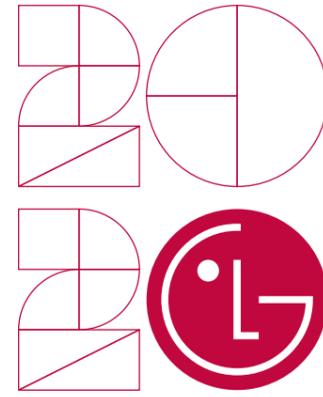


LG Annual Report 2020



LG Annual Report
2020

Innovation
for a Better Life

LG Annual Report 2020

| | |
|------------------------------------|----|
| Message from the CEO | 04 |
| Board of Directors | 06 |
| Holding Structure | 08 |
| Management's Discussion & Analysis | 12 |
| Audit Report | 24 |

To our valued shareholders,

I would like to express my deepest gratitude for your unwavering trust and support in LG's efforts to realize customer values.

In the year 2020, LG Corp and our subsidiaries focused on reorganizing non-core businesses based on selection and concentration strategy, and advanced our business portfolio in the direction to strengthen our competitiveness in core and growing businesses.

Furthermore, we launched diverse products and services in response to the changing trends and growing demands in new sectors such as home economy, health and hygiene, and non-face-to-face, remote services.

The electronics business enhanced its global market leadership with outstanding product competitiveness in premium home appliances and large OLED TVs.

In addition, through creating a JV with Magna Magna and JV, the leading automotive components makers, we have strengthened our electric vehicle components business capabilities and solidified the foundation for our future growth in the automotive sector including optical solution, substrate materials and next generation displays.

In the chemicals sector, we are aiming to nurture our core automotive battery business to become the global top business, while the petrochemical sector improved business performance mainly in home appliances and sanitary materials.

LG Household & Health Care laid a foundation to take the leap as a global player by expanding the cosmetics business in China and strengthening the business basis in the North American market.

In the telecommunications sector, LG Uplus improved business performance by enhancing the number of subscribers and profitability through differentiated 5G services and contents.

LG CNS is increasing its competitiveness in the cloud business sector, which serves as the basis of digital innovation, and has solidified its market position in the logistics automation and public sector.

Owing to our efforts, LG Corp posted consolidated revenue of KRW 6.63 trillion and operating profit of KRW 1.7 trillion. LG Corp's market capitalization has also increased from KRW 12.9 trillion at the end of year 2019 to KRW 15.3 trillion at the end of 2020

It will be difficult to expect a full recovery from Covid-19 in 2021. However, moving forward, LG will continue its challenge to become a customer-oriented company by responding with agility to changes and thoroughly managing risks.

We will strive to move customers through bold and new attempts based on our detailed understanding and empathy for customers and take LG's customer value to the next level so that the customers can become our fans.

Our core businesses will focus on qualitative growth that enhances business value by building a sustainable customer base, and we will work to visualize performances in our growing businesses by securing core competitiveness advantage in the early stages. We will also continue to discover and nurture growth engines for the future.

In particular, we will further advance our basic business capabilities such as environmental safety and quality, and develop them into LG's standards.

In addition, through the establishment of ESG management system, we will strive to become a sustainable company loved and trusted by diverse stakeholders including our customers, investors, affiliates and partners.

Lastly, we will maintain our shareholder-friendly dividend policy for our shareholders who trust and support LG Corp, as well as consider and carry out diverse means to increase shareholder value.

We will appreciate your continued support and guidance.

Thank you.

