LG CORP.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

LG CORP.

Deloitte.

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 11, 2021.

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

Report on the Audited Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of LG Corp. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2020, and December 31, 2019, respectively, and the related consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows, all expressed in Korean won, for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group. as of December 31, 2020, and December 31, 2019, respectively, and its financial performance and its cash flows for the years, then enden 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 that are relevant to our audits of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits 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 matter 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 to obtain audit evidence that is sufficient and appropriate for purpose of auditing consolidated financial statements in relation to the change in the estimate of the Group's total contract cost:

- Understanding 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

- Verification of 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 ₩4,214,088 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 sufficiency and adequacy of audit evidence obtained and asking questions if necessary.

- Understanding LG Electronics Co., Ltd.’s accounting policies and internal control related to impairment test, and testing the control related to management review.
- 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
- Evaluate the appropriateness by comparing key assumptions of the valuation model such as discount rate and growth rate with external information and past information of LGD
- Perform sensitivity analysis to assess the impact of changes in major assumptions on impairment test results

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Emphasis Subject

Users should pay attention to Notes 3 (7) on consolidated financial statements that do not affect audit comments. Comment 3 (7) on consolidated financial statements describes management's assessment of the impact of COVID-19 on consolidated entities.

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 are responsible for 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 auditors’ 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, whether due to fraud or error, 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 audits. We are solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other 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 audits of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these key audit matters in our auditors' report, unless law or regulation precludes public disclosure about the key audit matter or when, in extremely rare circumstances, we determine that a key audit 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 Anjin LLC

March 11, 2021

Notice to Readers

This report is effective as of March 11, 2021, 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 (the "Group")

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the management of, the Group.

Young-Soo Kwon
President and Chief Operating Officer
LG Corp.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020 AND 2019

	Korean won	
	December 31, 2020	December 31, 2019
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5, 6, 27, 31 and 34)	₩ 1,492,690	₩ 1,337,102
Financial institution deposits (Notes 5, 27, 31 and 34)	1,467,497	567,691
Current derivative assets (Notes 5, 27 and 34)	2,578	2,250
Trade receivables, net (Notes 5, 7, 27, 30 and 34)	1,313,668	1,450,939
Other receivables, net (Notes 5, 7, 27, 30 and 34)	39,877	83,727
Current tax assets (Notes 28)	6,995	6,583
Other current assets (Notes 9 and 18)	309,311	428,363
Inventories, net (Note 8)	41,682	62,402
Assets held for sale and distribution to owners (Note 4, 10, 37, 39)	1,221,623	-
Total current assets	5,895,921	3,939,057
NON-CURRENT ASSETS:		
Non-current financial institution deposits (Notes 5, 27, 31 and 34)	458	285
Available-for-sale (“AFS”) financial assets (Notes 5, 27 and 34)	138,516	127,062
Non-current trade receivables, net (Notes 5, 7, 27, 30 and 34)	21,230	26,309
Non-current other receivables, net (Notes 5, 7, 27, 30, 31 and 34)	6,951	5,066
Investments in associates and joint ventures (Note 13)	14,959,340	14,998,373
Deferred tax assets, net (Note 28)	145,281	143,707
Non-current other assets (Note 9)	3,407	3,554
Property, plant and equipment, net (Note 10, 30, 37, 39)	1,589,560	1,640,134
Investment property, net (Note 11)	1,357,912	1,391,962
Intangible assets (Note 12)	132,057	109,744
Right-of-use assets (Note 32)	31,635	49,377
Total non-current assets	18,386,347	18,495,573
TOTAL ASSETS	₩ 24,282,268	₩ 22,434,630

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019 (CONTINUED)

	Korean won	
	December 31, 2020	December 31, 2019
	(In millions)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current derivative liabilities (Notes 5, 27 and 34)	₩ 326	₩ 276
Trade payables (Notes 5, 27, 30 and 34)	797,369	836,117
Other payables (Notes 5, 27, 30 and 34)	518,462	523,937
Short-term borrowings (Notes 5, 27, 30 and 34)	49,665	56,129
Current portion of debentures and long-term borrowings (Notes 5, 14, 27 and 34)	251,585	301,500
Current tax liabilities (Note 28)	87,083	48,513
Provisions (Note 15)	37,055	48,255
Other current liabilities (Notes 17 and 18)	362,225	333,379
Current lease liabilities (Notes 5, 27, 32, 34 and 38)	22,617	21,555
Liabilities held for sale and distribution to owners (Notes 37 and 39)	6,876	75,140
Total current liabilities	2,133,263	2,244,801
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities (Notes 5, 27 and 34)	51,256	8,465
Other non-current payables (Notes 5, 30 and 34)	17,574	84,269
Long-term borrowings (Notes 5, 14 and 34)	927,438	757,385
Net defined benefit liability (Note 16)	13,888	16,959
Deferred tax liability (Note 28)	229,955	231,008
Provisions (Note 15)	5,127	5,870
Other non-current liabilities (Note 17)	18,948	38,171
Non-current lease liabilities (Notes 5, 27, 32, 34 and 38)	23,529	26,681
Total non-current liabilities	1,287,715	1,168,808
TOTAL LIABILITIES	3,420,978	3,413,609
EQUITY:		
Equity attributable to the owners of the parent company:	20,258,251	18,827,021
Issued capital (Note 19)	879,359	879,359
Capital surplus (Note 20)	2,964,730	2,363,147
Other capital items (Note 19)	(2,385)	(2,385)
Accumulated other comprehensive income (loss) (Note 21)	(365,812)	(112,366)
Retained earnings (Note 22)	16,782,359	15,699,266
Non-controlling interests	603,039	194,000
TOTAL EQUITY	20,861,290	19,021,021
TOTAL LIABILITIES AND EQUITY	₩ 24,282,268	₩ 22,434,630

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Korean won	
	Year ended December 31, 2020	Year ended December 31, 2019
	(In millions)	
Revenue and gain on valuation by equity method (Notes 4 and 23):		
Sales of finished goods and merchandise	₩ 666,028	₩ 763,966
Service revenue	1,978,250	1,926,718
Construction revenue	2,311,157	2,898,931
Gain on valuation by equity method	1,203,696	467,864
Other revenue	473,006	476,972
	6,632,137	6,534,451
Cost of sales (Notes 23 and 24)	4,564,558	5,205,548
Gross profit	2,067,579	1,328,903
Selling and administrative expenses (Notes 23 and 24)	365,341	334,584
Operating income	1,702,238	994,319
Financial income (Notes 25)	38,919	34,462
Financial expenses (Notes 25)	41,665	43,115
Other non-operating income (Notes 26)	197,026	52,805
Other non-operating expenses (Notes 26)	142,295	57,866
Profit before income tax from continuing operations	1,754,223	980,605
Income tax expense from continuing operations (Note 28)	324,590	195,602
Profit from continuing operations	1,429,633	785,003
Profit from discontinued operations (Note 37)	111,025	321,752
Profit for the year	₩ 1,540,658	₩ 1,106,755
Profit for the year attributable to:		
Owners of the parent company	₩ 1,465,673	₩ 1,079,949
Non-controlling interests	74,985	26,806
Earnings per share (in Korean won):		
Continuing and discontinued operations:		
Common stock - basic/diluted (Note 29)	₩ 8,338	₩ 6,143
Pre-1996 Commercial Law Amendment Preferred Stock - basic/diluted (Note 29)	8,388	6,193
Continuing operations:		
Common stock - basic/diluted (Note 29)	₩ 7,706	₩ 4,313
Pre-1996 Commercial Law Amendment Preferred Stock - basic/diluted (Note 29)	7,756	4,363

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Korean won			
	Year ended December 31, 2020		Year ended December 31, 2019	
	(In millions)			
Profit for the year	₩	1,540,658	₩	1,106,755
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss				
Net gain (loss) on changes in valuation of investments using equity method		(250,168)		159,933
Net gain (loss) on derivative instruments entered into for cash flow hedges		-		-
Overseas operations translation		(4,214)		21,564
Items that will not be reclassified subsequently to profit or loss:				
Net gain (loss) on other financial assets		(1,255)		843
Remeasurement of net defined benefit liability		316		(8,527)
Decrease in retained earnings of equity-method investments		4,012		(66,545)
Total comprehensive income for the year	₩	1,289,349	₩	1,214,023
Total comprehensive income attributable to:				
Owners of the parent company	₩	1,216,509	₩	1,184,884
Non-controlling interests		72,840		29,139

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
	Korean won (In millions)						
Balance as of January 1, 2019	₩ 879,359	₩ 2,365,545	₩ (2,385)	₩ (292,418)	₩15,048,624	₩ 165,753	₩ 18,164,478
Effect of accounting policy change							
Effect of accounting policy change of subsidiaries	-	-	-	-	(4)	-	(4)
Equity -method effect due to changes in accounting policies of associates and joint ventures	-	-	-	-	(2,478)	-	(2,478)
Amount rewritten after revision	₩ 879,359	₩ 2,365,545	₩ (2,385)	(292,418)	15,046,142	165,753	18,161,996
Total comprehensive income for the year							
Profit for the year	-	-	-	-	1,079,949	26,806	1,106,755
Net gain (loss) on other financial assets	-	-	-	882	-	(39)	843
Valuation through equity method	-	-	-	157,722	(66,526)	2,192	93,388
Remeasurements of the net defined benefit liability	-	-	-	-	(8,591)	64	(8,527)
Overseas operations translation	-	-	-	21,448	-	116	21,564
Transactions with owners directly reflected in capital							
Annual dividends	-	-	-	-	(351,708)	(6,298)	(358,006)
Changes in the shares of Subsidiaries	-	(2,398)	-	-	-	5,406	3,008
Balance as of December 31, 2019	₩ 879,359	₩ 2,363,147	₩ (2,385)	₩ (112,366)	₩15,699,266	₩ 194,000	₩ 19,021,021
Balance as of January 1, 2020	₩ 879,359	₩ 2,363,147	₩ (2,385)	₩ (112,366)	₩15,699,266	₩ 194,000	₩ 19,021,021
Profit for the year	-	-	-	-	1,465,673	74,985	1,540,658
Net gain (loss) on other financial assets	-	-	-	(1,277)	-	22	(1,255)
Valuation through equity method	-	-	-	(249,811)	3,947	(292)	(246,156)
Remeasurements of the net defined benefit liability	-	-	-	-	335	(19)	316
Overseas operations translation	-	-	-	(2,358)	-	(1,856)	(4,214)
Transactions with owners directly reflected in capital							
Annual dividends	-	-	-	-	(386,862)	(14,958)	(401,820)
Changes in the shares of subsidiaries	-	601,583	-	-	-	351,157	952,740
Balance as of December 31, 2020	₩ 879,359	₩ 2,964,730	₩ (2,385)	₩ (365,812)	₩16,782,359	₩ 603,039	₩ 20,861,290

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Korean won	
	Year ended December 31, 2020	Year ended December 31, 2019
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 1,540,658	₩ 1,106,755
Additions of expenses not involving cash outflows:		
Salaries and bonuses	3,212	2,701
Retirement benefits	24,791	27,736
Depreciation	152,091	156,104
Amortization of intangible assets	21,736	19,992
Bad debt expenses	1,756	293
Accrual of provision	26,312	25,800
Impairment loss on property, plant and equipment	11,499	6,257
Impairment loss on intangible assets	2,612	389
Loss on foreign currency translation	9,757	3,536
Loss on disposals of property, plant and equipment	3,256	347
Loss on disposals of investment property	-	5,674
Loss on disposals of intangible assets	329	147
Loss on transactions of derivatives	18,795	15,911
Loss on valuation of derivatives	326	330
Disaster loss	4,347	-
Interest expenses	32,940	39,003
Loss on valuation of other financial assets	4,188	305
Loss on disposals of investments in subsidiaries	-	462
Loss on disposals of investments in associates	-	1,712
Impairment loss on investments in associates	66,497	-
Income tax expense	323,107	293,308
Others	1,587	(1,532)
	709,138	598,475
Deduction of items not involving cash inflows:		
Reversal of allowance for doubtful accounts	7,433	588
Reversal of provisions	14,592	8,374
Reversal of impairment loss on intangible assets	-	890
Gain on foreign currency translation	5,504	7,602
Gain on disposals of property, plant and equipment	885	482
Gain on transactions of derivatives	17,741	8,534
Gain on valuation of derivatives	2,333	1,981
Interest income	32,127	28,679
Dividend income	1,142	1,078
Gain on valuation of other financial assets	247	225
Gain on disposals of other financial assets	425	-
Gain on disposals of investments in subsidiaries	-	358,511
Gain on disposals of investments in associates	136,824	252

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (CONTINUED)

	Korean won	
	Year ended December 31, 2020	Year ended December 31, 2019
	(In millions)	
Gain on valuation by equity method	1,313,358	498,945
Reversal of impairment loss on investments in associates	108	-
Others	1,998	545
	(1,534,717)	(916,686)
Movements in working capital:		
Trade receivables	139,355	270,881
Other receivables	33,005	(25,164)
Inventories	20,981	(5,570)
Non-current trade receivables	1,497	(17)
Trade payables	(35,481)	(27,802)
Other payables	(114,613)	(21,124)
Provisions	(25,406)	(27,263)
Net defined benefit liability	(28,401)	(30,550)
Others	114,223	(154,780)
	105,160	(21,389)
Interest income received	31,790	24,424
Dividend income received	248,812	377,314
Income tax received	1,677	815
Interest expenses paid	(7,765)	(35,346)
Income taxes paid	(355,657)	(315,695)
Net cash provided by operating activities	739,096	818,667

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LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (CONTINUED)

	Korean won	
	Year ended December 31, 2020	Year ended December 31, 2019
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in financial institution deposits	₩ 1,184,600	₩ 671,586
Settlement of derivative instruments	17,741	8,534
Decrease in other receivables	14,942	1,880
Disposals of other financial assets	4,978	1,201
Decrease in non-current other receivables	88	721
Disposals of investments in subsidiaries	-	576,536
Disposals of investments in associates	4,666	521
Disposals of property, plant and equipment	16,261	3,019
Disposals of investment property	216	1,466
Disposals of intangible assets	11,606	3,195
Acquisition control of subsidiaries	3,074	-
Others	492	384
	1,258,664	1,269,043
Cash outflows for investing activities:		
Increase in financial institution deposits	2,257,156	890,053
Disposals of other financial assets	13,741	-
Settlements of derivative instruments	17,090	15,163
Increase in other receivables	2,938	3,722
Acquisitions of non-current AFS financial assets	5,107	10,035
Increase in non-current other receivables	3,651	2,545
Acquisitions of investments in subsidiaries	-	10,540
Acquisitions of investments in associates	100,545	-
Acquisitions of property, plant and equipment	55,975	62,312
Acquisitions of investment property	19,464	282,987
Acquisitions of intangible assets	60,608	25,681
Others	77	1
	(2,536,352)	(1,303,039)
Net cash used in investing activities	(1,277,688)	(33,996)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (CONTINUED)

	Korean won	
	Year ended December 31, 2020	Year ended December 31, 2019
	(In millions)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	₩ 13,730	₩ 149,433
Proceeds from long-term borrowings	13,512	32,090
Issuance of debentures	409,527	-
Increase in government subsidy	1,966	477
Cash inflows from consolidated capital transactions	991,935	-
	1,430,670	182,000
Cash outflows for financing activities:		
Redemptions of short-term borrowings	18,035	45,489
Redemptions of long-term borrowings	-	112,792
Redemptions of debentures	300,000	110,000
Redemptions of current portion of long-term borrowings	1,652	51,652
Redemptions of lease liabilities	15,453	12,637
Payments of dividends	401,802	357,987
Cash outflows for consolidated capital transactions	-	249
	(736,942)	(690,806)
Net cash used in financing activities	693,728	(508,806)
Net change in cash and cash equivalents	155,136	275,865
Cash and cash equivalents at beginning of year	1,337,102	1,054,293
Effects of exchange rate changes on cash and cash equivalents	452	6,944
Cash and cash equivalents at end of year	₩ 1,492,690	₩ 1,337,102

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. GENERAL:

In accordance with Korean International Financial Reporting Standards ("K-IFRSs") 1110 (Consolidated Financial Statements), LG Corp. (the "Company") is the parent company and an investment holding company. In order to become a global competitor through effective management and to confront changes in domestic and international business environments, the Company acquired LG Electronics Inc., an investment company, and the real estate lease and investment business of S&I Corporation Co., Ltd. (formerly, Serveone Co., Ltd.) on March 1, 2003.

The Company has been listed on the Korea Stock Exchange market since February 1970. After numerous paid-up capital increases, spin-offs and mergers, the outstanding capital stock amounted to ₩879,359 million, including preferred stocks of ₩16,573 million as of December 31, 2020.

As of December 31, 2020, the Company's related parties and major shareholders are as follows:

Names of shareholders	Number of shares	Percentage of shares (%) (*)
Ku, Gwang Mo	27,530,771	15.65
Ku, Bon Jun	13,317,448	7.57
Ku, Bon Shik	7,728,609	4.39
Kim, Young Shik	7,253,100	4.12
Ku, Bon Neung and others	19,405,579	11.04
LG Yonam Education Foundation	3,675,742	2.09
LG Yonam Foundation	572,525	0.33
Others	96,388,034	54.81
Total	175,871,808	100.00

(*) Includes preferred stocks.

2. STANDARDS AFFECTING PRESENTATION AND DISCLOSURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been confirmed at the board of directors' meeting held on March 4, 2021, and will be finalized at the shareholders' meeting on March 26, 2021.

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The Company and its subsidiaries (the "Group") have prepared the consolidated financial statements in accordance with the Korean International Financial Reporting Standards ("K-IFRSs").

The significant accounting policies under K-IFRSs followed by the Group in the preparation of its consolidated financial statements are summarized below. Unless stated otherwise, these accounting policies have been applied consistently to the Group's consolidated financial statements for the current period and the comparative prior period.

Consolidated financial statements were prepared on a historical cost basis, except for certain non-current assets and financial assets measured at revalued amounts or fair values at the end of each reporting period as described in the accounting policies below. Historical costs are generally measured at the fair value of the consideration paid to acquire the asset.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-based payment, leasing transactions that are within the scope of K-IFRS 1116 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

1) New and amended K-IFRSs and new interpretations that are effective for the current year

In the current year, the Group has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after 1 January 2020.

- K-IFRS 1109 and K-IFRS 1107 – Impact of the initial application of Interest Rate Benchmark Reform (Amendments)

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The Company does not apply hedge accounting related to the exposure of interest rate indicators, so the amendments do not affect the Group's consolidated financial statements.

- K-IFRS 1116 Leases – Impact of the initial application of *OVID-19-Related Rent Concessions*(Amendment)

The amendments provide practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to K-IFRS 1116. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying K-IFRS 1116 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021).
- There is no substantive change to other terms and conditions of the lease.

- References to the Conceptual Framework in K-IFRSs (Amendments)

The amendments include consequential amendments to affected Standards so that they refer to the revised Conceptual Framework (2018). Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Conceptual Framework they are referencing to (the Framework (2007), the International Accounting Standards Board (IASB) Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amended standards which are amended are K-IFRSs 1102, 1103, 1106, 1114, 1001, 1008, 1034, 1037, 1038, 2112, 2119, 2120, 2122 and 2032.

- K-IFRS 1103 Definition of a Business (Amendments)

The amendments clarify that while businesses usually have outputs, they are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

- K-IFRS 1001 and K-IFRS 1008 Definition of Material (Amendments)

The amendments make the definition of material in K-IFRS 1001 easier to understand and are not intended to alter the underlying concept of materiality in K-IFRSs. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in K-IFRS 1008 has been replaced by a reference to the definition of material in K-IFRS 1001. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

The Group does not anticipate that the application of the enactment and amendments will have an significant impact on the Group’s consolidated financial statements.

2) New and revised K-IFRSs in issue but not yet effective

The Group has not applied the following new and revised K-IFRSs that have been issued but are not yet effective:

- K-IFRS 1001 Classification of Liabilities as Current or Non-current (Amendments)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

- K-IFRS 1103 Reference to the Conceptual Framework

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- K-IFRS 1016 Property, Plant and Equipment (Amendments)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. K-IFRS 1016 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the consolidated statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the consolidated statements of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- K-IFRS 1037 Onerous Contracts—Cost of Fulfilling a Contract (Amendment)

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- Annual Improvements to K-IFRS Standards 2018–2020

The annual improvements include amendments to four standards such as K-IFRS 1101 *First-time Adoption of K-IFRS*, K-IFRS 1109 *Financial Instruments*, K-IFRS 1116 *Leases*, and K-IFRS 1041 *Agriculture*.

① K-IFRS 1101 *First-time Adoption of K-IFRS* (Amendment)

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to K-IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in K-IFRS 1101 paragraph D16(1).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

② K-IFRS 1109 *Financial Instruments* (Amendment)

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

③ K-IFRS 1116 *Leases* (Amendment)

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

④ K-IFRS 1041 *Agriculture* (Amendment)

The amendment removes the requirement in K-IFRS 1041 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in K-IFRS 1041 with the requirements of K-IFRS 1113 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The consolidating entity is reviewing the effects of the enactments and amendments listed above on the consolidated financial statements.

(2) Basis of preparing consolidated financial statements

1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2) Functional and reporting currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group’s entities operate (its functional currency). The Group’s functional currency and the reporting currency for the consolidated financial statements is in Korean won.

