LG CORP.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

LG CORP.

Deloitte.

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 21, 2022.

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

Audit Opinion

We have audited the consolidated financial statements of LG Corp. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021, and December 31, 2020, respectively, and the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement 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, 2021, and December 31, 2020, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

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 Audits 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 audit opinion.

Key Audit Matters

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

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

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

As noted in Note 3 (key sources of estimation uncertainty), the company is considering the impairment to the investment of associates at the end of the reporting period, and the recoverable amount is based on the higher value of use or net fair value. This calculation is based on estimation, and if the recoverable amount is less than the carrying amount, the impairment loss is recognized.

As noted in Note 11, the Group's management determined that there were signs of asset impairment in the business plan of ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH classified as investment in associates, and evaluated the impairment in accordance with IFRS 1036.

The Group recognized a impairment loss of 197.8 billion won for ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH in the current period, and as of December 31, 2021, after recognizing the impairment loss, the carrying amount of the shares was 140.3 billion won and 8.9 billion won, respectively.

We determined this matter to Key Audit Matters with consideration of the significant amount of impairment loss recognized by the company in ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH investment shares in the current period, and the significant management's judgment on the company's impairment assessment.

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 ZKW' business plan used in the previous period impairment assessment with the current-period performance.
- Check the sensitivity analysis of the impairment test presented by the management.

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.

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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 Audits 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 will 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 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 Su-Jae Jang.

Deloitte Anjin LLC

March 21, 2022

Notice to Readers

This report is effective as of March 21, 2022, 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 consolidated financial statements and may result in modifications to the auditors' report.

LG CORP.
AND ITS SUBSIDIARIES (the "Group")

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

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

Bong-Seok Kwon
President and Chief Operating Officer
LG Corp.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	Korean won	
	December 31, 2021	December 31, 2020
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5, 6, 27, 31 and 34)	₩ 1,132,504	₩ 1,492,690
Financial institution deposits (Notes 5, 27, 31 and 34)	1,809,436	1,467,497
Current derivative assets (Notes 5, 27 and 34)	2,259	2,578
Trade receivables, net (Notes 5, 7, 27, 30 and 34)	1,133,381	1,313,668
Other receivables, net (Notes 5, 7, 27, 30 and 34)	99,809	39,877
Current tax assets (Note 28)	3,683	6,995
Other current assets (Notes 9 and 18)	423,945	309,311
Inventories, net (Note 8)	54,019	41,682
Assets held for sale and distribution to owners (Notes 4, 10, 37, 39)	888,898	1,221,623
Total current assets	5,547,934	5,895,921
NON-CURRENT ASSETS:		
Non-current financial institution deposits (Notes 5, 27, 31 and 34)	12,011	458
Other financial assets (Notes 5, 27 and 34)	240,556	138,516
Non-current trade receivables, net (Notes 5, 7, 27, 30 and 34)	14,462	21,230
Non-current other receivables, net (Notes 5, 7, 27, 30, 31 and 34)	7,832	6,951
Investments in associates and joint ventures (Note 13)	16,681,697	14,959,340
Deferred tax assets, net (Note 28)	173,037	145,281
Non-current other assets (Note 9)	3,212	3,407
Property, plant and equipment, net (Notes 10, 30, 37 and 39)	1,508,820	1,589,560
Investment property, net (Note 11)	1,295,967	1,357,912
Intangible assets (Note 12)	159,691	132,057
Right-of-use assets (Note 32)	24,577	31,635
Total non-current assets	20,121,862	18,386,347
TOTAL ASSETS	₩ 25,669,796	₩ 24,282,268

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Korean won	
	December 31, 2021	December 31, 2020
	(In millions)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current derivative liabilities (Notes 5, 27 and 34)	₩ 2,564	₩ 326
Trade payables (Notes 5, 27, 30 and 34)	659,653	797,369
Other payables (Notes 5, 27, 30 and 34)	562,794	518,462
Short-term borrowings (Notes 5, 14, 27 and 34)	41,453	49,665
Current portion of debentures and long-term borrowings (Notes 5, 14, 27 and 34)	221,542	251,585
Current tax liabilities (Note 28)	132,993	87,083
Provisions (Note 15)	30,706	37,055
Other current liabilities (Notes 17 and 18)	378,141	362,225
Current lease liabilities (Notes 5, 27, 32, 34 and 38)	25,766	22,617
Liabilities held for sale and distribution to owners (Notes 37 and 39)	763,661	6,876
Total current liabilities	2,819,273	2,133,263
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities (Notes 5, 27 and 34)	38,982	51,256
Other non-current payables (Notes 5, 27, 30 and 34)	21,424	17,574
Long-term borrowings (Notes 5, 14, 27 and 34)	521,038	927,438
Net defined benefit liability (Note 16)	6,636	13,888
Deferred tax liability (Note 28)	284,338	229,955
Provisions (Note 15)	2,826	5,127
Other non-current liabilities (Note 17)	22,300	18,948
Non-current lease liabilities (Notes 5, 27, 32, 34 and 38)	12,758	23,529
Total non-current liabilities	910,302	1,287,715
TOTAL LIABILITIES	3,729,575	3,420,978
EQUITY:		
Equity attributable to the owners of the parent company:	21,246,547	20,258,251
Issued capital (Note 19)	801,613	879,359
Capital surplus (Note 20)	2,969,304	2,964,730
Other capital items (Note 19)	(1,565,341)	(2,385)
Accumulated other comprehensive income (loss) (Note 21)	149,557	(365,812)
Retained earnings (Note 22)	18,891,414	16,782,359
Non-controlling interests	693,674	603,039
TOTAL EQUITY	21,940,221	20,861,290
TOTAL LIABILITIES AND EQUITY	₩ 25,669,796	₩ 24,282,268

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won	
	Year ended December 31, 2021	Year ended December 31, 2020
	(In millions)	
Revenue and gain on valuation by equity method (Notes 4 and 23):		
Sales of finished goods and merchandise	₩ 817,788	₩ 666,022
Service revenue	1,840,648	1,548,248
Construction revenue	1,714,516	1,309,963
Gain on valuation by equity method	1,947,269	1,203,696
Other revenue	538,789	471,141
	6,859,010	5,199,070
Cost of sales (Notes 23 and 24)	4,065,447	3,302,831
Gross profit	2,793,563	1,896,239
Selling and administrative expenses (Notes 23 and 24)	333,459	310,183
Operating income	2,460,104	1,586,056
Financial income (Note 25)	43,819	31,914
Financial expenses (Note 25)	27,157	33,256
Other non-operating income (Note 26)	151,629	191,860
Other non-operating expenses (Note 26)	237,410	133,474
Profit before income tax expense from continuing operations	2,390,985	1,643,100
Income tax expense from continuing operations (Note 28)	209,251	304,350
Profit from continuing operations	2,181,734	1,338,750
Profit from discontinued operations (Note 37)	502,240	201,908
Profit for the year	₩ 2,683,974	₩ 1,540,658
Profit for the year attributable to:		
Owners of the parent company	₩ 2,565,453	₩ 1,465,673
Non-controlling interests	118,521	74,985
Earnings per share (in Korean won):		
Continuing and discontinued operations:		
Common stock - basic/diluted (Note 29)	₩ 15,504	₩ 8,338
Pre-1996 Commercial Law Amendment Preferred Stock - basic/diluted (Note 29)	15,554	8,388
Continuing operations:		
Common stock - basic/diluted (Note 29)	₩ 12,469	₩ 7,189
Pre-1996 Commercial Law Amendment Preferred Stock - basic/diluted (Note 29)	12,519	7,239

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won			
	Year ended December 31, 2021		Year ended December 31, 2020	
	(In millions)			
Profit for the year	₩	2,683,974	₩	1,540,658
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		522,546		(250,168)
Overseas operations translation		5,293		(4,214)
Items that will not be reclassified subsequently to profit or loss:				
Net loss on other financial assets		(7,282)		(1,255)
Remeasurement of net defined benefit liability		(7,936)		316
Increase (decrease) in retained earnings of equity-method investments		(6,989)		4,012
Total comprehensive income for the year	₩	3,189,606	₩	1,289,349
Total comprehensive income attributable to:				
Owners of the parent company	₩	3,064,754	₩	1,216,509
Non-controlling interests		124,852		72,840

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won						
	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
				(In millions)			
Balance as of January 1, 2020	₩ 879,359	₩ 2,363,147	₩ (2,385)	₩ (112,366)	₩15,699,266	₩ 194,000	₩ 19,021,021
Total comprehensive income for the year							
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, etc.							
Annual dividends	-	-	-	-	(386,862)	(14,958)	(401,820)
Changes in the shares of subsidiaries, etc.	-	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
Balance as of January 1, 2021	₩ 879,359	₩ 2,964,730	₩ (2,385)	₩ (365,812)	₩16,782,359	₩ 603,039	₩ 20,861,290
Total comprehensive income for the year							
Profit for the year	-	-	-	-	2,565,453	118,521	2,683,974
Net gain (loss) on other financial assets	-	-	-	(9,630)	-	2,348	(7,282)
Valuation through equity method	-	-	-	522,574	(8,103)	1,086	515,557
Remeasurements of the net defined benefit liability	-	-	-	-	(7,966)	30	(7,936)
Overseas operations translation	-	-	-	2,425	-	2,868	5,293
Transactions with owners directly reflected in capital, etc.							
Annual dividends	-	-	-	-	(439,593)	(37,312)	(476,905)
Disposals of treasury stocks	-	4,574	2,385	-	-	-	6,959
Acquisitions of treasury stocks	-	-	(6,160)	-	-	-	(6,160)
Changes from spin-off	(77,746)	-	(1,559,181)	-	-	-	(1,636,927)
Changes in the shares of Subsidiaries, etc.	-	-	-	-	(736)	3,594	2,858
Others	-	-	-	-	-	(500)	(500)
Balance as of December 31, 2021	₩ 801,613	₩ 2,969,304	₩(1,565,341)	₩ 149,557	₩18,891,414	₩ 693,674	₩ 21,940,221

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won	
	Year ended December 31, 2021	Year ended December 31, 2020
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 2,683,974	₩ 1,540,658
Additions of expenses not involving cash outflows:		
Salaries and bonuses	7,486	3,212
Retirement benefits	27,186	24,791
Depreciation	146,688	152,091
Amortization of intangible assets	28,740	21,736
Bad debt expenses	1,552	1,756
Accrual of provision	25,980	26,312
Impairment loss on property, plant and equipment	5,468	11,499
Impairment loss on intangible assets	2,684	2,612
Loss on foreign currency translation	2,883	9,757
Loss on disposals of property, plant and equipment	305	3,256
Loss on disposals of intangible assets	13	329
Loss on transactions of derivatives	13,289	18,795
Loss on valuation of derivatives	2,564	326
Disaster loss	-	4,347
Interest expenses	26,275	32,940
Loss on disposals of other financial assets	17	-
Loss on valuation of other financial assets	424	4,188
Loss on disposals of investments in subsidiaries	17	-
Loss on disposals of investments in associates	1,671	-
Impairment loss on investments in associates	199,459	66,497
Impairment loss on right-of-use assets	1,103	-
Income tax expense	300,369	323,107
Others	222	1,587
	794,395	709,138
Deduction of items not involving cash inflows:		
Reversal of allowance for doubtful accounts	21	7,433
Reversal of provisions	9,987	14,592
Gain on foreign currency translation	4,248	5,504
Gain on disposals of property, plant and equipment	21,223	885
Gain on disposals of investment property	85,006	-
Gain on transactions of derivatives	4,968	17,741
Gain on valuation of derivatives	2,251	2,333
Interest income	29,610	32,127
Dividend income	37,638	1,142
Gain on valuation of other financial assets	12,755	247
Gain on disposals of other financial assets	-	425
Gain on disposals of investments in associates	439,563	136,824

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Korean won	
	Year ended December 31, 2021	Year ended December 31, 2020
	(In millions)	
Gain on valuation by equity method	1,947,269	1,313,358
Reversal of impairment loss on investments in associates	2	108
Gain from assets contributed	280	-
Others	615	1,998
	(2,595,436)	(1,534,717)
Movements in working capital:		
Trade receivables	(345,951)	139,355
Other receivables	(53,300)	33,005
Current finance lease receivables	369	-
Inventories	(13,103)	20,981
Non-current trade receivables	2,961	1,497
Defined benefit pension plan assets	(33)	-
Trade payables	294,822	(35,481)
Other payables	75,733	(114,613)
Provisions	(21,824)	(25,406)
Net defined benefit liability	(37,379)	(28,401)
Others	(176,542)	114,223
	(274,247)	105,160
Interest income received	26,478	31,790
Dividend income received	587,073	248,812
Income tax received	2,717	1,677
Interest expenses paid	(25,613)	(7,765)
Income taxes paid	(179,816)	(355,657)
Net cash provided by operating activities	1,019,525	739,096

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LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Korean won			
	Year ended December 31, 2021		Year ended December 31, 2020	
	(In millions)			
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in financial institution deposits	₩	2,705,432	₩	1,184,600
Disposals of derivative instruments		4,968		17,741
Decrease in other receivables		7,232		14,942
Disposals of other financial assets		3,728		4,978
Decrease in non-current other receivables		668		88
Disposals of investments in subsidiaries		47,728		-
Disposals of investments in associates		103		4,666
Decrease in non-current other assets		1,543		-
Disposals of property, plant and equipment		35,527		19,335
Disposals of investment property		281,808		216
Disposals of intangible assets		274		11,606
Cash flows from changes of consolidation scope		654		-
Others		248		492
		3,089,913		1,258,664
Cash outflows for investing activities:				
Increase in financial institution deposits		2,914,334		2,257,156
Acquisitions of other financial assets		133,124		18,848
Acquisitions of derivative instruments		10,332		17,090
Increase in other receivables		7,895		2,938
Increase in non-current other receivables		5,493		3,651
Acquisitions of investments in subsidiaries		4,959		-
Acquisitions of investments in associates		-		100,545
Acquisitions of property, plant and equipment		58,113		55,975
Acquisitions of investment property		156,233		19,464
Acquisitions of intangible assets		69,985		60,608
Cash flows from changes of consolidation scope		1,339		-
Others		103		77
		(3,361,910)		(2,536,352)
Net cash used in investing activities		(271,997)		(1,277,688)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Korean won			
	Year ended December 31, 2021		Year ended December 31, 2020	
	(In millions)			
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	₩	9,844	₩	13,730
Proceeds from long-term borrowings		-		13,512
Issuance of debentures		34		409,527
Increase in government subsidy		-		1,966
Disposals of treasury stocks		8,420		-
Cash inflows from consolidated capital transactions		-		991,935
		18,298		1,430,670
Cash outflows for financing activities:				
Redemptions of short-term borrowings		18,602		18,035
Redemptions of long-term borrowings		87,297		-
Redemptions of debentures		250,000		300,000
Redemptions of lease liabilities		14,346		15,453
Redemptions of current portion of long-term borrowings		60		1,652
Decrease in common stocks		500		-
Payments of dividends		476,883		401,802
Acquisitions of treasury stocks		6,160		-
Others		172,814		-
		(1,026,662)		(736,942)
Net cash provided by (used in) financing activities		(1,008,364)		693,728
Net change in cash and cash equivalents		(260,836)		155,136
Cash and cash equivalents at beginning of year		1,492,690		1,337,102
Effects of exchange rate changes on cash and cash equivalents		7,117		452
Cash and cash equivalents at end of year	₩	1,238,971	₩	1,492,690

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. GENERAL:

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

The Company has been listed on the Korea Stock Exchange market since February 1970. After numerous paid-up capital increases, spin-offs and mergers, the outstanding capital stock amounted to ₩801,613 million, including preferred stocks of ₩15,108 million as of December 31, 2021.

As of December 31, 2021, the Company's related parties and major shareholders are as follows:

Names of shareholders	Number of shares	Percentage of shares (%) (*)
Koo, Kwang Mo	25,096,717	15.65
Koo, Bon Sik	7,045,306	4.39
Kim, Yeong Sik	6,611,838	4.12
Koo, Bon Neung	4,790,423	2.99
Koo, Yeon Kyung and others	15,821,784	9.89
LG Yonam Education Foundation	3,350,761	2.09
LG Yonam Foundation	1,761,906	1.10
LG Evergreen Foundation	760,000	0.47
LG Welfare Foundation	360,000	0.22
Others	94,723,878	59.08
Total	160,322,613	100.00

(*) Includes preferred stocks.

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

The consolidated financial statements have been confirmed at the board of directors' meeting held on February 10, 2022, and will be finalized at the shareholders' meeting on March 29, 2022.

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

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

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

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

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

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

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

In the current year, the Group has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after January 1, 2021.

- K-IFRS 1116 Leases – Impact of the initial application of COVID-19-Related Rent Concessions (Amendment) beyond June 30, 2021

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying K-IFRS 1116 if the change were not a lease modification.

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

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022, and increased lease payments that extend beyond June 30, 2022); and
- There is no substantive change to other terms and conditions of the lease.

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

-Impact of the initial application of Interest Rate Benchmark Reform

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116. Adopting these amendments enables the Group to reflect the effects of transitioning from InterBank Offered Rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk-free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognized in the appropriate components of equity as at January 1, 2021.

