

LG Electronics

**Consolidated Interim Financial Statements
September 30, 2020 and 2019**

LG Electronics

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September 30, 2020 and 2019

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at September 30, 2020, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2020 and 2019, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2020 and 2019, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 3 to these consolidated interim financial statements of the Group, which describes the uncertainty, relating to the impact of the spread of Coronavirus Disease-19 (“COVID-19”) on the Group’s productivity and ability to fulfill customer’s orders. This matter does not affect our conclusion.

Other Matters

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

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

November 16, 2020
Seoul, Korea

This report is effective as of November 16, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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Consolidated Interim Statements of Financial Position
September 30, 2020 and December 31, 2019

| <i>(in millions of Korean won)</i> | Notes | September 30, 2020 (Unaudited) | December 31, 2019 |
|--|---------|-----------------------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5,32 | 6,576,589 | 4,777,368 |
| Deposits held by financial institutions | 5,32 | 83,120 | 65,971 |
| Trade receivables | 5,6,32 | 7,832,832 | 6,360,288 |
| Other receivables | 5,6,32 | 514,629 | 639,150 |
| Other financial assets | 5,7,32 | 22,114 | 5,138 |
| Inventories | 8 | 7,347,003 | 5,863,418 |
| Current tax assets | | 157,535 | 148,340 |
| Contract assets | 9 | 627,996 | 671,519 |
| Other current assets | | 1,287,549 | 1,207,547 |
| Assets held for sale | 34 | 42,744 | 14,746 |
| | | <u>24,492,111</u> | <u>19,753,485</u> |
| Non-current assets | | | |
| Deposits held by financial institutions | 5,32 | 38,509 | 39,368 |
| Other receivables | 5,6,32 | 435,615 | 437,957 |
| Other financial assets | 5,7,32 | 157,216 | 96,503 |
| Property, plant and equipment | 10 | 14,400,369 | 14,505,419 |
| Intangible assets | 10 | 2,844,292 | 2,691,972 |
| Deferred tax assets | | 1,597,317 | 1,668,430 |
| Investments in associates and joint ventures | 11 | 4,293,914 | 4,544,521 |
| Investment properties | | 381 | 291 |
| Net defined benefit assets | 14 | 13 | 8 |
| Contract assets | 9 | 223,137 | 205,976 |
| Other non-current assets | | 913,109 | 915,945 |
| | | <u>24,903,872</u> | <u>25,106,390</u> |
| Total assets | | <u>49,395,983</u> | <u>44,859,875</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables | 5,32 | 9,328,006 | 6,820,644 |
| Borrowings | 5,12,32 | 1,730,468 | 1,643,656 |
| Lease liabilities | 5,13,32 | 260,704 | 274,245 |
| Other payables | 5,32 | 2,873,807 | 3,318,784 |
| Other financial liabilities | 5,7,32 | 5,818 | 7,175 |
| Current tax liabilities | | 159,442 | 172,756 |
| Provisions | 15 | 846,678 | 824,479 |
| Contract liabilities | 9 | 1,671,609 | 1,219,507 |
| Other current liabilities | | 3,449,058 | 3,376,670 |
| | | <u>20,325,590</u> | <u>17,657,916</u> |
| Non-current liabilities | | | |
| Borrowings | 5,12,32 | 8,996,215 | 8,843,682 |
| Lease liabilities | 5,13,32 | 548,370 | 497,179 |
| Other payables | 5,32 | 1,128 | 1,202 |
| Other financial liabilities | 5,7,32 | 156,250 | 107,973 |
| Deferred tax liabilities | | 122,962 | 128,407 |
| Net defined benefit liabilities | 14 | 927,210 | 592,937 |
| Provisions | 15 | 271,369 | 258,521 |
| Contract liabilities | 9 | 52,427 | 27,908 |
| Other non-current liabilities | | 222,468 | 319,012 |
| | | <u>11,298,399</u> | <u>10,776,821</u> |
| Total liabilities | | <u>31,623,989</u> | <u>28,434,737</u> |

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Consolidated Interim Statements of Financial Position
September 30, 2020 and December 31, 2019

(in millions of Korean won)

| | Notes | September 30, 2020 (Unaudited) | December 31, 2019 |
|--|-------|-----------------------------------|-------------------|
| Equity | | | |
| Paid-in capital: | 16 | | |
| Share capital | | 904,169 | 904,169 |
| Share premium | | 3,088,179 | 3,088,179 |
| Retained earnings | 17 | 13,374,826 | 11,857,302 |
| Accumulated other comprehensive loss | 18 | (1,519,530) | (1,309,801) |
| Other components of equity | 19 | (209,764) | (209,764) |
| Equity attributable to owners of the Parent Company | | <u>15,637,880</u> | <u>14,330,085</u> |
| Non-controlling interests | | <u>2,134,114</u> | <u>2,095,053</u> |
| Total equity | | <u>17,771,994</u> | <u>16,425,138</u> |
| Total liabilities and equity | | <u>49,395,983</u> | <u>44,859,875</u> |

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Consolidated Interim Statements of Profit or Loss
Three-month and Nine-month Periods Ended September 30, 2020 and 2019

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

| | Notes | Period Ended September 30 | | | |
|---|-------|---------------------------|-------------|------------------|-------------|
| | | 2020 (Unaudited) | | 2019 (Unaudited) | |
| | | Three months | Nine months | Three months | Nine months |
| Net sales | 20 | 16,919,559 | 44,481,189 | 15,700,645 | 46,244,973 |
| Cost of sales | 21 | 12,340,959 | 32,638,057 | 11,592,474 | 34,435,452 |
| Gross profit | | 4,578,600 | 11,843,132 | 4,108,171 | 11,809,521 |
| Selling and marketing expenses | 21,22 | 2,084,221 | 5,435,094 | 1,893,093 | 5,609,193 |
| Administrative expenses | 21,22 | 339,053 | 938,417 | 359,718 | 1,009,702 |
| Research and development expenses | 21,22 | 648,353 | 1,852,113 | 637,081 | 1,813,066 |
| Service costs | 21,22 | 547,992 | 1,072,686 | 436,818 | 1,043,223 |
| Operating profit | | 958,981 | 2,544,822 | 781,461 | 2,334,337 |
| Financial income | 23 | 183,457 | 538,228 | 150,001 | 358,709 |
| Financial expenses | 24 | 287,453 | 855,419 | 206,105 | 572,413 |
| Gain (loss) from equity method valuation | 11 | 14,598 | (238,180) | (150,956) | (380,852) |
| Other non-operating income | 25 | 352,168 | 1,830,449 | 407,466 | 1,023,507 |
| Other non-operating expenses | 26 | 450,106 | 1,510,971 | 547,868 | 1,347,791 |
| Profit before income tax | | 771,645 | 2,308,929 | 433,999 | 1,415,497 |
| Income tax expense | | 122,420 | 507,423 | 88,299 | 385,819 |
| Profit for the period | | 649,225 | 1,801,506 | 345,700 | 1,029,678 |
| Profit for the period attributable to: | | | | | |
| Owners of the Parent Company | | 626,081 | 1,707,996 | 244,174 | 906,697 |
| Non-controlling interests | | 23,144 | 93,510 | 101,526 | 122,981 |
| | | 649,225 | 1,801,506 | 345,700 | 1,029,678 |
| Earnings per share attributable to the owners of the Parent Company during the period (in Korean won): | 27 | | | | |
| Earnings per ordinary share | | 3,476 | 9,482 | 1,355 | 5,032 |
| Earnings per preferred share | | 3,488 | 9,519 | 1,367 | 5,069 |

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Consolidated Interim Statements of Comprehensive Income
Three-month and Nine-month Periods Ended September 30, 2020 and 2019

(in millions of Korean won)

| | Notes | Period Ended September 30 | | | |
|---|-------|---------------------------|-------------|------------------|-------------|
| | | 2020 (Unaudited) | | 2019 (Unaudited) | |
| | | Three months | Nine months | Three months | Nine months |
| Profit for the period | | 649,225 | 1,801,506 | 345,700 | 1,029,678 |
| Other comprehensive income (loss), net of tax | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Remeasurements of the net defined benefit liability | 14 | (18,307) | (55,752) | (39,951) | (189,522) |
| Share of remeasurements of associates | 11 | (294) | (1,341) | (348) | (4,549) |
| Financial assets at fair value through other comprehensive income | 7 | 23,631 | 24,413 | (1,250) | 7,599 |
| <i>Items that will be reclassified subsequently to profit or loss:</i> | | | | | |
| Share of other comprehensive income (excluding remeasurements) of associates and joint ventures | 11 | 13,519 | 79,216 | 17,396 | 82,570 |
| Cash flow hedges | 32 | 15,489 | (32,954) | (15,415) | (49,378) |
| Exchange differences on translation of foreign operations | | (209,871) | (247,585) | 116,130 | 508,813 |
| Other comprehensive income (loss) for the period, net of tax | | (175,833) | (234,003) | 76,562 | 355,533 |
| Total comprehensive income for the period, net of tax | | 473,392 | 1,567,503 | 422,262 | 1,385,211 |
| Comprehensive income for the period, net of tax, attributable to: | | | | | |
| Owners of the Parent Company | | 443,624 | 1,443,704 | 314,111 | 1,232,306 |
| Non-controlling interests | | 29,768 | 123,799 | 108,151 | 152,905 |
| Total comprehensive income for the period, net of tax | | 473,392 | 1,567,503 | 422,262 | 1,385,211 |

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Consolidated Interim Statements of Changes in Equity
Nine-month Periods Ended September 30, 2020 and 2019

| | | Attributable to Owners of the Parent Company | | | | | | |
|---|-------|--|----------------------|---|----------------------------------|-------------------|------------------------------|-------------------|
| | | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Other Components of Equity | Total | Non-controlling Interests | Total Equity |
| <i>(in millions of Korean won)</i> | | | | | | | | |
| | Notes | | | | | | | |
| Balance at January 1, 2019 | | 3,992,348 | 12,075,414 | (1,604,730) | (209,764) | 14,253,268 | 2,053,639 | 16,306,907 |
| Changes in accounting policy | | - | (8,336) | - | - | (8,336) | 428 | (7,908) |
| Restated total equity | | <u>3,992,348</u> | <u>12,067,078</u> | <u>(1,604,730)</u> | <u>(209,764)</u> | <u>14,244,932</u> | <u>2,054,067</u> | <u>16,298,999</u> |
| Total comprehensive income: | | | | | | | | |
| Profit for the period | | - | 906,697 | - | - | 906,697 | 122,981 | 1,029,678 |
| Remeasurements of the net defined benefit liability | 14 | - | (180,287) | - | - | (180,287) | (9,235) | (189,522) |
| Share of remeasurements of associates | 11 | - | (4,549) | - | - | (4,549) | - | (4,549) |
| Financial assets at fair value through other comprehensive income | 7 | - | - | 7,271 | - | 7,271 | 328 | 7,599 |
| Share of other comprehensive income (excluding remeasurements) of associates and joint ventures | 11 | - | - | 82,570 | - | 82,570 | - | 82,570 |
| Cash flow hedges | 32 | - | - | (49,366) | - | (49,366) | (12) | (49,378) |
| Exchange differences on translation of foreign operations | | - | - | 469,970 | - | 469,970 | 38,843 | 508,813 |
| Total comprehensive income | | <u>-</u> | <u>721,861</u> | <u>510,445</u> | <u>-</u> | <u>1,232,306</u> | <u>152,905</u> | <u>1,385,211</u> |
| Transactions with owners: | | | | | | | | |
| Dividends | 17 | - | (135,909) | - | - | (135,909) | (76,749) | (212,658) |
| Changes in controlling interests in subsidiaries | | - | - | - | - | - | (280) | (280) |
| Transfer of business | 28 | - | - | - | - | - | (20,346) | (20,346) |
| Total transactions with owners | | <u>-</u> | <u>(135,909)</u> | <u>-</u> | <u>-</u> | <u>(135,909)</u> | <u>(97,375)</u> | <u>(233,284)</u> |
| Balance at September 30, 2019 (Unaudited) | | <u>3,992,348</u> | <u>12,653,030</u> | <u>(1,094,285)</u> | <u>(209,764)</u> | <u>15,341,329</u> | <u>2,109,597</u> | <u>17,450,926</u> |
| Balance at January 1, 2020 | | 3,992,348 | 11,857,302 | (1,309,801) | (209,764) | 14,330,085 | 2,095,053 | 16,425,138 |
| Total comprehensive income (loss): | | | | | | | | |
| Profit for the period | | - | 1,707,996 | - | - | 1,707,996 | 93,510 | 1,801,506 |
| Remeasurements of the net defined benefit liability | 14 | - | (53,222) | - | - | (53,222) | (2,530) | (55,752) |
| Share of remeasurements of associates | 11 | - | (1,341) | - | - | (1,341) | - | (1,341) |
| Financial assets at fair value through other comprehensive income | 7 | - | - | 24,648 | - | 24,648 | (235) | 24,413 |
| Share of other comprehensive income (excluding remeasurements) of associates and joint ventures | 11 | - | - | 79,216 | - | 79,216 | - | 79,216 |
| Cash flow hedges | 32 | - | - | (32,542) | - | (32,542) | (412) | (32,954) |
| Exchange differences on translation of foreign operations | | - | - | (281,051) | - | (281,051) | 33,466 | (247,585) |
| Total comprehensive income (loss) | | <u>-</u> | <u>1,653,433</u> | <u>(209,729)</u> | <u>-</u> | <u>1,443,704</u> | <u>123,799</u> | <u>1,567,503</u> |
| Transactions with owners: | | | | | | | | |
| Dividends | 17 | - | (135,909) | - | - | (135,909) | (84,738) | (220,647) |
| Total transactions with owners | | <u>-</u> | <u>(135,909)</u> | <u>-</u> | <u>-</u> | <u>(135,909)</u> | <u>(84,738)</u> | <u>(220,647)</u> |
| Balance at September 30, 2020 (Unaudited) | | <u>3,992,348</u> | <u>13,374,826</u> | <u>(1,519,530)</u> | <u>(209,764)</u> | <u>15,637,880</u> | <u>2,134,114</u> | <u>17,771,994</u> |

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Consolidated Interim Statements of Cash Flows

Nine-month Periods Ended September 30, 2020 and 2019

(in millions of Korean won)

| | Notes | Nine-month Period Ended September 30 | |
|--|-------|--------------------------------------|---------------------|
| | | 2020 (Unaudited) | 2019 (Unaudited) |
| Cash flows from operating activities | | | |
| Cash generated from operations | 28 | 3,794,064 | 3,177,430 |
| Interest received | | 70,844 | 97,374 |
| Interest paid | | (282,286) | (312,141) |
| Dividend received | | 701 | 1,177 |
| Income tax paid | | (484,244) | (417,615) |
| Net cash inflow from operating activities | | <u>3,099,079</u> | <u>2,546,225</u> |
| Cash flows from investing activities | | | |
| Decrease in deposits held by financial institutions | | 4,475 | 8,758 |
| Decrease in other receivables | | 68,537 | 87,295 |
| Proceeds from redemption and disposal of other financial assets | | 72,842 | 55,316 |
| Proceeds from disposal of property, plant and equipment | | 94,482 | 77,710 |
| Proceeds from disposal of intangible assets | | 1,315 | 34 |
| Proceeds from disposal of investment properties | | - | 95,238 |
| Proceeds from redemption and disposal of investment in associates and joint ventures | | 728,776 | - |
| Proceeds from disposal of assets held for sale | | 4,387 | 110,814 |
| Transfer of business | 28 | - | 173,028 |
| Increase in deposits held by financial institutions | | (21,877) | (6,083) |
| Increase in other receivables | | (95,879) | (94,755) |
| Acquisition of other financial assets | | (64,851) | (56,555) |
| Acquisition of property, plant and equipment | | (1,545,303) | (1,504,587) |
| Acquisition of intangible assets | | (373,523) | (361,118) |
| Acquisition of investments in associates and joint ventures | | (12,803) | (10,938) |
| Business combination | 33 | - | (2,594) |
| Net cash outflow from investing activities | | <u>(1,139,422)</u> | <u>(1,428,437)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 1,281,637 | 731,696 |
| Repayments of borrowings | | (1,073,986) | (983,678) |
| Repayments of lease liabilities | | (221,273) | (228,343) |
| Dividends paid and others | | (165,627) | (212,937) |
| Net cash outflow from financing activities | | <u>(179,249)</u> | <u>(693,262)</u> |
| Effects of exchange rate changes on cash and cash equivalents | | 18,813 | 103,966 |
| Net increase in cash and cash equivalents | | <u>1,799,221</u> | <u>528,492</u> |
| Cash and cash equivalents at the beginning of the period | | <u>4,777,368</u> | <u>4,270,388</u> |
| Cash and cash equivalents at the end of the period | | <u>6,576,589</u> | <u>4,798,880</u> |

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Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited), and December 31, 2019

1. General Information

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

As at September 30, 2020, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (collectively referred to as the “Group”) operate following six major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle component Solutions segment designs and manufactures automobile parts; Business Solutions segment manufactures and sells monitors, PCs, information displays, solar panels and others; and LG Innotek Co., Ltd. operates optics solutions, substrate materials and automotive components businesses. As at September 30, 2020, the Parent Company has 134 subsidiaries (Note 1 (a)), 15 associates and joint ventures (Note 11).

