

**LG Electronics**  
**Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**LG Electronics**

Index

December 31, 2021 and 2020

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
LG Electronics Inc.

### Opinion

We have audited the accompanying consolidated financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows 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 consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical 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

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 opinion thereon, and we do not provide a separate opinion on these matters.

#### (a) Impairment of goodwill and others

##### *Reasons why the matter was determined to be a key audit matter*

As the Group recognized ₩305,172 million of goodwill to a Cash Generating Unit(CGU) consisting of ZKW Holdings GmbH, its subsidiaries, and related entities (hereinafter referred to as "ZKW" ) as of December 31, 2020, the Group performed an impairment test on the ZKW CGU during the current period, and as a result, recognized ₩691,352 million of impairment loss on related accounts including goodwill.

We considered that the impairment of goodwill and others was a key audit matter given the actual business performance compared to the business plan estimation was significantly decreased, and the level of management's judgments involved in the value-in-use assessment used in impairment testing are significant.

*How our audit addressed the Key Audit Matter*

We performed the following audit procedures related to the assessment of value in use performed by the Group. We also involved our valuation specialists when performing such audit procedures. Our audit procedures included:

- Obtaining an understanding of the accounting policies and internal controls of the Group related to impairment testing
- Testing internal controls such as the management's review and approval of business plan estimation and significant assumptions of the valuation model for impairment testing
- Making inquiries on and obtaining an understanding of valuation model used by the Group, and assessing the consistency with the prior year
- Evaluating the competence and objectivity of involved independent external experts engaged by the Group
- Evaluating the appropriateness of the business plan estimation by management by comparing business plans of ZKW used in the prior year impairment testing with actual business performance
- Obtaining an understanding of future cash flows of ZKW, and confirming that such future cash flows forecasts are consistent with the corresponding information included in business plans approved by management
- Evaluating the appropriateness of significant assumptions used in the valuation model such as discount rates, growth rates and others by comparing them with external benchmarks within the same industry and historical financial information of ZKW
- Performing a sensitivity analysis of significant assumptions in order to quantify the downside changes in assumptions that could result in an impairment

**(b) Discontinued operations of MC business**

*Reasons why the matter was determined to be a key audit matter*

The Group discontinued the Mobile Communications (hereinafter referred to as "MC") business for the year ended December 31, 2021 and presented related gains and losses in discontinued operations. The statement of profit or loss for the year ended December 31, 2020 and notes were restated in accordance with Korean IFRS 1105. We considered that the discontinued operations were a key audit matter given the financial information of the MC business presented as discontinued operation has a significant impact on the consolidated financial statements, and management's judgment is involved in classifying discontinued operations.

*How our audit addressed the Key Audit Matter*

We performed the following audit procedures related to presentation and disclosure of discontinued operations.

- Obtaining an understanding of the accounting policies and internal controls related to the classification and presentation of discontinued operations
- Testing internal controls such as the management's review and approval of significant judgements used in classifying discontinued operations
- Testing IT controls related to classification and aggregation of segment information
- Performing accept-reject testing for the accuracy of source information attributable to the division
- Obtaining an understanding and reviewing adjustments for the allocation of common expenses and others.
- Verifying the reasonableness of the presentation and disclosure of discontinued operations

**(c) Provisions for GM recall**

*Reasons why the matter was determined to be a key audit matter*

The Group recognized expected expense of ₩714,722 million as expenses for the year ended December 31, 2021, in accordance with General Motors Company (hereinafter referred to as "GM")'s voluntary recall decision in 2021 due to defects in electric vehicle batteries supplied to GM. We considered that the provisions for GM recall was a key audit matter given the amount has a significant impact on the consolidated financial statements and the level of management's judgments involved in the estimation are significant.

*How our audit addressed the Key Audit Matter*

We performed the following audit procedures related to recognition and measurement of provisions for GM recall.

- Obtaining an understanding of the accounting policies and internal controls related to recognition and measurement of provisions
- Testing internal controls such as the management's review and approval of significant judgements used in recognition and measurement of provisions
- Performing review for determination of significant assumptions used in measurement of provisions and detailed calculations

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. Note 3 to the consolidated financial statements describes the uncertainty, relating to the impact of the spread of Coronavirus Disease-19 ("COVID-19") on the Group's productivity and ability to fulfill customer's orders.