The Group does not apply hedge accounting related to the exposure of interest rate benchmark, so neither the first stage nor the second stage amendments has any effect on its accounting.

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

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

The Group has not applied the following new and revised K-IFRSs that have been issued, but are not yet effective:
- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 4 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows, and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the board issued Amendments to K-IFRS 1117 to address concerns and implementation challenges that were identified after K-IFRS 1117 was published. The amendments defer the date of initial application of K-IFRS 1117 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the Board issued Extension of the Temporary Exemption from applying K-IFRS 1109 (Amendments to K-IFRS 1104) that extends the fixed expiry date of the temporary exemption from applying K-IFRS 1109 in K-IFRS 1104 to annual reporting periods beginning on or after January 1, 2023.

K-IFRS 1117 must be applied retrospectively, unless impracticable, in which case, the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- K-IFRS 1001 Presentation of Financial Statements - 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 January 1, 2023, with early application permitted.

- K-IFRS 1103 Business Combinations - Reference to the Conceptual Framework (Amendment)

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 - Proceeds before Intended Use (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 consolidated statements of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the consolidated statements of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the 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 Provisions, Contingent Liabilities and Contingent Assets - 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-IFRSs 2018–2020

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

1. K-IFRS 1101 *First-Time Adoption of K-IFRSs* (Amendment)

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

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

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

The amendment clarifies that in applying the '10 per cent' test to assess whether to 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 posttax cash flows and discount rates for the most appropriate fair value measurement.
The amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment.
The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

-K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information.’ Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
The board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to K-IFRS Practice Statement 2 do not contain an effective date or transition requirements.

-K-IFRS 1008 Accounting Polices, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendment)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.”

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

-K-IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
    - Right-of-use assets and lease liabilities
    - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- 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 that date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

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

2) Functional and reporting currencies

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

3) Basis of consolidation

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

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

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

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

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

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

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

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

4) The Group's investments in subsidiaries as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Subsidiary	Location	Main Sales Activities	Closing date	Percentage of ownership and voting right held by the Group		As of and for the year ended December 31, 2021 (based on separate financial statements)			
				December 31, 2021	December 31, 2020	Assets	Liabilities	Sales	Net income
S&I Corporation	South Korea	Real estate rental business and others	12/31	100.00%	100.00%	₩ 1,768,630	₩ 704,637	₩ 139,541	₩ 91,406
S&I Nanjing Company Limited	China	Building and civil engineering service	12/31	100.00%	100.00%	152,472	118,217	217,602	15,142
Konjiam Yewon Co., Ltd.	South Korea	Seed, seedling cultivation and sales	12/31	90.00%	90.00%	3,054	692	-	42
S&I POLAND SP.zo.o.	Poland	Building and civil engineering service	12/31	100.00%	100.00%	56,834	30,293	110,017	8,391
Mirae M	South Korea	Hotel business	12/31	100.00%	100.00%	3,526	40,684	8,451	(2,181)
Dreamnuri	South Korea	Building general cleaning business, non-alcoholic beverage shop business and coffee shop operation business	12/31	100.00%	100.00%	1,485	555	2,668	(40)
S&I Vietnam construction Co., Ltd.	Vietnam	Building and civil engineering service	12/31	100.00%	100.00%	76,196	63,711	184,003	10,946
S&I CM	South Korea	Construction management business	12/31	100.00%	100.00%	42,454	8,884	27,276	3,977
S&I CM NANJING	China	Construction management business	12/31	100.00%	100.00%	10,404	5,987	9,948	1,769
S&I CM POLAND SP. Z o. o	Poland	Construction management business	12/31	100.00%	100.00%	4,208	956	7,887	988
S&I CM VIETNAM CO., LTD	Vietnam	Construction management business	12/31	100.00%	100.00%	2,847	1,464	4,875	274
S&I Engineering & Construction Co., Ltd. (*1)	South Korea	Building Construction Business	12/31	100.00%	-	419,442	330,378	250,725	13,558
S&I Atxpert (*1)	South Korea	Real estate management and others	12/31	100.00%	-	223,144	158,130	201,046	7,812
LG CNS Co., Ltd. (*2).	South Korea	IT system integrated management, consulting service	12/31	49.95%	49.95%	3,072,644	1,700,024	3,826,781	213,942
BizTechPartners Co., Ltd.	South Korea	Development, design, sales of computer software and provision of related services	12/31	96.09%	96.09%	50,421	26,371	149,290	3,833
LG CNS Philippines, Inc.	Philippines	IT system integrated management, consulting service	12/31	100.00%	100.00%	-	3,458	-	-
LG CNS Europe B.V.	Europe	IT system integrated management, consulting service	12/31	100.00%	100.00%	48,421	35,853	61,025	4,145
LG CNS America, Inc.	USA	IT system integrated management, consulting service	12/31	100.00%	100.00%	62,335	43,882	118,957	11,374
PT LG CNS Indonesia	Indonesia	IT system integrated management, consulting service	12/31	100.00%	100.00%	4,748	7,203	8,277	322
LG CNS Brasil Servicos de T.I. Ltda.	Brazil	IT system integrated management, consulting service	12/31	100.00%	100.00%	1,538	416	3,084	197
LG CNS China, Inc.	China	IT system integrated management, consulting service	12/31	100.00%	100.00%	115,966	77,713	172,660	15,777
LG CNS India Pvt., Ltd.	India	IT system integrated management, consulting service	12/31	100.00%	100.00%	8,196	8,567	9,365	(2,066)
LG CNS Colombia SAS	Colombia	IT system integrated management, consulting service	12/31	100.00%	100.00%	25,633	19,179	25,145	3,522
LG CNS Malaysia SDN BHD	Malaysia	IT system integrated management, consulting service	12/31	100.00%	100.00%	4,059	5,695	5,554	497
LG CNS Saudi Arabia LLC	Saudi Arabia	IT system integrated management, consulting service	12/31	51.00%	51.00%	1	-	-	-
LG CNS JAPAN, Co., Ltd.	Japan	IT system integrated management, consulting service	12/31	100.00%	100.00%	7,269	3,682	13,391	97

Subsidiary	Location	Main Sales Activities	Closing date	Percentage of ownership and voting right held by the Group		As of and for the year ended December 31, 2021 (based on separate financial statements)			
				December 31, 2021	December 31, 2020	Assets	Liabilities	Sales	Net income
LG CNS Uzbekistan, LLC	Uzbekistan	IT system integrated management, consulting service	12/31	51.00%	51.00%	531	687	913	(55)
Haengbokmaru Co., Ltd.	South Korea	Building general cleaning business, non-alcoholic beverage shop business and coffee shop operation business	12/31	100.00%	100.00%	1,951	579	2,690	43
LG CNS VIETNAM CO., LTD.	Vietnam	IT system integrated management, consulting service	12/31	100.00%	100.00%	25,588	22,163	50,638	2,891
LG CNS FUND I LLC	USA	Investment fund	12/31	100.00%	100.00%	27,654	22	-	(57)
Sejong Green Power Co., Ltd. (*3)	South Korea	Renewable energy power generation industry	12/31	-	100.00%	-	-	3,754	(5,746)
Open Source Consulting Inc.	South Korea	IT system integrated management, consulting service	12/31	56.21%	56.21%	12,492	10,363	14,380	(1,804)
RightBrain Co., Ltd. (*4)	South Korea	Software development and supply business	12/31	61.91%	-	7,916	2,722	471	(92)
LG Sports Ltd.	South Korea	Sports Professional Service Industry	12/31	100.00%	100.00%	126,331	45,162	58,829	(990)
LG Management Development Institute	South Korea	Management advisory, training, e-commerce, e-commerce business	12/31	100.00%	100.00%	122,745	84,773	144,657	393
LG Holdings Japan Co., Ltd.	Japan	Real estate rental business and others	12/31	100.00%	100.00%	299,299	31,688	2,281	53,807

(*1) Newly founded by a split-off during current period and incorporated into the consolidation scope.
(*2) Although it holds less than 50% of its shares by selling some of its shares during the previous period, it is judged that it holds control in consideration of its power and exposure to variable returns or rights to the investment company.
(*3) Sejong Green Power Co., Ltd. was sold during the current period.
(*4) The Group gained control by acquiring shares during current period.

5) As of December 31, 2021, consolidated financial status of major subsidiaries with significant non-controlling interests is as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Current assets	₩	2,330,449
Non-current assets		994,223
Total assets		3,324,672
Current liabilities		1,382,441
Non-current liabilities		480,254
Total liabilities		1,862,695
Equity attributable to owners of the Company		1,457,397
Equity attributable to non-controlling interests		4,580
Total equity	₩	1,461,977

6) For the year ended December 31, 2021, the consolidated financial performances of major subsidiaries with significant non-controlling interests are as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Revenue	₩	4,143,140
Operating income		328,585
Profit for the year		234,946
Other comprehensive income		11,405
Total comprehensive income for the year	₩	246,351

7) For the year ended December 31, 2021, the consolidated cash flows of major subsidiaries with significant non-controlling interests are as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Cash flows from operating activities	₩	181,285
Cash flows from investing activities		(109,868)
Cash flows from financing activities		(185,481)
Net change in cash and cash equivalents		(114,064)
Cash and cash equivalents at the beginning of year		720,277
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,728
Cash and cash equivalents at the end of year	₩	607,941

8) As of December 31, 2021, details of non-controlling interests of major subsidiaries with significant non-controlling interests are as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Ownership interest held by non-controlling interests		50.05%
Cumulative non-controlling interests	₩	693,438
Net income vested in non-controlling interests		118,517
Comprehensive income vested in non-controlling interests		122,940
Dividends paid to non-controlling interests	₩	37,312

(3) Business combinations

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

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

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

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

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

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

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

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

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

(4) Foreign currency translation

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

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

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

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

(7) Financial assets

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

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

1) Classification of financial assets

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

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

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

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

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

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

1-1) Amortized cost and effective interest method

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

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

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

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

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

1-2) Debt instruments classified as at FVTOCI

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

1-3) Equity instruments designated as at FVTOCI

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

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

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

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

A financial asset is held for trading if:

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

1-4) Financial assets at FVTPL

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

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

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

2) Foreign exchange gains and losses

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

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

3) Impairment of financial assets

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

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

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

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

3-1) Significant increase in credit risk

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

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

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

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

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

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

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past-due amounts.
For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

3-2) Definition of default

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

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

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

3-3) Credit-impaired financial assets

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

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

3-4) Write-off policy

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

3-5) Measurement and recognition of ECLs

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

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

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

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

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

4) Derecognition of financial assets

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

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

(8) Inventories

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

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

(9) Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

(10) Interests in joint operations

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

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

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

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

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

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

(11) Goodwill

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

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

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

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

(12) Property, plant and equipment

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

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

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

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

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

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

(13) Investment properties

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

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

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

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

(14) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

5) Patents and trademarks

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

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

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

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

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

(16) Financial liabilities and equity instruments

1) Classification as debt or equity

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

2) Equity instruments

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

3) Financial liabilities

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

4) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

5) Financial liabilities measured subsequently at amortized cost

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

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

6) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instruments.
Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

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

7) Foreign exchange gains and losses

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

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

8) Derecognition of financial liabilities

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

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

(17) Leases

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

1-1) The Group as lessee

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

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

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs, including the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which 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 Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

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

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

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

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

1-2) The Group as lessor

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

When the Group is an intermediate lessor, it accounts for the head lease and the 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 ECLs on the lease receivables.

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

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

(18) Borrowing costs

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

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

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

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

(19) Derivative financial instruments

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

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

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

1) Embedded derivatives

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

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

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

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

2) Hedge accounting

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

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

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

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

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

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

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

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

3) Fair value hedges

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

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

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

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

4) Cash flow hedges

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

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

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

5) Hedges of net investments in foreign operations

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

(20) Employee benefits

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

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

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

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

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

(21) Provisions

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

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

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

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

1) Onerous contracts

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

2) Warranties

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

(22) Government grants

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

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

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

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

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

(23) Revenue recognition

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

1) Sale of goods

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

2) Rendering of service

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

3) Construction contracts

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

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent it is probable that contract costs incurred will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.
When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.
Where contract costs incurred to date, plus recognized profits, less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the consolidated statements of financial position under trade and other receivables.

4) Royalty revenue

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

5) Rental income

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

(24) Taxation

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

1) Current tax

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

2) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3) Current and deferred taxes for the year

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

(25) Treasury stock

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

(26) Non-current assets held for sale

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

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

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

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

(27) Fair value

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

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

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

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

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

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

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

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

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

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

(7) Uncertainty of COVID-19 Impact
In preparing consolidated financial statements, management should make judgements that significantly affect the amount recognized in the financial statements and make estimates and assumptions about the carrying amounts of assets and liabilities that cannot be easily identified from other data. Estimates and associated assumptions are based on past experience and other factors that are considered relevant. The actual results may also differ from these estimates. The spread of COVID-19 in 2021 has a significant impact on the domestic and global economies. This could potentially negatively impact the consolidation's future earnings and other financial performance. The ultimate impact of COVID-19 on the business, financial position and management performance of the consolidation entity is currently unpredictable.

4. SEGMENT INFORMATION:

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

(2) Revenue and gain(loss) on valuation by equity method and profit before income tax from continuing operations for each business segment of the Group for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

		Revenue and gain (loss) on valuation by equity method (*1)		Profit before income tax from continuing operations (*2)	
Reporting sector	Business sector	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
LG Corp.	LG Corp.	₩ 989,760	₩ 1,016,202	₩ 552,316	₩ 1,591,459
S&I Corporation Co., Ltd.	S&I Corporation Co., Ltd.	139,541	126,813	61,166	(71,605)
	Konjiam Yewon Co., Ltd.	-	46	42	(332)
	Mirae M	8,451	7,476	(2,181)	(44,534)
	S&I CM	27,276	27,055	5,542	3,036
	S&I CM NANJING	9,948	10,951	2,401	1,222
	S&I CM POLAND sp. z o. o.	7,887	6,537	1,408	1,564
	S&I CM VIETNAM CO., LTD.	4,875	2,323	393	277
LG CNS Co., Ltd.	LG CNS Co., Ltd.	3,826,781	3,107,800	277,528	208,129
	LG CNS China, Inc.	172,660	157,117	21,090	21,313
	LG CNS Europe B.V.	61,025	79,553	5,874	5,448
	LG CNS America, Inc.	118,957	75,326	15,617	3,253
	LG CNS India Pvt., Ltd.	9,365	7,764	(111)	331
	PT LG CNS Indonesia	8,277	5,257	327	27
	LG CNS Brasil Servicos de T.I. Ltda.	3,084	3,236	299	321
	BizTechPartners Co., Ltd.	149,290	110,446	4,648	2,930
	LG CNS Colombia SAS	25,145	20,654	5,063	4,109
	LG CNS MALAYSIA SDN BHD	5,554	7,528	545	(130)
	LG CNS JAPAN Co., Ltd.	13,391	8,835	116	(348)
	LG CNS Uzbekistan, LLC	913	1,000	147	392
	Haengbokmaru Co., Ltd.	2,690	2,579	48	42
	LG CNS VIETNAM Co., Ltd.	50,638	15,742	3,045	334
	LG CNS FUND I LLC	-	-	(57)	(637)
	Sejong Green Power Co., Ltd.(*3)	3,754	7,503	(5,746)	(11,977)
	Open Source Consulting Inc.	14,380	11,529	(1,847)	(2,015)
	LG CNS Saudi Arabia LLC	-	-	-	(42)
	RightBrain Co., Ltd.(*4)	471	-	(92)	-
Others	LG Sports Ltd.	58,829	57,768	(1,205)	(3,062)
	LG Holdings Japan Co., Ltd.	2,281	9,441	76,272	4,322
	LG Management Development Institute	144,657	85,414	889	(618)
Subtotal		5,859,880	4,971,895	1,023,537	1,713,209
Consolidation adjustments (*5)		999,130	227,175	1,367,448	(70,109)
Total		₩6,859,010	₩ 5,199,070	₩ 2,390,985	₩ 1,643,100

(*1) Revenue by reporting segment is based on the amount before eliminating intercompany profit and loss.
(*2) Profit before income tax from continuing operations by reportable segment is the profit or loss of each segment that does not allocate revenue and expenses to the common segment.
(*3) Sold during the current period.
(*4) The Group gained control by acquiring shares during current period.
(*5) Amount of elimination of internal transactions and amount of equity method valuation.

(3) Assets for each business segment of the Group as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2021		December 31, 2020	
LG Corp.	₩	9,708,699	₩	9,351,778
S&I Corporation Co., Ltd.		1,704,945		2,411,383
LG CNS Co., Ltd.		3,477,363		3,026,704
Others		544,889		537,134
Subtotal		15,435,896		15,326,999
Consolidation adjustments (*)		9,345,002		7,733,646
Assets to be sold and distributed by owners		888,898		1,221,623
Total	₩	25,669,796	₩	24,282,268

(*) Amount of elimination of internal transactions and amount of equity method valuation.

