

LG Electronics Inc.

Separate Interim Financial Statements

March 31, 2018 and 2017

LG Electronics Inc.

Index

March 31, 2018 and 2017

	Page(s)
Report on Review of Interim Financial Statements	1 - 2
Separate Interim Financial Statements	
Separate Interim Statements of Financial Position	3
Separate Interim Statements of Profit or Loss	4
Separate Interim Statements of Comprehensive Income.....	5
Separate Interim Statements of Changes in Equity	6
Separate Interim Statements of Cash Flows.....	7
Notes to the Separate Interim Financial Statements	8 – 67



Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of LG Electronics Inc. (referred to as the "Company"). These financial statements consist of the separate interim statement of financial position of the Company as of March 31, 2018, and the related separate interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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 separate interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

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

May 15, 2018
Seoul, Korea

This report is effective as of May 15, 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 separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics Inc.
Separate Interim Statements of Financial Position
March 31, 2018 and December 31, 2017

<i>(in millions of Korean won)</i>	Notes	March 31, 2018 (Unaudited)	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	4,30	1,356,281	1,586,258
Deposits held by financial institutions	4,30	80,500	80,500
Trade receivables	4,5,30	4,994,214	5,612,250
Loans and other receivables	4,5,30	483,416	472,794
Inventories	7	1,545,977	1,343,666
Current income tax assets		-	1,455
Contract assets	8	455,859	-
Other current assets		414,062	412,902
Assets held for sale	31	12,316	6,070
		<u>9,342,625</u>	<u>9,515,895</u>
Non-current assets			
Deposits held by financial institutions	4,30	2,649	1,785
Loans and other receivables	4,5,30	282,439	292,123
Other financial assets	4,6,30	37,823	33,945
Property, plant and equipment	9	7,115,511	7,142,306
Intangible assets	9	1,517,320	1,474,201
Deferred income tax assets		857,157	973,957
Investments in subsidiaries, associates and joint ventures	10	8,065,551	8,066,087
Investment properties		94,980	95,307
Contract assets	8	5,477	-
Other non-current assets		547,543	564,175
		<u>18,526,450</u>	<u>18,643,886</u>
Total assets		<u>27,869,075</u>	<u>28,159,781</u>
Liabilities			
Current liabilities			
Trade payables	4,30	5,887,181	6,126,168
Borrowings	4,11,30	913,467	767,666
Other payables	4,30	2,151,412	2,351,601
Other financial liabilities	4,6,30	16,317	6,985
Provisions	13	312,486	316,235
Contract liabilities	8	405,128	-
Other current liabilities		1,323,618	1,907,269
		<u>11,009,609</u>	<u>11,475,924</u>
Non-current liabilities			
Borrowings	4,11,30	6,512,588	6,674,174
Other payables	4,30	12,364	215
Other financial liabilities	4,6,30	58,043	69,892
Net defined benefit liabilities	12	268,550	220,610
Provisions	13	109,216	91,763
Contract liabilities	8	1,108	-
Other non-current liabilities		83,722	82,346
		<u>7,045,591</u>	<u>7,139,000</u>
Total liabilities		<u>18,055,200</u>	<u>18,614,924</u>
Equity			
Paid-in capital:	14		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	15	5,874,241	5,602,967
Accumulated other comprehensive income (loss)	16	(19,895)	(17,639)
Other components of equity	17	(32,819)	(32,819)
		<u>9,813,875</u>	<u>9,544,857</u>
Total equity		<u>9,813,875</u>	<u>9,544,857</u>
Total liabilities and equity		<u>27,869,075</u>	<u>28,159,781</u>

LG Electronics Inc.**Separate Interim Statements of Profit or Loss****Three-Month Periods Ended March 31, 2018 and 2017**

<i>(in millions of Korean won, except per share amounts)</i>	Notes	Three-Month Period Ended March 31	
		2018 (Unaudited)	2017 (Unaudited)
Net sales	18	7,668,081	7,704,231
Cost of sales	19	5,911,404	6,034,974
Gross profit		1,756,677	1,669,257
Selling and marketing expenses	19,20	652,461	628,667
Administrative expenses	19,20	126,449	141,447
Research and development expenses	19,20	423,188	472,272
Service costs	19,20	113,475	129,577
Operating profit		441,104	297,294
Financial income	21	60,240	53,490
Financial expenses	22	114,726	139,230
Other non-operating income	23	208,051	387,826
Other non-operating expenses	24	138,404	231,548
Profit before income tax		456,265	367,832
Income tax expense		133,616	69,632
Profit for the period		322,649	298,200
Earnings per share during the period (in Korean won)	25		
Earnings per ordinary share		1,791	1,655
Earnings per preferred share		1,803	1,667

LG Electronics Inc.
Separate Interim Statements of Comprehensive Income
Three-Month Periods Ended March 31, 2018 and 2017

<i>(in millions of Korean won)</i>	Notes	Three-Month Period Ended March 31	
		2018 (Unaudited)	2017 (Unaudited)
Profit for the period		322,649	298,200
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	12	9,680	7,308
Financial assets at fair value through other comprehensive income	6	1,584	-
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Cash flow hedges	30	4,449	6,098
Available-for-sale financial assets	6	-	(474)
Other comprehensive income for the period, net of tax		15,713	12,932
Total comprehensive income for the period, net of tax		338,362	311,132

LG Electronics Inc.

Separate Interim Statements of Changes in Equity

Three-Month Periods Ended March 31, 2018 and 2017

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other Components of Equity	Total Equity
Balance at January 1, 2017		3,992,348	4,851,573	(45,650)	(32,819)	8,765,452
Total comprehensive income:						
Profit for the period		-	298,200	-	-	298,200
Remeasurements of the net defined benefit liability	12	-	7,308	-	-	7,308
Cash flow hedges	30	-	-	6,098	-	6,098
Available-for-sale financial assets	6	-	-	(474)	-	(474)
Total comprehensive income		-	305,508	5,624	-	311,132
Transactions with owners:						
Dividends	15	-	(72,885)	-	-	(72,885)
Total transactions with owners		-	(72,885)	-	-	(72,885)
Balance at March 31, 2017 (Unaudited)		3,992,348	5,084,196	(40,026)	(32,819)	9,003,699
Balance at January 1, 2018		3,992,348	5,602,967	(17,639)	(32,819)	9,544,857
Changes in accounting policy	2	-	11,830	(8,289)	-	3,541
Restated total equity		3,992,348	5,614,797	(25,928)	(32,819)	9,548,398
Total comprehensive income:						
Profit for the period		-	322,649	-	-	322,649
Remeasurements of the net defined benefit liability	12	-	9,680	-	-	9,680
Financial assets at fair value through other comprehensive income	6	-	-	1,584	-	1,584
Cash flow hedges	30	-	-	4,449	-	4,449
Total comprehensive income:		-	332,329	6,033	-	338,362
Transactions with owners:						
Dividends	15	-	(72,885)	-	-	(72,885)
Total transactions with owners		-	(72,885)	-	-	(72,885)
Balance at March 31, 2018 (Unaudited)		3,992,348	5,874,241	(19,895)	(32,819)	9,813,875

LG Electronics Inc.

Separate Interim Statements of Cash Flows

Three-Month Periods Ended March 31, 2018 and 2017

<i>(in millions of Korean won)</i>	Note	Three-Month Period Ended March 31	
		2018 (Unaudited)	2017 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	26	182,710	293,901
Interest received		5,089	2,601
Interest paid		(57,939)	(54,107)
Dividends received		36	23,957
Income tax paid		(9,082)	(12,770)
Net cash inflow from operating activities		120,814	253,582
Cash flows from investing activities			
Decrease in loans and other receivables		25,971	43,195
Proceeds from redemption and disposal of other financial assets		426	1,205
Proceeds from disposal of property, plant and equipment		4,895	5,663
Proceeds from disposal of intangible assets		1,348	107
Proceeds from disposal of investments in subsidiaries, associates and joint ventures		1,536	6,533
Proceeds from disposal of assets held for sale		2,380	12,710
Increase in deposits held by financial institutions		(864)	(1,131)
Increase in loans and other receivables		(7,258)	(28,205)
Acquisition of other financial assets		(1,693)	(1,200)
Acquisition of property, plant and equipment		(236,027)	(274,712)
Acquisition of intangible assets		(116,811)	(126,028)
Acquisition of investments in subsidiaries, associates and joint ventures		(1,000)	(13,019)
Net cash outflow from investing activities		(327,097)	(374,882)
Cash flows from financing activities			
Proceeds from borrowings		279,438	395,146
Repayments of borrowings		(300,000)	(290,000)
Net cash inflow (outflow) from financing activities		(20,562)	105,146
Effects of exchange rate changes on cash and cash equivalents		(3,132)	-
Net decrease in cash and cash equivalents		(229,977)	(16,154)
Cash and cash equivalents at the beginning of the period		1,586,258	1,181,725
Cash and cash equivalents at the end of the period		1,356,281	1,165,571

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

March 31, 2018 and 2017 (Unaudited), and December 31, 2017

1. General Information

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

As of March 31, 2018, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs, monitors, and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle Components segment designs and manufactures automobile parts; and Business-to-Business segment manufactures and sells information displays, solar modules and others. As of March 31, 2018, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

2. Significant Accounting Policies

Basis of Preparation

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

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 ‘*Separate Financial Statements*’. The separate interim financial statements for the three-month period ended March 31, 2018, have been prepared in accordance with Korean IFRS 1034 ‘*Interim Financial Reporting*’. These separate interim financial statements have been prepared in accordance with Korean IFRS which is effective as of March 31, 2018.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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 Company 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 Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial assets 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 ₩10,399 million that do not meet the definition of equity instruments in Korean IFRS 1032, were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss.