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Notes to the Consolidated Interim Financial Statements
September 30, 2020 and 2019 (Unaudited), and December 31, 2019

(a) Consolidated subsidiaries as at September 30, 2020 and December 31, 2019, are as follows:

| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|-----------------------|----------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| The Republic of Korea | Korea | Hiplaza Co., Ltd. | 100.0% | - | 100.0% | - | December | Wholesales and retails of electronic products | More than half of voting rights |
| | Korea | ACE R&A Co., Ltd. | 100.0% | - | 100.0% | - | December | Production and sales of air conditioner | More than half of voting rights |
| | Korea | Hi M Solutek Co., Ltd. | 100.0% | - | 100.0% | - | December | Maintenance | More than half of voting rights |
| | Korea | Hi Teleservice Co., Ltd. | 100.0% | - | 100.0% | - | December | Marketing services | More than half of voting rights |
| | Korea | LG Innotek Co., Ltd. ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and sales of electrical/electronic materials | De-facto control |
| | Korea | LG Innotek Alliance Fund ¹ | 40.4% | 59.6% | 40.4% | 59.6% | December | Investment | De-facto control |
| | Korea | Innowith Co., Ltd. ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Services | De-facto control |
| | Korea | Hanuri Co., Ltd. | 100.0% | - | 100.0% | - | December | Business facility maintenance | More than half of voting rights |
| | Korea | ZKW Lighting Systems Korea Co., Ltd. | 70.0% | 30.0% | 70.0% | 30.0% | December | R&D | More than half of voting rights |
| China | China | Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of electronic products | More than half of voting rights |
| | China | LG Electronics (China) Co., Ltd.(LGECH) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | China | LG Electronics (China) Research and Development Center Co., Ltd.(LGERD) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | China | LG Electronics (Hangzhou) Co., Ltd.(LGEHN) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of electronic products | More than half of voting rights |

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Notes to the Consolidated Interim Financial Statements

September 30, 2020 and 2019 (Unaudited), and December 31, 2019

| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|-----------|----------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| China | | LG Electronics (Kunshan) Co., Ltd.(LGEKS) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| China | | LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| China | | LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| China | | LG ELECTRONICS HK LIMITED(LGEHK) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| China | | LG Electronics (Huizhou) Inc.(LGEHZ) | 80.0% | 20.0% | 80.0% | 20.0% | December | Production of electronic products | More than half of voting rights |
| China | | LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) ² | 50.0% | 50.0% | 50.0% | 50.0% | December | Production of electronic products | De-facto control |
| China | | LG Electronics Nanjing New Technology Co.,LTD(LGENT) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of electronic products | More than half of voting rights |
| China | | LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| China | | LG Electronics (Qinhuangdao) Co.,LTD(LGEQH) | 100.0% | - | 100.0% | - | December | Production of casting | More than half of voting rights |
| China | | LG Electronics (Shenyang) Inc(LGESY) | 78.9% | 21.1% | 78.9% | 21.1% | December | Production of electronic products | More than half of voting rights |
| China | | LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA) | 80.0% | 20.0% | 80.0% | 20.0% | December | Production of electronic products | More than half of voting rights |
| China | | Nanjing LG Panda Appliances Co., Ltd(LGEPN) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of electronic products | More than half of voting rights |
| China | | Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) | 70.0% | 30.0% | 70.0% | 30.0% | December | Production of electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|-----------|-------------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | China | Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| | China | Tianjin Lijie cartridge heater Co., Ltd.(LGETL) | 100.0% | - | 100.0% | - | December | Production of heater | More than half of voting rights |
| | China | QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD. | 80.0% | 20.0% | 80.0% | 20.0% | December | Installation and sales of air conditioners | More than half of voting rights |
| | China | LG Innotek Yantai Co.,Ltd.(LGITYT) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and sales of electrical/electronic materials | De-facto control |
| | China | LG Innotek Huizhou Co.,Ltd.(LGITHZ) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and sales of electrical/electronic materials | De-facto control |
| | China | LG Innotek Trading (Shanghai) Co.,Ltd.(LGITSH) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Sales of electrical/electronic materials | De-facto control |
| | China | ZKW Lighting Systems (Dalian) Co. Ltd. | 70.0% | 30.0% | 70.0% | 30.0% | December | Production and sales of vehicle components | More than half of voting rights |
| Asia | Australia | LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | India | LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL) ⁴ | 100.0% | - | 100.0% | - | March | Production and sales of electronic products | More than half of voting rights |
| | Japan | LG Japan Lab. Inc.(LGJL) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | Japan | LG Electronics Japan, Inc.(LGEJP) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Malaysia | LG Electronics (M) Sdn. Bhd(LGEML) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Philippines | LG Electronics Philippines Inc.(LGEPH) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|-----------|-------------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Singapore | LG Electronics Singapore Pte.Ltd.(LGESL) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Taiwan | LG Electronics Taiwan Taipei Co., Ltd.(LGETT) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Thailand | LG Electronics (Thailand) Company Limited(LGETH) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | India | LG Soft India Private Limited.(LGS1) ⁴ | 100.0% | - | 100.0% | - | March | R&D | More than half of voting rights |
| | Indonesia | P.T. LG Electronics Indonesia(LGEIN) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | Philippines | LG Electronics Pasig Inc. ³ | 38.0% | 62.0% | 38.0% | 62.0% | December | Real estates | De-facto control |
| | Indonesia | PT. LG Innotek Indonesia(LGITIN) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and sales of electrical/electronic materials | De-facto control |
| | Taiwan | LG Innotek (Taiwan) Co., Ltd.(LGITTW) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Sales of electrical/electronic materials | De-facto control |
| | Vietnam | LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and sales of electrical/electronic materials | De-facto control |
| | Malaysia | V-ENS (M) Sdn. Bhd. | 100.0% | - | 100.0% | - | December | Automotive engineering | More than half of voting rights |
| | Vietnam | LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | Indonesia | PT. LG Electronics Service Indonesia(LGEID) | 99.8% | 0.2% | 99.8% | 0.2% | December | Services | More than half of voting rights |
| | Philippines | HI-M SOLUTEK PHILIPPINES INC. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Vietnam | HI-M SOLUTEK VIETNAM CO., LTD. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|-----------|-------------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|-----------------------------------|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| Europe | Netherlands | LG Electronics Benelux Sales B.V.(LGEBN) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Germany | LG Electronics Deutschland GmbH(LGEDG) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Spain | LG Electronics Espana S.A.(LGEES) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Netherlands | LG Electronics European Holding B.V.(LGEEH) | 100.0% | - | 100.0% | - | December | European holding | More than half of voting rights |
| | Netherlands | LG Electronics European Shared Service Center B.V.(LGESC) | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | France | LG Electronics France S.A.S(LGEFS) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Greece | LG ELECTRONICS HELLAS SINGLE MEMBER SA (LGEHS) ⁵ | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Italy | LG Electronics Italia S.P.A.(LGEIS) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Latvia | LG Electronics Latvia LTD(LGELA) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Hungary | LG Electronics Magyar K.F.T.(LGEMK) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Poland | LG Electronics Mlawa Sp. z.O.O.(LGEMA) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| | Sweden | LG Electronics Nordic AB(LGESW) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Poland | LG Electronics Polska Sp. Z.O.O(LGEPL) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Portugal | LG Electronics Portugal S.A.(LGEPT) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|-----------|----------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| UK | | LG Electronics U.K. LTD(LGEUK) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| Poland | | LG Electronics Wroclaw Sp. z.O.O.(LGEWR) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| Finland | | LG Electronics Finland Lab Oy(LGEFL) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| Poland | | LG Innotek Poland Sp. z.o.o.(LGITPO) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and sales of electrical/electronic materials | De-facto control |
| Austria | | ZKW Holding GmbH | 70.0% | 30.0% | 70.0% | 30.0% | December | Holding company | More than half of voting rights |
| Austria | | ZKW Group GmbH | 70.0% | 30.0% | 70.0% | 30.0% | December | Services | More than half of voting rights |
| Austria | | ZKW Elektronik GmbH | 70.0% | 30.0% | 70.0% | 30.0% | December | Production and sales of vehicle components | More than half of voting rights |
| Austria | | ZKW Lichtsysteme GmbH | 70.0% | 30.0% | 70.0% | 30.0% | December | Production and sales of vehicle components | More than half of voting rights |
| Austria | | ZKW Austria Immobilien Holding GmbH | 70.0% | 30.0% | 70.0% | 30.0% | December | Holding company | More than half of voting rights |
| Austria | | ZKW Austria Immobilien GmbH | 70.0% | 30.0% | 70.0% | 30.0% | December | Real estates | More than half of voting rights |
| Slovakia | | ZKW Slovakia s.r.o. | 70.0% | 30.0% | 70.0% | 30.0% | December | Production and sales of vehicle components | More than half of voting rights |
| Czech | | KES - kabelove a elektricke systemy spol. s.r.o. | 70.0% | 30.0% | 70.0% | 30.0% | December | Production and sales of vehicle components | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|---------------|----------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Poland | KES Poland Sp.z o.o. | 70.0% | 30.0% | 70.0% | 30.0% | December | Production and sales of vehicle components | More than half of voting rights |
| North America | USA | LG Electronics Miami Inc.(LGEMI) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | USA | LG Electronics Alabama Inc.(LGEAI) | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Canada | LG Electronics Canada, Inc.(LGECI) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Mexico | LG Electronics Mexicali, S.A. de C.V.(LGEMX) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| | Mexico | LG Electronics Mexico S.A. DE C.V.(LGEMS) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | USA | LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |
| | Mexico | LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| | Mexico | LG Electronics Reynosa, S.A. De C.V.(LGERS) | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| | USA | LG Electronics U.S.A., Inc.(LGEUS) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | Mexico | Servicios Integrales LG S.A DE C.V | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Mexico | Servicios LG Monterrey Mexico S.A. de C.V. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | USA | Zenith Electronics Corporation of Pennsylvania | 100.0% | - | 100.0% | - | December | Production of electronic products | More than half of voting rights |
| | USA | Zenith Electronics LLC(Zenith) | 100.0% | - | 100.0% | - | December | R&D | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|---------------|-----------|---|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | USA | LG Innotek USA, Inc.(LGITUS) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Sales of electrical/electronic materials | De-facto control |
| | Mexico | LG Innotek Mexico SA DE CV(LGITMX) ¹ | 40.8% | 59.2% | 40.8% | 59.2% | December | Production and sales of electrical/electronic materials | De-facto control |
| | USA | LG Electronics Vehicle Components U.S.A., LLC.(LGEVU) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | USA | LGEUS Power, LLC | 100.0% | - | 100.0% | - | December | Investment of solar power plant | More than half of voting rights |
| | USA | LG Electronics Fund I LLC | 100.0% | - | 100.0% | - | December | Investment in technology start-ups | More than half of voting rights |
| | USA | LG Technology Ventures LLC | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | USA | LG CORP. U.S.A. | 100.0% | - | 100.0% | - | December | Real estates | More than half of voting rights |
| | USA | ZKW Lighting Systems USA, Inc. | 70.0% | 30.0% | 70.0% | 30.0% | December | Sales of vehicle components | More than half of voting rights |
| | Mexico | ZKW Mexico Inmobiliaria, S.A. de C.V. | 70.0% | 30.0% | 70.0% | 30.0% | December | Real estates | More than half of voting rights |
| | Mexico | ZKW Mexico, S.A. de C.V. | 70.0% | 30.0% | 70.0% | 30.0% | December | Production and sales of vehicle components | More than half of voting rights |
| | Mexico | ZKW Mexico Servicios, S.A. de C.V. | 70.0% | 30.0% | 70.0% | 30.0% | December | Services | More than half of voting rights |
| South America | Argentina | LG Electronics Argentina S.A.(LGEAR) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Colombia | LG Electronics Colombia Limitada(LGECB) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Brazil | LG Electronics do Brasil Ltda.(LGEBR) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|------------------------|-----------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Honduras | LG Electronics Honduras S.de R.L. ² | 20.0% | 80.0% | 20.0% | 80.0% | December | Sales of electronic products | De-facto control |
| | Chile | LG Electronics Inc Chile Limitada(LGECL) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Panama | LG Electronics Panama, S.A.(LGEPS) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Peru | LG Electronics Peru S.A.(LGEPR) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Venezuela | LG Electronics Venezuela, S.A.(LGEVZ) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Panama | LG Consulting Corp. | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | Guatemala | LG Electronics Guatemala, S.A. | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| Middle East and Africa | Angola | LG Electronics Angola Limitada(LGEAO) | 100.0% | - | 100.0% | - | December | Sales and services of electronic products | More than half of voting rights |
| | Jordan | LG Electronics Levant - Jordan(LGELF) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | UAE | LG Electronics Africa Logistics FZE(LGEAF) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Algeria | LG Electronics Algeria SARL(LGEAS) | 70.0% | 30.0% | 70.0% | 30.0% | December | Sales of electronic products | More than half of voting rights |
| | UAE | LG Electronics Dubai FZE(LGEDF) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Egypt | LG Electronics Egypt S.A.E(LGEEG) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | UAE | LG Electronics Gulf FZE(LGEGF) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | UAE | LG Electronics Middle East Co., Ltd.(LGEME) | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |

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| Territory | Location | Subsidiary | September 30, 2020 | | December 31, 2019 | | Closing month | Major business | Basis of control |
|-----------|--------------|--|-------------------------|--------------------------|-------------------------|--------------------------|---------------|---|---------------------------------|
| | | | Percentage of ownership | | Percentage of ownership | | | | |
| | | | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest | | | |
| | Morocco | LG Electronics Morocco S.A.R.L.(LGEMC) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Nigeria | LG Electronics Nigeria Limited(LGENI) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Tunisia | LGENAF Service Company SARL | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | UAE | LG Electronics Overseas Trading FZE(LGEOT) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | South Africa | LG Electronics S.A. (Pty) Ltd.(LGESA) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | Turkey | LG Electronics Ticaret A.S.(LGETK) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Saudi Arabia | LG-Shaker Co.Ltd.(LGESR) | 51.0% | 49.0% | 51.0% | 49.0% | December | Production of electronic products | More than half of voting rights |
| | Saudi Arabia | LG Electronics Saudi Arabia LLC | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| | UAE | HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC | 100.0% | - | 100.0% | - | December | Services | More than half of voting rights |
| Other | Kazakhstan | LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK) ⁵ | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |
| | Russia | LG Electronics RUS, LLC(LGERA) | 100.0% | - | 100.0% | - | December | Production and sales of electronic products | More than half of voting rights |
| | Ukraine | LG Electronics Ukraine(LGEUR) | 100.0% | - | 100.0% | - | December | Sales of electronic products | More than half of voting rights |

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- ¹ Although the Group owns less than half of the voting rights of LG Innotek Co., Ltd., which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).
- ² Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.
- ³ Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.
- ⁴ In the preparation of the consolidated interim financial statements, the financial statements for the nine-month period ended September 30, 2020 were used for those subsidiaries with different fiscal year ends.
- ⁵ JSC Electronics Almaty Kazakhstan and LG Electronics Hellas S.A changed its name to LG Electronics Almaty Kazakhstan Limited Liability Partnership and LG ELECTRONICS HELLAS SINGLE MEMBER SA, respectively, during the nine-month period ended September 30, 2020.

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(b) Financial information of major subsidiaries as at September 30, 2020 and December 31, 2019, and for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (before elimination of intercompany transactions):

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | 2020 | | | |
|--|--------------------|-------------|-----------|--------------|---------------------------------|-------------|---------------------------------|
| | Assets | Liabilities | Equity | Three months | | Nine months | |
| | | | | Sales | Profit (loss) for the period | Sales | Profit (loss) for the period |
| LG Innotek Co., Ltd. | 5,688,394 | 3,612,958 | 2,075,436 | 2,149,333 | 15,034 | 5,588,968 | 110,463 |
| LG Electronics U.S.A., Inc.(LGEUS) | 5,496,204 | 4,314,413 | 1,181,791 | 4,000,383 | 58,916 | 9,624,839 | 201,846 |
| LG Electronics European Shared Service Center B.V.(LGESC) | 2,231,102 | 2,188,634 | 42,468 | 123,700 | (4,386) | 365,902 | 8,132 |
| LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL) | 1,459,259 | 537,454 | 921,805 | 697,513 | 106,128 | 1,618,024 | 194,552 |
| LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH) | 1,741,039 | 1,052,380 | 688,659 | 1,714,827 | 92,107 | 4,124,082 | 167,837 |
| LG Electronics Mlawa Sp. z.O.O.(LGEMA) | 1,207,829 | 683,323 | 524,506 | 806,864 | 9,814 | 1,963,742 | 37,915 |
| Zenith Electronics LLC(Zenith) | 1,194,511 | 33,630 | 1,160,881 | 31,052 | 12,235 | 91,912 | 13,709 |
| LG Electronics do Brasil Ltda.(LGEBR) | 1,088,148 | 533,313 | 554,835 | 543,162 | 71,740 | 1,343,264 | 142,221 |
| LG Electronics RUS, LLC(LGERA) | 922,179 | 414,379 | 507,800 | 453,545 | 37,506 | 1,036,351 | 76,196 |
| Hiplaza Co., Ltd. | 1,066,284 | 875,191 | 191,093 | 784,170 | 13,385 | 2,243,249 | 14,519 |
| LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) | 924,480 | 667,580 | 256,900 | 361,298 | 16,263 | 1,149,178 | 38,946 |
| ZKW Lichtsysteme GmbH | 867,054 | 468,352 | 398,702 | 187,329 | 7,748 | 517,048 | (3,026) |
| LG Electronics (China) Co., Ltd(LGECH) | 1,032,453 | 1,099,589 | (67,136) | 77,619 | 31,060 | 185,730 | 44,726 |
| LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA) | 698,577 | 388,433 | 310,144 | 320,689 | 8,521 | 927,813 | 35,267 |
| ZKW Group GmbH | 828,498 | 512,047 | 316,451 | 33,113 | 3,864 | 81,777 | 1,676 |
| LG Electronics Deutschland GmbH(LGEDG) | 860,844 | 710,097 | 150,747 | 773,715 | (14,087) | 1,862,591 | 12,209 |
| Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) | 703,362 | 470,259 | 233,103 | 364,586 | 7,134 | 855,615 | 29,829 |
| LG Electronics (Thailand) Company Limited(LGETH) | 634,247 | 257,501 | 376,746 | 292,071 | 22,673 | 963,166 | 47,024 |
| P.T. LG Electronics Indonesia(LGEIN) | 704,135 | 306,227 | 397,908 | 379,947 | (5,964) | 959,057 | 19,384 |
| LG Electronics Nanjing New Technology co.,LTD(LGENT) | 618,467 | 403,570 | 214,897 | 475,776 | 3,026 | 1,286,777 | 40,340 |

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| <i>(in millions of Korean won)</i> | December 31, 2019 | | | 2019 | | | |
|--|-------------------|-------------|-----------|--------------|---------------------------------|-------------|---------------------------------|
| | Assets | Liabilities | Equity | Three months | | Nine months | |
| | | | | Sales | Profit (loss) for the period | Sales | Profit (loss) for the period |
| LG Innotek Co., Ltd. | 5,070,125 | 3,093,240 | 1,976,885 | 2,376,787 | 89,205 | 5,154,465 | 24,939 |
| LG Electronics U.S.A., Inc.(LGEUS) | 4,198,780 | 3,212,631 | 986,149 | 3,270,167 | (13,645) | 9,388,986 | 99,980 |
| LG Electronics European Shared Service Center B.V.(LGESC) | 2,187,220 | 2,154,955 | 32,265 | 127,180 | (5,129) | 388,271 | 13,446 |
| LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL) | 1,388,314 | 427,032 | 961,282 | 668,367 | 91,942 | 2,167,514 | 269,193 |
| LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH) | 1,343,056 | 823,654 | 519,402 | 1,128,886 | 102,324 | 2,813,816 | 129,210 |
| LG Electronics Mlawa Sp. z.O.O.(LGEMA) | 1,245,535 | 747,770 | 497,765 | 590,960 | 40,900 | 1,882,102 | 67,888 |
| Zenith Electronics LLC(Zenith) | 1,167,950 | 36,033 | 1,131,917 | 60,644 | 28,971 | 90,443 | 23,711 |
| LG Electronics do Brasil Ltda.(LGEBR) | 1,105,865 | 520,535 | 585,330 | 509,074 | 36,412 | 1,539,896 | 92,867 |
| LG Electronics RUS, LLC(LGERA) | 997,741 | 359,536 | 638,205 | 365,063 | 40,257 | 964,020 | 85,698 |
| Hiplaza Co., Ltd. | 886,765 | 708,045 | 178,720 | 657,834 | (3,197) | 2,275,249 | 6,173 |
| LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) | 830,101 | 614,326 | 215,775 | 430,422 | 33,697 | 1,000,579 | 56,503 |
| ZKW Lichtsysteme GmbH | 821,432 | 441,363 | 380,069 | 221,349 | 14,442 | 691,438 | 31,879 |
| LG Electronics (China) Co., Ltd(LGECH) | 722,510 | 830,334 | (107,824) | 77,398 | 13,141 | 243,337 | 24,337 |
| LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA) | 648,200 | 368,298 | 279,902 | 267,144 | 10,350 | 1,035,866 | 41,694 |
| ZKW Group GmbH | 640,509 | 340,845 | 299,664 | 852 | 15,906 | 2,107 | 35,085 |
| LG Electronics Deutschland GmbH(LGEDG) | 630,537 | 500,620 | 129,917 | 534,704 | 28,513 | 1,582,864 | 21,352 |
| Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR) | 607,191 | 411,382 | 195,809 | 294,376 | 15,160 | 879,049 | 33,783 |
| LG Electronics (Thailand) Company Limited(LGETH) | 589,208 | 244,389 | 344,819 | 271,357 | 19,908 | 996,160 | 40,357 |
| P.T. LG Electronics Indonesia(LGEIN) | 589,151 | 215,266 | 373,885 | 336,214 | 20,203 | 999,849 | 53,269 |
| LG Electronics Nanjing New Technology co.,LTD(LGENT) | 482,000 | 273,422 | 208,578 | 311,774 | 15,902 | 1,074,815 | 43,437 |

