



2019. 1. 1. ~ 2019. 12. 31.



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To our valued shareholders and customers,

I would like to express my deepest gratitude for your continued trust and support for LG. With the global outbreak of the Coronavirus(COVID-19), we continue to face uncertainties in the business environment. However, as every opportunity has a difficulty, every difficulty has an opportunity. We will respond to our difficulties wisely and make thorough preparations for growth following the crisis.

In the year of 2019, we faced challenges in the business environment with the rise of global protectionism and decline of national economic growth. Amid such environment, LG Corp. and our affiliates have strengthened our business competitiveness by restructuring our business portfolio through 'selection' and 'concentration', as well as building supply chain and production system that remains steady despite the external environment.

The electronics business continued to lead the market with premium home appliances and OLED TV based on its outstanding product competitiveness. Furthermore, we enhanced our global competitiveness in the core components business including automotive components, solar solutions and next generation displays.

In our chemical business, we faced challenges due to deteriorating market conditions in the petrochemical industry. Despite such hardships, we solidified our global market position through expansion in the automotive battery business. LG Household & Health Care took a leap in becoming a global player based on its outstanding achievements in the cosmetics business.

In our telecommunications business, we were able to increase our subscribers through 5G specialized services including VR and AR, and secured a new growth engine with the successful acquisition of LG HelloVision, one of Korea's top cable TV companies.

Owing to our efforts, LG Corp. posted consolidated revenue of KRW 6.58 trillion and operating profit of KRW1.24 trillion.

As 2020 is projected to be in a continuously difficult business environment due to the COVID-19 pandemic, it is hard to expect greater business performance compared to the previous year. However, we will continue our ongoing challenge by concentrating on risk management and placing utmost priority on our consumers.

We will make 2020 a year to realize our customer value by quickly identifying the customers' pain points through the newest digital technology and making bold and new attempts that will inspire our customers. Furthermore, we will focus on advancing our business portfolio in addition to discovering and fostering new growth engines to make preparations for the future that will enhance our corporate value. We will also fulfill the role of a corporate citizen and become a company truly trusted and loved by our consumers, shareholders, and the society.

Lastly, for our shareholders who are trusting and supporting LG Corp., we will maintain our shareholder-friendly dividend policy as well as considering and carrying out various means to increase the shareholder value. We will appreciate your continued support and guidance.

Thank you.

CEO & Chairman

KOO, KWANG MO

Challenge is our Power



KOO, KWANG MO
Director



KWON, YOUNG SOO
Director



HA, BEOM JONG
Director



LEE, CHANG KYU
Director



CHOI, SANG TAI
Director

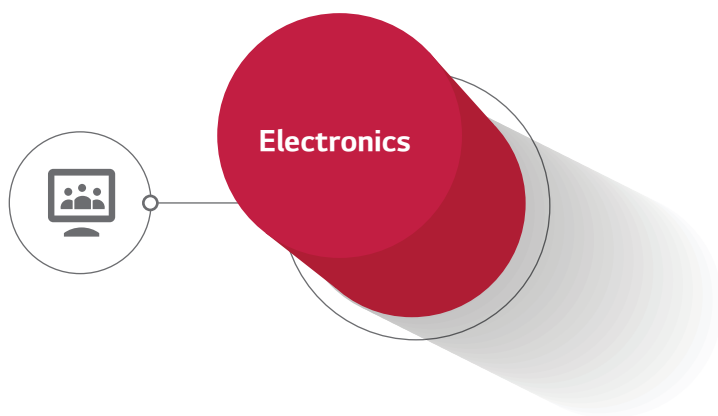


HAN, JONG SOO
Director



KIM, SANG HUN
Director

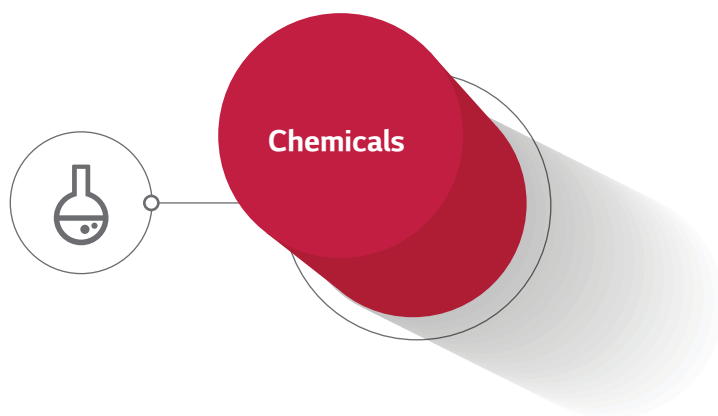
Holding Structure



LG Electronics Inc. (33.7%)

