

# 2018

## Annual Report

# LG

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### LG Annual Report

2018. 1. 1. ~2018. 12. 31.





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<b>04</b>	Message from the CEO
<b>06</b>	Board of Directors
<b>08</b>	Holding Structure
<b>11</b>	Management's Discussion & Analysis
<b>21</b>	Audit Report

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To our valued shareholders and customers,

I would like to express our deepest gratitude for your continued trust and support for LG. In 2018, the economic slowdown due to the volatility of the global financial market continued to provide challenges and uncertainties both internally and externally. Amid such an environment, LG Corp and our affiliates have strived for competitiveness and to expand our market presence

The electronics business increased the profitability based on product competitiveness as well as generating customer value through the premium home appliances brand, 'LG SIGNATURE' and innovative products such as the 'OLED TV.' Furthermore, we enhanced our competitive edge in the components business including EV components, next generation display and optical solutions.

Our chemical business, despite the changes in the external business environment, was successful in achieving solid results in its core business such as basic materials and household & health care. Notably, our battery business has established a stable global basis with increase in sales by the expansion of EV market. We are also working hard on future materials and bio business.

Regarding telecommunications business, with the advent of 5G technology, we have focused on developing not only the 5G network but also 5G specialized services to deliver value to change our customer's daily life. In addition, we are making thorough preparations to lead the market in the new growth areas such as media, home IoT, AI and cloud service.

Owing to this effort, LG Corp. was able to achieve consolidated revenue of KRW 11,945 billion and operating profit of KRW 1,964 billion in 2018.

Dear shareholders and customers,

We now confront the demands of a new era; as the convergence of technology progresses rapidly due to the 4th industrial revolution, there are fundamental changes in industrial boundaries as well as competition dynamics among the corporations. Amid such a situation, LG Corp. and our subsidiary companies will try our best to build a lasting company that leads the market by taking preemptive actions to the changes in the market environment.

To this end, firstly, LG will reflect on and continue to develop the basics of value creation for customers and

strive to find the customer experience only LG can provide. We will think of our customers as the top priority and relentlessly pursue customer-focused innovations by creating greater value from the customer feedbacks.

Secondly, we will improve the profitability in our core business by securing fundamental competitiveness and build a business portfolio that will enhance our long-term future corporate value by actively finding and developing new business. Furthermore, LG Science Park, our global research complex for future innovation, will take the lead in strengthening our R&D competence by implementing open innovation.

Lastly, we will make enduring efforts to gain recognition from the public and society. We will continue to enhance transparency in our business management, while contemplating and developing the 'LG Way' that can bring us closer to the public and society.

Dear valued shareholders and customers,

This year, we will continue our effort to raise our corporate value through business innovation and transparent management, so that LG can become a truly loved brand by its customers and the society. We would appreciate your continuous support and guidance.

Thank you.

CEO & Chairman

**KOO, KWANG MO**

# challenge is our power





# holding structure



## Electronics

### LG Electronics Inc. (33.7%)

LG Display Co., Ltd. (37.9%)  
- Nanumnuri Co., Ltd. (100%)  
LG Innotek Co., Ltd. (40.8%)  
- Innowith Co., Ltd. (100%)  
Hi Plaza Inc. (100%)  
Hi-M Solutek Co., Ltd. (100%)  
Hi Teleservice Inc. (100%)  
Ace R&A Co., Ltd. (100%)  
Hi Entech Co., Ltd. (100%)  
LG-Hitachi Water Solutions Co., Ltd. (51.0%)  
Hanuri Co., Ltd. (100%)  
Robostar Co., Ltd. (30%)  
- ROBOMEDI Co., Ltd. (100%)

### LG Fuel Cell Systems Korea Inc. (100%)<sup>1)</sup>

### Silicon Works Co., Ltd. (33.1%)

<sup>1)</sup>LG Fuel Cell Systems Inc.(overseas affiliate) holds 100%



## Chemicals

### LG Chem, Ltd. (33.3%)

SEETEC Co., Ltd. (50.0%)  
Haengboknuri Co., Ltd. (100%)  
FarmHannong Co., Ltd. (100%)  
UGIMAG KOREA CO.,LTD (100%)

### LG Household & Health Care, Ltd. (34.0%)

Coca-Cola Beverage Company (90.0%)  
- Hankook Beverage Co., Ltd. (100%)  
HAI TAI HTB Co., Ltd. (100%)  
TheFaceShop Co., Ltd. (100%)  
Clean Soul Ltd. (50.0%)  
CNP Cosmetics Co., Ltd. (100%)  
K&I Co., Ltd. (100%)  
FMG Co., Ltd. (70.0%)  
Balkeunnuri Co., Ltd. (100%)  
LG Farouk Co. (50%)  
MiGenstory Co., Ltd. (50%)  
Ulleung Mountain Chu Spring Water Development Co., Ltd.(100%)  
TaiGuk Pharmaceutical Co., Ltd. (92.7%)  
- JS Pharmaceutical Co., Ltd. (100%)

### LG Hausys, Ltd. (33.5%)

LG Tostem BM Co., Ltd. (50.0%)  
Greennuri Co.,Ltd (100%)

### LG MMA Corp. (50.0%)



As of December 31, 2018  
Holding Company\_1  
No. of subsidiaries\_13  
No. of sub-subsidiaries\_46  
No. of greatsub-subsidiaries\_8  
Other\_1



<b>LG Uplus Corp. (36.0%)</b>	CS Leader Co, Ltd. (100%) AIN Tele Service Co, Ltd. (100%) Medialog Corp. (99.6%) Dacom Crossing Co, Ltd. (51.0%) CS One Partner Co, Ltd. (100%) WithU Corporation Co, Ltd. (100%)	<b>LG CNS Co., Ltd. (85.0%)</b>	BizTech Partners Co, Ltd. (96.1%) Korea Elecom Co, Ltd. (93.9%) Haengbokmaru Co, Ltd. (100%)
<b>GIIR Inc. (35.0%)</b>	HS Ad Co, Ltd. (100%) L Best Co, Ltd. (100%)	<b>S&amp;I Corporation Co., Ltd. (100%)</b>	Konjiam Yewon Co, Ltd. (90.0%) miraeM Co.,Ltd (100%) Dreamnuri Co, Ltd. (100%)
<b>LG INTERNATIONAL CORP. (24.7%)</b>	Global Dynasty Natural Resource Private Equity Fund (7.5%) Sal de Vida Korea Corporation (33.3%) Pantos Logistics Co.,Ltd (51.0%) - Pantos Busan Newport Logistics Center Co, Ltd. (51.0%) - HELISTAR AIR CO.,LTD (100%) - Hanultari Co, Ltd. (100%) DANGJIN TANK TERMINAL (100%)	<b>LG Management Development Institute (100%)</b>	
		<b>LG Sports Ltd. (100%)</b>	



# Management's Discussion & Analysis

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2018. 1. 1.-2018. 12. 31.