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

The Company elected to present subsequent 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 ₩21,684 million were 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 ₩8,289 million is not reclassified to profit or loss even though these assets are disposed of. Due to this change, other non-operating income was ₩426 million lower (tax impact of ₩ 117 million) for the three-month period ended March 31, 2018 than if recognized under previous standard.

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

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<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	1,586,258	1,586,258
Deposits held by financial institutions	Loans and receivables	Amortized costs	82,285	82,285
Trade receivables	Loans and receivables	Amortized costs	5,612,250	5,612,250
Other receivables	Loans and receivables	Amortized costs	764,917	764,917
Other financial assets	Available-for-sale financial assets	Fair value through other comprehensive income	32,083	21,684
Other financial assets	Available-for-sale financial assets	Fair value through profit or loss	-	10,399
Total financial assets excluding derivatives			8,077,793	8,077,793

Impairment of Financial Assets

The Company 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 Company applies the simplified approach 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 Company's cross-currency swap contracts and interest rate swap contracts as of January 1, 2018, qualified as cash flow hedges under Korean IFRS 1109. The Company'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 Company 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 Company recognized the cumulative effects 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:

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

The statements 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	5,612,250	(184,779)	5,427,471
Loans and other receivables	472,794	(920)	471,874
Contract assets	-	330,713	330,713
Current assets without financial effect	3,430,851	-	3,430,851
Total current assets	9,515,895	145,014	9,660,909
Non-current assets			
Contract assets	-	3,541	3,541
Non-current assets without financial effect	18,643,886	-	18,643,886
Total non-current assets	18,643,886	3,541	18,647,427
Total assets	28,159,781	148,555	28,308,336
Current liabilities			
Provisions	316,235	(370)	315,865
Contract liabilities	-	432,725	432,725
Other liabilities	1,907,269	(287,341)	1,619,928
Current liabilities without financial effect	9,252,420	-	9,252,420
Total current liabilities	11,475,924	145,014	11,620,938
Non-current liabilities			
Contract liabilities	-	1,182	1,182
Other liabilities	82,346	(1,182)	81,164
Non-current liabilities without financial effect	7,056,654	-	7,056,654
Total non-current liabilities	7,139,000	-	7,139,000
Total liabilities	18,614,924	145,014	18,759,938
Equity			
Retained earnings	5,602,967	3,541	5,606,508
Equity without financial effect	3,941,890	-	3,941,890
Total equity	9,544,857	3,541	9,548,398

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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 Company previously recognized a provision for returns which was measured on a net basis at the margin 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 Company reclassified ₩370 million from sales return provisions to contract liabilities of ₩1,020 million and contract assets of ₩650 million at the date of initial application.

² Accounting for variable consideration

Under the previous standard, the Company previously estimated an amount of promotional incentive and reversed sales and trade receivables. Instead, with implementation of Korean IFRS 1115, the Company will reverse sales and recognize a refund liability. Due to this change in policy, the Company reclassified the amounts of ₩144,364 million, which was previously deducted from trade receivables, to contract liabilities at the date of initial application.

³ Accounting for costs to fulfil a contract

The Company'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 Company 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 Company has also changed the presentation of accounts in the separate statements of financial position to reflect the terminology of Korean IFRS 1115. Based on the detailed analysis, trade receivables of ₩329,143 million and other receivables of ₩920 million were reclassified to contract assets. Other liabilities of ₩288,523 million were reclassified to contract liabilities.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

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	4,994,214	253,014	5,247,228
Contract assets	455,859	(455,859)	-
Current assets without financial effect	3,892,552	-	3,892,552
Total current assets	9,342,625	(202,845)	9,139,780
Non-current assets			
Contract assets	5,477	(5,477)	-
Deferred income tax assets	857,157	515	857,672
Non-current assets without financial effect	17,663,816	-	17,663,816
Total non-current assets	18,526,450	(4,962)	18,521,488
Total assets	27,869,075	(207,807)	27,661,268
Current liabilities			
Provisions	312,486	731	313,217
Contract liabilities	405,128	(405,128)	-
Other liabilities	1,323,618	201,552	1,525,170
Current liabilities without financial effect	8,968,377	-	8,968,377
Total current liabilities	11,009,609	(202,845)	10,806,764
Non-current liabilities			
Contract liabilities	1,108	(1,108)	-
Other liabilities	83,722	1,108	84,830
Non-current liabilities without financial effect	6,960,761	-	6,960,761
Total non-current liabilities	7,045,591	-	7,045,591
Total liabilities	18,055,200	(202,845)	17,852,355
Equity			
Retained earnings	5,874,241	(4,962)	5,869,279
Equity without financial effect	3,939,634	-	3,939,634
Total equity	9,813,875	(4,962)	9,808,913

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

Interim statement of profit or loss

<i>(in millions of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Sales	7,668,081	-	7,668,081
Cost of sales	5,911,404	2,624	5,914,028
Selling and administrative expenses, and others	1,315,573	318	1,315,891
Finance expenses	(54,486)	-	(54,486)
Other non-operating income	69,647	1,006	70,653
Income tax expenses	133,616	(515)	133,101
Profit for the period	322,649	(1,421)	321,228

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.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify that accounting for a modification to the terms and conditions and fair value measurement of a cash-settled share-based payment are in the same way as an equity-settled share-based payment when it changes the classification of the transaction from cash-settled to equity-settled. The amendment does not have a significant impact on the separate 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 enactment does not have a significant impact on the separate 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 amendment does not have a significant impact on the separate interim financial statements.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(b) New and amended standards issued, but not effective for March 31, 2018, and not early adopted by the Company

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 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 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 Company plans to apply Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard as of January 1, 2019. The Company 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.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Company is analyzing the financial effects based on available information as of March 31, 2018, to identify effects on separate 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 Company in relation to operating leases before discounted to their present value is ₩154,819 million. And, for a contract that is, or contains, a lease, the Company plans to account for each lease component within the contract as a lease separately from non-lease components of the contract.

Lessor accounting

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

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

As of March 31, 2018, the sub-lease contract amounts to ₩23,964 million and the Company is analyzing the effects on the 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 separate interim financial statements are consistent with those of the separate 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 one described below.

Income Tax Expense

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

Financial Assets

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

(a) Classification

From January 1, 2018, the Company 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

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 Company 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 Company 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 Company 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 Company's business model for managing the asset and the contractual cash flow characteristics of the financial asset. The Company 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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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 'Finance 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 these financial assets is included in 'Finance 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 statement of profit or loss within 'Other non-operating income or expenses' in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company'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 Company'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 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 are not reported separately from other changes in fair value.

(c) Impairment

The Company 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 Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

Revenue Recognition

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

(a) Identify performance obligation

The Company sells home appliances, mobile communications equipment, TVs, monitors, automobile parts, information displays and others. If the contract with a customer includes any separate services in addition to sales of goods, the Company identifies performance obligations of the services to be rendered from such sales contracts.

The Company 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 Company provides an extended warranty beyond the standard warranty coverage periods or a customer has the option to purchase an additional warranty separately, the Company 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 Company 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 Company 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 Company 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 Company's intellectual property that exist at the time of transfer, which means that the customer has right to direct the use at its own discretion and may obtain majority of remaining rewards of license at the point in 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 Company determined the royalty income as a performance obligation satisfied at a point in time.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(c) A performance obligation satisfied over time

The Company builds and sells customized equipment and design plan for a customer. The revenue is recognized over time by measuring progress only if the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. The Company performed an analysis on those contracts and determined the Company 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 in the profit or loss in the period in which the management recognizes the changes in circumstances.

The Company receives licensing fees for the trademark held by the Company from associates. The Company 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 Company's promise in granting a license is a promise to provide a right to access the Company's intellectual property over a license period; therefore, the Company determined the promised license is a performance obligation that is satisfied over time.

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

(d) Variable consideration

The Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company 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 Company 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 Company determines the stand-alone selling price for each separate performance obligation by using an 'adjusted market assessment approach'. In limited circumstances, the Company plans to use an 'expected cost plus a margin approach' to estimate expected cost plus a reasonable margin.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(f) Returns

A gross contract liability (refund liability) for the expected returns to customers is recognized as adjustment to revenue, and the Company 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 Company uses the practical expedient in which the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

3. Critical Accounting Estimates and Judgements.

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

(a) Revenue Recognition

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

(c) Income Taxes

The Company recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. 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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

4. Financial Instruments by Category

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

<i>(in millions of Korean won)</i>	March 31, 2018				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	1,356,281	-	-	-	1,356,281
Deposits held by financial institutions	83,149	-	-	-	83,149
Trade receivables	4,923,518	70,696	-	-	4,994,214
Loans and other receivables	765,855	-	-	-	765,855
Other financial assets	-	23,444	12,092	2,287	37,823
Total	7,128,803	94,140	12,092	2,287	7,237,322

<i>(in millions of Korean won)</i>	March 31, 2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,887,181	-	-	5,887,181
Borrowings	7,426,055	-	-	7,426,055

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

March 31, 2018					
<i>(in millions of Korean won)</i>	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Other payables	2,163,776		-	-	2,163,776
Other financial liabilities		-	-	74,360	74,360
Total	15,477,012		-	74,360	15,551,372

December 31, 2017						
<i>(in millions of Korean won)</i>	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	-	1,586,258	-	-	-	1,586,258
Deposits held by financial institutions	-	82,285	-	-	-	82,285
Trade receivables	-	5,612,250	-	-	-	5,612,250
Loans and other receivables	-	764,917	-	-	-	764,917
Other financial assets	-	-	32,083	-	1,862	33,945
Total	-	8,045,710	32,083	-	1,862	8,079,655