CEO & Chairman **Koo, Kwang Mo**

BOARD OF DIRECTORS



Koo, Kwang Mo
Director



Lee, Chang Kyu
Director



Cho, Sung Wook
Director



Kwon, Young Soo
Director



Ha, Beom Jong
Director



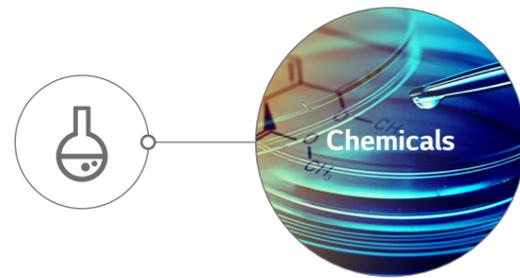
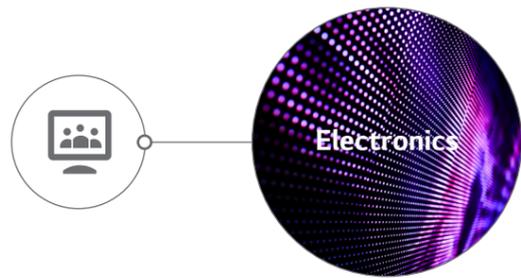
Han, Jong Soo
Director



Kim, Sang Hun
Director

HOLDING STRUCTURE

As of December 31, 2020
 Holding Company_1
 No. of 1st. tier subsidiaries_13
 No. of 2nd. tier subsidiaries_42
 No. of 3rd. tier subsidiaries_6
 Others_2
 (% based on common stocks)



LG Electronics Inc.

33.7%

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

Silicon Works Co., Ltd.

33.1%

LG Chem, Ltd.

33.3%

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

LG Household & Health Care, Ltd.

34.0%

- Coca-Cola Beverage Company (90.0%)
Hankook Beverage Co., Ltd. (100%)
- Hai tai HTB Co., Ltd. (100%)
- Clean Soul Ltd. (50.0%)
- FMG Co., Ltd. (77.2%)
- Balkeunnuri. Co., Ltd. (100%)
- LG Farouk Co. (50%)
- MiGenstory Co., Ltd. (100%)
- Ulleung Spring Water Co., Ltd. (87%)
- TaiGuk Pharmaceutical Co., Ltd. (92.7%)
- Rucipello Korea Inc. (76.0%)

LG Hausys, Ltd.

33.5%

- Greennuri Co., Ltd. (100%)

LG MMA Corp.

50.0%

LG Uplus Corp.

37.7%

- LG Hello Vision Corp. (50%)
- CS Leader Co., Ltd. (100%)
- AIN Tele Service Co., Ltd. (100%)
- Medialog Corp. (99.6%)
- Dacom Crossing Co., Ltd. (51.0%)
- CS One Partner Co., Ltd. (100%)
- WithU Corporation Co., Ltd. (100%)
- Uplushome Service (100%)

GIIR Inc.

35.0%

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

LG International Corp.

24.7%

- Dangjin Tank Terminal (100%)
- Pantos Logistics Co., Ltd (51.0%)
Helistar Air Co., Ltd. (100%)
Hanultari Co., Ltd. (100%)
Pantos Busan Newport Logistics Center Co., Ltd. (80%)*

LG CNS Co., Ltd.

50.0%

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

S&I Corporation Co., Ltd.

100%

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

LG Management Development Institute

100%

LG Sports Ltd.

100%

* 100% owned by ZKW Group GmbH.(overseas subsidiary)

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

**Management's Discussion
& Analysis**

In the year 2020, LG Corp and our subsidiaries focused on reorganizing non-core businesses based on selection and concentration strategy, and advanced our business portfolio in the direction to strengthen our competitiveness in core and growing businesses.

Furthermore, we launched diverse products and services in response to the changing trends and growing demands in new sectors such as home economy, health and hygiene, and non-face-to-face, remote services.

The electronics business enhanced its global market leadership with outstanding product competitiveness in premium home appliances and large OLED TVs.

In addition, through creating a JV with Magna, the leading automotive components makers, we have strengthened our electric vehicle components business capabilities and solidified the foundation for our future growth in the automotive sector including optical solution, substrate materials and next generation displays.

In the chemicals sector, we are aiming to nurture our core automotive battery business to become the global top business, while the petrochemical sector improved business performance mainly in home appliances and sanitary materials.