In 2018, the economic slowdown due to the volatility of the global financial market continued to provide challenges and uncertainties both internally and externally. Amid such an environment, LG Corp and our affiliates have strived to remain competitiveness and to expand our market presence

The electronics business increased the profitability based on product competitiveness as well as generating customer value through the premium home appliances brand, 'LG SIGNATURE' and innovative products such as the 'OLED TV'. Furthermore, we enhanced our competitive edge in the components business including EV components, next generation display and optical solutions.

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Regarding telecommunications business, with the advent of 5G technology, we have focused on developing not only the 5G network but also 5G specialized services to deliver value to change our customer's daily life. In addition, we are making thorough preparations to lead the market in the new growth areas such as media, home IoT, AI and cloud service.

Owing to this effort, LG Corp. was able to achieve consolidated revenue of KRW 11,945 billion and operating profit of KRW 1,964 billion in 2018.

## 1. Sales and Profit before Tax of Subsidiaries

Unit : KRW one million

Company	Sales			Profit Before Tax		
	2018	2017	YoY	2018	2017	YoY
LG Corp.(*)	757,196	714,845	5.9%	553,960	1,119,059	-50.5%
S&I Corporation Co., Ltd. (*2)	7,207,754	6,893,879	4.6%	293,340	182,955	60.3%
LG CNS Co., Ltd. (*2)	3,117,656	3,003,212	3.8%	161,562	193,594	-16.5%
LG Management Development Institute(*1)	86,851	80,631	7.7%	5,969	2,379	150.9%
LG Sports Ltd. (*1)	60,495	62,002	-2.4%	631	-3,474	-
LG Holdings Japan Co.,Ltd. (*1)	7,943	8,309	-4.4%	3,859	4,458	-13.4%
LG Corp. USA(*1)	-	-	-	-731	-463	-

(\*1) based on the separate statements of income

(\*2) based on the consolidated statements of income

### Construction and Real Estate Services Segment

In 2018, Construction unit led the top line growth of the segment. Also, Maintenance, Repair, and Operation (MRO) unit, which accounts for the biggest portion of the revenue, saw rise in sales mainly from overseas markets including China and Vietnam. As a result, sales revenue of S&I Corporation grew by 4.6% to KRW 7.2 trillion and generated operating profit of KRW 314 billion up by 49.1% from the previous year.

### IT Services Segment

In 2018, by focusing on innovation in business fundamentals and working process, sales revenue of LG CNS increased by 3.8%, whereas the operating profit decreased by 13.3% mainly due to rise in cost of goods sold and selling & administrative expenses, compared with the previous year.

## 2. Gain(Loss) Valuation of Equity Method

Unit : KRW one million

Company	2018	2017	YoY
LG Chem, Ltd.	454,254	592,949	-23.4%
LG Household & Health Care, Ltd.	216,691	190,772	13.6%
LG Electronics Inc.	365,464	503,196	-27.4%
LG Uplus Corp.	166,397	198,888	-16.3%
LG International Corp.	-19,404	-	-
LG Hitachi Co., Ltd.	756	4	18800.0%
GIIR Corporation	6,553	5,493	19.3%
LG Hausys, Ltd.	-16,024	21,763	-173.6%
LG MMA Corp.	86,691	58,400	48.4%
Silicon Works Co., Ltd.	12,703	11,676	8.8%
Others	-4,115	-6,048	-32.0%
Total	1,269,966	1,577,093	-19.5%

### 3. Other Revenue

Unit : KRW one million

Account	2018	2017	YoY
Brand royalty income	270,069	278,473	-3.0%
Rental Income	118,925	116,698	1.9%
Others	77,528	60,389	28.4%
Total	466,522	455,560	2.4%

#### 1) Brand royalty income

LG Corp. reserves the legal rights over the brand "LG". Value of a brand is determined separately from intellectual property rights such as patent rights and a brand constitutes an important competitiveness-enhancing factor that contributes to increasing a company's cash flows in the future. Brand value has a material impact on sales by working as a factor to add image and credibility to the fundamental competitiveness of a company's products.

As such, LG Corp. set the vision and core values of the "LG" brand, charged royalty from 2005 to users of the brand for enhancing the brand value through systematic brand management and strategic action plan. The company plans to reinvest part of the brand royalty income with the aim of elevating it into the global No. 1 brand, thereby, creating a virtuous circle of positive contribution to the brand users.

Basic terms of the brand license agreements are as provided in the following:

- License fee = (Consolidated sales - Consolidated advertising expenses) X 0.2%
- Payable monthly
- 1-year term
- Adjustment factors applicable depending upon the specific form of usage of the brand (whether used by a joint venture, whether logos are used, etc.)

Brand license fees are calculated and charged monthly based on the amounts of consolidated sales and consolidated advertising expenses as reported on the user's financial statements for the prior period. When the user's performance for the relevant period is fixed in the following year, then the fees are finally reconciled based on the relevant year's actual figures.

As of the end of 2018, LG Corp. posted brand royalty income of KRW 270,069 million and 21 companies made the brand contract.

#### 2) Rental income

LG Corp. recorded rental income of KRW 118,925million in 2018, 1.9% increase from the previous year.