3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Group. Control is achieved where the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All intragroup transactions, assets and liabilities, income and expenses and others relating to these, are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. Those interests of non-controlling shareholders that present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable K-IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4) The Group's investments in subsidiaries as of December 31, 2020, are as follows (Unit: Korean won in millions):

				Percentage of ownership and voting right held by the Group		As of and for the year ended December 31, 2020			
Subsidiary	Location	Main Sales Activities	Closing date	Dec. 31, 2020	Dec. 31, 2019	Assets	Liabilities	Sales	Net income
S&I Corporation	South Korea	Real estate rental business and others	12/31	100.00%	100.00%	₩ 2,064,932	₩ 1,078,124	₩ 1,324,561	₩28,942
S&I Nanjing Company Limited(*1)	China	Building and civil engineering service	12/31	100.00%	100.00%	202,460	165,973	264,685	25,389
Konjiam Yewon Co., Ltd.	South Korea	Seed, seedling cultivation and sales	12/31	90.00%	90.00%	8,301	980	46	(332)
S&I POLAND SP. Z o. o (*1)	Poland	Building and civil engineering service	12/31	100.00%	100.00%	40,853	10,903	55,246	11,275
Mirae M	South Korea	Hotel business	12/31	100.00%	100.00%	7,629	42,688	7,476	(44,534)
Dreamnuri	South Korea	Building general cleaning business, non-alcoholic beverage shop business and coffee shop operation business	12/31	100.00%	100.00%	1,460	468	2,125	135
S&I Vietnam construction Co., Ltd	Vietnam	Building and civil engineering service	12/31	100.00%	100.00%	35,144	34,192	21,782	485
S&I CM(*2)	South Korea	Construction management business	12/31	100.00%	100.00%	38,872	8,652	27,055	1,778
S&I CM NANJING(*3)	China	Construction management business	12/31	100.00%	100.00%	6,951	4,656	10,951	920
S&I CM POLAND SP. Z o. o (*3)	Poland	Construction management business	12/31	100.00%	100.00%	3,483	1,205	6,537	1,896
S&I CM VIETNAM CO., LTD(*3)	Vietnam	Construction management business	12/31	100.00%	100.00%	2,045	1,054	2,323	237
LG CNS Co., Ltd(*4)(*5).	South Korea	IT system integration, management, consulting service	12/31	49.95%	84.95%	2,711,680	1,479,769	3,107,800	153,536
BizTechPartners Co., Ltd.	South Korea	Development, design, sales of computer software and provision of related services	12/31	96.09%	96.09%	39,599	19,383	110,446	2,728
LG CNS Philippines, Inc.	Philippines	IT system integration, management, consulting	12/31	100.00%	100.00%	-	3,373	-	-

Subsidiary	Location	Main Sales Activities	Closing date	Percentage of ownership and voting right held by the Group Dec. 31, 2020	Dec. 31, 2019	As of and for the year ended December 31, 2020 Assets	Liabilities	Sales	Net income
		service							
LG CNS Europe B.V.	Europe	IT system integration, management, consulting service	12/31	100.00%	100.00%	47,843	38,744	79,553	3,773
LG CNS America Inc.	USA	IT system integration, management, consulting service	12/31	100.00%	100.00%	40,350	34,232	75,326	2,457
PT LG CNS Indonesia	Indonesia	IT system integration, management, consulting service	12/31	100.00%	100.00%	2,875	5,471	5,257	(186)
LG CNS Brasil Services de T.I. Ltda.(*1)	Brazil	IT system integration, management, consulting service	12/31	100.00%	100.00%	1,333	319	3,236	254
LG CNS China, Inc.	China	IT system integration, management, consulting service	12/31	100.00%	100.00%	93,603	58,638	157,117	15,936
LG CNS India Pvt., Ltd.	India	IT system integration, management, consulting service	12/31	100.00%	100.00%	9,467	7,830	7,764	186
LG CNS Colombia SAS	Colombia	IT system integration, management, consulting service	12/31	100.00%	100.00%	23,271	19,833	20,654	4,177
LG CNS Malaysia Sdn Bhd	Malaysia	IT system integration, management, consulting service	12/31	100.00%	100.00%	1,764	3,802	7,528	(174)
LG CNS Saudi Arabia LLC	Saudi Arabia	IT system integration, management, consulting service	12/31	51.00%	51.00%	1	-	-	(42)
LG CNS JAPAN, Co., Ltd.	Japan	IT system integration, management, consulting service	12/31	100.00%	100.00%	9,027	2,292	8,835	(348)
LG CNS Uzbekistan, LLC	Uzbekistan	IT system integration, management, consulting service	12/31	51.00%	51.00%	509	600	1,000	392
Haengbokmaru Co., Ltd.	South Korea	Building general cleaning business, non-alcoholic beverage shop business and coffee shop operation business	12/31	100.00%	100.00%	1,831	501	2,579	38
LG CNS VIETNAM CO., LTD.	Vietnam	IT system integration, management, consulting service	12/31	100.00%	100.00%	7,336	6,593	15,742	332
LG CNS FUND I LLC	USA	Investment fund	12/31	100.00%	100.00%	13,582	2	-	(637)
Sejong Green Power	South Korea	Renewable energy power generation industry	12/31	100.00%	100.00%	11,668	3,391	7,503	(14,699)
Open source consulting(*6)	South Korea	IT system integration, management, consulting service	12/31	56.21%	56.21%	10,966	7,034	11,529	(1,972)
LG Sports Ltd.	South Korea	Sports Professional Service Industry	12/31	100.00%	100.00%	122,812	40,593	57,768	(3,062)
LG Management Development Institute	South Korea	Management advisory, training, e-commerce, e-commerce business	12/31	100.00%	100.00%	102,014	61,725	85,414	(944)
LG Holdings Japan Co., Ltd.	Japan	Real estate rental business and others	12/31	100.00%	100.00%	314,151	94,734	9,440	3,165

(*1) Changed its name during the previous period.
(*2) It was established as a physical division of S&I Corporation during the previous period.
(*3) Newly established during previous period.
(*4) Although it holds less than 50% of its shares by selling some of its shares during the current period, it is judged that it holds control in consideration of its power and exposure to variable returns or rights to the investment company.
(*5) The impact on equity due to the sale of some shares during the current period is shown in the 'variance of the consolidation entity, etc.' category in the consolidated statements of changes in equity.
(*6) During the previous period, the Group gained control by acquiring shares.

5) As of December 31, 2020, Consolidated financial status of major subsidiaries with significant non-controlling interests is as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.	
Current assets	₩	1,973,939
Non-current assets		909,476
Total assets		2,883,415
Current liabilities		1,033,043
Non-current liabilities		563,050
Total liabilities		1,596,093
Equity attributable to owners of the Company		1,285,760
Equity attributable to non-controlling interests		1,562
Total equity	₩	1,287,322

6) For the year ended December 31, 2020, the consolidated financial performances of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.	
Revenue	₩	3,360,486
Operating income		246,121
Profit for the year		166,494
Other comprehensive income		(2,605)
Total comprehensive income for the year	₩	163,889

7) For the year ended December 31, 2020, the consolidated cash flows of major subsidiaries that have non-controlling interests are as follows (Unit: Korean won in millions):

	LG CNS Co., Ltd.	
Cash flows from operating activities	₩	431,639
Cash flows from investing activities		(166,229)
Cash flows from financing activities		(33,865)
Net change in cash and cash equivalents		231,545
Cash and cash equivalents at the beginning of year		490,310
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,578)
Cash and cash equivalents at the end of year	₩	720,277

8) The ownership interest held by non-controlling interests and details of financial position, results of operation and dividends vested in non-controlling interests by each of the major subsidiaries are as follows (in millions of Korean won):

	LG CNS Co., Ltd.	
Ownership interest held by non-controlling interests		50.05%
Cumulative non-controlling interests	₩	602,307
Net income vested in non-controlling interests		75,018
Comprehensive income vested in non-controlling interests		73,686
Dividends paid to non-controlling interests	₩	14,958

(3) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 and K-IFRS 1019, respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered in to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102, Share-Based Payment, at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's PHI in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group’s PHI (including joint operations) in the acquired entity are remeasured to its acquisition-date (i.e., the date when the Group obtains control) fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognized in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results of operations and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests, as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(5) Cash and cash equivalents

Cash and cash equivalents include cash, savings and checking accounts and highly liquid short-term investments (maturities of three months or less from the date of acquisition). Bank overdraft is accounted for as short-term borrowings.

(6) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss(FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(7) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.
Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (1-3) below).
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (1-4) below).

1-1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding ECLs, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.
Interest income is recognized using the effective interest method for debt instruments measured subsequently at

amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item (see Note 25).

1-2) Debt instruments classified as at FVTOCI

Fair value is determined in the manner described in Note 34. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the ‘finance income’ line item (Note 41) in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see Note 8).

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

1-4) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (1-3) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (1-1) and (1-2) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognizing inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (see Notes 26). Fair value is determined in the manner described in Note 34.

2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item (note 26);
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item (note 26). As the foreign currency element recognized in profit or loss is the same as if it was measured at amortized cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognized in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item as part of the fair value gain or loss (note 26); and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

3) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses(ECLs) on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3-1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost
- An actual or expected significant deterioration in the operating results of the debtor
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has a reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past-due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3-2) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has a reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3-3) Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower.
(b) A breach of contract, such as a default or past-due event (see 3-2) above).
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
(e) The disappearance of an active market for that financial asset because of financial difficulties.

3-4) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

3-5) Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs is consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116 *Leases*.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

4) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in in-transit, are measured under the weighted average method [on a first-in-first-out basis] and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(9) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not control or has joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results of operations and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105, *Non-Current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses in an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of K-IFRS 1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1109. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group applies K-IFRS 1109, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying K-IFRS 1109 to long-term interests, the Group does not take into account adjustments to their carrying amount required by K-IFRS 1028 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with K-IFRS 1028).

(10) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement that exists only when decisions about the relevant activities require unanimous consent of the parties’ sharing control.

When a group entity undertakes its activities under joint operations, the Group, as a joint operator, recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

(11) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any (see Note 2.(3)).

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or, more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized at the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land and some other tangible assets. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	10–50
Structures	5–40
Machinery	4–15
Other property	2–25

The Group reviews the depreciation method; the estimated useful lives; and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(13) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 5~50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(14) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products, and the Group can demonstrate the technical and economical feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

5) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

(15) Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs to sell or value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(16) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and K-IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item (see Note 26) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in Note 34.

5) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortized cost of a financial liability.

6) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instruments.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above).
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

7) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘other gains and losses’ line item in profit or loss (see Note 26) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

8) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid, net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

(17) Leases

The Group has chosen the cumulative catch-up approach at the date of initial application of K-IFRS 1116. Therefore, the Group does not restate the comparative information. The detailed accounting policies that applied under K-IFRS 1017 and K-IFRS 1116 are below:

1-1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

1-2) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease .

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases .

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognising an allowance for ECLs on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies K-IFRS 1115 to allocate the consideration under the contract to each component .

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(19) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of K-IFRS 1109 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of K-IFRS 1109 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

2) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of the option as a hedging instrument when it used the option contract to hedge the expected transaction. In Intenational Accounting Stanratd (IAS) 39, changes in the fair value of an option (ie unspecified factors) are immediately recognized in profit or loss. In IFRS 9, changes in the time value of the option associated with the hedged item in other comprehensive income and the accumulated amount of equity is reclassified to profit or loss during the period when the hedged item affects profit or loss or is removed from equity and included directly in the carrying amount of non-financial items.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 34 sets out details of the fair values of the derivative instruments used for hedging purposes.

3) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

5) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

(20) Employee benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the consolidated statements of financial position with a charge or credit to the consolidated statements of comprehensive income in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Group presents the service cost expenses Cost of Sales and Sales and Management Expenses, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(21) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive); as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

1) Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2) Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

(22) Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the consolidated statements of financial position by deducting the grant from the carrying amount of the asset (including property, plant and equipment). The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants towards staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.
Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

(23) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

1) Sale of goods

The Group recognizes revenue from sale of goods when significant risks and rewards from ownership of goods have been transferred, and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Therefore, the Group recognizes revenue for the manufactured goods at acceptance and merchandises at delivery. Revenue is recognized, net of discounts, and returns derived from previous experience and provision are set for estimated return amounts, and if the past experience reveals that the return amounts or the return policy is immaterial, the gross sales amount will be recognized as revenue.

2) Rendering of service

The Group recognizes revenue from rendering service by the progress standards. The Group estimates the percentage of completion using surveys of work performed, services performed to date as a percentage of total services to be performed and the proportion of costs incurred to date in order to reliably measure the rendered services.

3) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and their receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent it is probable that contract costs incurred will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date, plus recognized profits, less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the consolidated statements of financial position under trade and other receivables.

4) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

5) Rental income

Rental income from the provision of real estate rental services is recognized over the period. The Group's policy for recognition of revenue from operating leases is summarized in Note 2. (17).

(24) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(25) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs that increase in relation to capital transactions, net of tax effect, are deducted from equity and recognized as other capital items deducted from the total equity in the consolidated statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

(26) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value, less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must commit to a plan to sell the assets and is expected to meet the requirements within one year’s time.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

(27) Fair value

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 *Share-based payment*, leasing transactions that are within the scope of K-IFRS 1116 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Deferred income tax assets
Future feasibility for deferred tax assets depends on a number of factors, including our ability to generate taxable income during the period in which the temporary difference is realized, the overall economic environment and industry outlook. The Company reviews these items periodically and recognizes deferred tax assets for temporary differences that it deems feasible as of the end of the reporting period.

(2) Uncertainty of total contract revenue estimates
Total contract revenue is measured initially at the contracted amount, but can be increased or decreased as a result of changes in the terms of the contract in the course of performing the contract so that the measurement of contract revenue is subject to various uncertainties related to the outcome of future events. The Group includes in the contract revenue when it is more likely that the customer will approve the change in the amount of revenue due to changes in the terms of the contract or if it is more likely than not that the performance criteria will be met and the amount can be reliably measured.

(3) Estimated total contract cost
The amount of the construction revenues is affected by the progress based on the cumulative incurred contract costs and the total contract costs are estimated based on future expectations, such as material costs, labor costs, project duration, etc. The Group estimates that the significant changes are reviewed periodically and the changes are reflected in the calculation of progress as of the end of the reporting period.

(4) Impairment inspection
The recoverable amount of the cash-generating unit to be reviewed for impairment is determined based on the value in use or the fair value, less costs to sell and is estimated based on future estimates.

(5) Defined benefit retirement benefit system
The fair value of a financial instrument that is not traded in an active market is determined principally using valuation techniques. The Group makes judgments on the selection of various valuation techniques and assumptions based on important market conditions as of the end of the reporting period.

(6) Fair value assessment of financial instruments
The fair value of a financial instrument that is not traded in an active market is determined principally using valuation techniques. The Group makes judgments on the selection of various valuation techniques and assumptions based on important market conditions as of the end of the reporting period.

(7) Uncertainty of COVID-19 Impact

In preparing consolidated financial statements, management should make judgements that significantly affect the amount recognised in the financial statements and make estimates and assumptions about the carrying amounts of assets and liabilities that cannot be easily identified from other data. Estimates and associated assumptions are based on past experience and other factors that are considered relevant. The actual results may also differ from these estimates. The spread of COVID-19 in 2020 has a significant impact on the domestic and global economies. This could potentially negatively impact the consolidation's future earnings and other financial performance. The ultimate impact of COVID-19 on the business, financial position and management performance of the consolidation entity is currently unpredictable.

4. SEGMENT INFORMATION:

(1) The Group divides its business into four business segments based on the types of goods sold and/or services rendered information reported to the chief operating decision maker. The four business segments are LG Corp., S&I Corporation Co., Ltd., LG CNS Co., Ltd. and others. Each segment serves as the basis for reporting the primary segment information of the Group, and the accounting policies for each business segment are the same as those described in the summary of significant accounting policies.

(2) Revenue and equity method profits and profit before income tax for each business segment of the Group ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

		Revenue and gain (loss) on valuation by equity method (*1)		Profit before income tax (*2)	
Reporting sector	Business sector	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
LG Corp.	LG Corp.	₩ 1,016,202	₩ 785,255	₩ 1,591,459	₩ 578,308
S&I Corporation Co., Ltd.	S&I Corporation Co., Ltd.	1,342,561	1,700,673	33,751	68,493
	Konjiam Yewon Co., Ltd.	46	1,030	(332)	(203)
	S&I Nanjing Company Limited	264,685	436,732	26,680	15,532
	Mirae M	7,476	13,101	(44,534)	(11,721)
	Dreamnuri	2,125	1,345	150	288
	S&I VIETNAM CONSTRUCTION CO.,LTD.	21,782	13,548	478	929
	S&I POLAND sp. z o. o.	55,246	246,674	9,838	24,320
	S&I CM	27,055	27,795	3,036	4,645
	S&I CM NANJING	10,951	13,305	1,222	884
	S&I CM POLAND sp. z o. o.	6,537	5,286	1,564	787
	S&I CM VIETNAM CO., LTD.	2,323	2,546	277	350
LG CNS Co., Ltd.	LG CNS Co., Ltd.	3,107,800	3,039,796	208,129	191,394
	LG CNS China, Inc.	157,117	163,484	21,313	19,149
	LG CNS Europe B.V.	79,553	51,534	5,448	2,524
	LG CNS America, Inc.	75,326	70,553	3,253	(3,600)
	LG CNS India Pvt., Ltd.	7,764	10,981	331	426
	PT LG CNS Indonesia	5,257	4,901	27	267
	Entrue Brasil Servicos de T.I. Ltda.	3,236	4,196	321	475
	BizTechPartners Co., Ltd.	110,446	104,488	2,930	2,230
	Korea Elecom Co., Ltd.(*3)	-	-	-	-
	LG CNS Colombia SAS	20,654	17,213	4,109	923
	LG CNS Malaysia Sdn Bhd	7,528	4,802	(130)	283
	LG CNS JAPAN Co., Ltd.	8,835	10,382	(348)	573
	LG CNS UZBEKISTAN, LLC	1,000	390	392	(181)
	Haengbokmaru Co., Ltd.	2,579	2,902	42	142
	LG CNS VIETNAM Co., Ltd	15,742	21,160	334	486
	LG CNS FUND LLC	-	-	(637)	(654)
	Sejong Green Power Co., Ltd	7,503	8,579	(11,977)	(1,676)
	Open Source Consulting Inc.	11,529	4,532	(2,015)	(782)
	LG CNS Saudi Arabia LLC	-	-	(42)	-
Others	LG Sports Ltd.	57,768	66,705	(3,062)	8
	LG Holdings Japan Co., Ltd.	9,441	8,975	4,322	3,830
	LG Management Development Institute	85,414	91,695	(618)	6,807
	LG Corp. U.S.A.(*3)	-	-	-	-
Subtotal		6,531,481	6,834,558	1,855,711	905,236
Consolidation adjustments (*4)		100,656	(400,107)	(101,488)	75,369
Total		₩ 6,632,137	₩ 6,534,451	₩ 1,754,223	₩ 980,605

(*1) Revenue by reporting segment is based on the amount before eliminating intercompany profit and loss.
(*2) Income before income tax expense by reportable segment is the profit or loss of each segment that does not allocate revenue and expenses to the common segment.
(*3) Sold during the previous period.
(*4) Amount of elimination of internal transactions and amount of equity method valuation.

(3) Assets for each business segment of the Group as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2020		December 31, 2019	
LG Corp.	₩	9,351,778	₩	9,577,962
S&I Corporation Co., Ltd.		2,411,383		3,006,804
LG CNS Co., Ltd.		3,026,704		2,749,979
Others		537,134		537,621
Subtotal		15,326,999		15,872,366
Consolidation adjustments (*1)		7,733,646		6,562,264
Assets to be sold and distributed by owners		1,221,623		-
Total	₩	24,282,268	₩	22,434,630

(*1) Consolidation adjustments consist of elimination of intercompany transactions with regard to assets of each segment and valuation of associates and joint ventures using the equity method.

(4) Inventories sold and services rendered for each business segment of the Group for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Business sector	Inventories sold and services rendered	Year ended December 31, 2020		Year ended December 31, 2019	
LG Corp.	Others	₩	1,016,202	₩	785,255
S&I Corporation Co., Ltd.	Merchandise		1,083		3,770
	Service		683,278		777,678
	Construction		1,016,192		1,638,759
	Others		40,235		41,828
LG CNS Co., Ltd.	Service		1,442,490		1,306,616
	Construction		1,466,372		1,403,898
	Merchandise		713,007		809,379
Others	Service		85,414		91,695
	Others		67,208		75,680
Subtotal			6,531,481		6,934,558
Consolidation adjustments (*)			100,656		(400,107)
Total		₩	6,632,137	₩	6,534,451

(*) Consolidation adjustments consist of elimination of intercompany transactions with regard to assets of each segment and valuation of associates and joint ventures using the equity method.