(4) Inventories sold and services rendered for each business segment of the Group for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Business sector	Inventories sold and services rendered	Year ended December 31, 2021		Year ended December 31, 2020	
LG Corp.	Others	₩	989,760	₩	1,016,202
S&I Corporation Co., Ltd.	Merchandise		1,304		1,077
	Service		152,920		139,544
	Construction		1,307		2,222
	Others		42,447		38,359
LG CNS Co., Ltd.	Service		1,703,539		1,442,490
	Construction		1,864,427		1,466,372
	Merchandise		898,409		713,007
Others	Service		144,657		85,414
	Others		61,110		67,208
Subtotal			5,859,880		4,971,895
Consolidation adjustments (*)			999,130		227,175
Total		₩	6,859,010	₩	5,199,070

(*) Amount of elimination of internal transactions and amount of equity method valuation.

(5) Regional revenue of the Group before consolidation adjustments for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Business sector	December 31, 2021		December 31, 2020	
Korea	₩	5,365,584	₩	4,560,630
China		182,905		168,069
Other Asia		95,293		57,890
America		147,186		99,215
Europe		68,912		86,091
Total	₩	5,859,880	₩	4,971,895

(6) Regional non-current assets of the Group before consolidation adjustments for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2021		December 31, 2020	
Korea	₩	9,951,761	₩	8,981,191
China		3,703		4,248
Other Asia		259,064		313,356
America		8,227		6,253
Europe		747		1,625
Total by category		10,223,502		9,306,673
Non-current assets held for sale and distribution of owners		132,273		1,221,623
Total	₩	10,355,775	₩	10,528,296

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

		December 31, 2021				December 31, 2020			
Financial assets	Account	Carrying amount		Fair value		Carrying amount		Fair value	
Cash and cash equivalents	Cash and cash equivalents	₩	1,132,504	₩	1,132,504	₩	1,492,690	₩	1,492,690
Financial assets measured at FVTPL	Derivative assets for trading purposes		2,259		2,259		2,578		2,578
	Unmarketable equity securities		20,518		20,518		24,487		24,487
	Debt securities		21,667		21,667		10,941		10,941
	Subtotal		44,444		44,444		38,006		38,006
Financial assets measured at FVTOCI	Marketable equity securities		38,511		38,511		45,184		45,184
	Unmarketable equity securities		159,860		159,860		57,904		57,904
	Subtotal		198,371		198,371		103,088		103,088
Financial assets measured at amortized cost	Financial institution deposits		1,821,447		1,821,447		1,467,955		1,467,955
	Trade receivables		1,147,843		1,147,843		1,334,898		1,334,898
	Loans		9,683		9,683		6,574		6,574
	Other accounts receivable		78,548		78,548		22,830		22,830
	Accrued income		6,730		6,730		6,565		6,565
	Deposits		12,679		12,679		10,859		10,859
	Subtotal		3,076,930		3,076,930		2,849,681		2,849,681
	Total	₩	4,452,249	₩	4,452,249	₩	4,483,465	₩	4,483,465

(2) The carrying amount and fair value of financial liabilities as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Financial liabilities	Account	December 31, 2021 Carrying amount	December 31, 2021 Fair value	December 31, 2020 Carrying amount	December 31, 2020 Fair value
Financial liabilities at FVTPL	Financial liabilities designated at FVTPL	₩ 38,982	₩ 38,982	₩ 51,256	₩ 51,256
	Derivative liabilities for trading purposes	2,564	2,564	326	326
	Subtotal	41,546	41,546	51,582	51,582
Financial liabilities measured at amortized cost	Trade payables	659,653	659,653	797,369	797,369
	Borrowings	45,169	45,169	140,848	140,848
	Other accounts payable(*)	85,696	85,696	65,601	65,601
	Accrued expenses(*)	16,866	16,866	17,573	17,573
	Accrued dividends	404	404	381	381
	Deposits received	272,146	274,759	273,737	274,075
	Debentures	738,863	837,910	1,087,841	1,106,010
	Subtotal	1,818,797	1,920,457	2,383,350	2,401,857
Lease liabilities	Lease liabilities	38,523	38,523	46,146	46,146
	Total	₩ 1,898,866	₩ 2,000,526	₩ 2,481,078	₩ 2,499,585

(*) payables and others not classified as financial liabilities are excluded.

6. CASH AND CASH EQUIVALENTS:

Details of cash and cash equivalents in the consolidated statements of financial position and adjustments to cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
Cash	₩ 215	₩ 166
Bank deposits	562,729	1,269,033
Other cash equivalents	569,560	223,491
Total cash and cash equivalents in the consolidated statements of financial position	1,132,504	1,492,690
Addition: cash and cash equivalents included in disposal groups	106,467	-
Total cash and cash equivalents in the consolidated statements of financial position	₩ 1,238,971	₩ 1,492,690

7. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	December 31, 2021					
Description	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables (Individually assessed)	Total	Consolidated adjustment	Consolidated
Trade receivables	₩ 1,178,117	₩ 125,987	₩ 14,995	₩ 1,319,099	₩ (157,287)	₩ 1,161,812
Other receivables	211,551	3,706	5,831	221,088	(110,376)	110,712
Total	₩ 1,389,668	₩ 129,693	₩ 20,826	₩ 1,540,187	₩ (267,663)	₩ 1,272,524

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

(2) Aging of trade and other receivables that are overdue, but not impaired as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
1–29 days	₩ 81,393	₩ 36,809
30–60 days	18,570	7,690
61–90 days	1,992	4,122
91–120 days	4,669	2,963
More than 120 days	23,069	28,560
Total	₩ 129,693	₩ 80,144

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

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

(3) Changes in accumulated impairment losses for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021				December 31, 2020			
	Trade receivables		Other receivables		Trade receivables		Other receivables	
Beginning balance	₩	13,587	₩	2,649	₩	29,772	₩	4,248
Impairment loss		784		768		433		1,323
Amounts written off		(152)		(338)		(4,654)		(2,992)
Amounts recovered		-		(2)		-		-
Reversal of allowance for doubtful accounts		(22)		-		(7,434)		-
Effect of foreign currency translation		(185)		-		(633)		-
Transfer to assets held for sale		(96)		(6)		-		-
Others		52		-		(3,897)		70
Ending balance	₩	13,968	₩	3,071	₩	13,587	₩	2,649

(4) Aging of impaired trade and other receivables as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Less than seven months	₩	7,967	₩	7,235
7–12 months		200		185
More than one year		12,659		12,294
Total	₩	20,826	₩	19,714

8. INVENTORIES:

Details of inventories as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021					
	Acquisition cost		Carrying amount		Valuation allowance	
Merchandise	₩	50,983	₩	50,900	₩	(83)
Work in progress		-		-		-
Raw materials		1,820		1,820		-
Stored goods		616		616		-
Other inventories		774		683		(91)
Total	₩	54,193	₩	54,019	₩	(174)

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

9. OTHER ASSETS:

(1) Details of current other assets as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
Advance payments	₩ 36,972	₩ 45,897
Prepaid expenses	42,515	28,663
Prepaid VAT	13,257	3,525
Contract assets	331,089	230,714
Others	112	512
Total	₩ 423,945	₩ 309,311

(2) Details of non-current other assets as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
Non-current advance payments	₩ 2,837	₩ 1,891
Non-current prepaid expenses	102	104
Others	273	1,411
Total	₩ 3,212	₩ 3,406

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of the Group's property, plant and equipment as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	December 31, 2021									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩ 368,018	₩1,176,568	₩ 269,432	₩ 112,546	₩27,065	₩ 344	₩ 175,561	₩ 6,621	₩ 499,493	₩2,631,648
Accumulated depreciation	-	(431,995)	(138,320)	(98,995)	(14,850)	(262)	(104,847)	-	(325,598)	(1,114,867)
Accumulated impairment	-	-	(458)	-	-	(7)	(6,044)	(33)	(146)	(6,688)
Government subsidies	-	(1,100)	-	-	(63)	-	(110)	-	-	(1,273)
Carrying amounts	₩ 368,018	₩ 743,473	₩ 130,654	₩ 13,551	₩12,152	₩ 75	₩ 60,560	₩ 6,588	₩ 173,749	₩1,508,820

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

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Beginning balance	₩ 381,805	₩ 785,334	₩143,417	₩ 22,885	₩13,313	₩ 705	₩ 60,820	₩ 6,526	₩ 174,753	₩1,589,558
Acquisitions	-	2,463	522	216	1,114	297	26,776	9,420	24,503	65,311
Disposals	(9,113)	(996)	(12)	(36)	(30)	(78)	(39)	-	(371)	(10,675)
Depreciation(*1)	-	(32,749)	(11,881)	(6,962)	(2,197)	(308)	(17,915)	-	(28,112)	(100,124)
Transfers in	-	25,345	711	230	-	-	324	-	2,754	29,364
Transfers out	(345)	(32,187)	(799)	-	-	-	-	(9,170)	-	(42,501)
Government subsidies	-	-	-	-	-	-	(124)	-	-	(124)
Removal due to classification of assets to be sold	(4,296)	(435)	(1,167)	(46)	(33)	(542)	(8,834)	(155)	(181)	(15,689)
Consolidation scope changes(*2)	207	(994)	-	(487)	(3)	-	-	-	25	(1,252)
Impairment loss	(240)	(2,665)	(137)	(2,252)	(8)	-	(97)	(33)	(35)	(5,467)
Others	-	357	-	-	-	-	(429)	-	18	(54)
Effect of foreign currency translation	-	-	-	3	(4)	1	78	-	395	473
Ending balance	₩ 368,018	₩ 743,473	₩130,654	₩ 13,551	₩12,152	₩ 75	₩ 60,560	₩ 6,588	₩ 173,749	₩1,508,820

(*1) It contains amounts classified as discontinued operating profit or loss in the income statement for the current period.
(*2) Sejong Green Power Co., Ltd. was sold and Right Brain Co., Ltd. was acquired during current period.

	Year ended December 31, 2020									
Description	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 previous period.
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(3) Changes in government subsidies and others for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021						
	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Other property	Total
Beginning balance	₩ 1,189	₩ 4	₩ 136	₩ 11	₩ 40	₩ -	₩1,380
Receipt	-	-	-	-	124	-	124
Offsetting depreciation	(89)	(1)	(55)	(3)	(46)	-	(194)
Others	-	(3)	(18)	(8)	(8)	-	(37)
Ending balance	₩ 1, 100	₩ -	₩ 63	₩ -	₩ 110	₩ -	₩1,273

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

11. INVESTMENT PROPERTY:

(1) Composition of investment property as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021				
	Land	Buildings	Structures	Construction in progress	Total
Acquisition cost	₩ 641,352	₩ 853,140	₩ 8,682	₩ 3	₩ 1,503,177
Accumulated depreciation	-	(202,503)	(4,707)	-	(207,210)
Carrying amounts	₩ 641,352	₩ 650,637	₩ 3,975	₩ 3	₩ 1,295,967

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

(2) Changes in investment property for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021				
	Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 762,633	₩ 483,071	₩ 4,945	₩ 107,263	₩ 1,357,912
Acquisitions	-	1,428	-	154,805	156,233
Depreciation(*1)	-	(30,724)	(1,117)	-	(31,841)
Transfers	49,036	225,261	760	(261,920)	13,137
Disposals	(167,727)	(24,496)	(605)	-	(192,828)
Others	(2,590)	(3,903)	(8)	(145)	(6,646)
Ending balance	₩ 641,352	₩ 650,637	₩ 3,975	₩ 3	₩ 1,295,967

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

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(*1)	-	(29,263)	(1,147)	-	(30,410)
Transfers	(17,900)	(12,383)	492	-	(29,791)
Disposals	(216)	-	-	-	(216)
Others	(6,469)	14,872	(3)	(1,497)	6,903
Ending balance	₩ 762,663	₩ 483,071	₩ 4,945	₩ 107,263	₩ 1,357,912

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

(3) Details of the fair value of investment property as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	Date of revaluation	December 31, 2021 Land	Buildings, structures and construction in progress	Total
Book value of investment property:				
Book value (*1)		₩ 686,602	₩ 722,209	₩ 1,408,811
Results of valuation:				
Twin Tower (*1)	2021-09-30	815,488	292,512	1,108,000
Gasandong building (*1)	2021-09-30	132,123	104,396	236,519
Gwanghwamun building (*1)	2021-09-30	332,444	101,556	434,000
Seoul Station building (*1)	2021-09-30	329,360	130,640	460,000
Sangdodong Hi Plaza (*2)	2017-06-30	5,445	1,760	7,205
Dogokdong Gangnam building (*2)	2017-12-31	167,077	75,110	242,187
Flagone 2(*3)	-	-	14,362	14,362
CNS Sangam DDMC (*1), (*4)	2020-01-10		343,000	343,000
Japan Corporation (*2)	-	48,135	210,373	258,508
Others (*2)	2016-02-26	539	-	539
Total				₩3,104,320

(*1) Includes the value of investment property (Book value that is subject to valuation: ₩112,844 million) occupied by the owner.
(*2) Acquisition cost is considered as fair value.
(*3) The carrying amount of right-of-use assets is considered as fair value.
(*4) 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.

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

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

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

Meanwhile, the Group recognized the amount of ₩140,807 million and ₩143,278 million as rental income related to investment property for the years ended December 31, 2021 and 2020, respectively.

12. INTANGIBLE ASSETS:

(1) Composition of the Group's intangible assets as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021 Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 62,221	₩ 25,352	₩ 26,996	₩ 10,433	₩ 36,568	₩ 170,219	₩ 331,789
Accumulated depreciation	(27,691)	(15,661)	-	-	-	(117,258)	(160,610)
Accumulated impairment	(4,903)	(5)	(3,054)	(2,612)	(517)	(397)	(11,488)
Total	₩ 29,627	₩ 9,686	₩ 23,942	₩ 7,821	₩ 36,051	₩ 52,564	₩ 159,691

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

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021 Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 17,394	₩ 9,543	₩ 18,857	₩ 4,301	₩ 13,638	₩ 68,324	₩ 132,057
Acquisitions	-	336	5,325	-	15,112	9,554	30,327
Increase due to internal development	-	-	-	-	44,977	-	44,977
Disposals	-	(35)	(251)	-	-	(2)	(288)
Transfers in	20,829	14	-	-	619	15,478	36,940
Transfers out	-	-	-	-	(36,940)	-	(36,940)
Increase due to business combination	-	-	-	3,520	-	1,947	5,467
Transfer to assets held for sale	-	(29)	-	-	-	(20,436)	(20,465)
Impairment loss	(2,157)	-	-	-	(517)	(10)	(2,684)
Amortization	(6,317)	(1,646)	-	-	-	(20,777)	(28,740)
Others	(131)	1,503	-	-	(841)	(1,696)	(1,165)
Effect of foreign currency translation	9	-	11	-	3	182	205
Ending balance	₩ 29,627	₩ 9,686	₩ 23,942	₩ 7,821	₩ 36,051	₩ 52,564	₩ 159,691

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

(3) Details of book value of goodwill that is allocated to cash-generating unit as of December 31, 2021 and 2020, are as follows
(Unit: Korean won in millions):

Description	Acquisition cost	Accumulated impairment loss	Book value
	December 31, 2021		
BizTechPartners Co., Ltd.	₩ 1,665	₩ -	₩ 1,665
Sejong Green Power Co., Ltd. (*1)	-	-	-
Open Source Consulting Inc.	5,248	(2,612)	2,636
RightBrain Co., Ltd. (*2)	3,520	-	3,520
Total	₩ 10,433	₩ (2,612)	₩ 7,821

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

(*1) It was sold during the current period.
(*2) Transferred to the scope of consolidation during the current period.