December 31, 2017				
<i>(in millions of Korean won)</i>	Financial liabilities at fair value through profit or loss	Financial liabilities carried at amortized cost	Other	Total
Trade payables	-	6,126,168	-	6,126,168
Borrowings	-	7,441,840	-	7,441,840
Other payables	-	2,351,816	-	2,351,816
Other financial liabilities	-	-	76,877	76,877
Total	-	15,919,824	76,877	15,996,701

(b) Net gains or losses on each category of financial instruments for the three-month periods ended March 31, 2018 and 2017, are as follows:

2018					
<i>(in millions of Korean won)</i>	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	6,761	-	-	-	6,761
Exchange differences	23,428	-	-	-	23,428
Bad debt expense	706	-	-	-	706
Loss on disposal of trade receivables	(438)	(525)	-	-	(963)
Dividend income	-	192	-	-	192
Fair value gain, net of tax (through other comprehensive income)	-	1,584	-	-	1,584
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	295	295
Others	(1,217)	-	-	-	(1,217)

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<i>(in millions of Korean won)</i>	2018			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(53,277)	-	(3,833)	(57,110)
Exchange differences	(9,282)	-	(2,594)	(11,876)
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	4,154	4,154
Others	-	-	198	198

<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	-	4,348	-	-	-	4,348
Exchange differences	-	(351,576)	-	-	-	(351,576)
Bad debt expense	-	(1,322)	-	-	-	(1,322)
Loss on disposal of trade receivables	-	(805)	-	-	-	(805)
Gain on disposal of available-for-sale financial assets	-	-	5,409	-	-	5,409
Impairment loss on available-for-sale financial assets	-	-	(250)	-	-	(250)
Dividend income	-	-	228	-	-	228
Loss on valuation of available-for-sale financial assets net of tax (through other comprehensive loss)	-	-	(474)	-	-	(474)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	-	621	621
Others	-	2,135	-	-	-	2,135

<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 expenses	-	(44,571)	(4,644)	(49,215)
Exchange differences	-	368,654	(40,725)	327,929
Gain on derivatives, net of tax (through other comprehensive loss)	-	-	5,477	5,477
Others	-	-	404	404

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

5. Trade Receivables and Other Receivables

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

<i>(in millions of Korean won)</i>	March 31, 2018			December 31, 2017		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,016,298	(22,084)	4,994,214	5,634,969	(22,719)	5,612,250
Other receivables						
Current	490,120	(6,704)	483,416	479,488	(6,694)	472,794
Non-current	282,866	(427)	282,439	292,634	(511)	292,123

(b) Movements in allowance for doubtful accounts for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018			
	At Jan. 1¹	Addition (Reversal)	Write-off and other	At Mar. 31
Trade receivables	22,716	(632)	-	22,084
Other receivables				
Current	6,694	10	-	6,704
Non-current	511	(84)	-	427

<i>(in millions of Korean won)</i>	2017			
	At Jan. 1	Addition (Reversal)	Write-off and other	At Mar. 31
Trade receivables	29,033	1,790	-	30,823
Other receivables				
Current	9,315	(469)	-	8,846
Non-current	8	1	-	9

¹ Allowance for doubtful accounts as of January 1, 2018 amounting to ₩3 million was reclassified from trade receivables to contract assets upon adoption of Korean IFRS 1115.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

<i>(in millions of Korean won)</i>	March 31, 2018				December 31, 2017			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
	Current	Non-current			Current	Non-current		
Receivables not past due	4,789,901	340,003	280,394	5,410,298	5,351,238	353,236	282,949	5,987,423
Past due but not impaired								
Up to 6 months	201,968	33,676	1,971	237,615	236,993	14,325	9,188	260,506
7 to 12 months	6,982	9,985	7	16,974	14,090	18,324	497	32,911
Over 1 year	6,227	98,790	494	105,511	21,779	85,977	-	107,756
Subtotal	215,177	142,451	2,472	360,100	272,862	118,626	9,685	401,173
Impaired	11,220	7,666	-	18,886	10,869	7,626	-	18,495
Total	5,016,298	490,120	282,866	5,789,284	5,634,969	479,488	292,634	6,407,091

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

6. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
Other financial assets		
Derivatives	2,287	1,862
Financial assets at fair value through other comprehensive income	23,444	-
Financial assets at fair value through profit or loss	12,092	-
Available-for-sale financial assets	-	32,083
Total	37,823	33,945
Current	-	-
Non-current	37,823	33,945
Other financial liabilities		
Derivatives	64,462	68,589
Financial guarantee liability	9,898	8,288
Total	74,360	76,877
Current	16,317	6,985
Non-current	58,043	69,892

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

<i>(in millions of Korean won)</i>	March 31, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency swap	-	10,499	-	-
Non-current				
Currency swap	-	26,354	-	32,921
Interest rate swap	2,287	27,609	1,862	35,668
Subtotal	2,287	53,963	1,862	68,589
Total	2,287	64,462	1,862	68,589

The details of major derivative contracts at the end of the reporting period are presented in Note 30.

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

i) Changes in carrying amount of financial assets at fair value through other comprehensive income for the three-month period ended March 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018				Valuation (OCI)	At Mar. 31
	At Jan. 1	Acquisition	Disposals			
Listed equity securities	13,842	-	-		1,760	15,602
Unlisted equity securities	7,842	-	-		-	7,842
Total	21,684	-	-		1,760	23,444

ii) Changes in carrying amount of available-for-sale financial assets for the three-month period ended March 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	2017					At Mar. 31
	At Jan. 1	Acquisition	Disposals	Valuation (OCI)	Impairment	
Listed equity securities	14,835	-	-	(626)	-	14,209
Unlisted equity securities	17,746	1,200	(1,153)	-	(250)	17,543
Total	32,581	1,200	(1,153)	(626)	(250)	31,752

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the three-month period ended March 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018				At Mar. 31
	At Jan. 1	Acquisition	Disposals	Valuation	
Unlisted equity securities	10,399	1,693	-	-	12,092

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

7. Inventories

(a) Inventories as of March 31, 2018 and December 31, 2017, consist of:

<i>(in millions of Korean won)</i>	March 31, 2018			December 31, 2017		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	780,101	(39,188)	740,913	676,318	(38,688)	637,630
Work-in-process	81,737	(1,566)	80,171	86,835	(1,741)	85,094
Raw materials and supplies	634,799	(37,949)	596,850	555,770	(63,000)	492,770
Other	143,686	(15,643)	128,043	148,126	(19,954)	128,172
Total	1,640,323	(94,346)	1,545,977	1,467,049	(123,383)	1,343,666

8. Contract Assets and Contract Liabilities

(a) Contract assets as of March 31, 2018 and January 1, 2018, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2018	January 1, 2018
Due from customers	454,517	329,146
(Less: allowance for doubtful accounts)	(2)	(3)
Right to recover returned products	1,344	650
Costs to fulfil contracts and others	5,477	4,461
Total	461,336	334,254
Current	455,859	330,713
Non-current	5,477	3,541

(b) Contract liabilities as of March 31, 2018 and January 1, 2018, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2018	January 1, 2018
Expected promotional incentives for customers	201,501	144,364
Expected returns from customers	2,075	1,020
Customer loyalty program	39,169	37,755
Rendering of warranty services	124	148
Due to customers and others	163,367	250,620
Total	406,236	433,907
Current	405,128	432,725
Non-current	1,108	1,182

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

- (c) Revenue recognized in relation to contract liabilities for the three-month period ended March 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	March 31, 2018
Revenue recognized that was included in the contract liability amount at the beginning of the period:	
Due to customers and others	171,751
Customer loyalty program	664
Rendering of warranty services	9
Total	172,424
Revenue recognized from performance obligations satisfied in previous periods	189

- (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 ₩899,443 million where they are expected to be satisfied by 2020, at the latest. Also as a practical expedient, the Company excluded performance obligation which is part of a contract that has an original expected duration of one year or less.

- (e) For the three-month period ended March 31, 2018, the Company recognized a reversal of impairment loss amounting to ₩1 million upon due from customers and a depreciation and other loss of ₩1,038 million upon costs to fulfil a contract.

9. Property, Plant and Equipment, and Intangible Assets

- (a) Changes in property, plant and equipment for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
At January 1	7,142,306	7,164,642
Acquisitions	149,559	170,185
Reclassification to assets held for sale	(8,198)	(55)
Disposals and others	(5,053)	(4,522)
Depreciation	(163,065)	(143,095)
Impairment	(38)	(5,499)
At March 31	7,115,511	7,181,656

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(b) Line items including depreciation in the separate interim statements of profit or loss for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	141,922	108,438
Selling and marketing expenses	2,570	2,913
Administrative expenses	20	6,196
Research and development expenses	16,582	22,859
Service costs	1,313	1,365
Other non-operating expenses	658	1,324
Total	163,065	143,095

(c) Changes in intangible assets for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	1,474,201	1,234,531
Acquisitions	38,138	39,238
Acquisitions through internal development	98,323	104,905
Reclassification to assets held for sale	-	(5)
Disposals and others	(9,177)	(8,364)
Amortization	(82,885)	(93,658)
Impairment	(1,280)	(19)
At March 31	1,517,320	1,276,628

(d) Line items including amortization of intangible assets for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	46,644	53,382
Selling and marketing expenses	3,784	4,572
Administrative expenses	15,267	18,408
Research and development expenses	16,924	16,924
Service costs	266	372
Total	82,885	93,658

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

10. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as of March 31, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at March 31, 2018 (%)	Carrying amount	
				March 31, 2018	December 31, 2017
Subsidiaries					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG Electronics India Pvt. Ltd.(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics Tianjin Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holdings B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
LG Electronics Shenyang Inc.(LGESY)	China	December	56.3	63,840	63,840
Hi Entech Co., Ltd.	Korea	December	100.0	63,118	63,118
LG Electronics Thailand Co., Ltd.(LGETH)	Thailand	December	100.0	55,578	55,578
LG Electronics Australia Pty, Ltd.(LGEAP)	Australia	December	100.0	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.5	48,624	48,624
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics Huizhou Ltd.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD(LGENT)	China	December	45.0	38,744	38,744
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0	32,112	32,112
NanJing LG-Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Colombia Ltda.(LGECEB)	Colombia	December	60.7	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT)	United Arab Emirates	December	100.0	22,538	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at March 31, 2018 (%)	Carrying amount	
				March 31, 2018	December 31, 2017
LG Soft India Private Limited.(LGSI)	India	March	100.0	20,105	20,105
LGE Alliance Fund II ¹	Korea	December	98.7	1,314	2,850
Others				232,624	232,624
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
LG Fuel Cell Systems Inc.	USA	December	33.0	76,775	76,775
Kiwigrd GmbH ²	Germany	December	17.6	13,019	13,019
ROBOTIS Co., Ltd. ²	Korea	December	10.1	9,000	9,000
Korea Information Certificate Authority Inc. ²	Korea	December	6.5	2,088	2,088
Acryl Inc. ^{2,3}	Korea	December	10.0	1,000	-
SKT Vietnam PTE., Ltd.	Singapore	December	25.4	-	-
Joint ventures					
LG Holdings (HK) Ltd.	China	December	49.0	84,989	84,989
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
Total				8,065,551	8,066,087

¹ Capital decreased in 2018.

