LG CORP.

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

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

LG CORP.

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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 Separate Financial Statements

Our Opinion

We have audited the accompanying separate financial statements of LG Corp. (the "Company"), which comprise the separate statements of financial position as of December 31, 2020, and December 31, 2019, respectively, and the related separate statements of income, separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows, all expressed in Korean won, for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and December 31, 2019, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We have also audited, in accordance with the Korean Standards on Auditing("KSAs"), the internal control over financial reporting of the Company as of December 31, 2020, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' and our report dated March 11, 2021, expressed an unqualified opinion..

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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the separate financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment Test of Investments in Associates.

The Company has a 24.69% stake in LG International Co., Ltd. As of December 31, 2020, the book value of LG International Co., Ltd. was ₩296,741 million.

The management of the Company judged that there are signs of impairment due to the decrease in market value of LG International Corp.'s shares and performed the impairment test in accordance with K-IFRS 1036, *Impairment of Assets*.

We determined this matter to Key Audit Matters with consideration of the significance of the book value of the investments in LG International Corp. and significant management judgment in assessment of impairment.

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The major audit procedures we have conducted in relation to the Key Audit Matters are as follows:

- Questions and understanding of the Company's accounting policies and internal controls related to impairment assessment of investment assets.
- Review management's assessment of the existence of any impairment signs of investment in associates held by the Company.
- Evaluate the objectivity and eligibility of independent external experts used by the Company's management in impairment test.
- Ask about the methodology and key significant assumptions (future cash flows, discount rate, etc.) of the valuation model applied by the Company and confirm their validity.
- Evaluate the appropriateness of management's estimation of business plans by comparing performance against past business plans.
- Check the sensitivity analysis of the impairment test presented by the management.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate financial statements, management of the Company is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance’s responsibilities include overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 Company'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 separate 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Deloitte Anjin LLC

March 11, 2021

<u>Notice to Readers</u>

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 separate financial statements and may result in modifications to the auditors' report.

LG CORP. (the “Company”)

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

The accompanying separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

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

LG CORP.
SEPARATE 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, 19 and 26)	₩	472,495	₩	150,273
Financial institution deposits (Notes 5, 19, 23 and 26)		1,128,000		500,500
Other receivables, net (Notes 5, 7, 19, 22 and 26)		14,027		35,933
Other current assets (Note 8)		1,264		3,175
Assets held for sale (Notes 9, 11 and 28)		17,157		136,178
Assets held for distribution to owners (Notes 11 and 29)		913,338		-
Total current assets		2,546,281		826,059
NON-CURRENT ASSETS:				
Other financial assets (Notes 5, 19 and 26)		96,894		98,940
Other non-current receivables, net (Notes 5, 7, 23 and 26)		5		5
Investments in subsidiaries (Note 11)		758,789		758,789
Investments in associates and joint ventures (Notes 11 and 29)		6,257,538		6,943,881
Other non-current assets (Note 8)		1,851		2,789
Property, plant and equipment, net (Note 9)		43,069		46,394
Investment property, net (Notes 9 and 24)		847,079		882,868
Intangible assets (Note 10)		18,225		17,366
Right-of use assets (Note 24)		1,109		870
Total non-current assets		8,024,559		8,751,902
TOTAL ASSETS	₩	10,570,840	₩	9,577,961

(Continued)

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

	Korean won			
	December 31, 2020		December 31, 2019	
	(In millions)			
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Other current payables (Notes 5, 19, 22 and 26)	₩	108,879	₩	119,416
Current tax liabilities (Note 20)		47,724		9,842
Other current liabilities (Note 13)		18,519		6,989
Current lease liabilities (Notes 5, 19, 24 and 26)		644		444
Liabilities related to assets held for sale (Note 28)		539		19,358
Liabilities held for distribution to owners (Note 29)		2,490		-
Total current liabilities		178,795		156,049
NON-CURRENT LIABILITIES:				
Derivative financial liabilities (Notes 5 and 26)		39,196		-
Other non-current payables (Notes 5, 19, 22 and 26)		11,144		15,526
Net defined benefit liability (Note 12)		4,874		5,903
Deferred tax liability (Note 20)		62,078		68,443
Other non-current liabilities (Note 13)		4,478		4,862
Non-current lease liabilities (Notes 5, 19, 24 and 26)		478		433
Total non-current liabilities		122,248		95,167
TOTAL LIABILITIES		301,043		251,216
SHAREHOLDERS' EQUITY				
Issued capital (Note 14)		879,359		879,359
Capital surplus (Note 15)		2,409,002		2,409,002
Other capital items (Note 14)		(2,385)		(2,385)
Accumulated other comprehensive income (Note 16)		35,940		37,074
Retained earnings (Note 17)		6,947,881		6,003,695
TOTAL EQUITY		10,269,797		9,326,745
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩	10,570,840	₩	9,577,961

(Concluded)

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Korean won			
	Year ended December 31, 2020		Year ended December 31, 2019	
	(In millions)			
Operating income:				
Dividend income (Notes 4, 18 and 22)	₩	614,506	₩	396,637
Royalty revenue (Notes 4, 18 and 22)		271,372		260,743
Rental revenue (Notes 4, 18, 22 and 24)		130,324		127,875
		1,016,202		785,255
Operating expenses:				
Employee benefit (Notes 18 and 22)		49,156		43,827
Depreciation (Notes 9 ,18 and 24)		23,619		22,512
Other operating expenses (Notes 18 and 22)		149,404		153,429
		222,179		219,768
Net operating income (Note 18)		794,023		565,487
Non-operating income and expenses:				
Financial income (Notes 19 and 22)		15,703		8,684
Financial expenses (Note 19)		520		904
Other non-operating income (Note 11)		817,794		10,844
Other non-operating expenses		35,541		5,803
Continuing operating profit before income tax expense		1,591,459		578,308
Income tax expense for continuing operations (Note 20)		291,982		69,395
Continuing operating profit		1,299,477		508,913
Discontinued operating income and expenses (Note 29)		31,874		72,248
Profit for the year	₩	1,331,351	₩	581,161
Earnings per share (in Korean won):				
Continuing and discontinued operations				
Common stock basic/diluted (Note 21)	₩	7,573	₩	3,305
Pre-1996 Commercial Law Amendment preferred stock basic/diluted (Note 21)		7,623		3,355
Continuing operation				
Common stock basic/diluted (Note 21)		7,392		2,894
Pre-1996 Commercial Law Amendment preferred stock basic/diluted (Note 21)		7,442		2,944

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE 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	₩	1,331,351	₩	581,161
Other comprehensive income (loss):		(1,437)		(1,450)
Items that will not be reclassified subsequently to profit or loss		(1,437)		(1,450)
Remeasurement on the net defined benefit liability		(303)		(2,667)
Net gain (loss) on other financial assets		(1,134)		1,217
Total comprehensive income for the year	₩	1,329,914	₩	579,711

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Korean won					
	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total
	(In millions)					
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
Balance at January 1, 2020	₩ 879,359	₩ 2,409,002	₩ (2,385)	₩ 37,074	₩ 6,003,695	₩ 9,326,745
Annual dividends	-	-	-	-	(386,862)	(386,862)
Profit for the year	-	-	-	-	1,331,351	1,331,351
Remeasurement on the net defined benefit liability	-	-	-	-	(303)	(303)
Net gain (loss) on other financial assets	-	-	-	(1,134)	-	(1,134)
Balance at December 31, 2020	₩ 879,359	₩ 2,409,002	₩ (2,385)	₩ 35,940	₩ 6,947,881	₩ 10,269,797

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE 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	₩ 1,331,351	₩ 581,161
Additions of expenses not involving cash outflows:		
Depreciation	23,964	22,974
Amortization of intangible assets	2,048	1,856
Retirement benefits	4,691	3,606
Interest expenses	408	381
Income tax expense	295,077	76,158
Loss on disposals of property, plant and equipment	10	7
Loss on disposals of investment property	-	5,674
Loss on disposals of intangible assets	13	2
Impairment loss on investments in associates	35,424	-
Other selling and administration expenses	137	94
	361,772	110,752
Deduction of income not involving cash inflows:		
Interest income	16,083	8,293
Dividend income	649,595	476,247
Other operating income	384	357
Gain on disposals of property, plant and equipment	227	3
Gain on disposals of investments in associates	-	404
Gain on disposals of investments in subsidiaries	816,562	10,245
Gain on disposals of other financial assets	425	-
Gain on foreign currency translation	-	538
	(1,483,276)	(496,087)
Movements in working capital:		
Other receivables	23,821	(24,925)
Other current assets	1,886	1,310
Other non-current assets	(1,234)	(966)
Other payables	(15,004)	9,519
Other current liabilities	922	(206)
Net defined benefit liability	(6,082)	(5,119)
	4,309	(20,387)

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LG CORP.
SEPARATE 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)	
Interest income received	₩ 13,759	₩ 7,510
Dividend income received	649,595	476,247
Interest expenses paid	25	24
Income taxes paid	280,142	67,365
	383,187	416,368
Net cash provided by operating activities	597,343	591,807
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in financial institution deposits	1,150,500	600,000
Disposals of investments in subsidiaries	991,935	192,442
Disposals of investments in associates	-	404
Disposals of other financial assets	975	-
Disposals of property, plant and equipment	324	29
Disposals of investment property	10,616	1,284
Disposals of intangible assets	592	93
	2,154,942	794,252
Cash outflows for investing activities:		
Increase in financial institution deposits	1,950,000	850,000
Acquisitions of investments in subsidiaries	-	18,273
Acquisitions of investments in associates	90,005	-
Acquisitions of property, plant and equipment	218	5,133
Acquisitions of investment properties	1,220	142,559
Acquisitions of intangible assets	1,102	974
	(2,042,545)	(1,016,939)
Net cash provided by (used in) investing activities	112,397	(222,687)

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LG CORP.
SEPARATE 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 for financing activities:		
Short-term borrowings	4,619	-
	4,619	-
Cash outflows for financing activities:		
Payments of dividends	386,844	351,689
Repayment of short-term borrowings	4,619	-
Redemptions of lease liabilities	674	599
	(392,137)	(352,288)
Net cash used in financing activities	(387,518)	(352,288)
NET INCREASE IN CASH AND CASH EQUIVALENTS	322,222	16,832
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF YEAR	150,273	132,903
Effects of exchange rate changes on cash and cash equivalents	-	538
CASH AND CASH EQUIVALENTS, AT THE END OF YEAR	₩ 472,495	₩ 150,273

(Concluded)

See accompanying notes to separate financial statements.