(4) Changes in government grants for the years ended December 31, 2021 and 2020, are as follows
(Unit: Korean won in millions):

Description	Year ended December 31, 2021 Computer software and other assets	Year ended December 31, 2020 Computer software and other assets
Beginning balance	₩ -	₩ 12
Offsetting amortization	-	(12)
Ending balance	₩ -	₩ -

(5) The costs related to research and development, accounted for as expenses, for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	2021	2020
Selling and administrative expenses	₩ 34,661	₩ 32,883
Total	₩ 34,661	₩ 32,883

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Group's investments in associates and joint ventures as of December 31, 2021, is as follows:

Companies(*1)(*2)	Location of incorporation	Major business activities	Closing date	Number of shares held and investments in capital: Common stock	Number of shares held and investments in capital: Preferred stock	Number of shares issued: Common stock	Number of shares issued: Preferred stock	Percentage of ownership (%)	Percentage of ownership (common stock) (%)
LG Chem Ltd.	South Korea	Manufacturing of basic petrochemicals	12-31	23,534,211	-	70,592,343	7,688,800	30.06%	33.34%
LG Household & Health Care Ltd.	South Korea	Manufacturing of toothpastes, soap and detergents	12-31	5,315,500	-	15,618,197	2,099,697	30.00%	34.03%
LG Electronics Inc.	South Korea	Manufacturing of electronic components, computers, image, acoustic and communication equipment	12-31	55,094,582	-	163,647,814	17,185,992	30.47%	33.67%
LG Uplus Corp. (*3)	South Korea	Telecommunications	12-31	164,422,375	-	436,611,361	-	37.66%	37.66%
LG Hitachi Co., Ltd.	South Korea	Consult computer system integration and establishment	03-31	245,000	-	500,000	-	49.00%	49.00%
GIIR Corporation	South Korea	Holdings company	12-31	5,798,593	-	16,567,409	-	35.00%	35.00%
ZKW Holding GmbH (*4)	Austria	Vehicle headlamp manufacturing	12-31	-	-	-	-	30.00%	30.00%
ZKW Austria Immobilien Holding GmbH (*4)	Austria	Real estate management	12-31	-	-	-	-	30.00%	30.00%
Tmoney Co., Ltd.	South Korea	System software development and supply	12-31	3,927,167	-	11,934,085	-	32.91%	32.91%
Songdo U-Life LLC (*5)	South Korea	Health care, integrated wireless environment, integrated smart cards and building management	12-31	5,880	-	35,880	-	16.39%	16.39%
Recaudo Bogota S.A.S.	Colombia	Public system development and service	12-31	2,126	-	10,630	-	20.00%	20.00%
Hellas SmarTicket Societe Anonyme	Greece	Public system development and service	12-31	22,500	-	75,000	-	30.00%	30.00%
Dongnam Solar Energy Co., Ltd.	South Korea	Solar energy generation business	12-31	174,608	-	672,000	-	25.98%	25.98%
Daegu Clean Energy Co., Ltd.	South Korea	Energy supply business	12-31	25,000	-	100,000	-	25.00%	25.00%
Serveone Co., Ltd.	South Korea	Wholesale and retail business and others	12-31	531,867	-	1,333,000	-	39.90%	39.90%
CloudGram Corp. (*6)	South Korea	Hosting and related services and others	12-31	1,075,000	-	3,075,000	-	34.96%	34.96%
Korea DRD Corp. (*6)(*7)	South Korea	Information service and blockchain technology-related service	12-31	119,400	-	600,000	-	19.90%	19.90%
Hempking Corp. (*6)(*8)	South Korea	System Software Development and Supply service	12-31	-	25,000	100,000	25,000	20.00%	-
danbee Inc. (*9)	South Korea	System Software Development and Supply service	12-31	50,000	-	25,000	-	20.00%	20.00%

(*1) Due to spin-off during current period, LG International Corp, LG Hausys, Ltd., LG MMA Corp. and Silicon Works Co., Ltd. were excluded from associates.
(*2) Combustion Synthesis Co., Ltd. was sold during the current period.
(*3) Additional shares had been acquired during the previous period.
(*4) The company does not issue real shares; the number of shares is not shown.
(*5) Although the Group owns less than 20% of its shares, the Group has significant influence over the contractual right to appoint one member of the board of directors.
(*6) It was newly acquired during the previous period.
(*7) Although the Group owns less than 20% of its shares, the Group has significant influence over the contractual right to appoint one out of three members of the board of directors.
(*8) Although the Group has significant influence by contract between shareholders, it is classified as financial assets measured at FVTPL since conversion right of preferred stock is not exercised.
(*9) The Group acquired equity through the exercise of conversion rights during the previous period.

Fair values of marketable equity securities for investments in associates as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	LG Chem Ltd.	LG Household & Health Care Ltd.	LG Electronics Inc.	LG Uplus Corp.	GIIR Corporation
Fair values of equity securities	₩ 14,473,540	₩ 5,831,104	₩ 7,603,052	₩ 2,236,144	₩ 40,880

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2021 and 2020, are as follows (Uni: Korean won in millions):

	Year ended December 31, 2021						
Companies	Beginning balance	Acquisitions	Dividends received	Equity method gains and losses	Other capital changes and others	Disposal and others	Ending balance
LG Chem Ltd.	₩ 5,262,146	₩ -	₩(235,342)	₩ 1,102,792	₩ 215,433	₩ 10,250	₩ 6,355,279
LG Household & Health Care Ltd.	1,502,943	-	(58,471)	265,650	(8,591)	-	1,701,531
LG Electronics Inc.	4,609,110	-	(66,113)	318,320	299,325	-	5,160,642
LG Uplus Corp.	2,728,649	-	(106,875)	257,697	(11,671)	-	2,867,800
LG Hitachi Co., Ltd.	6,622	-	(19)	188	759	-	7,550
GIIR Corporation	48,243	-	(1,740)	4,661	1,185	-	52,349
ZKW Holding GmbH (*1)	361,238	-	-	(45,245)	11,829	(187,463)	140,359
ZKW Austria Immobilien Holding GmbH(*1)	17,570	-	-	1,104	558	(10,296)	8,936
Combustion Synthesis Co., Ltd.(*2)	1,734	-	-	(92)	(7)	(1,635)	-
Tmoney Co., Ltd.	47,017	-	-	5,119	1,417	-	53,553
Songdo U-Life LLC	365	-	-	214	-	-	579
Recaudo Bogota S.A.S.	2,737	-	-	(1,075)	(265)	-	1,397
Hellas SmarTicket Societe Anonyme	4,554	-	(1,036)	1,009	16	-	4,543
Ulleungdo Natural Energy Independent Island Co., Ltd.(*3)	39	-	-	-	-	(39)	-
Dongnam Solar Energy Co., Ltd.	677	-	-	9	-	-	686
Daegu Clean Energy Co., Ltd. (*4)	-	-	-	-	-	-	-
Serveone Co., Ltd.	346,353	-	-	38,144	5,419	(79,840)	310,076
CloudGram Corp.	18,758	-	-	(1,265)	-	(1,700)	15,793
Korea DRD Corp.	585	-	-	39	-	-	624
Total	₩ 14,959,340	₩ -	₩(469,596)	₩1,947,269	₩ 515,407	₩ (270,723)	₩ 16,681,697

(*1) The signs of impairment to ZKW Holding GmbH and ZKW Austria Immobilien Holding GmbH were identified in the current period, and the impairment loss of ₩187,463 million and ₩10,296 million was recognized, respectively, as profit or loss by reviewing the recoverable value. Recoverable value was decided based on value in use and influenced by changes in main assumptions used in discounted cash flow method, such as 2% of permanent growth rate anticipated after 5 years and 10.89%–12.89% of discount rate.

(*2) It was sold during the current period.

(*3) It was liquidated during the current period.

(*4) 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.

Companies	Beginning balance	Acquisitions	Dividends received	Equity method gains and losses	Other capital changes and others	Disposal and others	Replacement (*1)	Ending balance
	Year ended December 31, 2020							
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 previous period, and the associated equity method gains and losses have been marked as discontinued operations.

(*2) The signs of impairment to ZKW Holding GmbH were identified in the previous period, and the impairment 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 previous period, the Group sold its rights as a shareholder of KEPCO-LG CNS Mangilao Holdings LLC and recognized a cumulative loss on equity method of ₩1,304 million before the sale.

(3) Adjustments to the book value of investments in associates and joint ventures from the net asset value of associates and joint ventures as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	As of and for the year ended December 31, 2021					
Companies	Net assets (A)	Ownership rate of the Group(B) (*1)	Controlling interest of net assets (A x B)	(+)Goodwill and others	(-)Elimination of intercompany transactions and others	Ending balance
LG Chem Ltd.	₩ 21,693,784	30.21%	₩ 6,553,237	₩ 6,052	₩ (204,010)	₩ 6,355,279
LG Household & Health Care Ltd.	5,388,010	31.72%	1,709,228	-	(7,697)	1,701,531
LG Electronics Inc.	17,230,643	30.60%	5,272,025	-	(111,383)	5,160,642
LG Uplus Corp.	7,673,144	38.25%	2,935,208	-	(67,408)	2,867,800
LG Hitachi Co., Ltd.	15,412	49.00%	7,552	-	(2)	7,550
GIIR Corporation	161,133	35.00%	56,396	2,352	(6,399)	52,349
ZKW Holding GmbH	586,071	30.00%	175,821	(35,462)	-	140,359
ZKW Austria Immobilien Holding GmbH	24,945	30.00%	7,484	1,452	-	8,936
Tmoney Co., Ltd..	136,171	32.91%	44,810	8,777	(34)	53,553
Songdo U-Life LLC	23,331	16.39%	3,823	3,493	(6,737)	579
Recaudo Bogota S.A.S.	10,461	20.00%	2,092	-	(695)	1,397
Hellas SmarTicket Societe Anonyme	14,708	30.00%	4,412	-	131	4,543
Dongnam Solar Energy Co., Ltd.	2,633	25.98%	684	2	-	686
Daegu Clean Energy Co., Ltd.	45	25.00%	11	-	(11)	-
Serveone Co., Ltd.	570,981	39.90%	227,821	85,848	(3,593)	310,076
CloudGram Corp.	14,892	34.96%	5,207	10,586	-	15,793
Korea DRD Corp.	3,136	19.90%	624	-	-	624

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

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

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

(4) Summary of financial position for associates as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	December 31, 2021								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd. (*)	₩20,413,820	₩30,721,482	₩51,135,302	₩15,062,096	₩12,863,218	₩27,925,314	₩21,693,784	₩1,516,204	₩23,209,988
LG Household & Health Care Ltd.	2,472,884	5,082,355	7,555,239	1,525,845	531,562	2,057,407	5,388,010	109,823	5,497,833
LG Electronics Inc. (*)	27,487,763	25,993,715	53,481,478	23,619,899	9,763,546	33,383,445	17,230,643	2,867,390	20,098,033
LG Uplus Corp.	5,164,421	14,206,095	19,370,516	5,073,659	6,338,298	11,411,957	7,673,144	285,415	7,958,559

(*)LG Chem Ltd. and LG Electronics Inc. each recorded ₩5,364 million, ₩180,080 million, respectively, of assets (liabilities) held for sale as of December 31, 2021.

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

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

(5) Summary of profit and loss for associates for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2021					
Companies	Revenue	Operating income	Income tax expense	Profit (loss) from discontinued operations after tax	Other comprehensive income (loss)	Total comprehensive income
LG Chem Ltd.	₩ 42,654,722	₩ 5,025,465	₩ 1,235,790	₩ 299,042	₩ 847,187	₩ 4,801,091
LG Household & Health Care Ltd.	8,091,511	1,289,630	326,237	-	79,794	940,922
LG Electronics Inc.	74,721,629	3,863,774	978,562	(1,149,861)	904,444	2,319,416
LG Uplus Corp.	13,851,135	979,014	180,975	-	(30,368)	693,850

	Year ended December 31, 2020					
Companies	Revenue	Operating income	Income tax expense	Profit (loss) from discontinued operations after tax	Other comprehensive income (loss)	Total comprehensive income
LG Chem Ltd.	₩ 30,058,872	₩ 1,805,359	₩ 367,839	₩ 98,650	₩ (70,250)	₩ 612,158
LG Household & Health Care Ltd.	7,844,506	1,220,865	307,973	-	(10,165)	802,937
LG Electronics Inc.	58,057,908	3,905,108	596,410	(683,146)	(720,433)	1,343,357
LG Uplus Corp.	13,417,627	886,151	120,787	225,505	1,082	479,147

14. DEBENTURES AND BORROWINGS:

(1) Details of short-term borrowings as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2021	December 31, 2020
Korean currency short-term borrowings	Kookmin Bank and others	2.41-5.85	₩ 18,000	₩ 23,000
Overdraft	Kookmin Bank and others	2.79-3.67	3,902	-
Foreign currency short-term borrowings	The Export-Import Bank of Korea and others	1.24-6.40	19,551	26,665
	Total		₩ 41,453	₩ 49,665

(2) Details of long-term borrowings as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2021 Current	December 31, 2021 Non-current(*1)	December 31, 2020 Current	December 31, 2020 Non-current
Korean currency long-term borrowings	Shinhan Bank and others	2.94	₩ 1,652	₩ 2,065	₩ 1,712	₩ 3,907
Foreign currency long-term borrowings	SMBC	-	-	-	-	86,449
Debentures in Korean won	Public offering bonds and others	1.60–2.99	220,000	520,000	250,000	840,000
Discount on debentures			(110)	(1,027)	(127)	(2,033)
Present value discount account			-	-	-	(885)
Total			₩ 221,542	₩ 521,038	₩ 251,585	₩ 927,438

(*1) Maturity information on non-current long-term borrowings as of December 31, 2021, is as follows (Unit: Korean won in millions):

Remaining maturity	1 year-2 years	2 years-3 years	More than 3 years
Borrowing amount	₩ 1,652	₩ 413	₩ -

(3) The Group's debentures as of December 31, 2021 and 2020, consist of the following (Unit: Korean won in millions):

Company	Description	Issuance date	Maturity date	Annual interest rate	December 31, 2021	December 31, 2020
LG CNS Co., Ltd.	9-3rd public offering	2015-04-16	2022-04-16	2.44%	₩ 50,000	₩ 50,000
	10-2nd public offering	2017-04-11	2022-04-11	2.45%	40,000	40,000
	11-1st public offering	2018-04-11	2021-04-11	-	-	90,000
	11-2nd public offering	2018-04-11	2023-04-11	2.83%	110,000	110,000
	12-1st public offering	2020-05-14	2023-05-12	1.60%	150,000	150,000
	12-2nd public offering	2020-05-14	2025-05-14	1.75%	50,000	50,000
	12-3rd public offering	2020-05-14	2027-05-14	1.99%	100,000	100,000
S&I Corporation Co., Ltd.	1-2nd public offering	2016-10-27	2021-10-27	-	-	90,000
	2-2nd public offering	2017-11-01	2022-11-01	2.99%	130,000	130,000
	3-1st public offering	2018-05-04	2021-05-04	-	-	70,000
	3-2nd public offering	2018-05-04	2023-05-04	-	-	100,000
	4th public offering	2020-10-23	2023-10-23	1.73%	110,000	110,000
		Subtotal			740,000	1,090,000
		Discount on debentures			(1,137)	(2,160)
		Current debentures (*1)			(219,890)	(249,873)
		Total			₩ 518,973	₩ 837,967

(*1) Amount of discount on debentures is deducted.

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021							
Description	Beginning balance	Consolidation scope changes	Increase	Usage and others	Reversal	Effect of foreign currency translation	Transfer to held for sale	Ending balance
Provision for construction (product) warranties	₩ 24,964	₩ 1,260	₩ 17,545	₩ (14,623)	₩ (7,412)	₩ (65)	₩ (2,501)	₩ 19,168
Restoration liabilities (*)	2,693	722	446	(735)	(105)	7	(701)	2,327
Others	14,525	286	8,434	(8,747)	(2,470)	295	(286)	12,037
Total	₩ 42,182	₩ 2,268	₩ 26,425	₩ (24,105)	₩ (9,987)	₩ 237	₩ (3,488)	₩ 33,532

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

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

16. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

The Group partially operates a defined contribution plan for its employees. Obligation of the Group is to make payments to third-party funds, and the benefits for employees are determined by the payments made to the funds and the investment earnings from the funds. Plan asset is managed by the third party and is segregated from the Group's assets.

Contributions to defined contribution plan for the years ended December 31, 2021 and 2020, are ₩47,825 million and ₩46,354 million, respectively, and payable amounts related to defined contribution plans as of December 31, 2021 and 2020, are ₩6,290 million and ₩5,440 million, respectively.

(2) Defined benefit plan

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

1) As of December 31, 2021 and 2020, amounts recognized in the consolidated statements of financial position related to retirement benefit obligation are as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Present value of defined benefit obligation	₩	132,026	₩	191,190
Fair value of plan assets		(125,390)		(177,302)
Net defined benefit liabilities	₩	6,636	₩	13,888

2) Changes in defined benefit obligation for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Beginning balance	₩	191,190	₩	175,263
Current service cost		26,120		24,392
Interest cost		3,831		3,441
Actuarial gain (loss)		9,964		(230)
Past service cost		503		819
Effect of foreign currency translation		25		(22)
Benefits paid		(11,662)		(14,243)
Others		(510)		2,318
Transfer to liabilities held for distribution to owners		(2,233)		(548)
Transfer to liabilities held for sale		(85,694)		-
Changes in the shares of subsidiaries		492		-
Ending balance	₩	132,026	₩	191,190

3) Income and loss related to defined benefit plan for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Service cost	₩	26,623	₩	25,211
Current service cost		26,120		24,392
Past service cost		503		819
Net interest on the net defined benefit liability		346		386
Interest cost on defined benefit obligation		3,831		3,441
Comprising interest on plan assets		(3,485)		(3,055)
Others		298		278
Total	₩	27,267	₩	25,875

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

Total costs for the years ended December 31, 2021 and 2020, are included in cost of sales for ₩2,136 million and ₩2,453 million, respectively, in selling and administrative expenses for ₩15,109 million and ₩13,122 million, respectively. In addition, the total cost of the current and prior period is ₩10,022 million and ₩10,300 million, respectively, included in the discontinued operating profit or loss.

4) Changes in fair value of plan assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Beginning balance	₩	177,302	₩	158,304
Comprising interest on plan assets		3,485		3,055
Remeasurements – return on plan assets		(383)		200
Contributions from the employer		35,313		27,977
Benefits paid		(9,958)		(11,327)
Others		(673)		(437)
Transfer to liabilities held for distribution to owners		(641)		(470)
Transfer to liabilities held for sale		(79,055)		-
Ending balance	₩	125,390	₩	177,302

5) All of the plan assets are invested in financial instruments that guarantee principal and interest rate as of December 31, 2021 and 2020.