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

- LG Innotek Co., Ltd. and its subsidiaries

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Percentage of ownership in non-controlling interests | 59.2% | 59.2% |
| Accumulated non-controlling interests | 1,397,413 | 1,319,261 |

ii) Profit and dividends attributable to non-controlling interests for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|--|---------------------|--------------------|---------------------|--------------------|
| | Three months | Nine months | Three months | Nine months |
| Profit to non-controlling interests | 18,916 | 77,963 | 76,008 | 56,523 |
| Dividends to non-controlling interests | - | 4,209 | - | 4,204 |

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Current assets | 3,074,622 | 2,530,944 |
| Non-current assets | 3,309,631 | 3,239,836 |
| Total assets | 6,384,253 | 5,770,780 |
| Current liabilities | 2,444,369 | 2,046,234 |
| Non-current liabilities | 1,619,883 | 1,519,942 |
| Total liabilities | 4,064,252 | 3,566,176 |
| Equity attributable to the owners of LG Innotek Co., Ltd. | 2,320,001 | 2,204,604 |
| Non-controlling interests | - | - |
| Total equity | 2,320,001 | 2,204,604 |

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- iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows (before elimination of intercompany transactions):

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|---|--------------|-------------|--------------|-------------|
| | Three months | Nine months | Three months | Nine months |
| Net sales | 2,229,814 | 5,780,557 | 2,445,946 | 5,336,901 |
| Profit for the period | 26,911 | 115,075 | 124,991 | 86,831 |
| Other comprehensive income (loss), net of tax | (405) | 7,426 | 5,193 | 9,695 |
| Total comprehensive income, net of tax | 26,506 | 122,501 | 130,184 | 96,526 |

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the nine-month periods ended September 30, 2020 and 2019, are as follows (before elimination of intercompany transactions):

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|---|-----------|-----------|
| Cash flows from operating activities | 295,313 | 352,247 |
| Cash flows from investing activities | (516,882) | (305,053) |
| Cash flows from financing activities | 85,611 | (166,770) |
| Effects of exchange rate changes on cash and cash equivalents | 320 | 5,515 |
| Net decrease in cash and cash equivalents | (135,638) | (114,061) |
| Cash and cash equivalents at the beginning of the period | 799,575 | 621,247 |
| Cash and cash equivalents at the end of the period | 663,937 | 507,186 |

(d) Significant restrictions on subsidiaries

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

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

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

| Subsidiary | The nature and extent of the protective rights for non-controlling interests |
|--------------------------|--|
| LG-Shaker Co.Ltd.(LGESR) | An unanimous approval is required for the confirmation of the financial statements and dividend declaration. |

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

There are no changes in the Parent Company's interest in subsidiaries without the loss of control for the nine-month periods ended September 30, 2020 and 2019.

(f) There is no subsidiary newly included in the scope of the preparation of the consolidated interim financial statements for the nine-month period ended September 30, 2020.

(g) A subsidiary excluded from the scope of preparation of the consolidated interim financial statements for the nine-month period ended September 30, 2020, is:

| Subsidiary | Reason | Country |
|--------------------------------------|-------------|---------|
| HIPLAZA (Shenyang) Trading Co., Ltd. | Liquidation | China |

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

During the nine-month period ended September 30, 2020, no gain or loss was incurred from the loss of control.

2. Significant Accounting Policies

Basis of Preparation

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

The Group's consolidated interim financial statements for the nine-month period ended September 30, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at September 30, 2020.

Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

- (b) There are no new, enacted and amended standards issued, but not effective for September 30, 2020, and not early adopted by the Group.

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Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2019, except for the changes due to the application of amendment and enactments of standards described in Note 2 and the ones described below.

Income Tax Expense

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

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

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

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

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

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

(a) Revenue Recognition

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

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(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

(g) Development Costs

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

(h) Lease

In determining the lease term, management considers all facts and circumstances that create an

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economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

Significant Judgment on Accounting Policies Adopted by the Group

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

4. Segment Information

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

| <u>Operating segment</u> | <u>Type of products</u> |
|---|---|
| Home Appliance & Air Solution (H&A) | Refrigerators, washing machines, air conditioners, vacuum cleaners and others |
| Home Entertainment (HE) | TVs, audio, beauty appliances and others |
| Mobile Communications (MC) | Mobile communications |
| Vehicle component Solutions (VS) | Vehicle components and others |
| Business Solutions (BS) | Monitors, PCs, information displays, solar panels and others |
| LG Innotek Co., Ltd. and its subsidiaries (Innotek) | Camera modules, substrate & material, motor/sensor and others |
| Other segments | Equipment production and others |

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(a) The segment information for sales and operating profit (loss) for the three-month and nine-month periods ended September 30, 2020 and 2019, is as follows:

| Three-month period ended September 30, 2020 | | | | | | | | | |
|--|----------------|-----------|-----------|-----------|-----------|----------------|-----------------------------------|---|--------------|
| <i>(in millions of Korean won)</i> | H&A | HE | MC | VS | BS | Innotek | Other segments¹ | Inter-segment transactions² | Total |
| Sales | 6,155,801 | 3,669,342 | 1,524,887 | 1,655,460 | 1,482,849 | 2,229,814 | 462,749 | (261,343) | 16,919,559 |
| External sales | 6,143,708 | 3,668,909 | 1,524,481 | 1,655,460 | 1,482,378 | 2,056,513 | 388,110 | - | 16,919,559 |
| Internal sales | 12,093 | 433 | 406 | - | 471 | 173,301 | 74,639 | (261,343) | - |
| Operating profit (loss) ³ | 671,413 | 326,643 | (148,466) | (66,181) | 76,946 | 89,415 | 9,211 | - | 958,981 |
| Depreciation and amortization | 174,594 | 67,958 | 35,864 | 126,788 | 52,451 | 171,429 | 32,036 | - | 661,120 |

| Nine-month period ended September 30, 2020 | | | | | | | | | |
|---|----------------|-----------|-----------|-----------|-----------|----------------|-----------------------------------|---|--------------|
| <i>(in millions of Korean won)</i> | H&A | HE | MC | VS | BS | Innotek | Other segments¹ | Inter-segment transactions² | Total |
| Sales | 16,728,868 | 8,896,752 | 3,832,141 | 3,886,943 | 4,499,004 | 5,780,557 | 1,476,932 | (620,008) | 44,481,189 |
| External sales | 16,691,148 | 8,894,382 | 3,830,706 | 3,886,943 | 4,497,630 | 5,385,723 | 1,294,657 | - | 44,481,189 |
| Internal sales | 37,720 | 2,370 | 1,435 | - | 1,374 | 394,834 | 182,275 | (620,008) | - |
| Operating profit (loss) ³ | 2,052,951 | 765,220 | (592,714) | (365,446) | 387,466 | 270,313 | 27,032 | - | 2,544,822 |
| Depreciation and amortization | 515,046 | 208,089 | 110,175 | 371,605 | 170,854 | 491,820 | 87,047 | - | 1,954,636 |

| Three-month period ended September 30, 2019 | | | | | | | | | |
|--|----------------|-----------|-----------|-----------|-----------|----------------|-----------------------------------|---|--------------|
| <i>(in millions of Korean won)</i> | H&A | HE | MC | VS | BS | Innotek | Other segments¹ | Inter-segment transactions² | Total |
| Sales | 5,330,670 | 3,209,850 | 1,522,254 | 1,340,162 | 1,511,227 | 2,445,946 | 551,141 | (210,605) | 15,700,645 |
| External sales | 5,316,103 | 3,209,358 | 1,521,985 | 1,340,162 | 1,509,250 | 2,304,500 | 499,287 | - | 15,700,645 |
| Internal sales | 14,567 | 492 | 269 | - | 1,977 | 141,446 | 51,854 | (210,605) | - |
| Operating profit (loss) ³ | 428,856 | 288,401 | (161,166) | (60,164) | 111,659 | 186,519 | (12,644) | - | 781,461 |
| Depreciation and amortization | 156,632 | 72,830 | 43,237 | 112,698 | 58,030 | 148,911 | 44,259 | - | 636,597 |

| Nine-month period ended September 30, 2019 | | | | | | | | | |
|---|----------------|-----------|-----------|-----------|-----------|----------------|-----------------------------------|---|--------------|
| <i>(in millions of Korean won)</i> | H&A | HE | MC | VS | BS | Innotek | Other segments¹ | Inter-segment transactions² | Total |
| Sales | 16,899,407 | 9,317,631 | 4,645,894 | 4,110,227 | 4,657,190 | 5,336,901 | 1,964,897 | (687,174) | 46,244,973 |
| External sales | 16,864,014 | 9,315,682 | 4,643,946 | 4,110,191 | 4,651,101 | 4,869,121 | 1,790,918 | - | 46,244,973 |
| Internal sales | 35,393 | 1,949 | 1,948 | 36 | 6,089 | 467,780 | 173,979 | (687,174) | - |
| Operating profit (loss) ³ | 1,873,913 | 688,009 | (677,589) | (131,304) | 403,852 | 193,878 | (16,422) | - | 2,334,337 |
| Depreciation and amortization | 459,770 | 210,314 | 125,783 | 324,923 | 182,880 | 430,283 | 116,513 | - | 1,850,466 |

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

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

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

(b) Segment assets and liabilities as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | | December 31, 2019 | |
|---|---------------------------|--------------------|--------------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| H&A | 20,890,756 | 11,640,392 | 18,401,578 | 10,601,109 |
| HE | 12,189,752 | 9,270,066 | 11,469,932 | 8,630,475 |
| MC | 3,951,105 | 7,760,325 | 3,909,919 | 7,009,620 |
| VS | 6,924,962 | 7,638,378 | 6,076,567 | 6,293,054 |
| BS | 5,664,003 | 4,200,586 | 5,118,346 | 3,904,482 |
| Innotek | 6,384,253 | 4,064,252 | 5,770,780 | 3,566,176 |
| Subtotal¹ | 56,004,831 | 44,573,999 | 50,747,122 | 40,004,916 |
| Other segments and inter-segment transactions | (6,608,848) | (12,950,010) | (5,887,247) | (11,570,179) |
| Total | 49,395,983 | 31,623,989 | 44,859,875 | 28,434,737 |

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

(c) Non-current assets by geographic area as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | Non-current assets¹ | |
|------------------------------------|---------------------------------------|--------------------------|
| | September 30, 2020 | December 31, 2019 |
| Geographic areas | | |
| Korea | 12,216,257 | 12,044,015 |
| China | 1,009,684 | 1,061,738 |
| Asia | 992,396 | 1,050,815 |
| North America | 1,327,940 | 1,305,270 |
| Europe | 1,349,204 | 1,287,997 |
| South America | 95,689 | 144,053 |
| Middle East & Africa | 115,866 | 119,002 |
| Russia and others | 138,006 | 184,792 |
| Total | 17,245,042 | 17,197,682 |

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

(d) There is no external customer contributing to more than 10% of net sales for the nine-month periods ended September 30, 2020 and 2019.

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5. Financial Instruments by Category

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | | |
|---|---|--|--|--------------|-------------------|
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Other | Total |
| Cash and cash equivalents | 6,576,589 | - | - | - | 6,576,589 |
| Deposits held by financial institutions | 121,629 | - | - | - | 121,629 |
| Trade receivables | 7,044,381 | 788,451 | - | - | 7,832,832 |
| Other receivables | 950,244 | - | - | - | 950,244 |
| Other financial assets | 1,612 | 116,315 | 53,970 | 7,433 | 179,330 |
| Total | 14,694,455 | 904,766 | 53,970 | 7,433 | 15,660,624 |

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | |
|------------------------------------|--|---|----------------|-------------------|
| | Financial liabilities at amortized cost | Financial liabilities at fair value through profit or loss | Other | Total |
| Trade payables | 9,328,006 | - | - | 9,328,006 |
| Borrowings | 10,726,683 | - | - | 10,726,683 |
| Lease liabilities | - | - | 809,074 | 809,074 |
| Other payables | 2,874,935 | - | - | 2,874,935 |
| Other financial liabilities | - | 12,597 | 149,471 | 162,068 |
| Total | 22,929,624 | 12,597 | 958,545 | 23,900,766 |

| <i>(in millions of Korean won)</i> | December 31, 2019 | | | | |
|---|---|--|--|--------------|-------------------|
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Other | Total |
| Cash and cash equivalents | 4,777,368 | - | - | - | 4,777,368 |
| Deposits held by financial institutions | 105,339 | - | - | - | 105,339 |
| Trade receivables | 5,747,968 | 612,320 | - | - | 6,360,288 |
| Other receivables | 1,077,107 | - | - | - | 1,077,107 |
| Other financial assets | 1,612 | 69,762 | 25,867 | 4,400 | 101,641 |
| Total | 11,709,394 | 682,082 | 25,867 | 4,400 | 12,421,743 |

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| <i>(in millions of Korean won)</i> | December 31, 2019 | | | |
|------------------------------------|--|--|----------------|-------------------|
| | Financial liabilities at amortized cost | Financial liabilities at fair value through profit or loss | Other | Total |
| Trade payables | 6,820,644 | - | - | 6,820,644 |
| Borrowings | 10,487,338 | - | - | 10,487,338 |
| Lease liabilities | - | - | 771,424 | 771,424 |
| Other payables | 3,319,986 | - | - | 3,319,986 |
| Other financial liabilities | - | 14,345 | 100,803 | 115,148 |
| Total | 20,627,968 | 14,345 | 872,227 | 21,514,540 |

(b) Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 2020 and 2019, are as follows:

| <i>(in millions of Korean won)</i> | 2020 | | | | |
|--|--|---|---|-------|---------|
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Other | Total |
| Interest income | 75,318 | - | - | - | 75,318 |
| Exchange differences | 30,280 | (6,449) | - | - | 23,831 |
| Bad debt expenses | (9,935) | - | - | - | (9,935) |
| Loss on disposal of trade receivables | (2,933) | (4,503) | - | - | (7,436) |
| Dividend income | - | 151 | - | - | 151 |
| Gain on valuation of financial assets at fair value through profit or loss | - | - | 184 | - | 184 |
| Gain on derivatives (through profit or loss) | - | - | 80,706 | - | 80,706 |
| Fair value gain, net of tax (through other comprehensive income) | - | 24,413 | - | - | 24,413 |
| Gain on derivatives, net of tax (through other comprehensive income) | - | - | - | 2,266 | 2,266 |

| <i>(in millions of Korean won)</i> | 2020 | | | |
|--|--|--|----------|-----------|
| | Financial liabilities at amortized cost | Financial liabilities at fair value through profit or loss | Other | Total |
| Interest expenses | (240,030) | - | (41,539) | (281,569) |
| Exchange differences | (312,885) | - | 8,958 | (303,927) |
| Loss on derivatives (through profit or loss) | - | (30,097) | - | (30,097) |
| Loss on derivatives, net of tax (through other comprehensive income) | - | - | (37,929) | (37,929) |
| Others | (3,479) | - | - | (3,479) |

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| <i>(in millions of Korean won)</i> | 2019 | | | | |
|---|------------------------------------|---|---|---------|----------|
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Other | Total |
| Interest income | 106,704 | - | - | - | 106,704 |
| Exchange differences | 371,314 | 6,488 | - | - | 377,802 |
| Bad debt expenses | (27,469) | - | - | - | (27,469) |
| Loss on disposal of trade receivables | (4,676) | (8,977) | - | - | (13,653) |
| Dividend income | - | 262 | 273 | - | 535 |
| Gain on valuation of financial assets at fair value through profit or loss | - | - | 152 | - | 152 |
| Loss on disposal of financial assets at fair value through other comprehensive income | - | (206) | - | - | (206) |
| Gain on derivatives (through profit or loss) | - | - | 42,047 | - | 42,047 |
| Fair value gain, net of tax (through other comprehensive income) | - | 7,599 | - | - | 7,599 |
| Loss on derivatives, net of tax (through other comprehensive income) | - | - | - | (2,011) | (2,011) |

| <i>(in millions of Korean won)</i> | 2019 | | | |
|--|---|--|----------|-----------|
| | Financial liabilities at amortized cost | Financial liabilities at fair value through profit or loss | Other | Total |
| Interest expenses | (288,812) | - | (19,544) | (308,356) |
| Exchange differences | (455,140) | - | 42,758 | (412,382) |
| Loss on derivatives (through profit or loss) | - | (41,783) | - | (41,783) |
| Loss on derivatives, net of tax (through other comprehensive income) | - | - | (47,367) | (47,367) |
| Others | (2,063) | - | - | (2,063) |

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Notes to the Consolidated Interim Financial Statements
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6. Trade Receivables and Other Receivables

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | December 31, 2019 | | |
|------------------------------------|---------------------------|--|------------------------|--------------------------|--|------------------------|
| | Original amount | Allowance for doubtful accounts | Carrying amount | Original amount | Allowance for doubtful accounts | Carrying amount |
| Trade receivables | 7,947,083 | (114,251) | 7,832,832 | 6,471,588 | (111,300) | 6,360,288 |
| Other receivables | | | | | | |
| Current | 533,108 | (18,479) | 514,629 | 655,673 | (16,523) | 639,150 |
| Non-current | 435,667 | (52) | 435,615 | 438,545 | (588) | 437,957 |

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

| <i>(in millions of Korean won)</i> | 2020 | | | | |
|------------------------------------|---------------------|----------------------------|------------------|--------------|------------------------|
| | At January 1 | Addition (Reversal) | Write-off | Other | At September 30 |
| Trade receivables | 111,300 | 4,802 | (3,940) | 2,089 | 114,251 |
| Other receivables | | | | | |
| Current | 16,523 | 5,666 | - | (3,710) | 18,479 |
| Non-current | 588 | (533) | - | (3) | 52 |

| <i>(in millions of Korean won)</i> | 2019 | | | | |
|------------------------------------|---------------------|-----------------|------------------|--------------|------------------------|
| | At January 1 | Addition | Write-off | Other | At September 30 |
| Trade receivables | 91,015 | 23,697 | (3,284) | 3,028 | 114,456 |
| Other receivables | | | | | |
| Current | 12,893 | 858 | (235) | 472 | 13,988 |
| Non-current | 78 | 2,914 | - | 4 | 2,996 |

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | | December 31, 2019 | | | |
|------------------------------------|---------------------------|--------------------------|--------------------|------------------|--------------------------|--------------------------|--------------------|------------------|
| | Trade receivables | Other receivables | | Total | Trade receivables | Other receivables | | Total |
| | | Current | Non-current | | | Current | Non-current | |
| Receivables not past due | 7,316,105 | 498,524 | 431,341 | 8,245,970 | 5,597,436 | 622,192 | 421,649 | 6,641,277 |
| Past due but not impaired | | | | | | | | |
| Up to 6 months | 377,667 | 14,426 | 2,646 | 394,739 | 634,275 | 15,934 | 13,460 | 663,669 |
| 7 to 12 months | 29,231 | 683 | 1,619 | 31,533 | 20,937 | 568 | 1,844 | 23,349 |
| Over 1 year | 40,220 | 4,109 | 61 | 44,390 | 20,414 | 4,081 | 1,592 | 26,087 |
| Subtotal | 447,118 | 19,218 | 4,326 | 470,662 | 675,626 | 20,583 | 16,896 | 713,105 |
| Impaired | 183,860 | 15,366 | - | 199,226 | 198,526 | 12,898 | - | 211,424 |
| Total | 7,947,083 | 533,108 | 435,667 | 8,915,858 | 6,471,588 | 655,673 | 438,545 | 7,565,806 |

(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.

7. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Other financial assets | | |
| Derivatives | 26,240 | 6,943 |
| Financial assets at fair value through other comprehensive income | 116,315 | 69,762 |
| Financial assets at fair value through profit or loss | 35,163 | 23,324 |
| Financial assets at amortized cost | 1,612 | 1,612 |
| Total | 179,330 | 101,641 |
| Current | 22,114 | 5,138 |
| Non-current | 157,216 | 96,503 |
| Other financial liabilities | | |
| Derivatives | 162,054 | 115,013 |
| Financial guarantee liability | 14 | 135 |
| Total | 162,068 | 115,148 |
| Current | 5,818 | 7,175 |
| Non-current | 156,250 | 107,973 |

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | December 31, 2019 | |
|------------------------------------|--------------------|----------------|-------------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Current | | | | |
| Currency forward | 12,069 | 5,807 | 2,543 | 7,060 |
| Cross-currency swap | 10,045 | - | 2,595 | - |
| Subtotal | 22,114 | 5,807 | 5,138 | 7,060 |
| Non-current | | | | |
| Cross-currency swap | 4,126 | 22,885 | 1,805 | 8,703 |
| Interest rate swap | - | 133,362 | - | 99,250 |
| Subtotal | 4,126 | 156,247 | 1,805 | 107,953 |
| Total | 26,240 | 162,054 | 6,943 | 115,013 |

The details of major derivative contracts at the end of the reporting period are presented in Note 32.

(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the nine-month periods ended September 30, 2020 and 2019, are as follows:

2020

| <i>(in millions of Korean won)</i> | At January 1 | Acquisition | Disposals | Transfer | Valuation | Other | At September 30 |
|------------------------------------|---------------|---------------|--------------|----------|---------------|------------|-----------------|
| Listed equity securities | 18,638 | - | - | 6,976 | 30,858 | 143 | 56,615 |
| Unlisted equity securities | 51,124 | 16,090 | (180) | (6,976) | (587) | 229 | 59,700 |
| Total | 69,762 | 16,090 | (180) | - | 30,271 | 372 | 116,315 |

2019

| <i>(in millions of Korean won)</i> | At January 1 | Acquisition | Disposal | Valuation | Other | At September 30 |
|------------------------------------|---------------|---------------|-----------------|--------------|--------------|-----------------|
| Listed equity securities | 20,463 | - | (769) | (2,701) | 209 | 17,202 |
| Unlisted equity securities | 34,055 | 12,533 | (10,349) | 10,289 | 1,516 | 48,044 |
| Debt securities | 1,552 | - | (1,587) | (22) | 57 | - |
| Total | 56,070 | 12,533 | (12,705) | 7,566 | 1,782 | 65,246 |

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

2020

| <i>(in millions of Korean won)</i> | At January 1 | Acquisition | Disposal | Valuation | Other | At September 30 |
|------------------------------------|---------------|---------------|----------------|------------|-----------|-----------------|
| Unlisted equity securities | 21,572 | 7,945 | (3,054) | 486 | - | 26,949 |
| Debt securities | 1,752 | 8,252 | (1,556) | (302) | 68 | 8,214 |
| Total | 23,324 | 16,197 | (4,610) | 184 | 68 | 35,163 |

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| <i>(in millions of Korean won)</i> | 2019 | | | | | | |
|------------------------------------|---------------|--------------|----------------|--------------------------------------|------------|------------|-----------------|
| | At January 1 | Acquisition | Disposals | Decrease due to transfer of business | Valuation | Other | At September 30 |
| Listed equity securities | 18,488 | 4,500 | (1,349) | (6,594) | 8 | 87 | 15,140 |
| Unlisted equity securities | 1,611 | - | - | - | 144 | 51 | 1,806 |
| Total | 20,099 | 4,500 | (1,349) | (6,594) | 152 | 138 | 16,946 |

(e) Financial assets at amortized cost

- i) Maturity analysis of financial assets at amortized cost as at September 30, 2020 and December 31, 2019, is as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|------------------------------------|--------------------|-------------------|
| Within one year | - | - |
| One to five years | 1,612 | 1,612 |
| Total | 1,612 | 1,612 |

- ii) The amount recognized as interest income in relation to financial assets at amortized cost for the nine-month period ended September 30, 2020, was ₩21 million (September 30, 2019: ₩21 million). No impairment losses were recognized in relation to financial assets at amortized cost for the nine-month periods ended September 30, 2020 and 2019.

8. Inventories

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | December 31, 2019 | | |
|------------------------------------|--------------------|---------------------|------------------|-------------------|---------------------|------------------|
| | Cost | Valuation allowance | Carrying amount | Cost | Valuation allowance | Carrying amount |
| Finished products and merchandise | 3,940,510 | (83,151) | 3,857,359 | 3,477,772 | (119,958) | 3,357,814 |
| Work-in-process | 636,204 | (12,217) | 623,987 | 376,397 | (12,665) | 363,732 |
| Raw materials and supplies | 2,700,173 | (77,893) | 2,622,280 | 2,039,659 | (138,212) | 1,901,447 |
| Other | 275,282 | (31,905) | 243,377 | 280,725 | (40,300) | 240,425 |
| Total | 7,552,169 | (205,166) | 7,347,003 | 6,174,553 | (311,135) | 5,863,418 |

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9. Contract Assets and Contract Liabilities

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Due from customers | 546,771 | 614,294 |
| (Less: allowance for doubtful accounts) | (7,775) | (9,769) |
| Right to recover returned products | 92,999 | 88,312 |
| Costs to fulfill contracts and others | 219,138 | 184,658 |
| Total | 851,133 | 877,495 |
| Current | 627,996 | 671,519 |
| Non-current | 223,137 | 205,976 |

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Expected promotional incentives for customers | 1,091,184 | 775,117 |
| Expected returns from customers | 140,235 | 133,539 |
| Customer loyalty program | 89,515 | 70,033 |
| Rendering of warranty services | 81,950 | 58,733 |
| Due to customers and others | 321,152 | 209,993 |
| Total | 1,724,036 | 1,247,415 |
| Current | 1,671,609 | 1,219,507 |
| Non-current | 52,427 | 27,908 |

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|---|----------------|----------------|
| Revenue recognized that was included in the contract liability amount at the beginning of the period: | | |
| Due to customers and others | 117,126 | 189,810 |
| Customer loyalty program | 54,777 | 38,790 |
| Rendering of warranty services | 22,192 | 21,828 |
| Total | 194,095 | 250,428 |
| Revenue recognized from performance obligations satisfied in previous periods | 9,871 | 19,819 |

(d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations was ₩825,058 million which were expected to be satisfied by 2024, at the latest. Also, as a practical expedient, the Group excluded performance obligation which was part of a contract that had an original expected duration of one year or less.

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- (e) For the nine-month period ended September 30, 2020, the Group recognized a reversal of impairment loss amounting to ₩1,960 million (September 30, 2019: impairment loss of ₩4,467 million) in relation to due from customers, and amortization and other costs of ₩49,343 million (September 30, 2019: ₩97,862 million) in relation to costs to fulfill contracts.

10. Property, Plant and Equipment, and Intangible Assets

- (a) Changes in property, plant and equipment for the nine-month periods ended September 30, 2020 and 2019, are as follows:

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--|-------------------|-------------------|
| At January 1 | 14,505,419 | 14,011,212 |
| Acquisitions | 1,715,133 | 1,763,004 |
| Acquisitions from business combination | - | 222 |
| Reclassification to assets held for sale | (32,864) | (33,884) |
| Disposals and others | (114,660) | (146,148) |
| Decrease due to transfer of business | - | (2,346) |
| Depreciation | (1,639,717) | (1,549,934) |
| Impairment losses | (22,107) | (97,922) |
| Exchange differences | (10,835) | 247,298 |
| At September 30 | 14,400,369 | 14,191,502 |

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|------------------------------------|------------------|------------------|
| Cost of sales | 1,255,547 | 1,200,288 |
| Selling and marketing expenses | 172,778 | 147,740 |
| Administrative expenses | 102,881 | 79,076 |
| Research and development expenses | 70,923 | 80,066 |
| Service costs | 25,736 | 20,378 |
| Other non-operating expenses | 11,852 | 22,386 |
| Total | 1,639,717 | 1,549,934 |

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--------------------------------------|----------------|----------------|
| At January 1 | 875,491 | 707,243 |
| Acquisitions | 298,309 | 370,898 |
| Disposals and others | (21,229) | (46,645) |
| Decrease due to transfer of business | - | (494) |
| Depreciation | (240,307) | (217,458) |
| Exchange differences | (1,357) | 22,851 |
| At September 30 | 910,907 | 836,395 |

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The amount recognized as lease income in relation to sublease of the above right-of-use assets for the nine-month period ended September 30, 2020, was ₩6,142 million (September 30, 2019: ₩4,773 million).

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--|------------------|------------------|
| At January 1 | 2,691,972 | 2,985,830 |
| Acquisitions | 223,901 | 182,985 |
| Acquisitions by internal development | 343,875 | 271,578 |
| Acquisitions from business combination | - | 77 |
| Reclassification to assets held for sale | (19) | (1) |
| Disposals and others | (41,654) | (40,826) |
| Decrease due to transfer of business | - | (61,367) |
| Amortization | (326,766) | (322,272) |
| Impairment losses | (67,642) | (235,119) |
| Exchange differences | 20,625 | 6,587 |
| At September 30 | 2,844,292 | 2,787,472 |

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|------------------------------------|----------------|----------------|
| Cost of sales | 205,692 | 183,314 |
| Selling and marketing expenses | 18,596 | 20,820 |
| Administrative expenses | 41,910 | 51,399 |
| Research and development expenses | 59,291 | 65,440 |
| Service costs | 1,276 | 1,285 |
| Other non-operating expenses | 1 | 14 |
| Total | 326,766 | 322,272 |

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11. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures

i) Carrying amounts of investments in associates and joint ventures, as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|------------------------------------|---------------------------|--------------------------|
| Associates | 4,237,558 | 4,405,567 |
| Joint ventures | 56,356 | 138,954 |
| Total | 4,293,914 | 4,544,521 |

ii) Investments in associates as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | | December 31, 2019 | | | |
|---|---------------------------|-------------------------|------------------------|------------------------|--------------------------|-------------------------|------------------------|------------------------|
| | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount |
| LG Display Co., Ltd. | 679,218 | 4,143,182 | (105,010) | 4,038,172 | 679,218 | 4,298,463 | (116,170) | 4,182,293 |
| Ericsson-LG Co., Ltd. | 12,649 | 50,699 | - | 50,699 | 12,649 | 52,716 | - | 52,716 |
| Hitachi-LG Data Storage Inc.(HLDS) | 101,961 | 49,719 | (1,141) | 48,578 | 101,961 | 49,686 | (1,176) | 48,510 |
| Korea Information Certificate Authority Inc. ¹ | - | - | - | - | 1,745 | 5,518 | - | 5,518 |
| One-Red, LLC ² | - | - | - | - | 2,257 | 2,260 | - | 2,260 |
| Kiwigrid GmbH ³ | - | - | - | - | 13,019 | 7,873 | - | 7,873 |
| CCP-LGE OWNER, LLC ⁴ | 11,652 | 10,693 | - | 10,693 | 11,652 | 11,288 | - | 11,288 |
| ROBOTIS Co., Ltd. ⁴ | 9,000 | 8,589 | - | 8,589 | 9,000 | 9,086 | - | 9,086 |
| Acryl Inc. ⁴ | 2,000 | 1,462 | - | 1,462 | 2,000 | 1,799 | - | 1,799 |
| Robostar Co., Ltd. | 88,112 | 80,460 | (1,095) | 79,365 | 88,112 | 85,158 | (934) | 84,224 |
| Total | 904,592 | 4,344,804 | (107,246) | 4,237,558 | 921,613 | 4,523,847 | (118,280) | 4,405,567 |

¹ It was disposed during the nine-month period ended September 30, 2020.

² It was liquidated during the nine-month period ended September 30, 2020.

³ It was excluded from associates due to the loss of right to appoint a member of the board of directors during the nine-month period ended September 30, 2020.

⁴ The financial statements as at August 31, 2020 were used due to a different closing date.

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iii) Investments in joint ventures as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | | December 31, 2019 | | | |
|--|--------------------|------------------|-----------------|-----------------|-------------------|------------------|-----------------|-----------------|
| | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount | Acquisition cost | Net asset amount | Unrealized gain | Carrying amount |
| LG HOLDINGS (HK) LIMITED ¹ | - | - | - | - | 47,449 | 88,301 | - | 88,301 |
| Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 14,718 | 32,061 | (423) | 31,638 | 14,718 | 31,396 | (63) | 31,333 |
| EIC PROPERTIES PTE LTD. | 9,636 | 15,748 | - | 15,748 | 9,636 | 15,696 | - | 15,696 |
| LG-MRI LLC | 516 | 1,115 | - | 1,115 | 516 | 1,216 | - | 1,216 |
| Neolite ZKW Lightings PVT Ltd. | - | - | - | - | - | - | - | - |
| LG-LHT Aircraft Solutions GmbH | 10,724 | 2,608 | - | 2,608 | 5,085 | 243 | - | 243 |
| LG-LHT Passenger Solutions GmbH | 9,322 | 2,238 | - | 2,238 | 4,553 | 1,600 | - | 1,600 |
| GUANGDONG SMART LIFE TECHNOLOGY CO., LTD. | 891 | 914 | - | 914 | 591 | 565 | - | 565 |
| Alluto LLC | 2,095 | 2,095 | - | 2,095 | - | - | - | - |
| Total | 47,902 | 56,779 | (423) | 56,356 | 82,548 | 139,017 | (63) | 138,954 |

¹ It was disposed during the nine-month period ended September 30, 2020.

(b) Associates and joint ventures

i) Associates as at September 30, 2020, are as follows:

| Name of associate | Location | Closing month | Percentage of ownership (%) | Nature of relationships with the Group |
|------------------------------------|----------|---------------|-----------------------------|---|
| LG Display Co., Ltd. | Korea | December | 37.9 | Production and supply of display products |
| Ericsson-LG Co., Ltd. | Korea | December | 25.0 | Supply of communication devices and network solution products |
| Hitachi-LG Data Storage Inc.(HLDS) | Japan | December | 49.0 | Production and supply of data storages |
| CCP-LGE OWNER, LLC ¹ | USA | December | 70.2 | Solar power plant |
| ROBOTIS Co., Ltd. ² | Korea | December | 8.5 | Production and sales of personal robot |
| Acryl Inc. ² | Korea | December | 14.5 | Development and sales of software |
| Robostar Co., Ltd. | Korea | December | 33.4 | Production and sales of industrial robot |

¹ Classified as an associate although the percentage of ownership is more than 50% because the Group does not have the right to control by an agreement with other shareholders.

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

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ii) Joint ventures as at September 30, 2020, are as follows:

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

| Name of joint venture | Location | Closing month | Percentage of ownership (%) | Nature of relationships with the Group |
|--|-----------------|----------------------|------------------------------------|--|
| Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT) | Turkey | December | 50.0 | Production and supply of air conditioning products |
| EIC PROPERTIES PTE LTD. | Singapore | December | 38.2 | Real estate |
| LG-MRI LLC | USA | December | 50.0 | Production and supply of digital display products |
| Neolite ZKW Lightings PVT Ltd. | India | March | 26.0 | Production and sales of vehicle components |
| LG-LHT Aircraft Solutions GmbH | Germany | December | 49.0 | Production and sales of aircraft components |
| LG-LHT Passenger Solutions GmbH | Germany | December | 49.0 | Production and sales of aircraft components |
| GUANGDONG SMART LIFE TECHNOLOGY CO., LTD. | China | December | 35.0 | Sales of electronic products |
| Alluto LLC ¹ | USA | December | 51.0 | Automotive software license |

¹ Classified as a joint venture although the percentage of ownership is more than 50% because the Group has joint control by a joint venture agreement.

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

(c) Changes in investments in associates and joint ventures

i) Changes in the carrying amounts of investments in associates for the nine-month periods ended September 30, 2020 and 2019, are as follows:

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|---|------------------|------------------|
| At January 1 | 4,405,567 | 5,386,252 |
| Acquisition | - | 1,000 |
| Loss from equity method valuation | (238,293) | (385,331) |
| Share of other comprehensive income of associates | 93,228 | 71,687 |
| Withdrawal of investments by dividend / capital reduction / liquidation and others ¹ | (17,570) | (307) |
| Disposal ² | (5,550) | - |
| Exchange differences | 176 | 927 |
| At September 30 | 4,237,558 | 5,074,228 |

¹ Impairment loss amounting to ₩6,859 million recognized during the nine-month period ended September 30, 2020 was included.

² The Group disposed all shares of Korea Information Certificate Authority Inc. for ₩12,409 million during the nine-month period ended September 30, 2020, and recognized gain on disposal of ₩6,899 million, net of related costs, in 'other non-operating income' (Note 25).

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- ii) Changes in the carrying amounts of investments in joint ventures for the nine-month periods ended September 30, 2020 and 2019, are as follows:

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--|---------------|----------------|
| At January 1 | 138,954 | 151,304 |
| Acquisition | 12,803 | 9,938 |
| Gain from equity method valuation | 113 | 4,479 |
| Share of other comprehensive income (loss) of joint ventures | (7,760) | 6,334 |
| Withdrawal of investments by dividend / capital reduction / liquidation and others | (349) | (29,519) |
| Disposal ¹ | (87,413) | - |
| Exchange differences | 8 | 64 |
| At September 30 | 56,356 | 142,600 |

¹ The Group disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the nine-month period ended September 30, 2020, and recognized gain on disposal of ₩640,124 million, net of related costs, in 'other non-operating income' (Note 25). The amount reclassified from accumulated other comprehensive income and included in gain on disposal was ₩7,593 million.