**Other Matter**

Auditing standards and their application in practice vary among countries. The procedures and practices

used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines 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 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.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Korean Standards on Auditing 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 Korean Standards on Auditing, 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 the 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 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 auditor's 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 auditor's 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is Sang-Woo Nam, Certified Public Accountant.

Seoul, Korea  
March 15, 2022

<p>This report is effective as at March 15, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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**LG Electronics**  
**Consolidated Statements of Financial Position**  
**December 31, 2021 and 2020**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,6,40	6,051,516	5,896,309
Deposits held by financial institutions	5,6,40	146,456	82,018
Trade receivables	5,7,40	8,166,459	7,154,932
Other receivables	5,7,40	489,056	446,426
Other financial assets	5,8,40	18,276	4,292
Inventories	9	9,754,018	7,447,157
Current tax assets		179,289	137,324
Contract assets	10	612,754	642,171
Other current assets	11	1,889,859	1,038,976
Assets held for sale	42	180,080	389,815
		<u>27,487,763</u>	<u>23,239,420</u>
<b>Non-current assets</b>			
Deposits held by financial institutions	5,6,40	58,935	58,903
Trade receivables	5,7,40	25,078	-
Other receivables	5,7,40	671,903	458,171
Other financial assets	5,8,40	223,578	156,491
Property, plant and equipment	12	14,700,784	13,973,998
Intangible assets	13	2,443,249	3,139,080
Deferred tax assets	19	2,085,710	1,915,928
Investments in associates and joint ventures	14	5,149,244	4,471,590
Investment properties	15	370	379
Net defined benefit assets	20	5,779	10,716
Contract assets	10	296,712	230,511
Other non-current assets	11	332,373	549,040
		<u>25,993,715</u>	<u>24,964,807</u>
<b>Total assets</b>		<u>53,481,478</u>	<u>48,204,227</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	5,40	8,741,937	8,728,159
Borrowings	5,16,40	1,895,600	1,450,135
Lease liabilities	5,17,40	292,526	276,632
Other payables	5,18,40	4,077,421	3,555,968
Other financial liabilities	5,8,40	8,512	19,961
Current tax liabilities		394,591	202,887
Provisions	21	2,609,284	911,009
Contract liabilities	10	1,453,996	1,645,323
Other current liabilities	22	4,146,032	3,417,418
		<u>23,619,899</u>	<u>20,207,492</u>
<b>Non-current liabilities</b>			
Borrowings	5,16,40	8,035,953	8,469,620
Lease liabilities	5,17,40	662,896	585,428
Other payables	5,18,40	116,330	63,136
Other financial liabilities	5,8,40	59,790	177,471
Deferred tax liabilities	19	37,052	131,809
Net defined benefit liabilities	20	201,878	499,133
Provisions	21	373,725	284,770
Contract liabilities	10	47,386	29,042
Other non-current liabilities	22	228,536	214,201
		<u>9,763,546</u>	<u>10,454,610</u>
<b>Total liabilities</b>		<u>33,383,445</u>	<u>30,662,102</u>
<b>Equity</b>			
Paid-in capital:	23		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	24	14,433,587	13,652,837
Accumulated other comprehensive loss	25	(1,118,913)	(1,994,842)
Accumulated other comprehensive loss from assets held for	42	12,299	(3,079)
Other components of equity	26	(88,678)	(209,764)
		<u>17,230,643</u>	<u>15,437,500</u>
<b>Equity attributable to owners of the Parent Company</b>		<u>17,230,643</u>	<u>15,437,500</u>
<b>Non-controlling interests</b>		<u>2,867,390</u>	<u>2,104,625</u>
<b>Total equity</b>		<u>20,098,033</u>	<u>17,542,125</u>
<b>Total liabilities and equity</b>		<u>53,481,478</u>	<u>48,204,227</u>



**LG Electronics**  
**Consolidated Statements of Profit or Loss**  
**Years Ended December 31, 2021 and 2020**

(in millions of Korean won, except per share amounts)

