Other financial assets	142	142	2,721	2,721
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	4,538,314	1	-	-
Deposits held by financial institutions	80,516	1	47,948	47,948
Trade receivables	6,274,473	1	-	-
Other receivables	426,699	1	470,745	444,435
Other financial assets	117	1	1,612	1
Total	12,120,442		591,211	

<i>(in millions of Korean won)</i>	September 30, 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	7,088	7,088	7,699	7,699
Derivatives for hedging purposes				
Other financial liabilities	-	-	53,603	53,603
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	7,926,240	1	-	-
Borrowings	2,053,620	1	9,450,263	9,536,963
Other payables	3,028,617	1	16,394	16,336
Liabilities held for sale	856	1	-	-
Other liabilities				
Other financial liabilities	12	2	68	2
Total	13,016,433		9,528,027	

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<i>(in millions of Korean won)</i>	December 31, 2017			
	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	3,534	3,534	-	-
Derivatives for hedging purposes				
Other financial assets	-	-	1,862	1,862
Available-for-sale financial assets				
Other financial assets	-	-	13,844	13,844
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	3,350,597	1	-	-
Deposits held by financial institutions	80,515	1	52,775	52,775
Trade receivables	8,178,213	1	-	-
Other receivables	467,427	1	470,216	451,855
Held-to-maturity financial assets				
Other financial assets	-	-	121	1
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	37,154	3
Total	12,080,286		575,972	

<i>(in millions of Korean won)</i>	December 31, 2017			
	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	2,166	2,166	-	-
Derivatives for hedging purposes				
Other financial liabilities	-	-	68,589	68,589
Liabilities at amortized cost				
Trade payables	8,137,526	1	-	-
Borrowings	1,360,756	1	8,089,724	8,076,497
Other payables	3,522,839	1	6,490	6,496
Other liabilities				
Other financial liabilities	114	4	21	4
Total	13,023,401		8,164,824	

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

² 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*.

³ Unlisted equity securities are calculated at cost because the variability in the range of the estimated future cash flows is significant and the probabilities of the various estimates within the range cannot be

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reasonably assessed.

- ⁴ Measured at the higher of the amount determined in accordance with Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and the amount initially recognized less cumulative amortization recognized in accordance with Korean IFRS 1018 *Revenue*.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

- Level 3: When financial instruments are measured by using a discounted cash flow, if one or more of the significant inputs are unobservable market data, the instrument is included in 'level 3'. 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 Group is the closing price at the end of the reporting period. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily equity investments classified as financial assets at fair value through other comprehensive income and available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques that the Group develops or figures that external valuation agencies provide, and makes judgements based on current market conditions. These valuation techniques maximize the use of observable

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market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	24,502	-	-	24,502
Financial assets at fair value through profit or loss	-	5,905	-	5,905
Derivatives for hedging purposes	-	2,863	-	2,863
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	14,787	-	14,787
Derivatives for hedging purposes	-	53,603	-	53,603
<i>(in millions of Korean won)</i>	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Available-for-sale financial assets				
- Listed equity securities	13,844	-	-	13,844
Financial assets at fair value through profit or loss	-	3,534	-	3,534
Derivatives for hedging purposes	-	1,862	-	1,862
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives for hedging purposes	-	2,166	-	2,166
Derivatives for hedging purposes	-	68,589	-	68,589

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 of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2018	December 31, 2017		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	5,905	3,534	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	2,863	1,862	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	14,787	2,166	Discounted cash flow	Discount rate, exchange rate and share price
Derivatives for hedging purposes	53,603	68,589	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 of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	47,948	47,948
Non-current other receivables	-	-	444,435	444,435
Liabilities				
Non-current borrowings	-	-	9,536,963	9,536,963
Non-current other payables	-	-	16,336	16,336

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<i>(in millions of Korean won)</i>	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	52,775	52,775
Non-current other receivables	-	-	451,855	451,855
Liabilities				
Non-current borrowings	-	-	8,076,497	8,076,497
Non-current other payables	-	-	6,496	6,496

- 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 of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018		December 31, 2017		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	47,948	47,948	52,775	52,775	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.9%
Non-current other receivables	470,745	444,435	470,216	451,855	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.4% ~ 3.9%
Liabilities								
Non-current borrowings	9,450,263	9,536,963	8,089,724	8,076,497	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.9% ~ 4.0%
Non-current other payables	16,394	16,336	6,490	6,496	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.0% ~ 3.3%

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32. Business Combinations

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

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

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	979,108
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	241,079
Trade receivables ¹	189,572
Other receivables ¹	28,118
Inventories	152,472
Other assets	182,918
Non-current assets	
Property, plant and equipment	571,775
Intangibles assets	354,719
Other receivables ¹	2,107
Other assets	254,969
Current liabilities	
Trade and other payables	201,785
Borrowings	216,114
Other liabilities	202,933
Non-current liabilities	
Borrowings	297,802
Other liabilities	202,332
Fair value of total identifiable net assets	856,763
Non-controlling interest²	420,001
Goodwill³	542,346

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

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

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

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

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Net sales and profit of ZKW Holdings, its subsidiaries and related entities for the period from the acquisition date, August 3, 2018, to September 30, 2018 included in the consolidated interim statements of profit or loss are ₩284,426 million and ₩12,722 million, respectively. Net sales and profit for the current reporting period as though the acquisition date had been as of the beginning of the annual reporting period are as follows:

<i>(in millions of Korean won)</i>	Before adjustments	Adjustments	After adjustments
Net sales	45,569,402	1,033,654	46,603,056
Profit for the period	1,553,465	54,944	1,608,409

- (b) On July 1, 2017, the Group acquired R&D institutions in Japan from LG Chem, Ltd. and LG Display Co., Ltd. in order to create synergy effects by integrating R&D base in Japan.

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

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	1,378
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Other assets	4
Non-current assets	
Property, plant and equipment	621
Other receivables ¹	753
Fair value of total identifiable net assets	1,378
Goodwill	-

¹ The fair value of above other receivables is the same as the contractual amount in gross.

The acquisition-related direct costs incurred in relation to business combination amounting to ₩10 million was recognized as expenses as incurred.

33. Assets and Liabilities Classified as Held for Sale

- (a) Details of assets and liabilities classified as held for sale as of September 30, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Assets held for sale		
Inventories	2,175	-
Property, plant and equipment	3,629	21,436
Intangible assets	183	-
Other assets	75	-
Total	6,062	21,436

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<i>(in millions of Korean won)</i>	September 30, 2018	December 31, 2017
Liabilities held for sale		
Other payables	856	-
Provisions	80	-
Other liabilities	54	-
Net defined benefit liabilities	150	-
Total	1,140	-

At the end of the reporting period, sales procedure of the assets and liabilities is in progress and the sale is expected to be completed by 2018.

- (b) Assets held for sale were measured at fair value less costs to sell before the reclassification, however, in relation to this no impairment loss was recognized.