(5) Regional revenue of the Group before elimination of intersegment transactions and valuation by equity method for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

Business sector	December 31, 2020		December 31, 2019	
Korea	₩	5,778,504	₩	5,847,895
China		432,754		613,521
Other Asia		79,672		77,686
America		99,215		91,962
Europe		141,336		303,494
Total		6,531,481	₩	6,934,558

(6) Regional non-current assets of the Group before elimination of intersegment transactions and valuation by equity method for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2020		December 31, 2019	
Korea	₩	8,981,191	₩	11,046,755
China		4,248		4,491
Other Asia		313,356		299,265
America		6,253		5,928
Europe		1,625		1,080
Total by category		9,306,673		11,357,519
Non-current assets held for sale and distribution of owners		1,221,623		-
Total	₩	10,528,296	₩	11,357,519

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets and liabilities as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

1) Financial assets

Financial assets	Account	December 31, 2020 Carrying amount	December 31, 2020 Fair value	December 31, 2019 Carrying amount	December 31, 2019 Fair value
Cash and cash equivalents:	Cash and cash equivalents	₩ 1,492,690	₩ 1,492,690	₩ 1,337,102	₩ 1,337,102
Financial assets measured at FVTPL	Derivative assets for trading purposes	2,578	2,578	2,250	2,250
	Unmarketable equity securities	24,487	24,487	7,724	7,724
	Debt securities	10,941	10,941	11,474	11,474
	Subtotal	38,006	38,006	21,448	21,448
Financial assets measured at FVTOCI	Marketable equity securities	45,184	45,184	39,477	39,477
	Unmarketable equity securities	57,904	57,904	68,387	68,387
	Subtotal	103,088	103,088	107,864	107,864
Financial assets (liabilities) measured at amortized cost	Financial institution deposits	1,467,955	1,467,955	567,976	567,976
	Trade receivables	1,334,898	1,334,898	1,477,248	1,477,248
	Loans	6,574	6,574	11,188	11,188
	Other accounts receivable	22,830	22,830	57,250	57,250
	Accrued income	6,565	6,565	6,212	6,212
	Deposits	10,859	10,859	14,143	14,143
	Subtotal	2,849,681	2,849,681	2,134,017	2,134,017
	Total	₩ 4,483,465	₩ 4,483,465	₩ 3,600,431	₩ 3,600,431

2) Financial liabilities

Financial liabilities	Account	December 31, 2020 Carrying amount	December 31, 2020 Fair value	December 31, 2019 Carrying amount	December 31, 2019 Fair value
Financial liabilities at FVTPL	Financial liabilities designated at FVTPL	₩ 51,256	₩ 51,256	₩ 8,465	₩ 8,465
	Derivative liabilities for trading purposes	326	326	276	276
	Subtotal	51,582	51,582	8,741	8,741
Financial liabilities measured at amortized cost	Trade payables	797,369	797,369	836,117	836,117
	Borrowings	140,848	140,848	136,571	136,571
	Other accounts payable	86,615	86,615	93,284	93,284
	Accrued expenses	175,303	175,303	166,025	166,025
	Accrued dividends	381	381	361	361
	Deposits received	273,737	274,075	348,537	351,859
	Debentures	1,087,841	1,106,010	978,442	993,249
	Subtotal	2,562,094	2,580,601	2,559,337	2,577,466
Lease liabilities	Lease liabilities	46,146	46,146	48,236	48,236
	Total	2,659,822	2,678,329	₩ 2,616,314	₩ 2,634,443

6. CASH AND CASH EQUIVALENTS:

The cash and cash equivalents in the consolidated statements of cash flows are the same as the cash and cash equivalents in the consolidated statements of financial position. Details of cash and cash equivalents as of December 31, 2019 and 2018, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Cash	₩	166	₩	320
Bank deposits		1,269,033		1,186,521
Other cash equivalents		223,491		150,261
Total	₩	1,492,690	₩	1,337,102

7. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	December 31, 2020											
Description	Receivables neither impaired nor overdue		Receivables overdue but not impaired		Impaired receivables		Total		Consolidated adjustment		Consolidated	
Trade receivables	₩	1,383,186	₩	76,823	₩	14,547	₩	1,474,556	₩	(126,071)	₩	1,348,485
Other receivables		95,593		3,321		5,167		104,081		(54,604)		49,477
Total	₩	1,478,779	₩	80,144	₩	19,714	₩	1,578,637	₩	(180,675)	₩	1,397,962

	December 31, 2019											
Description	Receivables neither impaired nor overdue		Receivables overdue but not impaired		Impaired receivables		Total		Consolidated adjustment		Consolidated	
Trade receivables	₩	1,450,278	₩	185,413	₩	22,918	₩	1,658,609	₩	(151,589)	₩	1,507,020
Other receivables		134,685		12,645		5,893		153,223		(60,182)		93,041
Total	₩	1,584,963	₩	198,058	₩	28,811	₩	1,811,832	₩	(211,771)	₩	1,600,061

(2) Aging of trade and other receivables that are overdue, but not impaired as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
1–29 days	₩	36,809	₩	76,801
30–60 days		7,690		16,201
61–90 days		4,122		19,788
91–120 days		2,963		11,409
More than 121 days		28,560		73,859
Total	₩	80,144	₩	198,058

Since the experience of past credit losses of the Group shows significant loss of different customer segments, the provisioning rate based on past delinquency days is divided into different customer groups.

Meanwhile, the credit grant period is 60 to 120 days for each type of sales, and no interest is charged for accounts receivable. The Group measures the allowance for losses on trade receivables at an amount equal to the expected total ECLs. The ECLs on trade receivables are estimated using the default experience of the borrower and the provisional setup table based on the borrower's experience of the default and the current state of the borrower and are based on the specific factors of the borrower, and the general economic situation of the industry to which the borrower belongs and forecast directions. There are no estimating techniques or significant assumptions during the current period.

(3) Changes in accumulated impairment losses for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020				December 31, 2019			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
Beginning balance	₩	29,772	₩	4,248	₩	34,208	₩	5,310
Changes due to business combination		-		-		27		-
Impairment loss		433		1,323		4		289
Disposals of accounts receivable		(4,654)		(2,992)		(3,791)		(976)
Reversal of allowance for doubtful accounts		(7,434)		-		(588)		-
Effect of foreign currency translation		(633)		-		238		-
Others		(3,897)		70		1		477
Changes in the Group		-		-		(327)		(852)
Ending balance	₩	13,587	₩	2,649	₩	29,772	₩	4,248

(4) Aging of impaired trade and other receivables as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Less than seven months	₩	7,235	₩	3,274
7–12 months		185		28
More than one year		12,294		25,509
Total	₩	19,714	₩	28,811

8. INVENTORIES:

Details of inventories as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	33,181	₩	33,092	₩	(89)
Work in progress		892		892		-
Raw materials		6,165		6,165		-
Stored goods		436		436		-
Other inventories		1,206		1,097		(109)
Total	₩	41,880	₩	41,682	₩	(198)

Description	December 31, 2019					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	58,559	₩	57,022	₩	(1,537)
Work in progress		-		-		-
Raw materials		4,295		4,295		-
Stored goods		338		338		-
Other inventories		1,112		747		(365)
Total	₩	64,304	₩	62,402	₩	(1,902)

9. OTHER ASSETS:

Details of other assets as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Advance payments	₩ 45,897	₩ 1,891	₩ 50,949	₩ 2,827
Prepaid expenses	28,663	104	28,428	727
Prepaid VAT	3,525	-	11,894	-
Due from customers for contract work	230,714	-	336,933	-
Others	512	1,411	159	-
Total	₩ 309,311	₩ 3,406	₩ 428,363	₩ 3,554

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of the Group's property, plant and equipment as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

Description	December 31, 2020									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩ 381,805	₩1,178,983	₩271,919	₩ 144,766	₩27,594	₩ 3,834	₩ 209,591	₩ 6,526	₩ 508,480	₩2,733,548
Accumulated depreciation	-	(392,460)	(128,181)	(98,314)	(14,145)	(3,161)	(142,785)	-	(333,503)	(1,122,549)
Accumulated impairment	-	-	(321)	(23,563)	-	(7)	(5,946)	-	(224)	(30,061)
Government subsidies	-	(1,189)	-	(4)	(136)	(11)	(40)	-	-	(1,380)
Carrying amounts	₩ 381,805	₩ 785,334	₩143,417	₩ 22,885	₩13,313	₩ 705	₩ 60,820	₩ 6,526	₩ 174,753	₩1,589,558

Description	December 31, 2019									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩ 380,738	₩1,141,951	₩268,281	₩ 144,149	₩28,602	₩ 3,843	₩ 209,577	₩ 3,420	₩ 509,661	₩2,690,222
Accumulated depreciation	-	(346,246)	(116,418)	(90,498)	(12,912)	(2,877)	(136,157)	-	(324,804)	(1,029,913)
Accumulated impairment	-	-	(321)	(12,085)	-	(7)	(5,929)	-	(238)	(18,580)
Government subsidies	-	(1,278)	-	(6)	(191)	(15)	(95)	-	(11)	(1,596)
Carrying amounts	₩ 380,738	₩ 794,427	₩151,542	₩ 41,560	₩15,499	₩ 944	₩ 67,396	₩ 3,420	₩ 184,608	₩1,640,134

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
	Year ended December 31, 2020									
Beginning balance	₩ 380,738	₩ 794,427	₩151,542	₩ 41,560	₩15,499	₩ 944	₩ 67,396	₩ 3,420	₩ 184,608	₩1,640,134
Acquisitions	17	745	799	614	220	95	9,102	22,921	25,573	60,086
Disposals	(3,414)	(775)	-	-	(116)	-	(466)	(604)	(2,562)	(7,937)
Depreciation(*1)	-	(34,634)	(11,963)	(7,819)	(2,322)	(335)	(17,055)	-	(32,669)	(106,797)
Transfers in	17,901	25,470	3,039	-	37	-	2,105	-	502	49,054
Transfers out	-	(83)	-	-	-	-	-	(19,180)	-	(19,263)
Removal due to classification of assets to be sold	(13,437)	(943)	-	-	-	-	(7)	-	-	(14,387)
Removal due to classification of assets scheduled for distribution	-	-	-	-	-	-	(4)	-	-	(4)
Impairment loss	-	-	-	(11,478)	-	-	(17)	-	(4)	(11,499)
Others	-	1,127	-	7	-	-	(178)	(31)	(404)	521
Effect of foreign currency translation	-	-	-	1	(5)	1	(56)	-	(291)	(350)
Ending balance	₩ 381,805	₩ 785,334	₩143,417	₩ 22,885	₩13,313	₩ 705	₩ 60,820	₩ 6,526	₩ 174,753	₩1,589,558

(*1) It contains amounts classified as discontinued operating profit or loss in the income statement for the current period.

Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
	Year ended December 31, 2019									
Beginning balance	₩ 440,166	₩ 898,371	₩161,079	₩ 49,317	₩14,853	₩ 1,412	₩ 80,479	₩ 36,726	₩ 195,345	₩1,877,748
Acquisitions	2,853	2,592	724	331	3,165	343	11,797	10,504	27,654	59,963
Disposals	(217)	-	(16)	(9)	(65)	(3)	(52)	(241)	(332)	(935)
Depreciation(*1)	-	(34,399)	(11,921)	(7,940)	(2,437)	(487)	(18,194)	-	(38,003)	(113,381)
Transfers in	12,093	24,693	5,312	5,273	-	9	1,730	-	-	49,110
Transfers out	(13,284)	(28,932)	(420)	-	-	-	-	(38,885)	-	(81,521)
Government subsidies	-	(33)	-	(7)	-	(16)	(8)	-	-	(64)
Effect of consolidation of scope changes(*2)	-	-	-	-	-	-	34	-	88	122
Sale of subsidies	(60,873)	(68,440)	(2,940)	(5,407)	(15)	(326)	(2,812)	(710)	(64)	(141,587)
Impairment loss	-	-	(321)	-	-	(7)	(5,929)	-	-	(6,257)
Others	-	27	23	-	-	-	327	(4,325)	(134)	(4,082)
Effect of foreign currency translation	-	548	22	2	(2)	19	24	351	54	1,018
Ending balance	₩ 380,738	₩ 794,427	₩151,542	₩ 41,560	₩15,499	₩ 944	₩ 67,396	₩ 3,420	₩ 184,608	₩1,640,134

(*1) It contains amounts classified as discontinued operating profit or loss in the income statement for the previous period.
(*2) These are the tangible assets of Open Source Consulting Inc. and S&I CM., which were included in the scope of consolidation during the previous period.
(*3) These are tangible assets of four other companies including Serveone Co., Ltd and Korea Elecom Co., Ltd sold during the previous period.

(3) Changes in government grants for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020						
Description	Buildings	Machinery	Tools and equipment	Vehicles	Furniture and fixtures	Other property	Total
Beginning balance	₩ 1,278	₩ 6	₩ 15	191	₩ 95	₩ 11	₩1,596
Offsetting depreciation	(89)	(2)	(4)	(55)	(55)	(11)	(216)
Ending balance	₩ 1, 189	₩ 4	₩ 11	136	₩ 40	₩ -	₩1,380

	Year ended December 31, 2019						
Description	Buildings	Machinery	Tools and equipment	Vehicles	Furniture and fixtures	Other property	Total
Beginning balance	₩ 1,332	₩ -	₩ 2	245	₩ 145	₩ 84	₩1,808
Receipt	33	7	16	-	8	-	64
Offsetting depreciation	(87)	(1)	(3)	(54)	(58)	(73)	(276)
Ending balance	₩ 1,278	₩ 6	₩ 15	191	₩ 95	₩ 11	₩1,596

11. INVESTMENT PROPERTY:

(1) Composition of investment property as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020				
Description	Land	Buildings	Structures	Construction in progress	Total
Acquisition cost	₩ 762,633	₩ 666,875	₩ 10,148	₩ 107,263	₩ 1,546,919
Accumulated depreciation	-	(183,804)	(5,203)	-	(189,007)
Carrying amounts	₩ 762,633	₩ 483,071	₩ 4,945	₩ 107,263	₩ 1,357,912

	December 31, 2019				
Description	Land	Buildings	Structures	Construction in progress	Total
Acquisition cost	₩ 787,218	₩ 674,015	₩ 10,409	₩ 90,516	₩ 1,562,158
Accumulated depreciation	-	(165,347)	(4,849)	-	(170,196)
Carrying amounts	₩ 787,218	₩ 508,668	₩ 5,560	₩ 90,516	₩ 1,391,962

(2) Changes in investment property for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020				
Description	Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 787,218	₩ 508,668	₩ 5,560	₩ 90,516	₩ 1,391,962
Acquisitions	-	1,177	43	18,244	19,464
Depreciation	-	(29,263)	(1,147)	-	(30,410)
Transfers	(17,900)	(12,383)	492	-	(29,791)
Disposals	(216)	-	-	-	(216)
Effect of consolidation scope changes	-	-	-	-	-
Others	(6,469)	14,872	(3)	(1,497)	6,903
Ending balance	₩ 762,663	₩ 483,071	₩ 4,945	₩ 107,263	₩ 1,357,912

	Year ended December 31, 2019				
Description	Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 767,752	₩ 461,944	₩ 5,803	₩ 181,412	₩ 1,416,911
Acquisitions	90,263	54,628	5	141,586	286,482
Depreciation	-	(29,370)	(1,202)	-	(30,572)
Transfers	2,556	28,735	1,120	-	32,411
Disposals	(6,911)	(47)	-	-	(6,958)
Effect of consolidation scope changes	(74,851)	(8,515)	(211)	(234,897)	(318,474)
Others	8,409	1,293	45	2,415	12,162
Ending balance	787,218	508,668	5,560	90,516	1,391,962

(3) Details of the fair value of investment property as of December 31, 2020, are as follows (Unit: Korean won in millions):

Description	Date of revaluation	December 31, 2020 Land	December 31, 2020 Buildings and structures	December 31, 2020 Total
Book value of investment property:				
Book value (*1)		₩ 814,717	₩ 668,501	₩ 1,483,218
Results of valuation:				
Twin Tower (*1)	2020-10-16	705,683	291,045	996,728
Gasandong building (*1)	2020-10-16	120,316	104,531	224,847
Gwanghwamun building (*1)	2020-10-16	283,745	101,255	385,000
Seoul Station building (*1)	2020-10-16	258,960	131,040	390,000
Sangdodong Hi Plaza (*2)	2017-06-30	5,445	1,760	7,205
Dogokdong Gangnam building (*2)	2017-12-31	167,077	74,788	241,865
Flagone 2(*2)		-	16,108	16,108
Sangam DDMC (*1), (*3)	2020-01-10		343,000	343,000
Kyobashi Trust Tower (*4)	2014-04-01	176,250	138,733	314,983
Others (*2)	2016-02-26	539	-	539
Total				₩2,920,275

(*1) Includes the value of investment property (Book value that is subject to valuation: ₩125,306 million) occupied by the owner.
(*2) Acquisition cost is considered as fair value.
(*3) It is the whole valuation amount of Sangam DDMC. Sangam DDMC is an appraisal value of the entire real estate, including land, buildings and structures.
(*4) The sale contract was signed on March 3, 2021, and the sale amount is ￥27,259 million.

Fair value assessment was performed by an independent third party, Nara Appraisal Co., Ltd. and Samchang Appraisal Co., Ltd.

The fair value of investment property is classified as Level 3 based on the input variables that are used in the valuation method.

The valuation method for measurement of fair value is the method of discounted cash flow, so the fair value of investment property is measured by the discounted present value that the net cash flow from the investment property is discounted by the discount rate of risk adjustment by reflecting the cost in relation to rental promotion, such as estimated success rate of rental market, vacant period, rental rate, free rental period and other costs that the lessee does not pay. Main input variables that are significant for measuring the fair value, but not observable, are estimated success rate of rental market, vacant rate, free rental period and discount rate of risk adjustment.

Meanwhile, the Group recognized rental income of ₩143,278 million and ₩141,259 million, respectively, for investment property.

12. INTANGIBLE ASSETS:

(1) Composition of the Group's intangible assets as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020						
Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 41,473	₩ 23,644	₩ 21,911	₩ 7,515	₩ 13,638	₩ 198,992	₩ 307,173
Accumulated depreciation	(21,333)	(14,096)	-	-	-	(130,281)	(165,710)
Accumulated impairment	(2,746)	(5)	(3,054)	(3,214)	-	(387)	(9,406)
Total	₩ 17,394	₩ 9,543	₩ 18,857	₩ 4,301	₩ 13,638	₩ 68,324	₩ 132,057

	December 31, 2019						
Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 28,761	₩ 21,475	₩ 23,429	₩ 12,348	₩ 12,663	₩ 171,277	₩ 269,953
Accumulated depreciation	(20,259)	(12,551)	-	-	-	(115,554)	(148,364)
Accumulated impairment	(2,746)	(5)	(3,260)	(5,435)	-	(387)	(11,833)
Government grants	-	-	-	-	-	(12)	(12)
Total	₩ 5,756	₩ 8,919	₩ 20,169	₩ 6,913	₩ 12,663	₩ 55,324	₩ 109,744

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 5,756	₩ 8,919	₩ 20,169	₩ 6,913	₩ 12,663	₩ 55,324	₩ 109,744
Acquisitions	-	66	43	-	15,663	8,384	24,156
Increase due to internal development	-	-	-	-	25,771	-	25,771
Disposals	-	-	(11,846)	-	-	(107)	(11,953)
Transfers in	14,384	-	-	-	2,303	24,167	40,854
Transfers out	-	-	-	-	(40,780)	(74)	(40,854)
Impairment loss	-	-	-	(2,612)	-	-	(2,612)
Amortization	(2,592)	(1,546)	-	-	-	(17,597)	(21,735)
Others	(155)	2,104	10,491	-	(2,003)	(1,698)	8,739
Effect of foreign currency translation	1	-	-	-	21	(75)	(53)
Ending balance	₩ 17,394	₩ 9,543	₩ 18,857	₩ 4,301	₩ 13,638	₩ 68,324	₩ 132,057

Description	Year ended December 31, 2019						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 6,771	₩ 7,556	₩ 22,585	₩ 1,665	₩ 8,443	₩ 52,819	₩ 99,839
Acquisitions	82	583	621	-	17,249	13,862	32,397
Increase due to internal development	892	-	-	-	1,427	-	2,319
Disposals	-	(3)	(3,329)	-	-	(7)	(3,339)
Transfers in	-	-	-	-	-	13,799	13,799
Transfers out	-	-	-	-	(13,799)	-	(13,799)
Increase due to business combination	-	1,009	-	5,248	-	3,587	9,844
Disposals of subsidiaries (*1)	-	(22)	-	-	(406)	(15,388)	(15,816)
Impairment loss	-	(4)	-	-	-	(386)	(390)
Reversal of impairment loss	-	-	890	-	-	-	890
Amortization	(1,968)	(1,433)	-	-	-	(16,714)	(20,115)
Others	(22)	1,233	(600)	-	(241)	3,745	4,115
Effect of foreign currency translation	1	-	2	-	(10)	7	-
Ending balance	₩ 5,756	₩ 8,919	₩ 20,169	₩ 6,913	₩ 12,663	₩ 55,324	₩ 109,744

(*1) These were intangible assets of segment of Serveone Co., Ltd., disposed of during the current period (see Note 36).

(3) Details of book value of goodwill that is allocated to cash-generating unit are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020					
	Acquisition cost		Accumulated depreciation		Book value	
BizTechPartners Co., Ltd.	₩	1,665	₩	-	₩	1,665
Sejong Green Power		602		(602)		-
Open Source Consulting Inc.(*1)		5,248		(2,612)		2,636
Total	₩	7,515	₩	(3,214)	₩	4,301

Description	Year ended December 31, 2019					
	Acquisition cost		Accumulated depreciation		Book value	
BizTechPartners Co., Ltd.	₩	1,665	₩	-	₩	1,665
Korea Elecom Co., Ltd.		779		(779)		-
Sejong Green Power (*1)		5,248		-		5,248
Total	₩	7,692	₩	(779)	₩	6,913

(*1) Transferred to the scope of consolidation during the previous period.