LG Household & Health Care laid a foundation to take the leap as a global player by expanding the cosmetics business in China and strengthening the business basis in the North American market.

In the telecommunications sector, LG Uplus improved business performance by enhancing the number of subscribers and profitability through differentiated 5G services and contents.

LG CNS is increasing its competitiveness in the cloud business sector, which serves as the basis of digital innovation, and has solidified its market position in the logistics automation and public sector.

Owing to our efforts, LG Corp posted consolidated revenue of KRW 6.63 trillion and operating profit of KRW 1.7 trillion. LG Corp's market capitalization has also increased from KRW 12.9 trillion at the end of year 2019 to KRW 15.3 trillion at the end of 2020.

1. Revenue and equity method profits and profit before income tax for each business segment

(Unit: KRW million)

| Company | Revenue and Equity Method Profits | | | Profit Before Tax | | |
|---|-----------------------------------|-----------|--------|-------------------|---------|----------|
| | 2020 | 2019 | YoY | 2020 | 2019 | YoY |
| LG Corp. (*1) | 1,016,202 | 785,255 | 29.4% | 1,591,459 | 578,308 | 175.2% |
| LG CNS Co., Ltd. (*2) | 3,360,486 | 3,283,314 | 2.4% | 231,711 | 211,979 | 9.3% |
| S&I Corporation Co., Ltd. (*2) | 1,704,513 | 2,400,753 | -29.0% | 78,221 | 138,227 | -43.4% |
| LG Management Development Institute(*1) | 85,414 | 91,696 | -6.8% | (618) | 6,807 | Turn Red |
| LG Sports Ltd. (*1) | 57,768 | 66,705 | -13.4% | (3,062) | 8 | Turn Red |
| LG Holdings Japan Co., Ltd.(*1) | 9,441 | 8,975 | 5.2% | 4,322 | 3,830 | 12.8% |

(*1) based on the separate statements of income
(*2) based on the consolidated statements of income

IT Services Segment

In 2020 sales revenue of LG CNS increased by 2.4% and profit before tax by 9.3% compared to the previous year, mainly due to its competitiveness in the cloud business sector which serves as the basis of digital innovation and its solid market position in the logistics automation and public sector.

Construction and Real Estate Services Segment

In 2020 sales revenue of S&I Corp. decreased by 29.0% and profit before tax by 43.4% compared to the previous year, mainly due to the CAPEX downsizing in the captive market derived from COVID-19 impact.

2. Gain & Loss Valuation of Equity Method

(Unit: KRW million)

| Company | 2020 | 2019 | YoY |
|---------------------------------|------------------|----------------|---------------|
| LG Chem Ltd. | 143,842 | 38,415 | 274.4% |
| LG Household & Health Care Ltd. | 253,384 | 247,603 | 2.3% |
| LG Electronics Inc. | 602,648 | (7,206) | Turn Black |
| LG Uplus Corp. | 194,520 | 151,747 | 28.2% |
| GILR Corporation | 3,155 | (8,033) | Turn Black |
| LG Hitachi Co., Ltd. | (1,724) | (233) | - |
| Others | 9,113 | 44,897 | -79.7% |
| Total | 1,204,938 | 467,190 | 157.9% |

3. Operating Income

(Unit: KRW million)

| Account | 2020 | 2019 | YoY |
|-----------------------|------------------|----------------|--------------|
| Brand Royalty Revenue | 271,372 | 260,743 | 4.1% |
| Rental Revenue | 130,324 | 127,875 | 1.9% |
| Dividend Income | 614,506 | 396,637 | 54.9% |
| Total | 1,016,202 | 785,255 | 29.4% |

1) Brand Royalty Revenue

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

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

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

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

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

As of the end of 2020, LG Corp. posted brand royalty revenue of KRW 271,372 million from the companies in the brand contract.

2) Rental Revenue

LG Corp. recorded rental revenue of KRW 130,324 million in 2020, 1.9% increase from the previous year.