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

³ It was newly acquired in 2018.

(b) Changes in investments in subsidiaries, associates and joint ventures for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	8,066,087	7,995,665
Acquisitions	1,000	13,019
Disposal and others	(1,536)	(2,470)
Impairment	-	(2,384)
At March 31	8,065,551	8,003,830

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(c) Details of marketable investments in subsidiaries and associates as of March 31, 2018 and December 31, 2017, are as follows:

March 31, 2018					
	Type	Shares held (Unit: shares)	Price per share (Unit: Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	26,150	3,546,594	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	126,000	1,216,301	541,538
Korea Information Certificate Authority Inc.	Associate	2,010,247	6,320	12,705	2,088
December 31, 2017					
	Type	Shares held (Unit: shares)	Price per share (Unit: Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	29,900	4,055,188	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	144,000	1,390,058	541,538
Korea Information Certificate Authority Inc.	Associate	2,010,247	5,670	11,398	2,088

11. Borrowings

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

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
Current		
Short-term borrowings	131,195	127,925
Current portion of debentures	782,272	639,741
Subtotal	913,467	767,666
Non-current		
Long-term borrowings	2,176,650	2,177,140
Debentures	4,335,938	4,497,034
Subtotal	6,512,588	6,674,174
Total	7,426,055	7,441,840

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at March 31, 2018 (%)	Carrying amount	
			March 31, 2018	December 31, 2017
Short-term borrowings in foreign currency				
LG Electronics European Shared Service Center B.V. (LGESC)	2018.9.20	0.77	131,195	127,925
Long-term borrowings in local currency				
Korea Development Bank and others	2030.7.7	2.21~3.00	2,070,000	2,070,000
Long-term borrowings in foreign currency				
KEB Hana Bank	2025.4.23	3.51	106,650	107,140
Local currency loans				
Public, non-guaranteed bonds	2030.2.2	1.48~4.44	3,710,000	3,710,000
Private, non-guaranteed bonds	2033.1.31	3.26~4.21	830,000	850,000
Foreign currency loans				
Private, non-guaranteed bonds	2022.11.22	2.66~2.78	245,295	246,422
Private, guaranteed bonds	2023.2.24	0.38~3.91	344,495	342,205
Less: discount on debentures			(11,580)	(11,852)
Total			7,426,055	7,441,840

The Company entered into an interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of some portion of borrowings (Note 30).

12. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
Present value of funded obligations	2,378,726	2,378,703
Fair value of plan assets	(2,110,176)	(2,158,093)
Net defined benefit liabilities	268,550	220,610

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(b) The amounts recognized in the separate interim statements of profit or loss for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Current service cost	65,544	67,482
Net interest cost	1,683	2,340
Operating management cost	520	478
Total	67,747	70,300

(c) Line items in which expenses are included for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales	36,510	36,100
Selling and marketing expenses	8,370	8,908
Administrative expenses	4,570	4,343
Research and development expenses	17,481	20,070
Service costs	816	879
Total	67,747	70,300

(d) Movements in the present value of defined benefit obligations for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	2,378,703	2,265,932
Current service cost	65,544	67,482
Interest expense	17,637	14,978
Remeasurements for:		
- Actuarial gain arising from changes in financial assumptions	(19,672)	(13,975)
Benefits paid	(63,486)	(45,305)
At March 31	2,378,726	2,289,112

(e) Movements in the fair value of plan assets for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	2,158,093	1,920,564
Interest income	15,954	12,638
Remeasurements of plan assets	(6,321)	(4,334)
Benefits paid	(57,030)	(36,778)
Operating management cost	(520)	(478)
At March 31	2,110,176	1,891,612

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

- (f) The significant actuarial assumptions used as of March 31, 2018 and December 31, 2017, are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	3.2%	3.1%
Expected salary growth rate	5.0%	5.0%

- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as of March 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(195,102)	224,787
Expected salary growth rate	218,593	(193,852)

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

Defined Contribution Plan

The expense recognized in the three-month period ended March 31, 2018 in relation to the defined contribution plan was ₩2,597 million (March 31, 2017: ₩1,988 million).

13. Provisions

- (a) Changes in provisions for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	<u>2018</u>			
	<u>Warranty</u>	<u>Restoration</u>	<u>Litigation and others</u>	<u>Total</u>
At January 1¹	325,984	12,517	69,127	407,628
Additions	70,809	97	15,162	86,068
Utilizations	(67,081)	(1,806)	(3,107)	(71,994)
At March 31	<u>329,712</u>	<u>10,808</u>	<u>81,182</u>	<u>421,702</u>
Current	312,042	444	-	312,486
Non-current	17,670	10,364	81,182	109,216

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<i>(in millions of Korean won)</i>	2017				
	Warranty	Sales returns	Restoration	Litigation and others	Total
At January 1	397,950	272	14,185	791,577	1,203,984
Additions	88,793	8,125	35	(32,927)	64,026
Utilizations	(138,240)	(7,868)	(63)	(8,359)	(154,530)
At March 31	348,503	529	14,157	750,291	1,113,480
Current	338,562	529	4,674	710,843	1,054,608
Non-current	9,941	-	9,483	39,448	58,872

¹ Sales return provision as of January 1, 2018 amounting to ₩370 million was reclassified to contract liabilities upon adoption of Korean IFRS 1115.

14. Paid-in Capital

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

	Par value per share	March 31, 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 over that of ordinary shares. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have same rights on the remaining assets as ordinary shareholders. Repayment and conversion are not applicable to preferred shares.

(b) Share premium balance as of March 31, 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 Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merged with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

15. Retained Earnings

(a) Retained earnings as of March 31, 2018 and December 31, 2017, consist of:

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
Legal reserve ¹	182,345	175,054
Discretionary reserve	5,347,638	4,603,535
Retained earnings before appropriation ²	344,258	824,378
Total	5,874,241	5,602,967

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

² Dividend for the year ended December 31, 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).

16. Accumulated Other Comprehensive Income

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

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
Cash flow hedge	(22,583)	(27,032)
Financial assets at fair value through other comprehensive income	2,688	-
Available-for-sale financial assets	-	9,393
Total	(19,895)	(17,639)

17. Other Components of Equity

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

<i>(in millions of Korean won)</i>	March 31, 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
Total	(32,819)	(32,819)

¹ As of March 31, 2018, the Company has treasury shares consisting of 763,172 ordinary shares (December 31, 2017: 763,172 shares) and 4,691 preferred shares (December 31, 2017: 4,690 shares) at the end of the reporting period. The Company intends to either grant these treasury shares to employees and directors as compensation, or to sell them in the future.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

18. Net Sales

(a) Details of net sales for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Revenue from contracts with customers:		
Sales of goods	7,411,149	7,528,681
Rendering of services	125,863	104,242
Royalty income	65,252	71,308
Sub-total	7,602,264	7,704,231
Revenue from other sources:		
Rental income and others ¹	65,817	-
Total	7,668,081	7,704,231

¹ Revenue from other sources for the three-month period ended March 31, 2017 is included in rendering of services by applying Korean IFRS 1018.