- (d) Summarized financial information of the associates that are material to the reporting entity as at September 30, 2020 and December 31, 2019, and for the three-month and nine-month periods ended September 30, 2020 and 2019, is as follows:

- LG Display Co., Ltd. and its subsidiaries

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Current assets | 10,920,675 | 10,248,315 |
| Non-current assets | 24,576,733 | 25,326,248 |
| Total assets | 35,497,408 | 35,574,563 |
| Current liabilities | 11,202,372 | 10,984,976 |
| Non-current liabilities | 12,120,657 | 12,101,306 |
| Total liabilities | 23,323,029 | 23,086,282 |
| Equity attributable to the owners of LG Display Co., Ltd. | 10,930,844 | 11,340,483 |
| Non-controlling interests | 1,243,535 | 1,147,798 |
| Total equity | 12,174,379 | 12,488,281 |

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|--|---------------------|--------------------|---------------------|--------------------|
| | Three months | Nine months | Three months | Nine months |
| Net sales | 6,737,646 | 16,768,916 | 5,821,681 | 17,053,872 |
| Profit (loss) for the period | 11,121 | (691,606) | (442,204) | (1,055,024) |
| Attributable to the owners of LG Display Co., Ltd. | | | | |
| Profit (loss) for the period | 30,377 | (657,735) | (419,354) | (1,028,664) |
| Other comprehensive income, net of tax | 46,092 | 247,679 | 38,802 | 192,105 |
| Total comprehensive income (loss), net of tax | 76,469 | (410,056) | (380,552) | (836,559) |

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There are no dividends received from LG Display Co., Ltd. for the nine-month period ended September 30, 2020 (September 30, 2019: nil).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the nine-month periods ended September 30, 2020 and 2019, are as follows:

- LG Display Co., Ltd. and its subsidiaries

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|---|-------------|-------------|
| Opening equity attributable to owners of LG Display Co., Ltd. | 11,340,483 | 13,979,188 |
| Loss for the period | (657,735) | (1,028,664) |
| Other comprehensive income, net of tax | 247,679 | 192,105 |
| Other equity changes | 417 | - |
| Closing equity attributable to owners of LG Display Co., Ltd. | 10,930,844 | 13,142,629 |
| Group ownership (%) | 37.9 | 37.9 |
| The Group's share at the end of the reporting period | 4,143,182 | 4,981,529 |
| Unrealized gain | (105,010) | (119,026) |
| Carrying amount at the end of the reporting period | 4,038,172 | 4,862,503 |

- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month and nine-month periods ended September 30, 2020 and 2019, is as follows:

| <i>(in millions of Korean won)</i> | 2020 | | | |
|---|---------------------|--------------------|-----------------------|--------------------|
| | Associates | | Joint ventures | |
| | Three months | Nine months | Three months | Nine months |
| Profit (loss) for the period | (473) | (6) | (656) | 481 |
| Other comprehensive income (loss), net of tax | 900 | (809) | (5,150) | (15,361) |
| Total comprehensive income (loss), net of tax | 427 | (815) | (5,806) | (14,880) |

| <i>(in millions of Korean won)</i> | 2019 | | | |
|---|---------------------|--------------------|-----------------------|--------------------|
| | Associates | | Joint ventures | |
| | Three months | Nine months | Three months | Nine months |
| Profit (loss) for the period | 10,225 | 16,806 | (4,710) | 4,329 |
| Other comprehensive income (loss), net of tax | (1,010) | (1,131) | 3,403 | 6,334 |
| Total comprehensive income (loss), net of tax | 9,215 | 15,675 | (1,307) | 10,663 |

- (g) There are no accumulated unrecognized changes in equity due to discontinued use of the equity method as at September 30, 2020 and December 31, 2019.

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- (h) Details of marketable investments in associates as at September 30, 2020 and December 31, 2019, are as follows:

| September 30, 2020 | | | | | |
|---------------------------|-------------|---------------------------------------|--|---|--------------------|
| | Type | Shares held (Unit: shares) | Price per share (in Korean won) | Fair value (in millions of Korean won) | Book amount |
| LG Display Co., Ltd. | Associate | 135,625,000 | 15,350 | 2,081,844 | 4,038,172 |
| Robostar Co., Ltd. | Associate | 3,256,500 | 13,000 | 42,335 | 79,365 |
| ROBOTIS Co., Ltd. | Associate | 961,550 | 13,200 | 12,692 | 8,589 |

| December 31, 2019 | | | | | |
|--|-------------|---------------------------------------|--|---|--------------------|
| | Type | Shares held (Unit: shares) | Price per share (in Korean won) | Fair value (in millions of Korean won) | Book amount |
| LG Display Co., Ltd. | Associate | 135,625,000 | 16,250 | 2,203,906 | 4,182,293 |
| Korea Information Certificate Authority Inc. | Associate | 2,010,247 | 3,785 | 7,609 | 5,518 |
| Robostar Co., Ltd. | Associate | 3,256,500 | 17,400 | 56,663 | 84,224 |
| ROBOTIS Co., Ltd. | Associate | 961,550 | 12,400 | 11,923 | 9,086 |

12. Borrowings

- (a) Carrying amounts of borrowings as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Current | | |
| Short-term borrowings | 252,269 | 271,541 |
| Current portion of long-term borrowings | 555,758 | 410,329 |
| Current portion of debentures | 922,441 | 961,786 |
| Subtotal | 1,730,468 | 1,643,656 |
| Non-current | | |
| Long-term borrowings | 4,019,539 | 3,908,525 |
| Debentures | 4,976,676 | 4,935,157 |
| Subtotal | 8,996,215 | 8,843,682 |
| Total | 10,726,683 | 10,487,338 |

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

| <i>(in millions of Korean won)</i> | Latest maturity date | Annual interest rate at September 30, 2020(%) | Carrying amount | |
|--|-------------------------|--|-----------------------|----------------------|
| | | | September 30, 2020 | December 31, 2019 |
| Short-term borrowings in local currency | | | | |
| Nonghyup Bank and others | - | 2.58 ~ 3.53 | 2,141 | 28,000 |
| Short-term borrowings in foreign currency | | | | |
| Citibank and others | - | 0.73 ~ 5.98 | 250,128 | 243,541 |
| Long-term borrowings in local currency | | | | |
| Korea Development Bank and others | 2035. 1. 9 | 1.45 ~ 3.79 | 3,018,531 | 2,914,870 |
| Long-term borrowings in foreign currency | | | | |
| KEB Hana Bank and others | 2030. 8. 1 | 0.40 ~ 3.97 | 1,556,766 | 1,403,984 |
| Local currency debentures | | | | |
| Public, non-guaranteed bonds | 2035. 2.25 | 1.33 ~ 4.44 | 4,220,000 | 4,230,000 |
| Private, non-guaranteed bonds | 2040. 7. 6 | 1.99 ~ 4.21 | 990,000 | 1,110,000 |
| Foreign currency debentures | | | | |
| Private, non-guaranteed bonds | 2028. 6. 8 | 0.93 ~ 1.83 | 507,005 | 382,074 |
| Private, guaranteed bonds | 2026.10.26 | 0.23 ~ 1.34 | 195,617 | 187,634 |
| Less: discount on debentures | | | (13,505) | (12,765) |
| Total | | | 10,726,683 | 10,487,338 |

The Group entered into interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of some portion of borrowings (Note 32).

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13. Lease Liabilities

(a) Details of lease liabilities as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|------------------------------------|---------------------------|--------------------------|
| Lease liabilities | | |
| Current | 260,704 | 274,245 |
| Non-current | 548,370 | 497,179 |
| Total | 809,074 | 771,424 |

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|---|-------------|-------------|
| Interest expense relating on lease liabilities | 22,179 | 17,650 |
| Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others) | 39,882 | 112,083 |
| Payments for leases of low-value assets that are not short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and others) | 26,817 | 14,511 |

(c) Total expenses for leases including short-term leases and leases of low-value assets for the nine-month period ended September 30, 2020, are ₩307,693 million (September 30, 2019: ₩372,480 million).

14. Post-employment Benefits

Defined Benefit Plan

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Present value of funded obligations | 3,879,837 | 3,567,014 |
| Present value of unfunded obligations | 47,211 | 61,713 |
| Subtotal | 3,927,048 | 3,628,727 |
| Fair value of plan assets | (2,999,851) | (3,035,798) |
| Net defined benefit liabilities¹ | 927,197 | 592,929 |

¹ Net defined benefit assets are included.

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|------------------------------------|----------------|----------------|
| Current service cost | 295,008 | 286,684 |
| Past service cost | - | (11,007) |
| Net interest cost | 9,692 | 9,477 |
| Operating management cost | 1,903 | 2,190 |
| Total | 306,603 | 287,344 |

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|------------------------------------|----------------|----------------|
| Cost of sales | 150,969 | 143,678 |
| Selling and marketing expenses | 48,258 | 46,312 |
| Administrative expenses | 21,337 | 19,830 |
| Research and development expenses | 64,302 | 62,132 |
| Service costs | 21,737 | 15,392 |
| Total | 306,603 | 287,344 |

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--|------------------|------------------|
| At January 1 | 3,628,727 | 3,215,859 |
| Current service cost | 295,008 | 286,684 |
| Past service cost | - | (11,007) |
| Interest expense | 61,038 | 60,023 |
| Remeasurements for: | | |
| - Actuarial loss arising from changes in demographic assumptions | - | 95,591 |
| - Actuarial loss arising from changes in financial assumptions | 72,121 | 157,453 |
| Benefits paid | (128,341) | (156,755) |
| Reduction due to settlement of plan | - | (22,050) |
| Decrease due to transfer of business | - | (21,588) |
| Others ¹ | (1,505) | 4,258 |
| At September 30 | 3,927,048 | 3,608,468 |

¹ The effects of exchange rate changes are included.

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--------------------------------------|------------------|------------------|
| At January 1 | 3,035,798 | 2,818,190 |
| Interest income | 51,346 | 50,546 |
| Remeasurements of plan assets | (2,900) | (5,811) |
| Employer contributions | 11,987 | 6,738 |
| Benefits paid | (94,367) | (117,902) |
| Operating management cost | (1,903) | (2,190) |
| Reduction due to settlement of plan | - | (21,447) |
| Decrease due to transfer of business | - | (19,708) |
| Others ¹ | (110) | 639 |
| At September 30 | 2,999,851 | 2,709,055 |

¹ The effects of exchange rate changes are included.

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

| | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Weighted average discount rate of the Group | 2.1% | 2.3% |
| Weighted average expected salary growth rate of the Group | 4.9% | 4.9% |

As at September 30, 2020, the discount rates applied to the Parent Company and subsidiaries are between 0.2%~8.0% (December 31, 2019: 0.2%~8.0%), and the expected salary growth rates are between 1.0%~10.0% (December 31, 2019: 1.0%~10.0%).

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at September 30, 2020, is as follows:

| <i>(in millions of Korean won)</i> | 1%p increase | 1%p decrease |
|------------------------------------|---------------------|---------------------|
| Discount rate | (344,542) | 396,063 |
| Expected salary growth rate | 375,727 | (345,386) |

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

Defined Contribution Plan

The expense recognized for the nine-month period ended September 30, 2020 in relation to the defined contribution plan was ₩12,075 million (September 30, 2019: ₩15,790 million).

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15. Provisions

Changes in provisions for the nine-month periods ended September 30, 2020 and 2019, are as follows:

| <i>(in millions of Korean won)</i> | 2020 | | | |
|---|-----------------|--------------------|------------------------------|------------------|
| | Warranty | Restoration | Litigation and others | Total |
| At January 1 | 878,555 | 38,444 | 166,001 | 1,083,000 |
| Additional provisions, net ¹ | 658,936 | 8,801 | 24,906 | 692,643 |
| Utilizations | (618,619) | (964) | (27,342) | (646,925) |
| Exchange differences | (2,106) | 95 | (8,660) | (10,671) |
| At September 30 | 916,766 | 46,376 | 154,905 | 1,118,047 |
| Current | 835,697 | 4,981 | 6,000 | 846,678 |
| Non-current | 81,069 | 41,395 | 148,905 | 271,369 |

| <i>(in millions of Korean won)</i> | 2019 | | | |
|---|-----------------|--------------------|------------------------------|------------------|
| | Warranty | Restoration | Litigation and others | Total |
| At January 1 | 740,839 | 39,013 | 214,374 | 994,226 |
| Additional provisions, net ¹ | 681,853 | 2,564 | (11,347) | 673,070 |
| Utilizations | (570,815) | (1,809) | (46,058) | (618,682) |
| Decrease due to transfer of business | (3,516) | (1,942) | (1,400) | (6,858) |
| Exchange differences | 16,817 | 669 | 5,246 | 22,732 |
| At September 30 | 865,178 | 38,495 | 160,815 | 1,064,488 |
| Current | 780,608 | 18,744 | 6,878 | 806,230 |
| Non-current | 84,570 | 19,751 | 153,937 | 258,258 |

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

16. Paid-in Capital

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

| | Par value per share | September 30, 2020 | | December 31, 2019 | |
|------------------|----------------------------|--------------------------------|---|--------------------------------|---|
| | | Number of shares issued | Amount (in millions of Korean won) | Number of shares issued | Amount (in millions of Korean won) |
| Ordinary shares | 5,000 | 163,647,814 | 818,239 | 163,647,814 | 818,239 |
| Preferred shares | 5,000 | 17,185,992 | 85,930 | 17,185,992 | 85,930 |
| 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.

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- (b) Share premium balance as at September 30, 2020, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

17. Retained Earnings

Retained earnings as at September 30, 2020 and December 31, 2019, consist of:

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Legal reserve ¹ | 209,527 | 195,933 |
| Discretionary reserve | 4,660,572 | 5,128,769 |
| Unappropriated retained earnings ² | 8,504,727 | 6,532,600 |
| Total | 13,374,826 | 11,857,302 |

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

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

18. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as at September 30, 2020 and December 31, 2019, consists of:

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Share of accumulated other comprehensive loss of associates and joint ventures | (86,539) | (165,755) |
| Cash flow hedge | (123,837) | (91,295) |
| Financial assets at fair value through other comprehensive income | 24,614 | (34) |
| Exchange difference on translation of foreign operations | (1,333,768) | (1,052,717) |
| Total | (1,519,530) | (1,309,801) |

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19. Other Components of Equity

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Treasury shares ¹ | (44,893) | (44,893) |
| Consideration for conversion rights | 9,891 | 9,891 |
| Gain on disposal of treasury shares | 2,183 | 2,183 |
| Capital transactions within the Group and others | (176,945) | (176,945) |
| Total | (209,764) | (209,764) |

¹ The Parent Company has treasury shares consisting of 763,174 ordinary shares (December 31, 2019: 763,173 shares) and 4,692 preferred shares (December 31, 2019: 4,692 shares) at the end of the reporting period. The Parent Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

20. Net Sales

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

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|--|---------------------|--------------------|---------------------|--------------------|
| | Three months | Nine months | Three months | Nine months |
| Revenue from contracts with customers: | | | | |
| Sales of goods | 16,437,916 | 43,136,342 | 15,161,524 | 44,868,490 |
| Rendering of services | 274,776 | 800,349 | 313,202 | 857,585 |
| Royalty income | 42,902 | 95,152 | 103,727 | 181,068 |
| Subtotal | 16,755,594 | 44,031,843 | 15,578,453 | 45,907,143 |
| Revenue from other sources: | | | | |
| Rental income and others | 163,965 | 449,346 | 122,192 | 337,830 |
| Total | 16,919,559 | 44,481,189 | 15,700,645 | 46,244,973 |

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(b) Details of revenue from contracts with customers for the nine-month periods ended September 30, 2020 and 2019, are as follows:

| (in millions of Korean won) | 2020 | | | | | | | | Total |
|---|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------------------|-------------------|
| | H&A | HE | MC | VS | BS | Innotek | Other segments | Inter-segment transactions | |
| Revenue from contracts with customers: | | | | | | | | | |
| External sales | 16,250,935 | 8,884,436 | 3,828,651 | 3,879,891 | 4,493,264 | 5,385,102 | 1,309,564 | - | 44,031,843 |
| Internal sales | 37,720 | 2,370 | 1,435 | - | 1,374 | 394,829 | 178,382 | (616,110) | - |
| | <u>16,288,655</u> | <u>8,886,806</u> | <u>3,830,086</u> | <u>3,879,891</u> | <u>4,494,638</u> | <u>5,779,931</u> | <u>1,487,946</u> | <u>(616,110)</u> | <u>44,031,843</u> |
| By type of products: | | | | | | | | | |
| Refrigerator/ washing machine/ air conditioner and others | 13,496,877 | - | - | - | - | - | - | (529) | 13,496,348 |
| TV | - | 8,324,320 | - | - | - | - | - | (1,561) | 8,322,759 |
| Mobile communications | - | - | 3,830,086 | - | - | - | - | (1,435) | 3,828,651 |
| In-vehicle infotainment | - | - | - | 2,412,713 | - | - | - | - | 2,412,713 |
| Monitor/PC and others | - | - | - | - | 3,161,639 | - | - | (1,324) | 3,160,315 |
| Camera module | - | - | - | - | - | 3,722,211 | - | (120,181) | 3,602,030 |
| Others | 2,791,778 | 562,486 | - | 1,467,178 | 1,332,999 | 2,057,720 | 1,487,946 | (491,080) | 9,209,027 |
| By major geographical market ¹ : | | | | | | | | | |
| Korea | 5,414,492 | 805,093 | 623,859 | 582,024 | 1,351,488 | 5,519,593 | 1,487,946 | (550,491) | 15,234,004 |
| North America | 4,343,091 | 2,317,598 | 2,401,383 | 834,562 | 1,295,628 | 12,157 | - | (346) | 11,204,073 |
| Asia | 2,662,808 | 1,170,827 | 176,797 | 176,314 | 402,486 | 35,902 | - | (29,673) | 4,595,461 |
| Europe | 1,212,124 | 2,314,321 | 165,741 | 1,793,153 | 760,307 | 62,615 | - | (758) | 6,307,503 |
| South America | 560,056 | 1,062,917 | 433,382 | 22,987 | 170,368 | - | - | - | 2,249,710 |
| Middle East & Africa | 967,019 | 661,977 | 15,677 | 2,496 | 79,315 | - | - | (81) | 1,726,403 |
| China | 553,244 | 77,282 | 12,880 | 468,355 | 358,979 | 149,664 | - | (34,751) | 1,585,653 |
| Russia and others | 575,821 | 476,791 | 367 | - | 76,067 | - | - | (10) | 1,129,036 |
| Timing of transfer: | | | | | | | | | |
| Transferred at a point in time | 15,872,717 | 8,762,312 | 3,719,809 | 3,789,836 | 4,470,088 | 5,779,931 | 760,093 | (442,074) | 42,712,712 |
| Transferred over time | 415,938 | 124,494 | 110,277 | 90,055 | 24,550 | - | 727,853 | (174,036) | 1,319,131 |