3) Dividend Income (Details)

| Company | 2020 | 2019 | YoY |
|----------------------------------|----------------|----------------|--------------|
| LG Chem Ltd. | 47,068 | 141,205 | -66.7% |
| LG Household & Health Care, Ltd. | 58,471 | 49,168 | 18.9% |
| LG Electronics Inc. | 41,321 | 41,321 | 0.0% |
| LG Uplus Corp. | 62,951 | 62,951 | 0.0% |
| GIIR Corporation | 1,740 | 1,450 | 20.0% |
| S&I Corp. | 317,546 | 63,999 | 396.2% |
| LG CNS Co, Ltd. | 84,447 | 35,557 | 137.5% |
| Others | 962 | 986 | -2.4% |
| Total | 614,506 | 396,637 | 54.9% |

* P/L from LG International, LG Hausys, LG MMA, and Silicon Works has been marked as "Profit from discontinued operations" due to the spin-off scheduled on 1 May 2021.

4. Changes in investments in associates and joint ventures for the years ended December 31, 2020

(Unit: KRW million)

| Companies | Year ended December 31, 2020 | | | | | | | |
|---|------------------------------|----------------|--------------------|--------------------------------|----------------------------------|---------------------|-------------------|-------------------|
| | Beginning balance | Acquisitions | Dividends received | Equity method gains and losses | Other capital changes and others | Disposal and others | Replacement (*1) | Ending balance |
| LG Chem Ltd. | 5,046,752 | - | -47,068 | 143,842 | -18,204 | 136,824 | - | 5,262,146 |
| LG Household & Health Care Ltd. | 1,309,603 | - | -58,471 | 253,384 | -1,573 | - | - | 1,502,943 |
| LG Electronics Inc. | 4,269,612 | - | -41,321 | 602,648 | -221,829 | - | - | 4,609,110 |
| LG Uplus Corp. | 2,506,350 | 90,005 | -62,951 | 194,520 | 725 | - | - | 2,728,649 |
| LG International Corp. (*1) | 259,861 | - | -2,871 | 79,546 | -21,164 | - | -315,372 | - |
| LG Hitachi Co., Ltd. | 8,610 | - | - | -1,724 | -264 | - | - | 6,622 |
| GIIR Corporation | 47,443 | - | -1,740 | 3,155 | -615 | - | - | 48,243 |
| LG Hausys, Ltd. (*1) | 270,980 | - | -752 | -23,522 | 969 | - | -247,675 | - |
| LG MMA Corp. (*1) | 256,156 | - | -27,000 | 28,658 | 514 | - | -258,328 | - |
| Silicon Works Co., Ltd. (*1) | 188,307 | - | -4,466 | 23,928 | 347 | - | -208,116 | - |
| ZKW Holding GmbH (*2) | 432,758 | - | - | -15,848 | 10,825 | -66,497 | - | 361,238 |
| ZKW Austria Immobilien Holding GmbH | 16,288 | - | - | 1,132 | 150 | - | - | 17,570 |
| Combustion Synthesis Co., Ltd. | 1,932 | - | - | -199 | 1 | - | - | 1,734 |
| Tmoney Co., Ltd. | 52,798 | - | - | -5,938 | 157 | - | - | 47,017 |
| Songdo U-Life LLC | 613 | - | - | -247 | -1 | - | - | 365 |
| Recaudo Bogota S.A.S. | 501 | - | - | 3,469 | -1,233 | - | - | 2,737 |
| Hellas SmarTicket Societe Anonyme | 4,163 | - | -1,085 | 1,322 | 154 | - | - | 4,554 |
| Ulleungdo Natural Energy Independent Island Co., Ltd. | 4,592 | - | - | 5 | - | -4,558 | - | 39 |
| Dongnam Solar Energy Co., Ltd. | 691 | - | - | -14 | - | - | - | 677 |
| Daegu Clean Energy Co., Ltd. (*3) | - | - | - | - | - | - | - | - |
| KEPCO-LG CNS Mangilao Holdings LLC(*4) | - | - | - | - | - | - | - | - |
| Serveone Co., Ltd. | 320,363 | - | - | 26,563 | -573 | - | - | 346,353 |
| CloudGram Corp. | - | 19,888 | - | -1,129 | -1 | - | - | 18,758 |
| Korea DRD Corp. | - | 597 | - | -3 | -9 | - | - | 585 |
| Total | 14,998,373 | 110,490 | -247,725 | 1,313,548 | -251,624 | 65,769 | -1,029,491 | 14,959,340 |