#### ※ Dividends received

Unit : KRW one million

Company	2018	2017	YoY
LG Chem Ltd.	141,205	111,097	27.1%
LG Uplus Corp.	62,951	55,082	14.3%
LG MMA Corp.	51,000	21,000	142.9%
LG Household & Health Care, Ltd.	47,840	39,866	20.0%
LG Electronics Inc.	22,038	22,038	0.0%
LG CNS Co., Ltd.	15,556	12,223	27.3%
S&I Corporation Co., Ltd.	10,010	17,059	-41.3%
LG Hausys, Ltd.	5,412	5,412	0.0%
Silicon Works Co., Ltd.	3,766	4,842	-22.2%
LG Management Development Institute	2,400	2,200	9.1%
LG International Corp.	2,393	0	-
GIIR Inc.	1,450	1,450	0.0%
Lusem Co., Ltd.	0	25,385	-100.0%
Others	2,181	2,020	8.0%
Total	368,202	319,674	15.2%

#### 4. Investments in Associates for the Years Ended December 31, 2018

Unit : KRW one million

Company	Beginning balance	Adjustment from revised KIFRS	Acquisitions	Dividends received	Gain(Loss) from valuation	Gain from valuation recognized in accumulated other comprehensive income	Others	Ending balance
LG Chem, Ltd.	4,845,564	-	-	-141,205	454,254	-30,151	-	5,128,462
LG Household & Health Care Ltd.	943,955	-741	-	-47,840	216,691	-4,598	-	1,107,467
LG Electronics Inc.	3,941,795	1,079	-	-22,038	365,464	-43,198	-	4,243,102
LG Uplus Corp.	1,853,940	469,794	-	-62,951	166,397	3,559	-	2,430,739
LG International Corp.	296,741	1,089	-	-2,393	-19,404	2,401	-	278,434
LG Hitachi Co., Ltd.	8,704	-	-	-3	756	-792	-	8,665
GIR Corporation	52,316	-582	-	-1,450	6,553	-359	-	56,478
LG Hausys, Ltd.	290,933	-78	-	-5,412	-16,024	772	-	270,191
LG MMA Corp.	254,010	-	-	-51,000	86,691	-944	-	288,757
Silicon Works Co., Ltd.	173,578	-375	-	-3,766	12,703	-533	-	181,607
Others	91,690	0	424,531	0	-3,543	-5,390	-22,962	484,326
Total	12,753,226	470,186	424,531	-338,058	1,270,538	-79,233	-22,962	14,478,228

#### 5. Property, Plant and Equipment, net

Unit : KRW one million

Description	Beginning balance	Acquisitions	Disposals	Depreciation	Transfers in	Transfers out	Government subsidies	Effect of consolidation scope changes(*1)	impairment loss	Others	Effect of foreign currency translation	Ending balance
Land	482,683	2,202	-2,371	-	11808	-54156	-	-	-	-	-	440,166
Buildings	674,799	36704	-53	-44,321	308839	-79253	-341	5,093	-	-3,032	-64	898,371
Structures	167,104	346	-42	-12,780	6294	-759	-	-12	-	930	-2	161,079
Machinery	41,361	83	-15	-7,796	-	-	-	15,679	-	1	4	49,317
Vehicles	13,021	1821	-181	-2,074	2539	-	-273	-	-	-	-	14,853
Tools and equipment	1,667	386	-4	-669	87	-	-2	-	-	-64	11	1,412
Furniture and fixtures	70,272	17,353	-254	-18,427	12803	-	-53	-21	-	-1,190	-4	80,479
Construction in progress	260,127	93,408	-24,543	-	-	-294895	-	-	-	2,455	174	36,726
Other property	200,506	37,713	-1,623	-42,018	-	-	-	-558	-75	1,279	121	195,345
Total	1,911,540	190,016	-29,086	-128,085	342,370	-429,063	-669	20,181	-75	379	240	1,877,748

(\*1) S&I VIETNAM CONSTRUCTION CO., LTD. and Sejong Green Power Co., Ltd. are included in the scope of consolidation.

## 6. Investment Property

Unit : KRW one million

Description	Beginning balance	Acquisition	Depreciation	Transfers	Disposals	Others	Ending balance
Land	708,472	-	-	48,231	(2,403)	13,452	767,752
Buildings	443,686	1,383	(22,283)	37,527	(41)	1,672	461,944
Structures	5,373	590	(1,156)	935	-	61	5,803
Construction in progress	84,013	91,147	-	-	-	6,252	181,412
Total	1,241,544	93,120	(23,439)	86,693	(2,444)	21,437	1,416,911

Details of the fair value of investment property as of December 31, 2018, are as follows.

Unit : KRW one million

	Book value of investment property	Results of valuation													
	Book value (*1)	Pyeong taek HUB Center (*1), (*2)	Twin tower (*1), (*3)	Gasandong building (*1)	Gwang hwamun building (*1)	Buho building (*1)	Seoul Station building (*2)	Incheon IT Center (*1), (*4)	Sangam DDMC (*1), (*4)	Kyobashi Trust Tower (*1),(*2)	North America building (*2), (*5)	Sangdo dong Hi Plaza (*2), (*5)	Dogok dong Gangnam building (*2)	Others (*2)	Total
Date of revaluation	-	2017. 3.31	2018. 2.13	2018. 2.13	2018. 2.13	2018. 2.13	2016. 9.30	2009. 1.1	2014. 10.1	2014. 4.1	2017. 6.29	2017. 6.30	2017. 12.31	2016. 2.26	-
Land	871,201	24,166	581,400	78,889	216,070	18,174	136,793	15,391	-	169,382	65,638	5,445	167,077	755	1,479,180
Buildings and structures	878,307	25,444	318,600	92,608	93,930	14	73,941	9,169	260,635	79,710	128,598	1,760	71,918	0	1,156,327
Total	1,749,508	49,610	900,000	171,497	310,000	18,188	210,734	24,560	260,635	249,092	194,236	7,205	238,995	755	2,635,507

(\*1) Includes the value of investment property (carrying value that is subject to valuation: ₩332,597 million) occupied by the owner.

(\*2) Acquisition cost is considered as fair value.

(\*3) It is the whole valuation amount of Twin Tower.

(\*4) It is the whole valuation amount of Incheon IT Center and Sangam DDMC. Sangam DDMC is an appraisal value of the entire real estate, including land, buildings and structures. The amount of appraisal value allocated to the holding area ratio of the consolidated entity is ₩78,191 million.