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

1. GENERAL:

LG Corp. (the "Company") is an investment holding company, which was formed to meet the changes in domestic and international business environments and become a global competitor through an effective management specializing its business sector. On March 1, 2003, it acquired LG Electronics Inc. ("LGEI"), an investment company, and the real estate lease and investment business company, Serveone Co., Ltd.

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 Company has outstanding capital stock of ₩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:

Name of shareholder	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 SIGNIFICANT ACCOUNTING POLICIES:

The separate 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.

Management has reasonable expectations that at the time of approving financial statements, we have sufficient resources to continue as an entity for a foreseeable future period. Therefore, management prepared financial statements on the premise of going concern.

The Company has adopted the Korean International Financial Reporting Standards ("K-IFRSs"). These are the separate financial statements of the Company in accordance with K-IFRS 1027 (separate financial statements), those presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with K-IFRS 1109 (Financial Instruments) or K-IFRS 1028 Investment in Associates.

The significant accounting policies under K-IFRS followed by the Company in the preparation of separate financial statements are summarized below. Unless stated otherwise, these accounting policies have been applied consistently to the separate financial statements for the current period and the comparative period.

(1) Amendments to K-IFRSs and new interpretations that are mandatorily effective for the current year

1) Newly adopted and revised standards, their interpretations and thereby changes in accounting policies being effective for the financial year beginning on January 1, 2020, are as follows:

- 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 its benchmark interest rate exposures, and this amendment has no effect on our accounting.

- K-IFRS 1116 Leases – Impact of the initial application of Covid-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. 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. Meanwhile, lessors will not be provided with practical relief based on these amendments.

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 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

- References to the Conceptual Framework in K-IFRS Standards (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 are K-IFRS 1102, 1103, 1106, 1114, 1001, 1008, 1034, 1037, 1038, 2112, 2119, 2120, 2122 and 2032.

- K-IFRS 1103 Definition of a business (Amendment)

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 January 1, 2020.

- K-IFRS 1001 and K-IFRS 1008 Definition of material (Amendment)

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-IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

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 Company does not anticipate that the application of the enactment and amendments will have a significant impact on the financial statements.

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

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

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 1 January 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 January 1, 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 (Amendment)

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 statement of comprehensive income, the 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 statement 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 financial statements in which the entity first applies the amendments. The entity shall recognize 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 recognize 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 January 1, 2022, with early application permitted.

- Annual Improvements to K-IFRS Standards 2018–2020 Cycle

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 IFRS Standards, 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 percent' test to assess whether to derecognize 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 effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Company does not anticipate that the application of the enactment and amendments will have a significant impact on its separate financial statements.

(2) Basis of preparing separate financial statements

1) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except otherwise stated below, such as financial instruments.

2) Functional and reporting currency
The separate financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company's functional currency and the reporting currency for the separate financial statements is Korean won.

(3) Foreign currency translation

Transactions that occur in currencies other than the Company's functional currency will be recorded at a translated amount using the exchange rate on the day of the transaction. At the end of the reporting period, all monetary assets and liabilities will be translated using the exchange rate at the end of the reporting date. Meanwhile, non-monetary assets and liabilities measured at fair value will be retranslated using the exchange rate on the day of fair value evaluation, whereas non-monetary assets and liabilities measured at historical cost will not be translated.

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; and
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

(4) 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 acquisition). Bank overdraft is accounted for as short-term borrowings.

(5) Financial assets

Financial assets are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets 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 issuance of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss ("FVTPL") are recognized immediately in profit or loss.

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.

At initial recognition, all recognized financial assets that are within the scope of K-IFRS 1109 are classified as to be amortized cost, fair value through other comprehensive Income ("FVTOCI") and FVTPL on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics 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; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at 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; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

- The Company 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); and
- The Company 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 of 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 expected credit losses ("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 Company 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 19).

1-2) Debt instruments classified as at FVTOCI

The corporate bonds held by the Company are classified as at FVTOCI. Fair value is determined in the manner described in Note 26. 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 Company 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.

The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see Note 5).

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 Company 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).

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 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 ‘operating income’ line item (see Note 4) in profit or loss.

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 Company 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 recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company 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 (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend earned on the financial asset and is included in the ‘operating income’ line item (see Note 4). Meanwhile, interest income on financial assets at FVTPL is included in 'financial income - other' (see Note 19). Fair value is determined in the manner described in Note 26.

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 (see Note 19);
- 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 (see Note 19). 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 (see Note 19); 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 Company recognizes a loss allowance for 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 Company 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 Company’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 Company 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECLs 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 Company 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 Company 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 Company'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 Company'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, for example, 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 assessment above, the Company 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 it has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company 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 Company 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 Company 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 contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

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

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

Irrespective of the analysis above, the Company considers that default has occurred when a financial asset is more than 90 days past due, unless it has 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; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

3-4) Write-off policy

The Company 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, for example, 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 more than two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company’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 Company’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 Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs are 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 Company 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 payment to reimburse the holder for a credit loss that it incurs, less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company 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, it 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 Company 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 separate statements of financial position.

4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognize 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 that the Company 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.

(6) 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 its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and the 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 Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land and some tangible assets, and depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	25–50
Structures	25
Furniture, fixtures and vehicles	5–12

The Company 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 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.

(7) Investment property

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

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

Among the investment properties, land is not depreciated. However, investment properties other than land are depreciated over their useful lives of 25–50 years using the straight-line method. The depreciation method, residual value and useful lives of investment properties are reassessed or reviewed at the end of each annual reporting period, and any changes in them are treated as change in accounting estimates.

Investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. 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.

(8) 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) 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.

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

At the end of each reporting period, the Company 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 Company 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 and 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, 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.

(10) Investment in subsidiaries, associates and joint ventures

In accordance with K-IFRS 1027, the Company's separate financial statements are financial statements that were prepared by the parent, or the investor with joint control of, or significant influence over, an investee, and where this parent, or investor, accounts for the investments at cost. The Company chose the cost method based on K-IFRS 1027 to report investments in subsidiaries, associates and joint ventures. Dividends obtained from subsidiaries, associates and joint ventures are recognized in profit or loss when the right to receive dividends is confirmed.

(11) 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.

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 Company are recognized when the proceeds are received, net of direct issue costs.

3) Financial liabilities

Financial liabilities are recognized in the Group's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. 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 liabilities are added to, or deducted from, the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities measured at FVTPL or other financial liabilities.

4) Financial liabilities measured at FVTPL

Financial liabilities are classified as financial liabilities measured at FVTPL when they are contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, or they are designated as financial liabilities measured at FVTPL.

5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Financial guarantee contract liabilities

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 a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above); and
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with K-IFRS 1115 set out above.

7) Derecognition of financial liabilities

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

(12) Lease

1) The Company as lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company 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 Company 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 Company 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; and
- 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 separate 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 Company 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 case, 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 Company 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 IAS 37. 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 underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company 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 item in the separate statements of financial position.

The Company 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. (see Note 2. (9))

Variable rents that do not depend on an index or rate are not included in the measurement of 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 the 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 Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company 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.

2) The Company as lessor

Leases for which the Company 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 Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease 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 recognized 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, recognizing an allowance for expected credit losses 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 Company applies IFRS 15 to allocate the consideration under the contract to each component.

(13) 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.

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.

(14) Employee benefits

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 reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the separate statements of financial position, with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. 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, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income), and remeasurement.

The Company presents the service cost and net interest expense (income) components in profit or loss, 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 separate statements of financial position represents the actual deficit or surplus in the Company'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.

(15) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits 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.

(16) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax (“VAT”), returns, rebates and discounts. The Company recognizes revenue when it is reliably measurable and the inflows of future economic benefits are likely. For each type of sales, the Company recognizes revenue as follows:

1) Dividend income
Dividends are recognized as revenue when the right to dividends is determined.

2) Royalty revenue
Income from use of trademark rights is recognized on an accrual basis to reflect related contracts’ economic substance.

3) Rental revenue
The Company recognizes revenue for real estate rent income according to passage of time.

4) Interest income
Interest income is recognized through passage of time by the effective interest rate method. When receivables are impaired, the book value of the receivable is reduced to collectible amount (future cash inflows discounted by initial effective interest rate of the financial asset) and increasing amount due to passage of time is recognized as interest income. Initial effective interest rate is used when recognizing interest income from such receivables.

(17) Income tax

Income tax expense consists of current tax and deferred tax.

1) Current tax payable

The current tax is computed based on the taxable profit for the year. The taxable profit differs from the profit for the period as reported in the separate statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Company’s liability for current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 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.

But 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) Recognition of current tax payable and deferred tax

Current and deferred taxes are recognized in profit or loss, except for those related to items other than profit or loss, such as other comprehensive income (loss) or items recognized directly in equity (current taxes and deferred taxes are both recognized in items other than profit or loss) of same or different accounting periods or items arising from initial accounting treatments of a business combination. For business combinations, income tax effects are considered when measuring goodwill or determining the Company's shares in fair value of acquiree's identifiable assets, liabilities and contingent liabilities that exceed cost of business combination.

(18) Treasury stock

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

(19) 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 Company 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 separate 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 1017, *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.

(20) Derivative financial instruments

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. 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 event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legally enforceable right and intention to offset. 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 due 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.

3. SIGNIFICANT CONSIDERATION AND MAJOR SOURCES OF ESTIMATION UNCERTAINTIES:

In the application of the Company's 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 those 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) Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1) Defined Benefit Plan

The Company operates the defined benefit plan. Actuarial assumptions are the Company's best estimates of the variables in determining the cost of providing postretirement benefits such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of postretirement benefit plan. At the end of this year, defined benefit liability of the plan is ₩34,053 million (prior year ₩30,683 million), as detailed in Note 12.

2) Impairment test

The recoverable amount of cash-generating unit to review the impairment is determined based on the calculation of value in use or fair value less costs to sell. These calculations are based on future estimates.

4. SEGMENT INFORMATION:

The Company has only one operating segment in accordance with K-IFRS 1108, *Operating Segments*, from entire Company's perspective. Operating segment information for the years ended December 31, 2020 and 2019, is as follows:

(1) Operating income information (Unit: Korean won in millions)

Sectors	Year ended December 31, 2020		Year ended December 31, 2019	
Dividend revenue	₩	614,506	₩	396,637
Royalty revenue		271,372		260,743
Rent revenue		130,324		127,875
Total	₩	1,016,202	₩	785,255

(2) Regional information

The Company's operating income is all derived from domestic business, and all of its non-current assets are located in South Korea.

(3) Major client information

Operating income from major clients that cover more than 10% of operation income for the years ended December 31, 2020 and 2019, is ₩647,002 million and ₩516,022 million, respectively.