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

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

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

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

5. Changes in property, plant and equipment for the years ended December 31, 2020

(Unit: KRW million)

| Description | Year ended December 31, 2019 | | | | | | | | | |
|--|------------------------------|-----------|------------|-----------|----------|---------------------|------------------------|--------------------------|----------------|-----------|
| | Land | Buildings | Structures | Machinery | Vehicles | Tools and equipment | Furniture and fixtures | Construction in progress | Other property | Total |
| Beginning balance | 380,738 | 794,427 | 151,542 | 41,560 | 15,499 | 944 | 67,396 | 3,420 | 184,608 | 1,640,134 |
| Acquisitions | 17 | 745 | 799 | 614 | 220 | 95 | 9,102 | 22,921 | 25,573 | 60,086 |
| Disposals | -3,414 | -775 | - | - | -116 | - | -466 | -604 | -2,562 | -7,937 |
| Depreciation (*1) | - | -34,634 | -11,963 | -7,819 | -2,322 | -335 | -17,055 | - | -32,669 | -106,797 |
| Transfers in | 17,901 | 25,470 | 3,039 | - | 37 | - | 2,105 | - | 502 | 49,054 |
| Transfers out | - | -83 | - | - | - | - | - | -19,180 | - | -19,263 |
| Removal due to classification of assets to be sold | -13,437 | -943 | - | - | - | - | -7 | - | - | -14,387 |
| Removal due to classification of assets scheduled for distribution | - | - | - | - | - | - | -4 | - | - | -4 |
| Impairment loss | - | - | - | -11,478 | - | - | -17 | - | -4 | -11,499 |
| Others | - | 1,127 | - | 7 | - | - | -178 | -31 | -404 | 521 |
| Effect of foreign currency translation | - | - | - | 1 | -5 | 1 | -56 | - | -291 | -350 |
| Ending balance | 381,805 | 785,334 | 143,417 | 22,885 | 13,313 | 705 | 60,820 | 6,526 | 174,753 | 1,589,558 |

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

6. Changes in investment property for the years ended December 31, 2020

(Unit: KRW million)

| Description | Year ended December 31, 2020 | | | | |
|---------------------------------------|------------------------------|-----------|------------|--------------------------|-----------|
| | Land | Buildings | Structures | Construction in progress | Total |
| Beginning balance | 787,218 | 508,668 | 5,560 | 90,516 | 1,391,962 |
| Acquisitions | - | 1,177 | 43 | 18,244 | 19,464 |
| Depreciation | - | (29,263) | (1,147) | - | (30,410) |
| Transfers | (17,900) | (12,383) | 492 | - | (29,791) |
| Disposals | (216) | - | - | - | (216) |
| Effect of consolidation scope changes | - | - | - | - | - |
| Others | (6,409) | 14,872 | (3) | (1,497) | 6,903 |
| Ending balance | 762,663 | 483,071 | 4,945 | 107,263 | 1,357,912 |

Details of the investment property's fair value as of December 31, 2020 are as follows.

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

(*1) Includes the value of investment property (Book value that is subject to valuation: ₩125,306 million) occupied by the owner.

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

(*3) It is the whole valuation amount of Sangam DDMC. Sangam DDMC is an appraisal value of the entire real estate, including land, buildings and structures.

(*4) The sale contract was signed on March 3, 2021, and the sale amount is ₩27,259 million.