(\*5) Newly acquired during current period.



## 7. Debentures and Borrowings

### 1) Short-term Borrowings

Unit : KRW one million

YoY	2018.12.31	2017.12.31	YoY
short-term borrowings	72,956	59,086	23.47%

### 2) Long-term Borrowings

Unit : KRW one million

Account	2018.12.31		2017.12.31	
	Current	Non-current	Current	Non-current
Korean currency long-term borrowings	51,651	85,286	80,852	108,672
Foreign currency long-term borrowings	-	74,070	-	37,964
Debentures in Korean won	110,000	1,130,000	240,000	870,000
Discount on debentures	(125)	(2,744)	(126)	(2,545)
Present value discount account	0	(1,557)	0	(1,246)
Total	161,526	1,285,055	320,726	1,012,845

### 3) Debentures as of December 31, 2018, 2017

Unit : KRW one million

Company	Description	Issue date	Maturity date	Annual interest rate	2018.12.31	2017.12.31
LG CNS Co., Ltd.	7th public offering	2013.05.07	2018.05.07	2.96%	0	100,000
	9-1th public offering	2015.04.16	2018.04.16	1.88%	0	50,000
	9-2th public offering	2015.04.16	2020.04.16	2.07%	100,000	100,000
	9-3th public offering	2015.04.16	2022.04.16	2.44%	50,000	50,000
	10-1st public offering	2017.04.11	2020.04.11	2.10%	110,000	110,000
	10-2nd public offering	2017.04.11	2022.04.11	2.45%	40,000	40,000
	11-1st public offering	2018.04.11	2020.04.11	2.55%	90,000	0
	11-2nd public offering	2018.04.11	2023.04.11	2.83%	110,000	0
	2-2nd public offering(*1)	2015.05.29	2020.05.29	2.89%	20,000	0
S&I Corporation Co., Ltd.	4-1th public offering	2015.10.01	2018.10.01	1.96%	0	50,000
	4-2nd public offering(*2)	2015.10.01	2020.10.01	2.24%	0	150,000
	5-1th public offering	2016.10.27	2019.10.27	1.92%	110,000	110,000
	5-2th public offering	2016.10.27	2021.10.27	2.10%	90,000	90,000
	6-1st public offering	2017.11.01	2020.11.01	2.64%	70,000	70,000
	6-2th public offering	2017.11.01	2022.11.01	2.99%	130,000	130,000
	7-1st public offering	2018.05.04	2021.05.04	2.62%	70,000	0
	7-2nd public offering	2018.05.04	2023.05.04	2.98%	100,000	0
Serveone Co., Ltd.(*2)	4-2nd public offering(*2)	2015.10.01	2020.10.01	2.24%	150,000	0
LG N Sys Co., Ltd.	2-1nd public offering	2015.05.29	2018.05.29	2.32%	0	40,000
	2-2nd public offering	2015.05.29	2020.05.29	2.89%	0	20,000
Subtotal					1,240,000	1,110,000
Discount on debentures					(2,869)	(2,671)
Current debentures (*)					(109,875)	(239,874)
Total					1,127,256	867,455

"(\*1) The merger was merged into LG CNS Co., Ltd. during the current term. 2-2nd public offering debentures issued by LG Engineering Co., Ltd. were transferred from LG CNS Co., Ltd."

(\*2) Serve-one Co., Ltd. changed its name to S & I Co., Ltd. and divided MRO division into new Serve-one Co., Ltd.

(\*3) This is the amount deducted from the discount on bonds.

## 8. Issued Capital

Details of issued capital as of December 31, 2018, are as follows

Unit : KRW one million

Type of stock	Number of authorized shares	Number of issued shares	Number of shares owned by related party	Par value (in KRW)	Amount of issued capital
Common stock	700,000,000	172,557,131	80,329,246	5,000	862,786
Preferred stock	-	3,314,677	-	5,000	16,573

(\*)Preferred stocks are stocks without voting rights that are eligible for an additional 1%, based on the face value of the stock compared to common stocks, when receiving cash dividends. In case of no dividend payout, they are granted voting rights from the shareholders' meeting when it is resolved not to pay to the shareholders' meeting when it is resolved to pay dividends.

The Group has 93,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2018 and 2017, respectively; the carrying amounts of common stocks are ₩2,334 million (preferred stock: ₩51 million).

## 9. Retained Earnings and Dividends

Changes in retained earnings for the years ended December 31, 2018 and 2017 are as follows.

Unit : KRW one million

	2018	2017
Beginning balance	13,010,406	10,792,060
Effect of change of accounting policy	454,755	
Beginning balance after adjustment	13,465,161	10,792,060
Profit for the year attributable to the owner of the Company	1,863,880	2,395,905
Dividends(*)	-228,668	-228,668
Remeasurements of net defined benefit liability	-9,118	16,511
Changes in retained earnings by equity method	-42,631	35,312
Changes in the Group	-	-714
Ending balance	15,048,624	13,010,406

Details of dividends for the year ended December 31, 2018 and 2017, are as follows

Year ended December 31, 2018

Unit : KRW one million

Type of stock	Number of issued shares	Number of treasury stock	Number of dividend shares	Dividend per share (in KRW)	Total dividends
Common stock	172,557,131	93,789	172,463,342	1,300	224,202
Preferred stock	3,314,677	6,810	3,307,867	1,350	4,466

Year ended December 31, 2017

Unit : KRW one million

Type of stock	Number of issued shares	Number of treasury stock	Number of dividend shares	Dividend per share (in KRW)	Total dividends
Common stock	172,557,131	93,789	172,463,342	1,300	224,202
Preferred stock	3,314,677	6,810	3,307,867	1,350	4,466



# Audit Report

2018. 1. 1.~2018. 12. 31.