LG Display Co., Ltd. (37.9%)
- Nanumnuri Co., Ltd. (100%)
LG Innotek Co., Ltd. (40.8%)
- Innowith Co., Ltd. (100%)
Hi Plaza Inc. (100%)
Hi-M Solutek Co., Ltd. (100%)
Hi Teleservice Inc. (100%)
Ace R&A Co., Ltd. (100%)
Hanuri Co., Ltd. (100%)
Robostar Co., Ltd. (33.4%)
- ROBOMEDI Co., Ltd. (100%)

Silicon Works Co., Ltd. (33.1%)



LG Chem, Ltd. (33.3%)

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

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

Coca-Cola Beverage Company (90.0%)
- Hankook Beverage Co., Ltd. (100%)
HAI TAI HTB Co., Ltd. (100%)
TheFaceShop Co., Ltd. (100%)
Clean Soul Ltd. (50.0%)
CNP Cosmetics Co., Ltd. (100%)
K&I Co., Ltd. (100%)
FMG Co., Ltd. (70.0%)
Balkeunnuri Co., Ltd. (100%)
LG Farouk Co. (50%)
MiGenstory Co., Ltd. (50%)
Ulleung Spring Water Co., Ltd. (87%)
TaiGuk Pharmaceutical Co., Ltd. (92.7%)
- JS Pharmaceutical Co., Ltd. (100%)

LG Hausys, Ltd. (33.5%)

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

LG MMA Corp. (50.0%)

As of December 31, 2019
Holding Company_1
No. of subsidiaries_13
No. of sub-subsidiaries_45
No. of greatsub-subsidiaries_7
Other_1



LG Uplus Corp. (36.0%)

CS Leader Co., Ltd. (100%)
AIN Tele Service Co., Ltd. (100%)
Medialog Corp. (99.6%)
Dacom Crossing Co., Ltd. (51.0%)
CS One Partner Co., Ltd. (100%)
WithU Corporation Co., Ltd. (100%)

GIIR Inc. (35.0%)

HS Ad Co., Ltd. (100%)
L Best Co., Ltd. (100%)

**LG INTERNATIONAL
CORP. (24.7%)**

Sal de Vida Korea Corporation (33.3%)
Dangjin Tank Terminal (100%)
Pantos Logistics Co., Ltd (51.0%)
- Helistar Air Co., Ltd. (100%)
- Hanultari Co., Ltd. (100%)
- Pantos Busan Newport Logistics
Center Co., Ltd. (80.0%)¹⁾

LG CNS Co., Ltd. (85.0%)

BizTech Partners Co., Ltd. (96.1%)
Sejong Green Power, Co. Ltd. (100%)
Haengbokmaru Co., Ltd. (100%)

**S&I Corporation Co., Ltd.
(100%)**

Konjiam Yewon Co., Ltd. (90.0%)
miraeM Co., Ltd (100%)
Dreamnuri Co., Ltd. (100%)
S&I CM, Co. Ltd. (100%)

LG Management Development Institute (100%)

LG Sports Ltd. (100%)

1) 80% owned by Pantos Logistics (China) Co., Ltd. (overseas subsidiary)

Management's Discussion & Analysis

2019. 1. 1.~2019. 12. 31.

In the year of 2019, we faced challenges in the business environment with the rise of global protectionism and decline of national economic growth. Amid such environment, LG Corp. and our affiliates have strengthened our business competitiveness by restructuring our business portfolio through 'selection' and 'concentration', as well as building supply chain and production system that remains steady despite the external environment.

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Owing to our efforts, LG Corp posted consolidated revenue of KRW 6.58 trillion and operating profit of KRW1.24 trillion.

1. Sales and Profit before Tax of Subsidiaries

Unit: KRW million

Company	Sales			Profit Before Tax		
	2019	2018	YoY	2019	2018	YoY
LG Corp. (*1)	874,672	757,196	15.5%	657,320	553,960	18.7%
LG CNS Co., Ltd. (*2)	3,519,892	3,350,717	5.0%	211,979	156,222	35.7%
S&I Corporation Co., Ltd. (*2)	2,462,035	3,022,483	-18.5%	104,304	198,992	-47.6%
LG Management Development Institute(*1)	91,696	86,851	5.6%	6,807	5,969	14.0%
LG Sports Ltd. (*1)	66,705	60,495	10.3%	8	632	-98.7%
LG Holdings Japan Co., Ltd. (*1)	8,975	7,943	13.0%	3,830	3,859	-0.8%

(*1) based on the separate statements of income

(*2) based on the consolidated statements of income

IT Services Segment

In 2019, by focusing on innovation in business fundamentals and working process, sales revenue of LG CNS increased by 5.0% and the operating profit by 35.7% compared to the previous year, mainly due to good performance in new business areas such as next generation financial system projects and cloud related businesses.