7. Debentures and Borrowings

(Unit: KRW million)

1) Short-term borrowings as of December 31, 2020 and 2019

| Description | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Korean currency short-term borrowings | 23,000 | 20,975 |
| Overdraft | - | 9,952 |
| Foreign currency short-term borrowings | 26,665 | 25,202 |
| Total | 49,665 | 56,129 |

(Unit: KRW million)

2) Long-term borrowings as of December 31, 2020 and 2019

| Description | December 31, 2020 | | December 31, 2019 | |
|---------------------------------------|-------------------|----------------|-------------------|----------------|
| | Current | Non-current | Current | Non-current |
| Korean currency long-term borrowings | 1,712 | 3,907 | 1,652 | 5,368 |
| Foreign currency long-term borrowings | - | 86,449 | - | 74,443 |
| Debentures in Korean won | 250,000 | 840,000 | 300,000 | 680,000 |
| Discount on debentures | (127) | (2,033) | (152) | (1,405) |
| Present value discount account | - | (885) | - | (1,021) |
| Total | 251,585 | 927,438 | 301,500 | 757,385 |

3) Debentures as of December 31, 2020 and 2019

(Unit: KRW million)

| Company | Description | Issuance date | Maturity date | Annual Interest Rate | December 31, 2020 | December 31, 2019 |
|-------------------------|------------------------------------|---------------|---------------|----------------------|-------------------|-------------------|
| LG CNS | 9-2 nd public offering | 2015-04-16 | 2020-04-16 | - | - | 100,000 |
| | 9-3 rd public offering | 2015-04-16 | 2022-04-16 | 2.44% | 50,000 | 50,000 |
| | 10-1 st public offering | 2017-04-11 | 2020-04-11 | - | - | 110,000 |
| | 10-2 nd public offering | 2017-04-11 | 2022-04-11 | 2.45% | 40,000 | 40,000 |
| | 11-1 st public offering | 2018-04-11 | 2021-04-11 | 2.55% | 90,000 | 90,000 |
| | 11-2 nd public offering | 2018-04-11 | 2023-04-11 | 2.83% | 110,000 | 110,000 |
| | 12-1 st public offering | 2020-05-14 | 2023-05-12 | 1.60% | 150,000 | - |
| | 12-2 nd public offering | 2020-05-14 | 2025-05-14 | 1.75% | 50,000 | - |
| | 12-3 rd public offering | 2020-05-14 | 2027-05-14 | 1.99% | 100,000 | - |
| | 2-2 nd public offering | 2015-05-29 | 2020-05-29 | - | - | 20,000 |
| S&I Corp. | 1-2 nd public offering | 2016-10-27 | 2021-10-27 | 2.10% | 90,000 | 90,000 |
| | 2-1 st public offering | 2017-11-01 | 2020-11-01 | - | - | 70,000 |
| | 2-2 nd public offering | 2017-11-01 | 2022-11-01 | 2.99% | 130,000 | 130,000 |
| | 3-1 st public offering | 2018-05-04 | 2021-05-04 | 2.62% | 70,000 | 70,000 |
| | 3-2 nd public offering | 2018-05-04 | 2023-05-04 | 2.98% | 100,000 | 100,000 |
| | 4 th public offering | 2020-10-23 | 2020-10-23 | 1.73% | 110,000 | - |
| Subtotal | | | | | 1,090,000 | 980,000 |
| Discount on debentures | | | | | (2,160) | (1,557) |
| Current debentures (*1) | | | | | (249,873) | (299,848) |
| Total | | | | | 837,967 | 678,595 |

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

8. Issued Capital

Details of issued capital as of December 31, 2020, are as follows.