(4) Changes in government grants for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020 Computer software and other assets		December 31, 2019 Computer software and other assets	
Beginning balance	₩	12	₩	53
Offsetting amortization		(12)		(41)
Ending balance	₩	-	₩	12

(5) The costs related to research and development, accounted for as expenses, for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	2020		2019	
Selling and administrative expenses	₩	32,883	₩	36,661
Total	₩	32,883	₩	36,661

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Group's investments in associates and joint ventures as of December 31, 2020, is as follows:

Companies	Location of incorporation	Major business activities	Closing date	Number of shares held and investments in capital		Number of shares issued		Percentage of ownership (%)	Percentage of ownership (common stock) (%)
				Common stock	Preferred stock	Common stock	Preferred stock		
LG Chem Ltd.	South Korea	Manufacturing of basic petrochemicals	12-31	23,534,211	-	70,592,343	7,688,800	30.06%	33.34%
LG Household & Health Care Ltd.	South Korea	Manufacturing of toothpastes, soap and detergents	12-31	5,315,500	-	15,618,197	2,099,697	30.00%	34.03%
LG Electronics Inc.	South Korea	Manufacturing of electronic components, computers, image, acoustic and communication equipment	12-31	55,094,582	-	163,647,814	17,185,992	30.47%	33.67%
LG Uplus Corp. (*1)	South Korea	Telecommunications	12-31	164,422,375	-	436,611,361	-	37,66%	37,66%
LG International Corp. (*2)	South Korea	Trade and resource development	12-31	9,571,336	-	38,760,000	-	24.69%	24.69%
LG Hitachi Co., Ltd.	South Korea	Consult computer system integration and establishment	12-31	245,000	-	500,000	-	49.00%	49.00%
GIIR Corporation	South Korea	Holdings company	12-31	5,798,593	-	16,567,409	-	35.00%	35.00%
LG Hausys, Ltd. (*2)	South Korea	Manufacturing of construction plastic materials	12-31	3,006,673	-	8,967,670	1,032,330	30.07%	33.53%
LG MMA Corp. (*2)(*3)	South Korea	Manufacturing of other basic organic chemicals	12-31	1,200,000	-	2,400,000	-	50.00%	50.00%
Silicon Works Co., Ltd. (*2)	South Korea	Design and manufacturing of semiconductor	12-31	5,380,524	-	16,264,300	-	33.08%	33.08%
ZKW Holding GmbH (*4)	Austria	Vehicle headlamp manufacturing	12-31	-	-	-	-	30.00%	30.00%
ZKW Austria Immobilien Holding GmbH (*4)	Austria	Real estate management	12-31	-	-	-	-	30.00%	30.00%
Combustion Synthesis Co., Ltd.	Japan	Manufacturing of the combustion synthesis power and manufactured goods	12-31	975,000	-	2,321,000	-	42.01%	42.01%
Tmoney Co., Ltd.	South Korea	System software development and supply	12-31	3,927,167	-	11,934,085	-	32.91%	32.91%
Songdo U-Life LLC (*5)	South Korea	Health care, integrated wireless environment, integrated smart cards and building management	12-31	5,880	-	35,880	-	16.39%	16.39%
Recaudo Bogota S.A.S.	Colombia	Public system development and service	12-31	2,126	-	10,630	-	20.00%	20.00%
Hellas SmarTicket Societe Anonyme	Greece	Public system development and service	12-31	22,500	-	75,000	-	30.00%	30.00%
Ulleungdo Natural Energy Independent Island Co., Ltd.	South Korea	New and renewable energy	12-31	1,600,000	-	5,360,000	-	29.85%	29.85%
Dongnam Solar Energy Co., Ltd.	South Korea	The sun optical-the development business	12-31	174,608	-	672,000	-	25.98%	25.98%
Daegu Clean Energy Co., Ltd.	South Korea	Energy supply	12-31	25,000	-	100,000	-	25.00%	25.00%
Serveone Co., Ltd.(*6)	South Korea	Wholesale and retail business and others	12-31	798,000	-	2,000,000	-	39.90%	39.90%
CloudGram Corp. (*7)	South Korea	Hosting and related services and others.	12-31	1,075,000	-	3,075,000	-	34,96%	34,96%
Korea DRD Corp. (*7)(*8)	South Korea	Information service and blockchain technology-related service	12-31	119,400	-	600,000	-	19,90%	19,90%
Hempking Corp. (*7)(*9)	South Korea	System Software Development and Supply service	12-31	-	25,000	100,000	25,000	20.00%	-
dnabee Inc. (*10)	South Korea	System Software Development and Supply service	12-31	50,000	-	250,000	-	20.00%	20.00%

(*1) Additional shares have been acquired during the current period.
(*2) It has been replaced by an asset to be distributed by owners in the current period, and the associated equity method gains and losses have been marked as discontinued operations.
(*3) Corresponds to joint venture.
(*4) The company does not issue real shares, the number of shares is not shown.
(*5) Although the Group owns less than 20% of its shares, the Group has significant influence over the contractual right to appoint one member of the board of directors.
(*6) The Company was classified as an associate of the Group through the sale of shares during the current period.
(*7) It was newly acquired during the current period.
(*8) Although the Group owns less than 20% of its shares, the Group has significant influence over the contractual right to appoint one out of three members of the board of directors.
(*9) It exerts significant influence by the right to consent to certain management matters (change of articles of association, etc.).
(*10) We acquired equity through the exercise of conversion rights during the current period.

Fair values of marketable equity securities for investments in associates as of December 31, 2020, are as follows (Unit: Korean won in millions):

Description	LG Chem Ltd.	LG Household & Health Care Ltd.	LG Electronics Inc.	LG Uplus Corp.	GIIR Corporation
Fair values of equity securities	₩ 19,392,190	₩ 8,611,110	₩ 7,437,769	₩ 1,931,963	₩ 33,052

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2020 and 2019, are as follows (Korean won in millions):

	Year ended December 31, 2020							
Companies	Beginning balance	Acquisitions	Dividends received	Equity method gains and losses	Other capital changes and others	Disposal and others	Replacement (*1)	Ending balance
LG Chem Ltd.	₩ 5,046,752	₩ -	₩ (47,068)	₩ 143,842	₩ (18,204)	₩ 136.824	₩ -	₩ 5,262,146
LG Household & Health Care Ltd.	1,309,603	-	(58,471)	253,384	(1,573)	-	-	1,502,943
LG Electronics Inc.	4,269,612	-	(41,321)	602,648	(221,829)	-	-	4,609,110
LG Uplus Corp.	2,506,350	90.005	(62,951)	194,520	725	-	-	2,728,649
LG International Corp. (*1)	259,861	-	(2,871)	79,546	(21,164)	-	(315,372)	-
LG Hitachi Co., Ltd.	8,610	-	-	(1,724)	(264)	-	-	6,622
GIIR Corporation	47,443	-	(1,740)	3,155	(615)	-	-	48,243
LG Hausys, Ltd. (*1)	270,980	-	(752)	(23,522)	969	-	(247,675)	-
LG MMA Corp. (*1)	256,156	-	(27,000)	28,658	514	-	(258,328)	-
Silicon Works Co., Ltd. (*1)	188,307	-	(4,466)	23,928	347	-	(208,116)	-
ZKW Holding GmbH (*2)	432,758	-	-	(15,848)	10.825	(66,497)	-	361,238
ZKW Austria Immobilien Holding GmbH	16,288	-	-	1,132	150	-	-	17,570
Combustion Synthesis Co., Ltd.	1,932	-	-	(199)	1	-	-	1,734
Tmoney Co., Ltd.	52,798	-	-	(5,938)	157	-	-	47,017
Songdo U-Life LLC	613	-	-	(247)	(1)	-	-	365
Recaudo Bogota S.A.S.	501	-	-	3,469	(1,233)	-	-	2,737
Hellas SmarTicket Societe Anonyme	4,163	-	(1,085)	1,322	154	-	-	4,554
Ulleungdo Natural Energy Independent Island Co., Ltd.	4,592	-	-	5	-	(4,558)		39
Dongnam Solar Energy Co., Ltd.	691	-	-	(14)	-	-	-	677
Daegu Clean Energy Co., Ltd. (*3)	-	-	-	-	-	-	-	-
KEPCO-LG CNS Mangilao Holdings LLC(*4)	-	-	-	-	-	-	-	-
Serveone Co., Ltd.	320,363	-	-	26.563	(573)		-	346,353
CloudGram Corp.	-	19.888	-	(1,129)	(1)		-	18,758
Korea DRD Corp.	-	597	-	(3)	(9)		-	585
Total	₩14,998,373	₩ 110,490	₩ (247,725)	₩1,313,548	₩ (251,624)	₩ 65,769	₩(1,029,491)	₩14,959,340

(*1) It has been replaced by an asset to be distributed by owners in the current period, and the associated equity method gains and losses have been marked as discontinued operations.

(*2) The signs of damage to ZKW Holding GmbH were identified in the current period, and the damage loss of ₩66,497 million was recognized as profit or loss after reviewing the recoverable value.

(*3) The equity method was discontinued due to the accumulated equity method loss before the previous year, and the unrecognized cumulative equity method loss is ₩4 million.

(*4) In the current period, the company sold its rights as a shareholder of KEPCO-LG CNS Mangilao Holdings LLC and recognized a cumulative loss of ₩1,304 million before the sale.

Companies	Year ended December 31, 2019 Beginning balance	Adjustment from revised K-IFRS	Acquisitions	Dividends received	Equity method gains and losses	Other capital changes and others	Disposal and others	Ending balance
LG Chem Ltd.	₩ 5,128,462	₩ -	₩ -	₩ (141,205)	₩ 38,415	₩ 21,080	₩ -	₩ 5,046,752
LG Household & Health Care Ltd.	1,107,467	-	-	(49,168)	247,603	3,701	-	1,309,603
LG Electronics Inc.	4,243,102	(2,540)	-	(41,321)	(7,206)	77,577	-	4,269,612
LG Uplus Corp.	2,430,739	-	-	(62,951)	151,747	(13,185)	-	2,506,350
LG International Corp.	278,434	-	-	(2,393)	(22,972)	6,792	-	259,861
LG Hitachi Co., Ltd.	8,665	-	-	(23)	(233)	201	-	8,610
GIIR Corporation	56,478	-	-	(1,450)	(8,033)	448	-	47,443
LG Hausys, Ltd.	270,191	-	-	(752)	4,444	(2,903)	-	270,980
LG MMA Corp.	288,757	-	-	(72,000)	39,759	(360)	-	256,156
Silicon Works Co., Ltd.	181,607	-	-	(4,466)	10,983	183	-	188,307
LG Fuel Cell Systems Inc. (*1)	-	-	-	-	-	-	-	-
ZKW Holding GmbH	409,528	-	-	-	20,663	2,567	-	432,758
ZKW Austria Immobilien Holding GmbH (formerly Momment Gewerbelmmobilien Verwaltungs GmbH)	15,387	-	-	-	857	44	-	16,288
Combustion Synthesis Co., Ltd.	1,978	-	-	-	(323)	25	252	1,932
Tmoney Co., Ltd.(formerly Korea Smart Card Co., Ltd.)	47,787	-	-	-	4,936	75	-	52,798
Songdo U-Life LLC	711	-	-	-	(99)	1	-	613
Recaudo Bogota S.A.S.	-	-	-	-	(741)	1,242	-	501
Hellas SmarTicket Societe Anonyme	3,738	-	-	(473)	843	55	-	4,163
Ulleungdo Natural Energy Independent Island Co., Ltd.	4,558	-	-	-	34	-	-	4,592
Dongnam Solar Energy Co., Ltd.	639	-	-	-	52	-	-	691
Daegu Clean Energy Co., Ltd. (*2)	-	-	-	-	-	-	-	-
KEPCO-LG CNS Mangilao Holdings LLC(*3)	-	-	-	-	-	-	-	-
Serveone Co., Ltd.			304,402	-	18,675	(2,714)		320,363
Total	₩14,478,228	₩(2,540)	₩ 304,402	₩ (376,202)	₩ 499,404	₩ 94,829	₩ 252	₩14,998,373

(*1) Liquidated during the previous period.

(*2) Due to the cumulative loss during the year, the application of the equity method was discontinued and the equity method loss of ₩ 3 million was not recognized.

(*3) Accumulated equity method losses of ₩ 1,117 million and accumulated other comprehensive income of ₩ 60 million were recognized in short-term loans.

(3) Adjustments to the book value of investments in associates and joint ventures from the net asset value of associates and joint ventures as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	As of and for the year ended December 31, 2020					
Companies	Net assets (A)	Ownership rate of the Group(B) (*1)	Controlling interest of net assets (A x B)	(+)Goodwill	(-)Elimination of intercompany transactions	Ending balance
LG Chem Ltd.	₩ 18,031,871	30.24%	₩ 5,454,218	₩ 6,057	₩ (198,129)	5,262,146
LG Household & Health Care Ltd.	4,755,980	31.72%	1,508,730	-	(5,787)	1,502,943
LG Electronics Inc.	15,437,500	30.60%	4,723,381	-	(114,271)	4,609,110
LG Uplus Corp.	7,374,862	37.66%	2,777,277	-	(48,628)	2,728,649
LG Hitachi Co., Ltd.	13,527	49.00%	6,628	-	(6)	6,622
GIIR Corporation	145,307	35.00%	50,857	2,352	(4,966)	48,243
ZKW Holding GmbH	698,979	30.00%	209,694	151,772	(228)	361,238
ZKW Austria Immobilien Holding GmbH	21,081	30.00%	6,324	11,254	(8)	17,570
Combustion Synthesis Co., Ltd.	651	42.01%	273	1,589	(128)	1,734
Tmoney Co., Ltd..	116,212	32.91%	38,242	8,775	-	47,017
Songdo U-Life LLC	22,027	16.39%	3,610	3,493	(6,738)	365
Recaudo Bogota S.A.S.	17,162	20.00%	3,432	-	(695)	2,737
Hellas SmarTicket Societe Anonyme	15,216	30.00%	4,565	-	(11)	4,554
Ulleungdo Natural Energy Independent Island Co., Ltd.	15,638	29.85%	4,668	-	(4,629)	39
Dongnam Solar Energy Co., Ltd.	2,600	25.98%	676	1	-	677
Daegu Clean Energy Co., Ltd.	46	25.00%	12	-	(12)	-
Serveone Co., Ltd.	656,322	39.90%	261,872	87,373	(2,892)	346,353
CloudGram Corp.	18,511	34.96%	6,471	12,287	-	18,758
Korea DRD Corp.	2,937	19.90%	584	(1)	2	585

(*)The equity ratio reflects the effect of treasury stock and may be a different from ownership percentage.

	As of and for the year ended December 31, 2019					
Companies	Net assets (A)	Ownership rate of the Group(B) (*1)	Controlling interest of net assets (A x B)	(+)Goodwill	(-)Elimination of intercompany transactions	Ending balance
LG Chem Ltd.	₩ 17,004,977	30.72%	₩ 5,223,674	₩ 6,154	₩ (183,076)	5,046,752
LG Household & Health Care Ltd.	4,146,734	31.72%	1,315,460	-	(5,857)	1,309,603
LG Electronics Inc.	14,330,085	30.60%	4,384,547	-	(114,935)	4,269,612
LG Uplus Corp.	7,080,861	36.05%	2,552,296	-	(45,946)	2,506,350
LG International Corp.	1,171,482	24.76%	290,038	(27,484)	(2,693)	259,861
LG Hitachi Co., Ltd.	17,588	49.00%	8,618	-	(8)	8,610
GIIR Corporation	142,887	35.00%	50,010	2,352	(4,919)	47,443
LG Hausys, Ltd.	914,200	30.13%	275,427	-	(4,447)	270,980
LG MMA Corp.	521,775	50.00%	260,888	-	(4,732)	256,156
Silicon Works Co., Ltd.	472,207	33.08%	156,215	33,747	(1,655)	188,307
ZKW Holding GmbH	712,570	30.00%	213,771	218,987	-	432,758
ZKW Austria Immobilien Holding GmbH	16,658	30.00%	4,997	11,291	-	16,288
Combustion Synthesis Co., Ltd.	892	42.93%	383	1,589	(40)	1,932
Tmoney Co., Ltd.	133,981	32.91%	44,089	8,777	(68)	52,798
Songdo U-Life LLC	23,536	16.39%	3,857	3,494	(6,738)	613
Recaudo Bogota S.A.S.	5,980	20.00%	1,196	-	(695)	501
Hellas SmarTicket Societe Anonyme	13,863	30.00%	4,163	-	-	4,163
Ulleungdo Natural Energy Independent Island Co., Ltd.	15,621	29.85%	4,663	-	(71)	4,592
Dongnam Solar Energy Co., Ltd.	2,654	25.98%	691	-	-	691
Daegu Clean Energy Co., Ltd.	48	25.00%	12	-	(12)	-
Serveone Co., Ltd.	585,475	39.90%	233,605	88,897	(2,139)	320,363

(*)The equity ratio reflects the effect of treasury stock and may be a different from ownership percentage.

(4) Summary of financial position for associates as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd. (*)	₩16,319,700	₩25,069,194	₩41,388,894	₩12,624,218	₩9,974,236	₩22,598,454	₩18,039,121	₩751,319	18,790,440
LG Household & Health Care Ltd.	1,982,769	4,818,647	6,801,416	1,479,724	472,496	1,952,220	4,755,980	93,216	4,849,196
LG Electronics Inc. (*)	23,239,420	24,964,807	48,204,227	20,207,492	10,454,610	30,662,102	15,437,500	2,104,625	17,542,125
LG Uplus Corp.(*)	4,950,900	13,399,290	18,350,190	4,328,336	6,370,640	10,698,976	7,374,862	276,352	7,651,214

(*)LG Chem Ltd. and LG Electronics Inc. each recorded ₩789,072 million(₩130,383 million), ₩389,816 million respectively, of assets (liabilities) held for sale as of December 31, 2020.

	December 31, 2019								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd. (*)	₩11,869,724	₩22,154,702	₩34,024,426	₩8,941,529	₩7,699,108	₩16,640,637	₩17,004,977	₩378,812	17,383,789
LG Household & Health Care Ltd.	2,163,075	4,275,571	6,438,646	1,716,180	485,378	2,201,558	4,146,734	90,354	4,237,088
LG Electronics Inc. (*)	19,753,485	25,106,390	44,859,875	17,657,916	10,776,821	28,434,737	14,330,085	2,095,053	16,425,138
LG Uplus Corp.	4,805,494	13,144,732	17,950,226	4,648,853	5,951,757	10,600,610	7,080,861	268,755	7,349,616

(*)LG Chem Ltd., LG Electronics Inc. and LG Uplus Corp. each recorded ₩19,573 million, ₩14,746 million,₩207,183 million(₩167,047 million), respectively, of assets (liabilities) held for sale as of December 31, 2019.

(5) Summary of profit and loss for associates for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2020					
Companies	Revenue	Operating income	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income
LG Chem Ltd.	₩ 30,076,510	₩ 1,798,159	₩ 367,839	₩ 106,554	₩ (70,250)	₩ 612,158
LG Household & Health Care Ltd.	7,844,506	1,220,865	307,973	-	(10,165)	802,937
LG Electronics Inc.	63,262,046	3,194,987	391,853	-	(720,433)	1,343,357
LG Uplus Corp.	13,417,627	886,151	120,787	225,505	1,082	479,147

	Year ended December 31, 2019					
Companies	Revenue	Operating income	Income tax expense	Profit (loss) from discontinued operations after tax	Accumulated other comprehensive income (loss)	Total comprehensive income
LG Chem Ltd.	₩ 28,625,042	₩ 895,648	₩ 184,457	₩ -	₩ 72,416	₩ 448,520
LG Household & Health Care Ltd.	7,685,424	1,176,411	303,908	-	13,688	801,861
LG Electronics Inc.	62,306,175	2,436,139	348,690	-	197,452	377,400
LG Uplus Corp.	12,381,969	686,244	133,029	-	(36,580)	402,251

14. DEBENTURES AND BORROWINGS:

(1) The Group's short-term borrowings as of December 31, 2020nd 2019 consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2020	December 31, 2019
Korean currency short-term borrowings	Kookmin Bank and others	2.29-3.95	₩ 23,000	₩ 20,975
Overdraft	Kookmin Bank	3.29	-	9,952
Foreign currency short-term borrowings	The Export-Import Bank of Korea and others	1.39-6.02	26,665	25,202
Total			₩ 49,665	₩ 56,129

(2) The Group's long-term borrowings as of December 31, 2020 and 2019, consist of the following (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2020		December 31, 2019	
			Current	Non-current(*1)	Current	Non-current
Korean currency long-term borrowings	Shinhan Bank	2.94-5.42	₩ 1,712	₩ 3,907	₩ 1,652	₩ 5,368
Foreign currency long-term borrowings	SMBC	0.62-0.67	-	86,449	-	74,443
Debentures in Korean won	Public offering bonds	1.60–2.99	250,000	840,000	300,000	680,000
Discount on debentures			(127)	(2,033)	(152)	(1,405)
Present value discount account			-	(885)	-	(1,021)
Total			₩ 251,585	₩ 927,438	₩ 301,500	₩ 757,385

(*1) Information on non-current long-term borrowings as of December 31, 2020, is as follows (Unit: Korean won in millions):

Remaining maturity	1 year-2 years	2 years-3 years	More than 3 years
Balance	₩ 1,712	₩ 1,712	₩ 86,932

(3) The Group's debentures as of December 31, 2020 and 2019, consist of the following (Unit: Korean won in millions):

Company	Description	Issuance date	Maturity date	Annual interest rate	December 31, 2020	December 31, 2019
LG CNS Co., Ltd.	9-2nd public offering	2015-04-16	2020-04-16	-	₩ -	₩ 100,000
	9-3rd public offering	2015-04-16	2022-04-16	2.44%	50,000	50,000
	10-1st public offering	2017-04-11	2020-04-11	-	-	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	2021-04-11	2.55%	90,000	90,000
	11-2nd public offering	2018-04-11	2023-04-11	2.83%	110,000	110,000
	12-1st public offering	2020-05-14	2023-05-12	1.60%	150,000	-
	12-2nd public offering	2020-05-14	2025-05-14	1.75%	50,000	-
	12-3rd public offering	2020-05-14	2027-05-14	1.99%	100,000	-
	2-2nd public offering	2015-05-29	2020-05-29	-	-	20,000
S&I Corporation Co., Ltd.	1-2nd public offering	2016-10-27	2021-10-27	2.10%	90,000	90,000
	2-1st public offering	2017-11-01	2020-11-01	-	-	70,000
	2-2nd public offering	2017-11-01	2022-11-01	2.99%	130,000	130,000
	3-1st public offering	2018-05-04	2021-05-04	2.62%	70,000	70,000
	3-2nd public offering	2018-05-04	2023-05-04	2.98%	100,000	100,000
	4th public offering	2020-10-23	2020-10-23	1.73%	110,000	-
			Subtotal		1,090,000	980,000
			Discount on debentures		(2,160)	(1,557)
			Current debentures (*1)		(249,873)	(299,848)
			Total		₩ 837,967	₩ 678,595

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

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020							
	Beginning balance	Effect of accounting policy change	Increase	Using	Reversal	Effect of foreign currency translation	Other	Ending balance
Provision for construction (product) warranties	₩ 20,310	₩ -	₩ 16,954	₩ (9,077)	₩ (3,177)	₩ (46)	₩ -	₩ 24,964
Restoration liabilities (*)	3,359	-	761	(54)	(1,373)	-	-	2,693
Others	30,456	-	14,763	(18,965)	(11,403)	(326)	-	14,525
Total	₩ 54,125	₩ -	₩ 32,478	₩ (28,096)	₩ (15,953)	₩ (372)	₩ -	₩ 42,182

Description	Year ended December 31, 2019							
	Beginning balance	Effect of accounting policy change	Increase	Using	Reversal	Effect of foreign currency translation	Other	Ending balance
Provision for construction (product) warranties	₩ 17,703	₩ (2,167)	₩ 15,811	₩ (8,451)	₩ (2,589)	₩ 3	₩ -	₩ 20,310
Restoration liabilities (*)	3,477	(196)	231	-	(159)	6	-	3,359
Others	36,275	(3,108)	9,924	(10,878)	(5,626)	60	3,809	30,456
Total	₩ 57,455	₩ (5,471)	₩ 25,966	₩ (19,329)	₩ (8,374)	₩ 69	₩ 3,809	₩ 54,125

(*) The increase due to the valuation of the present value is included.

16. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

The Group operates a defined contribution plan for its employees. Obligation of the Group is to make payments to third-party funds, and the benefits for employees are determined by the payments made to the funds and the investment earnings from the funds. Plan asset is managed by the third party and is segregated from the Group's assets. Contributions to defined contribution plan during the current period and the previous period are ₩46,354 million and ₩42,141 million, respectively, and payable amounts related to defined contribution plans as of December 31, 2020 and 2019, are ₩5,440 million and ₩6,558 million, respectively.

(2) Defined benefit plan

The Group operates a defined benefit plan for its employees and according to the plan, employees will be paid his or her average salary of the final three months multiplied by the number of years vested, adjusted for payment rate and other. The actuarial valuation of plan assets and the defined benefit liabilities is performed by a reputable actuary using the projected unit credit method.

1) As of December 31, 2020 and 2019, amounts recognized in the consolidated statements of financial position related to retirement benefit obligation are as follows (Unit: Korean won in millions):

Description	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	₩ 191,190	₩ 175,263
Fair value of plan assets	(177,302)	(158,304)
Net defined benefit liabilities	₩ 13,888	₩ 16,959

2) Changes in defined benefit obligation for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Beginning balance	₩	175,263	₩	192,693
Current service cost		24,392		23,365
Interest cost		3,441		3,940
Actuarial gain (loss)		(230)		10,733
Past service cost		819		3,455
Gain (loss) from reduction/settlement		(22)		-
Effect of foreign currency translation		(14,243)		11
Benefits paid		2,318		(30,307)
Others		(548)		1,926
Changes in the Group		-		(30,553)
Ending balance	₩	191,190	₩	175,263

3) Income and loss related to defined benefit plan for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Service cost	₩	25,211	₩	26,820
Current service cost		24,392		23,365
Past service cost		819		3,455
Net interest on the net defined benefit liability (asset)		386		352
Interest cost on defined benefit obligation		3,441		3,940
Comprising interest on plan assets		(3,055)		(3,588)
Others		278		317
Total	₩	25,875	₩	27,489

(*) It includes amounts classified as discontinued operating profit or loss in the current and prior period income statements.

Total costs for the years ended December 31, 2020 and 2019, are included in cost of sales for ₩9,143 million and ₩12,218 million, respectively, in selling and administrative expenses for ₩16,323 million and ₩13,566 million, respectively. In addition, the total cost of the current and prior period is ₩409 million and ₩1,705 million, respectively, included in the discontinued operating profit or loss.

4) Changes in plan assets for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Beginning balance	₩	158,304	₩	182,291
Comprising interest on plan assets		3,055		3,588
Remeasurements – return on plan assets		200		(362)
Contributions from the employer		27,977		28,327
Contributions from the employee		(11,327)		-
Benefits paid		(437)		(26,226)
Others		(470)		(64)
Changes in the Group		-		(29,250)
Ending balance	₩	177,302	₩	158,304

5) All of the plan assets are invested in financial instruments that guarantee principal and interest rate as of December 31, 2020 and 2019.

6) Actuarial assumptions used as of December 31, 2020 and 2019, are as follows:

Description	December 31, 2020	December 31, 2019
Discount rate (%)	1.44–5.54	1.76–5.98
Expected rate of salary increase (%)	2.39–9.79	2.39–9.79

7) The sensitivity analysis of the defined benefit obligation as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	191,190	₩	177,448	₩	205,531
Change in rate of salary increase		191,190		205,047		177,592

(*) The above sensitivity is estimated based on the assumption that all the other respective assumptions remain unchanged.

	December 31, 2019					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	175,263	₩	163,777	₩	188,940
Change in rate of salary increase		175,263		188,819		163,912

(*) The above sensitivity is estimated based on the assumption that all the other respective assumptions remain unchanged.

8) Remeasurement related to net defined benefit liabilities for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Actuarial gains (losses) arising from changes in demographic assumptions	₩	702	₩	2,560
Actuarial gains (losses) arising from changes in financial assumptions		(2,865)		3,700
Actuarial gains (losses) arising from experience		1,979		1,834
Return on plan assets, excluding amounts included in interest income		(200)		362
Actuarial gains (losses) arising from transfer in/out adjustments		(46)		2,639
Total	₩	(430)	₩	11,095

9) Estimates of contributions expected to be paid in the fiscal year beginning after the reporting period is as follows.

Description	2021	
Amount expected to be paid to institutional assets	₩	34,150

17. OTHER LIABILITIES:

Other liabilities as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020 Current		December 31, 2020 Non-current		December 31, 2019 Current		December 31, 2019 Non-current	
Advance receipts	₩	47,837	₩	-	₩	34,054	₩	-
Advances from lease revenue		-		4,478		-		4,861
VAT withheld		50,256		-		58,010		-
Withholdings		58,644		-		54,039		-
Unearned income		12,506		685		4,133		20,998
Contract liability (formerly: Overcharged construction)		192,811		-		183,131		-
Government subsidies		171		-		12		-
Other long-term employee benefits		-		13,785		-		12,312
Total	₩	362,225	₩	18,948	₩	333,379	₩	38,171

18. CONSTRUCTION CONTRACTS:

(1) Construction contracts as of December 31, 2020 and 2019, are as follows. (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Construction contracts	₩	236,839	₩	342,818
Deductions: Allowance for losses		(6,125)		(5,885)
Total	₩	230,714	₩	336,933

Management estimates the allowance for doubtful receivables in accordance with the Practical Uncertainty Law of K-IFRS 1109 as the ECL for the whole period. As of the end of the current period, there are no overdue bonds.

No changes in estimates or assumptions are used in assessing the allowance for contract assets in construction contracts during the year.

(2) Changes in ECLs of contractual assets during the year are as follows (Unit: Korean won in millions):

Description	December 31, 2020	
Beginning balance	₩	5,885
Decrease of allowance for loss		240
Ending balance	₩	6,125

As of December 31, 2020, the Company has no overdue receivables. Based on past default experience and future prospects for the clients' businesses, management believes that there are no impaired contracts.

(3) Construction liability as of December 31, 2020 and 2019 is as follows. (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Construction type contract	₩	128,835	₩	126,269
Equipment supply and maintenance		63,976		56,861
Total	₩	192,811	₩	183,130

No significant change in the contractual liability balance during the reporting period.

(4) Revenue recognized in current operations in respect of the contractual obligations carried forward is as follows, and there is no revenue recognized in the current year in relation to the obligation to fulfill the contract.

Description	December, 2020	
S&I Corporation Co., Ltd.	₩	74,448
LG CNS Co., Ltd		104,948
Consolidation adjustments		(3,404)
Total	₩	175,992

(5) The changes in estimates for the current period and total contractual costs and contractual costs relating to contracts recognized in profit or loss over the period by applying the cost-based input method in IFRS 15 have the following effects on profit or loss, contract assets and contract liabilities (Unit: Korean won in millions):

Description	Change in estimated contract amount		Changes in estimated total contract costs		Effect on current profit or loss		Effect on future profit or loss		Changes in contractual assets (liabilities)	
S&I Corporation Co., Ltd.	₩	104,510	₩	71,773	₩	23,632	₩	9,104	₩	23,632
LG CNS Co., Ltd.		14,273		21,519		(2,810)		(4,435)		(2,653)
Consolidation adjustments		1,570		1,116		240		214		240
Total	₩	120,353	₩	94,408	₩	21,062	₩	4,883	₩	21,219

Changes to the above estimates exclude contracts that started in the current period and include contracts that are in progress in the previous period and ended in the current period.

(6) None of the contracts that recognize progress-based revenue made by applying the cost-based input method during current period exceeded 5% of previous sales.

19. ISSUED CAPITAL:

Details of issued capital as of December 31, 2020, are as follows (Unit: Korean won in millions):

Type of stock	Number of authorized shares	Number of issued shares	Number of shares owned by related party	Par value (in Korean won)		Amount of issued capital	
Common stock	700,000,000	172,557,131	79,483,774	₩	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 date of shareholders' meeting when it is resolved not to pay dividends to the date of 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, 2020 and 2019, respectively; the carrying amounts of common stocks are ₩2,334 million (preferred stock: ₩51 million).

20. CAPITAL SURPLUS:

(1) Composition of capital surplus as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Asset revaluation reserve	₩	338,100	₩	338,100
Paid-up capital in excess of par value		898,266		898,266
Other capital surplus		1,728,364		1,126,781
Total	₩	2,964,730	₩	2,363,147

(2) Changes in capital surplus as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	2020		2019	
Beginning balance	₩	2,363,147	₩	2,365,545
Changes in the share of subsidiaries		601,583		(2,398)
Ending balance	₩	2,964,730	₩	2,363,147

21. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of accumulated other comprehensive income (loss) as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Changes in investment valuation using equity method	₩	(404,988)	₩	(155,176)
Gain on valuation of other financial assets		35,928		37,062
Loss on valuation of other financial assets		(2,542)		(2,400)
Overseas operations translation		5,860		8,216
Loss on valuation of derivatives instruments entered into for cash flow hedge		59		59
Gain and loss on disposals of other financial assets		(129)		(127)
Total	₩	(365,812)	₩	(112,366)

(2) Changes in investment valuation using equity method for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Beginning balance	₩	(155,176)	₩	(312,898)
Changes in capital of associates and joint ventures		(255,162)		161,318
Effect on income taxes		5,350		(3,596)
Ending balance	₩	(404,988)	₩	(155,176)

(3) Changes in gain valuation on other financial assets for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Beginning balance	₩	37,062	₩	35,844
Changes in gain on valuation of other financial assets		(1,496)		1,607
Effect on income taxes		362		(389)
Ending balance	₩	35,928	₩	37,062

(4) Changes in loss on valuation of other financial assets for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Beginning balance	₩	(2,400)	₩	(2,064)
Changes in loss valuation on other financial assets		(189)		(406)
Effect on income taxes		47		70
Ending balance	₩	(2,542)	₩	(2,400)

(5) Changes in overseas operations translation for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Beginning balance	₩	8,216	₩	(13,232)
Changes in overseas operations translation		(2,356)		21,448
Ending balance	₩	5,860	₩	8,216

There is no change in the valuation loss of cash flow hedge derivatives during the current and prior period.

22. RETAINED EARNINGS AND DIVIDENDS:

Changes in retained earnings for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	2020		2019	
Beginning balance	₩	15,699,266	₩	15,048,624
Effect of change of accounting policy		-		(2,482)
Beginning balance after adjustment		15,699,266		15,046,142
Profit for the year attributable to the owners of the Company		1,465,673		1,079,949
Dividends (*)		(386,862)		(351,708)
Remeasurement of net defined benefit liability		335		(8,591)
Changes in retained earnings by equity method		3,947		(66,526)
Ending balance	₩	16,782,359	₩	15,699,266

(*) Details of dividends for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020						
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)		Total dividends (Korean won in millions)	
Common stock	172,557,131	93,789	172,463,342	₩	2,200	₩	379,419
Preferred stock	3,314,677	6,810	3,307,867		2,250		7,443

	Year ended December 31, 2019						
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)		Total dividends (Korean won in millions)	
Common stock	172,557,131	93,789	172,463,342	₩	2,000	₩	344,927
Preferred stock	3,314,677	6,810	3,307,867		2,050		6,781

23. PROFIT (LOSS) FROM OPERATIONS:

Details of profit (loss) from operations for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020		Year ended December 31, 2019	
Revenue and gain (loss) valuation by equity method				
Sales of goods	₩	666,028	₩	763,966
Service revenue		1,978,250		1,926,718
Construction revenue		2,311,157		2,898,931
Gain on valuation by equity method		1,203,696		467,864
Other revenue		473,006		476,972
		6,632,137		6,534,451
Cost of sales				
Cost of sales of goods		581,073		658,183
Cost of sales of service		1,678,277		1,704,747
Cost of sales of construction		2,001,844		2,537,336
Cost of sales of others		303,364		305,282
		4,564,558		5,205,548
Gross profit		2,067,579		1,328,903
Selling and administrative expenses				
Salaries and wages		193,002		149,692
Retirement benefits		15,736		13,132
Welfare		35,124		32,165
Amusement expenses		3,276		3,861
Depreciation		16,946		16,118
Amortization of intangible assets		10,792		7,310
Taxes and dues		8.615		12,438
Advertising expenses		4,721		6,563
Usual development expenses/survey and research		32,883		36,661
Commission		19,750		21,435
Insurance premium		1,630		2,579
Transportation expenses		64		130
Travel expenses		2,426		4,495
Service contract expenses		11,118		8,431
Rental expenses		4,846		4,571
Allowance (reversal) of bad debt		(7,001)		(239)
Allowance (reversal) of accrual of provision		(2,153)		342
Others		13,566		14,900
		365,341		334,584
Operating income	₩	1,702,238	₩	994,319

24. CLASSIFICATION OF EXPENSES BY NATURE:

Details of expenses by nature for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020			
Account	Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 22,590	₩ -	₩ 891,662	₩ 914,252
Work in process	(893)	-	-	(893)
Merchandise	23,930	-	557,231	581,161
Other inventories	(447)	-	334,431	333,984
Used raw material	-	-	81,892	81,892
Employee benefits	-	243,862	799,703	1,043,565
Depreciation and amortization	-	27,738	146,089	173,826
Commission expenses	-	19,750	575,727	595,477
Lease expenses	-	4,846	65,433	70,279
Professional fees	-	11,118	1.583,121	1,594,239
Other expenses and consolidation adjustments	-	58,027	398,341	456,369
Total	₩ 22,590	₩ 365,341	₩ 4,541,968	₩ 4,929,899

	Year ended December 31, 2019			
Account	Changes in inventories	Selling and administrative expenses	Manufacturing statement	Nature of expenses
Changes in inventories	₩ 48,668	₩ -	₩ 857,618	₩ 906,286
Work in process	133	-	-	133
Merchandise	49,299	-	608,538	657,837
Other inventories	(764)	-	249,080	248,316
Used raw material	-	-	129,833	129,833
Employee benefits	-	194,989	814,895	1,009,884
Depreciation and amortization	-	23,428	156,616	180,044
Commission expenses	-	21,435	579,943	601,378
Lease expenses	-	4,571	61,776	66,347
Professional fees	-	8,431	2,145,292	2,153,723
Other expenses and consolidation adjustments	-	81,730	410,906	492,636
Total	₩ 48,668	₩ 334,584	₩ 5,156,880	₩ 5,540,132

25. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2020		Year ended December 31, 2019	
Interest income	₩	30,566	₩	27,245
Dividend income		1,142		1,078
Gain on foreign currency transaction		5,210		4,803
Gain on foreign currency translation		1,329		1,111
Gain on valuation of financial assets at FVTPL		247		225
Financial guarantee fee income		425		-
Total	₩	38,919	₩	34,462

(2) Interest income included in financial income for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2020		Year ended December 31, 2019	
Financial institution deposits and others	₩	27,998	₩	27,137
Other loans and receivables		2,568		836
Subtotal		30,566		27,973
Consolidation adjustment		-		(728)
Consolidated total	₩	30,556	₩	27,245

(3) Financial expenses for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2020		Year ended December 31, 2019	
Interest expenses	₩	32,940	₩	37,718
Loss on foreign currency transaction (non-operating)		7,823		4,916
Loss on foreign currency translation (non-operating)		309		142
Loss on valuation of financial assets at FVTPL		391		305
Loss on disposals of other financial assets		-		1
Loss on disposals of trade receivables		202		-
Financial guarantee cost		-		33
Total	₩	41,665	₩	43,115

(4) Interest expenses included in financial expenses for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2020		Year ended December 31, 2019	
Bank overdrafts and loan interest	₩	1,843	₩	5,898
Interest expenses (discount on bonds payable)		26,045		27,635
Interest expenses of lease liabilities		4,833		3,935
Other interest expenses		4,398		3,724
Less: Capitalized interest expenses included in qualified assets (*)		(681)		(421)
Subtotal		36,438		40,771
Consolidation adjustment		(3,498)		(3,053)
Consolidated total	₩	32,940	₩	37,718

(*) Capitalization interest rates used for the years ended December 31, 2020 and 2019, are 1.73%–2.99% and 1.92%–3.10%, respectively.

26. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2020		Year ended December 31, 2019
Other non-operating income				
Rental income	₩	2,344	₩	2,262
Commission income		302		171
Gain on foreign currency transaction		16,657		19,167
Gain on foreign currency translation		4,174		4,264
Gain on disposals of tangible assets		885		482
Gain on disposals of intangible assets		14		3
Gain on transactions of derivatives		17,741		8,534
Gain on valuation of derivatives		2,333		1,981
Gain on disposals of investments in subsidiaries		-		12,032
Gain on disposals of investments in associates		136,824		252
Miscellaneous income		3,071		2,431
Reversal of impairment loss on intangible assets		-		890
Others		12,681		336
Total	₩	197,026	₩	52,805
Other non-operating expenses				
Loss on foreign currency transaction	₩	11,906	₩	16,727
Loss on foreign currency translation		9,447		3,155
Loss on disposals of tangible assets		3,256		5,994
Loss on disposals of intangible assets		329		147
Loss on transactions of derivatives		18,795		15,911
Loss on valuation of derivatives		3,921		330
Loss on disposals of investments in associates		-		1,712
Impairment losses of investments in associates		66,497		-
Loss on disposals of investments in subsidiaries		4		462
Donations and contributions		6,439		3,087
Other bad debt expenses		1,323		290
Disaster loss		4,347		-
Impairment losses of intangible assets		2,612		389
Impairment losses of tangible assets		11,499		6,257
Miscellaneous loss		303		2,436
Others		1,617		969
Total	₩	142,295	₩	57,866

27. <u>NET GAINS (LOSSES) FROM FINANCIAL INSTRUMENTS:</u>

Net gains (losses) from financial instruments for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2020		Year ended December 31, 2019
Financial assets:				
Cash and cash equivalents	₩	23,433	₩	24,588
Financial assets at FVTPL		20,148		10,731
Financial assets at FVTOCI		2,029		1,929
Financial assets measured at amortized cost		10,420		14,908
Subtotal		56,030		52,156
Financial liabilities:				
Financial liabilities at FVTPL		(22,717)		(16,319)
Financial liabilities measured at amortized cost		(34,330)		(43,551)
Subtotal		(57,047)		(59,870)
Total	₩	(1,017)	₩	(7,714)

28. <u>INCOME TAX:</u>

(1) Composition of income tax expense for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2020		Year ended December 31, 2019
Current income tax	₩	391,525	₩	192,934
Adjustment related to prior income tax expense		93		(6,791)
Changes in deferred tax assets:		(65,715)		11,154
Foreign currency translation effects		(59)		35
Beginning deferred tax assets due to temporary differences		(87,301)		(60,586)
Ending deferred tax assets due to temporary differences		(84,674)		(87,301)
Deferred tax directly reflected in equity		5,645		(1,346)
Changes in scope of consolidation		-		(89,390)
Classified as assets held for sale		(68,674)		75,140
Effect of change in accounting policy		-		59
Others and consolidation adjustments		(1,313)		(1,754)
Income tax expense for continuing operations	₩	324,590	₩	195,602

(2) Changes in deferred tax assets (liabilities) for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020			
	Beginning balance	Reflected in income (loss) or in equity	Changes in scope of consolidation	Ending balance
Temporary differences:				
Cash flow hedging	₩ (413)	₩ (67)	₩ -	₩ (480)
Investments in subsidiaries, associates and joint ventures	(90,784)	23,505	-	(67,279)
Property, plant and equipment	30,683	(3,142)	-	27,541
Intangible assets	101	(135)	-	(34)
Other financial assets	(5,203)	(337)	-	(5,540)
Provisions	31,690	(2,261)	-	29,429
Doubtful receivables	985	(25)	-	960
Other financial liabilities	2,649	782	-	3,431
Others	7,137	11,493	-	18,630
Tax deficit and tax credits:				
Tax deficit	-	-	-	-
Others	78,429	(78,802)	-	(373)
Deferred tax assets (liabilities)	55,274	(48,989)	-	6,285
Consolidation adjustment	(142,575)	51,616	-	(90,959)
Consolidated balance	₩ (87,301)	₩ 2,627	₩ -	₩ (84,674)

Description	December 31, 2019			
	Beginning balance	Reflected in income (loss) or in equity	Changes in scope of consolidation	Ending balance
Temporary differences:				
Cash flow hedging	₩ (181)	₩ (232)	₩ -	₩ (413)
Investments in subsidiaries, associates and joint ventures	(60,608)	(30,176)	-	(90,784)
Property, plant and equipment	29,612	1,071	-	30,683
Intangible assets	1,518	(1,417)	-	101
Other financial assets	3,603	(8,806)	-	(5,203)
Provisions	29,391	2,299	-	31,690
Doubtful receivables	121	864	-	985
Other financial liabilities	2,638	11	-	2,649
Others	41,252	(34,115)	-	7,137
Tax deficit and tax credits:				
Tax deficit	143	(143)	-	-
Others	1,313	166,506	(89,390)	78,429
Deferred tax assets (liabilities)	48,802	95,862	(89,390)	55,274
Consolidation adjustment	(109,388)	(33,187)	-	(142,575)
Consolidated balance	₩ (60,586)	₩ 62,675	₩ (89,390)	₩ (87,301)

(3) Details of income tax that are directly reflected to the capital for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Valuation gain (loss) of other financial assets		409		(319)
Remeasurement of defined benefit plans		(104)		2,569
Change of capital from equity method		5,340		(3,596)
Total	₩	5,645	₩	(1,346)

(4) Details of deferred tax liabilities related to assets held for sale as of December 31, 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2020	
Liabilities related to assets held for sale	₩	6,466

(5) As of December 31, 2020 and 2019, unrecognized deferred tax assets, excluding investment and interests, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Temporary differences	₩	23,746	₩	317
Tax deficit		25,987		16,136
Tax credits unused		97		55

(6) As of December 31, 2020 and 2019, the temporary differences related to investment assets and equity interest not recognized as deferred tax assets (liabilities) are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Investments in subsidiaries	₩	(1,381,330)	₩	(1,659,685)
Investments in associates and joint ventures(*)		1,095,189		1,413,535
Total	₩	(286,141)	₩	(246,150)

(*) Includes temporary differences that are not recognized as deferred tax assets (liabilities) of associated investments classified as assets to be distributed by owners.