Construction and Real Estate Services Segment

In 2019, S&I Corporation Co., Ltd. sold 60.1% shares in SERVEONE, the MRO(Maintenance, Repair, and Operation) Company, which used to account for the biggest portion of the revenue. The construction business, which became the biggest portion after the share sales, is downsizing as LG Science Park construction was mostly finished in 2019. Furthermore, shutdown of some factories owned by LG subsidiary companies due to business portfolio adjustment affected the FM business revenue. As a result, sales revenue of S&I Corporation in whole decreased by 18.5% to KRW 2.5 trillion and operating profit by 47.6% to KRW 104 billion from the previous year.

2. Gain & Loss Valuation of Equity Method

Unit: KRW million

Company	2019	2018	YoY
LG Chem Ltd.	38,415	454,254	-91.5%
LG Household & Health Care Ltd.	247,603	216,691	14.3%
LG Electronics Inc.	-7,206	365,464	Turn Red
LG Uplus Corp.	151,747	166,397	-8.8%
LG International Corp.	-22,972	-19,404	-
LG Hitachi Co., Ltd.	-233	756	Turn Red
GIIR Corporation	-8,033	6,553	Turn Red
LG Hausys, Ltd.	4,444	-16,024	Turn Black
LG MMA Corp.	39,759	86,691	-54.1%
Silicon Works Co., Ltd.	10,983	12,703	-13.5%
Others	44,897	-4,115	Turn Black
Total	499,404	1,269,966	-60.7%

3. Operating Income

Unit: KRW million

Account	2019	2018	YoY
Brand Royalty Revenue	270,550	270,069	0.2%
Rental Revenue	127,875	118,925	7.5%
Dividend Income	476,247	368,202	29.3%
Total	874,672	757,196	15.5%

1) Brand Royalty Revenue

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

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

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

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

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

As of the end of 2019, LG Corp. posted brand royalty revenue of KRW 270,550 million from 20 companies in the brand contract.

2) Rental Revenue

LG Corp. recorded rental revenue of KRW 127,875 million in 2019, 7.5% increase from the previous year.

3) Dividend Income (Details)

Unit: KRW million

Company	2019	2018	YoY
LG Chem Ltd.	141,205	141,205	0.0%
LG Uplus Corp.	62,951	62,951	0.0%
LG MMA Corp.	72,000	51,000	41.2%
LG Household & Health Care, Ltd.	49,168	47,840	2.8%
LG Electronics Inc.	41,321	22,038	87.5%
LG CNS Co., Ltd.	35,557	15,556	128.6%
S&I Corporation Co., Ltd.	63,999	10,010	539.4%
LG Hausys, Ltd.	752	5,412	-86.1%
Silicon Works Co., Ltd.	4,466	3,766	18.6%
LG Management Development Institute	0	2,400	-100.0%
LG International Corp.	2,393	2,393	0.0%
GIR Inc.	1,450	1,450	0.0%
Others	985	2,181	-54.8%
Total	476,247	368,202	29.3%

4. Changes in investments in associates and joint ventures for the years ended December 31, 2019

Unit: KRW million

Company	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
GILR 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
Momment Gewerbelmobilien 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 SmartTicket 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 current year

(*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.

5. Changes in property, plant and equipment for the years ended December 31, 2019

Unit: KRW million

Year ended December 31, 2019										
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
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	-	(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(*1)	-	-	-	-	-	-	34	-	88	122
Sale of subsidiaries(*2)	(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) These are the tangible assets of Open Source Consulting Inc. and S&I CM, which were included in the scope of consolidation during the current period.

(*2) These are tangible assets of segment of Serveone Co., Ltd and four others and Korea Elecom Co., Ltd sold during the current period.

6. Changes in investment property for the years ended December 31, 2019

Unit: KRW million

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

Details of the investment property's fair value as of December 31, 2019, are as follows.

Unit: KRW million

December 31, 2019				
Description	Date of revaluation	Land	Buildings and structures	Total
Book value of investment property: Book value (*1)		903,720	840,067	1,743,787
Results of valuation:				
Twin Tower (*1), (*2)	2019-11-12	627,750	302,250	930,000
Gasandong building (*1)	2019-11-12	95,402	104,603	200,005
Gwanghwamun building (*1)	2019-10-23	241,060	98,940	340,000
Buho building (*1)	2019-11-12	22,935	1,227	24,162
Seoul Station building (*3)	2019-10-23	226,845	128,155	355,000
Sangdodong Hi Plaza (*3)	2017-06-30	5,445	1,760	7,205
Dogokdong Gangnam building (*3)	2017-12-31	167,077	74,788	241,865
Sangam DDMC (*1), (*4)	2014-10-01	-	260,635	260,635
Incheon IT Center (*1), (*4)	2009-01-01	15,391	9,169	24,560
Kyobashi Trust Tower (*1), (*3)	2014-04-01	177,789	115,048	292,837
Others (*3)	2016-02-26	755	-	755
Total				2,677,024

(*1) Includes the value of investment property (Book value that is subject to valuation: 351,824 million) occupied by the owner.