# Independent Auditor's Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 18, 2019.

To the Shareholders and the Board of Directors of LG Corp.:

## Report on the Audited Consolidated Financial Statements

### Our Opinion

We have audited the accompanying consolidated financial statements of LG Corp. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2018, and December 31, 2017, respectively, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the LG Corp. as of December 31, 2018, and December 31, 2017, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

### Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

#### (1) The change in the estimate of total contract cost

As noted in Note 18 of consolidated financial statements, changes in the estimate of total contract costs for contracts that recognize revenue over time using the cost-based input method may affect current, future profit or loss, contract assets and contract liabilities, and total contract costs are estimated on the basis of future estimates, such as labor costs, material costs and project periods.

Estimating the total cost of a contract requires expert knowledge of the cost design and is deemed to involve the risk that the cost changes resulting from the project will not be reflected in the total cost in a timely manner. Therefore, we decided to make the item a key audit considering the effect of the change in the estimate of total contract cost on profit or loss and future profit or loss.

At the end of the current term, the following are the major audit procedures we have carried out in relation to the change in the estimate of the company's total contract cost :

- Understanding of the design of internal controls related to the timely reflection of total contract cost and the accuracy of estimation
- Retrospective review of changes in total contract cost of current period projects
- Verification of accuracy and timeliness of the change of total contract cost during the current period
- Verifying subsequent events on total contract cost of projects in progress at the end of the current period

## (2) Impairment test of Investment Equity owned by Associates

As noted in Note 13, the consolidated company has a 30.5% stake in LG Electronics Inc. , which is classified as an associate.

On the other hand, LG Electronics Inc. classifies its 37.9% stake in LG Display Co. ("LGD") as an associate and accounts for it using the equity method. LG Electronics Inc. has a carrying amount of ₩5,191,084 million at the end of the reporting period.

LG Electronics Inc., a significant component of the consolidated company, performed an impairment test in accordance with K-IFRS 1036 'impairment of Assets,' noting that the market value of its stake in LGD declined during the current period.

During the current period, we decided the impairment test for the stakes of LGD of the associates, LG Electronics Inc., as the key audit matter, considering the significant decrease in the market value of the LGD and the significant management judgement involved in the valuation of the value of use in performing the impairment test, and considering the potential impact of the corresponding impairment test on the consolidated financial statements.

The followings are the major audit procedures we have conducted to ensure the adequacy of the audit procedures performed on the impairment test:

- Verification of the independence, objectivity and qualification of the component auditor to obtain audit evidence for the purpose of the group audit related to LGD impairment test.
- Review of audit documents of the component auditor for the following tasks carried out by the component auditor to evaluate the adequacy and sufficiency of audit evidence obtained and, asking questions, if necessary.
  - Conduct questions and reviews on the valuation model applied to the LGD impairment test and evaluate the appropriateness of the key assumptions applied to the valuation.
  - Evaluate the appropriateness of management's estimation of past business plan by comparing LGD's performance to its past business plan.
  - Understand the future cash flows of LGD and verify if future cash flow estimates match business plans approved by management
  - Perform sensitivity analysis to assess the impact of changes in major assumptions on impairment test results

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going-concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative, but to do so. Those charged with governance's responsibilities include overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Group with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Young-Jae Kim.

*Deloitte Idnjin LLC*  
March 18, 2019

Notice to Readers

This report is effective as of March 18, 2019, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.



LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
AS OF DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS :</b>		
Cash and cash equivalents	1,054,293	1,309,949
Financial institution deposits	348,699	438,214
Current derivative assets	1,241	1,798
Trade receivables, net	2,755,238	3,023,304
Other receivables, net	25,118	83,816
Current tax assets	6,957	6,703
Current other assets	305,391	284,668
Inventories, net	116,148	109,989
Assets held for sale	-	109,368
<b>Total current assets</b>	<b>4,613,085</b>	<b>5,367,809</b>
<b>NON-CURRENT ASSETS :</b>		
Available-for-sale ("AFS") financial assets	117,217	121,817
Non-current trade receivables, net	25,751	25,734
Non-current other receivables, net	44,763	17
Investments in associates and joint ventures	14,478,228	12,753,226
Deferred tax assets, net	152,950	123,075
Non-current other assets	9,419	8,541
Property, plant and equipment, net	1,877,748	1,911,540
Investment property, net	1,416,911	1,241,544
Intangible assets	99,839	94,394
<b>Total non-current assets</b>	<b>18,222,826</b>	<b>16,279,888</b>
<b>TOTAL ASSETS</b>	<b>22,835,911</b>	<b>21,647,697</b>

(Continued)

LG CORP. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017 (CONTINUED)

Unit : Korean won million

	December 31, 2018	December 31, 2017
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES :</b>		
Current derivative liabilities	181	1,982
Trade payables	1,634,670	2,261,617
Other payables	569,199	678,813
Short-term borrowings	72,956	59,086
Current portion of debentures and long-term borrowings	161,526	320,726
Current tax liabilities	186,938	196,819
Provisions	52,430	62,766
Other current liabilities	361,631	310,840
Liabilities related to assets held for sale	-	50,959
<b>Total current liabilities</b>	<b>3,039,531</b>	<b>3,943,608</b>
<b>NON-CURRENT LIABILITIES:</b>		
Non-current derivative liabilities	-	-
Other payables	77,743	59,854
Long-term borrowings	1,285,055	1,012,845
Net defined benefit liability	10,402	12,697
Deferred tax liability	213,536	401,631
Provisions	5,025	4,388
Other non-current liabilities	40,141	33,163
<b>Total non-current liabilities</b>	<b>1,631,902</b>	<b>1,524,578</b>
<b>TOTAL LIABILITIES</b>	<b>4,671,433</b>	<b>5,468,186</b>
<b>EQUITY :</b>		
Equity attributable to the owners of the parent company	17,998,725	16,002,559
Issued capital	879,359	879,359
Capital surplus	2,365,545	2,365,549
Other capital items	(2,385)	(2,385)
Accumulated other comprehensive income (loss)	(292,418)	(250,370)
Retained earnings	15,048,624	13,010,406
Non-controlling interests	165,753	176,952
<b>TOTAL EQUITY</b>	<b>18,164,478</b>	<b>16,179,511</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>22,835,911</b>	<b>21,647,697</b>

(Concluded)

LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
<b>Revenue and gain (loss) on valuation by equity method</b>		
Sales of finished goods and merchandise	4,902,745	4,771,625
Service revenue	1,965,189	1,940,193
Construction revenue	3,340,368	3,096,587
Gain (loss) on valuation by equity method	1,269,966	1,577,093
Other revenue	466,522	455,560
	11,944,790	11,841,058
<b>Cost of sales</b>	9,557,828	9,293,904
<b>Gross profit</b>	2,386,962	2,547,154
Selling and administrative expenses	423,159	361,334
<b>Operating income</b>	1,963,803	2,185,820
Financial income	35,619	25,200
Financial expenses	48,936	50,850
Other non-operating income	55,525	644,156
Other non-operating expenses	75,864	63,020
<b>Profit before income tax from continuing operations</b>	1,930,147	2,741,306
Income tax expense from continuing operations	47,337	328,641
<b>Profit from continuing operations</b>	1,882,810	2,412,665
<b>Profit from discontinued operations</b>	87	22,894
<b>Profit for the year</b>	1,882,897	2,435,559
<b>Profit for the year attributable to :</b>		
Owners of the parent company	1,863,881	2,395,905
Non-controlling interests	19,016	39,654
<b>Earnings per share (in Korean won) :</b>		
Continuing and discontinued operations :		
Common Stock Basic / Diluted	10,603	13,630
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted	10,653	13,680
Continuing operations :		
Common Stock Basic / Diluted	10,603	13,603
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted	10,653	13,653

LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
Profit for the year	1,882,897	2,435,559
Other comprehensive income (loss) :		
Items that may be reclassified subsequently to profit or loss		
Net gain (loss) on other financial assets	-	20,666
Net gain (loss) on changes in valuation of investments using equity method	(48,431)	(78,541)
Net gain (loss) on derivative instruments entered into for cash flow hedges	1,966	427
Overseas operations translation	17,454	(34,307)
Items that will not be reclassified subsequently to profit or loss		
Net gain (loss) on other financial assets	(6,031)	-
Remeasurement of the net defined benefit liability	(9,201)	16,658
Increase (decrease) in retained earnings of equity method investments	(42,738)	34,771
<b>Total comprehensive income for the year</b>	<b>1,795,916</b>	<b>2,395,233</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent company	1,777,355	2,356,369
Non-controlling interests	18,561	38,864

LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non- controlling interests	Total
<b>Balance as of January 1, 2017</b>	<b>879,359</b>	<b>2,364,937</b>	<b>(2,385)</b>	<b>(159,606)</b>	<b>10,792,060</b>	<b>345,719</b>	<b>14,220,084</b>
Profit (loss) for the year					2,395,905	39,654	2,435,559
Net gain (loss) on Other financial assets				20,680		(14)	20,666
Valuation through equity method				(78,745)	35,312	(337)	(43,770)
Valuation on derivative instruments entered into for cash flow hedges				314		113	427
Remeasurements of the net defined benefit liability					16,511	147	16,658
Overseas operations translation				(33,608)		(699)	(34,307)
Annual dividends					(228,668)	(14,361)	(243,029)
Changes in the shares of subsidiaries		612		595	(714)	(193,270)	(192,777)
<b>Balance as of December 31, 2017</b>	<b>879,359</b>	<b>2,365,549</b>	<b>(2,385)</b>	<b>(250,370)</b>	<b>13,010,406</b>	<b>176,952</b>	<b>16,179,511</b>
<b>Balance as of January 1, 2018</b>	<b>879,359</b>	<b>2,365,549</b>	<b>(2,385)</b>	<b>(250,370)</b>	<b>13,010,406</b>	<b>176,952</b>	<b>16,179,511</b>
Effect of accounting policy change				(1,796)	1,796		
Effect of accounting policy change of subsidiaries							
Equity method effect due to changes in accounting policies of related companies				(5,476)	452,959		447,483
Amount rewritten after revosion	879,359	2,365,549	(2,385)	(257,642)	13,465,161	176,952	16,626,994
Profit (loss) for the year					1,863,881	19,016	1,882,897
Net gain (loss) on Other financial assets				(5,912)		(119)	(6,031)
Valuation through equity method				(48,260)	(42,632)	(277)	(91,169)
Valuation on derivative instruments entered into for cash flow hedges				1,966			1,966
Remeasurements of the net defined benefit liability					(9,118)	(83)	(9,201)
Overseas operations translation				17,430		24	17,454
Annual dividends					(228,668)	(2,757)	(231,425)
Changes in the shares of subsidiaries		(4)				(27,003)	(27,007)
<b>Balance as of December 31, 2018</b>	<b>879,359</b>	<b>2,365,545</b>	<b>(2,385)</b>	<b>(292,418)</b>	<b>15,048,624</b>	<b>165,753</b>	<b>18,164,478</b>

LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the year	1,882,897	2,435,559
<b>Additions of expenses not involving cash outflows:</b>		
Salaries and bonuses	1,172	1,081
Retirement benefits	27,317	41,824
Depreciation	153,390	229,368
Amortization of intangible assets	22,527	28,052
Loss on valuation of inventories	261	3,318
Bad debt expenses	9,916	10,900
Accrual of provision	29,398	43,576
Impairment loss on property, plant and equipment	75	17,208
Impairment loss on intangible assets	879	1,785
Loss on foreign currency translation	8,169	19,249
Loss on disposals of property, plant and equipment	448	2,753
Loss on disposals of investment property	-	348
Loss on disposals of intangible assets	716	808
Loss on disposals of other assets	-	522
Loss on transactions of derivatives	13,467	10,791
Loss on valuation of derivatives	5,424	1,836
Interest expenses	43,794	53,056
Loss on valuation of other financial assets	292	-
Loss on disposals of other financial assets	1	-
Impairment loss on other financial assets	-	316
Loss on disposals of investments in subsidiaries	625	83
Loss on disposals of investments in associates	-	32
Impairment loss on investments in associates	23,680	1,169
Income tax expense	47,280	343,271
Others	4,097	7,875
	<b>392,928</b>	<b>819,221</b>
<b>Deduction of items not involving cash inflows:</b>		
Reversal of salary and bonus	34	-
Reversal of impairment loss on inventories	152	988
Reversal of allowance for doubtful accounts	1,726	933
Reversal of provisions	6,188	3,892
Gain on foreign currency translation	4,767	9,433
Gain on disposals of property, plant and equipment	1,153	1,128
Gain on disposals of investment property	-	938
Gain on disposals of intangible assets	226	22
Gain on transactions of derivatives	7,381	14,486
Gain on valuation of derivatives	1,271	1,763
Interest income	24,072	20,302
Dividend income	2,278	2,077