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| <i>(in millions of Korean won)</i> | 2019 | | | | | | | | Total |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------------------|-------------------|
| | H&A | HE | MC | VS | BS | Innotek | Other segments | Inter-segment transactions | |
| Revenue from contracts with customers: | | | | | | | | | |
| External sales | 16,536,697 | 9,305,876 | 4,641,736 | 4,109,272 | 4,646,351 | 4,868,778 | 1,798,433 | - | 45,907,143 |
| Internal sales | 35,393 | 1,853 | 1,937 | 36 | 6,087 | 467,770 | 169,602 | (682,678) | - |
| | <u>16,572,090</u> | <u>9,307,729</u> | <u>4,643,673</u> | <u>4,109,308</u> | <u>4,652,438</u> | <u>5,336,548</u> | <u>1,968,035</u> | <u>(682,678)</u> | <u>45,907,143</u> |
| By type of products: | | | | | | | | | |
| Refrigerator/ washing machine/ air conditioner and others | 14,157,232 | - | - | - | - | - | - | (6,049) | 14,151,183 |
| TV | - | 8,571,045 | - | - | - | - | - | (1,809) | 8,569,236 |
| Mobile communications | - | - | 4,643,673 | - | - | - | - | (1,936) | 4,641,737 |
| In-vehicle infotainment | - | - | - | 2,428,383 | - | - | - | (36) | 2,428,347 |
| Monitor/PC and others | - | - | - | - | 3,305,823 | - | - | (6,086) | 3,299,737 |
| Camera module | - | - | - | - | - | 3,178,496 | - | (169,842) | 3,008,654 |
| Others | 2,414,858 | 736,684 | - | 1,680,925 | 1,346,615 | 2,158,052 | 1,968,035 | (496,920) | 9,808,249 |
| By major geographical market ¹ : | | | | | | | | | |
| Korea | 5,770,073 | 879,769 | 1,153,809 | 686,672 | 1,534,212 | 5,054,334 | 1,917,250 | (626,987) | 16,369,132 |
| North America | 3,850,901 | 2,263,785 | 2,624,612 | 783,258 | 1,222,423 | 7,485 | - | (325) | 10,752,139 |
| Asia | 2,965,222 | 1,307,548 | 143,654 | 178,918 | 564,764 | 29,507 | 2 | (23,568) | 5,166,047 |
| Europe | 1,065,240 | 2,143,961 | 186,258 | 1,993,070 | 811,152 | 24,770 | - | (473) | 6,223,978 |
| South America | 673,329 | 1,329,013 | 469,191 | 48,259 | 205,859 | - | 2 | (5) | 2,725,648 |
| Middle East & Africa | 964,420 | 745,689 | 23,006 | 1,322 | 100,048 | - | 1 | (103) | 1,834,383 |
| China | 766,742 | 173,949 | 41,597 | 417,809 | 113,813 | 220,452 | 50,780 | (31,214) | 1,753,928 |
| Russia and others | 516,163 | 464,015 | 1,546 | - | 100,167 | - | - | (3) | 1,081,888 |
| Timing of transfer: | | | | | | | | | |
| Transferred at a point in time | 16,246,212 | 9,223,343 | 4,532,184 | 4,008,887 | 4,626,908 | 5,336,548 | 261,348 | (529,547) | 43,705,883 |
| Transferred over time | 325,878 | 84,386 | 111,489 | 100,421 | 25,530 | - | 1,706,687 | (153,131) | 2,201,260 |

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

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

Due to the factors causing the changes in the costs of VS and other segments during the nine-month period ended September 30, 2020, the estimated total contract revenue and costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the nine-month period ended September 30, 2020 and the succeeding periods are as follows:

| <i>(in millions of Korean won)</i> | Changes in estimated total contract revenue | Changes in estimated total contract cost | Impact on profit or loss for the period ended September 30, 2020 | Impact on profit or loss for the succeeding periods |
|------------------------------------|--|--|---|--|
| VS | 31,930 | 53,955 | (15,358) | (6,667) |
| Other segments | 30,167 | 21,710 | (353) | 8,810 |
| Total | 62,097 | 75,665 | (15,711) | 2,143 |

21. Expenses by Nature

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

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Three months | Nine months | Three months | Nine months |
| Changes in finished goods and work-in-process | (754,946) | (765,220) | (545,681) | (773,127) |
| Raw materials and merchandise used | 11,007,997 | 26,513,521 | 9,650,187 | 27,853,296 |
| Employee benefit expense | 1,849,487 | 5,855,093 | 2,028,844 | 5,884,019 |
| Depreciation and amortization | 661,120 | 1,954,636 | 636,597 | 1,850,466 |
| Advertising expense | 365,214 | 733,156 | 307,220 | 818,154 |
| Promotion expense | 175,834 | 451,594 | 181,834 | 553,131 |
| Freight expense | 552,908 | 1,369,477 | 431,156 | 1,290,830 |
| Commission expense | 906,958 | 2,649,027 | 862,663 | 2,574,497 |
| Other expenses | 1,196,006 | 3,175,083 | 1,366,364 | 3,859,370 |
| Total¹ | 15,960,578 | 41,936,367 | 14,919,184 | 43,910,636 |

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

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

Details of general operating expenses for the three-month and nine-month periods ended September 30, 2020 and 2019, are as follows:

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | Three months | Nine months | Three months | Nine months |
| Salaries | 820,523 | 2,368,749 | 825,785 | 2,385,507 |
| Post-employment benefits | 62,103 | 177,701 | 65,508 | 165,355 |
| Employee welfare benefits | 182,541 | 524,067 | 174,079 | 505,991 |
| Freight expense | 548,469 | 1,358,843 | 423,195 | 1,268,245 |
| Rental expense | 21,025 | 66,129 | 35,490 | 114,858 |
| Commission expense | 611,165 | 1,791,597 | 600,327 | 1,805,936 |
| Depreciation | 126,254 | 372,324 | 114,039 | 327,920 |
| Amortization | 40,615 | 121,073 | 47,187 | 138,944 |
| Taxes and dues | 31,791 | 76,132 | 25,230 | 69,174 |
| Advertising expense | 365,214 | 733,156 | 307,220 | 818,154 |
| Promotional expense | 175,834 | 451,594 | 181,834 | 553,131 |
| R&D expense | 133,396 | 372,240 | 113,786 | 273,660 |
| Direct service costs | 379,896 | 519,903 | 242,842 | 520,996 |
| Bad debts expense | 318 | 2,842 | 1,976 | 28,164 |
| Others | 120,475 | 361,960 | 168,212 | 499,149 |
| Total | 3,619,619 | 9,298,310 | 3,326,710 | 9,475,184 |

23. Financial Income

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

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | Three months | Nine months | Three months | Nine months |
| Interest income | 19,444 | 75,318 | 37,753 | 106,704 |
| Exchange differences | 161,013 | 437,777 | 100,545 | 235,626 |
| Gain on derivatives | 3,000 | 25,133 | 11,703 | 16,379 |
| Total | 183,457 | 538,228 | 150,001 | 358,709 |

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24. Financial Expenses

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

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | Three months | Nine months | Three months | Nine months |
| Interest expense | 89,914 | 281,569 | 102,741 | 308,356 |
| Exchange differences | 192,374 | 548,233 | 95,208 | 234,919 |
| Loss on derivatives | 2,707 | 14,702 | 3,661 | 13,422 |
| Loss on disposal of trade receivables | 1,318 | 7,436 | 4,460 | 13,653 |
| Others | 1,140 | 3,479 | 35 | 2,063 |
| Total | 287,453 | 855,419 | 206,105 | 572,413 |

25. Other Non-operating Income

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

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|---|----------------|------------------|----------------|------------------|
| | Three months | Nine months | Three months | Nine months |
| Dividend income | - | 151 | - | 535 |
| Exchange differences | 315,713 | 1,081,295 | 254,736 | 824,393 |
| Gain on derivatives | 16,651 | 62,494 | 12,956 | 29,826 |
| Gain on disposal of property, plant and equipment | 5,769 | 12,589 | 12,051 | 20,762 |
| Gain on disposal of intangible assets | - | 22 | - | 2 |
| Gain on disposal of assets held for sale | 494 | 494 | - | - |
| Gain on valuation of financial assets at fair value through profit or loss | 24 | 510 | 7 | 156 |
| Gain on disposal of financial assets at fair value through other comprehensive income | - | - | - | 32 |
| Gain on disposal of investments in associates and joint ventures | 299 | 647,023 | - | - |
| Gain on transfer of business | - | - | 119,843 | 119,843 |
| Others | 13,218 | 25,871 | 7,873 | 27,958 |
| Total | 352,168 | 1,830,449 | 407,466 | 1,023,507 |

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26. Other Non-operating Expenses

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

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|---|----------------|------------------|----------------|------------------|
| | Three months | Nine months | Three months | Nine months |
| Exchange differences | 354,198 | 1,246,475 | 283,882 | 851,303 |
| Loss on derivatives | 7,525 | 22,316 | 5,200 | 32,519 |
| Loss on disposal of property, plant and equipment | 11,286 | 34,973 | 19,781 | 53,781 |
| Impairment loss on property, plant and equipment | 9,067 | 22,488 | 94,579 | 97,996 |
| Loss on disposal of intangible assets | 11,090 | 31,949 | 7,822 | 22,446 |
| Impairment loss on intangible assets | 35,893 | 67,642 | 116,597 | 235,119 |
| Loss on valuation of financial assets at fair value through profit or loss | 2 | 326 | 4 | 4 |
| Loss on disposal of financial assets at fair value through other comprehensive income | - | - | - | 238 |
| Loss on disposal of investments in associates and joint ventures | - | 1,369 | - | - |
| Impairment loss on investments in associates and joint ventures | - | 6,859 | - | - |
| Others | 21,045 | 76,574 | 20,003 | 54,385 |
| Total | 450,106 | 1,510,971 | 547,868 | 1,347,791 |

27. Earnings per Share

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

(a) Basic earnings per ordinary share for the three-month and nine-month periods ended September 30, 2020 and 2019, is as follows:

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|---|--------------|-------------|--------------|-------------|
| | Three months | Nine months | Three months | Nine months |
| Profit attributable to ordinary shares | 566,148 | 1,544,442 | 220,682 | 819,601 |
| <i>(in millions of Korean won)</i> Weighted average number of ordinary shares outstanding <i>(unit: shares)</i> | 162,884,640 | 162,884,640 | 162,884,640 | 162,884,640 |
| Basic earnings per ordinary share <i>(in Korean won)</i> | 3,476 | 9,482 | 1,355 | 5,032 |

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

| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|---|--------------|-------------|--------------|-------------|
| | Three months | Nine months | Three months | Nine months |
| Profit attributable to preferred shares | 59,933 | 163,554 | 23,492 | 87,096 |
| <i>(in millions of Korean won)</i> Weighted average number of preferred shares outstanding <i>(unit: shares)</i> | 17,181,300 | 17,181,300 | 17,181,300 | 17,181,300 |
| Basic earnings per preferred share <i>(in Korean won)</i> | 3,488 | 9,519 | 1,367 | 5,069 |

28. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2020 and 2019, are as follows:

(a) Cash generated from operations

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--|------------------|------------------|
| Profit for the period | 1,801,506 | 1,029,678 |
| Adjustments: | | |
| Interest expense, net | 206,251 | 201,652 |
| Exchange differences, net | 107,869 | (10,519) |
| Gain on derivatives, net | (50,609) | (264) |
| Depreciation | 1,639,717 | 1,549,934 |
| Amortization | 326,766 | 322,272 |
| Loss on disposal of property, plant and equipment and intangible assets, net | 54,311 | 55,463 |
| Provisions for severance benefits | 318,678 | 287,344 |
| Additional provisions, net | 692,643 | 673,070 |
| Income tax expense | 507,423 | 385,819 |
| Loss from equity method valuation | 238,180 | 380,852 |
| Gain on disposal of investments in associates and joint ventures | (645,654) | - |
| Impairment loss on investments in associates and joint ventures | 6,859 | - |
| Other | 146,313 | 420,012 |
| | <u>3,548,747</u> | <u>4,265,635</u> |
| Changes in operating assets and liabilities | | |
| Increase in trade receivables | (1,801,879) | (293,308) |
| Decrease (increase) in other receivables | 125,451 | (91,103) |
| Increase in inventories | (1,597,749) | (685,796) |
| Decrease (increase) in contract assets | 45,598 | (55,694) |
| Increase in other assets | (296,836) | (408,815) |
| Increase in trade payables | 2,619,536 | 638,265 |

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| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|---------------------------------------|------------------|------------------|
| Decrease in other payables | (348,519) | (875,658) |
| Decrease in provisions | (646,925) | (618,682) |
| Increase in contract liabilities | 255,685 | 127,629 |
| Increase in other liabilities | 194,028 | 234,018 |
| Payment of defined benefit liability | (46,049) | (39,456) |
| Deposit in plan assets, net | (58,530) | (49,283) |
| | (1,556,189) | (2,117,883) |
| Cash generated from operations | 3,794,064 | 3,177,430 |

(b) Changes in liabilities from financing activities

| <i>(in millions of Korean won)</i> | 2020 | | | | | | |
|------------------------------------|-------------------|--|-----------------------|----------------------|-------------------------|----------------------------------|-------------------|
| | At January 1 | Net cash flows from financing activities | Non-cash transactions | | | | At September 30 |
| | | | Additions | Exchange differences | Amortization and others | Effects of exchange rate changes | |
| Short-term borrowings | 271,541 | (9,677) | - | 25,322 | - | (34,917) | 252,269 |
| Long-term borrowings | 4,318,854 | 230,004 | - | 27,353 | 53 | (967) | 4,575,297 |
| Debentures | 5,896,943 | (12,676) | - | 12,560 | 2,290 | - | 5,899,117 |
| Lease liabilities | 771,424 | (221,273) | 258,431 | 1,168 | 2,458 | (3,134) | 809,074 |
| Total | 11,258,762 | (13,622) | 258,431 | 66,403 | 4,801 | (39,018) | 11,535,757 |

| <i>(in millions of Korean won)</i> | 2019 | | | | | | | |
|------------------------------------|-------------------|---|----------------------|-----------------------|----------------------|-------------------------|----------------------------------|-------------------|
| | At January 1 | Net cash flow from financing activities | Transfer of business | Non-cash transactions | | | | At September 30 |
| | | | | Additions | Exchange differences | Amortization and others | Effects of exchange rate changes | |
| Short-term borrowings | 293,221 | 63,785 | - | - | 20,793 | - | 27,616 | 405,415 |
| Long-term borrowings | 4,370,696 | 29,218 | (7,993) | - | 1,957 | 52 | 71,302 | 4,465,232 |
| Debentures | 6,237,269 | (344,985) | - | - | 29,997 | 2,794 | - | 5,925,075 |
| Lease liabilities | 622,459 | (228,343) | (436) | 314,779 | 386 | 107 | 21,132 | 730,084 |
| Total | 11,523,645 | (480,325) | (8,429) | 314,779 | 53,133 | 2,953 | 120,050 | 11,525,806 |

(c) Significant non-cash transactions

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|---|-----------|-----------|
| Reclassification of construction-in-progress to property, plant and equipment | 1,016,078 | 625,359 |
| Reclassification of construction-in-progress to intangible assets | 390,873 | 286,897 |
| Reclassification of current portion of borrowings and debentures | 1,165,051 | 1,057,301 |
| Other payables to acquire property, plant and equipment | 302,400 | 244,894 |
| Other payables to acquire intangible assets | 8,604 | 5,499 |
| Acquisition of right-of-use assets | 298,309 | 370,898 |

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

- Transfer of water solution business

i) On September 26, 2019, the Parent Company transferred water solution business, consisting of LG Hitachi Water Solution Co., Ltd., Hi Entech Co., Ltd. and HiEntech (Tianjin) Co., LTD., to Techcross Vision Investment Inc.

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

| <i>(in millions of Korean won)</i> | Amount |
|--|---------------|
| Total consideration | |
| Cash and cash equivalents | 222,759 |
| Assets of the transferred business: | |
| Cash and cash equivalents | 50,260 |
| Trade receivables | 70,517 |
| Other receivables | 9,689 |
| Other financial assets | 6,594 |
| Inventories | 6,554 |
| Property, plant and equipment | 2,346 |
| Intangible assets | 61,367 |
| Current tax assets | 310 |
| Deferred tax assets | 4,247 |
| Contract assets | 32,924 |
| Other assets | 4,138 |
| Liabilities of the transferred business: | |
| Trade payables | 29,643 |
| Borrowings | 7,993 |
| Lease liabilities | 436 |
| Other payables | 21,683 |
| Current tax liabilities | 185 |
| Net defined benefit assets | 1,880 |
| Provisions | 6,858 |
| Contract liabilities | 25,460 |
| Other liabilities | 31,546 |
| Non-controlling interests | 20,346 |

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29. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land, buildings) with the pledged amount of ₩220,314 million (December 31, 2019: ₩207,854 million) and the book amount of pledged assets is ₩222,744 million (December 31, 2019: ₩276,924 million). In addition, the Group provided buildings as collateral to Shinhan Bank and others, the mortgagee, in order to guarantee obligations of landlords, who leased the land to the Group, with the pledged amount of ₩14,040 million (December 31, 2019: ₩7,680 million), and the book amount of pledged assets is ₩6,906 million (December 31, 2019: ₩1,536 million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩258,860 million (December 31, 2019: ₩261,921 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company and LG Innotek Co., Ltd. are provided with guarantee of principal amounting to EUR 100 million and USD 50 million (December 31, 2019: EUR 100 million, USD 50 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2019: ₩46,000 million). Also, LG Electronics U.S.A., Inc., a subsidiary, provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 2.5 million (December 31, 2019: USD 6.25 million).

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

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

30. Commitments

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

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2019: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩459,115 million (December 31, 2019: ₩346,642 million).

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Other subsidiaries have overdraft facility agreements with a limit of ₩1,688,991 million (December 31, 2019: ₩1,509,846 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩1,899,032 million (December 31, 2019: ₩1,895,310 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩950,000 million (December 31, 2019: ₩900,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩979,873 million (December 31, 2019: ₩735,203 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 500 million (December 31, 2019: USD 665 million), and have sales agreements for trade receivables with a limit of USD 500 million (December 31, 2019: USD 500 million) with Credit Agricole. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with KEB Hana Bank with a limit of ₩1,000 million (December 31, 2019: ₩1,000 million) in connection with the collection of the trade receivables.

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,190,000 million (December 31, 2019: ₩1,210,000 million) in connection with the payment of trade payables.

In addition, LG Innotek Co., Ltd., a subsidiary, has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and others for up to ₩204,000 million (December 31, 2019: ₩204,000 million) in connection with the payment of trade payables, where under the contracts the vendors of LG Innotek Co., Ltd. can transfer their receivables to these banks.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩38,300 million limit (December 31, 2019: ₩38,900 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2019: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩2,766,308 million (December 31, 2019: ₩3,471,626 million).

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(f) Contractual commitments for the acquisition of assets

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | December 31, 2019 |
|--|---------------------------|--------------------------|
| Property, plant and equipment | 225,010 | 214,719 |
| Intangible assets | 110,170 | 137,951 |
| Investments in associates and joint ventures | 83,235 | 88,968 |
| Total | 418,415 | 441,638 |

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

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | | Total lease payments |
|------------------------------------|---------------------------|---------------------|---------------------|---------------------|-----------------------------|
| | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | |
| Healthcare rental | 537,362 | 360,184 | 163,896 | 32,312 | 1,093,754 |
| Real estate rental | 63 | - | - | - | 63 |
| Total | 537,425 | 360,184 | 163,896 | 32,312 | 1,093,817 |

- ii) The Group recognized ₩427,504 million (September 30, 2019: ₩315,395 million) in lease income for the nine-month period ended September 30, 2020.