(Unit: KRW million)

| Type of stock | Number of authorized shares | Number of issued shares | Number of shares owned by related party | Par value (in Korean won) | Amount of issued capital |
|---------------------|-----------------------------|-------------------------|---|---------------------------|--------------------------|
| Common stock | 700,000,000 | 172,557,131 | 79,483,774 | ₩5,000 | ₩862,786 |
| Preferred stock (*) | - | 3,314,677 | - | ₩5,000 | ₩16,573 |

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

9. Retained Earnings and Dividends

Changes in retained earnings for the years ended December 31, 2020 and 2019 are as follows.

(Unit: KRW million)

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

(*) Details of dividends for the years ended December 31, 2020 and 2019, are as follows.

(Unit: KRW million)

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

(Unit: KRW million)

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

LG Annual Report
2020

**Audit
Report**

Independent Auditors' Report

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

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

Report on the Audited Consolidated Financial Statements

Audit Opinion

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

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

Basis for Audit Opinion

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

Key Audit Matters

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

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

As noted in Note 18 of consolidated financial statements, changes in the estimate of total contract costs for contracts that recognize revenue over time using the cost-based input method may affect current, future profit or loss, contract assets and contract liabilities and total contract costs are estimated on the basis of future estimates, such as labor costs, material costs and project periods. Estimating the total cost of a contract requires expert knowledge of the cost design and is deemed to involve the risk that the cost changes resulting from the project will not be reflected in the total cost in a timely manner. Therefore, we decided to make the item a key audit matter considering the effect of the change in the estimate of total contract cost on profit or loss and future profit or loss.

At the end of the current term, the following are the major audit procedures we have carried out to obtain audit evidence that is sufficient and appropriate for purpose of auditing consolidated financial statements in relation to the change in the estimate of the Group's total contract cost:

- Understanding the design of internal controls related to the timely reflection of total contract cost and the accuracy of estimation
- Retrospective review of changes in total contract cost of current period projects

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

(2) Impairment test of investment equity owned by associates

As noted in Note 13, the consolidated company has a 30.5% stake in LG Electronics Inc., which is classified as an associate. On the other hand, LG Electronics Inc. classifies its 37.9% stake in LG Display Co. ("LGD") as an associate and accounts for it using the equity method. LG Electronics Inc. has a carrying amount of \ 4,214,088 million at the end of the reporting period.

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

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

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

- Verification of the independence, objectivity and qualification of the component auditor to obtain audit evidence for the purpose of the group audit related to LGD impairment test.
- Review of audit documents of the component auditor for the following tasks carried out by the component auditor to evaluate the sufficiency and adequacy of audit evidence obtained and asking questions if necessary.

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Understanding LG Electronics Co., Ltd.'s accounting policies and internal control related to impairment test, and testing the control related to management review. • Conduct questions and reviews on the valuation model applied to the LGD impairment test and evaluate the appropriateness of the key assumptions applied to the valuation. | <ul style="list-style-type: none"> • Evaluate the appropriateness of management's estimation of past business plan by comparing LGD's performance to its past business plan. • Understand the future cash flows of LGD and verify if future cash flow estimates match business plans approved by management | <ul style="list-style-type: none"> • Evaluate the appropriateness by comparing key assumptions of the valuation model such as discount rate and growth rate with external information and past information of LGD • Perform sensitivity analysis to assess the impact of changes in major assumptions on impairment test results |
|--|---|--|

Emphasis Subject

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report

to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

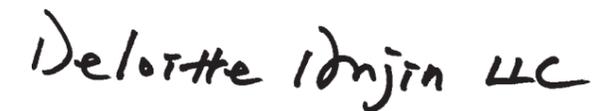
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audits. We are solely responsible for our audit opinion.