(Continued)

LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
Gain on valuation of other financial assets	108	-
Gain on disposals of investments in subsidiaries	20,543	411,025
Gain on disposals of investments in associates	718	186,509
Gain on valuation by equity method	1,269,966	1,577,093
Others	660	275
	<b>(1,341,243)</b>	<b>(2,230,864)</b>
<b>Movements in working capital :</b>		
Trade receivables	207,382	(690,570)
Other receivables	3,729	(13,925)
Inventories	(6,719)	(47,756)
Non-current trade receivables	(1,088)	(26,350)
Non-current other receivables	27	(622)
Trade payables	(584,857)	708,918
Other payables	(39,666)	(29,065)
Non-current other payables	-	(21)
Provisions	(19,208)	(26,818)
Net defined benefit liability	(40,691)	(38,806)
Others	25,341	110,123
	<b>(455,750)</b>	<b>(54,892)</b>
Interest income received	24,369	18,590
Dividend income received	340,336	262,870
Income tax received	(316)	-
Interest expenses paid	(35,324)	(37,098)
Income taxes paid	(312,954)	(154,945)
<b>Net cash provided by operating activities</b>	<b>494,943</b>	<b>1,058,441</b>

(Continued)

LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
<b>Cash inflows from investing activities :</b>		
Decrease in financial institution deposits	782,317	735,916
Settlement of derivative instruments	7,365	14,436
Decrease in other receivables	22,536	35,632
Disposals of other financial assets	743	346
Decrease in non-current other receivables	32	1,374
Disposals of investments in subsidiaries	43,453	505,046
Disposals of property, plant and equipment	27,760	32,894
Disposals of investment property	2,444	9,850
Disposals of intangible assets	1,019	2,806
Disposals of assets (liabilities) held for sale	-	26,279
Acquisition control of subsidiaries	4,114	-
Others	822	-
	<b>892,605</b>	<b>1,364,579</b>
<b>Cash outflows for investing activities :</b>		
Increase in financial institution deposits	692,941	994,159
Settlements of derivative instruments	13,600	12,899
Increase in other receivables	17,782	13,455
Acquisitions of non-current AFS financial assets	2,910	406
Increase in non-current other receivables	4,707	3,337
Acquisitions of investments in associates	424,530	319,167
Acquisitions of property, plant and equipment	263,549	292,094
Acquisitions of investment property	98,776	389,187
Acquisitions of intangible assets	32,413	29,160
Others	30	-
	<b>(1,551,238)</b>	<b>(2,053,864)</b>
<b>Net cash used in investing activities</b>	<b>(658,633)</b>	<b>(689,285)</b>

(Continued)



LG CORP. AND ITS SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
<b>Cash inflows from financing activities :</b>		
Proceeds from short-term borrowings	54,364	549,909
Proceeds from long-term borrowings	32,629	139,021
Increase in other long-term liabilities	-	35
Issuance of debentures	368,585	458,108
Increase in government subsidy	594	237
Cash inflows from consolidated capital transactions	-	200
	<b>456,172</b>	<b>1,147,510</b>
<b>Cash outflows for financing activities :</b>		
Redemptions of short-term borrowings	29,783	539,615
Redemptions of long-term borrowings	-	22,500
Redemptions of debentures	240,000	320,000
Redemptions of current portion of long-term borrowings	81,364	161,952
Disposals of derivative instruments	-	249
Payments of dividends	231,410	242,787
Acquisitions of treasury stocks	-	75
Cash outflows from consolidated capital transactions	29	-
Others	-	147
	<b>(582,586)</b>	<b>(1,287,325)</b>
<b>Net cash used in financing activities</b>	<b>(126,414)</b>	<b>(139,815)</b>
Net change in cash and cash equivalents	(290,104)	229,341
Cash and cash equivalents at the beginning of year	1,342,871	1,129,035
Effects of exchange rate changes on cash and cash equivalents	1,526	(15,505)
<b>Cash and cash equivalents at the end of year</b>	<b>1,054,293</b>	<b>1,342,871</b>

(Concluded)

LG CORP.  
SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS :</b>		
Cash and cash equivalents	132,903	357,788
Financial institution deposits	250,500	300,500
Other receivables, net	9,730	28,869
Other current assets	4,485	3,781
Assets held for sale	-	29,375
<b>Total current assets</b>	<b>397,618</b>	<b>720,313</b>
<b>NON-CURRENT ASSETS :</b>		
Available-for-sale ("AFS") financial assets	97,334	104,249
Other non-current receivables, net	499	499
Investments in subsidiaries	1,058,892	1,008,607
Investments in associates and joint	6,943,881	6,559,405
Other non-current assets	3,081	2,719
Property, plant and equipment, net	36,306	37,111
Investment property, net	772,903	788,909
Intangible assets	17,128	17,081
<b>Total non-current assets</b>	<b>8,930,024</b>	<b>8,518,580</b>
<b>TOTAL ASSETS</b>	<b>9,327,642</b>	<b>9,238,893</b>

(Continued)

LG CORP.  
SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017 (CONTINUED)

Unit : Korean won million

	December 31, 2018	December 31, 2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES :</b>		
Other current payables	112,297	104,517
Current tax liabilities	26,161	156,063
Other current liabilities	7,195	14,073
Liabilities related to assets held for sale	-	5,415
<b>Total current liabilities</b>	<b>145,653</b>	<b>280,068</b>
<b>NON-CURRENT LIABILITIES :</b>		
Other non-current payables	11,030	13,351
Net defined benefit liability	3,848	12,234
Deferred tax liability	63,152	146,347
Other non-current liabilities	5,218	5,551
<b>Total non-current liabilities</b>	<b>83,248</b>	<b>177,483</b>
<b>TOTAL LIABILITIES</b>	<b>228,901</b>	<b>457,551</b>
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	879,359	879,359
Capital surplus	2,409,002	2,409,002
Other capital items	(2,385)	(2,385)
Accumulated other comprehensive income	35,857	41,099
Retained earnings	5,776,908	5,454,267
<b>TOTAL EQUITY</b>	<b>9,098,741</b>	<b>8,781,342</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>9,327,642</b>	<b>9,238,893</b>