(b) Details of revenue from contracts with customers for the three-month period ended March 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018							Total
	H&A	HE	MC	VC	B2B	Other segments	Inter-segment transactions	
Revenue from contracts with customers:								
External sales	2,579,781	1,844,769	1,517,702	629,285	374,732	655,995	-	7,602,264
Internal sales	7,785	-	-	-	-	28,510	(36,295)	-
	2,587,566	1,844,769	1,517,702	629,285	374,732	684,505	(36,295)	7,602,264
By type of products:								
Refrigerators/ washing machine/ air conditioners and others	2,054,779	-	-	-	-	-	(1,778)	2,053,001
TV/ monitor /PC and others	-	1,693,448	-	-	-	-	-	1,693,448
Mobile communications	-	-	1,493,709	-	-	-	-	1,493,709
In-vehicle infotainment	-	-	-	487,680	-	-	-	487,680
Information display	-	-	-	-	171,714	-	-	171,714
Others	532,787	151,321	23,993	141,605	203,018	684,505	(34,517)	1,702,712
Domestic / Export:								
Domestic	1,414,820	581,417	318,829	111,109	69,796	487,236	(36,295)	2,946,912
Export	1,172,746	1,263,352	1,198,873	518,176	304,936	197,269	-	4,655,352
Timing of transfer:								
Transferred at a point in time	2,483,996	1,788,683	1,503,218	621,290	369,635	22,848	(15,594)	6,774,076
Transferred over time	103,570	56,086	14,484	7,995	5,097	661,657	(20,701)	828,188

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

Due to the factors causing the changes in the 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 three-month period 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	(156)	(522)	228	138
Other segments	71,311	57,133	7,019	7,159
Total	71,155	56,611	7,247	7,297

19. Expenses by Nature

Expenses that are recorded by nature for the three-month periods ended March 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Changes in finished goods and work-in-process	(167,470)	(149,058)
Raw materials and merchandise used	4,779,198	4,929,995
Employee benefit expense	944,945	954,285
Depreciation and amortization	245,619	235,756
Advertising expense	147,753	114,674
Promotion expense	52,403	71,773
Freight expense	131,188	130,030
Commission expense	381,286	366,738
Other expenses	712,055	752,744
Total¹	7,226,977	7,406,937

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

Details of general operating expenses for the three-month periods ended March 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Salaries	326,624	360,582
Post-employment benefits	35,160	35,213
Employee benefits	58,542	60,220
Freight expense	129,713	127,659
Rental expense	32,187	41,701
Commission expense	261,928	255,156
Depreciation	20,812	33,660
Amortization	36,241	40,276
Taxes and dues	3,641	2,212
Advertising expense	147,753	114,674
Promotional expense	52,403	71,773
R&D costs	63,844	59,023
Direct service costs	72,019	85,966
Bad debts expense (reversal)	(633)	1,790
Other	75,339	82,058
Total	1,315,573	1,371,963

21. Financial Income

Financial income for the three-month periods ended March 31, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018	2017
Interest income	6,761	4,348
Exchange differences	52,051	44,033
Other	1,428	5,109
Total	60,240	53,490

22. Financial Expenses

Financial expenses for the three-month periods ended March 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Interest expense	57,110	49,215
Exchange differences	54,206	86,640
Loss on disposal of trade receivables	963	805
Other	2,447	2,570
Total	114,726	139,230

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

23. Other Non-operating Income

Other non-operating income for the three-month periods ended March 31, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018	2017
Dividend income	70,533	94,475
Exchange differences	132,199	217,919
Gain on disposal of property, plant and equipment	903	2,958
Gain on disposal of assets held for sale	1,446	3,804
Gain on disposal of available-for-sale financial assets	-	5,409
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	4,016
Other	2,970	59,245
Total	208,051	387,826

24. Other Non-operating Expenses

Other non-operating expenses for the three-month periods ended March 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Exchange differences	118,658	198,959
Loss on disposal of property, plant and equipment	2,816	1,463
Impairment loss on property, plant and equipment	38	5,499
Loss on disposal of intangible assets	7,281	8,257
Impairment loss on intangible assets	1,280	19
Impairment loss on available-for-sale financial assets	-	250
Impairment loss on investments in subsidiaries, associates and joint ventures	-	2,384
Other	8,331	14,717
Total	138,404	231,548

25. Earnings per Share

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

- (a) Basic earnings per ordinary share for the three-month periods ended March 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Profit attributable to ordinary shares (in millions of Korean won)	291,669	269,553
Weighted average number of ordinary shares outstanding (unit: shares)	162,884,642	162,884,642
Basic earnings per ordinary share (in Korean won)	1,791	1,655

- (b) Basic earnings per preferred share for the three-month periods ended March 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Profit attributable to preferred shares (in millions of Korean won)	30,980	28,647
Weighted average number of preferred shares outstanding (unit: shares)	17,181,301	17,181,301
Basic earnings per preferred share (in Korean won)	1,803	1,667

26. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the three-month periods ended March 31, 2018 and 2017, are as follows:

- (a) Cash generated from operations

<u>(in millions of Korean won)</u>	<u>2018</u>	<u>2017</u>
Profit for the period	322,649	298,200
Adjustments:		
Interest expense, net	50,349	44,867
Exchange differences, net	14,546	(12,452)
Depreciation	163,065	143,095
Amortization	82,885	93,658
Loss on disposal of property, plant and equipment and intangible assets, net	9,194	6,762
Provisions for severance benefits	67,747	70,300
Provisions	86,068	64,026
Dividend income	(70,533)	(94,475)
Income tax expense	133,616	69,632
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	(4,016)
Impairment loss on investments in subsidiaries, associates and joint ventures	-	2,384
Other	(8,960)	29,428
	<u>527,977</u>	<u>413,209</u>

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<i>(in millions of Korean won)</i>	2018	2017
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	415,083	(591,478)
Decrease in other receivables	51,846	30,018
Increase in inventories	(181,386)	(279,521)
Increase in contract assets	(133,039)	-
Increase in other assets	(11,552)	(85,675)
Increase (decrease) in trade payables	(217,842)	878,228
Decrease in other payables	(167,473)	(34,092)
Decrease in provisions	(86,507)	(154,530)
Decrease in contract liabilities	(27,672)	-
Decrease in other liabilities	(293,805)	(164,105)
Payment of defined benefit liability	(6,456)	(8,527)
Deposit in plan assets, net	(9,113)	(7,826)
	<u>(667,916)</u>	<u>(417,508)</u>
Cash generated from operations	<u>182,710</u>	<u>293,901</u>

(b) Changes in liabilities from financing activities

<i>(in millions of Korean won)</i>	2018				
	At Jan. 1	Net cash flow from financing activities	Non-cash transactions		At Mar. 31
			Exchange differences	Amortization	
Short-term borrowings	127,925	-	3,270	-	131,195
Long-term borrowings	2,177,140	-	(490)	-	2,176,650
Debentures	5,136,775	(20,562)	1,135	862	5,118,210
Total	<u>7,441,840</u>	<u>(20,562)</u>	<u>3,915</u>	<u>862</u>	<u>7,426,055</u>

<i>(in millions of Korean won)</i>	2017				
	At Jan. 1	Net cash flow from financing activities	Non-cash transactions		At Mar. 31
			Exchange differences	Amortization	
Long-term borrowings	1,880,000	(10,000)	-	-	1,870,000
Debentures	4,751,320	115,146	(40,726)	891	4,826,631
Total	<u>6,631,320</u>	<u>105,146</u>	<u>(40,726)</u>	<u>891</u>	<u>6,696,631</u>

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2018	2017
Reclassification of construction-in-progress to property, plant and equipment	14,088	138,235
Reclassification of construction-in-progress to intangible assets	36,545	66,647
Reclassification of current portion of borrowings and debentures	442,421	299,867
Reclassification of current portion of provisions	-	710,843
Other payables to acquire property, plant and equipment	43,964	21,005
Other payables to acquire intangible assets	6,477	5,979

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

– Transfer of set-top box business

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

2) Total consideration received and 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

27. Contingencies

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩193,421 million (December 31, 2017: ₩191,608 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal US\$ 200 million, EUR 100 million (December 31, 2017: US\$ 200 million and EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,855,592 million (December 31, 2017: ₩3,997,783 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	March 31, 2018	December 31, 2017
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	784,335	766,832
LG Electronics do Brasil Ltda.(LGEBR)	SC and others	443,640	466,970
LG Electronics U.S.A., Inc.(LGEUS)	JP Morgan and others	390,437	301,162
LG Electronics Vietnam Haiphong Co., Ltd.(LGEVH)	HSBC and others	282,588	368,074
LG Electronics Ticaret A.S.(LGETK)	Citibank and others	273,478	392,537
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	260,086	257,264
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	188,044	188,121
LG Electronics Inc Chile Ltda.(LGECL)	Scotiabank and others	162,669	160,487
LG Electronics Argentina S.A.(LGEAR)	BBVA and others	117,315	117,854
LG Electronics Colombia Ltda.(LGECEB)	Citibank and others	110,105	104,310

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<i>(in millions of Korean won)</i>	Beneficiary	March 31, 2018	December 31, 2017
LG Electronics Algeria SARL(LGEAS)	Societe Generale and others	104,803	99,622
LG Electronics India Pvt. Ltd.(LGEIL)	Citibank and others	91,828	99,568
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	89,235	87,949
LG Electronics RUS, LLC(LGERA)	Citibank and others	79,900	80,056
LG Electronics Almaty Kazakhstan(LGEAK)	Citibank and others	73,266	73,430
LG Electronics Egypt S.A.E(LGEEG)	Misr and others	60,490	92,432
LG Electronics Thailand Co., Ltd.(LGETH)	MIZUHO and others	56,738	56,847
LG Electronics Philippines Inc.(LGEPH)	ANZ and others	47,673	47,892
LG-Shaker Co., Ltd.(LGESR)	SABB and others	34,825	34,982
LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	Citibank	31,995	32,142
Others	Citibank and others	172,142	169,252
Total		3,855,592	3,997,783

(c) At the end of the reporting period, the Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2017: ₩46,000 million)

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

28. Commitments

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

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩1,901,570 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).

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩453,325 million (December 31, 2017: ₩453,570 million).

(e) At the end of the reporting period, the Company has agreements with insurance companies, including Chubb, of up to 120% of the guaranteed insurance amount to appeal against the transfer pricing assessment on LG Electronics do Brasil Ltda., a subsidiary.

(f) Contractual commitments for the acquisition of assets

The property, plant and equipment, and intangible assets contracted for, but not yet acquired at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
Property, plant and equipment	76,655	122,189
Intangible assets	14,191	18,703
Total	90,846	140,892

(g) Operating lease commitments – the Company 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>	March 31, 2018			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Buildings and offices	50,755	58,438	5,360	114,553
Vehicles	5,746	4,775	-	10,521
Equipment and others	16,562	13,183	-	29,745
Total	73,063	76,396	5,360	154,819

ii) Lease payment under operating lease recognized in the separate interim statement of profit or loss for the three-month period ended March 31, 2018, is ₩35,359 million (March 31, 2017: ₩29,638 million).

iii) As of March 31, 2018, total future minimum sublease receipts under non-cancellable sublease agreements for some buildings amount to ₩23,964 million and lease income recognized related to the subleases for the three-month period ended March 31, 2018, amounts to ₩3,180 million (March 31, 2017: ₩3,572 million).