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

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		December 31, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩ 472,495	₩ 472,495	₩ 150,273	₩ 150,273
Financial assets measured at FVTPL	Equity investment	450	450	1,000	1,000
Financial assets measured at FVTOCI	Marketable equity securities	43,550	43,550	37,683	37,683
	Unmarketable equity securities	52,894	52,894	60,257	60,257
	Subtotal	96,444	96,444	97,940	97,940
Financial assets measured at amortized cost	Financial institution deposits	1,128,000	1,128,000	500,500	500,500
	Other accounts receivable	10,218	10,218	33,545	33,545
	Accrued income	3,809	3,809	1,894	1,894
	Deposits	5	5	499	499
	Subtotal	1,142,032	1,142,032	536,438	536,438
Total		₩ 1,711,421	₩ 1,711,421	₩ 785,651	₩ 785,651

(2) Financial liabilities

Financial liabilities	Account	December 31, 2020		December 31, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at FVTPL	Derivative financial liabilities	₩ 39,196	₩ 39,196	₩ -	₩ -
Financial liabilities measured at amortized cost	Other accounts payable	36,810	36,810	49,390	49,390
	Accrued expenses	748	748	637	637
	Accrued dividends	377	377	360	360
	Deposits received	82,088	82,088	84,556	84,556
	Subtotal	120,023	120,023	134,943	134,943
Lease liabilities		1,122	1,122	877	877
Total		₩ 160,341	₩ 160,341	₩ 135,820	₩ 135,820

6. CASH AND CASH EQUIVALENTS:

The cash and cash equivalents in the separate statements of cash flows are the same as the cash and cash equivalents in the separate statements of financial position. Details of cash and cash equivalents as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020	December 31, 2019
Cash	₩ 3	₩ 3
Bank deposits	260,002	10
Other cash equivalents	212,490	150,260
Total	₩ 472,495	₩ 150,273

7. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

As of December 31, 2020 and 2019, accounts receivable and other receivables are not impaired or overdue. Details are as follows (Unit: Korean won in millions):

	December 31, 2020		December 31, 2019	
Description	Current	Non-current	Current	Non-current
Other accounts receivable	₩ 10,218	₩ -	₩ 33,545	₩ -
Accrued income	3,809	-	1,894	-
Deposits	-	5	494	5
Total	₩ 14,027	₩ 5	₩ 35,933	₩ 5

(*) Accounts receivable and other receivables are measured as whole period expected credit losses in accordance with the K-IFRS 1109 at the end of the current term, and there is no additional loss allowance to be reflected accordingly.

8. OTHER ASSETS:

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

Description	December 31, 2020	December 31, 2019
Prepaid expenses, etc.	₩ 1,264	₩ 3,175

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

Description	December 31, 2020	December 31, 2019
Advance payments	₩ 1,851	₩ 2,789

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY:

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

	Year ended December 31, 2020								
	Property, plant and equipment					Investment property			
Description	Land	Buildings	Structures	Vehicles	Furniture and fixtures	Land	Buildings	Structures	Total
Beginning balance	₩12,520	₩23,096	₩ 427	₩18,726	₩ 10,862	₩458,261	₩ 589,227	₩ 9,324	₩1,122,443
Acquisition	-	59	-	36	124	-	1,177	43	1,439
Disposals	-	-	-	(1,039)	-	-	-	-	(1,039)
Classification as Assets held for sale	-	-	-	-	(159)	(15,803)	(1,600)	-	(17,562)
Classification as Assets held for distribution to owners	-	-	-	-	(10)	-	-	-	(10)
Transfers in	10	23	-	-	-	-	-	-	33
Transfers out	-	-	-	-	-	(10)	(23)	-	(33)
Ending balance	₩ 12,530	₩23,178	₩ 427	₩17,723	₩ 10,817	₩442,448	₩ 588,781	₩ 9,367	₩1,105,271

	Year ended December 31, 2019								
	Property, plant and equipment					Investment property			
Description	Land	Buildings	Structures	Vehicles	Furniture and fixtures	Land	Buildings	Structures	Total
Beginning balance	₩ 6,883	₩20,903	₩ 461	₩15,816	₩ 8,683	₩380,935	₩ 537,076	₩ 9,290	₩ 980,047
Acquisition	-	-	-	2,954	2,179	89,874	54,405	-	149,412
Disposals	-	-	-	(44)	-	(6,911)	(61)	-	(7,016)
Transfers in	5,637	2,193	-	-	-	-	-	34	7,864
Transfers out	-	-	(34)	-	-	(5,637)	(2,193)	-	(7,864)
Ending balance	₩12,520	₩23,096	₩ 427	₩18,726	₩ 10,862	₩458,261	₩ 589,227	₩ 9,324	₩1,122,443

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

	Year ended December 31, 2020						
	Property, plant and equipment				Investment property		
Description	Buildings	Structures	Vehicles	Furniture and fixtures	Buildings	Structures	Total
Beginning balance	₩ 7,669	₩ 250	₩ 5,004	₩ 6,314	₩ 169,521	₩ 4,424	₩ 193,182
Disposals	-	-	(942)	-	-	-	(942)
Removal due to classification as Assets held for sale	-	-	-	(151)	(254)	-	(405)
Removal due to classification as Assets held for distribution to owners	-	-	-	(6)	-	-	(6)
Transfers in	8	-	-	-	-	-	8
Transfers out	-	-	-	-	(8)	-	(8)
Depreciation	795	16	1,685	964	19,500	334	23,294
Ending balance	₩ 8,472	₩ 266	₩ 5,747	₩ 7,121	₩ 188,759	₩ 4,758	₩ 215,123

Description	Property, plant and equipment: Buildings	Structures	Vehicles	Furniture and fixtures	Investment property: Buildings	Structures	Total
	Year ended December 31, 2019						
Beginning balance	₩ 7,451	₩ 252	₩ 3,320	₩ 5,417	₩ 150,326	₩ 4,072	₩ 170,838
Disposals	-	-	(16)	-	(14)	-	(30)
Transfers in	-	-	-	-	515	19	534
Transfers out	(515)	(19)	-	-	-	-	(534)
Depreciation	733	17	1,700	897	18,694	333	22,374
Ending balance	₩ 7,669	₩ 250	₩ 5,004	₩ 6,314	₩ 169,521	₩ 4,424	₩ 193,182

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year income statements.

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

Description	Date of revaluation	Land	Buildings and structures	Total
Book value of investment property:				
Book value (*1)		₩ 451,944	₩ 418,763	₩ 870,707
Result of valuation:				
Twin tower (*2)	2020-10-16	705,683	291,045	996,728
Gasandong building	2020-10-16	120,316	104,531	224,847
Gwanghwamun building	2020-10-16	283,745	101,255	385,000
Seoul-station building	2020-10-16	258,960	131,040	390,000
Total		₩ 1,368,704	₩ 627,871	₩ 1,996,575

(*1) It includes the valuation amounts related to its own use (Book value: ₩23,628 million).
(*2) The Company acquired all remaining stake in the building from LG international Co., Ltd. during the prior period.

Fair value assessment was performed by an independent third party, Nara 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.

In addition, rental income related to investment property during this period is ₩130,324 million.

10. INTANGIBLE ASSETS:

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

Description	December 31, 2020			December 31, 2019		
	Intellectual property rights	Membership	Other	Intellectual property rights	Membership	Other
Acquisition cost	₩ 20,067	₩ 9,271	₩ 9,034	₩ 17,991	₩ 9,876	₩ 7,598
Accumulated depreciation	(12,998)	-	(6,483)	(11,715)	-	(5,718)
Accumulated impairment	-	(666)	-	-	(666)	-
Carrying amounts	₩ 7,069	₩ 8,605	₩ 2,551	₩ 6,276	₩ 9,210	₩ 1,880

(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			
	Intellectual property rights	Membership	Other	Total
Beginning balance	₩ 6,276	₩ 9,210	₩ 1,880	₩ 17,366
Acquisition	-	-	1,436	1,436
Disposal	-	(605)	-	(605)
Transfers in (out)	2,076	-	-	2,076
Amortization	(1,283)	-	(765)	(2,048)
Ending balance	₩ 7,069	₩ 8,605	₩ 2,551	₩ 18,225

Description	Year ended December 31, 2019			
	Intellectual property rights	Membership	Other	Total
Beginning balance	₩ 6,221	₩ 8,916	₩ 1,991	₩ 17,128
Acquisition	-	389	586	975
Disposal	-	(95)	-	(95)
Transfers in (out)	1,215	-	-	1,215
Amortization	(1,160)	-	(697)	(1,857)
Ending balance	₩ 6,276	₩ 9,210	₩ 1,880	₩ 17,366

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Company's investments in subsidiaries as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value	
LG CNS Co., Ltd. (*1, 2)	South Korea	Services	12-31	49.95	49.95	₩	194,355
S&I Corporation Co., Ltd.	South Korea	Renting	12-31	100.00	100.00		250,054
LG Sports Ltd.	South Korea	Services	12-31	100.00	100.00		106,097
LG Management Development Institute	South Korea	Research and development	12-31	100.00	100.00		17,203
LG Holdings Japan Co., Ltd.	Japan	Renting	12-31	100.00	100.00		191,080
		Total				₩	758,789

	December 31, 2019						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value	
LG CNS Co., Ltd. (*1, 2)	South Korea	Services	12-31	84.95	84.95	₩	194,355
S&I Corporation Co., Ltd.	South Korea	Renting	12-31	100.00	100.00		250,054
LG Sports Ltd.	South Korea	Services	12-31	100.00	100.00		106,097
LG Management Development Institute	South Korea	Research and development	12-31	100.00	100.00		17,203
LG Holdings Japan Co., Ltd.	Japan	Renting	12-31	100.00	100.00		191,080
		Total				₩	758,789

(*1) Under the contract for the sale of the stock, the book value of ₩136,178 million, which is equivalent to 35% based on the total number of shares issued, has been classified as held for sale. As the disposal was completed during the current period, it recognized KRW 816,562 million gain on disposals of investments in subsidiaries as other non-operating income.

(*2) Although it has less than 50% of its shares by selling some of 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 subsidiary.