(Concluded)

LG CORP.  
SEPARATE STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
Operating income :		
Dividend income	368,202	319,674
Royalty revenue	270,069	278,473
Rental revenue	118,925	116,698
	<b>757,196</b>	<b>714,845</b>
Operating expenses :		
Employee benefit	42,038	43,360
Depreciation	19,762	19,992
Other operating expenses	149,094	155,493
	<b>210,894</b>	<b>218,845</b>
Net operating income	546,302	496,000
Non-operating income and expenses :		
Financial income	11,667	9,373
Financial expenses	1,249	3,620
Other non-operating income	36,239	630,800
Other non-operating expenses	38,999	13,494
Profit before income tax expense	553,960	1,119,059
Income tax expense	1,298	166,305
Profit for the year	552,662	952,754
Earnings per share (in Korean won) :		
Common stock basic/diluted	3,413	5,419
Pre-1996 Commercial Law Amendment preferred stock basic/diluted	3,193	5,469

LG CORP.  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
Profit for the year	552,662	952,754
Other comprehensive income (loss) :		
Items that may be reclassified subsequently to profit or loss		
Net gain (loss) on Other financial assetss	-	20,743
Items that will not be reclassified subsequently to profit or loss		
Remeasurement on the net defined benefit liability	(1,353)	900
Net gain (loss) on Other financial assets	(5,242)	-
Total comprehensive income for the year	546,067	974,397

LG CORP.  
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2017	879,359	2,409,002	(2,385)	20,356	4,729,281	8,035,613
Annual dividends					(228,668)	(228,668)
Profit for the year					952,754	952,754
Remeasurement on the net defined benefit liability					900	900
Net gain (loss) on Other financial assets				20,743		20,743
Balance at December 31, 2017	879,359	2,409,002	(2,385)	41,099	5,454,267	8,781,342
Balance at January 1, 2018	879,359	2,409,002	(2,385)	41,099	5,454,267	8,781,342
Annual dividends					(228,668)	(228,668)
Profit for the year					552,662	552,662
Remeasurement on the net defined benefit liability					(1,353)	(1,353)
Net gain (loss) on Other financial assets				(5,242)		(5,242)
Balance at December 31, 2018	879,359	2,409,002	(2,385)	35,857	5,776,908	9,098,741

LG CORP.  
SEPARATE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Profit for the year	552,662	952,754
<b>Additions of expenses not involving cash outflows :</b>		
Depreciation	19,762	19,992
Amortization of intangible assets	1,862	1,806
Retirement benefits	3,893	4,242
Interest expenses	333	311
Income tax expense	1,298	166,305
Loss on disposals of property, plant and equipment	1	456
Loss on disposals of intangible assets	-	2
Impairment loss on investments in associates	38,863	12,902
Loss on foreign currency translations	72	1,086
Other selling and administration expenses	86	87
	66,170	207,189
<b>Deduction of incomes not involving cash inflows :</b>		
Interest income	9,964	8,383
Dividend income	368,202	319,673
Other operating income	333	311
Gain on disposals of property, plant and equipment	18	-
Gain on disposals of investments in associates	-	259,890
Gain on disposals of investments in subsidiaries	35,813	370,872
Gain on foreign currency translation	630	-
	(414,960)	(959,129)
<b>Movements in working capital :</b>		
Other receivables	18,270	(21,862)
Other current assets	(705)	(252)
Other non-current assets	(1,347)	(1,390)
Other payables	4,489	5,605
Other current liabilities	623	7,436
Net defined benefit liability	(14,146)	(5,296)
	7,184	(15,759)

(Continued)

LG CORP.  
SEPARATE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017(CONTINUED)

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income received	10,833	7,818
Dividend income received	368,202	319,673
Income taxes paid	(217,704)	(52,193)
Net cash provided by operating activities	372,387	460,353
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities :		
Decrease in financial institution deposits	686,035	660,130
Decrease of loans	-	28,545
Decrease in deposits	-	3
Disposals of investments in subsidiaries	57,688	610,446
Disposals of property, plant and equipment	192	2,379
Disposals of intangible assets	-	71
	743,915	1,301,574
Cash outflows for investing activities :		
Increase in financial institution deposits	636,035	860,000
Increase in deposits	-	2
Acquisitions of investments in subsidiaries	50,285	113,640
Acquisitions of Other financial assets	-	400
Acquisitions of investments in associates	423,339	313,021
Acquisitions of property, plant and equipment	1,032	2,306
Acquisitions of investment properties	1,473	11,987
Acquisitions of intangible assets	926	1,725
	(1,113,090)	(1,303,081)
Net cash used in investing activities	(369,175)	(1,507)

(Continued)



LG CORP.  
**SEPARATE STATEMENTS OF CASH FLOWS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2018	Year ended December 31, 2017
CASH FLOWS FROM FINANCING ACTIVITIES :		
Cash inflows from financing activities :		
Proceeds from short-term borrowings	-	12,097
	-	12,097
Cash outflows for financing activities :		
Payments of dividends	228,655	228,655
Redemptions of short-term borrowings	-	12,097
	(228,655)	(240,752)
Net cash used in financing activities	(228,655)	(228,655)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(225,443)	230,191
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF YEAR	357,788	128,683
Effects of exchange rate changes on cash and cash equivalents	558	(1,086)
CASH AND CASH EQUIVALENTS, AT THE END OF YEAR	132,903	357,788

(Concluded)

**LG Corp. / Finance & Accounting Team**

LG Twin Towers, 128, Yeouidaero Yeongdeungpo-gu, Seoul, Korea

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**LG**

LG Twin Towers, 128, Yeouidaero Yeoungdeungpo-gu, Seoul, Korea  
[www.lgcorp.com](http://www.lgcorp.com)