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

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<i>(in millions of Korean won)</i>	March 31, 2018			Total lease payments
	Within 1 year	1 to 5 years	Over 5 years	
Healthcare rental	269,631	456,599	-	726,230
Real estate rental	44	-	-	44
Total	269,675	456,599	-	726,274

ii) The Company recognized ₩59,572 million (March 31, 2017: ₩33,118 million) in lease income for the three-month period ended March 31, 2018.

(i) Trademark license commitments

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

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

29. Related Party

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

i) Major income and expense transactions with related parties

<i>(in millions of Korean won)</i>		2018					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	1,408	-	1,408	-	35,298	35,298
Subsidiaries	LG Innotek Co., Ltd.	29,918	-	29,918	110,325	4,408	114,733
	Hiplaza Co., Ltd.	447,218	-	447,218	14	8,972	8,986
	LG Electronics U.S.A., Inc.	568,216	-	568,216	234	11,682	11,916
	LG Electronics Mobilecomm U.S.A., Inc.	268,077	-	268,077	-	190,740	190,740
	Inspur LG Digital Mobile Communications Co., Ltd.	250,028	38	250,066	50,076	2,930	53,006
	LG Electronics Vietnam Haiphong Co., Ltd.	279,213	-	279,213	12,948	6,117	19,065
	LG Electronics do Brasil Ltda.	133,244	-	133,244	522	596	1,118
	LG Electronics Gulf FZE	142,794	-	142,794	-	224	224
	LG Electronics Canada, Inc.	87,541	-	87,541	-	300	300
	Qingdao LG Inspur Digital Communication Co., Ltd.	87,463	80	87,543	74,484	640	75,124

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		2018					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	LG Electronics (Kunshan) Co.,Ltd.	111,647	-	111,647	1,096	163	1,259
	LG Electronics Australia Pty, Ltd.	89,313	-	89,313	-	947	947
	LG Electronics RUS, LLC	62,879	-	62,879	5	187	192
	LG Electronics India Pvt. Ltd.	63,019	89	63,108	2,788	264	3,052
	LG Electronics (Levant) Jordan	87,964	-	87,964	220	886	1,106
	LG Electronics Deutschland GmbH	145,159	-	145,159	718	14,482	15,200
	LG Electronics Japan, Inc.	150,620	-	150,620	1,166	4,587	5,753
	LG Electronics Mlawa Sp. z.O.O.	86,735	-	86,735	103	1,147	1,250
	LG Electronics Egypt S.A.E	40,265	-	40,265	-	118	118
	LG Electronics Nanjing New Technology co.,LTD	66,206	19	66,225	134,122	397	134,519
	LG Electronics United Kingdom Ltd.	38,615	-	38,615	6	1,548	1,554
	LG Electronics Thailand Co., Ltd.	35,109	-	35,109	9,611	248	9,859
	LG Electronics Inc Chile Ltda.	22,386	-	22,386	-	76	76
	LG Electronics Colombia Ltda.	25,274	-	25,274	3	120	123
	Others	1,190,683	413	1,191,096	122,373	116,730	239,103
	Subtotal	4,509,586	639	4,510,225	520,814	368,509	889,323
Associates	LG Display Co., Ltd. and its subsidiaries	225,282	71	225,353	359,713	3,986	363,699
	Ericsson-LG Co., Ltd. and its subsidiaries	1,271	-	1,271	869	-	869
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	383	-	383	8,951	-	8,951
	LG Fuel Cell Systems Inc. and its subsidiaries	49	-	49	-	-	-
	Subtotal	226,985	71	227,056	369,533	3,986	373,519
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	16,342	-	16,342
	LG-MRI LLC	85	-	85	838	-	838
	Subtotal	85	-	85	17,180	-	17,180
Other related parties	LG CNS Co., Ltd. and its subsidiaries	18,441	-	18,441	28,326	71,759	100,085
	SERVEONE Co., Ltd. and its subsidiaries	14,882	-	14,882	176,325	34,333	210,658
	LB Lusem CO., LTD. ²	-	-	-	205	1	206
	LG Management Development Institute	-	-	-	1	5,570	5,571
	LG SPORTS Ltd.	-	-	-	-	1,487	1,487

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		2018					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	Subtotal	33,323	-	33,323	204,857	113,150	318,007
Others ¹	LG Chem Ltd. and its subsidiaries	204,342	-	204,342	181,198	394	181,592
	LG INTERNATIONAL CORP and its subsidiaries	22,291	-	22,291	340,656	174,949	515,605
	LG Uplus Corp and its subsidiaries	143,464	-	143,464	347	1,871	2,218
	LG HAUSYS,LTD. and its subsidiaries	2,678	-	2,678	2,319	3	2,322
	Silicon Works Co., Ltd	211	-	211	2,345	-	2,345
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,345	-	1,345	56	38	94
	G IIR Inc. and its subsidiaries	1,932	-	1,932	7	40,784	40,791
	Subtotal	376,263	-	376,263	526,928	218,039	744,967
	Total	5,147,650	710	5,148,360	1,639,312	738,982	2,378,294

(in millions of Korean won)

		2017					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Company	LG Corp.	315	-	315	1	34,787	34,788
Subsidiaries	LG Innotek Co., Ltd.	13,789	-	13,789	193,846	2,451	196,297
	Hiplaza Co., Ltd.	331,352	-	331,352	11	3,029	3,040
	LG Electronics U.S.A., Inc.	789,247	422	789,669	1,259	29,567	30,826
	LG Electronics Mobilecomm U.S.A., Inc.	736,967	4	736,971	-	2,486	2,486
	Inspur LG Digital Mobile Communications Co., Ltd.	323,983	241	324,224	37,219	6,966	44,185
	LG Electronics Vietnam Haiphong Co., Ltd.	296,758	5,625	302,383	9,424	2,564	11,988
	LG Electronics do Brasil Ltda.	244,769	2,183	246,952	840	434	1,274
	LG Electronics Gulf FZE	164,789	-	164,789	-	490	490
	LG Electronics Canada, Inc.	127,404	-	127,404	47	1,153	1,200
	Qingdao LG Inspur Digital Communication Co., Ltd.	139,495	548	140,043	34,025	2,245	36,270
	LG Electronics (Kunshan) Co.,Ltd.	110,981	84	111,065	3,335	834	4,169
	LG Electronics Australia Pty, Ltd.	91,661	-	91,661	5	553	558
	LG Electronics RUS, LLC	64,761	1,157	65,918	3	262	265
	LG Electronics India Pvt. Ltd.	69,832	1,116	70,948	929	423	1,352
	LG Electronics (Levant) Jordan	100,406	-	100,406	288	1,267	1,555

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		2017					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	LG Electronics Deutschland GmbH	53,692	-	53,692	8,615	8,935	17,550
	LG Electronics Japan, Inc.	113,208	-	113,208	1,424	5,665	7,089
	LG Electronics Mlawa Sp. z.O.O.	82,684	4,403	87,087	174	1,042	1,216
	LG Electronics Egypt S.A.E	53,438	662	54,100	-	33	33
	LG Electronics Nanjing New Technology co.,LTD	85,025	85	85,110	190,107	255	190,362
	LG Electronics United Kingdom Ltd.	20,887	-	20,887	256	2,815	3,071
	LG Electronics Thailand Co., Ltd.	28,956	831	29,787	14,648	104	14,752
	LG Electronics Inc Chile Ltda.	19,118	-	19,118	-	115	115
	LG Electronics Colombia Ltda.	27,241	-	27,241	-	156	156
	Others	923,923	19,464	943,387	86,545	105,072	191,617
	Subtotal	5,014,366	36,825	5,051,191	583,000	178,916	761,916
Associates	LG Display Co., Ltd. and its subsidiaries	419,448	-	419,448	475,326	1,595	476,921
	Ericsson-LG Co., Ltd. and its subsidiaries	1,914	-	1,914	1,123	-	1,123
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	486	-	486	5,655	72	5,727
	LG Fuel Cell Systems Inc. and its subsidiaries	340	-	340	-	-	-
	Subtotal	422,188	-	422,188	482,104	1,667	483,771
Joint venture	LG-MRI LLC	70	-	70	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,168	-	19,168	19,942	57,000	76,942
	SERVEONE Co., Ltd. and its subsidiaries	4,606	-	4,606	165,355	53,545	218,900
	SK Siltron Co., Ltd. and its subsidiaries ³	-	-	-	19	-	19
	LUSEM CO., LTD. ²	1	-	1	394	-	394
	LG Management Development Institute	-	-	-	2	5,219	5,221
	LG SPORTS Ltd.	-	-	-	-	1,223	1,223
	LG MMA Ltd.	299	-	299	-	-	-
	Subtotal	24,074	-	24,074	185,712	116,987	302,699
Others ¹	LG Chem Ltd. and its subsidiaries	129,055	-	129,055	168,677	862	169,539
	LG INTERNATIONAL CORP and its subsidiaries	57,140	-	57,140	414,324	149,448	563,772
	LG Uplus Corp and its subsidiaries	227,457	-	227,457	680	265	945
	LG HAUSYS,LTD. and its subsidiaries	5,247	-	5,247	4,016	247	4,263
	Silicon Works Co., Ltd	1,342	-	1,342	1,479	-	1,479

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		2017					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others	Total
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	571	-	571	59	5	64
	G IIR Inc. and its subsidiaries	103	-	103	22	31,912	31,934
	Subtotal	420,915	-	420,915	589,257	182,739	771,996
	Total	5,881,928	36,825	5,918,753	1,840,074	515,096	2,355,170

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

² 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. As of March 31, 2018, LB Lusem CO., LTD. belongs to LG Group, as defined by the Korean Fair Trade Commission.