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

(*3) Acquisition cost is considered as fair value.

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

7. Debentures and Borrowings

1) Short-term borrowings as of December 31, 2019 and 2018

Unit: KRW million

Description	December 31, 2019	December 31, 2018
Korean currency short-term borrowings	20,975	20,521
Overdraft	9,952	7,303
Foreign currency short-term borrowings	25,202	45,132
Total	56,129	72,956

2) Long-term borrowings as of December 31, 2019 and 2018

Description	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Korean currency long-term borrowings	1,652	5,368	51,651	85,286
Foreign currency long-term borrowings	-	74,443	-	74,070
Debentures in Korean won	300,000	680,000	110,000	1,130,000
Discount on debentures	(152)	(1,405)	(126)	(2,744)
Present value discount account	-	(1,021)	-	(1,557)
Total	301,500	757,385	161,526	1,285,055

3) Debentures as of December 31, 2019 and 2018

Company	Description	Issuance date	Maturity date	Annual Interest Rate	December 31, 2019	December 31, 2018
LG CNS Co., Ltd.	9-2 nd public offering	2015-04-16	2020-04-16	2.07%	100,000	100,000
	9-3 rd public offering	2015-04-16	2022-04-16	2.44%	50,000	50,000
	10-1 st public offering	2017-04-11	2020-04-11	2.10%	110,000	110,000
	10-2 nd public offering	2017-04-11	2022-04-11	2.45%	40,000	40,000
	11-1 st public offering	2018-04-11	2021-04-11	2.55%	90,000	90,000
	11-2 nd public offering	2018-04-11	2023-04-11	2.83%	110,000	110,000
	2-2 nd public offering(*1)	2015-05-29	2020-05-29	2.89%	20,000	20,000
S&I Corporation Co., Ltd.	1-1 st public offering	2016-10-27	2019-10-27	1.92%	-	110,000
	1-2 nd public offering	2016-10-27	2021-10-27	2.10%	90,000	90,000
	2-1 st public offering	2017-11-01	2020-11-01	2.64%	70,000	70,000
	2-2 nd public offering	2017-11-01	2022-11-01	2.99%	130,000	130,000
	3-1 st public offering	2018-05-04	2021-05-04	2.62%	70,000	70,000
	3-2 nd public offering	2018-05-04	2023-05-04	2.98%	100,000	100,000
Serveone Co., Ltd.	1-1 st public offering(*2)	2015-10-01	2020-10-01	2.24%	-	150,000
Subtotal					980,000	1,240,000
Discount on debentures					(1,557)	(2,869)
Current debentures (*3)					(299,848)	(109,875)
Total					678,595	1,127,256

(*1) LG N-Sys Inc. was merged into LG CNS Co., Ltd. during the previous term. 2-2nd public offering debentures issued by LG N-Sys Inc. were transferred from LG CNS Co., Ltd.

(*2) Excluded from the scope of consolidation due to the sale of shares during the current period.

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

8. Issued Capital

Details of issued capital as of December 31, 2019 are as follows.

Unit: KRW million

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	79,633,446	₩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.

9. Retained Earnings and Dividends

Changes in retained earnings for the years ended December 31, 2019 and 2018 are as follows.

Unit: KRW million

Description	2019	2018
Beginning balance	₩15,048,624	₩13,010,406
Effect of change of accounting policy	(2,482)	454,755
Beginning balance after adjustment	15,046,142	13,465,161
Profit for the year attributable to the owners of the Company	1,079,949	1,863,880
Dividends (*)	(351,708)	(228,668)
Remeasurement of net defined benefit liability	(8,591)	(9,118)
Changes in retained earnings by equity method	(66,526)	(42,631)
Ending balance	₩15,699,266	₩15,048,624

(*) Details of dividends for the years ended December 31, 2019 and 2018, are as follows. (Unit: KRW one in millions)

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

Year ended December 31, 2018					
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	₩1,300	₩224,202
Preferred stock	3,314,677	6,810	3,307,867	1,350	4,466

Audit Report

2019. 1. 1.~2019. 12. 31.