(2) Composition of the Company's investments in associates and joint ventures as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020					
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
LGEI	South Korea	Manufacturing	12-31	30.47	33.67	₩ 2,804,603
LG Chem Ltd.	South Korea	Manufacturing	12-31	30.06	33.34	1,621,178
LG Hausys, Ltd. (*1)	South Korea	Manufacturing	12-31	30.07	33.53	183,828
LG Household & Health Care Ltd.	South Korea	Manufacturing	12-31	30.00	34.03	141,608
LG Uplus Corp. (*2)	South Korea	Telecommunications	12-31	37.66	37.66	1,252,052
GIIR Corporation	South Korea	Hoardings	12-31	35.00	35.00	39,496
LG Hitachi Co., Ltd. (*3)	South Korea	Services	12-31	49.00	49.00	6,954
LG MMA Corp. (*1, 4)	South Korea	Manufacturing	12-31	50.00	50.00	115,350
Silicon Works Co., Ltd. (*1)	South Korea	Manufacturing	12-31	33.08	33.08	145,004
LG international Co., Ltd. (*1)	South Korea	Commodities brokerage	12-31	24.69	24.69	296,741
ZKW Holding GmbH (*5)	Austria	Manufacturing	12-31	30.00	30.00	376,358
ZKW Austria Immobilien Holding GmbH	Austria	Manufacturing	12-31	30.00	30.00	15,289
Total						₩ 6,998,461

	December 31, 2019					
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
LGEI	South Korea	Manufacturing	12-31	30.47	33.67	₩ 2,804,603
LG Chem Ltd.	South Korea	Manufacturing	12-31	30.06	33.34	1,621,178
LG Hausys, Ltd. (*1)	South Korea	Manufacturing	12-31	30.07	33.53	183,828
LG Household & Health Care Ltd.	South Korea	Manufacturing	12-31	30.00	34.03	141,608
LG Uplus Corp. (*2)	South Korea	Telecommunications	12-31	36.05	36.05	1,162,048
GIIR Corporation	South Korea	Hoardings	12-31	35.00	35.00	39,496
LG Hitachi Co., Ltd. (*3)	South Korea	Services	12-31	49.00	49.00	14,023
LG MMA Corp. (*1, 4)	South Korea	Manufacturing	12-31	50.00	50.00	115,350
Silicon Works Co., Ltd. (*1)	South Korea	Manufacturing	12-31	33.08	33.08	145,004
LG international Co., Ltd. (*1)	South Korea	Commodities brokerage	12-31	24.69	24.69	296,741
ZKW Holding GmbH (*5)	Austria	Manufacturing	12-31	30.00	30.00	404,713
ZKW Austria Immobilien Holding GmbH	Austria	Manufacturing	12-31	30.00	30.00	15,289
Total						₩ 6,943,881

(*1) As of the end of the current year, it is classified as assets held for distribution to owners in the statement of financial position.
(*2) During the current year, additional shares were acquired.
(*3) During the current year, signs of impairment for LG Hitachi Co., Ltd. were identified, and an impairment loss of KRW 7,069 million was recognized as a result of reviewing the recoverable value.
(*4) It is a joint venture.
(*5) During the current year, signs of impairment for ZKW Holding GmbH were identified, and an impairment loss of KRW 28,255 million was recognized as a result of reviewing the recoverable value.

12. RETIREMENT BENEFIT PLAN:

The Company operates a defined benefit plan for its employees, and according to the plan, the employees will be paid his or her average salary amount 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 liability is performed by Aon Hewitt, which is a reputable actuary, using the projected unit credit method.

(1) As of December 31, 2020 and 2019, amounts recognized in the separate 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	₩	34,053	₩	30,683
Fair value of plan assets		(29,179)		(24,780)
Net defined benefit liability	₩	4,874	₩	5,903

(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	₩	30,683	₩	33,834
Current service cost		4,536		3,507
Interest cost		663		760
Remeasurement on the net defined benefit liability		394		3,326
Benefits paid		(900)		(12,234)
Classification as liabilities held for distribution to owners		(548)		-
Other		(775)		1,490
Ending balance	₩	34,053	₩	30,683

(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	₩	4,536	₩	3,507
Current service cost		4,536		3,507
Net interest on the net defined benefit liability (asset)		146		90
Interest cost on defined benefit obligation		663		760
Comprising interest on plan assets		(517)		(670)
Operational management fee on plan assets		42		50
Total	₩	4,724	₩	3,647

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year income statements.

(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	₩	24,780	₩	29,986
Comprising interest on plan assets		517		670
Remeasurement-return on plan assets		(6)		(192)
Benefits paid		(900)		(12,234)
Contributions from the employer		5,300		6,600
Operational management fee on plan assets		(42)		(50)
Classification as liabilities held for distribution to owners		(470)		-
Ending balance	₩	29,179	₩	24,780

(5) All of the plan assets are mainly 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 (%)	2.22	2.22
Expected rate of salary increase (%)	5.18	5.29

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

	Year ended December 31, 2020					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	34,053	₩	31,239	₩	37,311
Change in rate of salary increase		34,053		37,185		31,286

(*)The above sensitivity is estimated based on the assumption that not all the assumptions will change, except for discount rate and rate of salary increase.

	Year ended December 31, 2019					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	30,683	₩	28,125	₩	33,650
Change in rate of salary increase		30,683		33,692		28,045

(*) The above sensitivity is estimated based on the assumption that not all the assumptions will change, except for discount rate and rate of salary increase.

(8) Remeasurement related to net defined benefit liability 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 arising from changes in demographic assumptions	₩	113	₩	1,144
Actuarial gains (losses) arising from changes in financial assumptions		(397)		(421)
Actuarial gains arising from experience		929		331
Return on plan assets, excluding amounts included in interest income		6		192
Actuarial gains (losses) arising from transfer in/out adjustment		(251)		2,272
Total	₩	400	₩	3,518

Meanwhile, the Company deducted ₩97 million arising from income tax effect for actuarial gain (loss) during the current period.

(9) Estimated contribution that will be paid in the next fiscal year is as follows (Unit: Korean won in millions):

	2021	
Estimated contributions to plan assets	₩	9,877

13. OTHER LIABILITIES:

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

	December 31, 2020				December 31, 2019			
Description	Current		Non-current		Current		Non-current	
Advances from lease	₩	-	₩	4,478	₩	-	₩	4,862
VAT withheld		5,391		-		5,523		-
Withholdings		13,128		-		1,466		-
Total	₩	18,519	₩	4,478	₩	6,989	₩	4,862

14. ISSUED CAPITAL AND OTHER CAPITAL ITEMS:

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 additional 1% based on face value of the stock compared to common stocks when receiving cash dividends. In case of no dividend payout, it is granted voting rights for the period from the shareholders' meeting that resolved not to pay to the shareholders to the meeting that resolved to pay dividends.

The Company 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 stock and preferred stock are ₩2,334 million and ₩51 million, respectively.

15. CAPITAL SURPLUS:

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

Description	December 31, 2020		December 31, 2019	
Paid-up capital in excess of par value	₩	898,266	₩	898,266
Assets' revaluation reserves		338,100		338,100
Other capital surplus		1,172,636		1,172,636
Total	₩	2,409,002	₩	2,409,002

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

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

Description	December 31, 2020		December 31, 2019	
Gain on valuation of other financial assets	₩	35,940	₩	37,074

(2) Changes in accumulated other comprehensive income (loss) 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	₩	37,074	₩	35,857
Changes in valuation of other financial assets		(1,496)		1,606
Related income tax		362		(389)
Ending balance	₩	35,940	₩	37,074

17. RETAINED EARNINGS AND DIVIDENDS:

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

Description	December 31, 2020		December 31, 2019	
Retained earnings restricted to appropriation (*)	₩	376,004	₩	337,318
Retained earnings subject to appropriation		6,571,877		5,666,377
Total	₩	6,947,881	₩	6,003,695

(*) As it is classified as legal reserve according to commercial law, appropriation is restricted, except for transferring to capital stock or using to reduce accumulated deficit.

(2) Changes in retained earnings 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	₩	6,003,695	₩	5,776,908
Profit for the year		1,331,351		581,161
Dividends		(386,862)		(351,707)
Remeasurement on the net defined benefit liability		(303)		(2,667)
Ending balance	₩	6,947,881	₩	6,003,695

(3) Separate statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Korean won	
	Year ended December 31, 2020	Year ended December 31, 2019
UNAPPROPRIATED RETAINED EARNINGS:		
Unappropriated retained earnings carried over from prior year	₩ -	₩ -
Profit for the year	1,331,351	581,161
Actuarial gains and losses on defined benefit plans	(303)	(2,667)
	1,331,048	578,494
APPROPRIATION:		
Legal reserve	43,959	38,686
Dividends	439,593	386,862
Other reserve	847,496	152,946
	1,331,048	578,494
UNAPPROPRIATED RETAINED EARNINGS CARRIED FORWARD TO SUBSEQUENT YEAR	₩ -	₩ -

(4) The amount of dividends and dividends per share for the years ended December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020				
Type of stock	Number of issued shares	Number of treasury stocks	Number of stocks eligible for dividend	Dividend per share (Korean won)	Total dividend
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

	December 31, 2019				
Type of stock	Number of issued shares	Number of treasury stocks	Number of stocks eligible for dividend	Dividend per share (Korean won)	Total dividend
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

18. OPERATING INCOME:

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

	Year ended December 31, 2020	Year ended December 31, 2019
Operating income:		
Dividends revenue	₩ 614,506	₩ 396,637
Royalties revenue	271,372	260,743
Rental revenue	130,324	127,875
	1,016,202	785,255
Operating expenses:		
Employee benefit:		
Salaries and wages	41,087	36,833
Severance benefits	4,282	3,278
Welfare	3,787	3,716
	49,156	43,827
Depreciation:	23,619	22,512
Other operating expenses:		
Amortization of intangible assets	1,983	1,774
Taxes and dues	8,026	7,194
Advertising expenses	78,216	76,849
Training expenses	963	866
Commission	42,732	48,076
Insurance premium	923	1,262
Operating lease expense	173	188
Other selling and administrative expenses	16,388	17,220
	149,404	153,429
Net operating income	₩ 794,023	₩ 565,487

19. 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):

Description	Year ended December 31, 2020	Year ended December 31, 2019
Interest income	₩ 14,523	₩ 7,587
Gain on financial warranty	230	358
Gain on foreign currency transaction and translation	525	739
Gain on disposals of other financial assets	425	-
Total	₩ 15,703	₩ 8,684

(2) Financial income consists of interest income, the details of which, 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 measured at amortized cost (*)	₩ 14,523	₩ 7,587

(*) Interest income from cash and cash equivalents is included.

(3) Financial 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	
Interest expense	₩	408	₩	381
Loss on foreign currency transaction and translation		112		523
Total	₩	520	₩	904

(4) Financial expenses consist of interest expense, the details of which, 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 liabilities measured at amortized cost	₩	383	₩	357
Lease liabilities		25		24
Total	₩	408	₩	381

(5) Net gain (loss) from financial instruments 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	
Financial assets:				
Other financial assets (*1)	₩	(108)	₩	2,180
Financial assets measured at amortized cost (*2)		14,944		7,587
Subtotal		14,836		9,767
Financial liabilities:				
Financial liabilities measured at amortized cost		(391)		(357)
Other financial liabilities		(25)		(24)
Subtotal		(416)		(381)
Total	₩ 0	14,42	₩	9,386

(*1) It includes dividend income and valuation gain or loss recognized in other comprehensive income.
(*2) It includes net income (loss) incurred from cash and cash equivalents and financial institution deposits.