29. EARNINGS PER SHARE:

(1) Net income per share for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won):

Description	December 31, 2020		December 31, 2019	
Basic earnings per share of common share				
Continuing operation	₩	7,706	₩	4,313
Discontinued operation		632		1,831
Total basic earnings per share of common share	₩	8,338 6,114	₩	6,143
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share (*)				
Continuing operation	₩	7,756	₩	4,363
Discontinued operation		632		1,831
Total basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	₩	8,388	₩	6,193

(*) Basic earnings per share are calculated for preferred share, which K-IFRS 1033, *Earnings per Share,* clarifies as common share, such as having no priority rights for dividend of profit and distribution of residual property.

(2) Net income and weighted-average number of shares used to calculate earnings per share of common share for the years ended December 31, 2020 and 2019, are as follows
(Unit: Korean won in millions):

Description	Year ended December 31, 2020	Year ended December 31, 2019
Profit for the year attributable to owners of the Company	₩ 1,465,673	₩ 1,079,949
Less dividends for Pre-1996 Commercial Law Amendment preferred share	(7,443)	(6,781)
Less Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	(20,302)	(13,705)
Net income used to calculate basic earnings per share of common share	1,437,928	1,059,463
Profit from continuing operations used for continuing operations' basic earnings per share of common share	1,328,993	743,766
Less discontinued operations' profit used for discontinued operations' basic earnings per share of common share	108,935	315,697
Weighted-average number of common shares	172,463,342 shares	172,463,342 shares

(3) Net income and weighted-average number of shares used to calculate earnings per share of Pre-1996 Commercial Law Amendment preferred share for the years ended December 31, 2020 and 2019, are as follows
(Unit: Korean won in millions):

Description	Year ended December 31, 2020	Year ended December 31, 2019
Dividends for Pre-1996 Commercial Law Amendment preferred share and Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	₩ 27,745	₩ 20,486
Net income used to calculate basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	27,745	20,486
Profit from continuing operations used for continuing operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share	25,656	14,431
Less discontinued operations' profit used for discontinued operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share	2,089	6,055
Weighted-average number of Pre-1996 Commercial Law Amendment preferred shares	3,307,867 shares	3,307,867 shares

(4) As there are no potential common shares of the Group, diluted earnings per share of common shares and Pre-1996 Commercial Law Amendment preferred shares are equal to basic earnings per share.

30. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2020 and 2019, are as follows:

December 31, 2020		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
Associates:		
Tmoney Co., Ltd.	Tmoney CS Partners	T-Money America, Inc. and others
	SMDev.Co.,Ltd	
Songdo U-Life LLC	U-Life Solutions	
	Songdo International Sports Club LLC	
Recaudo Bogota S.A.S.		
Dongnam Solar Energy Co., Ltd.		
Combustion Synthesis Co., Ltd.		
Hellas SmarTicket Societe Anonyme		
Ulleungdo Natural Energy Independent Island Co., Ltd. (*2)		
Daegu Clean Energy Co., Ltd.		
CloudGram Corp. (*3)		
Korea DRD Corp. (*3)		
Hempking Corp. (*3)		
dnabee Inc. (*4)		
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG Innotek Co., Ltd.	
	Innowith	
	Hanuri	
	LG Innotek Alliance Fund	
	ZKW Lighting Systems Korea Co., Ltd.	
LG Chem Ltd.	Haengboknuri	LG Chem America, Inc. and others
	FarmHannong Co., Ltd.	
	Ujimak Korea Co., Ltd.	
	LG Energy Solution, Ltd.(*5)	
LG Hausys, Ltd.	Greennuri, Ltd.	LG Hausys America, Inc. and others
LG Uplus Corp.	CS Leader	DACOM America Inc. and others
	Ain Teleservice	
	CS One Partner	
	Medialog Corp.	
	With U Co., Ltd.	
	LG HelloVision Corp.(*6)	
	UPLUS HOMESERVICE(*7)	
	CV Partners Co,. Ltd.(*8)	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	HAITAI HTB CO., LTD.	
	Balkeunnuri Co., Ltd.	
	Fmji Co., Ltd.	
	LG Farouk Co.	
	Taegeuk Pharmaceutical Co., Ltd.	
	Ulleung Spring Water Co., Ltd.	
	RUCIPELLO KOREA INC.	
	MiGenstory Co. Ltd	
	LOA & J, INC.(*9)	
LG International Corp.	Dangjin Tank Terminal Co., Ltd.	LG International (America) Inc. and others
	Pantos Logistics Co., Ltd.	
	Pantos Busan Newport Logistics Center Co., Ltd.	
	Helistar Air Co., Ltd.	
	Hanultari Co., Ltd.	
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.		
Silicon Works Co., Ltd.		Silicon Works Inc. and others
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd.	ZKW Group GmbH and others

December 31, 2020		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH
SERVEONE Co., Ltd		SERVEONE(Nanjing).Co., Ltd and others
Joint ventures:		
LG MMA Corp.		
Other related parties' affiliates by the Act: (*10)		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
SEETEC Co., Ltd.		
Clean Soul Ltd.		
DACOM Crossing Corporation		
Robostar Co., Ltd.	Robomedi Co., Ltd.	ROBOSTAR(SHANGHAI)CO.,LTD

(*1) Joint ventures of associates are excluded.
(*2) The liquidation decision was made at the general shareholders' meeting during the prior period, and the liquidation process is in progress as of the end of the current period.
(*3) Classified as an associate of the Group of LGCNS Corp. due to the acquisition of shares during the current year.
(*4) Classified as an associate of the Group of LGCNS Corp. due to the redeemable convertible preferred stock has been converted to common stock during the current period.
(*5) Newly established by LG Chem in physical division during the current period.
(*6) LG HelloVision Corp. absorbed and merged LG HelloVision Hana Corp. during the current period.
(*7) Classified as a subsidiary of LG Uplus Corp. due to the acquisition of shares during the current period.
(*8) Classified as a subsidiary of LG HelloVision Corp. due to the acquisition of shares during the current period.
(*9) Classified as a subsidiary of LG Household & Health Care Ltd. due to the acquisition of shares during the current period.
(*10) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

December 31, 2019		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
Associates:		
Tmoney Co., Ltd.(*2)	Tmoney CS Partners(*2) SMDev.Co.,Ltd	T-Money America, Inc. and others
Songdo U-Life LLC	U-Life Solutions Songdo International Sports Club LLC	
Recaudo Bogota S.A.S.		
Dongnam Solar Energy Co., Ltd.		
Combustion Synthesis Co., Ltd.		
Hellas SmarTicket Societe Anonyme		
Ulleungdo Natural Energy Independent Island Co., Ltd.		
Daegu Clean Energy Co., Ltd.		
KEPCO-LGCNS Mangilao Holdings LLC(*3)		Mangilao Investment LLC and others(*3)
LG Electronics Inc.	Hi Plaza Inc. Hi-M Solutec Co., Ltd. HITeleservice Co., Ltd. Ace R&A Co., Ltd. LG Innotek Co., Ltd. Innowith Hanuri LG Innotek Alliance Fund ZKW Lighting Systems Korea Co., Ltd.(*4)	LG Electronics Mexico S.A. DE C.V. and others
LG Chem Ltd.	Haengboknuri FarmHannong Co., Ltd. Ujimak Korea Co., Ltd.	LG Chem America, Inc. and others
LG Hausys, Ltd.	Greennuri, Ltd.	LG Hausys America, Inc. and others
LG Uplus Corp.	CS Leader Ain Teleservice CS One Partner	DACOM America Inc. and others

December 31, 2019		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
	Medialog Corp.	
	With U Co., Ltd.	
	LG HelloVision Corp.(*5)	
	LG HelloVision Hana Corp.(*5)(*6)	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	The FaceShop Co., Ltd.(*7)	
	HAITAI HTB CO., LTD.	
	CNP Cosmetics Co., Ltd. (*7)	
	K&I Co., Ltd. (*7)	
	Balkeunnuri Co., Ltd.	
	Fmji Co., Ltd.	
	Oriental Biomed Lab Ltd.(*8)	
	LG Farouk Co.	
	Taegeuk Pharmaceutical Co., Ltd.(*8)	
	JS Pharmaceutical Co., Ltd.(*8)	
	Ulleung Spring Water Co., Ltd.(*4)	
	RUCIPELLO KOREA INC.(*9)	
	MiGenstory Co. Ltd(*10)	
LG International Corp.	Dangjin Tank Terminal Co., Ltd.	LG International (America) Inc. and others
	Pantos Logistics Co., Ltd.	
	Pantos Busan Newport Logistics Center Co., Ltd.	
	Helistar Air Co., Ltd.	
	Hanultari Co., Ltd.	
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.		
Silicon Works Co., Ltd.		Silicon Works Inc. and others
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd.(*4)	ZKW Group GmbH and others
ZKW Austria Immobilien Holding GmbH(*11)		ZKW Austria Immobilien GmbH(*11)
SERVEONE Co., Ltd(*12)		SERVEONE(Nanjing).Co., LTD and others
Joint ventures:		
LG MMA Corp.		
Other related parties' affiliates by the Act: (*15)		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
Sal de Vida Korea Corp.(*13)		
LG Tostem BM Co., Ltd.(*14)		
SEETEC Co., Ltd.		
Clean Soul Ltd.		
DACOM Crossing Corporation		
Robostar Co., Ltd.	Robomedi Co., Ltd.	ROBOSTAR(SHANGHAI)CO.,LTD

(*1) Joint ventures of associates are excluded.
(*2) The company's name was changed during the current year (formerly Korea Smart Card Co., Ltd, Korea Smart Card CS Partners Co., Ltd.)
(*3) Excluded from the associated entity of LGCNS Corp. due to the sale of its shares during the current period.
(*4) Newly established during the previous period.
(*5) Classified as a subsidiary of LG Uplus Corp. due to the acquisition of shares during the previous period.
(*6) Absorbed into LG HelloVision Corp. during the current period.
(*7) Absorbed into LG Household & Health Care Ltd. during the current period.
(*8) During the current period, Oriental Biomed Lab Ltd. and JS Pharmaceutical Co., Ltd. were merged into Taegeuk Pharmaceutical Co., Ltd.
(*9) Classified as a subsidiary of LG Household & Health Care Ltd. due to the acquisition of shares during the period period.
(*10) Due to the exercise of the right to convert convertible bonds during the previous period, the company was classified as a subsidiary from an associate of LG Household & Health Care Ltd.
(*11) The company's name was changed during the previous period. (formerly MGIV GmbH, Mommert Immobilien GmbH)
(*12) Classified as an associate of the Group through the sale of shares during the previous period.
(*13) LG International Corp. sold its stake during the current period and was excluded from the large-scale enterprise classification company.
(*14) Liquidated during the current period and excluded from large enterprise classification companies.
(*15) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

(2) Transactions within the Group and subsidiaries are eliminated before consolidation, and the details of other transactions with related parties as of December 31, 2020 and 2019, are as follows:

1) Transactions with related parties for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020			
Description	Revenue and others (*1)(*3)	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase (*4)
Associates and their subsidiaries:				
Tmoney Co., Ltd.	₩ 23,067	₩ -	₩ -	₩ 784
LG Chem Ltd. (*2)	1,340,180	11,415	243	1,936
LG Household & Health Care Ltd. (*2)	117,181	38	-	4,391
LG Electronics Inc. (*2)	1,194,772	9,807	166	156,680
LG Uplus Corp. (*2)	509,640	-	129	28,164
LG Hitachi Co., Ltd.	301	-	-	1,329
GIIR Corporation (*2)	10,187	-	147	15,955
LG Hausys, Ltd. (*2)	55,260	10	737	8,518
Silicon Works Co., Ltd.	8,143	-	-	-
Dongnam Solar Energy Co., Ltd.	403	-	-	-
LG Fuel Cell Systems Inc. (*2)	-	-	-	-
LG International Corp. (*2)	69,374	-	-	795
Serveone Co., Ltd.(*2)	28,161	17,292	1,859	15,277
CloudGram Corp.	-	-	-	531
Korea DRD Corp.	1,812	-	-	1,729
Hellas SmarTicket Societe Anonyme	240	-	-	-
Hempking Corp.	-	-	-	4
Joint ventures:				
LG MMA Corp.	23,571	-	-	-
Other related parties' affiliates by the Act: (*5)				
LG Display Co., Ltd. and others(*2)	531,596	-	-	578
Total	₩ 3,913,888	₩ 38,562	₩ 3,281	₩ 236,671

	Year ended December 31, 2019			
Description	Revenue and others (*1)(*3)	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase (*4)
Associates and their subsidiaries:				
Tmoney Co., Ltd.	₩ 24,958	₩ -	₩ -	₩ 664
LG Chem Ltd. (*2)	1,732,071	4,426	3,103	17,916
LG Household & Health Care Ltd. (*2)	146,636	676	-	4,132
LG Electronics Inc. (*2)	1,488,802	30,083	1,374	171,208
LG Uplus Corp. (*2)	577,389	-	-	32,555
LG Hitachi Co., Ltd.	384	-	-	960
GIIR Corporation (*2)	7,806	-	7	21,625
LG Hausys, Ltd. (*2)	81,103	1,720	-	29,784
Silicon Works Co., Ltd.	9,042	-	-	-
Dongnam Solar Energy Co., Ltd.	409	-	-	-
LG Fuel Cell Systems Inc. (*2)	14	-	-	-
LG International Corp. (*2)	62,853	1,725	133,909	1,300
Serveone Co., Ltd.(*2)	18,658	17,498	1,051	11,095

Description	Year ended December 31, 2019			
	Revenue and others (*1)(*3)	Purchase of raw material	Acquisitions of property, plant and equipment	Other purchase (*4)
Joint ventures:				
LG MMA Corp.	32,516	24	-	-
Other related parties' affiliates by the Act: (*5)				
LG Display Co., Ltd. and others(*2)	1,058,533	-	532	398
Total	₩ 5,241,174	₩ 56,152	₩ 139,976	₩ 291,637

(*1) Dividends received from associates are disclosed in Note 13.
(*2) Includes transactions with an associate's subsidiary.
(*3) The Company recorded contractual assets of ₩111,285 million and contractual liabilities of ₩84,980 million for LG Electronics Co., Ltd. and others, and ₩169,611 million and contractual liabilities of ₩47,243 million for LG Electronics Co., Ltd. and others.
(*4) In addition to the transaction details above, LG Electronics Co., Ltd. and others has right-of-use assets of ₩3,262 million and lease liabilities of ₩3,347 million as of December 31, 2020.
(*5) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

Above transactions include amounts classified as discontinued operating profit or loss in the consolidated profit or loss statement for the current and prior period.

2) Outstanding receivables and payables from transactions with related parties as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020			
	Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Associates and their subsidiaries:				
Tmoney Co., Ltd.	₩ 2,820	₩ -	₩ 139	₩ -
LG Chem Ltd. (*3)	434,679	-	33,225	-
LG Household & Health Care Ltd. (*3)	6,599	-	10,882	-
LG Electronics Inc. (*3)	363,609	-	110,654	-
LG Uplus Corp. (*3)	138,957	-	16,570	-
LG Hitachi Co., Ltd.	92	-	475	-
GIIR Corporation (*3)	7,740	-	20,377	-
LG Hausys, Ltd. (*3)	7,562	-	9,410	-
Recaudo Bogota S.A.S. (*4)	29,058	-	-	-
Dongnam Solar Energy Co., Ltd.	129	175	-	-
KEPCO-LGCNS Mangilao Holdings LLC (*5)	-	-	-	-
Silicon Works Co., Ltd.	814	-	900	-
LG International Corp. (*3)	16,329	-	13,678	-
Serveone Co., Ltd.(*3)(*6)	3,690	-	11,564	-
CloudGram Corp.	-		-	-
Korea DRD Corp.	32		-	-
Hellas SmarTicket Societe Anonyme	946		951	-
Hempking Corp.	62		-	-
Joint ventures:				
LG MMA Corp.	5,721	-	1,068	-

Description	December 31, 2020 Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Other related parties' affiliates by the Act: (*7)				
LG Display Co., Ltd. and others(*3)	199,141	-	18,640	-
Total	₩ 1,217,980	₩ 175	₩ 248,533	₩ -

Description	December 31, 2019 Account receivables and others (*1)	Loans	Account payables and others (*2)	Borrowings
Associates and their subsidiaries:				
Tmoney Co., Ltd..	₩ 2,737	₩ -	₩ 155	₩ -
LG Chem Ltd. (*3)	467,341	-	49,615	-
LG Household & Health Care Ltd. (*3)	16,552	-	16,726	-
LG Electronics Inc. (*3)	288,471	-	146,274	-
LG Uplus Corp. (*3)	195,292	-	28,728	-
LG Hitachi Co., Ltd.	109	-	497	-
GIIR Corporation (*3)	7,980	-	22,992	-
LG Hausys, Ltd. (*3)	11,422	-	24,621	-
Recaudo Bogota S.A.S. (*4)	18,317	-	-	-
Dongnam Solar Energy Co., Ltd.	28	174	-	-
KEPCO-LGCNS Mangilao Holdings LLC(*5)	93	7,864	-	-
Silicon Works Co., Ltd.	1,059	-	300	-
LG International Corp. (*3)	10,044	-	20,215	-
Serveone Co., Ltd.(*3)(*6)	5,142	-	16,894	-
Joint ventures:				-
LG MMA Corp.	10,088	-	1,377	-
Other related parties' affiliates by the Act: (*7)				
LG Display Co., Ltd. and others(*3)	235,253	-	35,833	-
Total	₩ 1,269,928	₩ 8,038	₩ 364,227	₩ -

(*1) Receivables from related parties are composed of mainly trade receivables and; other receivables arising from transactions.
(*2) Payables to related parties are composed of mainly trade payables and other payables arising from transactions.
(*3) Includes transactions with an associate's subsidiary.
(*4) As of the end of the current term and the prior period, provision for bad debts of ₩4,586 million and ₩13,858 million, respectively, are set for loans from associate.
(*5) It was sold during the current period and excluded from related parties, and provision for bad debts of ₩1,043 million was set for bonds at the end of the previous period.
(*6) Classified as a related company due to the sale of shares during the previous period.
(*7) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

Above bonds and liabilities include the amounts classified as assets and liabilities to be distributed by owners in the consolidated financial statements as of the end of the current period.

3) Fund transactions with the related parties for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020					
	Payment in cash (reduction of capital)	Sale of interests	Loans		Borrowings	
			Loans	Payback	Borrowings	Repayments
Associates:						
CloudGram Corp.	₩ 19,888	₩ -	₩ -	₩ -	₩ -	₩ -
Korea DRD Corp.	597	-	-	-	-	-
Ulleungdo Natural Energy Independent Island Co., Ltd (*1)	-	4,666	-	-	-	-
Hempking Corp.(*2)	498	-	-	-	-	-
KEPCO-LGCNS Mangilao Holdings LLC	-	-	-	7,610	-	-
Total	₩ 20,983	₩ 4,666	₩ -	₩ 7,610	₩ -	₩ -

Description	Year ended December 31, 2019					
	Payment in cash (reduction of capital)	Sale of interests	Loans		Borrowings	
			Loans	Payback	Borrowings	Repayments
Associates:						
LG Electronics Co., Ltd.(*3)	₩ -	₩ 192,473	₩ -	₩ -	₩ -	₩ -
Total	₩ -	₩ 192,473	₩ -	₩ -	₩ -	₩ -

(*1) The Group recovered ₩4,666 million in liquidation dividends during the current period.
(*2) The amount of investment established.
(*3) It was sold during the current period and excluded from related parties.