Independent Auditor's Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 19, 2020.
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, 2019, and December 31, 2018, 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, 2019, and December 31, 2018, respectively, and its financial performance and its cash flows for the years ended December 31, 2019, and December 31, 2018, respectively, 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 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 of the design of internal controls related to the timely reflection of total contract cost and the accuracy of estimation

- Retrospective review of changes in total contract cost of current period projects
- Verification of accuracy and timeliness of the change of total contract cost during the current period
- Verifying subsequent events on total contract cost of projects in progress at the end of the current period

(2) Impairment test of investment equity owned by associates

As noted in Note 13, the consolidated company has a 30.5% stake in LG Electronics Inc., which is classified as an associate. On the other hand, LG Electronics Inc. classifies its 37.9% stake in LG Display Co. ("LGD") as an associate and accounts for it using the equity method. LG Electronics Inc. has a carrying amount of ₩4,182,293 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

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

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

March 19, 2020

Notice to Readers

This report is effective as of March 19, 2020, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS :		
Cash and cash equivalents	1,337,102	1,054,293
Financial institution deposits	567,691	348,699
Current derivative assets	2,250	1,241
Trade receivables, net	1,450,939	2,755,238
Other receivables, net	83,727	25,118
Current tax assets	6,583	6,957
Current other assets	428,363	305,391
Inventories, net	62,402	116,148
Total current assets	3,939,057	4,613,085
NON-CURRENT ASSETS :		
Non-current financial institution deposits	285	-
Available-for-sale ("AFS") financial assets	127,062	117,217
Non-current trade receivables, net	26,309	25,751
Non-current other receivables, net	5,066	44,763
Investments in associates and joint ventures	14,998,373	14,478,228
Deferred tax assets, net	143,707	152,950
Non-current other assets	3,554	9,419
Property, plant and equipment, net	1,640,134	1,877,748
Investment property, net	1,391,962	1,416,911
Intangible assets	109,744	99,839
Right-of-use assets	49,377	-
Total non-current assets	18,495,573	18,222,826
TOTAL ASSETS	22,434,630	22,835,911

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018 (CONTINUED)

Unit : Korean won million

	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		
CURRENT LIABILITIES :		
Current derivative liabilities	276	181
Trade payables	836,117	1,634,670
Other payables	523,937	569,199
Short-term borrowings	56,129	72,956
Current portion of debentures and long-term borrowings	301,500	161,526
Current tax liabilities	48,513	186,938
Provisions	48,255	52,430
Other current liabilities	333,379	361,631
Current lease liabilities	21,555	-
Liabilities related to assets held for sale	75,140	-
Total current liabilities	2,244,801	3,039,531
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities	8,465	-
Other non-current payables	84,269	77,743
Long-term borrowings	757,385	1,285,055
Net defined benefit liability	16,959	10,402
Deferred tax liability	231,008	213,536
Provisions	5,870	5,025
Other non-current liabilities	38,171	40,141
Non-current lease liabilities	26,681	-
Total non-current liabilities	1,168,808	1,631,902
TOTAL LIABILITIES	3,413,609	4,671,433
EQUITY :		
Equity attributable to the owners of the parent company	18,827,021	17,998,725
Issued capital	879,359	879,359
Capital surplus	2,363,147	2,365,545
Other capital items	(2,385)	(2,385)
Accumulated other comprehensive income (loss)	(112,366)	(292,418)
Retained earnings	15,699,266	15,048,624
Non-controlling interests	194,000	165,753
TOTAL EQUITY	19,021,021	18,164,478
TOTAL LIABILITIES AND EQUITY	22,434,630	22,835,911

(Concluded)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue and gain (loss) on valuation by equity method		
Sales of finished goods and merchandise	763,966	688,320
Service revenue	1,926,718	1,976,270
Construction revenue	2,898,931	3,343,915
Gain (loss) on valuation by equity method	498,945	1,269,966
Other revenue	486,779	464,884
	6,575,339	7,743,355
Cost of sales	5,216,657	5,619,366
Gross profit	1,358,682	2,123,989
Selling and administrative expenses	334,584	302,733
Operating income	1,024,098	1,821,256
Financial income	35,168	34,352
Financial expenses	43,115	44,336
Other non-operating income	52,814	28,649
Other non-operating expenses	57,877	66,680
Profit before income tax from continuing operations	1,011,088	1,773,241
Income tax expense from continuing operations	203,919	(49,140)
Profit from continuing operations	807,169	1,822,381
Profit from discontinued operations	299,586	60,516
Profit for the year	1,106,755	1,882,897
Profit for the year attributable to :		
Owners of the parent company	1,079,949	1,863,881
Non-controlling interests	26,806	19,016
Earnings per share (in Korean won) :		
Continuing and discontinued operations :		
Common Stock Basic / Diluted	6,143	10,603
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted	6,193	10,653
Continuing operations :		
Common Stock Basic / Diluted	4,439	10,293
Pre-1996 Commercial Law Amendment Preferred Stock Basic / Diluted	4,489	10,343