(h) Trademark license commitments

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

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

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31. Related Party

(a) Major transactions for the nine-month periods ended September 30, 2020 and 2019, and balances of receivables and payables from transaction with related parties as at September 30, 2020 and December 31, 2019, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

| Classification | Name | 2020 | | | | | |
|-------------------------------------|--|---------------------|---------------|----------------|----------------------|---------------------|------------------|
| | | Income transactions | | | Expense transactions | | |
| | | Sales | Others | Total | Purchases | Others ⁷ | Total |
| Significantly influencing the Group | LG Corp. | 279 | - | 279 | - | 116,489 | 116,489 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 307,736 | 74,267 | 382,003 | 2,429,246 | 672 | 2,429,918 |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries | 1,673 | - | 1,673 | 40,978 | 80 | 41,058 |
| | Korea Information Certificate Authority Inc. ² | 1 | - | 1 | - | 39 | 39 |
| | Acryl Inc. | - | - | - | - | 468 | 468 |
| | ROBOTIS Co., Ltd. | - | - | - | - | 27 | 27 |
| | Robostar Co., Ltd. and its subsidiaries | 12 | - | 12 | 38,601 | 2,604 | 41,205 |
| | Subtotal | 309,422 | 74,267 | 383,689 | 2,508,825 | 3,890 | 2,512,715 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 44,242 | - | 44,242 | 92,301 | - | 92,301 |
| | LG HOLDINGS (HK) LIMITED and its subsidiaries ³ | - | - | - | - | 472 | 472 |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | 426 | 426 |
| | LG-MRI LLC | 5,196 | - | 5,196 | 26,943 | - | 26,943 |
| | Subtotal | 49,438 | - | 49,438 | 119,244 | 898 | 120,142 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 106,225 | 30 | 106,255 | 108,301 | 330,603 | 438,904 |
| | S&I Corp. and its subsidiaries ⁴ | 19,622 | - | 19,622 | 32,562 | 131,650 | 164,212 |
| | LG Management Development Institute | 8 | - | 8 | 37 | 21,750 | 21,787 |
| | LG SPORTS Ltd. | 11 | 19 | 30 | - | 9,036 | 9,036 |
| | LG MMA Ltd. | 243 | - | 243 | 34 | 245 | 279 |
| | LG Holdings Japan Co., Ltd. | 15 | - | 15 | - | 2,840 | 2,840 |
| | Subtotal | 126,124 | 49 | 126,173 | 140,934 | 496,124 | 637,058 |
| Others ¹ | LG Chem Ltd. and its subsidiaries and joint ventures | 881,439 | 5,632 | 887,071 | 805,007 | 516 | 805,523 |
| | LG INTERNATIONAL CORP and its subsidiaries | 19,744 | 635 | 20,379 | 2,484,007 | 1,303,185 | 3,787,192 |
| | LG Uplus Corp and its subsidiaries | 183,225 | 49 | 183,274 | 31,451 | 3,818 | 35,269 |
| | LG HAUSYS,LTD. and its subsidiaries and associates | 4,610 | 471 | 5,081 | 5,525 | 48 | 5,573 |
| | Silicon Works Co., Ltd. | 35,582 | 1,396 | 36,978 | 9,367 | 337 | 9,704 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its | 46,622 | 1 | 46,623 | 261 | 372 | 633 |

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| | | 2020 | | | | | |
|----------------|----------------------------------|---------------------|---------------|------------------|----------------------|---------------------|------------------|
| Classification | Name | Income transactions | | | Expense transactions | | |
| | | Sales | Others | Total | Purchases | Others ⁷ | Total |
| | subsidiaries | | | | | | |
| | G II R Inc. and its subsidiaries | 4,217 | - | 4,217 | 125 | 241,763 | 241,888 |
| | Subtotal | 1,175,439 | 8,184 | 1,183,623 | 3,335,743 | 1,550,039 | 4,885,782 |
| | Total | 1,660,702 | 82,500 | 1,743,202 | 6,104,746 | 2,167,440 | 8,272,186 |

(in millions of Korean won)

| | | 2019 | | | | | |
|-------------------------------------|--|---------------------|---------------|------------------|----------------------|----------------|------------------|
| Classification | Name | Income transactions | | | Expense transactions | | |
| | | Sales | Others | Total | Purchases | Others | Total |
| Significantly influencing the Group | LG Corp. | 803 | - | 803 | 631 | 121,517 | 122,148 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 1,032,011 | 71,861 | 1,103,872 | 2,641,504 | 3,793 | 2,645,297 |
| | Ericsson-LG Co., Ltd. and its subsidiaries | 106 | - | 106 | - | - | - |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries | 1,828 | - | 1,828 | 60,265 | 412 | 60,677 |
| | LG Fuel Cell Systems Inc. and its subsidiaries | 304 | 510 | 814 | 13 | 69 | 82 |
| | Korea Information Certificate Authority Inc. ² | 1 | - | 1 | - | 64 | 64 |
| | Acryl Inc. | - | - | - | - | 548 | 548 |
| | Kiwigrid GmbH ⁵ | - | - | - | - | 479 | 479 |
| | ROBOTIS Co., Ltd. | - | - | - | - | 202 | 202 |
| | Robostar Co., Ltd. | 7 | - | 7 | 38,580 | 6,697 | 45,277 |
| | Subtotal | 1,034,257 | 72,371 | 1,106,628 | 2,740,362 | 12,264 | 2,752,626 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 27,262 | - | 27,262 | 67,615 | - | 67,615 |
| | LG HOLDINGS (HK) LIMITED and its subsidiaries ³ | - | - | - | - | 1,553 | 1,553 |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | 605 | 605 |
| | LG-MRI LLC | 2,336 | - | 2,336 | 32,952 | - | 32,952 |
| | Subtotal | 29,598 | - | 29,598 | 100,567 | 2,158 | 102,725 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 117,373 | 2 | 117,375 | 85,885 | 327,514 | 413,399 |
| | S&I Corp. and its subsidiaries ⁴ | 37,083 | 4,296 | 41,379 | 373,219 | 185,734 | 558,953 |
| | LG Management Development Institute | 2 | - | 2 | 17 | 23,668 | 23,685 |
| | LG SPORTS Ltd. | 12 | 21 | 33 | - | 10,825 | 10,825 |
| | LG MMA Ltd. | 120 | - | 120 | 51 | - | 51 |
| | LG Holdings Japan Co., Ltd. | 14 | - | 14 | - | 2,663 | 2,663 |
| | LG Corp. U.S.A. ⁶ | 1,035 | - | 1,035 | - | - | - |
| | Subtotal | 155,639 | 4,319 | 159,958 | 459,172 | 550,404 | 1,009,576 |
| Others ¹ | LG Chem Ltd. and its subsidiaries and joint ventures | 895,913 | 18,461 | 914,374 | 719,633 | 8,540 | 728,173 |
| | LG INTERNATIONAL CORP and its subsidiaries | 63,715 | 3,135 | 66,850 | 2,427,965 | 1,422,386 | 3,850,351 |
| | LG Uplus Corp and its subsidiaries | 404,907 | 34 | 404,941 | 42,467 | 4,614 | 47,081 |

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| Classification | Name | 2019 | | | | | |
|----------------|--|---------------------|----------------|------------------|----------------------|------------------|------------------|
| | | Income transactions | | | Expense transactions | | |
| | | Sales | Others | Total | Purchases | Others | Total |
| | LG HAUSYS,LTD. and its subsidiaries and associates | 5,626 | 333 | 5,959 | 1,182 | 343 | 1,525 |
| | Silicon Works Co., Ltd. | 19,298 | 2,253 | 21,551 | 10,522 | - | 10,522 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries | 6,281 | 1 | 6,282 | 215 | 527 | 742 |
| | G I I R Inc. and its subsidiaries | 3,696 | 47 | 3,743 | 77 | 283,328 | 283,405 |
| | SERVEONE Co., Ltd. and its subsidiaries ⁴ | 8,437 | 2,492 | 10,929 | 248,527 | 38,067 | 286,594 |
| | Subtotal | 1,407,873 | 26,756 | 1,434,629 | 3,450,588 | 1,757,805 | 5,208,393 |
| | Total | 2,628,170 | 103,446 | 2,731,616 | 6,751,320 | 2,444,148 | 9,195,468 |

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

² All shares of Korea Information Certificate Authority Inc. were disposed during the nine-month period ended September 30, 2020.

³ All shares of LG HOLDINGS (HK) LIMITED were disposed to RECO CHANGAN PRIVATE LIMITED on March 20, 2020.

⁴ SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

⁵ Kiwigrid GmbH was excluded from associates due to the loss of right to appoint a member of the board of directors during the nine-month period ended September 30, 2020.

⁶ LG Electronics U.S.A., Inc., a subsidiary, acquired all shares of LG CORP. U.S.A. from LG Corp. on October 30, 2019.

⁷ Others include interest expense of lease liabilities.

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

(in millions of Korean won)

| Classification | Name | September 30, 2020 | | | | | | | |
|-------------------------------------|--|--------------------|----------|-------------------|----------------|----------------|------------|-----------------------------|----------------|
| | | Receivables | | | | Payables | | | |
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables ⁵ | Total |
| Significantly influencing the Group | LG Corp. | 43 | - | 28,900 | 28,943 | - | - | 10,458 | 10,458 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 82,343 | - | 56,441 | 138,784 | 652,381 | - | 75,980 | 728,361 |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries | 473 | - | - | 473 | 24,431 | - | 229 | 24,660 |
| | Acryl Inc. | - | - | - | - | - | - | 172 | 172 |
| | Robostar Co., Ltd. and its subsidiaries | - | - | - | - | 1,290 | - | 16,752 | 18,042 |
| | Subtotal | 82,816 | - | 56,441 | 139,257 | 678,102 | - | 93,133 | 771,235 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 6,596 | - | - | 6,596 | 14,430 | - | - | 14,430 |

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September 30, 2020

| Classification | Name | Receivables | | | | Payables | | | |
|-----------------------|--|-------------------|----------|-------------------|------------------|------------------|------------|-----------------------------|------------------|
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables ⁵ | Total |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | - | - | 67 | 67 |
| | LG-MRI LLC | 827 | - | - | 827 | 4,306 | - | 35 | 4,341 |
| | Subtotal | 7,423 | - | - | 7,423 | 18,736 | - | 102 | 18,838 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 35,363 | - | 1,068 | 36,431 | 5,074 | - | 130,341 | 135,415 |
| | S&I Corp. and its subsidiaries ² | 8,843 | - | 55,087 | 63,930 | 287 | - | 62,858 | 63,145 |
| | LG Management Development Institute | 1 | - | 17,864 | 17,865 | - | - | 1,280 | 1,280 |
| | LG SPORTS Ltd. | 1 | - | - | 1 | - | - | 586 | 586 |
| | LG MMA Ltd. | 237 | - | - | 237 | 7 | - | - | 7 |
| | LG Holdings Japan Co., Ltd. | - | - | 4,082 | 4,082 | - | - | - | - |
| | Subtotal | 44,445 | - | 78,101 | 122,546 | 5,368 | - | 195,065 | 200,433 |
| Others ¹ | LG Chem Ltd. and its subsidiaries and joint ventures | 409,093 | - | 168,674 | 577,767 | 392,493 | - | 35,463 | 427,956 |
| | LG INTERNATIONAL CORP and its subsidiaries | 14,078 | - | 259 | 14,337 | 433,491 | - | 303,982 | 737,473 |
| | LG Uplus Corp and its subsidiaries | 60,331 | - | 247 | 60,578 | 2,512 | - | 1,626 | 4,138 |
| | LG HAUSYS,LTD. and its subsidiaries and associates | 1,668 | - | 120 | 1,788 | 1,385 | - | 505 | 1,890 |
| | Silicon Works Co., Ltd. | 20,968 | - | 149 | 21,117 | 2,983 | - | 713 | 3,696 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries | 4,045 | - | 25,490 | 29,535 | 31 | - | 645 | 676 |
| | G II R Inc. and its subsidiaries | 20 | - | 256 | 276 | 228 | - | 141,619 | 141,847 |
| | Subtotal | 510,203 | - | 195,195 | 705,398 | 833,123 | - | 484,553 | 1,317,676 |
| | Total | 644,930 | - | 358,637 | 1,003,567 | 1,535,329 | - | 783,311 | 2,318,640 |

(in millions of Korean won)

December 31, 2019

| Classification | Name | Receivables | | | | Payables | | | |
|-------------------------------------|---|-------------------|-------|-------------------|---------|----------------|------------|-----------------------------|---------|
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables ⁵ | Total |
| Significantly influencing the Group | LG Corp. | 38 | - | 29,207 | 29,245 | - | - | 55,798 | 55,798 |
| Associates | LG Display Co., Ltd. and its subsidiaries | 182,862 | - | 86,133 | 268,995 | 575,758 | - | 76,851 | 652,609 |
| | Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries | 714 | - | - | 714 | 19,421 | - | 410 | 19,831 |
| | Korea Information Certificate Authority Inc. ³ | - | - | - | - | - | - | 18 | 18 |
| | Acryl Inc. | - | - | - | - | - | - | 229 | 229 |
| | ROBOTIS Co., Ltd. | - | - | - | - | - | - | 145 | 145 |

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| | | December 31, 2019 | | | | | | | |
|-----------------------|--|-------------------|-------|-------------------|-----------|----------------|------------|-----------------------------|-----------|
| Classification | Name | Receivables | | | | Payables | | | |
| | | Trade receivables | Loans | Other receivables | Total | Trade payables | Borrowings | Other payables ⁵ | Total |
| | Robostar Co., Ltd | - | - | - | - | - | - | 27,480 | 27,480 |
| | Subtotal | 183,576 | - | 86,133 | 269,709 | 595,179 | - | 105,133 | 700,312 |
| Joint ventures | Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) | 5,827 | - | - | 5,827 | 7,685 | - | - | 7,685 |
| | LG HOLDINGS (HK) LIMITED and its subsidiaries ⁴ | - | - | - | - | - | - | 807 | 807 |
| | EIC PROPERTIES PTE LTD. | - | - | - | - | - | - | 68 | 68 |
| | LG-MRI LLC | 2,311 | - | 384 | 2,695 | 1,645 | - | 2 | 1,647 |
| | Subtotal | 8,138 | - | 384 | 8,522 | 9,330 | - | 877 | 10,207 |
| Other related parties | LG CNS Co., Ltd. and its subsidiaries | 21,711 | - | 1,118 | 22,829 | 31,425 | - | 166,750 | 198,175 |
| | S&I Corp. and its subsidiaries ² | 18,296 | - | 55,086 | 73,382 | 5,985 | - | 52,949 | 58,934 |
| | LG Management Development Institute | - | - | 17,864 | 17,864 | - | - | 968 | 968 |
| | LG SPORTS Ltd. | 1 | - | - | 1 | - | - | 2,311 | 2,311 |
| | LG MMA Ltd. | 372 | - | - | 372 | 42 | - | - | 42 |
| | LG Holdings Japan Co., Ltd. | - | - | 3,940 | 3,940 | - | - | - | - |
| | Subtotal | 40,380 | - | 78,008 | 118,388 | 37,452 | - | 222,978 | 260,430 |
| Others ¹ | LG Chem Ltd. and its subsidiaries and joint ventures | 546,852 | - | 228,217 | 775,069 | 240,870 | - | 60,068 | 300,938 |
| | LG INTERNATIONAL CORP and its subsidiaries | 25,803 | - | 1,438 | 27,241 | 192,466 | - | 228,945 | 421,411 |
| | LG Uplus Corp and its subsidiaries | 10,695 | - | 98 | 10,793 | 180 | - | 554 | 734 |
| | LG HAUSYS,LTD. and its subsidiaries and associates | 2,550 | - | 133 | 2,683 | 469 | - | 1,496 | 1,965 |
| | Silicon Works Co., Ltd. | 3,792 | - | 279 | 4,071 | 3,022 | - | 485 | 3,507 |
| | LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries | 20,067 | - | 8,709 | 28,776 | 32 | - | 3,409 | 3,441 |
| | G II R Inc. and its subsidiaries | 41 | - | 210 | 251 | 710 | - | 182,130 | 182,840 |
| | Subtotal | 609,800 | - | 239,084 | 848,884 | 437,749 | - | 477,087 | 914,836 |
| | Total | 841,932 | - | 432,816 | 1,274,748 | 1,079,710 | - | 861,873 | 1,941,583 |

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

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

³ All shares of Korea Information Certificate Authority Inc. were disposed during the nine-month period ended September 30, 2020.

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⁴ All shares of LG HOLDINGS (HK) LIMITED were disposed to RECO CHANGAN PRIVATE LIMITED on March 20, 2020.

⁵ Other payables include lease liabilities.

iii) Significant capital transactions with related parties and others for the nine-month periods ended September 30, 2020 and 2019, are as follows:

(in millions of Korean won)

| | | 2020 | | | | | | |
|-------------------------------------|---|-----------------|---------------|-------------------------------|-----------------------------|-------|----------------------------------|------------|
| | | Dividend income | Dividend paid | Cash distribution (reduction) | Financing loan transactions | | Financing borrowing transactions | |
| | | | | | | Loans | Collections | Borrowings |
| Significantly influencing the Group | LG Corp. | - | 41,321 | - | - | - | - | 20,707 |
| Associates | Ericsson-LG Co., Ltd. | 8,250 | - | - | - | - | - | - |
| | Korea Information Certificate Authority Inc. ¹ | 201 | - | - | - | - | - | - |
| | LG-MRI LLC | 349 | - | - | - | - | - | - |
| | LG-LHT Aircraft Solutions GmbH | - | - | 5,639 | - | - | - | - |
| | LG-LHT Passenger Solutions GmbH | - | - | 4,769 | - | - | - | - |
| | GUANGDONG SMART LIFE TECHNOLOGY CO., LTD | - | - | 300 | - | - | - | - |
| | Subtotal | 8,800 | - | 10,708 | - | - | - | - |
| | Total | 8,800 | 41,321 | 10,708 | - | - | - | 20,707 |

(in millions of Korean won)

| | | 2019 | | | | | | |
|-------------------------------------|---|-----------------|---------------|-------------------------------|-----------------------------|---|----------------------------------|-------------|
| | | Dividend income | Dividend paid | Cash distribution (reduction) | Financing loan transactions | | Financing borrowing transactions | |
| Classification | Name | | | | | | Loans | Collections |
| Significantly influencing the Group | LG Corp. | - | 41,321 | - | - | - | - | - |
| Associates | Korea Information Certificate Authority Inc. ¹ | 161 | - | - | - | - | - | - |
| | LG-MRI LLC | 337 | - | - | - | - | - | - |
| | Robostar Co.,Ltd | 146 | - | - | - | - | - | - |
| | Acryl Inc. | - | - | 1,000 | - | - | - | - |
| | LG-LHT Passenger Solutions GmbH | - | - | 702 | - | - | - | - |
| | LG-LHT Aircraft Solutions GmbH | - | - | 1,234 | - | - | - | - |
| | LG HOLDINGS (HK) LIMITED | - | - | (29,182) | - | - | - | - |
| | Subtotal | 644 | - | (26,246) | - | - | - | - |
| | Total | 644 | 41,321 | (26,246) | - | - | - | - |

¹ All shares of Korea Information Certificate Authority Inc. were disposed during the nine-month period ended September 30, 2020.

² Repayments of financing borrowing transactions include repayment of principal elements of lease liabilities.

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

| <i>(in millions of Korean won)</i> | 2020 | 2019 |
|--|---------------|---------------|
| Salaries and other short-term benefits | 10,041 | 15,622 |
| Post-employment benefits | 1,825 | 2,585 |
| Other long-term benefits | 77 | 80 |
| Total | 11,943 | 18,287 |

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

- (c) LG Electronics U.S.A., Inc., a subsidiary, provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 2.5 million at the end of the reporting period (December 31, 2019: USD 6.25 million).
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

32. Risk Management

Financial Risk Management

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

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

The Group anticipatively and systematically manages the financial risks over global business activities through its four overseas treasury centers in New Jersey (United States), Amsterdam (Netherlands), Beijing (China), and Singapore in coordination with Finance Division in the Parent Company. And it also helps to improve overseas subsidiaries' business competitiveness by performing integration of their finance functions.