6) Actuarial assumptions used as of December 31, 2021 and 2020, are as follows:

Description	December 31, 2021	December 31, 2020
Discount rate (%)	2.38–6.21	1.44–5.54
Expected rate of salary increase (%)	3.00–9.79	2.39–9.79

7) The sensitivity analysis of the defined benefit obligation as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	December 31, 2021					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	132,026	₩	121,543	₩	141,479
Change in rate of salary increase		132,026		141,118		121,657

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

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

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

8) Remeasurement related to net defined benefit liabilities (assets) for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2021		Year ended December 31, 2020
Actuarial gains arising from changes in demographic assumptions	₩	2,276	₩	702
Actuarial gains (losses) arising from changes in financial assumptions		2,077		(2,865)
Actuarial gains arising from Experience		8,045		1,979
Return on plan assets, excluding amounts included in interest income		383		(200)
Actuarial losses arising from transfer in/out adjustments		(2,434)		(46)
Total	₩	10,347	₩	(430)

9) Estimated contributions expected to be paid in the fiscal year beginning after the reporting period is as follows (Unit: Korean won in millions):

Description		2022
Estimated contributions to plan assets	₩	39,386

17. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021				December 31, 2020			
	Current		Non-current		Current		Non-current	
Advance receipts	₩	70,486	₩	-	₩	47,837	₩	-
Advances from lease revenue		-		2,120		-		4,478
VAT withheld		72,975		-		50,256		-
Withholdings		52,040		-		58,644		-
Unearned income		11,935		684		12,506		685
Contract liability		170,545		-		192,811		-
Government subsidies		160		-		171		-
Other long-term employee benefits		-		19,496		-		13,785
Total	₩	378,141	₩	22,300	₩	362,225	₩	18,948

18. CONTRACT ASSETS AND CONTRACT LIABILITIES:

(1) Contract assets contract liabilities as of December 31, 2021 and 2020, are as follows. (Unit: Korean won in millions):

Description		December 31, 2021		December 31, 2020
Construction contracts and others	₩	332,190	₩	236,839
Deductions: Allowance for losses		(6,023)		(6,125)
Total	₩	326,167	₩	230,714

Management estimates the allowance for contract assets as the ECL for the whole period in accordance with the Practical expedient of K-IFRS 1109. There are no overdue receivables as of December 31, 2021.

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

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

Description	December 31, 2021	
Beginning balance	₩	6,125
Decrease of allowance for loss		(102)
Ending balance	₩	6,023

As of December 31, 2021, the Group has no overdue receivables out of contract assets. Based on past default experience and future prospects for the clients' businesses, management believes that there are no impaired receivables out of contract assets.

(3) Contract liabilities as of December 31, 2021 and 2020, are as follows. (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Construction type contract	₩	114,735	₩	128,835
Equipment supply and maintenance		55,810		63,976
Total	₩	170,545	₩	192,811

No significant change in the balance of contract liabilities during the reporting period.

(4) Revenue recognized in respect of the contract liabilities carried forward for the year ended December 31, 2021, is as follows. No revenue related to performance obligations carried out in prior fiscal year is recognized for the years ended December 31, 2021 and 2020 (Unit: Korean won in millions):

Description	2021	
S&I Corporation Co., Ltd.	₩	11,736
LG CNS Co., Ltd.		112,094
Consolidation adjustments		(4,840)
Total	₩	118,990

(5) The changes in estimates for total contract amount and contract costs relating to contracts recognized in profit or loss over the period by applying the cost-based input method in K-IFRS 1115 have the following effects on current and future profit or loss, contract assets and contract liabilities (Unit: Korean won in millions):

Description	Change in estimated total contract amount		Changes in estimated total contract costs		Effect on current profit or loss		Effect on future profit or loss		Changes in contract assets (liabilities)	
S&I Corporation Co., Ltd.	₩	88,271	₩	70,682	₩	-	₩	-	₩	-
LG CNS Co., Ltd.		56,481		60,939		(2,272)		(2,186)		(2,222)
Consolidation adjustments		72		88		(35)		19		(35)
Total	₩	144,824	₩	131,709	₩	(2,307)	₩	(2,167)	₩	(2,257)

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

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

19. ISSUED CAPITAL AND OTHER CAPITAL ITEMS:

(1) Details of issued capital and other capital items as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	December 31, 2021				
Type of stock	Number of authorized shares	Number of issued shares(*2)	Number of shares owned by related party	Par value (in Korean won)	Amount of issued capital
Common stock	700,000,000	157,300,993	65,598,735	₩ 5,000	₩ 786,505
Preferred stock (*1)	-	3,021,620	-	₩ 5,000	₩ 15,108

(*1) 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 for the period from the shareholders' meeting following the meeting of shareholders that resolved not to pay dividends to the date of shareholders' meeting that resolved to pay dividends.
(*2) Decreased due to spin-off during the current period.

	December 31, 2020				
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 shareholders' meeting following the meeting of shareholders when it is resolved not to pay dividends to the date of shareholders' meeting when it is resolved to pay dividends.

The Group has 49,828 shares of common stock and 10,421 shares of preferred stock as of December 31, 2021, and its carrying amounts of common stocks are ₩5,406 million (preferred stock: ₩754 million). The Group has 93,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2020 and its carrying amounts of common stocks are ₩2,334 million (preferred stock: ₩51 million).

(2) Changes in other capital items for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	2021	2020
Beginning balance	₩ (2,385)	₩ (2,385)
Disposals of treasury stocks	2,385	-
Loss from capital reduction by spin-off	(1,559,181)	-
Acquisitions of treasury stocks	(6,160)	-
Ending balance	₩ (1,565,341)	₩ (2,385)

20. CAPITAL SURPLUS:

(1) Composition of capital surplus as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Asset revaluation reserve	₩	338,100	₩	338,100
Paid-up capital in excess of par value		898,266		898,266
Other capital surplus		1,732,938		1,728,364
Total	₩	2,969,304	₩	2,964,730

(2) Changes in capital surplus for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	2021		2020	
Beginning balance	₩	2,964,730	₩	2,363,147
Changes in the share of subsidiaries		-		601,583
Changes in gain on sale of treasury stock		4,574		-
Ending balance	₩	2,969,304	₩	2,964,730

21. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of accumulated other comprehensive income (loss) as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Changes of investment valuation using equity method	₩	117,586	₩	(404,988)
Gain on valuation of other financial assets		35,453		35,928
Loss on valuation of other financial assets		(11,696)		(2,542)
Overseas operations translation		8,287		5,860
Loss on valuation of derivatives instruments entered into for cash flow hedge		59		59
Gain and loss on disposals of other financial assets		(132)		(129)
Total	₩	149,557	₩	(365,812)

(2) Changes in investment valuation using equity method for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Beginning balance	₩	(404,988)	₩	(155,176)
Changes in capital of associates and joint ventures		535,607		(255,162)
Effect on income taxes		(13,033)		5,350
Ending balance	₩	117,586	₩	(404,988)

(3) Changes in gain on valuation of other financial assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Beginning balance	₩	35,928	₩	37,062
Changes in gain on valuation of other financial assets		(1,175)		(1,496)
Effect on income taxes		700		362
Ending balance	₩	35,453	₩	35,928

(4) Changes in loss on valuation of other financial assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Beginning balance	₩	(2,542)	₩	(2,400)
Changes in loss valuation on other financial assets		(12,076)		(189)
Effect on income taxes		2,923		47
Ending balance	₩	(11,696)	₩	(2,542)

(5) Changes in overseas operations translation for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Beginning balance	₩	5,860	₩	8,216
Changes in overseas operations translation		2,427		(2,356)
Ending balance	₩	8,287	₩	5,860

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

22. RETAINED EARNINGS AND DIVIDENDS:

Changes in retained earnings for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description		2021		2020
Beginning balance	₩	16,782,359	₩	15,699,266
Profit for the year attributable to the owners of the Company		2,565,453		1,465,673
Dividends (*)		(439,593)		(386,862)
Remeasurement of net defined benefit liability		(7,966)		335
Changes in retained earnings by equity method		(8,103)		3,947
Changes in the shares of subsidiaries		(736)		-
Ending balance	₩	18,891,414	₩	16,782,359

(*) Details of dividends for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021						
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares		Dividend per share (Korean won)		Total dividends (Korean won in millions)
Common stock	172,557,131	93,789	172,463,342	₩	2,500	₩	431,158
Preferred stock	3,314,677	6,810	3,307,867		2,550		8,435

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

23. PROFIT (LOSS) FROM OPERATIONS:

Details of profit (loss) from operations for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue and gain (loss) valuation by equity method		
Sales of goods	₩ 817,788	₩ 666,022
Service revenue	1,840,648	1,548,248
Construction revenue	1,714,516	1,309,963
Gain on valuation by equity method	1,947,269	1,203,696
Other revenue	538,789	471,141
	6,859,010	5,199,070
Cost of sales		
Cost of sales of goods	724,243	584,701
Cost of sales of service	1,459,867	1,225,870
Cost of sales of construction	1,445,599	1,133,042
Cost of sales of others	435,738	359,218
	4,065,447	3,302,831
Gross profit	2,793,563	1,896,239
Selling and administrative expenses		
Salaries and wages	152,567	157,138
Retirement benefits	12,152	12,535
Welfare	32,520	26,925
Amusement expenses	3,080	2,726
Depreciation	15,375	13,608
Amortization of intangible assets	9,383	6,892
Taxes and dues	7,078	7,049
Advertising expenses	5,575	4,799
Usual development expenses	34,661	32,883
Commission	18,323	16,484
Insurance premium	1,398	802
Transportation expenses	44	60
Travel expenses	1,791	1,937
Service contract expenses	19,882	17,191
Rental expenses	5,818	4,387
Allowance (reversal) of bad debt	762	(6,993)
Allowance for accrual of provision	501	(2,424)
Others	12,549	14,184
	333,459	310,183
Operating income	₩ 2,460,104	₩ 1,586,056

24. CLASSIFICATION OF EXPENSES BY NATURE:

Details of expenses by nature for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2021 Changes in inventories	Selling and administrative expenses	Manufacturing(sales) cost	Nature of expenses
Changes in inventories	₩ (16,681)	₩ -	₩ 999,648	₩ 982,967
Work in process	893	-	-	893
Merchandise	(17,808)	-	733,041	715,233
Other inventories	234	-	266,607	266,841
Used raw material	-	-	5,446	5,446
Employee benefits	-	197,240	781,746	978,986
Depreciation and amortization	-	24,758	137,483	162,241
Commission expenses	-	18,323	234,094	252,417
Lease expenses	-	5,818	114,977	120,795
Professional fees	-	19,882	1,234,219	1,254,101
Other expenses and consolidation adjustments	-	67,438	574,515	641,953
Total	₩ (16,681)	₩ 333,459	₩ 4,082,128	₩ 4,398,906

Account	Year ended December 31, 2020 Changes in inventories	Selling and administrative expenses	Manufacturing (sales) cost	Nature of expenses
Changes in inventories	₩ 22,590	₩ -	₩ 891,659	₩ 914,249
Work in process	(893)	-	-	(893)
Merchandise	23,930	-	557,228	581,158
Other inventories	(447)	-	334,431	333,984
Used raw material	-	-	4,722	4,722
Employee benefits	-	196,598	667,276	863,874
Depreciation and amortization	-	20,500	145,414	165,914
Commission expenses	-	16,484	178,647	195,131
Lease expenses	-	4,387	38,560	42,947
Professional fees	-	17,191	853,973	871,164
Other expenses and consolidation adjustments	-	55,023	499,990	555,013
Total	₩ 22,590	₩ 310,183	₩ 3,280,241	₩ 3,613,014

25. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2021		Year ended December 31, 2020	
Interest income	₩	27,493	₩	27,122
Dividend income		1,576		1,128
Gain on foreign currency transaction		1,607		2,723
Gain on foreign currency translation		221		361
Gain on valuation of other financial assets		649		155
Gain on disposal of other financial assets		12,273		425
Total	₩	43,819	₩	31,914

(2) Interest income included in financial income for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2021		Year ended December 31, 2020	
Financial institution deposits and others	₩	25,152	₩	24,554
Other loans and receivables		2,341		2,568
Total	₩	27,493	₩	27,122

(3) Financial expenses for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2021		Year ended December 31, 2020	
Interest expenses	₩	23,099	₩	29,690
Loss on foreign currency transaction		2,157		3,053
Loss on foreign currency translation		773		310
Loss on valuation of derivatives		974		-
Loss on valuation of other financial assets		136		1
Impairment loss of other financial assets		18		-
Financial guarantee cost		-		202
Total	₩	27,157	₩	33,256

(4) Interest expenses included in financial expenses for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2021		Year ended December 31, 2020	
Bank overdrafts and loan interest	₩	1,327	₩	1,832
Interest expenses related to debentures		19,292		23,060
Interest expenses of lease liabilities		3,856		4,579
Other interest expenses		2,107		4,398
Less: Capitalized interest expenses included in qualified assets (*)		(727)		(681)
Subtotal		25,855		33,188
Consolidation adjustment		(2,756)		(3,498)
Consolidated total	₩	23,099	₩	29,690

(*) Capitalization interest rates used for the years ended December 31, 2021 and 2020, are 1.73%–2.99% and 1.73%–2.99%, respectively.

26. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Other non-operating income		
Rental income	₩ 2,886	₩ 2,341
Commission income	617	302
Gain on insurance settlement	3,483	-
Gain on foreign currency transaction	8,622	11,974
Gain on foreign currency translation	2,811	3,589
Gain on disposals of property, plant and equipment	21,223	879
Gain on disposals of investment property	85,006	-
Gain on disposals of intangible assets	-	14
Gain on transactions of derivatives	4,968	17,741
Gain on valuation of derivatives	2,038	2,333
Gain on disposals of investments in associates	10,250	136,824
Miscellaneous income	7,449	3,237
Reversal of bad debt for other accounts receivable	1	-
Reversal of impairment loss of investments in associates	2	108
Others	2,273	12,518
Total	₩ 151,629	₩ 191,860
Other non-operating expenses		
Loss on foreign currency transaction	₩ 6,803	₩ 8,331
Loss on foreign currency translation	1,806	7,843
Loss on disposals of property, plant and equipment	299	3,251
Loss on disposals of intangible assets	12	329
Loss on transactions of derivatives	12,315	18,795
Loss on valuation of derivatives	2,564	326
Loss on disposals of investments in associates	1,671	-
Impairment losses of investments in associates	199,459	66,497
Loss on disposals of investments in subsidiaries	17	4
Donations and contributions	1,952	2,936
Other bad debt expenses	768	1,323
Disaster loss	14	4,347
Impairment losses of intangible assets	2,684	2,612
Impairment losses of property, plant and equipment	5,468	11,499
Miscellaneous loss	291	169
Others	1,287	5,212
Total	₩ 237,410	₩ 133,474

27. NET GAINS (LOSSES) FROM FINANCIAL INSTRUMENTS:

Net gains (losses) from financial instruments for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2021		Year ended December 31, 2020
Financial assets:				
Cash and cash equivalents	₩	22,582	₩	22,304
Financial assets measured at FVTPL		8,234		20,528
Financial assets measured at FVTOCI		(8,287)		(229)
Financial assets measured at amortized cost		6,776		10,051
Subtotal		29,305		52,654
Financial liabilities:				
Financial liabilities measured at FVTPL		(3,579)		(22,717)
Financial liabilities measured at amortized cost		(25,287)		(28,651)
Subtotal		(28,866)		(51,368)
Total	₩	439	₩	1,286

28. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description		Year ended December 31, 2021		Year ended December 31, 2020
Current income tax	₩	311,547	₩	391,525
Adjustment related to prior income tax expense		8,360		93
Income tax expense due to changes in temporary differences related to profit and loss:		(27,679)		(65,715)
Foreign currency translation effects		651		(59)
Beginning deferred tax liabilities due to temporary differences		(84,674)		(87,301)
Ending deferred tax liabilities due to temporary differences		(111,300)		(84,674)
Deferred tax directly reflected in equity		(7,202)		5,645
Classified as assets held for sale		47,754		(68,674)
Income tax directly reflected in equity		(1,460)		-
Others and consolidation adjustments		(81,517)		(21,553)
Income tax expense for continuing operations	₩	209,251	₩	304,350

(2) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021 Beginning balance	Net changes	Ending balance
Temporary differences:			
Cash flow hedging derivatives	₩ (480)	₩ 708	₩ 228
Investments in subsidiaries, associates and joint ventures	(67,279)	46,963	(20,316)
Property, plant and equipment	27,541	6,126	33,667
Intangible assets	(34)	136	102
Other financial assets	(5,540)	3,129	(2,411)
Provisions	29,429	(3,143)	26,286
Doubtful receivables	960	-	960
Other financial liabilities	3,431	1,511	4,942
Others	18,630	(38,732)	(20,102)
Tax deficit and tax credits:			
Tax deficit	-	-	-
Others	(373)	3,979	3,606
Deferred tax assets	6,285	20,677	26,962
Others and consolidation adjustment	(90,959)	(47,303)	(138,262)
Consolidated balance	₩ (84,674)	₩ (26,626)	₩ (111,300)

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

(3) Details of income tax that are directly reflected to the capital for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Valuation gain (loss) of other financial assets	₩	3,420	₩	409
Remeasurement of defined benefit plans		2,411		(104)
Change of capital from equity method		(13,033)		5,340
Total	₩	(7,202)	₩	5,645

(4) Details of deferred tax assets (liabilities) related to assets held for sale as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	
Deferred tax assets related to assets held for sale	₩	42,908
Deferred tax liabilities related to assets held for sale		(1,619)

(5) As of December 31, 2021 and 2020, unrecognized deferred tax assets, excluding investment and equity interest, are as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Temporary differences	₩	2,270	₩	23,746
Tax deficit		24,156		25,987
Tax credits unused		165		97

(6) As of December 31, 2021 and 2020, temporary differences related to investment assets and equity interest not recognized as deferred tax assets(liabilities) are as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Investments in subsidiaries	₩	(1,556,109)	₩	(1,381,330)
Investments in associates and joint ventures(*)		1,557,684		1,095,189
Total	₩	1,575	₩	(286,141)

(*) Temporary differences that are not recognized as deferred tax assets (liabilities) of associated investments classified as assets to be distributed by owners are included in the amount as of December 31, 2020.