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
Profit for the year	1,106,755	1,882,897
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	159,933	(48,431)
Net gain (loss) on derivative instruments entered into for cash flow hedges	-	1,966
Overseas operations translation	21,564	17,454
Items that will not be reclassified subsequently to profit or loss		
Net gain (loss) on other financial assets	843	(6,031)
Remeasurement of the net defined benefit liability	(8,527)	(9,201)
Decrease in retained earnings of equity-method investments	(66,545)	(42,738)
Total comprehensive income for the year	1,214,023	1,795,916
Total comprehensive income attributable to:		
Owners of the parent company	1,184,884	1,777,355
Non-controlling interests	29,139	18,561

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non- controlling interests	Total
Balance as of January 1, 2018	879,359	2,365,549	(2,385)	(250,370)	13,010,406	176,952	16,179,511
Effect of accounting policy change							
Effect of accounting policy change of subsidiaries				(1,796)	1,796		
Equity-method effect due to changes in accounting policies of associates and joint ventures				(5,476)	452,959		447,483
Amount rewritten after revision	879,359	2,365,549	(2,385)	(257,642)	13,465,161	176,952	16,626,994
Total comprehensive income for the year							
Profit (loss) for the year					1,863,881	19,016	1,882,897
Net gain (loss) on other financial assets				(5,912)		(119)	(6,031)
Valuation through equity method				(48,260)	(42,632)	(277)	(91,169)
Valuation on derivative instruments entered into for cash flow hedges				1,966			1,966
Remeasurements of the net defined benefit liability					(9,118)	(83)	(9,201)
Overseas operations translation				17,430		24	17,454
Transactions with owners directly reflected in capital							
Annual dividends					(228,668)	(2,757)	(231,425)
Changes in the shares of subsidiaries		(4)				(27,003)	(27,007)
Balance as of December 31, 2018	879,359	2,365,549	(2,385)	(292,418)	15,048,624	165,753	18,164,478
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				(1,796)	(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 (loss) 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					(228,668)	(27,003)	(231,425)
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	2,365,545	(2,385)	(292,418)	15,048,624	165,753	18,164,478

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	1,106,755	1,882,897
Additions of expenses not involving cash outflows:		
Salaries and bonuses	2,701	1,172
Retirement benefits	27,736	27,317
Depreciation	156,104	153,390
Amortization of intangible assets	19,992	22,527
Loss on valuation of inventories	-	261
Bad debt expenses	293	9,916
Accrual of provision	25,800	29,398
Impairment loss on property, plant and equipment	6,257	75
Impairment loss on intangible assets	389	879
Loss on foreign currency translation	3,536	8,169
Loss on disposals of property, plant and equipment	347	448
Loss on disposals of investment property	5,674	-
Loss on disposals of intangible assets	147	716
Loss on disposals of right-of-use assets	11	-
Loss on transactions of derivatives	15,911	13,467
Loss on valuation of derivatives	330	5,424
Interest expenses	39,003	43,794
Loss on valuation of other financial assets	305	292
Loss on disposals of other financial assets	1	1
Loss on disposals of investments in subsidiaries	462	625
Loss on disposals of investments in associates	1,712	-
Impairment loss on investments in associates	-	23,680
Compensation expenses associated with stock option	116	-
Income tax expense	293,308	47,280
Others	(1,660)	4,097
	598,475	392,928
Deduction of items not involving cash inflows:		
Reversal of salary and bonus	-	34
Reversal of impairment loss on inventories	50	152
Reversal of allowance for doubtful accounts	588	1,726
Reversal of provisions	8,374	6,188
Reversal of impairment loss on intangible assets	890	-
Gain on foreign currency translation	7,602	4,767
Gain on disposals of property, plant and equipment	482	1,153
Gain on disposals of intangible assets	3	226
Gain on transactions of derivatives	8,534	7,381
Gain on valuation of derivatives	1,981	1,271
Interest income	28,679	24,072
Dividend income	1,078	2,278

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
Gain on valuation of other financial assets	225	108
Gain on disposals of investments in subsidiaries	358,511	20,543
Gain on disposals of investments in associates	252	718
Gain on valuation by equity method	498,945	1,269,966
Others	492	660
	(916,686)	(1,341,243)
Movements in working capital :		
Trade receivables	270,881	207,382
Other receivables	(25,164)	3,729
Inventories	(5,570)	(6,719)
Non-current trade receivables	(17)	(1,088)
Non-current other receivables	17	27
Trade payables	(27,802)	(584,857)
Other payables	(21,124)	(39,666)
Provisions	(27,263)	(19,208)
Net defined benefit liability	(30,550)	(40,691)
Others	(154,797)	25,341
	(21,389)	(455,750)
Interest income received	24,424	24,369
Dividend income received	377,314	340,336
Income tax received	815	(316)
Interest expenses paid	(35,346)	(35,324)
Income taxes paid	(315,695)	(312,954)
Net cash provided by operating activities	818,667	494,943