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

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

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(a) Market risk

i) Foreign exchange risk

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

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

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

As at September 30, 2020 and December 31, 2019, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

| <i>(in millions of Korean won)</i> | <u>September 30, 2020</u> | | <u>December 31, 2019</u> | |
|------------------------------------|---------------------------|---------------------|--------------------------|---------------------|
| | <u>10% increase</u> | <u>10% decrease</u> | <u>10% increase</u> | <u>10% decrease</u> |
| USD/KRW | 4,546 | (4,546) | (89,461) | 89,461 |
| EUR/KRW | 4,541 | (4,541) | 2,049 | (2,049) |

ii) Interest rate risk

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

The Group minimizes its borrowings from others and optimizes its deposits by expanding internal finance sharing. The Group periodically monitors both domestic and foreign interest rate trends to establish countermeasures against changes in interest rates.

If interest rates fluctuate by 1%p with all other variables held constant, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the nine-month periods ended September 30, 2020 and 2019, are as follows:

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| <i>(in millions of Korean won)</i> | 2020 | | 2019 | |
|------------------------------------|--------------|--------------|--------------|--------------|
| | 1%p increase | 1%p decrease | 1%p increase | 1%p decrease |
| Interest income | 48,971 | (48,971) | 35,509 | (35,509) |
| Interest expenses | 4,567 | (4,567) | 5,814 | (5,814) |

iii) Details of derivative contracts are as follows:

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

Details of hedging instruments are as follows:

| | Contractor | Contracted amount <i>(in millions)</i> | Contracted currency rate | Interest rate (paid) (%) | Starting date | Expiration date | Book amount <i>(in millions of Korean won)</i> | |
|---------------------|------------------------|---|--------------------------|-----------------------------|----------------------------|----------------------------|---|-------------|
| | | | | | | | Assets | Liabilities |
| Currency forward | Oberbank AT and others | CZK 400 (EUR/CZK) | 25.8 ~ 26.1 | - | 2020. 2.28 ~ 2020. 3. 2 | 2020.10. 2 ~ 2021. 6. 2 | - | 933 |
| | DZ Bank AG | MXN 200 (USD/MXN) | 22.1 ~ 22.3 | - | 2020. 8.31 | 2020.10. 5 ~ 2020.12. 2 | - | 140 |
| Cross-currency swap | MUFG Bank and others | USD 650 (USD/KRW) | 1,067.9 ~ 1,233.7 | 2.00 ~ 3.64 | 2017. 2. 2 ~ 2020. 5.28 | 2020.11.23 ~ 2028. 6. 8 | 5,756 | 22,885 |
| | DBS | SGD 140 (SGD/KRW) | 859.3 | 1.21 | 2020. 7. 9 | 2024. 7. 9 | 1,677 | - |
| Interest rate swap | Woori Bank and others | KRW 1,179,679 / EUR 100 / USD 235 | - | 1.00 ~ 4.53 | 2014. 1. 3 ~ 2018. 5.24 | 2023. 2.24 ~ 2030. 7. 7 | - | 125,500 |

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

Details of hedged items are as follows:

| <i>(in millions of Korean won)</i> | Hedged items | Book amount | Changes in fair value (net of tax) |
|------------------------------------|-----------------------|-------------|------------------------------------|
| Currency forward | Forecast transactions | - | 1,018 |
| Cross-currency swap | Borrowings | 879,933 | 9,107 |
| Interest rate swap | Borrowings | 1,591,660 | 35,849 |

The results of hedge accounting are as follows:

| <i>(in millions of Korean won)</i> | Changes in fair value of derivatives (net of tax) | Line items in profit or loss | Reclassified to profit or loss (net of tax) | Other comprehensive loss (net of tax) | Accumulated other comprehensive loss |
|------------------------------------|--|---|--|--|--------------------------------------|
| Currency forward | (1,018) | Exchange differences | 5 | (1,013) | (1,200) |
| Cross-currency swap | (9,107) | Interest expense and exchange differences | (1,292) | (10,399) | (32,856) |
| Interest rate swap | (35,849) | Interest expense | 11,598 | (24,251) | (89,736) |

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Non-derivative for hedging purposes

LG Innotek Co., Ltd., a subsidiary, applied cash flow hedging accounting by designating the amount of contract liabilities from customers as hedging instrument to hedge foreign exchange risk of the future expected sales.

Details of hedging instruments are as follows:

| <i>(in millions of Korean won)</i> | Contracted amount (in millions) | Starting date | Expiration date | Book amount | Expected time to be realized | |
|------------------------------------|--|----------------------|------------------------|--------------------|-------------------------------------|---------------------|
| | | | | | Within 1 year | 1 to 2 years |
| Contract liabilities | USD 108 | 2019.12 | 2021.12 | 126,151 | 100,921 | 25,230 |

The highly probable forecast transactions in relation to cash flow hedges are expected to happen on various dates until the expiration date for the hedging, and they are expected to affect future cash flows. At the end of the reporting period, the book amount of contract liabilities is a reasonable approximation of its fair value.

There is no forecast transaction that needs to be changed for which hedges had previously been used, but which is no longer expected to occur.

The results of hedge accounting are as follows:

| <i>(in millions of Korean won)</i> | Line items in profit or loss | Reclassified to profit or loss (net of tax) | Other comprehensive income (net of tax) | Accumulated other comprehensive loss |
|---------------------------------------|-------------------------------------|--|--|---|
| Foreign exchange risk hedge for sales | Sales | 6,304 | 2,709 | (4,539) |

Trading purposes

The Group entered into the currency forward contracts, the cross-currency swap contracts and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. The subsidiaries' currency forward contracts, the cross-currency swap contracts and the interest rate swap contracts as at September 30, 2020, and related profit or loss for the nine-month period ended September 30, 2020, are as follows:

| <i>(in millions of Korean won)</i> | Purchase | Sale | Gain (loss) on valuation | Gain (loss) on transaction |
|------------------------------------|-----------------|-------------|---------------------------------|-----------------------------------|
| Currency forward | 576,542 | 563,377 | 13,722 | 30,282 |
| Cross-currency swap | - | - | 6,737 | - |
| Interest rate swap | - | - | (130) | (2) |

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iv) Price risk

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

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

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | December 31, 2019 | |
|------------------------------------|--------------------|--------------|-------------------|--------------|
| | 30% increase | 30% decrease | 30% increase | 30% decrease |
| KOSDAQ | 8,303 | (8,303) | 2,654 | (2,654) |
| NASDAQ | (6,350) | 6,350 | - | - |
| Austrian Traded Index | 142 | (142) | 2,867 | (2,867) |

The valuation and changes in book amounts of the financial assets at fair value through other comprehensive income related to the market risk above are presented in Note 7.

(b) Credit risk

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

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

At the end of reporting period, trade receivable balance of the Group is ₩7,947,083 million (December 31, 2019: ₩6,471,588 million) and its risk is managed appropriately within insurer's credit limit of ₩23,477,040 million (December 31, 2019: ₩24,680,001 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

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

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(c) Liquidity risk

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

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

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

- i) Cash flow information on maturity of financial liabilities as at September 30, 2020, is as follows:

| <i>(in millions of Korean won)</i> | Total | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|------------------------------------|-------------------|----------------------|---------------------|---------------------|---------------------|
| Trade payables | 9,328,006 | 9,328,006 | - | - | - |
| Borrowings | 12,133,346 | 2,008,421 | 1,729,671 | 4,066,770 | 4,328,484 |
| Lease liabilities | 888,458 | 277,220 | 198,048 | 277,399 | 135,791 |
| Other payables | 2,874,994 | 2,873,841 | 948 | 205 | - |
| Other financial liabilities | 13,596 | 7,537 | 2,173 | 3,886 | - |
| Total | 25,238,400 | 14,495,025 | 1,930,840 | 4,348,260 | 4,464,275 |

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩4,734 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

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

| <i>(in millions of Korean won)</i> | Total | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|------------------------------------|--------------|----------------------|---------------------|---------------------|---------------------|
| Financial guarantee contracts | 48,934 | 48,934 | - | - | - |

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

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Capital Risk Management

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

Debt-to-equity ratio and net borrowing ratio as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won, except for ratios)</i> | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Liability (A) | 31,623,989 | 28,434,737 |
| Equity (B) | 17,771,994 | 16,425,138 |
| Cash and cash equivalents (C) | 6,576,589 | 4,777,368 |
| Borrowings and lease liabilities (D) | 11,535,757 | 11,258,762 |
| Debt-to-equity ratio (A/B) | 177.9% | 173.1% |
| Net borrowings ratio ((D-C)/B) | 27.9% | 39.5% |

Fair Value Estimation

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

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | |
|---|---------------------------|-------------------|--------------------|-------------------|
| | Current | | Non-current | |
| | Book amount | Fair value | Book amount | Fair value |
| Assets at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Other financial assets | 18,807 | 18,807 | 35,163 | 1 |
| Financial assets at fair value through other comprehensive income | | | | |
| Trade receivables | 788,451 | 1 | - | - |
| Other financial assets | | | | |
| Listed equity securities | - | - | 56,615 | 56,615 |
| Unlisted equity securities | - | - | 59,700 | 1 |
| Derivatives for hedging purposes | | | | |
| Other financial assets | 3,307 | 3,307 | 4,126 | 4,126 |
| Assets at amortized cost | | | | |
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents | 6,576,589 | 1 | - | - |
| Deposits held by financial institutions | 83,120 | 1 | 38,509 | 38,509 |
| Trade receivables | 7,044,381 | 1 | - | - |
| Other receivables | 514,629 | 1 | 435,615 | 412,748 |
| Other financial assets | - | - | 1,612 | 1 |
| Total | 15,029,284 | | 631,340 | |

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| <i>(in millions of Korean won)</i> | September 30, 2020 | | | |
|--|--------------------|--------------|------------------|--------------|
| | Current | | Non-current | |
| | Book amount | Fair value | Book amount | Fair value |
| Liabilities at fair value | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Other financial liabilities | 4,734 | 4,734 | 7,863 | 7,863 |
| Derivatives for hedging purposes | | | | |
| Other financial liabilities | 1,073 | 1,073 | 148,384 | 148,384 |
| Liabilities at amortized cost | | | | |
| Financial liabilities at amortized cost | | | | |
| Trade payables | 9,328,006 | ¹ | - | - |
| Borrowings | 1,730,468 | ¹ | 8,996,215 | 9,313,548 |
| Other payables | 2,873,807 | ¹ | 1,128 | 1,128 |
| Other liabilities | | | | |
| Lease liabilities | 260,704 | ² | 548,370 | ² |
| Other financial liabilities | 11 | ³ | 3 | ³ |
| Total | 14,198,803 | | 9,701,963 | |

| <i>(in millions of Korean won)</i> | December 31, 2019 | | | |
|---|-------------------|--------------|----------------|--------------|
| | Current | | Non-current | |
| | Book amount | Fair value | Book amount | Fair value |
| Assets at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Other financial assets | 2,543 | 2,543 | 23,324 | ¹ |
| Financial assets at fair value through other comprehensive income | | | | |
| Trade receivables | 612,320 | ¹ | - | - |
| Other financial assets | | | | |
| Listed equity securities | - | - | 18,638 | 18,638 |
| Unlisted equity securities | - | - | 51,124 | ¹ |
| Derivatives for hedging purposes | | | | |
| Other financial assets | 2,595 | 2,595 | 1,805 | 1,805 |
| Assets at amortized cost | | | | |
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents | 4,777,368 | ¹ | - | - |
| Deposits held by financial institutions | 65,971 | ¹ | 39,368 | 39,368 |
| Trade receivables | 5,747,968 | ¹ | - | - |
| Other receivables | 639,150 | ¹ | 437,957 | 422,927 |
| Other financial assets | - | - | 1,612 | ¹ |
| Total | 11,847,915 | | 573,828 | |

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| <i>(in millions of Korean won)</i> | December 31, 2019 | | | |
|--|-------------------|--------------|------------------|--------------|
| | Current | | Non-current | |
| | Book amount | Fair value | Book amount | Fair value |
| Liabilities at fair value | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Other financial liabilities | 7,060 | 7,060 | 7,285 | 7,285 |
| Derivatives for hedging purposes | | | | |
| Other financial liabilities | - | - | 100,668 | 100,668 |
| Liabilities at amortized cost | | | | |
| Financial liabilities at amortized cost | | | | |
| Trade payables | 6,820,644 | ¹ | - | - |
| Borrowings | 1,643,656 | ¹ | 8,843,682 | 9,174,232 |
| Other payables | 3,318,784 | ¹ | 1,202 | 1,192 |
| Other liabilities | | | | |
| Lease liabilities | 274,245 | ² | 497,179 | ² |
| Other financial liabilities | 115 | ³ | 20 | ³ |
| Total | 12,064,504 | | 9,450,036 | |

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

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

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

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

- Level 2: When financial instruments are measured by using a discounted cash flow, if all

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significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'. Assets or liabilities categorized within 'level 2' are financial instruments such as derivative financial instruments.

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

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

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

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | Total |
|---|--------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Other financial assets | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| - Listed equity securities | 56,615 | - | - | 56,615 |
| Financial assets at fair value through profit or loss | - | 18,807 | - | 18,807 |
| Derivatives for hedging purposes | - | 7,433 | - | 7,433 |

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| <i>(in millions of Korean won)</i> | September 30, 2020 | | | |
|---|--------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | - | 12,597 | - | 12,597 |
| Derivatives for hedging purposes | - | 149,457 | - | 149,457 |
| December 31, 2019 | | | | |
| <i>(in millions of Korean won)</i> | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Other financial assets | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| - Listed equity securities | 18,638 | - | - | 18,638 |
| Financial assets at fair value through profit or loss | - | 2,543 | - | 2,543 |
| Derivatives for hedging purposes | - | 4,400 | - | 4,400 |
| Liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | - | 14,345 | - | 14,345 |
| Derivatives for hedging purposes | - | 100,668 | - | 100,668 |

The above fair value amounts are recurring fair value measurements.

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

Valuation technique and inputs for fair value measurements categorized within 'level 2' as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | Fair value | | Valuation techniques | Inputs |
|--|--------------------|-------------------|----------------------|---------------------------------|
| | September 30, 2020 | December 31, 2019 | | |
| Assets | | | | |
| Other financial assets | | | | |
| Financial assets at fair value through profit or loss | 18,807 | 2,543 | Discounted cash flow | Discount rate and exchange rate |
| Derivatives for hedging purposes | 7,433 | 4,400 | Discounted cash flow | Discount rate and exchange rate |
| Liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 12,597 | 14,345 | Discounted cash flow | Discount rate and exchange rate |
| Derivatives for hedging purposes | 149,457 | 100,668 | Discounted cash flow | Discount rate and exchange rate |

- Fair value measurements categorized within 'level 3'

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

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

Financial instruments not measured at fair value but for which the fair value is disclosed as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | | | |
|---|--------------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Non-current deposits held by financial institutions | - | - | 38,509 | 38,509 |
| Non-current other receivables | - | - | 412,748 | 412,748 |
| Liabilities | | | | |
| Non-current borrowings | - | - | 9,313,548 | 9,313,548 |
| Non-current other payables | - | - | 1,128 | 1,128 |

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| <i>(in millions of Korean won)</i> | December 31, 2019 | | | |
|---|-------------------|---------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Non-current deposits held by financial institutions | - | - | 39,368 | 39,368 |
| Non-current other receivables | - | - | 422,927 | 422,927 |
| Liabilities | | | | |
| Non-current borrowings | - | - | 9,174,232 | 9,174,232 |
| Non-current other payables | - | - | 1,192 | 1,192 |

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

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

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020 | | December 31, 2019 | | Valuation techniques | Inputs | Significant but unobservable inputs | Range of significant but unobservable inputs |
|---|--------------------|------------|-------------------|------------|----------------------|---------------------------------|-------------------------------------|--|
| | Carrying amount | Fair value | Carrying amount | Fair value | | | | |
| Assets | | | | | | | | |
| Non-current deposits held by financial institutions | 38,509 | 38,509 | 39,368 | 39,368 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 0.1% ~ 1.6% |
| Non-current other receivables | 435,615 | 412,748 | 437,957 | 422,927 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 2.5% ~ 3.0% |
| Liabilities | | | | | | | | |
| Non-current borrowings | 8,996,215 | 9,313,548 | 8,843,682 | 9,174,232 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 1.0% ~ 3.0% |
| Non-current other payables | 1,128 | 1,128 | 1,202 | 1,192 | Discounted cash flow | Discount rate and exchange rate | Discount rate | 1.1% ~ 1.3% |

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33. Business Combinations

- (a) On October 30, 2019, LG Electronics U.S.A., Inc., a subsidiary, acquired 100% shares of LG CORP. U.S.A. from LG Corp., which holds a building to be used for future office building.

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

| <i>(in millions of Korean won)</i> | Amount |
|--|----------------|
| Consideration | |
| Cash and cash equivalents | 192,786 |
| Recognized amounts of identifiable assets acquired and liabilities assumed | |
| Current assets | |
| Cash and cash equivalents | 2,739 |
| Other assets | 3 |
| Non-current assets | |
| Property, plant and equipment | 329,695 |
| Other assets | 474 |
| Current liabilities | |
| Short-term borrowings | 116,840 |
| Other liabilities | 23,285 |
| Current liabilities | |
| Deferred tax liabilities | 1,853 |
| Fair value of total identifiable net assets | 190,933 |
| Goodwill | 1,853 |

The acquisition-related direct costs incurred in relation to business combination amounting to ₩36 million was recognized as expenses as incurred.

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- (b) On March 5, 2019, LG Electronics (Tianjin) Appliances Co., Ltd., a subsidiary, acquired 100% shares of QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO., LTD. in order to secure competitiveness of sales and installation of air conditioners in China.

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

| <i>(in millions of Korean won)</i> | Amount |
|--|---------------|
| Consideration | |
| Cash and cash equivalents | 3,623 |
| Recognized amounts of identifiable assets acquired and liabilities assumed | |
| Current assets | |
| Cash and cash equivalents | 1,029 |
| Trade receivables ¹ | 1,080 |
| Other assets | 5,165 |
| Non-current assets | |
| Property, plant and equipment | 222 |
| Intangible assets | 77 |
| Current liabilities | |
| Trade and other payables | 360 |
| Other liabilities | 3,590 |
| Fair value of total identifiable net assets | 3,623 |
| Goodwill | - |

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

The acquisition-related direct costs incurred in relation to business combination amounting to ₩29 million was recognized as expenses as incurred.

34. Assets Classified as Held for Sale

- (a) Details of assets classified as held for sale as at September 30, 2020 and December 31, 2019, are as follows:

| <i>(in millions of Korean won)</i> | September 30, 2020¹ | December 31, 2019² |
|---|---------------------------------------|--------------------------------------|
| Assets held for sale | | |
| Building | 19,503 | 8,673 |
| Land | 12,196 | 6,073 |
| Machinery | 8,549 | - |
| Other property, plant and equipment and intangible assets | 2,496 | - |
| Total | 42,744 | 14,746 |

¹ At the end of the reporting period, procedure to sell the above assets is in progress and the selling procedure is expected to be completed by 2021.

² During the nine-month period ended September 30, 2020, procedure to sell land and buildings held by LG Electronics RUS, LLC, a subsidiary of the Company, was completed and procedure to sell land and buildings held by LG Electronics U.S.A., Inc. is in progress.

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