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

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

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

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



March 11, 2021

Notice to Readers This report is effective as of March 11, 2021, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

LG CORP. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31,
2020 and 2019

(Unit: KRW million)

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

- Continued

LG CORP. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position (Continued)
As of December 31,
2020 and 2019

(Unit: KRW million)

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

- Concluded

LG CORP. AND ITS SUBSIDIARIES
Consolidated Statements of Profit or Loss

 For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

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

LG CORP. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income

 For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

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

LG CORP. AND ITS SUBSIDIARIES Consolidated Statements of Changes in Equity

For the years ended December 31,
2020 and 2019

(Unit: KRW million)

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

LG CORP. AND ITS SUBSIDIARIES Consolidated Statements of Cash Flows

For the years ended December 31,
2020 and 2019

(Unit: KRW million)

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

- Continued

LG CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31,
2020 and 2019

(Unit: KRW million)

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|--|------------------------------|------------------------------|
| Gain on valuation of other financial assets | 247 | 225 |
| Gain on disposals of other financial assets | 425 | - |
| Gain on disposals of investments in subsidiaries | - | 358,511 |
| Gain on disposals of investments in associates | 136,824 | 252 |
| Gain on valuation by equity method | 1,313,358 | 498,945 |
| Reversal of impairment loss on investments in associates | 108 | - |
| Others | 1,998 | 545 |
| | (1,534,717) | (916,686) |
| Movements in working capital: | | |
| Trade receivables | 139,355 | 270,881 |
| Other receivables | 33,005 | (25,164) |
| Inventories | 20,981 | (5,570) |
| Non-current trade receivables | 1,497 | (17) |
| Trade payables | (35,481) | (27,802) |
| Other payables | (114,613) | (21,124) |
| Provisions | (25,406) | (27,263) |
| Net defined benefit liability | (28,401) | (30,550) |
| Others | 114,223 | (154,780) |
| | 105,160 | (21,389) |
| Interest income received | 31,790 | 24,424 |
| Dividend income received | 248,812 | 377,314 |
| Income tax received | 1,677 | 815 |
| Interest expenses paid | (7,765) | (35,346) |
| Income taxes paid | (355,657) | (315,695) |
| Net cash provided by operating activities | 739,096 | 818,667 |

- Continued

LG CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31,
2020 and 2019

(Unit: KRW million)

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

- Continued

LG CORP. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)

 For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

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

- Concluded

LG CORP.
Separate Statements of Financial Position

 As of December 31,
 2020 and 2019

(Unit: KRW million)

| ASSETS | December 31, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| 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 (Continued)
As of December 31,
2020 and 2019

(Unit: KRW million)

| LIABILITIES AND SHAREHOLDERS' EQUITY | December 31, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| 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 |

LG CORP.
Separate Statements of Income
For the years ended December 31,
2020 and 2019

(Unit: KRW million)

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|------------------------------|------------------------------|
| 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 |

LG CORP.
Separate Statements of Comprehensive Income

For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|--|------------------------------|------------------------------|
| 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 |

LG CORP.
Separate Statements of Changes in shareholders' Equity

For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

| | Issued capital | Capital surplus | Other capital items | Accumulated other comprehensive income (loss) | Retained earnings | Total |
|--|-----------------|-------------------|---------------------|---|-------------------|--------------------|
| 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 |

LG CORP.
Separate Statements of Cash Flows

 For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|------------------------------|------------------------------|
| 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) |

- Continued

LG CORP.
Separate Statements of Cash Flows (Continued)

 For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|--|------------------------------|------------------------------|
| 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) |

- Continued

LG CORP.
Separate Statements of Cash Flows (Continued)

For the years ended December 31,
 2020 and 2019

(Unit: KRW million)

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|------------------------------|------------------------------|
| 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 |

This LG Annual Report 2020("Report") has been prepared as a reference for investors. The specific facts and figures stated herein must be separately verified with objective data beyond this Report. LG Corp. does not assume legal responsibility for contents stated in this Report. LG Corp. is a holding company. As such it owns the number of shares commensurate with its managerial authority as the holding company of the LG Group. However, each Group affiliate is a legal entity that is independent of LG Corp. Therefore, LG Corp. is not responsible for the acts of the LG Group affiliates. Thus, the contents of this Report may not be construed as LG Corp's assuming joint responsibility for obligations that belong to the LG Group affiliates.