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities :		
Decrease in financial institution deposits	671,586	782,317
Settlement of derivative instruments	8,534	7,365
Decrease in other receivables	1,880	22,536
Disposals of other financial assets	1,201	743
Decrease in non-current other receivables	721	32
Disposals of investments in subsidiaries	576,536	43,453
Disposals of investments in associates	521	-
Disposals of property, plant and equipment	3,019	27,760
Disposals of investment property	1,466	2,444
Disposals of intangible assets	3,195	1,019
Acquisition control of subsidiaries	-	4,114
Others	384	822
	1,269,043	892,605
Cash outflows from investing activities :		
Increase in financial institution deposits	890,053	692,941
Settlements of derivative instruments	15,163	13,600
Increase in other receivables	3,722	17,782
Acquisitions of non-current AFS financial assets	10,035	2,910
Increase in non-current other receivables	2,545	4,707
Acquisitions of investments in subsidiaries	10,540	-
Acquisitions of investments in associates	-	424,530
Acquisitions of property, plant and equipment	62,312	263,549
Acquisitions of investment property	282,987	98,776
Acquisitions of intangible assets	25,681	32,413
Others	1	30
	(1,303,039)	(1,551,238)
Net cash used in investing activities	(33,996)	(658,633)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities :		
Proceeds from short-term borrowings	149,433	54,364
Proceeds from long-term borrowings	32,090	32,629
Issuance of debentures	-	368,585
Increase in government subsidy	477	594
	182,000	456,172
Cash outflows for financing activities :		
Redemptions of short-term borrowings	45,489	29,783
Redemptions of long-term borrowings	112,792	-
Redemptions of debentures	110,000	240,000
Redemptions of current portion of long-term borrowings	51,652	81,364
Redemptions of lease liabilities	12,637	-
Payments of dividends	357,987	231,410
Cash outflows for consolidated capital transactions	249	29
	(690,806)	(582,586)
Net cash used in financing activities	(508,806)	(126,414)
Net change in cash and cash equivalents	275,865	(290,104)
Cash and cash equivalents at the beginning of year	1,054,293	1,342,871
Effects of exchange rate changes on cash and cash equivalents	6,944	1,526
Cash and cash equivalents at the end of year	1,337,102	1,054,293

(Concluded)

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

Unit : Korean won million

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS :		
Cash and cash equivalents	150,273	132,903
Financial institution deposits	500,500	250,500
Other receivables, net	35,933	9,730
Other current assets	3,175	4,485
Assets held for sale	136,178	-
Total current assets	826,059	397,618
NON-CURRENT ASSETS :		
Available-for-sale ("AFS") financial assets	98,940	97,334
Other non-current receivables, net	5	499
Investments in subsidiaries	758,789	1,058,892
Investments in associates and joint ventures	6,943,881	6,943,881
Other non-current assets	2,789	3,081
Property, plant and equipment, net	46,394	36,306
Investment property, net	882,868	772,903
Intangible assets	17,366	17,128
Right-of use assets	870	-
Total non-current assets	8,751,902	8,930,024
TOTAL ASSETS	9,577,961	9,327,642

(Continued)

LG CORP.
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018 (CONTINUED)

Unit : Korean won million

	December 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Other current payables	119,416	112,297
Current tax liabilities	9,842	26,161
Other current liabilities	6,989	7,195
Current lease liabilities	444	-
Liabilities related to assets held for sale	19,358	-
Total current liabilities	156,049	145,653
NON-CURRENT LIABILITIES :		
Other non-current payables	15,526	11,030
Net defined benefit liability	5,903	3,848
Deferred tax liability	68,443	63,152
Other non-current liabilities	4,862	5,218
Non-current lease liabilities	433	-
Total non-current liabilities	95,167	83,248
TOTAL LIABILITIES	251,216	228,901
SHAREHOLDERS' EQUITY		
Issued capital	879,359	879,359
Capital surplus	2,409,002	2,409,002
Other capital items	(2,385)	(2,385)
Accumulated other comprehensive income	37,074	35,857
Retained earnings	6,003,695	5,776,908
TOTAL EQUITY	9,326,745	9,098,741
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,577,961	9,327,642

(Concluded)