20. INCOME TAX:

(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 payable	₩	313,662	₩	51,039
Adjustment for prior corporate taxes		4,708		4
Changes in deferred tax assets:		(23,293)		25,116
Beginning deferred tax assets due to temporary differences		(68,764)		(63,148)
Beginning deferred assets as held for sale due to temporary differences		(19,358)		-
Ending deferred tax assets due to temporary differences		(64,370)		(68,443)
Ending assets held for sale due to temporary differences		-		(19,358)
Deferred taxes directly reflected in equity		459		463
Income tax expense	₩	295,077	₩	76,159

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year income statements.

(2) A reconciliation between accounting income before income tax and income tax expense of the Company 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	
Income before income tax expense	₩	1,626,428	₩	657,320
Tax expense calculated on book income		436,906		154,910
Adjustments:		(141,829)		(78,751)
Non-taxable income		(167,044)		(121,185)
Non-deductible expenses		11,165		991
Adjustment for prior corporate taxes		4,708		4
Others (differences due to the tax rates, etc.)		9,342		41,439
Income tax expense	₩	295,077	₩	76,159

(3) Income tax directly reflected in equity 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	
Revaluation of other financial assets	₩	362	₩	(388)
Remeasurement of defined benefit obligation		97		851
Total deferred tax directly reflected in equity	₩	459	₩	463

(4) Changes in deferred tax assets (liabilities) 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(*1)	Reflected in income (loss)	Reflected in equity	Replaced	Ending Balance(*2)
Temporary differences:					
Investments in subsidiaries and associates	₩ (71,425)	₩ 19,700	₩ -	₩ (19,358)	₩ (71,083)
Property, plant and equipment	16,444	1,764	-	-	18,208
Intangible assets	161	-	-	-	161
Other financial assets	(6,799)	-	362	-	(6,437)
Provisions	1,124	(196)	97	-	1,025
Other financial liabilities	2,648	783	-	-	3,431
Others	(10,917)	1,242	-	-	(9,675)
Deferred tax assets (liabilities)	₩ (68,764)	₩ 23,293	₩ 459	₩ (19,358)	₩ (64,370)

(*1) The opening balance includes the difference between the previous year's settlement adjustments.
(*2) The ending balance includes amounts classified as liabilities held for distribution to owners in the statement of financial position.

Description	Year ended December 31, 2019				
	Beginning balance	Reflected in income (loss)	Reflected in equity	Replaced	Ending balance
Temporary differences:					
Investments in subsidiaries and associates	₩ (61,133)	₩ (29,650)	₩ -	₩ 19,358	₩ (71,425)
Property, plant and equipment	15,154	1,617	-	-	16,771
Intangible assets	169	(8)	-	-	161
Other financial assets	(6,411)	-	(388)	-	(6,799)
Provisions	953	(726)	851	-	1,078
Other financial liabilities	2,638	10	-	-	2,648
Others	(14,518)	3,641	-	-	(10,877)
Deferred tax assets (liabilities)	₩ (63,148)	₩ (25,116)	₩ 463	₩ 19,358	₩ (68,443)

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

Description	December 31, 2020
Investments in subsidiaries	₩ (326,267)
Investments in associates and joint ventures(*)	1,383,100
Total	₩ 1,056,833

(*) Temporary differences not recognized as deferred tax assets (liabilities) of investments in associates classified as assets held for distribution to owners are included.

21. EARNINGS PER SHARE:

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

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Basic earnings per share of common share				
Continuing operation	₩	7,392	₩	2,894
Discontinued operations		181		411
Total	₩	7,573	₩	3,305
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share (*)				
Continuing operation	₩	7,442	₩	2,944
Discontinued operations		181		411
Total	₩	7,623	₩	3,355

(*) Basic earnings per share are calculated for preferred share, which K-IFRS 1033 *Earnings per Share* clarify 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	₩	1,331,351	₩	581,161
Less dividends for Pre-1996 Commercial Law Amendment preferred share and preferred stock portion of residual profit		(25,217)		(11,099)
Net income used to calculate basic earnings per share of common share		1,306,134		570,062
Continuing operating profit used to calculate basic earnings per share of common share of continuing operating		1,274,859		499,174
Discontinued operating profit used to calculate basic earnings per share of common share of discontinued operating		31,275		70,888
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 preferred share and preferred stock portion of residual profit	₩	25,217	₩	11,099
Net income used to calculate basic earnings per share of preferred share		25,217		11,099
Continuing operating profit used to calculate basic earnings per share of preferred share of continuing operating		24,617		9,740
Discontinued operating profit used to calculate basic earnings per share of preferred share of discontinued operating		600		1,359
Weighted-average number of preferred shares		3,307,867 shares		3,307,867 shares

(4) As there are no potential common shares of the Company, diluted earnings per share of common shares and preferred shares are equal to basic earnings per share.

22. RELATED-PARTY TRANSACTIONS:

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

December 31, 2020			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
Subsidiaries:			
LG CNS Co., Ltd.	Haengbokmaru Co., Ltd.	LG CNS China, Inc. and 13 others	T-money Co., Ltd
	Biztechpartners Co., Ltd.		T-money CSP Co., Ltd
	Sejong Green Power Co., Ltd		T-money Asia sdn bhd
	Open Source Consulting Co., Ltd		Songdo U-Life LLC.
			U Life Solutions
			Songdo International Sports Club LLC.
			Recaudo Bogota S.A.S.
			Hellas SmarTicket Societe Anonyme
			Ulaanbaatar Smart card Co, LLC
			Ulleungdo Natural Energy Independent Island Co., Ltd
			Daegu clean energy Co., Ltd.
			SMDep Co., Ltd.
			Cloudgram Co., Ltd. (*2)
			Korea DRD Co., Ltd. (*2)
			HEMPKING Co., Ltd. (*2)
			Danbee INC Co., Ltd. (*3)
S&I Corporation Co., Ltd.	Konjiam Yewon Co., Ltd.	S&I Vietnam Construction Co., Ltd and 2 Others	Dongnam Solar Energy Co., Ltd.
	Mirae M Co., Ltd.	S&I CM NANJING and 2 others	Serveone Co., Ltd.
	Dream nuri Co., Ltd.		SERVEONE(Nanjing).Co., LTD
	S&I CM		SERVEONE(Guangzhou) Co., Ltd
			SERVEONE VIETNAM Co., Ltd
			Serveone Europe Sp. z o.o.
			SERVEONE MRO INDONESIA(*4)
			PT ARJUNA SEJAHTERA MAKMUR(*4)
LG Management Development Institute			
LG Sports Ltd.			
LG Holdings Japan Co., Ltd.			Combustion Synthesis Co., LTD.
Associates:			
LGEI	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others	
	Hi-M Solutec Co., Ltd.		
	HITeleservice Co., Ltd.		
	Ace R&D Co., Ltd.		
	LG innotek Co., Ltd.		
	Innowith Co., Ltd.		
	Hanuri Co., Ltd.		
	LG innotek Alliance Fund		
	ZKW Lighting Systems		
LG Chem Ltd.	Haengboknuri Co., Ltd.	LG Chem America, Inc. and others	
	FarmHannong Co., Ltd.		
	Ugimagkorea Co., Ltd.		
	LG Energy Solution. Co., Ltd. (*5)		

December 31, 2020			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
LG Hausys, Ltd.	Greennuri Co. Ltd.	LG Hausys America, Inc. and others	
LG Uplus Corp.	CS Leader	DACOM America Inc.	
	Ain Teleservice		
	CS One Partner		
	MEDIA LOG Co., Ltd.		
	With U Co., Ltd.		
	LG Hello Vision Co., Ltd.(*6)		
	Uplus Home Service Co., Ltd.(*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.		
	FMG Co., Ltd.		
	LG Farouk Co.		
	TAI GUK PHARM Co., Ltd.		
	Ulleung Mountain Chu Spring Water Development Company		
	Rucipello KOREA Co., Ltd		
	Mizen Story Co., Ltd		
	LOA Korea Co., Ltd (*9)		
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	
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.		
ZKW Holding GmbH	ZKW Lighting Systems(*5)	ZKW Group GmbH and others	
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH	
Joint ventures:			
LG MMA Corp.			
Other related parties' affiliates by the Act (*10)			
LG Display Co., Ltd.	Nanummnuri 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) It was classified as affiliates of LG CNS Co., Ltd. due to the acquisition of shares during the current year.
(*3) As redeemable convertible preferred stocks were converted to common stocks during the current period, they were classified as affiliates of LG CNS Co., Ltd.
(*4) It was established as subsidiary of Serveone Co., Ltd. during the current year.
(*5) During the current year, it was established through a physical division by LG Chem Ltd.
(*6) During the current year, Hana Broadcasting Co., Ltd. was merged.
(*7) With stock acquisition during the current period, it has been classified as a subsidiary of LG Uplus Corp.
(*8) With stock acquisition during the current period, it has been classified as a subsidiary of LG Hello Vision Co., Ltd.

(*9) With stock acquisition during the current period, it has been classified as a subsidiary of LG Household & Health Care Ltd.

(*10) 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.