29. EARNINGS PER SHARE:

(1) Net income per share for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won):

Description	December 31, 2021		December 31, 2020	
Basic earnings per share of common share				
Continuing operation	₩	12,469	₩	7,189
Discontinued operation		3,035		1,149
Total basic earnings per share of common share	₩	15,504	₩	8,338
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share (*)				
Continuing operation	₩	12,519	₩	7,239
Discontinued operation		3,035		1,149
Total basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	₩	15,554	₩	8,388

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

(2) Net income and weighted-average number of shares used to calculate earnings per share of common share for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Profit for the year attributable to owners of the Company	₩ 2,565,453	₩ 1,465,673
Less : dividends for Pre-1996 Commercial Law Amendment preferred share	(7,935)	(7,443)
Less : Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	(40,467)	(20,302)
Net income used to calculate basic earnings per share of common share	2,517,051	1,437,928
Profit from continuing operations used for continuing operations' basic earnings per share of common share	2,024,256	1,239,820
Discontinued operations' profit used for discontinued operations' basic earnings per share of common share	492,795	198,108
Weighted-average number of common shares	162,348,495 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, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Dividends for Pre-1996 Commercial Law Amendment preferred share and Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	₩ 48,402	₩ 27,745
Net income used to calculate basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	48,402	27,745
Profit from continuing operations used for continuing operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share	38,956	23,945
Discontinued operations' profit used for discontinued operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share	9,446	3,800
Weighted-average number of Pre-1996 Commercial Law Amendment preferred shares	3,111,860 shares	3,307,867 shares

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

30. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2021 and 2020, are as follows:

December 31, 2021		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
Associates:		
Tmoney Co., Ltd.	Tmoney CS Partners	T money Asia sdn bhd and others
	SMDev.Co., Ltd.	
Songdo U-Life LLC	U-Life Solutions	
	Songdo International Sports Club LLC	
Daegu Clean Energy Co., Ltd.		
CloudGram Corp.		
Korea DRD Corp.		
Hempking Corp.		
danbee Inc.		
Recaudo Bogota S.A.S.		
Hellas SmarTicket Societe Anonyme		
Dongnam Solar Energy Co., Ltd.		
SERVEONE Co., Ltd		SERVEONE(Nanjing).Co. ,LTD. and others
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG Innotek Co., Ltd.	
	Innowith	
	Hanuri	
	ZKW Lighting Systems Korea Co., Ltd.	
	Hi-Caresolution Corp.(*2)	
	LG Magna e-Powertrain Co., Ltd.(*3)	
LG Chem Ltd.	Haengboknuri	LG Chem America, Inc. and others
	LGBCM(*4)	
	FarmHannong Co., Ltd.	
	LG Energy Solution, Ltd.	
	Aremnuri. Co. Ltd(*5)	
LG Uplus Corp.	CS Leader	DACOM America Inc. and others
	Ain Teleservice	
	CS One Partner	
	Medialog Corp.	
	With U Co., Ltd.	
	LG HelloVision Corp.	
	UPLUS HOMESERVICE	
	CV Partners Co,. Ltd.	
	Murex Wave Active Senior Venture Fund(*6)	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	HAITAI HTB CO., LTD.	
	Balkeunnuri Co., Ltd.	
	Fmji Co., Ltd.	
	LG Farouk Co.	
	Taegeuk Pharmaceutical Co., Ltd.	
	Ulleung Spring Water Co., Ltd.	
	RUCIPELLO KOREA INC.	
	MiGenstory Co. Ltd	
	LOA & J, INC.	
	Gowoonnuri(*7)	
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.		
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd.	ZKW Group GmbH. and others
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH
Other related parties' affiliates by the Act: (*10)		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
Robostar Co., Ltd.		ROBOSTAR(SHANGHAI) CO., LTD.
SEETEC Co., Ltd.		
DACOM Crossing Corporation		

December 31, 2021		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
LX Holdings Corp.(*8)		
LX HAUSYS, LTD.(formerly LG HAUSYS, LTD.)(*9)	GREENNURI CO., LTD	LX Hausys America, Inc. and others
LX Semicon Co., Ltd.(formerly Silicon Works Co., Ltd.)(*9)		LX Semicon U.S.A. Inc. and others
LX INTERNATIONAL CORP.(formerly LG International Corp.)(*9)	Dangjin Tank Terminal	LX International (America) Inc. and others
	LX Pantos Co., Ltd.(*9)	
	Pantos Busan Newport Logistics Center Co., Ltd.	
	Helistar Air Co., Ltd.	
	Hanultari Co., Ltd.	
LX MMA Corp.(formerly LG MMA Corp.)(*9)		

(*1) Joint ventures of associates are excluded.
(*2) Newly established by spin-off from Hi-M Solutec Co., Ltd. during the current period.
(*3) Newly established as subsidiary of LG Electronics Inc. during the current period.
(*4) Newly established as subsidiary of LG Chem Ltd. during the current period.
(*5) Newly established as subsidiary of LG Energy Solution, Ltd. during the current period.
(*6) Newly established as subsidiary of LG Uplus Corp. during the current period.
(*7) Newly established as subsidiary of Coca-Cola Beverage Co. during the current period.
(*8) Newly established as spin-off by LG Corp. during the current period.
(*9) Classified as associates of LX Holdings Corp. newly established as spin off by LG Corp. during the current period. LG HAUSYS, LTD., Silicon Works Co., Ltd., LG International Corp., LG MMA Corp. and LG Pantos Co., Ltd., changed company name by LX HAUSYS, LTD., LX Semicon Co., Ltd., LX International Corp., LX MMA Corp. and LX Pantos Co., Ltd.
(*10) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

December 31, 2020		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
Associates:		
Tmoney Co., Ltd.	Tmoney CS Partners	T-Money America, Inc. and others
	SMDev.Co., Ltd.	
Songdo U-Life LLC	U-Life Solutions	
	Songdo International Sports Club LLC	
Daegu Clean Energy Co., Ltd.		
Ulleungdo Natural Energy Independent Island Co., Ltd. (*2)		
CloudGram Corp.(*3)		
Korea DRD Corp.(*3)		
Hempking Corp.(*3)		
danbee Inc.(*4)		
Recaudo Bogota S.A.S.		
Hellas SmarTicket Societe Anonyme		
Combustion Synthesis Co.,LTD(*5)		
Dongnam Solar Energy Co., Ltd.		
SERVEONE Co., Ltd		SERVEONE(Nanjing).Co., Ltd. and others
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG Innotek Co., Ltd.	
	Innowith	
	Hanuri	
	LG Innotek Alliance Fund(*2)	
	ZKW Lighting Systems Korea Co., Ltd.	
LG Chem Ltd.	Haengboknuri	LG Chem America, Inc. and others
	FarmHannong Co., Ltd.	
	Ujimak Korea Co., Ltd.(*5)	
	LG Energy Solution, Ltd.(*6)	

December 31, 2020		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
LG Hausys, Ltd.	Greennuri, Ltd.	LG Hausys America, Inc. and others
LG Uplus Corp.	CS Leader	DACOM America Inc. and others
	Ain Teleservice	
	CS One Partner	
	Medialog Corp.	
	With U Co., Ltd.	
	LG HelloVision Corp.(*7)	
	UPLUS HOMESERVICE(*8)	
	CV Partners Co,. Ltd.(*9)	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	HAITAI HTB CO., LTD.	
	Balkeunnuri Co., Ltd.	
	Fmji Co., Ltd.	
	LG Farouk Co.	
	Taegeuk Pharmaceutical Co., Ltd.	
	Ulleung Spring Water Co., Ltd.	
	RUCIPELLO KOREA INC.	
	MiGenstory Co. Ltd	
	LOA & J, INC.(*10)	
LG International Corp.	Dangjin Tank Terminal Co., Ltd.	LG International (America) Inc. and others
	Pantos Logistics Co., Ltd.	
	Pantos Busan Newport Logistics Center Co., Ltd.	
	Helistar Air Co., Ltd.	
	Hanultari Co., Ltd.	
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.		
Silicon Works Co., Ltd.		Silicon Works Inc. and others
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd.	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: (*11)		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
SEETEC Co., Ltd.		
Clean Soul Ltd.(*2)		
DACOM Crossing Corporation		
Robostar Co., Ltd.	Robomedi Co., Ltd.(*2)	ROBOSTAR(SHANGHAI)CO., LTD

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

(2) Transactions between the parent company and subsidiaries are eliminated before consolidation, and the details of other transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

1) Sale and purchase of goods and services for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021			
Description	Revenue and others (*1)(*3)	Purchase of raw material	Acquisitions of property, plant and equipment and intangible assets	Other purchase (*4)
Associates and their subsidiaries:				
Tmoney Co., Ltd.	₩ 21,799	₩ -	₩ -	₩ 1,273
LG Chem Ltd. (*2)	1,606,579	8,527	1,817	3,933
LG Household & Health Care Ltd. (*2)	87,981	53	-	3,719
LG Electronics Inc. (*2)	1,435,510	7,344	1,577	171,359
LG Uplus Corp. (*2)	552,390	-	-	27,913
LG Hitachi Co., Ltd.	283	-	-	626
GIIR Corporation (*2)	9,699	-	1,353	15,497
LX Hausys, Ltd.(formerly LG Hausys, Ltd.)(*2)	22,934	-	-	226
LX Semicon Co., Ltd.(formerly Silicon Works Co., Ltd.)	2,770	-	-	-
Dongnam Solar Energy Co., Ltd.	466	-	-	-
LX International Corp.(formerly LG International Corp.)(*2)	23,249	-	-	58
Serveone Co., Ltd.(*2)	17,937	21,043	1,243	20,566
CloudGram Corp.	25	-	-	2,052
Korea DRD Corp.	1,610	-	-	774
Hempking Corp.	-	-	-	75
Hellas SmarTicket Societe Anonyme	8,117	-	-	-
RECAUDO BOGOTA S.A.S	11,272	-	-	-
Joint ventures:				
LX MMA Corp.(formerly LG MMA Corp.)	2,999	-	-	-
Other related parties' affiliates by the Act: (*5)				
LG Display Co., Ltd. and others(*2)	829,571	-	-	463
LX Holdings Corp. and others	127,276	-	567	2,548
Total	₩ 4,762,467	₩ 36,967	₩ 6,557	₩ 251,082

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

(*1) Dividends received from associates are disclosed in Note 13.
(*2) Includes transactions with their subsidiaries.
(*3) Contract assets of ₩143,884 million and contract liabilities of ₩61,331 million for LG Electronics Co., Ltd. and others are realized for the year ended December 31, 2021, and contract assets of ₩111,285 million and contract liabilities of ₩84,980 million for LG Electronics Co., Ltd. and others are realized for the year ended December 31, 2020.
(*4) In addition to the transaction details above, right-of-use assets of ₩3,559 million and lease liabilities of ₩3,629 million for LG Electronics Co., Ltd. and others are recorded as of December 31, 2021.
(*5) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

2) Outstanding receivables and payables from sale and purchase of goods and services as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021 Account receivables and others (*1)	Loans	Account payables and others (*2)
Associates and their subsidiaries:			
Tmoney Co., Ltd.	₩ 2,741	₩ -	₩ 71
LG Chem Ltd. (*3)	622,707	-	31,463
LG Household & Health Care Ltd. (*3)	7,122	-	10,729
LG Electronics Inc. (*3)	404,341	-	116,521
LG Uplus Corp. (*3)	111,097	-	19,621
LG Hitachi Co., Ltd.	112	-	353
GIIR Corporation (*3)	6,521	-	19,427
Dongnam Solar Energy Co., Ltd.	20	385	-
Serveone Co., Ltd.(*3)	4,421	-	15,415
CloudGram Corp.	28	-	4
Korea DRD Corp.	-	-	54
Hempking Corp.	-	-	-
Hellas SmarTicket Societe Anonyme	3,028	-	-
RECAUDO BOGOTA S.A.S.(*4)	24,324	-	-
Other related parties' affiliates by the Act: (*5)		-	-
LG Display Co., Ltd. and others(*3)	370,052	-	16,196
LX Holdings Corp. and others	31,097	-	23,533
Total	₩ 1,587,611	₩ 385	₩ 253,387

Description	December 31, 2020 Account receivables and others (*1)	Loans	Account payables and others (*2)
Associates and their subsidiaries:			
Tmoney Co., Ltd.	₩ 2,820	₩ -	₩ 139
LG Chem Ltd. (*3)	434,679	-	33,225
LG Household & Health Care Ltd. (*3)	6,599	-	10,882
LG Electronics Inc. (*3)	363,609	-	110,654
LG Uplus Corp. (*3)	138,957	-	16,570
LG Hitachi Co., Ltd.	92	-	475
GIIR Corporation (*3)	7,740	-	20,377
LX Hausys, Ltd.(formerly LG Hausys, Ltd.) (*3)	7,562	-	9,410
LX Semicon Co., Ltd.(formerly Silicon Works Co., Ltd.)	814	-	900
Dongnam Solar Energy Co., Ltd.	129	175	-
LX International Corp.(formerly LG International Corp.) (*3)	16,329	-	13,678
Serveone Co., Ltd.(*3)	3,690	-	11,564
CloudGram Corp.	-	-	-
Korea DRD Corp.	32	-	-
Hempking Corp.	946	-	951
Hellas SmarTicket Societe Anonyme	62	-	-
RECAUDO BOOTA S.A.S. (*4)	29,058	-	-
Joint ventures:			
LX MMA Corp.(formerly LG MMA Corp.)	5,721	-	1,068
Other related parties' affiliates by the Act: (*5)			
LG Display Co., Ltd. and others(*3)	199,141	-	18,640
Total	₩ 1,217,980	₩ 175	₩ 248,533

(*1) Receivables from related parties are composed of mainly trade receivables and other receivables arising from sales transactions.
(*2) Payables to related parties are composed of mainly trade payables and other payables arising from purchase transactions.
(*3) Includes transactions with their subsidiaries.
(*4) Provision for bad debts of ₩4,334 million and ₩4,586 million are recognized as of December 31, 2021 and 2020, respectively.
(*5) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

3) Fund transactions with the related parties for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021						
	Contributions	Reduction	Sale of	Loans		Borrowings	
Description	in cash	of capital	interests	Loans	Payback	Borrowings	Repayments
Associates:							
Ulleungdo Natural Energy Independent Island Co., Ltd. (*1)	₩ -	₩ -	2	₩ -	₩ -	₩ -	₩ -
Serveone Co., Ltd.	-	79,840	-	-	-	-	-
Dongnam Solar Energy Co., Ltd.	-	-	-	210	-	-	-
Total	₩ -	₩ 79,840	₩ 2	₩ 210	₩ -	₩ -	₩ -

(*1) It was sold during the current period and excluded from related parties.