(3) The compensation and benefits for the Group's key managements (registered executives, including non-permanent and non-registered executives) who have significant control and responsibility on planning, operating and controlling the activities of the Group for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2020	Year ended December 31, 2019
Short-term employee benefits	₩ 66,292	₩ 62,179
Severance benefits	7,550	7,964
Other long-term employee benefits	5	3
Total	₩ 73,847	₩ 70,146

(4) Details of payment guarantees provided to related parties as of December 31, 2020, are as follows (Unit: EUR and Korean won in millions):

Company provided	Details	Insurance company	Limit amount	Limit amount (Korean won)	Warranty
Hellas SmarTicket Societe Anonyme	Payment guarantees	The Export-Import Bank of Korea	EUR 28,000,000	37,471	2016.03.04 - 2027.03.04

31. FUNDING ARRANGEMENTS AND PLEDGING:

(1) As of December 31, 2020, commitments related to the Group's funding are as follows (Unit: Korean won in millions):

Category	Limit		Used	
Import	₩	14,144	₩	-
Overdraft		39,000		-
Credit line		5,000		-
Corporate facility fund borrowings		25,503		25,368
Working capital borrowings		240,926		86,449
Forwards		92,806		14,915
Receivable-backed borrowings		203,000		10,728
Other borrowing agreements		70,599		3,578
Others		44,000		-

(2) Restricted financial assets as of December 31, 2020, are as follows (Unit: Korean won in millions):

Account	December 31, 2020		Remark
Cash and cash equivalents	₩	11,522	Deposits for issuing notes and pledges against borrowings
Financial institution deposits		12,000	Win-Win Cooperation Fund and Write out agreements
Long-term deposits		25	Deposits for overdraft accounts

(3) Details of pledging as of December 31, 2020, are as follows:

Provider	Recipient	Details
S&I Corporation	The Korea Development Bank and 21 others	Stock collateral security pledged, ₩3,224 million with respect to build transfer lease projects.
	NH Bank	₩873 million of associate stock(Dongnam Solar Energy Co., Ltd.) provided as pledged to project financing.
	Construction Guarantee	₩5,056 million of capital stock investment provided a combination as mortgage.
	Electric Contractors Financial Cooperative	₩67 million of capital stock investment provided a combination as mortgage.
	Engineering Guarantee Insurance	₩72 million of capital stock investment provided a combination as mortgage.
	Korea Specialty Contractor Financial Cooperative	₩101 million of capital stock investment provided a combination as mortgage.
	Information & Communication Financial Cooperative	₩24 million of capital stock investment provided a combination as mortgage.
	Korea Facilities Construction Financial Cooperative	₩53 million of capital stock investment provided a combination as mortgage.
LG CNS Co., Ltd.	Korea Software Financial Cooperative	₩1,341 million of capital stock investment provided a combination as mortgage.
	Engineering Guarantee Insurance	₩779 million of capital stock investment provided a combination as mortgage.
LG Sports Co., Ltd.	KB Bank	Provide land as collateral (book value: ₩92,585 million and amount limit: ₩48,000 million).

(4) Performance guarantee

The Group provides the following performance guarantees and warranties to customers through third-party guarantee insurance agreements as of December 31, 2020 (Unit: Korean won in millions):

Description	Provider	Amounts of guarantees		Insurance company
Guarantee of contract and warranties, etc.	S&I Corporation Co., Ltd., LG CNS Co., Ltd. and others	₩	256,803	Seoul Guarantee Insurance
			403,659	Korea Software Financial Cooperative
			65	Engineering Financial Cooperative
			40,044	Contractor Financial Cooperative
			12,775	The Export-Import Bank of Korea
			55,549	Shinhan Bank and others
Total		₩	768,895	

(5) Other terms and conditions

1) S & I Corporation, a subsidiary, has entered into an agreement to pay the shortfall to the sales reserve account when the annual photovoltaic power generation revenue is less than certain amount regarding borrowings (94 billion KRW) of Nonghyup Bank Co., Ltd. with Gwangmyeong Electric Co., Ltd. and Daekyung Enertech Co., Ltd.

2) The Group has an agreement to pay to the ClearLink Business Services Limited by applying certain percentage to the shortfall if the average annual gross profit from transactions within the scope of the Group does not reach the agreed standard when selling for shares in SERVEONE Co., Ltd.

3) When trading to Crystal Korea Limited (investor) for some of LG CNS Co., Ltd.' shares (35% of the total number of shares generated), the Group has an agreement to propose a recovery plan for the shortfall if it does not meet the investor's certain return.

32. <u>OPERATING LEASE CONTRACTS:</u>

(1) The Group as lessee

1) The book value of right-of-use assets as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020							
Description	Buildings		Vehicles		Furniture, fixtures and others		Total	
Acquisition cost	₩	38,583	₩	11,480	₩	5,078	₩	55,141
Accumulated depreciation		(14,164)		(5,866)		(3,476)		(23,506)
Book value	₩	24.419	₩	5,614	₩	1,602	₩	31,635

	December 31, 2019							
Description	Buildings		Vehicles		Furniture, fixtures and others		Total	
Acquisition cost	₩	48,529	₩	7,455	₩	5,073	₩	61,057
Accumulated depreciation		(7,238)		(2,755)		(1,687)		(11,680)
Book value	₩	41,291	₩	4,700	₩	3,386	₩	49,377

2) Changes in book value of right-of-use assets for the years ended December 31, 2020 and 2019, are as follows. (Unit: Korean won in millions):

	Year ended December 31, 2020			
Description	Buildings	Vehicles	Tools and equipment	Total
Beginning balance	₩ 41,291	₩ 4,700	₩3,386	₩ 49,377
Acquisitions	16,231	4,535	315	21,081
Depreciation	(13,838)	(4,032)	(1,949)	(19,819)
Termination of a contract, etc.	(19,265)	411	(150)	(19,004)
Ending balance	₩ 24,419	₩ 5,614	₩1,602	₩ 31,635

	Year ended December 31, 2019			
Description	Buildings	Vehicles	Tools and equipment	Total
Beginning balance	₩ 27,854	₩ 4,648	₩2,162	₩ 34,664
Acquisitions	20,675	2,807	2,911	26,393
Depreciation	(7,238)	(2,755)	(1,687)	(11,680)
Ending balance	₩ 41,291	₩ 4,700	₩ 3,386	₩ 49,377

3) The amounts recognized in profit or loss during the current and prior period are as follows.
(Unit: Korean won in millions)

Description	2020	2019
Depreciation	₩ 14,884	₩ 12,033
Interest expenses on lease liabilities	1,640	1,165
Short-term and small asset lease related expenses	13,234	8,961
Contract termination costs, etc.	482	-
Revenues arising from the sublease	62	-

As of December 31, 2020, the Group's short-term lease commitment is ₩1,483 million, and the total cash outflow of the lease, including short-term leases, is KRW 30,805 million.

4) As of December 31, 2020 and 2019, the current liquid components of the lease liabilities are as follows.
(Unit: Korean won in millions)

Description	2020	2019
Current liabilities	₩ 22,617	₩ 21,555
Non-current liabilities	23,529	26,681
Total	₩ 46,146	₩ 48,236

5) As of December 31, 2020 and 2019, the maturity analysis of lease liabilities is as follows.
(Unit: Korean won in millions)

	Year ended December 31, 2020	
Description	Minimum lease payments	Present value of minimum lease payments
Less than one year	₩ 22,976	₩ 22,617
1 year–5 years	12,686	10,354
More than five years	17,133	13,175
Total	₩ 52,795	₩ 46,146

Description	Year ended December 31, 2019			
	Minimum lease payments		Present value of minimum lease payments	
Less than one year	₩	23,463	₩	21,555
1 year–5 years		21,382		20,389
More than five years		7,011		6,292
Total	₩	51,856	₩	48,236

(2) The Group as lessor

1) The companies included in the Group have operating lease contracts, such as real estate rental.

2) The operating lease contracts as of December 31, 2020 and 2019 are as follows (Unit: Korean won in millions):

December 31, 2020							
Less than 1 year		1 year–5 years		More than 5 years		Total	
₩	132,332	₩	49,850	₩	31,443	₩	213,625

December 31, 2019							
Less than 1 year		1 year–5 years		More than 5 years		Total	
₩	130,265	₩	56,016	₩	38,840	₩	225,121

3) The Group recognized rental profit related to operating lease contracts for the years ended December 31, 2020 and 2019, in the amounts of ₩144,025 million and ₩142,254 million, respectively. For the years ended December 31, 2019, ₩2 million was included as account of profit or loss from discontinued operations.

33. PENDING LITIGATIONS:

1) Pending litigations as of December 31, 2020, are claims for return of other receivables (defendant: Asan Social Welfare Foundation and the amount of lawsuit: ₩10,000 million) and 10 others, and the total amount of lawsuits is ₩34,309 million. The cases that the Group is sued are the claims for compensation for damages on delivery equipment (plaintiff: Korea Customs Service and the amount of lawsuit: ₩15,170 million) and 12 others, and the total amount of lawsuits is ₩63,212 million. Meanwhile, the results of lawsuits and the effects on the consolidated financial statements cannot be reasonably predicted at the end of the reporting date.

2) Prior to the previous period, a fire occurred in a building entrusted by S&I Corporation, a subsidiary, and the Group believes that it is liable to indemnify some of the losses caused by the fire accident. The Group sets the related provision ₩2,041 million as the best estimate as of December 31, 2020.

34. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital risk management to maintain the ability to continuously provide profits to shareholders and interested parties and to maintain optimum capital structure to reduce capital expenses. In order to maintain such optimum structure, the Group may adjust dividend payments, redeem paid-up capital to shareholders, issue stocks to reduce liability or sell assets.

The Group's capital structure consists of net liability, which is borrowings, less cash and cash equivalents and equity; the overall capital risk management policy of the Group is unchanged from the prior period. In addition, items managed as capital by the Group as of December 31, 2020 and 2019, are as follows

(Unit: Korean won in millions):

	December 31, 2020		December 31, 2019	
Total borrowings	₩	1,228,688	₩	1,115,014
Less: Cash and cash equivalents		(1,492,690)		(1,337,102)
Borrowings, net		(264,002)		(222,088)
Total equity	₩	20,861,290	₩	19,021,021
Debt-to-equity ratio(*)		-		-

(*) As of December 31, 2020 and 2019, net borrowings ratio was not calculated because net borrowings were negative.

(2) Financial risk management

The Group is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify potential risks of financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. The Group makes use of derivative financial instruments to hedge certain risks, such as foreign exchange and interest rate risks. Overall financial risk management policy of the Group is the same as one of the prior period.

1) Foreign currency risk

The Group is exposed to foreign currency risk since it makes transactions in foreign currencies. The book value of the Group's monetary assets and liabilities denominated in foreign currency that is not the functional currency as of December 31, 2020, is as follows (Unit: Korean won in millions):

Currency	Assets		Liabilities	
USD	₩	81,757	₩	65,310
EUR		57,423		25,720
JPY		1,608		2,257
CNY		11,766		940
Others		110,589		20,692
Total	₩	263,143	₩	114,919

The Group internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Group’s sensitivity analysis to a 10% increase and decrease in the Korean won (functional currency of the Group) against major foreign currencies as of December 31, 2020, is as follows (Unit: Korean won in millions):

Currency	10% increase against foreign currency		10% decrease against foreign currency	
USD	₩	1,250	₩	(1,250)
EUR		2,574		(2,574)
JPY		(48)		48
CNY		827		(827)
Others		6,806		(6,806)
Total	₩	11,409	₩	(11,409)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2020.

As of December 31, 2020, the Group entered into cross-currency forward contracts and currency swap contracts to manage its foreign currency exchange rate risk related to its expected sale and purchase.

The evaluation of unsettled currency forward contracts and currency swap contracts as of and for the year ended December 31, 2020, is as follows (Unit: Korean won in millions):

Description	Notional amount	Valuation gain and loss		Accumulated other comprehensive income(*)	Fair value	
		Gain	Loss		Assets	Liabilities
Currency forward	₩ 170,597	₩ 2,333	₩ 326	₩ -	₩ 2,578	₩ 326

(*) The amount after considering the effect of corporate tax.

2) Interest rate risk

The Group borrows a floating rate and is exposed to cash flow risk arising from interest rate changes. Also, because of AFS debt securities that are measured at fair value, the Group is exposed to fair value interest rate risk.

The book value of assets and liabilities exposed to interest rate risk as of December 31, 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2020
Borrowings	₩ 106,639
Total	₩ 106,639

The Group internally assesses the cash flow risk from changes in interest rates on a regular basis.

Effect of changes in interest rates of 1% to net income as of December 31, 2020, is as follows (Unit: Korean won in millions):

Description	1% increase		1% decrease	
	Gain (loss)	Net assets	Gain (loss)	Net assets
Borrowings	₩ (621)	₩ -	₩ 621	₩ -
Total	₩ (621)	₩ -	₩ 621	₩ -

3) Price risk

The Group is exposed to price risks from AFS equity instruments. As of December 31, 2020, the fair value of AFS equity instruments is ₩45,184 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect of after tax to equity will be ₩3,425 million.

4) Credit risk

Credit risk refers to risk of financial losses to the Group when the counterparty defaults on the obligations of the contract.
The maximum amount of the financial loss that the Company will incur due to the non-fulfillment of obligations of the counterparty in the event that collateral or other credit enhancement is not taken into consideration is the carrying amount of each financial asset in the consolidated financial statements. Regardless of the likelihood of an event, the maximum amount that the Company will be required to pay for guarantees due to the financial guarantees provided by the Group is the amount of ₩37,471 million (the financial guarantee limit is described in Note 30 (4)).

To minimize credit risk, the Group use independent external credit rating agencies' credit rating information to classify exposure based on the extent of default. If information from credit rating agencies is not available, we use officially available financial information to determine the ratings of key customers and other debtors. Our total exposure and the counterparty's credit rating are constantly reviewed and the total amount of these transactions is evenly distributed among the authorized accounts.

Meanwhile, maximum exposure amount of credit risk of the consolidated entity for the loss of non-consolidation structured entity that is explained in Note 35 is ₩91,744 million.

5) Liquidity risk
The Group establishes short-term and long-term fund management plans. The Group analyzes and reviews actual cash outflow and its budget to correspond to the maturity of financial liabilities to that of financial assets. Management of the Group believes that the financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to their remaining maturity as of December 31, 2020, is as follows (Unit: Korean won in millions):

Description	Within 1 year	1 year–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 1,315,857	₩ 13,907	₩ 8,424	₩ 1,338,188
Floating-rate financial instrument	21,721	96,010	-	117,731
Fixed-rate financial instrument	295,177	784,671	102,979	1,182,827
Lease liabilities	22,976	12,686	17,133	52,795
Payment guarantee(*)	37,471	-	-	37,471
Total	₩ 1,693,202	₩ 907,274	₩ 128,536	₩ 2,729,012

(*) The limit of payment guarantee (EUR 28,000,000) provided to financial institutions for the credit of Hellas SmarTicket Societe Anonyme, an overseas affiliate, as described in Note 30. (4). This is the maximum amount. Based on the forecast as of the end of the reporting period, we believe that there is a higher probability of not paying the deposit than the possibility of paying the deposit in accordance with the guarantee of payment. However, the above estimates may fluctuate because the probability that the warrantee may request payment to us under the warranty contract may fluctuate due to the possibility of credit loss in the financial bond held by the warrantee.

Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made. Maturity analysis of derivative financial liabilities according to their remaining maturity as of December 31, 2020, is as follows (Unit: Korean won in millions):

Description	Flow	Within 1 year	1 year–5 years	More than 5 years	Total
Derivatives for trading:					
Foreign currency derivatives	Outflow	₩ (165,795)	₩ -	-	₩ (165,795)
	Inflow	168,047	-	-	168,047
Subtotal		2,252	-	-	2,252
Other derivatives :					
Other derivatives(*	-	-	(39,196)	(12,060)	(51,256)
Subtotal		-	(39,196)	(12,060)	(51,256)
Total		₩ 2,252	₩ (39,196)	₩ (12,060)	₩ (49,004)

(*) Regarding the arrangements described in Note 31 (5) 2), the Group is liable for compensation when the average annual gross profit for the agreed period is less than the agreed standard. The option can be exercised in or before 2029, and the Group believes that the likelihood of an outflow of funds from exercising the option is unlikely. As of December 31, 2020, the amount of the obligation to pay and the amount of the payment have not been confirmed. The Group recognized the fair value of ₩8.5 billion for the option as a financial liability at FVTPL.

Regarding the arrangements described in Note 31 (5) 3), the Group has an agreement to propose a recovery plan for the shortfall if it does not meet the investor's certain return. As a result of these options, the Group believes that the likelihood of an outflow of funds from exercising the option is unlikely. As of December 31, 2020, the Group recognized the fair value of ₩39.2 billion for the option as financial liabilities at FVTPL and will be remeasured at fair value each year.

The Group manages liquidity through cash inflows from financial assets and financing arrangements with financial institutions. The maturity structure of a financial asset is as follows (Unit: Korean won in millions):

Description	Within 1 year	1 year–5 years	More than 5 years	Total
Deposits to financial institutions	₩ 1,467,497	₩ -	₩ 458	₩ 1,467,955
Accounts receivables and other receivables	1,353,545	22,777	5,404	1,381,726
Investment in equity and debt instruments	-	-	132,785	132,785
Contractual assets	230,714	-	-	230,714

(3) Estimation of fair value

The fair values of financial instruments (i.e., financial assets held for trading and AFS financial assets) traded on active markets are determined with reference to quoted market prices. The Group uses the current bid price as the quoted market price for its financial assets.

The fair values of financial instruments not traded on an active market (i.e., over-the-counter derivatives) are determined using a valuation technique. The Group uses various valuation techniques using assumptions based on current market conditions. The fair values of long-term liabilities and financial liabilities available for settlement are determined using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, a discounted cash flow analysis or other valuation technique is performed to measure their fair values.

The fair values of trade receivables and trade payables are approximated at their carrying value, less impairment loss. The Group estimates the fair values of financial liabilities as the present value of future contractual cash flows discounted based on current market rates applied to similar financial instruments.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable, as described below:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1) Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	December 31, 2020			
Description	Level 1	Level 2	Level 3	Total
Derivative assets for trading	₩ -	₩ 2,578	₩ -	₩ 2,578
Financial assets measured at FVTPL	-	-	35,428	35,428
Financial assets at FVTOCI	45,184	-	57,904	103,088
Total financial assets	₩ 45,184	₩ 2,578	₩ 93,332	₩ 141,094
Other derivative assets	₩ -	₩ -	₩ 51,256	₩ 51,256
Derivative liabilities for trading	-	326	-	326
Total financial liabilities	₩ -	₩ 326	₩ 51,256	₩ 51,582

Description	December 31, 2019 Level 1	Level 2	Level 3	Total
Derivative assets for trading	₩ -	₩ 2,250	₩ -	₩ 2,250
Financial assets measured at FVTPL	-	-	19,198	19,198
Financial assets at FVOCI	39,477	-	68,387	107,864
Total financial assets	₩ 39,477	₩ 2,250	₩ 87,585	₩ 129,312
Other derivative assets	₩ -	₩ -	₩ 8,465	₩ 8,465
Derivative liabilities for trading	-	27 6₩ 276	-	276
Total financial liabilities	₩ -	₩ 276	₩ 8,465	₩ 8,741

There is no significant transfer between Level 1 and Level 2 during the current period and the prior period.

2) Valuation method and input variables that are classified as Level 2 from the financial instruments that are subsequently measured as fair values are as follows (Unit: Korean won in millions):

Description	Fair values as of December 31, 2020	Valuation technique	Input variables
Financial assets:			
Derivative instrument assets held for sale	₩ 2,578	Decision model for future prices	Discount rate and exchange rate
Financial liabilities:			
Liabilities of derivative instruments for the purpose of sale	326	Decision model for future prices	Discount rate and exchange rate

3) The Group believes that the carrying amount of financial assets and financial liabilities recognized in the consolidated statements of financial position is similar to fair value.

4) Changes in Level 3 financial assets for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020							
Description	Beginning balance	Net loss	Comprehensive loss	Purchases	Disposals	Other	Ending balance	Unrealized holding gain or loss
Other finance assets	₩ 87,585	₩ (345)	₩ (7,364)	₩ 18,849	₩ (4,552)	₩ (841)	₩ 93,332	₩ 1,393
Total	₩ 87,585	₩ (345)	₩ (7,364)	₩ 18,849	₩ (4,552)	₩ (841)	₩ 93,332	₩ 1,393
Financial liabilities designated at FVTPL	₩ 8,465	₩ 3,595	-	₩ 39,196	-	-	₩ 51,256	-
Total	₩ 8,465	₩ 3,595	₩ -	₩ 39,196	₩ -	₩ -	₩ 51,256	₩ -

	Year ended December 31, 2019							
Description	Beginning balance	Net loss	Comprehensive loss	Purchases	Disposals	Other	Ending balance	Unrealized holding gain or loss
Other finance assets	₩ 81,462	₩ (82)	₩ (2,629)	₩ 10,035	₩ (1,179)	₩ (22)	₩ 87,585	₩ 9,095
Total	₩ 81,462	₩ (82)	₩ (2,629)	₩ 10,035	₩ (1,179)	₩ (22)	₩ 87,585	₩ 9,095
Financial liabilities designated at FVTPL	₩ -	₩ --	-	₩ 8,465	-	-	₩ 8,465	-
Total	₩ -	₩ --	₩ -	₩ 8,465	₩ -	₩ -	₩ 8,465	₩ -

5) A description of the valuation techniques and the inputs used in the fair value measurement of financial instruments classified as Level 2 and Level 3 is as follows:

- Currency forward and interest rate swap

In principle, the fair value of currency forward was measured based on forward currency rates whose period is coincident with the residual period of the currency forward, and they are advertised on the market at the end of the reporting period. If forward currency rates whose periods are coincident with the residual period are not advertised on the market, the fair value of currency forward was measured by estimating the forward currency rates whose period is similar to the residual period of the currency forward. The estimation of the forward currency was performed using interpolation to advertised periodical forward currency rates. Discount rates used to measure the fair value of currency forward were determined based on yield curve from yields advertised on the market.