December 31, 2019			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
Subsidiaries:			
LG CNS Co., Ltd.	Haengbokmaru Co., Ltd.	LG CNS China, Inc. and 13 others	T-money Co., Ltd. (*2)
	Biztechpartners Co., Ltd.		T-money CSP Co., Ltd. (*2)
	Sejong Green Power Co., Ltd		T-money Asia sdn bhd
	Open Source Consulting Co., Ltd (*3)		Songdo U-Life LLC.
			U Life Solutions
			Songdo International Sports Club LLC.
			Recaudo Bogota S.A.S.
			Hellas SmarTicket Societe Anonyme
			Ulaanbaatar Smart card Co, LLC
			Ulleungdo Natural Energy Independent Island Co., Ltd
			Daegu clean energy Co., Ltd.
			SMDep Co., Ltd.
			KEPCO-LG CNS Mangilao Solar LLC(*4)
			Mangilao Investment LLC(*4)
			KEPCO-LG CNS Mangilao Solar LLC(*4)
			Mangilao Intermediate Holdings LLC(*4)
S&I Corporation Co., Ltd.	Konjiam Yewon Co., Ltd.	S&I Vietnam Construction Co., Ltd and 2 others	Dongnam Solar Energy Co., Ltd.
	Mirae M Co., Ltd.	S&I CM NANJING and 2 Others (*6)	Serveone Co., Ltd.(*7)
	Dream nuri Co., Ltd.		SERVEONE (Nanjing).Co., LTD (*8)
	S&I CM (*5)		SERVEONE(Guangzhou) Co., Ltd(*8)
			SERVEONE VIETNAM Co., Ltd(*8)
			Serveone Europe Sp. z o.o. (*8)
LG Management Development Institute			
LG Sports Ltd.			
LG Holdings Japan Co., Ltd.			Combustion Synthesis Co., LTD.
Associates:			
LGEI	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others	
	Hi-M Solutec Co., Ltd.		
	HITeleservice Co., Ltd.		
	Ace R&D Co., Ltd.		
	LG innotek Co., Ltd.		
	Innowith Co., Ltd.		
	Hanuri Co., Ltd.		
	LG innotek Alliance Fund		
	ZKW Lighting Systems(*6)		
LG Chem Ltd.	Haengboknuri Co., Ltd.	LG Chem America, Inc. and others	
	FarmHannong Co., Ltd.		
	Ugimagkorea Co., Ltd.		
LG Hausys, Ltd.	Greennuri Co. Ltd.	LG Hausys America, Inc. and others	
LG Uplus Corp.	CS Leader	DACOM America Inc.	

December 31, 2019

Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
	Ain Teleservice		
	CS One Partner		
	MEDIA LOG Co., Ltd.		
	With U Co., Ltd.		
	LG Hello Vision Co., Ltd.(*9)		
	LG Hello Vision Hana Broadcasting Corporation(*9, 10).		
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.(*11)		
	HAITAI HTB Co., Ltd.		
	K&I Co., Ltd (*11)		
	CNP COSMETICS Co., Ltd. (*11)		
	Balkeunnuri Co., Ltd.		
	FMG Co., Ltd.		
	OBM rap Co., Ltd (*12)		
	LG Farouk Co.		
	TAI GUK PHARM Co., Ltd. (*12)		
	JS Pharmaceutical Co., Ltd. (*12)		
	Ulleung Mountain Chu Spring Water Development Company(*6)		
	Rucipello KOREA Co., Ltd(*13)		
	Mizen Story Co., Ltd(*14)		
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	
LG International Corp.	Dangjin Tank Terminal Co., Ltd.	LG International (America) Inc. and others	
	Pantos Logistics Co., Ltd.	PANTOS LOGISTICS (CHINA) CO., LTD and others	
	Pantos Busan Newport Logistics Center Co., Ltd.		
	Helistar Air Co., Ltd.		
	Hanultari Co., Ltd.		
ZKW Holding GmbH	ZKW Lighting Systems(*6)	ZKW Group GmbH and others	
ZKW Austria Immobilien Holding GmbH(*15)		ZKW Austria Immobilien GmbH (*15)	
Joint ventures:			
LG MMA Corp.			
Other related parties' affiliates by the Act (*18)			
LG Display Co., Ltd.	Nanummnuri Co., Ltd	LG Display Nanjing Co. Ltd and others	
Saldevida Korea Co.(*16)			
LG. Tostem BM Co., Ltd (*17)			
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 is changed from Korea Smart Card Co., Ltd., Korea Smart Card CS Partners Co., Ltd. to T-money Co., Ltd, , T-money CSP Co., Ltd. in the current period.
(*3) Due to the purchasing shares during the current period, it was classified as a subsidiary of LG CNS Co., Ltd.
(*4) It was excluded from affiliates of LG CNS Co., Ltd. due to the sale of shares during the current period.
(*5) Newly established during the current period through physical division from S&I Corporation Co., Ltd.
(*6) Newly established during the current period.

(*7) Due to the selling shares during the current period, it was classified from S&I Corporation Co., Ltd.'s subsidiary to associate.
(*8) Subsidiary of Serveone Co., Ltd.
(*9) With stock acquisition during the current period, it has been classified as a subsidiary of LG Uplus Corp.
(*10) During the current year, it was merged with LG Hello Vision Co., Ltd.
(*11) During the current year, it was merged with LG Household & Health Care Ltd.
(*12) During the current period, OBM rap Co., Ltd and JS Pharmaceutical Co., Ltd. were merged with TAI GUK PHARM Co., Ltd.
(*13) It was classified as subsidiary of LG Household & Health Care Ltd. due to the acquisition of shares during the prior year.
(*14) Due to the exercise of the right to convert during the current period, it was classified from LG Household & Health Care Ltd.'s associate to subsidiary.
(*15) The Company's name is changed from MGIV GmbH, Mommert Immobilien GmbH to ZKW Austria Immobilien Holding GmbHd, ZKW Austria Immobilien GmbH in the current period.
(*16) During the current period, LG International Corp. sold its shares and was excluded from related parties.
(*17) During the current year, LG. Tostem BM Co., Ltd was liquidated and excluded from related parties.
(*18) 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.

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

	December 31, 2020		
	Revenue and others	Acquisition of assets	Other purchase
Subsidiaries:			
LG CNS Co., Ltd.	₩ 97,801	₩ 1,500	₩ 4,120
Biztechpartners Co., Ltd.	-	-	47
S&I Corporation Co., Ltd. (*1)	318,189	1,296	42,086
LG Sports Ltd.	85	-	15,230
LG Management Development Institute	2,578	-	848
LG Holdings Japan Co., Ltd.	249	-	-
LG Corp. U.S.A	-	-	-
Associates and subsidiaries:			
LGEI (*2)	204,103	-	401
LG Chem Ltd.	124,710	-	14
LG Hausys, Ltd.	13,507	-	-
LG Household & Health Care Ltd. (*2)	75,728	-	324
LG Uplus Corp. (*2)	97,894	-	128
GIIR Corporation (*2)	3,211	-	13,181
Silicon Works Co., Ltd.	4,466	-	-
LG Hitachi Co., Ltd.	102	-	-
LG International Corp. (*2)	16,870	-	6
Joint ventures:			
LG MMA Corp	29,148	-	-
Other related parties' affiliates by the Act: (*3)			
LG display Co., Ltd. and others	57,200	-	-
Total	₩ 1,045,841	₩ 2,796	₩ 76,385

	December 31, 2019		
	Revenue and others	Acquisition of assets	Other purchase
Subsidiaries:			
LG CNS Co., Ltd.	₩ 48,184	₩ 586	₩ 3,137
Biztechpartners Co., Ltd.	-	-	47
S&I Corporation Co., Ltd. (*1)	64,633	5,862	41,096
LG Sports Ltd.	117	-	8,530
LG Management Development Institute	2,361	-	5,500
LG Holdings Japan Co., Ltd.	186	-	-
LG Corp. U.S.A	190	-	-
Associates and subsidiaries:			
LGEI (*2)	206,365	-	910
LG Chem Ltd.	214,377	2,655	11
LG Hausys, Ltd.	7,525	-	-
LG Household & Health Care Ltd. (*2)	66,149	-	-
LG Uplus Corp. (*2)	95,280	-	130
GIIR Corporation (*2)	2,717	-	18,999
Silicon Works Co., Ltd.	4,466	-	-
LG Hitachi Co., Ltd.	134	-	-
LG International Corp. (*2)	15,841	133,909	4
Joint ventures:			
LG MMA Corp	74,415	-	-
Other related parties' affiliates by the Act: (*3)			
LG display Co., Ltd. and others	55,060	-	-
Total	₩ 858,000	₩ 143,012	₩ 78,364

(*1) It includes transactions with a subsidiary's associates.
(*2) It includes transactions with an associates' subsidiary.
(*3) 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.

The above transaction details include amounts classified as discontinued operating income and expenses in the current- and prior-year income statements.

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

	December 31, 2020		
	Accounts receivable and others	Loans	Accounts payable and others
Subsidiaries:			
LG CNS Co., Ltd.	₩ 198	₩ -	₩ 5,286
S&I Corporation Co., Ltd. (*1)	3,571	-	1,744
LG Sports Ltd.	-	-	31
LG Management Development Institute	7	-	1,954
LG Holdings Japan Co., Ltd.	235	-	-
Associates and subsidiaries:			
LGEI (*2)	2,909	-	25,671
LG Chem Ltd.	4,013	-	12,420
LG Hausys, Ltd.	-	-	4,468
LG Household & Health Care Ltd. (*2)	-	-	5,593
LG International Corp. (*2)	62	-	6,957
LG Uplus Corp (*2)	13	-	5,730
GIIR Corporation (*2)	385	-	18,778
LG Hitachi Co., Ltd.	-	-	5
Silicon Works Co., Ltd.	-	-	-
Joint ventures:			
LG MMA Corp.	-	-	816
Other related parties' affiliates by the Act: (*3)			
LG Display Co., Ltd. and others	1,417	-	6,799
Total	₩ 12,810	₩ -	₩ 96,252

	December 31, 2019		
	Accounts receivable and others	Loans	Accounts payable and others
Subsidiaries:			
LG CNS Co., Ltd.	₩ 448	₩ -	₩ 4,917
S&I Corporation Co., Ltd. (*1)	4,177	-	3,096
LG Sports Ltd.	6	-	9,350
LG Management Development Institute	10	-	2,119
LG Holdings Japan Co., Ltd.	172	-	-
Associates and subsidiaries:			
LGEI (*2)	28,082	-	29,245
LG Chem Ltd.	1,360	-	12,391
LG Hausys, Ltd.	-	-	4,340
LG Household & Health Care Ltd. (*2)	939	-	4,282
LG International Corp. (*2)	-	-	7,054
LG Uplus Corp (*2)	1,159	-	5,387
GIIR Corporation (*2)	610	-	21,407
LG Hitachi Co., Ltd.	15	-	-
Silicon Works Co., Ltd.	-	-	-
Joint ventures:			
LG MMA Corp.	-	-	897
Other related parties' affiliates by the Act: (*3)			
LG Display Co., Ltd. and others	-	-	8,781
Total	₩ 36,978	₩ -	₩ 113,266

(*1) It includes transactions with a subsidiary's associates.
(*2) It includes transactions with an associates' subsidiary.
(*3) 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.

The details of the above receivables and payables from transactions include amounts classified as assets and liabilities held for distribution to owners as of December 31, 2020.