Description	Year ended December 31, 2020					
	Contributions in cash	Sale of interests	Loans		Borrowings	
			Loans	Payback	Borrowings	Repayments
Associates:						
CloudGram Corp.	₩ 19,888	₩ -	₩ -	₩ -	₩ -	₩ -
Korea DRD Corp.	597	-	-	-	-	-
Ulleungdo Natural Energy Independent Island Co., Ltd. (*1)	-	4,666	-	-	-	-
Hempking Corp.(*2)	498	-	-	-	-	-
KEPCO-LGCNS Mangilao Holdings LLC(*3)	-	-		7,610	-	-
Total	₩ 20,983	₩ 4,666	₩ -	₩ 7,610	₩ -	₩ -

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

(3) The compensation and benefits for the Group's key managements (registered executives, including non-permanent and non-registered executives) who have significant control and responsibility on planning, operating and controlling the activities of the Group for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Short-term employee benefits	₩ 81,586	₩ 66,292
Severance benefits	8,593	7,550
Other long-term employee benefits	5	5
Total	₩ 90,184	₩ 73,847

(4) Details of payment guarantees provided to related parties as of December 31, 2021, are as follows (Unit: EUR and Korean won in millions):

Company provided	Details	Insurance company	Limit amount	Limit amount (Korean won)	Warranty
Hellas SmarTicket Societe Anonyme	Payment guarantees	The Export-Import Bank of Korea	EUR 28,000,000	37,586	2016.03.04 - 2027.03.04

31. FUNDING ARRANGEMENTS AND PLEDGING:

(1) As of December 31, 2021, commitments related to the Group's funding are as follows (Unit: Korean won in millions):

Category	Limit	Used
Import	₩ 11,855	₩ -
Overdraft	39,000	3,902
Credit line	5,000	-
Corporate facility fund borrowings	18,851	18,717
Working capital borrowings	11,280	-
Forwards	106,458	27,695
Receivable-backed borrowings	462,500	47,708
Other borrowing agreements	70,600	6,540
Others	39,000	-

(2) Restricted financial assets as of December 31, 2021, are as follows (Unit: Korean won in millions):

Account	December 31, 2021		Remark
Cash and cash equivalents	₩	12,930	Deposits for issuing bank notes and pledges against contract fulfillment
Short-term financial institution deposits		22,068	Win-Win Cooperation Fund and Shared-Growth cooperation Fund and others
Long-term deposits		25	Deposits for overdraft accounts and others

(3) Details of pledging as of December 31, 2021, are as follows:

Provider	Recipient	Details
S&I Corporation	NongHyup Bank	₩873 million of associate stock (Dongnam Solar Energy Co., Ltd.) provided as pledged to project financing.
	Syncopation Holdings Limited	₩36,428 million of down payment for interest sales of S&I atxpert provided as mortgage.
	Construction Guarantee Cooperative	₩179 million of capital stock investment provided as mortgage.
S&I Engineering&construction Co., Ltd.	Construction Guarantee Cooperative	₩5,095 million of capital stock investment provided a combination as mortgage.
	Electric Contractor's Financial Cooperative	₩67 million of capital stock investment provided as mortgage.
	Engineering Guarantee Insurance	₩76 million of capital stock investment provided as mortgage.
	Machinery Equipment Construction Gongje Union	₩50 million of capital stock investment provided as mortgage.
S&I Atxpert	Construction Guarantee Cooperative	₩545 million of capital stock investment provided as mortgage.
	Electric Contractor's Financial Cooperative	₩38 million of capital stock investment provided as mortgage.
	Korea Specialty Contractor Financial Cooperative	₩177 million of capital stock investment provided as mortgage.
	Information&Communication Financial Cooperative	₩24 million of capital stock investment provided as mortgage.
	Korea Facilities Construction Financial Cooperative	₩54 million of capital stock investment provided as mortgage.
	Fire Industry Gongje Union	₩20 million of capital stock investment provided as mortgage.
	The Korean Development Bank and 21 others	₩2,936 million of available for sale financial assets with respect to build transfer lease projects.
LG CNS Co., Ltd.	Korea Software Financial Cooperative	₩1,341 million of capital stock investment provided as mortgage.
	Engineering Guarantee Insurance	₩775 million of capital stock investment provided as mortgage.
LG Sports Co., Ltd.	KB Bank	Provide land and building as collateral (book value: ₩89,737 million and maximum pledge amount: ₩48,000 million).

(4) The Group provides the following performance guarantees to customers by insuring guarantee insurance against fulfillment of a contract and warranty as of December 31, 2021 (Unit: Korean won in millions):

Description	Provider	Amounts of guarantees		Insurance company
Guarantee of contract and warranties, etc.	S&I Corporation Co., Ltd., LG CNS Co., Ltd. and others	₩	200,934	Seoul Guarantee Insurance Company
			506,019	Korea Software Financial Cooperative
			569,417	Construction Guarantee Cooperative
			13,900	The Export-Import Bank of Korea
			49,397	Shinhan Bank and others
Total		₩	1,339,667	

(5) Other terms and conditions

1) S & I Corporation, a subsidiary, has entered into an agreement jointly with Gwangmyeong Electric Co., Ltd. and Daekyung Enertech Co., Ltd. to pay the shortfall to the sales reserve account when the annual photovoltaic power generation revenue is less than certain amount regarding Nonghyup Bank's borrowings (₩7.7 billion) of Dongnam Solar Energy Co., Ltd., an associate.

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

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

32. LEASE:

(1) The Group as lessee

1) The book value of right-of-use assets as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	December 31, 2021			
Description	Buildings	Vehicles	Furniture, fixtures and others	Total
Acquisition cost	₩ 29,834	₩ 8,583	₩ 2,357	₩ 40,774
Accumulated depreciation	(12,416)	(3,474)	(281)	(16,171)
Accumulated impairment loss	-	-	(26)	(26)
Book value	₩ 17,418	₩ 5,109	₩ 2,050	₩ 24,577

	December 31, 2020			
Description	Buildings	Vehicles	Furniture, fixtures and others	Total
Acquisition cost	₩ 38,583	₩ 11,480	₩ 5,078	₩ 55,141
Accumulated depreciation	(14,164)	(5,866)	(3,476)	(23,506)
Book value	₩ 24,419	₩ 5,614	₩ 1,602	₩ 31,635

2) Changes in book value of right-of-use assets for the years ended December 31, 2021 and 2020, are as follows. (Unit: Korean won in millions):

	Year ended December 31, 2021			
Description	Buildings	Vehicles	Furniture, fixtures and others	Total
Beginning balance	₩ 24,419	₩ 5,614	₩ 1,602	₩ 31,635
Acquisitions	30,554	3,687	2,213	36,454
Depreciation	(9,117)	(4,024)	(1,581)	(14,722)
Termination of a contract, etc.	(23,626)	147	(168)	(23,647)
Consolidation scope changes	(119)	273	-	154
Transfer to held for sale	(4,693)	(588)	(16)	(5,297)
Ending balance	₩ 17,418	₩ 5,109	₩ 2,050	₩ 24,577

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

3) The amounts recognized in profit or loss for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	2021	2020
Depreciation of right-of-use assets	₩ 14,722	₩ 14,884
Interest expenses on lease liabilities	1,100	1,640
Short-term and low-value asset lease related expenses	11,215	13,234
Contract termination costs, etc.	829	482

(*) Includes amount classified as profit (loss) from discontinued operations in consolidated statements of profit or loss for the years ended December 31, 2021 and 2020.

As of December 31, 2021, the Group's short-term lease commitment is ₩1,173 million, and the total cash outflow of the lease for the year ended December 31, 2021, including short-term leases, is ₩27,655 million.

4) The details of the liquidity classification of lease liabilities as of December 31, 2021 and 2020, are as follows. (Unit: Korean won in millions)

Description	December 31, 2021	December 31, 2020
Current liabilities	₩ 25,766	₩ 22,617
Non-current liabilities	12,758	23,529
Total	₩ 38,524	₩ 46,146

5) The maturity analysis of lease liabilities as of December 31, 2021 and 2020, is as follows. (Unit: Korean won in millions)

Description	December 31, 2021 Minimum lease payments	Present value of minimum lease payments
Less than one year	₩ 26,509	₩ 25,766
1 year–5 years	2,157	1,997
More than five years	12,928	10,761
Total	₩ 41,594	₩ 38,524

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

(2) The Group as lessor

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

2) The schedule for receiving lease payment related to operating lease contracts as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

December 31, 2021			
Less than 1 year	1 year–5 years	More than 5 years	Total
₩ 137,153	₩ 62,243	₩ 20,963	₩ 220,359

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

3) The Group recognized rental profit related to operating lease contracts for the years ended December 31, 2021 and 2020, in the amounts of ₩140,911 million and ₩144,025 million, respectively.

33. PENDING LITIGATIONS:

1) Pending litigations as of December 31, 2021, are six cases where the Group sued, including claims for return of other receivables (defendant: Asan Social Welfare Foundation and the amount of lawsuit: ₩10,000 million) and the total amount of lawsuits is ₩26,081 million. The cases that the Group is sued are 16 cases including the claims for compensation for damages on delivery equipment (plaintiff: Korea Customs Service and the amount of lawsuit: ₩15,170 million) and the total amount of lawsuits is ₩70,050 million. Meanwhile, the results of lawsuits and the effects on the consolidated financial statements cannot be reasonably predicted at the end of the reporting date.

2) Prior to the previous period, a fire occurred in a building entrusted by S&I Corporation, a subsidiary, and the Group figures out that it is liable to indemnify some of the losses caused by the fire accident. The Group sets the related provision ₩2,014 million as the best estimate as of December 31, 2021.

34. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital risk management to maintain the ability to continuously provide profits to shareholders and interested parties and to maintain optimum capital structure to reduce capital expenses. In order to maintain or adjust capital structure, the Group applies policy such as adjustment of dividend payments.

The Group's capital structure consists of net liability, which is borrowings, less cash and cash equivalents and equity. The overall capital risk management policy of the Group is unchanged from the prior period. In addition, items managed as capital by the Group as of December 31, 2021 and 2020, are as follows
(Unit: Korean won in millions):

	December 31, 2021	December 31, 2020
Total borrowings	₩ 784,033	₩ 1,228,688
Less: Cash and cash equivalents	(1,132,504)	(1,492,690)
Borrowings, net	(348,471)	(264,002)
Total equity	₩ 21,940,221	₩ 20,861,290
Debt-to-equity ratio(*)	-	-

(*) As of December 31, 2021 and 2020, equity to net borrowings ratio was not calculated because net borrowings were negative.

(2) Financial risk management

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

1) Foreign exchange risk

The Group is exposed to foreign exchange risk since it makes transactions in foreign currencies. The book value of the Group's monetary assets and liabilities denominated in foreign currency that is not the functional currency as of December 31, 2021, is as follows (Unit: Korean won in millions):

Currency	Assets		Liabilities	
USD	₩	111,811	₩	71,916
EUR		31,556		5,942
JPY		2,569		43
CNY		6,042		616
Others		55,181		3,469
Total	₩	207,159	₩	81,986

The Group internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Group's sensitivity analysis to a 10% increase and decrease in the Korean won (functional currency of the Group) against major foreign currencies as of December 31, 2021, is as follows (Unit: Korean won in millions):

Currency	10% increase against foreign currency		10% decrease against foreign currency	
USD	₩	3,060	₩	(3,060)
EUR		1,968		(1,968)
JPY		193		(193)
CNY		416		(416)
Others		3,916		(3,916)
Total	₩	9,553	₩	(9,553)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2021.

Meanwhile, the Group entered into cross-currency forward contracts and currency swap contracts to avoid foreign exchange risk related to foreign currency payables and foreign currency receivables.

The details of unsettled currency forward contracts as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	Notional amount	Valuation gain and loss		Accumulated other comprehensive income (*)	Fair value	
		Gain	Loss		Assets	Liabilities
Currency forward	₩ 222,566	₩ 2,038	₩ 2,564	₩ -	₩ 2,259	₩ 2,564

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

2) Interest rate risk

Due to borrowings issued by a floating interest rate, the Group is exposed to cash flow risk arising from interest rate changes. Also, because of debt securities out of other financial assets that are measured at fair value, the Group is exposed to fair value interest rate risk.

None of the assets is exposed to interest rate risk and the book value of liabilities exposed to interest rate risk as of December 31, 2021, is as follows
(Unit: Korean won in millions):

Description	December 31, 2021	
Borrowings	₩	13,215
Total	₩	13,215

The Group internally assesses the interest risk from changes in interest rates on a regular basis. Effect of changes in interest rates of 1% to net income and net assets as of December 31, 2021, is as follows
(Unit: Korean won in millions):

	1% increase				1% decrease			
Description	Gain (loss)		Net assets		Gain (loss)		Net assets	
Borrowings	₩	(94)	₩	-	₩	94	₩	-
Total	₩	(94)	₩	-	₩	94	₩	-

3) Price risk

The Group is exposed to price risks from equity instruments. As of December 31, 2021, the fair value of equity instruments is ₩38,511 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect of after tax to equity will be ₩2,919 million.

4) Credit risk

Credit risk refers to risk of financial losses to the Group when the counterparty defaults on the obligations of the contract.
The maximum amount of the financial loss that the Group will incur due to the non-fulfillment of obligations of the counterparty in the event that collateral or other credit enhancement is not taken into consideration is the carrying amount of each financial asset in the consolidated financial statements. Regardless of the likelihood of an event, the maximum amount that the Group will be required to pay for guarantees due to the financial guarantees provided by the Group is the amount of ₩37,586 million (the financial guarantee limit is described in Note 30 (4)).

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

Meanwhile, maximum exposure amount of credit risk of the Group for the loss of non-consolidation structured entity that is explained in Note 35 is ₩95,541 million.

5) Liquidity risk

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

Maturity analysis of non-derivative financial liabilities according to their remaining maturity as of December 31, 2021, is as follows (Unit: Korean won in millions):

Description	Within 1 year	1 year–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 1,013,356	₩ 16,963	₩ 7,281	₩ 1,037,600
Floating-rate financial instrument	13,817	-	-	13,817
Fixed-rate financial instrument	265,618	436,538	100,993	803,149
Lease liabilities	26,509	2,157	12,928	41,594
Payment guarantee(*)	37,586	-	-	37,586
Total	₩ 1,356,886	₩ 455,658	₩ 121,202	₩ 1,933,746

(*) The limit of payment guarantee (EUR 28,000,000) provided to financial institutions for the credit of Hellas SmarTicket Societe Anonyme, an overseas associate, as described in Note 30. (4). This is the maximum amount that the Group will pay by contract when the warrantee claims the whole guaranteed amount. Based on the forecast as of the end of the reporting period, the Group judges that there is a higher probability of not paying the guaranteed amount than the possibility of paying it in accordance with the guarantee of payment. However, the above estimates may fluctuate because the probability that the warrantee may claim payment to the Group under the guarantee contract due to the possibility of credit loss in the financial bond held by the warrantee.

Maturity analysis above is made based on the earliest maturity date by which the payments should be made based on the undiscounted cash flow. It includes cash flows of the principal and interest.

Maturity analysis of derivative financial assets and liabilities according to their remaining maturity as of December 31, 2021, is as follows (Unit: Korean won in millions):

Description	Flow	Within 1 year	1 year–5 years	More than 5 years	Total
Derivatives for trading:					
Foreign currency derivatives	Outflow	₩ (220,297)	₩ -	₩ -	₩ (220,297)
	Inflow	219,992	-	-	219,992
Subtotal		(305)	-	-	(305)
Other derivatives :					
Other derivatives(*)	Outflow	-	(38,982)	-	(38,982)
Subtotal		-	(38,982)	-	(38,982)
Total		₩ (305)	₩ (38,982)	₩ -	₩ (39,287)

(*) Regarding the arrangements described in Note 31 (5) 2), the Group is liable for compensation when the average annual gross profit for the agreed period is less than the agreed standard. The option can be exercised in or before 2029, and the Group judges that the likelihood of an outflow of funds from exercising the option is unlikely.

Regarding the arrangements described in Note 31 (5) 3), the Group has an agreement to propose a recovery plan for the shortfall if it does not meet the investor's certain return. As a result of these options, the Group judges that the likelihood of an outflow of funds from exercising the option is unlikely. As of December 31, 2021, the Group recognized the fair value of ₩39 billion for the option as financial liabilities at FVTPL and will be remeasured at fair value each year.

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

Description	Within 1 year	1 year–5 years	More than 5 years	Total
Deposits to financial institutions	₩ 1,809,436	₩ 12,011	₩ -	₩ 1,821,447
Trade receivables and other receivables	1,233,190	18,494	3,800	1,255,484
Investment in equity and debt instruments	-	-	240,556	240,556
Contractual assets	331,089	-	-	331,089

(3) Estimation of fair value

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

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

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

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

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

Measured fair value of the Group according to the above hierarchy is as follows.

1) Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description		December 31, 2021			
		Level 1	Level 2	Level 3	Total
Derivative assets for trading	Financial assets at FVTPL	₩ -	₩ 2,259	₩ -	₩ 2,259
Other financial assets	Financial assets at FVTPL	-	-	42,185	42,185
	Financial assets at FVTOCI	38,511	-	159,860	198,371
Total financial assets		₩ 38,511	₩ 2,259	₩ 202,045	₩ 242,815
Other derivative instruments	Financial liabilities at FVTPL	₩ -	₩ -	₩ 38,982	₩ 38,982
Derivative liabilities for trading	Financial liabilities at FVTPL	-	2,564	-	2,564
Total financial liabilities		₩ -	₩ 2,564	₩ 38,982	₩ 41,546

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

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

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

Description	Fair values as of December 31, 2021		Valuation technique	Input variables
Financial assets:				
Derivative assets for trading	₩	2,259	Decision model for future prices	Discount rate and exchange rate
Financial liabilities:				
Derivative liabilities for trading		2,564	Decision model for future prices	Discount rate and exchange rate

3) The Group judges that the carrying amount of financial assets and financial liabilities measured at amortized cost in the consolidated statements of financial position is similar to fair value.