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)

		March 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		36	-	23,726	23,762	-	-	35,923	35,923
Subsidiaries	LG Innotek Co., Ltd.	174,978	-	14,901	189,879	118,410	-	25,153	143,563
	Hiplaza Co., Ltd.	206,647	-	20,251	226,898	-	-	9,080	9,080
	LG Electronics U.S.A., Inc.	225,133	-	-	225,133	-	-	4,593	4,593
	LG Electronics Mobilecomm U.S.A., Inc.	204,498	-	-	204,498	-	-	6,836	6,836
	Inspur LG Digital Mobile Communications Co., Ltd.	82,150	-	235	82,385	274,319	-	344	274,663
	LG Electronics Vietnam Haiphong Co., Ltd.	167,271	-	155	167,426	186,985	-	4,962	191,947
	LG Electronics do Brasil Ltda.	183,291	-	40,835	224,126	496	-	391	887
	LG Electronics Gulf FZE	97,028	-	-	97,028	-	-	144	144
	LG Electronics Canada, Inc.	25,120	-	-	25,120	-	-	106	106
	Qingdao LG Inspur Digital Communication Co., Ltd.	35,447	-	386	35,833	115,820	-	2	115,822
	LG Electronics (Kunshan) Co., Ltd.	100,326	-	1,515	101,841	54,730	-	165	54,895
	LG Electronics Australia Pty, Ltd.	30,207	-	-	30,207	-	-	238	238
	LG Electronics RUS, LLC	45,561	-	7,606	53,167	1,306	-	61	1,367

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		March 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics India Pvt. Ltd.	22,645	-	10,793	33,438	2,169	-	138	2,307
	LG Electronics (Levant) Jordan	104,827	-	-	104,827	-	-	336	336
	LG Electronics Deutschland GmbH	103,220	-	14,984	118,204	-	-	3,685	3,685
	LG Electronics Japan, Inc.	77,639	-	-	77,639	-	-	1,886	1,886
	LG Electronics Mlawa Sp. z.O.O.	48,653	-	-	48,653	636,843	-	665	637,508
	LG Electronics Egypt S.A.E	47,062	-	73,962	121,024	8,511	-	59	8,570
	LG Electronics Nanjing New Technology co.,LTD	19,603	-	232	19,835	150,945	-	184	151,129
	LG Electronics United Kingdom Ltd.	35,450	-	1,938	37,388	-	-	486	486
	LG Electronics Thailand Co., Ltd.	26,318	-	794	27,112	201,837	-	87	201,924
	LG Electronics Inc Chile Ltda.	81,137	-	-	81,137	-	-	31	31
	LG Electronics Colombia Ltda.	97,174	-	-	97,174	-	-	59	59
	Others	1,217,925	-	73,599	1,291,524	765,843	131,195	49,979	947,017
	Subtotal	3,459,310	-	262,186	3,721,496	2,518,214	131,195	109,670	2,759,079
Associates	LG Display Co., Ltd. and its subsidiaries	189,313	-	216,976	406,289	384,826	-	71,453	456,279
	Ericsson-LG Co., Ltd. and its subsidiaries	318	-	2	320	834	-	-	834
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	10	-	1,531	1,541	9,543	-	329	9,872
	LG Fuel Cell Systems Inc. and its subsidiaries	17	-	-	17	-	-	5	5
	Korea Information Certificate Authority Inc.	-	-	114	114	-	-	-	-
	Subtotal	189,658	-	218,623	408,281	395,203	-	71,787	466,990
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	15,583	-	-	15,583
	LG-MRI LLC	108	-	-	108	-	-	-	-
	Subtotal	108	-	-	108	15,583	-	-	15,583
Other related parties	LG CNS Co., Ltd. and its subsidiaries	28,400	-	1,742	30,142	110	-	86,616	86,726
	SERVEONE Co., Ltd. and its subsidiaries	62,893	-	58,908	121,801	137,474	-	125,031	262,505
	LB Lusem CO., LTD. ²	-	-	-	-	216	-	-	216
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,146	1,146
	LG SPORTS Ltd.	-	-	-	-	-	-	701	701
	Subtotal	91,293	-	76,310	167,603	137,800	-	213,494	351,294

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		March 31, 2018							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Others ¹	LG Chem Ltd. and its subsidiaries	156,605	-	197,409	354,014	168,713	-	32,236	200,949
	LG INTERNATIONAL CORP and its subsidiaries	17,671	-	5,621	23,292	251,336	-	112,996	364,332
	LG Uplus Corp and its subsidiaries	39,228	-	231	39,459	-	-	441	441
	LG HAUSYS,LTD. and its subsidiaries	6,664	-	11,414	18,078	2,231	-	726	2,957
	Silicon Works Co., Ltd	-	-	-	-	2,343	-	756	3,099
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	679	-	711	1,390	-	-	1,396	1,396
	GIR Inc. and its subsidiaries	2,406	-	-	2,406	-	-	154,984	154,984
	Subtotal	223,253	-	215,386	438,639	424,623	-	303,535	728,158
	Total	3,963,658	-	796,231	4,759,889	3,491,423	131,195	734,409	4,357,027

(in millions of Korean won)

		December 31, 2017							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
Significantly influencing the LG Corp. Company		39	-	23,325	23,364	-	-	9,272	9,272
Subsidiaries	LG Innotek Co., Ltd.	380,623	-	2,368	382,991	149,835	-	38,605	188,440
	Hiplaza Co., Ltd.	155,550	-	11,732	167,282	-	-	9,750	9,750
	LG Electronics U.S.A., Inc.	500,636	-	-	500,636	-	-	11,237	11,237
	LG Electronics Mobilecomm U.S.A., Inc.	267,876	-	-	267,876	-	-	28,559	28,559
	Inspur LG Digital Mobile Communications Co., Ltd.	115,718	-	-	115,718	295,003	-	1,960	296,963
	LG Electronics Vietnam Haiphong Co., Ltd.	151,420	-	1,283	152,703	170,225	-	1,894	172,119
	LG Electronics do Brasil Ltda.	244,857	-	38,524	283,381	386	-	331	717
	LG Electronics Gulf FZE	126,018	-	-	126,018	-	-	16	16
	LG Electronics Canada, Inc.	42,105	-	-	42,105	-	-	37	37
	Qingdao LG Inspur Digital Communication Co., Ltd.	31,377	-	-	31,377	98,183	-	-	98,183
	LG Electronics (Kunshan) Co.,Ltd.	82,536	-	-	82,536	27,360	-	10,693	38,053
	LG Electronics Australia Pty, Ltd.	58,662	-	-	58,662	-	-	609	609

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		December 31, 2017							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG Electronics RUS, LLC	44,353	-	12,087	56,440	475	-	301	776
	LG Electronics India Pvt. Ltd.	21,776	-	7,318	29,094	1,059	-	212	1,271
	LG Electronics (Levant) Jordan	68,467	-	9	68,476	-	-	626	626
	LG Electronics Deutschland GmbH	117,195	-	14,331	131,526	-	-	10,456	10,456
	LG Electronics Japan, Inc.	76,677	-	-	76,677	-	-	2,591	2,591
	LG Electronics Mlawa Sp. z.O.O.	33,601	-	2	33,603	662,898	-	775	663,673
	LG Electronics Egypt S.A.E	55,145	-	66,906	122,051	11,029	-	5	11,034
	LG Electronics Nanjing New Technology co.,LTD	28,956	-	167	29,123	151,227	-	-	151,227
	LG Electronics United Kingdom Ltd.	66,926	-	1,418	68,344	-	-	877	877
	LG Electronics Thailand Co., Ltd.	17,688	-	322	18,010	229,286	-	54	229,340
	LG Electronics Inc Chile Ltda.	67,959	-	65	68,024	-	-	23	23
	LG Electronics Colombia Ltda.	70,282	-	66	70,348	-	-	142	142
	Others	894,634	-	70,247	964,881	617,624	127,925	84,195	829,744
	Subtotal	3,721,037	-	226,845	3,947,882	2,414,590	127,925	203,948	2,746,463
Associates	LG Display Co., Ltd. and its subsidiaries	387,785	-	9,980	397,765	538,254	-	86,253	624,507
	Ericsson-LG Co., Ltd. and its subsidiaries	316	-	202	518	1,302	-	-	1,302
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	33	-	1,531	1,564	6,106	-	237	6,343
	LG Fuel Cell Systems Inc. and its subsidiaries	1,201	-	-	1,201	-	-	5	5
	Korea Information Certificate Authority Inc.	-	-	-	-	-	-	7	7
	Subtotal	389,335	-	11,713	401,048	545,662	-	86,502	632,164
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	-	1,692	-	-	1,692
	LG-MRI LLC	248	-	-	248	-	-	-	-
	Subtotal	248	-	-	248	1,692	-	-	1,692
Other related parties	LG CNS Co., Ltd. and its subsidiaries	20,662	-	2,202	22,864	2,498	-	117,524	120,022
	SERVEONE Co., Ltd. and its subsidiaries	73,380	-	58,704	132,084	116,305	-	158,893	275,198
	LUSEM CO., LTD. ²	-	-	-	-	244	-	46	290
	LG Management Development Institute	-	-	15,660	15,660	-	-	1,272	1,272