(4) There is no fund transaction with related parties for the years ended December 31, 2020, and fund transactions with the related parties for the years ended December 31, 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2019					
	Payment in cash (reduction of capital)	Sale of portion	Loan		Borrowings	
Description			Loan	Payback	Borrowings	Repayment
Subsidiaries:						
LG Corp. U.S.A	₩ 18,273	₩ -	₩ -	₩ -	₩ -	₩ -
LG Electronics U.S.A., Inc.(*)	-	192,442	-	-	-	-
Total	₩ 18,273	₩ 192,442	₩ -	₩ -	₩ -	₩ -

(*) LG Corp. U.S.A. Stocks was sold to LG Electronics U.S.A., Inc. in the prior period.

(5) The Company provided guarantees for the related parties for the year ended December 31, 2020, as follows (Unit: USD, JPY, Korean won in millions):

Company provided	Collateral-offered amount of mortgage		Collateral offered	Usage history of provided company		
	JPY	KRW (*)		Amount	Institution	Date
LG Holdings Japan Co., Ltd.	15,000,000,000	158,139	Borrowing limited guarantee	JPY 4,000,000,000	SMBC	2017-12-15
				JPY 2,900,000,000	SMBC	2019-07-31
				JPY 100,000,000	SMBC	2019-08-29
				JPY 700,000,000	SMBC	2020-08-31
				JPY 500,000,000	SMBC	2020-11-30

(*) The amount of foreign currency guarantees provided is the amount converted at the exchange rate on December 31, 2020.

(6) The compensation and benefits for the Company's key management (registered executives, including non-permanent and non-registered executives) who has significant control and responsibility on planning, operating and controlling the activities of the Company 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	₩ 25,618	₩ 25,033
Severance benefits	2,902	2,482
Total	₩ 28,520	₩ 27,515

23. FUNDING ARRANGEMENTS AND PLEDGING:

(1) The Company has bank overdraft agreement limited to ₩5,000 million with Woori Bank, and general loan agreement limited to ₩95,000 million with Kookmin Bank and two others.

(2) Restricted financial assets as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Account	December 31, 2020	December 31, 2019	Details
Financial institution deposits	₩ -	₩ 500	Chungcheongbuk-do Province creative financial fund
Long-term deposits	5	5	Deposit for the checking accounts
Total	₩ 5	₩ 505	

(3) There is no pledging as of December 31, 2020.

(4) Other agreements

The Company enters into an agreement to propose an investment recovery plan for the shortfall if it fails to meet the investor's certain return rate when selling to Crystal Korea Limited (investor) for a portion of LG CNS (35% of issued shares).

24. LEASE ASSETS AND LIABILITIES:

(1) The Company as lessee

1) The Company has operating lease contracts for vehicles and office supplies. The average lease term is three years

2) The carrying amount of the right-of-use assets as of December 31, 2020 and 2019, is as follows (Unit: Korean won in millions):

	December 31, 2020	December 31, 2019
Description	Vehicles	Vehicles
Acquisition	₩ 2,014	₩ 1,260
Depreciation	(905)	(390)
Carrying amount	₩ 1,109	₩ 870

3) Changes in the carrying amount of the right-of-use assets for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	December 31, 2020	December 31, 2019
Description	Vehicles	Vehicles
Beginning balance	₩ 870	₩ 971
Acquisition	1,012	770
Depreciation	(670)	(601)
Revocation of contract, etc.	(103)	(270)
Ending balance	₩ 1,109	₩ 870

4) The amounts recognized as profit or loss for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Depreciation of right-to-use assets	₩	670	₩	601
Interest expense of lease liabilities		25		24
Expenses related to short-term leases		66		75
Expenses related to leases of low-value assets		20		29
Expenses related to revocation of contract, etc.		9		6

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year income statements.

As of the end of the current year, the lease agreement amount of the short term lease is KRW 35 million, and all short term leases signed during the prior year have been terminated as of the end of the prior year. Cash outflows from leases during the current and prior years amounted to W785 million and W727 million, respectively.

5) The details of the liquidity classification of lease liabilities as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

Description	December 31, 2020		December 31, 2019	
Current liabilities	₩	644	₩	444
Non-current liabilities		478		433
Total	₩	1,122	₩	877

6) The details of the lease liabilities maturity analysis as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	December 31, 2020			
Description	Minimum lease payments		Present value of minimum lease payments	
Within one year	₩	658	₩	644
One year–five years		484		478
Total	₩	1,142	₩	1,122

	December 31, 2019			
Description	Minimum lease payments		Present value of minimum lease payments	
Within one year	₩	458	₩	444
One year–five years		441		433
Total	₩	899	₩	877

(2) The Company as lessor

1) The Company has real estate lease contracts, and the major operating lease contracts as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	December 31, 2020			
Contract	Less than one year	1 year–5 years	More than five years	Total
Building lease contract (Twin)	₩ 72,425	₩ -	₩ -	₩ 72,425
Building lease contract (Gasan)	18,670	66,890	53,250	138,810
Building lease contract (Gwanghwamun)	22,010	-	-	22,010
Building lease contract (Seoul station)	13,776	704	-	14,480
Total	₩ 126,881	₩ 67,594	₩ 53,250	₩ 247,725

	December 31, 2019			
Contract	Less than one year	1 year–5 years	More than five years	Total
Building lease contract (Twin)	₩ 72,506	₩ -	₩ -	₩ 72,506
Building lease contract (Gasan)	19,155	70,047	66,956	156,158
Building lease contract (Gwanghwamun)	23,281	-	-	23,281
Building lease contract (Buho)	761	-	-	761
Building lease contract (Seoul station)	8,772	1,639	-	10,411
Total	₩ 124,475	₩ 71,686	₩ 66,956	₩ 263,117

2) The Company recognized rental revenue related to operating lease contracts for the years ended December 31, 2020 and 2019, in the amount of ₩130,324 million and ₩127,875 million, respectively.

25. PENDING LITIGATIONS:

Pending litigations as of December 31, 2020, are two cases where the Company sued and two cases where the Company is sued (including trademark infringement and damages-related litigation).

26. RISK MANAGEMENT:

(1) Capital risk management

The Company performs capital 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 Company may adjust dividend payments, redeem paid-up capital to shareholders, issue stocks to reduce liability or sell assets.

The Company'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 Company is unchanged from prior period. In addition, items managed as capital by the Company as of December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	December 31, 2020	December 31, 2019
Total borrowings	₩ -	₩ -
Less cash and cash equivalents	472,495	150,273
Borrowings, net	(472,495)	(150,273)
Total equity	10,269,797	9,326,745
Debt ratio (*)	-	-

(*) The Company does not calculate equity to net borrowings ratio because borrowings, net, is negative number.

(2) Financial risk management

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

1) Price risk

The Company is exposed to price risks from equity instruments. As of December 31, 2020, fair value of equity instruments is ₩43,550 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect after tax to equity will be ₩3,301 million.

2) Credit risk

Credit risk refers to risk of financial losses to the Company when the counterpart defaults on the obligations of the contract. Credit risk arises from cash and cash equivalents, derivatives and bank and financial institution deposits, as well as credit risks of customers, including receivables and firm commitments. As for banks and financial institutions, the Company makes transactions with reputable financial institutions; therefore, the credit risk from them is limited. For ordinary transactions, customer's financial status, credit history and other factors are considered to evaluate their credit status. The Company does not have policies to manage credit limits of each customer.

As of December 31, 2020, the maximum exposure of credit risk from loans and receivables is similar to their carrying amount. The maximum amount of exposure to credit risk arising from the payment guarantees described in Note 22.(5) is the limit of payment guarantees of ₩158,139 million.

3) Liquidity risk

The Company establishes short-term and long-term fund management plans. The Company analyzes and reviews actual cash outflows and its budget to correspond the maturity of financial liabilities to that of financial assets. Management of the Company 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 its remaining maturity as of December 31, 2020, is as follows (Unit: Korean won in millions):

Description	Within a year	1 year–5 years	More than five years	Total
Non-interest financial instrument	₩ 108,879	₩ 3,967	₩ 11,655	₩ 124,501
Financial guarantee (*)	158,139	-	-	158,139
Lease liabilities	658	484	-	1,142

(*) The maximum amount of payment guarantees (JPY 15,000,000,000) provided to financial institutions for overseas subsidiary loans as described in Note 22.(5) above, which is the maximum amount that the Company will be required to pay if the guarantor claims the full amount of the guarantee. Based on the estimates made at the end of the reporting period, the Company believes that it is more likely than not to pay the guarantees in accordance with the payment guarantees. However, the above assumptions may change, as the probability of a credit loss to the financial receivables held by the assurance provider may change the probability that the assurance provider will make payments to the Company under the guarantee contract.

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 its remaining maturity as of December 31, 2020, is as follows (Unit: Korean won in millions):

Description	Within a year	1 year–5 years	More than five years	Total
Derivatives	₩ -	₩ 39,196	₩ -	₩ 39,196

(*) With respect to the arrangements described in Note 23.(4), the Company enters into an arrangement that requires an investment recovery plan for a shortfall if it falls short of the investor's certain returns. As a result of these options, the Company does not judge that there will be a high likelihood of capital outflow. At the end of the current year, the Company recognized the fair value of KRW 39.2 billion for the option as a fair value financial liabilities measured at FVTPL and will be remeasured at fair value each year.

The Company manages liquidity through cash inflows from financial assets and financing arrangements with financial institutions. The maturity instruments of financial assets as of December 31, 2020, are as follows. (Unit: Korean won in millions):

	December 31, 2020			
Description	Within a year	1 year–5 years	More than five years	Total
Financial institution deposits	₩ 1,128,000	₩ -	₩ -	₩ 1,128,000
Accounts receivable and other receivables	14,027	-	5	14,032
Investment in equity and debt	-	-	96,894	96,894

4) Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange-rate fluctuations arise. The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows (Unit: Korean won in millions):

Currency	Assets		Liabilities	
JPY	₩	235	₩	-

The Company regularly measures currency risk deprived from fluctuations of exchange rate.
Details of the Company's sensitivity to a 10% increase and decrease in Korean won against the relevant foreign currencies are as follows (Unit: Korean won in millions):

Currency	10% increase		10% decrease	
JPY	₩	18	₩	(18)

(3) Estimation of fair value

The fair values of financial instruments traded on active markets are determined with reference to quoted market prices. The Company 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 Company 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.

Financial assets measured at amortized cost are approximated as their carrying value, less impairment loss. The Company 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 classified 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	
Financial assets measured at FVTOCI								
Marketable equity securities	₩	43,550	₩	-	₩	-	₩	43,550
Unmarketable equity securities		-		-		52,894		52,894
Total		43,550		-		52,894		96,444
Financial liabilities measured at FVTPL								
Derivative financial liabilities		-		-		39,196		39,196
Total	₩	-	₩	-	₩	39,196	₩	39,196

Description	December 31, 2019 Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI				
Marketable equity securities	₩ 37,683	₩ -	₩ -	₩ 37,683
Unmarketable equity securities	-	-	60,257	60,257
Total	₩ 37,683	₩ -	₩ 60,257	₩ 97,940

There were no significant transfers between Levels 1 and 2 as of December 31, 2020 and 2019.