4) Changes in Level 3 financial assets and financial liabilities out of financial instruments measured at fair value repeatedly in the consolidated statements of financial position for the years ended December 31, 2021 and 2020, are as follows
(Unit: Korean won in millions):

	Year ended December 31, 2021							
		Total comprehensive income						
Description	Beginning balance	Profit(loss) for the year	Other comprehensive income(loss)	Purchases (Issuance)	Disposals (Settlement)	Other	Ending balance	Unrealized holding gain or loss
Other finance assets	₩ 93,332	₩ 377	₩ (7,333)	₩ 133,253	₩ (572)	₩(17,012)	₩ 202,045	₩ (4,653)
Total	₩ 93,332	₩ 377	₩ (7,333)	₩ 133,253	₩ (572)	₩(17,012)	₩ 202,045	₩ (4,653)
Financial liabilities designated at FVTPL	₩ 51,256	₩(12,274)	₩ -	₩ -	₩ -	₩ -	₩ 38,982	₩ -
Total	₩ 51,256	₩(12,274)	₩ -	₩ -	₩ -	₩ -	₩ 38,982	₩ -

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

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

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

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

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

- Corporate bonds
The fair value of corporate bonds was measured by discount cash flow ("DCF") method. The discount rates used in DCF method were determined based on market swap rates and credit spreads of the bonds that are advertised and whose credit rating and period were similar to those of corporate bonds. The discount rates that influence the fair value of corporate bonds significantly are resulted in observable information in the market so that fair value measurement of corporate bonds is classified as Level 2 in the fair value hierarchy.

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

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

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

Description	Fair value as of December 31, 2021	Valuation technique	Unobservable inputs	Range	Disposals
Other financial assets	₩ 31,795	Discounted cash flow method and comparable company analysis	Growth rate	0%	Increase (decrease) in fair values due to increase (decrease) in growth rate
			Discount rate	12.78%	Decrease (increase) in fair values due to increase (decrease) in discount rate

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

The Group measures fair value of assets and liabilities for financial reporting purposes and reports the result of fair value measurements to chief financial officer directly.
Unobservable inputs that are used to estimate Level 3 fair value measurement are derived in a manner that is described below:

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

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

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

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

Description	Unobservable input(s)	Changes of reasonably possible unobservable input	Net income		Other comprehensive income(loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Other finance assets	Growth rate	+/-1%	₩ -	₩ -	₩ 301	₩ (258)
	Discount rate	+/-1%	-	-	455	(389)

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

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

35. UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2021, information about the nature and risks associated with interests in unconsolidated structured entities held by the Group is as follows (Unit: Korean won in millions):

Description	Names of structured entities(*1)	Accounting title of interests on structured entities and providing financial supports	Book value of assets related to structured entities' interest	Maximum exposure to the loss of structured entities(*2)
Interests accounted in accordance with K-IFRS 1109 (except interests on subsidiaries)	Welcome Edu Service Co., Ltd. (Dormitory of Seoul National University)	Other financial assets	₩ 156	₩ -
		Loan commitments	-	7,266
	Mileseum I (Ulsan National Institute of Science and Technology)	Other financial assets	440	-
		Loan commitments	-	21,818
	Mileseum II (Ulsan National Institute of Science and Technology)	Other financial assets	62	-
		Loan commitments	-	640
	Mileseum III (Ulsan National Institute of Science and Technology)	Other financial assets	49	-
		Loan commitments	-	1,631
	Mileseum IV (Ulsan National Institute of Science and Technology)	Other financial assets	695	-
		Loan commitments	-	17,678
	Heemangseum (Daegu Gyeongbuk Institute of Science and Technology)	Other financial assets	1,093	-
		Loan commitments	-	36,180
	Heemangseum II (Daegu Gyeongbuk Institute of Science and Technology)	Other financial assets	109	-
		Loan commitments	-	2,861
	Seoul National University Medical Herb	Other financial assets	333	-
		Loan commitments	-	3,670
	Changwon-Sangnam Complex Commercial Facility(*3)	Other financial assets	2,190	-
		Cash deficiency support agreement	-	3,797
	Hanam IDC(*4)	Other financial assets	1,601	-
	Yeouido O2 Tower(*4)	Other financial assets	5,000	-
	Bundang First Tower(*4)	Other financial assets	5,000	-
	Total	Other financial assets	16,728	-
		Loan commitments	-	91,744
		Cash deficiency support agreement	₩ -	₩ 3,797

(*1) As a result of operating contributions related to government-led projects:
A) In case principal and interest of a loan and the paid-in capital of the financial investor cannot be repaid due to lack of funds during the operating period
B) If additional funds are required to maintain the cumulative debt repayment ratio above 1.0 on the date of payment of each principal and interest during the period of operations
C) In case the Concession Agreement is terminated due to reasons attributable to the project owner related to the operations or the force majeure event during the operating period and the payment at the time of termination received by the borrower from the competent authority is insufficient to repay the principal and interest of a loan and the paid-in capital of the financial investor. When a similar incident occurs,
the Group has supplementary obligation of paid-in capital for the above structured entities.

(*2) It is the amount that the Group will be liable for the loss of the structured entities when it is terminated due to the reasons attributable to the Group as an operating investor during the period of operation among the cases in (*1).

(*3) Unlike the case in (*1), it is the maximum amount to be paid by the Group in the event of vacancy in the target area by cash deficiency support agreement for the relevant building.
(*4) Unlike the case in (*3), maximum exposure amount for the loss is not calculated because none of the cash deficiency support agreement exists for the relevant building.
(*5) Relevant structured entities that construction is in progress are excluded in calculating maximum exposure because the Group is liable for agreed obligation only for the operating period.

36. DISPOSAL OF SUBSIDIARIES:

The Group sold its subsidiary, Sejong Green Power Co., Ltd, for the year ended December 31, 2021.

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

Description	December 31, 2021 Sejong Green Power Co., Ltd.
Disposal proceeds received as cash and cash equivalents	₩ 2,600

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

	Sejong Green Power Co., Ltd.
Current assets:	₩ 3,812
Cash and cash equivalents	1,339
Current financial assets	1,401
Other current assets	1,072
Non-current assets:	2,077
Non-current financial assets	3
Property, plant, equipment and intangible assets	2,074
Current liabilities:	1,903
Current financial liabilities	1,689
Other current liabilities	214
Non-current liabilities:	1,455
Other non-current liabilities	1,455
Total value of disposed net assets	₩ 2,531

(3) Loss on disposal of subsidiaries for the year ended December 31, 2021, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2021 Sejong Green Power Co., Ltd.
Fair value of disposal proceeds	₩ 2,514
Book value of disposed net assets	2,531
Loss on disposal of investments in subsidiaries	₩ 17

(4) Net cash flow due to the disposal of subsidiaries for the year ended December 31, 2021, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2021	
	Sejong Green Power Co., Ltd	
Disposal proceeds received as cash and cash equivalents	₩	2,600
Less: Disposal of cash and cash equivalents		1,339
Net cash flows	₩	1,261

37. DISCONTINUED OPERATIONS:

(1) Spin-off of LG Corp.

LG Corp. resolved division for the unit of managing some of associates through ownership of shares at shareholders' meeting on March 26, 2021.

Description	Contents
Method	Spin-off
Company	New company: LX Holdings Corp. Surviving company : LG Corp.
Approval date at the shareholders' meeting	March 26, 2021
Spin-off date	May 1, 2021

In accordance with the spin-off plan, the segment to be spin-off was distributed to owners as of May 1, 2021, and these results are presented in the current consolidated financial statements as discontinued operations. The comparative consolidated statement of income has also been rewritten accordingly.

- Details of assets distributed to owners

Due to spin-off on May 1, 2021, major categories of asset group transferred to newly founded entity by spin-off are as follows (Unit: Korean won in millions):

Assets	Carrying amount		Liabilities	Carrying amount	
Cash and cash equivalents	₩	172,814	Other payables	₩	427
Other receivables		3	Other current liabilities		76
Other current assets		174	Net defined benefit liabilities		1,670
Other non-current receivables		2	Deferred tax liability		5,951
Investments in associates and joint ventures		1,029,491			
Property, plant and equipment		3			
Total assets	₩	1,202,487	Total liabilities	₩	8,124

(2) Interest sales of S&I Engineering & Construction Co., Ltd. and S&I Atxpert

The group held a board of directors meeting on December 10, 2021 and resolved to sell 60.0% of common stocks of S&I Engineering & Construction Co., Ltd. and S&I Atxpert.

(3) Related financial information

Consolidated results of discontinued operations included in the consolidated statements of comprehensive income are as follows. Comparative discontinued operating profit of loss and cash flows for the previous period are rewritten to reflect operations classified as discontinued operations during the current period.

1) Consolidated statements of profit or loss
Performance of discontinued operations included in the consolidated statements of profit or loss is as follows (Unit: Korean won in millions):

	Year ended December 31, 2021		
	LG Corp.	S&I Corporation Co., Ltd.	Total
Sales	₩ 5,511	₩ 1,727,919	₩ 1,733,430
Cost of sales	6,242	1,538,375	1,544,617
Selling and administrative expenses	-	64,287	64,287
Operating profit (loss)	(731)	125,257	124,526
Other operating income	36,523	8,196	44,719
Other operating expenses	2	5,199	5,201
Profit or loss before tax	35,790	128,254	164,044
Income tax expenses	3,211	87,907	91,118
Subtotal	32,579	40,347	72,926
Profit from discontinued operation sales	429,314	-	429,314
Profit or loss from discontinued operations	461,893	40,347	502,240
Owners of the parent company (*)	₩ 461,893	₩ 40,347	₩ 502,240
Non-controlling interests	-	-	-

	Year ended December 31, 2020		
	LG Corp.	S&I Corporation Co., Ltd.	Total
Sales	₩ 118,845	₩ 1,433,066	₩ 1,551,911
Cost of sales	10,894	1,261,727	1,272,621
Selling and administrative expenses	-	55,157	55,157
Operating loss	107,951	116,182	224,133
Other operating income	1,599	12,172	13,771
Other operating expenses	8	17,231	17,239
Profit or loss before tax	109,542	111,123	220,665
Income tax expenses	(1,483)	20,240	18,757
Subtotal	111,025	90,883	201,908
Profit from discontinued operation sales	-	-	-
Profit or loss from discontinued operations	111,025	90,883	201,908
Owners of the parent company (*)	₩ 111,025	₩ 90,883	₩ 201,908
Non-controlling interests	-	-	-

(*) Includes the effect of deferred income tax on stock held by the investee and others.

2) Cash flow from discontinued operations

Description	2021 S&I Corporation Co., Ltd.		2020 S&I Corporation Co., Ltd.	
Cash flows from operating activities	₩	54,857	₩	175,664
Cash flows from investing activities		(20,387)		(25,341)
Cash flows from financing activities		(5,853)		(3,338)
Effects of exchange rate changes		5,586		1,642
Net cash flows	₩	34,203	₩	148,627

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Significant non-cash investing and financing activities for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021		Year ended December 31, 2020	
Transfer of construction in progress	₩	46,110	₩	57,657
Increase (decrease) of payables related to acquisition of property, plant and equipment and investment property		12,517		(6,570)
Transfer of property, plant and equipment to investment property		13,137		(29,791)
Transfer of long-term borrowings and debentures to current portion		221,595		251,550
Transfer of deposits received to current position		928		7,124
Recognition of right-of-use assets		13,432		6,411
Transfer of assets held for sale		888,898		1,221,623
Transfer of liabilities held for sale		763,661		6,876
Decrease by spin-off		1,021,549		-

(2) Changes in liabilities arising from financing activities for the year ended December 31, 2021, are as follows (Unit: Korean won in millions):

	Beginning balance		Financing activities	Others	Ending balance	
Borrowings	₩	1,228,688	(346,081)	1,310	₩	883,917
Lease liabilities		46,146	(14,346)	13,557		45,357

39. ASSETS AND LIABILITIES HELD FOR SALE:

(1) LG Sports Co., Ltd. resolved to sell Guri Stadium through resolution of board of directors on March 5, 2021. Details of assets held for sale related to sales plan by LG Sport Co., Ltd. as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	
Property, plant and equipment	₩	3,486
Total assets classified as held for sale		3,486
Net assets classified as held for sale	₩	3,486

(2) The Group classified assets and liabilities related to S&I Engineering & Construction Co., Ltd. and S&I Atxpert, which are subsidiaries, as assets and liabilities held for sale. Details of non-current assets (or disposal group) classified as assets and liabilities held for sale as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	
Cash and cash equivalents	₩	106,467
Financial institution deposits		31,327
Trade receivables		548,879
Other receivables		5,060
Other current assets		91,299
Inventories		882
Other non-current receivables		679
Other non-current assets		62,945
Property, plant and equipment		10,708
Intangible assets		20,466
Right-of-use assets		5,297
Total assets classified as held for sale		884,009
Trade payables		463,026
Other payables		28,793
Other current liabilities		153,928
Long-term borrowings		99,885
Other current liabilities		18,029
Total liabilities classified as held for sale		763,661
Net assets classified as held for sale	₩	120,348

(3) The group classified assets related to Gonjiam Yewon, a subsidiary, as assets held for sale. Details of non-current assets classified as assets held for sale as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	
Property, plant and equipment	₩	1,403
Total assets classified as held for sale		1,403
Net assets classified as held for sale	₩	1,403

40. SUBSEQUENT EVENTS:

(1) Sales of interests in Owens Corning Korea

On March 10, 2022, the Group has sold the whole stocks holdings of Owens Corning Korea, and book value as of December 31, 2021, is as follows (Unit: Korean won in millions):

Description	December 31, 2021	
Owens Corning Korea	₩	10,195

(2) Paid-in capital increase of Open Source Consulting Inc.

The Group resolved to participate in paid-in capital increase of Open Source Consulting Inc. at board of directors' meeting on February 24, 2022. The Group plans to acquire additional 17% of shares.

(3) Interest sales of S&I Atxpert and S&I Engineering & Construction Co., Ltd.

The Group has completed the sale of its 60% holding stocks in S&I Atxpert on February 23, 2022, and 60% holding stocks in S&I Engineering & Construction Co., Ltd. on March 4, 2022.

(4) Sales of trademark right of S&I Corporation

The Group settled contract selling trademark right of S&I Corporation to S&I Atxpert as of February 23, 2022, and plans to change the company name of S&I Corporation during 2022.

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	2021/01/01	From	2021/12/31	To

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

(Unit: Number of Participants, Hours Executed)

Participant(s) Number and Hour(s) Number of Participant(s)		Engagement Quality Reviewer(s)		Audit Professional(s) Engagement Partner(s)		Audit Professional(s) Members of Korean Institute of Certified Public Accountants (KICPA) (Registered)		Audit Professional(s) Members of KICPA (Non-Registered)		IT Specialist(s), Tax Specialist(s), and Valuation Specialist(s)		Construction Contracts Order-made Production Industry Specialist(s)		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Number of Participant(s)		6	8	1	1	12	12	2	2	14	7	-	-	35	30
Hours Executed	Interim	12	15	64	103	1,702	1,276	632	1,325	309	8	-	-	2,719	2,727
	Audit	63	133	247	162	2,129	1,724	685	984	416	291	-	-	3,540	3,294
	Total	75	148	311	265	3,831	3,000	1,317	2,309	725	299	-	-	6,259	6,021

3. Key Disclosure on Execution of External Audit

Title	Detail					
Audit Planning Stage	Dates Performed		April 2021–September 2021	5	Days	
	Main Planning Work Performed		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			
Fieldwork Performed	Dates Performed		Number of Participant(s)		Main Fieldwork Performed	
			On-Site	Off-Site		
		Days	Number of Participant(s)	Number of Participant(s)		
	2021/11/22–2021/12/03	10	4	2	Interim audit (understanding the transaction type of each process and control testing)	
	2022/01/13–2022/01/17	3	3	2	Substantive procedure on separate financial statements	
	2022/01/18–2022/01/28	9	4	2	Substantive procedure on consolidated financial statements	
Physical Counts - Inventory (Observation)	Time (When Performed)	-		-	Day(s)	
	Place (Where Performed)	-				
	Inventory subjected to Counts	-				
Physical Counts - Financial Instruments (Observation)	Time (When Performed)	2022/01/04		1	Day(s)	
	Place (Where Performed)	LG Corp. headquarters				
	Financial Instruments subjected to Counts	Cash, investment securities, memberships and others				
External Confirmation	Bank Confirmation	O	Accounts Receivable/Payable Confirmation	O	Legal Confirmation	O
	Other Confirmation	N/A				
Communications with Those Charged with Governance	Number of Communications	5	Time(s) Performed			
	Time (When Performed)	2021/03/04, 2021/05/13, 2021/08/12, 2021/11/11 and 2022/02/10				

4. Communications with Audit Committee

Title	Time (When Performed)	Attendants	Method	Key Content of Discussion
1	2021/03/04	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Audit schedule and main audit matters
2	2021/05/13	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim financial statements and introduction to recent accounting trends
3	2021/08/12	Three Audit Committee, 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	2021/11/11	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim financial statements, significance in audit and selection of key audit matters
5	2022/02/10	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Report on result of external audit, independence of auditor, result of main audit matters and report on group audit matters