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

		December 31, 2017							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables	Total
	LG SPORTS Ltd.	-	-	-	-	-	-	1,952	1,952
	LG MMA Ltd.	256	-	-	256	-	-	-	-
	Subtotal	94,298	-	76,566	170,864	119,047	-	279,687	398,734
Others ¹	LG Chem Ltd. and its subsidiaries	274,747	-	7,272	282,019	261,385	-	88,240	349,625
	LG INTERNATIONAL CORP and its subsidiaries	20,900	-	18,834	39,734	392,637	-	116,795	509,432
	LG Uplus Corp and its subsidiaries	46,992	-	458	47,450	-	-	855	855
	LG HAUSYS,LTD. and its subsidiaries	18,164	-	169	18,333	2,547	-	3,187	5,734
	Silicon Works Co., Ltd	2,489	-	-	2,489	2,178	-	756	2,934
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,048	-	-	2,048	-	-	1,258	1,258
	GIR Inc. and its subsidiaries	339	-	-	339	-	-	219,536	219,536
	Subtotal	365,679	-	26,733	392,412	658,747	-	430,627	1,089,374
	Total	4,570,636	-	365,182	4,935,818	3,739,738	127,925	1,010,036	4,877,699

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

² 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. As of March 31, 2018, LB Lusem CO., LTD. belongs to LG Group, as defined by the Korean Fair Trade Commission.

iii) Significant capital transactions with related parties and others for the three-month periods ended March 31, 2018 and 2017, are as follows:

(in millions of Korean won)

		2018						
Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,414	-	-	-	-	-	-
	LGE Alliance Fund II	-	-	(1,536)	-	-	-	-
	Subtotal	2,414	-	(1,536)	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	114	-	-	-	-	-	-
	Subtotal	67,927	-	-	-	-	-	-

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

(in millions of Korean won)

Classification	Name	2018						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Total		70,341	22,038	(1,536)	-	-	-	-

(in millions of Korean won)

Classification	Name	2017						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	22,038	-	-	-	-	-
Subsidiaries	LG Innotek Co., Ltd.	2,413	-	-	-	-	-	-
	LG Soft India Private Limited.	23,921	-	-	-	-	-	-
	Subtotal	26,334	-	-	-	-	-	-
Associates	LG Display Co., Ltd.	67,813	-	-	-	-	-	-
	Korea Information Certificate Authority Inc.	100	-	-	-	-	-	-
	Subtotal	67,913	-	-	-	-	-	-
Total		94,247	22,038	-	-	-	-	-

- (b) The compensation paid or payable to key management personnel for the three-month periods ended March 31, 2018 and 2017, consists of:

(in millions of Korean won)	2018	2017
Wages and salaries	9,942	6,946
Post-employment benefits	945	1,197
Other long-term benefits	28	34
Total	10,915	8,177

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 27.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

30. Risk Management

Financial Risk Management

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

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

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

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

(a) Market risk

i) Foreign exchange risk

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

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

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

As of March 31, 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>	March 31, 2018		December 31, 2017	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	11,925	(11,925)	56,741	(56,741)
EUR/KRW	11,047	(11,047)	(486)	486

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

ii) Interest rate risk

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

The Company minimizes its borrowings from others and optimizes its deposits. The Company periodically establishes the plan for reaction by the monitoring trends of internal and external interest rates 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 three-month periods ended March 31, 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	3,391	(3,391)	2,914	(2,914)
Interest expense	328	(328)	-	-

iii) Details of derivatives contracts are as follows:

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

March 31, 2018	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (paid) (%)	Start date	Expiration date
USD/KRW cross-currency swap	Shinhan Bank and others	USD 530	1,097.3 ~ 1,155.2	2.17 ~ 3.22	2013. 7.31~ 2017.11.22	2019. 1.31~ 2025. 4.23
Interest rate swap	Woori bank and others	KRW 1,270,000/ EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8.24	2023. 2.24 ~ 2030. 7. 7

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

At the end of the reporting period, the swap contracts are evaluated at fair value and the loss on valuation of the effective portion amounting to ₩211 million for the three-month period ended March 31, 2018 (March 31, 2017: loss on valuation amounting to ₩28,292 million) after applying the tax effect, is recognized in other comprehensive income. The Company reclassified ₩4,660 million to loss from equity for the three-month period ended March 31, 2018 (March 31, 2017: ₩34,390 million to loss from equity). Therefore, other comprehensive income from cash flow hedges amounts to ₩4,449 million for the three-month period ended March 31, 2018 (March 31, 2017: other comprehensive income of ₩6,098 million) after applying the tax effect.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	March 31, 2018		December 31, 2017	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	3,238	(3,238)	3,095	(3,095)

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 6.

(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,556,988 million (December 31, 2017: ₩1,913,932 million) and its risk is managed appropriately within insurer's credit limit of ₩3,155,355 million (December 31, 2017: ₩3,174,486 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

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

(c) Liquidity risk

The Company forecasts its cash flow and liquidity status and sets action plans on a regular base to manage liquidity risk proactively. The Company systematically works with experts in four RTCs

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

to carry out fund and liquidity management that can react proactively to the changing global financial environment.

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

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

- i) Cash flow information on maturity of financial liabilities as of March 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Trade payables	5,887,181	5,887,181	-	-	-
Borrowings	8,669,701	1,148,105	757,830	3,005,332	3,758,434
Other payables	2,163,776	2,151,412	12,264	100	-
Total	16,720,658	9,186,698	770,094	3,005,432	3,758,434

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

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	3 to 5 years	Over 5 years
Financial guarantee contracts	3,901,592	3,586,256	70,209	154,474	90,653

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

Capital Risk Management

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

<i>(in millions of Korean won, except for ratios)</i>	March 31, 2018	December 31, 2017
Liability (A)	18,055,200	18,614,924
Equity (B)	9,813,875	9,544,857
Cash and cash equivalents (C)	1,356,281	1,586,258
Borrowings (D)	7,426,055	7,441,840
Debt-to-equity ratio (A/B)	184.0%	195.0%
Net borrowings ratio ((D-C)/B)	61.8%	61.3%

Fair Value Estimation

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

<i>(in millions of Korean won)</i>	March 31, 2018			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	12,092	1
Financial assets at fair value through other comprehensive income				
Trade receivables	70,696	1	-	-
Other financial assets				
Marketable equity securities	-	-	15,602	15,602
Non-marketable equity securities	-	-	7,842	1
Derivatives for hedging purposes				
Other financial assets	-	-	2,287	2,287
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,356,281	1	-	-
Deposits held by financial institutions	80,500	1	2,649	2,649
Trade receivables	4,923,518	1	-	-
Other receivables	483,416	1	282,439	268,595
Total	6,914,411		322,911	

<i>(in millions of Korean won)</i>	March 31, 2018			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	10,499	10,499	53,963	53,963
Liabilities at amortized cost				

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

<i>(in millions of Korean won)</i>	March 31, 2018			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Financial liabilities at amortized cost				
Trade payables	5,887,181	1	-	-
Borrowings	913,467	1	6,512,588	6,461,136
Other payables	2,151,412	1	12,364	11,963
Other liabilities				
Other financial liabilities	5,818	2	4,080	2
Total	8,968,377		6,582,995	

<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				
Derivatives for hedging purposes				
Other financial assets	-	-	1,862	1,862
Available-for-sale financial assets				
Other financial assets	-	-	13,842	13,842
Assets at amortized cost				
Loans and other receivables				
Cash and cash equivalents	1,586,258	1	-	-
Deposits held by financial institutions	80,500	1	1,785	1,785
Trade receivables	5,612,250	1	-	-
Other receivables	472,794	1	292,123	278,305
Assets at cost				
Available-for-sale financial assets				
Other financial assets	-	-	18,241	3
Total	7,751,802		327,853	

<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				
Derivatives for hedging purposes				
Other financial liabilities	-	-	68,589	68,589
Liabilities at amortized cost				
Trade payables	6,126,168	1	-	-
Borrowings	767,666	1	6,674,174	6,637,249
Other payables	2,351,601	1	215	208
Other liabilities				
Other financial liabilities	6,985	4	1,303	4
Total	9,252,420		6,744,281	

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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 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 Company maximizes the use of market information and minimizes the use of unobservable inputs.

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

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

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

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

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

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

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

ii) Financial instruments measured at fair value

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

<i>(in millions of Korean won)</i>	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	15,602	-	-	15,602
Derivatives for hedging purposes	-	2,287	-	2,287
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	64,462	-	64,462

<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	13,842	-	-	13,842
Derivatives for hedging purposes	-	1,862	-	1,862
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	68,589	-	68,589

The above fair value amounts are recurring fair value measurements.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

- 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 March 31, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	March 31, 2018	December 31, 2017		
Assets				
Other financial assets				
Derivatives for hedging purposes	2,287	1,862	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	64,462	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 March 31, 2018 and December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	2,649	2,649
Non-current other receivables	-	-	268,595	268,595
Liabilities				
Non-current borrowings	-	-	6,461,136	6,461,136
Non-current other payables	-	-	11,963	11,963

<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	-	-	1,785	1,785
Non-current other receivables	-	-	278,305	278,305
Liabilities				
Non-current borrowings	-	-	6,637,249	6,637,249
Non-current other payables	-	-	208	208

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
March 31, 2018 and 2017 (Unaudited), and December 31, 2017

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

<i>(in millions of Korean won)</i>	March 31, 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	2,649	2,649	1,785	1,785	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	282,439	268,595	292,123	278,305	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.5%~4.8%
Liabilities								
Non-current borrowings	6,512,588	6,461,136	6,674,174	6,637,249	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.2%~4.1%
Non-current other payables	12,364	11,963	215	208	Discounted cash flow	Discount rate	Discount rate	1.9%~2.4%

31. Assets Classified as Held for Sale

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

<i>(in millions of Korean won)</i>	March 31, 2018	December 31, 2017
Assets classified as held for sale		
Property, plant and equipment ¹	12,316	6,070

¹ At the end of the reporting period, sales procedure of the assets is in progress, and the sale is expected to be completed by June 2018.

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

32. Events After the Reporting Period

On April 26, 2018, the Company decided to acquire 70% of shares of ZKW Holding GmbH and its subsidiaries for ₩1,010,794 million with the approval of the Board of Directors.