Discount rates and forward rates used to measure the fair value of interest rate swaps were determined based on the applicable yield curves derived from interest rates that are advertised on the market at the end of the reporting period. The fair value of interest rate swaps measured on the amount of money that discounted at an appropriate discount rate to future cash flows of interest rate swaps was estimated based on the forward rate that is obtained by the method described above.

Since the input variables that are used to measure the fair value of currency forward and interest rate swaps for the end of the reporting period are derived via the forward exchange rate and the yield curve in the market, the fair values of currency forward and interest rate swap were classified as Level 2 fair value measurement.

- Corporate bonds

The fair value of corporate bonds was measured by discount cash flow (“DCF”) method. The discount rates used in DCF method were determined based on market swap rates and credit spreads of the bonds that are advertised and whose credit rating and period were similar to those of corporate bonds and cumulative redeemable preference stocks. The discount rates that influence the fair value of corporate bonds and cumulative redeemable preference stocks significantly were classified as Level 2 fair value measurements because they resulted in observable information in the market.

- Unlisted securities and unlisted securities-linked convertible securities
The fair value of non-listed shares and unlisted securities-linked convertible securities, measured using a discounted cash flow model that is not based on observable market prices or rates, will be used to estimate the future cash flows, such as sales growth, pretax operating profit margin and the weighted-average cost of capital. Capital asset pricing model ("CAPM") was used to calculate the weighted-average cost of capital. The key assumptions of estimation listed above are determined to have a significant impact on the fair value of non-listed shares and the Group has classified the fair value hierarchy system on Level 3 of the fair value measurement of non-listed shares.

6) There is no change in the valuation technique used in the fair value measurement of financial instruments classified as Level 2 and Level 3.

7) The table below explains the quantitative information of fair value measurement (Level 3) that uses the input variables that are significant, but unobservable and the relationship between unobservable input variables and the fair value measurements (Unit: Korean won in millions):

Description	Fair values as of December 31, 2020	Valuation technique	Unobservable inputs	Range	Disposals
Other finance assets	₩ 52,751	Discounted cash flow method and comparable company analysis	Growth rate	0%	Increase (decrease) in fair values due to increase (decrease) in growth rate
			Discount rate	11.64%~12.67%	Decrease (increase) in fair values due to increase (decrease) in discount rate

8) A description of the valuation processes in the fair value measurement for Level 2 and Level 3 that the Group is carrying out is as follows:

The Group measures fair value of assets and liabilities for financial reporting purposes and reports the result of fair value measurements to chief financial officer directly.

Undesirable inputs that are used to estimate Level 3 fair value measurement are derived in a manner that is described below:

- The share price volatility and share price correlation used to measure the fair value of financial instruments associated with shares, such as investment convertible bonds, share price associations and conversion rights, are estimated based on observed stock price fluctuations in the market over a period prior to the end of the reporting period.

- Pretax profit margin and sales growth rate, which are used to measure the fair value of non-listed shares, are estimated based on the average value of pretax operating margin and sales growth rate of comparable listed companies.

- Weighted-average cost of capital discount rate that is used to measure the fair value of non-listed shares is estimated by the weighted-average, after-tax and outside capital cost; capital cost estimates of the share value data reflected for the purpose of the issuer of the shares; and capital structure based on the equity data of comparable public companies, which has been derived based on the CAPM.

9) Impact on net income and other comprehensive income (loss) due to the change in reasonably available and unobservable input variables under the conditions that other input variables are constant is as follows (Unit: Korean won in millions):

			Net income		Other comprehensive income	
Description	Unobservable input(s)	Changes of reasonably possible unobservable input	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Other finance assets	Growth rate	+/-1%	₩ -	₩ -	₩ 831	₩ (704)
	Discount rate	+/-1%	₩ -	₩ -	₩ 1,224	₩ (1,035)

10) The Company has judged that unobservable changes in inputs to reflect alternative assumptions would not change the fair value measurement significantly.

11) There is no significant change in business and economic environment affecting the fair value of the financial assets and liabilities during the current year.

35. UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2020, information about the nature and risks associated with interests in unconsolidated structured entities held by the Group is as follows (Unit: Korean won in millions):

Description	Names of structured entities(*1)	Accounting title of interests on structured entities and providing financial supports	Book value of assets related to structured entities' interest	Maximum exposure to the loss of structured entities(*2)
Interests accounted in accordance with K-IFRS 1109 (except interests on subsidiaries)	Welcome Edu Service Co., Ltd. (Dormitory of Seoul National University)	Other financial assets	₩ 176	₩ -
		Loan commitments	-	7,266
	Mileseum I (Ulsan National Institute of Science and Technology)	Other financial assets	499	-
		Loan commitments	-	21,818
	Mileseum II (Ulsan National Institute of Science and Technology)	Other financial assets	70	-
		Loan commitments	-	640
	Mileseum III (Ulsan National Institute of Science and Technology)	Other financial assets	53	-
		Loan commitments	-	1,631
	Mileseum IV (Ulsan National Institute of Science and Technology)	Other financial assets	750	-
		Loan commitments	-	17,678
	Heemangseum (Daegu Gyeongbuk Institute of Science and Technology)	Other financial assets	1,200	-
		Loan commitments	-	36,180
	Heemangseum II (Daegu Gyeongbuk Institute of Science and Technology)	Other financial assets	118	-
		Loan commitments	-	2,861
	Seoul National University Medical Herb	Other financial assets	359	-
		Loan commitments	-	3,670
	Changwon-Sangnam Complex Commercial Facility(*3)	Other financial assets	2,190	829
	Total	Other financial assets	5,415	829
		Loan commitments	₩ -	₩ 91,744

(*1) As a result of operating contributions related to government-led projects:

A) In case of lack of funds during the operating period and the repayment of the loan capital and the paid-up capital of the financial investor.

B) If additional funds are required to maintain the cumulative debt repayment ratio on the date of payment of each principal during the period of operations above 1.0.

C) In cases where the Concession Agreement is terminated due to reasons attributable to the project owner or the force majeure event related to the operations during the operating period and the payment at the time of termination received by the borrower from the competent authority is insufficient to repay the loan principal and the paid-in capital of the financial investor. When a similar incident occurs, there is a supplementary obligation.

(*2) '(* 1)' is the amount that the Group will be liable for the loss of the structured company when it is terminated due to the reasons attributable to the Group as an operating investor during the period of operation. However, all of these structured companies are organized by national universities and government agencies, and we believe that

the probability of actual exposure to such risks is extremely low.
(*3) Unlike the case in (*1), this is the maximum amount to be paid by the Group in the event of vacancy in the target area due to funding arrangements for the relevant building.

36. DISPOSAL OF SUBSIDIARIES:

During the previous period, the Group's subsidiaries, Serveone Co., Ltd.'s shares, 60.1%, Korea Elecom Co., Ltd.'s shares, 93.9% (all) and LG Corp.U.S.A. 100% of the shares were disposed of.

(1) Fair values for the compensation of disposal are as follows (Unit: Korean won in millions):

Description	December 31, 2019		
	Serveone Co., Ltd.	Korea Elecom Co., Ltd.	LG Corp.U.S.A
Disposal proceeds received as cash and cash equivalents	₩ 604,147	₩ 700	₩ 192,473

(2) The book value of assets and liabilities of the subsidiary at the date of losing the controlling power is as follows (Unit: Korean won in millions):

	December 31, 2019		
	Serveone Co., Ltd.	Korea Elecom Co., Ltd.	LG Corp.U.S.A
Current assets:	₩ 1,348,148	₩ 4,111	₩ 2,743
Cash and cash equivalents	198,251	2,713	2,739
Trade receivables and other receivables	1,082,032	595	4
Inventories	59,822	504	-
Other current assets	8,043	299	-
Non-current assets:	182,354	2,907	322,924
Trade receivables and other receivables	196	-	-
Other non-current assets	5,581	-	474
Property, plant and equipment	139,609	2,901	2
Investment property	17,938	-	322,448
Intangible assets	16,739	6	-
Right-of-use assets	2,291	-	-
Current liabilities:	839,610	5,099	140,125
Trade payables and other payables	816,059	950	140,125
Other current liabilities	23,551	4,149	-
Non-current liabilities:	153,332	1,835	-
Total value of disposed net assets	₩ 537,560	₩ 84	₩ 185,541
Controlling net asset carrying amount	537,560	48	185,541
Non-controlling interest	-	35	-

(3) Gain on disposal of subsidiaries is as follows (Unit: Korean won in millions):

	December 31, 2019		
	Serveone Co., Ltd.	Korea Elecom Co., Ltd.	LG Corp.U.S.A
Fair value of disposal proceeds	₩ 604,147	₩700	₩192,473
Interim dividend	-	-	-
Fair value of disposal cost	604,147	700	192,473
Deduction: Book value of net assets disposed of	(537,560)	(48)	(185,542)
Deduction: Disposal cost	(17,067)	-	(30)
Addition: Consolidation adjustment(*1)	296,959	(371)	4,850
Gain (loss) on disposal of investments in subsidiaries	₩ 346,479	₩281	₩11,751

(*1) The fair value valuation amount of ₩305,089 million and the unrealized profit and loss of ₩1,723 million are included in the residual equity (39.9%) in relation to the disposal of Serveone Co., Ltd.

(4) Net cash flow due to the disposal of subsidiaries is as follows (Unit: Korean won in millions):

	December 31, 2019		
	Serveone Co., Ltd.	Korea Elecom Co., Ltd.	LG Corp.U.S.A
Disposal proceeds received as cash and cash equivalents	₩ 604,147	₩ 700	₩ 192,473
Less: Disposal of cash and cash equivalents	(215,318)	(2,713)	(2,769)
Net cash flows	₩ 388,829	₩ (2,013)	₩ 189,704

37. DISCONTINUED OPERATIONS AND OWNER-DISTRIBUTED ASSETS AND LIABILITIES:

(1) Overview of spin-off

On November 26, 2020, the board of directors decided to spin-off the division that manages some affiliates through stock ownership, and the shareholders' meeting to resolve the proposal is scheduled to be held on March 26, 2021.

Description	Contents
Method	Spin-off
Company	New company: LG New Holdings Co., Ltd. (tentative name) Surviving company : LG Corp.
Approval date at the shareholders' meeting (planned)	March 26, 2021
Spin-off date (planned)	May 1, 2021

In accordance with the Company's spin-off plan, the segment to be spin-off will be distributed to owners on May 1, 2021, and these results are presented in the current consolidated financial statements as assets and liabilities held for distribution to owners and discontinued operations. The comparative consolidated statement of income has also been rewritten accordingly.

(2) Related financial information

Consolidated results of discontinued operations included in the consolidated statements of comprehensive income are as follows. (Unit: Korean won in millions):

	December 31, 2020	December 31, 2019		
	LG Corp.	LG Corp.	Serveone Co., Ltd.	Total
Sales	₩ 118,845	₩ 40,888	₩ 1,331,891	₩ 1,372,779
Cost of sales	10,894	11,109	1,248,047	1,259,156
Selling and administrative expenses	-	-	44,399	44,399
Operating loss	107,951	29,779	39,445	69,224
Other operating income	1,599	715	5,764	6,479
Other operating expenses	8	10	2,713	2,723
Profit or loss before tax	109,542	30,484	42,496	72,980
Income tax expenses	(1,483)	8,318	10,317	18,635
Subtotal	111,025	22,166	32,179	54,345
Profit from discontinued sales	-	-	267,407	267,407
Profit or loss from discontinued operations	111,025	22,166	299,586	321,752
Owners of the parent company (*)	₩ 111,025	₩ 22,166	₩ 299,586	₩ 321,752
Non-controlling interests	-	-	-	-

(*) It included the effect of deferred income tax on stock held by the investee.

2) Asset group to be distributed to owners

The Board of Directors approved the distribution of assets and liabilities related to the segment to the owners of the segment, so the Group marked the assets and liabilities separately as scheduled for distribution. In addition, the assets and liabilities were measured at the lower of the carrying amount (after the impairment test) or the fair value net at the time they were classified as being distributed to the owners.

As of December 31, 2020, the amounts for each major class of assets scheduled for distribution to owners are as follows. (Unit: Korean won in millions):

Asset	Book value	Liability	Book value
Financial institution deposits	₩ 172,000	Other current payables	₩ 110
Other receivables	410	Other current liabilities	10
Investment in affiliated companies and joint ventures	1,029,491	Net defined benefit liability	78
Property, plant and equipment	4	Deferred income tax liabilities	6,466
Total	1,201,905	Total	6,664

3) Cash flows from discontinued operations

Cash flows related to discontinued operations for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	December 31, 2020	December 31, 2019		
	LG Corp.	LG Corp.	Serveone Co., Ltd.	Total
Cash flows from operating activities	₩ 116,593	₩ 23,010	₩ 85,736	₩ 108,746
Cash flows from investing activities	(116,593)	(23,010)	(11,638)	(34,648)
Cash flows from financing activities	-	-	(9,668)	(9,668)
Net cash flows	₩ -	₩ -	₩ 64,430	₩ 64,430

(*) Cash flows of operating activities related to disposal of shares for the prior period of ₩ (66,614) million and cash flows from investment of ₩587,081 million, were not included.

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Significant non-cash investing and financing activities for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020	Year ended December 31, 2019
Transfer of construction in progress	₩ 57,657	₩ 48,953
Other payables related to acquisition of property, plant and equipment	(6,570)	10,181
Transfer of property, plant and equipment to investment property	(29,791)	32,410
Transfer of long-term borrowings and debentures to current portion	251,550	158,282
Transfer of deposits received to current position	7,124	3,590
Recognition of right-of-use assets	6,411	71,587
Transfer of assets to be sold	1,221,623	-
Transfer of liabilities to be sold	6,876	-
Substituted investments replaced by investments in affiliates	-	304,402
Recognition of deferred tax liabilities related to assets held for sale	-	75,140

(2) Changes in liabilities arising from financing activities during the current period, are as follows (Unit: Korean won in millions):

	Beginning balance	Financing activities	Others	Ending balance
Borrowings	₩ 1,115,013	117,082	(3,407)	₩ 1,228,688
Lease liabilities	₩ 48,236	(15,453)	13,363	₩ 46,146

39. ASSETS AND LIABILITIES HELD FOR SALE:

(1) On August 21, 2020, the Group signed a contract to sell investment property and property, plant and equipment of the Buho building. As of December 31, 2020, details of assets (liabilities) held for sale are as follows. (Unit: Korean won in millions):

Description	December 31, 2020
Property, plant and equipment	₩ 11,826
Investment property	5,331
Total assets classified as held for sale	17,157
Deposits received	212
Total liabilities classified as held for sale	212
Net assets classified as held for sale	₩ 16,945

(2) LG Sports Co., Ltd. decided to sell Guri Stadium to Guri City through a resolution of the board of directors on January 14, 2020. As of December 31, 2020, details of assets (liabilities) held for sale are as follows. (Unit: Korean won in millions):

Description	December 31, 2020
Property, plant and equipment	₩ 1,844
Total assets classified as held for sale	1,844
Net assets classified as held for sale	₩ 1,844

(3) Gonjiam Yewon decided to sell land and investment property through a resolution of the board of directors on March 31, 2020. As of December 31, 2020, details of assets (liabilities) held for sale are as follows.

Description	December 31, 2020	
Property, plant and equipment	₩	717
Total assets classified as held for sale		717
Net assets classified as held for sale	₩	717

40. SUBSEQUENT EVENTS:

(1) On March 3, 2021, the Group signed a contract to sell investment real estate and tangible assets of KTT Building in Japan. The carrying amount subject to sale is as follows.
(Unit: Korean won in millions):

Description	December 31, 2020	
Investment real estate and tangible assets	₩	202,807

(2) The Group held a board meeting of Gonjiam Yewon Co., Ltd. on January 28, 2021 to decide on the sale of assets (land). Disposal value is ₩970 million, and the purpose of the sale is to secure operating funds. The expected completion date for the sale is April 22, 2021.

(3) The Group decided to hold a board meeting of LG Sports on March 5, 2021 to sell land and buildings in Acheon-dong, Guri, which were previously used as a training ground for the second group to secure funds through the sale of idle assets.

Disclosure on Execution of External Audit

We attach required disclosure on the execution of external audit performed in accordance with ***Article 18-3 of the Act on External Audit of Stock Companies.***

1. Company and Reporting Period subject to External Audit

Company	LG Corp.			
Reporting Period	2020/01/01	From	2020/12/31	To

2. Number of Participants and Details on the Hours Executed in Audit

(Unit: Number of Participants, Hours Executed)

Participant(s) / Number and Hour(s) / Number of Participant(s)		Engagement Quality Reviewer(s)		Audit Professional(s): Engagement Partner(s)		Audit Professional(s): Members of Korean Institute of Certified Public Accountants (KICPA) (Registered)		Audit Professional(s): Members of KICPA (Non-Registered)		IT Specialist(s), Tax Specialist(s), and Valuation Specialist(s)		Construction Contracts Order-made Production Industry Specialist(s)		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Number of Participant(s)		8	5	1	1	12	15	2	6	7	9	-	-	30	36
Hours Executed	Interim	15	20	103	107	1,276	1,745	1,325	440	8	-	-	-	2,727	2,312
	Audit	133	34	162	188	1,712	2,375	984	803	303	294	-	-	3,294	3,694
	Total	148	54	265	295	2,988	4,120	2,309	1,243	311	294	-	-	6,021	6,006

3. Key Disclosure on Execution of External Audit

<table>
<tr><th>Title</th><th colspan="6">Detail</th></tr>
<tr><td rowspan="2">Audit Planning Stage</td><td colspan="2">Dates Performed</td><td colspan="2">April–September 2020</td><td>5</td><td>Days</td></tr>
<tr><td colspan="2">Main Planning Work Performed</td><td colspan="4">Understanding the Company and business environments, composing the audit member, identifying and evaluating significant risk of material misstatements, deciding the nature/timing/extent of an audit, reviewing the application of professionals and determining the materiality in the application of an audit</td></tr>
<tr><td rowspan="6">Fieldwork Performed</td><td colspan="2" rowspan="2">Dates Performed</td><td colspan="2">Number of Participant(s)</td><td colspan="2">Main Fieldwork Performed</td></tr>
<tr><td>On-Site</td><td>Off-Site</td><td colspan="2"></td></tr>
<tr><td></td><td>Days</td><td>Number of Participant(s)</td><td>Number of Participant(s)</td><td colspan="2"></td></tr>
<tr><td>2020/11/02–2020/11/13</td><td>10</td><td>4</td><td>2</td><td colspan="2">Interim audit (understanding the transaction type of each process and control testing)</td></tr>
<tr><td>2021/01/14–2021/01/18</td><td>3</td><td>3</td><td>2</td><td colspan="2">External audit (substantive procedure for the material account balances and transactions and consolidation audit)</td></tr>
<tr><td>2021/01/19–2021/01/29</td><td>9</td><td>5</td><td>2</td><td colspan="2">Consolidated financial statements verification procedure</td></tr>
<tr><td rowspan="3">Physical Counts - Inventory (Observation)</td><td>Time (When Performed)</td><td colspan="2">-</td><td>-</td><td colspan="2">Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="5">-</td></tr>
<tr><td>Inventory subjected to Counts</td><td colspan="5">-</td></tr>
<tr><td rowspan="3">Physical Counts - Financial Instruments (Observation)</td><td>Time (When Performed)</td><td colspan="2">2021/01/04</td><td>1</td><td colspan="2">Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="5">LG Corp. headquarters</td></tr>
<tr><td>Financial Instruments subjected to Counts</td><td colspan="5">Cash, investment securities, memberships and others</td></tr>
<tr><td rowspan="2">External Confirmation</td><td>Bank Confirmation</td><td>O</td><td>Accounts Receivable/Payable Confirmation</td><td>O</td><td>Legal Confirmation</td><td>O</td></tr>
<tr><td>Other Confirmation</td><td colspan="5">N/A</td></tr>
<tr><td rowspan="2">Communications with Those Charged with Governance</td><td>Number of Communications</td><td>5</td><td colspan="4">Time(s) Performed</td></tr>
<tr><td>Time (When Performed)</td><td colspan="5">2020/02/27, 2020/05/06, 2020/08/11, 2020/11/09, and 2021/02/09</td></tr>
</table>

4. Communications with Audit Committee

Title	Time (When Performed)	Attendants	Method	Key Content of Discussion
1	2020/02/27	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Audit schedule and main audit matters
2	2020/05/06	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim consolidated financial statements and introduction to recent accounting trends
3	2020/08/11	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim consolidated financial statements and report on preliminary selection of key audit matters
4	2020/11/09	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim consolidated financial statements, significance in audit and selection of key audit matters
5	2021/02/09	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Report on result of external audit, independence of auditor, result of main audit matters and report on group audit matters