2) The fair value hierarchy of financial instruments with fair value cannot be reliably measured at fair value in the statements of financial position as of December 31, 2020 and 2019, as follows (Unit: Korean won in millions):

	December 31, 2020				
	Fair value				Book value
Description	Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost:					
Financial institution deposits	₩ -	₩ -	₩ 1,128,000	₩ 1,128,000	₩ 1,128,000
Other accounts receivable (*)	-	-	10,218	10,218	10,218
Accrued income (*)	-	-	3,809	3,809	3,809
Deposits (*)	-	-	5	5	5
Total	-	-	1,142,032	1,142,032	1,142,032
Financial liabilities measured at amortized cost:					
Other accounts payable (*)	-	-	36,810	36,810	36,810
Accrued expenses (*)	-	-	748	748	748
Accrued dividends (*)	-	-	377	377	377
Deposits received	-	82,088	-	82,088	82,088
Lease liabilities	-	-	1,122	1,122	1,122
Total	₩ -	₩ 82,088	₩ 39,057	₩ 121,145	₩ 121,145

	December 31, 2019				
	Fair value				Book value
Description	Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost:					
Financial institution deposits	₩ -	₩ -	₩ 500,500	₩ 500,500	₩ 500,500
Other accounts receivable (*)	-	-	33,545	33,545	33,545
Accrued income (*)	-	-	1,894	1,894	1,894
Deposits (*)	-	-	499	499	499
Total	-	-	536,438	536,438	536,438
Financial liabilities measured at amortized cost:					
Other accounts payable (*)	-	-	49,390	49,390	49,390
Accrued expenses (*)	-	-	637	637	637
Accrued dividends (*)	-	-	360	360	360
Deposits received	-	84,556	-	84,556	84,556
Lease liabilities	-	-	877	877	877
Total	₩ -	₩ 84,556	₩ 51,264	₩ 135,820	₩ 135,820

(*) Short-term receivables and short-term payment obligations denominated in Level 3 are measured at original amount since the discount effect is not significant.

3) Changes in Level 3 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						
	Beginning balance	Net income (loss)	Comprehensive income	Purchases	Disposals	Ending balance	Ending unrealized gain
Other financial assets	₩ 60,257	₩ -	₩ (7,363)	₩ -	₩ -	₩ 52,894	₩ 16,277
Derivative financial liabilities	-	-	-	39,196	-	39,196	-

Description	Year ended December 31, 2019						
	Beginning balance	Net income (loss)	Comprehensive loss	Purchases	Disposals	Ending balance	Ending unrealized gain
Other financial assets	₩ 62,516	₩ -	₩ (2,259)	₩ -	₩ -	₩ 60,257	₩ 23,640

The amount recognized as comprehensive income (loss) is relevant to non-listed shares as of December 31, 2020, and recognized as changes of valuation gain (loss) (see Note 16) on other financial assets.

4) 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:

-Non-listed shares
The fair value of non-listed shares 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 Company has classified the fair value hierarchy system on Level 3 of the fair value measurement of non-listed shares.

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

6) Relationship between unobservable inputs to fair value and information on fair value hierarchy Level 3 applying significant unobservable inputs is as follows (Unit: Korean won in millions):

Description	Fair value	Valuation technique	Unobservable input(s)	Range (%)	Relationship of unobservable inputs to fair value
Financial assets					
Other financial assets	₩ 52,751	Discounted cash flow method	Growth rate	0%	Increase (decrease) in the growth rate used would result in increase (decrease) of fair value
		Comparable Company Analysis	Discount rate	11.64% – 12.67%	Increase (decrease) in the discount rate used would result in decrease (increase) of fair value

7) A description of the valuation processes in the fair value measurement for Level 3 that the Company is carrying out is as follows:

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

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

- 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, outside capital cost; capital cost estimates of the share value beta reflected for the purpose of the issuer of the shares; and capital structure based on the equity beta of comparable public companies has been derived based on the CAPM.

8) Impact on net income and other comprehensive income due to changes in fair value measured Level 3 financial instruments associated significant unobservable inputs is as follows (Unit: Korean won in millions):

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

Meanwhile, the Company has judged that unobservable changes of inputs to reflect alternative assumptions would not change fair value measurement significantly.

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

27. NOTES TO THE CASH FLOW STATEMENT:

(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):

Description	Year ended December 31, 2020		Year ended December 31, 2019	
Transfer of investment property to assets held for sale	₩	17,157	₩	-
Transfer of deposits received to liabilities related to assets held for sale		539		-
Transfer of assets held for sale by subsidiaries		-		136,178
Recognition of liabilities related to assets held for sale		-		19,358

(2) Details of changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2020							
Description	Beginning		Cash flow		Others		Ending	
Lease liabilities	₩	877	₩	(674)	₩	919	₩	1,122

	Year ended December 31, 2019							
Description	Beginning		Cash flow		Others		Ending	
Lease liabilities	₩	971	₩	(599)	₩	505	₩	877

28. ASSETS AND LIABILITIES HELD FOR SALE:

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

Description	December 31, 2020	
Investment property (Buho building) (*)	₩	17,157
Liabilities related with assets held for sale		539

(*) In addition to land and buildings, it contains 8 million as book value of furniture and fixtures.

29. DISCONTINUED OPERATING AND ASSETS AND LIABILITIES HELD FOR DISTRIBUTION TO OWNERS :

(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	Description
Method	Spin-off
Company	New company: LG New Holdings Co., Ltd. (tentative name) Surviving Company: LG Co., Ltd.
Approval date at the shareholders' meeting (planned)	2021-03-26
Spin-off date (planned)	2021-05-01

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 financial statements assets and liabilities held for distribution to owners and discontinued operations. The comparative income statement has also been rewritten accordingly.

(2) Financial Information

Financial information related to operating segment to be spin-off is as follows:

1) Income statement

Major income and expenses classified as discontinued operations 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
Operating income	₩ 44,272	₩ 89,417
Operating expenses:	10,894	11,109
Net operating income	33,378	78,308
Non-operating income and expenses:	1,591	704
Discontinued operating income and expenses before income tax expense	34,969	79,012
Income tax expense	3,095	6,764
Income and expenses from discontinued operations	31,874	72,248
Discontinued operating profit and loss	31,874	72,248

2) Disposal group held for distribution to owners

The Company has approved by the board of directors to distribute assets and liabilities related to the segment to be spin-off to the owners of the segment, and separately classified as the assets and liabilities as scheduled for distribution. In addition, the assets and liabilities were measured at the lower of the carrying amount (after impairment test) and fair value less costs to sell.
The majority of disposal group held for distribution to owners as of December 31, 2020, is as follow (Unit: Korean won in millions):

Assets	Book value		Liabilities	Book value	
Financial institution deposits	₩	172,000	Other current payables	₩	110
Other receivables		410	Other current liabilities		10
Investments in associates and joint ventures		740,924	Net defined benefit liability		78
Property, plant and equipment		4	Deferred tax liability		2,292
Total	₩	913,338	Total	₩	2,490

3) Cash flows from discontinued operations

Cash flows related discontinued operations 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	
Cash flows from operating activities	₩	116,593	₩	23,010
Cash flows from investing activities		(116,593)		(23,010)
Cash flows from financing activities		-		-
Net cash flows	₩	-	₩	-

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

English Translation of Independent Auditors' Report on Internal Control over Financial Reporting Originally Issued in Korean on March 11, 2021

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

Audit Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of LG Corp. (the "Company") as of December 31, 2020, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'. In our opinion, the Company's internal control over financial reporting is designed and operated effectively as of December 31, 2020, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2020, and the separate statement of income, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows, for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 11, 2021, expressed unqualified opinion.

Basis for Audit Opinion

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the internal control over financial reporting 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.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

Management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Report on the Operations of the Internal Accounting Control System*.
Those Charged with Governance is responsible for the oversight of internal control over financial reporting of the Company.

Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

The audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditors' judgment, including the assessment of the risks of that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risks.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with K-IFRS. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's 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 separate financial statements and may result in modifications to the auditors' report.

Report on the Operations of the Internal Accounting Control System ("IACS")

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

I, as the Internal Accounting Control Officer ("IACO") of LG Corp. (the "Company"), assessed the status of the design and operations of the Company's Internal Accounting Control System ("IACS") for the year ended December 31, 2020.

The Company's management, including IACO, is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud, which may cause any misstatement of the separate financial statements for the purpose of establishing the reliability of financial reporting and the preparation of separate financial statements for external purposes.
I, as the IACO, applied the frame of reference 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' which is announced by IACS committee for the designing and operating of the IACS. Also, I, as the IACO, applied the Conceptual Framework for assessment and designing Internal Control over Financial Reporting' which is announced by IACS committee for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2020, in all material respects, in accordance with the IACS standards.

We certify that report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care

February 9, 2021

Young-Soo Kwon

President and Chief Operating Officer

Beom-Jong Ha

Internal Accounting Control Officer

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)						IT Specialist(s), Tax Specialist(s), and Valuation Specialist(s)		Construction contracts order-made productio n industry specialist(s)		Total	
				Engagement Partner(s)		Members Of KICPA (Registered)		Members of KICPA (Non-Registered)							
		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	29	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><td>Title</td><td colspan="6">Detail</td></tr>
<tr><td rowspan="2">Audit Planning Stage</td><td colspan="2">Dates Performed</td><td colspan="2">April 2020 – 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" rowspan="2">Main Fieldwork Performed</td></tr>
<tr><td>On-Site</td><td>Off-Site</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, consolidation audit)</td></tr>
<tr><td>2020/01/19–2020/01/29</td><td>9</td><td>5</td><td>2</td><td colspan="2">External audit (substantive procedure for the material account balances and transactions, consolidation audit)</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">2020/01/04</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 members, Engagement Partner and one other person	Face-to-Face Meeting	Audit schedule and main audit matters
2	2020/05/06	Three Audit Committee members, Engagement Partner and one other person	Face-to-Face Meeting	Review of Interim Financial Statements and Introduction to recent accounting trends
3	2020/08/11	Three Audit Committee members, Engagement Partner and one other person	Face-to-Face Meeting	Review of Interim Financial Statements and Report on preliminary selection of Key Audit Matters
4	2020/11/09	Three Audit Committee members, Engagement Partner and one other person	Face-to-Face Meeting	Review of Interim Financial Statements, Selection of Significance in audit and Key Audit Matters
5	2021/02/09	Three Audit Committee members, 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