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

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
Operating income :		
Dividend income	476,247	368,202
Royalty revenue	270,550	270,069
Rental revenue	127,875	118,925
	874,672	757,196
Operating expenses :		
Employee benefit	48,164	42,038
Depreciation	22,974	19,762
Other operating expenses	159,739	149,094
	230,877	210,894
Net operating income	643,795	546,302
Non-operating income and expenses :		
Financial income	9,390	11,667
Financial expenses	904	1,249
Other non-operating income	10,853	36,239
Other non-operating expenses	5,814	38,999
Profit before income tax expense	657,320	553,960
Income tax expense	76,159	1,298
Profit for the year	581,161	552,662
Earnings per share (in Korean won) :		
Common stock basic/diluted	3,305	3,413
Pre-1996 Commercial Law Amendment preferred stock basic/diluted	3,355	3,193

LG CORP.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
Profit for the year	581,161	552,662
Other comprehensive income (loss) :	(1,450)	(6,595)
Items that will not be reclassified subsequently to profit or loss	(1,450)	(6,595)
Remeasurement on the net defined benefit liability	(2,667)	(1,353)
Net gain (loss) on Other financial assets	1,217	(5,242)
Total comprehensive income for the year	579,711	546,067

LG CORP.
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2018	879,359	2,409,002	(2,385)	41,099	5,454,267	8,781,342
Annual dividends					(228,668)	(228,668)
Profit for the year					552,662	552,662
Remeasurement on the net defined benefit liability					(1,353)	(1,353)
Net gain (loss) on Other financial assets				(5,242)		(5,242)
Balance at December 31, 2018	879,359	2,409,002	(2,385)	35,857	5,776,908	9,098,741
Balance at January 1, 2019	879,359	2,409,002	(2,385)	35,857	5,776,908	9,098,741
Annual dividends					(351,707)	(351,707)
Profit for the year					581,161	581,161
Remeasurement on the net defined benefit liability					(2,667)	(2,667)
Net gain (loss) on other financial assets				1,217		1,217
Balance at December 31, 2019	879,359	2,409,002	(2,385)	37,074	6,003,695	9,326,745

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES :		
Profit for the year	581,161	552,662
Additions of expenses not involving cash outflows :		
Depreciation	22,974	19,762
Amortization of intangible assets	1,856	1,862
Retirement benefits	3,606	3,893
Interest expenses	381	333
Income tax expense	76,158	1,298
Loss on disposals of property, plant and equipment	7	1
Loss on disposals of investment property	5,674	-
Loss on disposals of intangible assets	2	-
Impairment loss on investments in associates	-	38,863
Loss on foreign currency translations	-	72
Other selling and administration expenses	94	86
	110,752	66,170
Deduction of incomes not involving cash inflows :		
Interest income	8,293	9,964
Dividend income	476,247	368,202
Other operating income	357	333
Gain on disposals of property, plant and equipment	3	18
Gain on disposals of investments in associates	404	-
Gain on disposals of investments in subsidiaries	10,245	35,813
Gain on foreign currency translation	538	630
	(496,087)	(414,960)
Movements in working capital :		
Other receivables	(24,925)	18,270
Other current assets	1,310	(705)
Other non-current assets	(966)	(1,347)
Other payables	9,519	4,489
Other current liabilities	(206)	623
Net defined benefit liability	(5,119)	(14,146)
	(20,387)	7,184

(Continued)

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018(CONTINUED)

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income received	7,510	10,833
Dividend income received	476,247	368,202
Interest expenses paid	(24)	-
Income taxes paid	(67,365)	(217,704)
	416,368	161,331
Net cash provided by operating activities	591,807	372,387
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities :		
Decrease in financial institution deposits	600,000	686,035
Disposals of investments in subsidiaries	192,442	57,688
Disposals of investments in associates	404	-
Disposals of property, plant and equipment	29	192
Disposals of investment property	1,284	-
Disposals of intangible assets	93	-
	794,252	743,915
Cash outflows for investing activities :		
Increase in financial institution deposits	850,000	636,035
Acquisitions of investments in subsidiaries	18,273	50,285
Acquisitions of investments in associates	-	423,339
Acquisitions of property, plant and equipment	5,133	1,032
Acquisitions of investment properties	142,559	1,473
Acquisitions of intangible assets	974	926
	(1,016,939)	(1,113,090)
Net cash used in investing activities	(222,687)	(369,175)

(Continued)

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

Unit : Korean won million

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM FINANCING ACTIVITIES :		
Cash outflows for financing activities :		
Payments of dividends	351,689	228,655
Redemptions of lease liabilities	599	-
	(352,288)	(228,655)
Net cash used in financing activities	(352,288)	(228,655)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,832	(225,443)
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF YEAR	132,903	357,788
Effects of exchange rate changes on cash and cash equivalents	538	558
CASH AND CASH EQUIVALENTS, AT THE END OF YEAR	150,273	132,903

(Concluded)

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