	Notes	2021	2020
<b>Continuing operations</b>			
<b>Net sales</b>	28	74,721,629	58,057,908
<b>Cost of sales</b>	29	55,848,752	42,549,187
<b>Gross profit</b>		18,872,877	15,508,721
Selling and marketing expenses	29,30	9,180,944	7,143,248
Administrative expenses	29,30	1,423,428	1,241,628
Research and development expenses	29,30	2,095,682	1,824,380
Service costs	29,30	2,309,049	1,394,357
<b>Operating profit</b>		3,863,774	3,905,108
Financial income	31	596,156	593,859
Financial expenses	32	690,401	892,751
Gain (loss) from equity method valuation	14	448,881	(24,177)
Other non-operating income	33	1,874,069	2,347,278
Other non-operating expenses	34	2,549,084	2,585,971
Profit before income tax		3,543,395	3,343,346
Income tax expense	19	978,562	596,410
<b>Profit (loss) from continuing operations</b>		2,564,833	2,746,936
<b>Discontinued operations</b>			
Profit (loss) from discontinued operations		(1,149,861)	(683,146)
<b>Profit(loss) for the year</b>		1,414,972	2,063,790
<b>Profit for the year attributable to:</b>			
Owners of the Parent Company			
Profit(loss) from continuing operations		2,180,431	2,616,749
Profit (loss) from discontinued operations		(1,148,721)	(648,417)
		1,031,710	1,968,332
Non-controlling interests			
Profit(loss) from continuing operations		384,402	130,187
Profit(loss) from discontinued operations		(1,140)	(34,729)
		383,262	95,458
<b>Earnings(loss) per share attributable to owners of the Parent Company during the year (in Korean won) :</b>			
Earnings (losses) per ordinary share			
From continuing operations		12,104	14,527
From discontinued operations		(6,379)	(3,601)
Earnings (losses) per preferred share			
From continuing operations		12,154	14,577
From discontinued operations		(6,379)	(3,601)

**LG Electronics**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2021 and 2020**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Profit for the year</b>		<u>1,414,972</u>	<u>2,063,790</u>
<b>Other comprehensive income (loss), net of tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	20	194	(76,711)
Share of remeasurements of associates	14	(61,592)	41,807
Financial assets at fair value through other comprehensive income	8	(15,129)	22,285
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	14	256,448	(2,680)
Cash flow hedges	40	66,098	(5,845)
Exchange differences on translation of foreign operations		<u>658,424</u>	<u>(699,289)</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<u>904,443</u>	<u>(720,433)</u>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<u>2,319,415</u>	<u>1,343,357</u>
<b>Comprehensive income for the year, net of tax, attributable to:</b>			
Owners of the Parent Company		1,888,995	1,243,324
Non-controlling interests		<u>430,420</u>	<u>100,033</u>
<b>Total comprehensive income for the year, net of tax</b>		<u>2,319,415</u>	<u>1,343,357</u>

**LG Electronics**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2021 and 2020**

		Attributable to owners of the Parent Company								
			Accumulated Other Comprehensive Income (Loss)	Accumulated other comprehensive loss from assets held for	Other Components of Equity		Non-controlling Interests	Total Equity		
<i>(in millions of Korean won)</i>		Notes	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	assets held for	Total	Non-controlling Interests	Total Equity	
<b>Balance at January 1, 2020</b>			3,992,348	11,857,302	(1,314,419)	4,618	(209,764)	14,330,085	2,095,053	16,425,138
<b>Total comprehensive income (loss):</b>										
Profit for the year			-	1,968,332	-	-	-	1,968,332	95,458	2,063,790
Remeasurements of the net defined benefit liability		20	-	(78,695)	-	-	-	(78,695)	1,984	(76,711)
Share of remeasurements of associates		14	-	41,807	-	-	-	41,807	-	41,807
Financial assets at fair value through other comprehensive income		8	-	-	22,516	-	-	22,516	(231)	22,285
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures		14	-	-	(2,680)	-	-	(2,680)	-	(2,680)
Cash flow hedges		40	-	-	(10,461)	-	-	(10,461)	4,616	(5,845)
Exchange differences on translation of foreign operations			-	-	(689,798)	(7,697)	-	(697,495)	(1,794)	(699,289)
<b>Total comprehensive income (loss)</b>			-	1,931,444	(680,423)	(7,697)	-	1,243,324	100,033	1,343,357
<b>Transactions with owners:</b>										
Dividends		24	-	(135,909)	-	-	-	(135,909)	(99,274)	(235,183)
Business combination		41	-	-	-	-	-	-	8,813	8,813
<b>Total transactions with owners</b>			-	(135,909)	-	-	-	(135,909)	(90,461)	(226,370)
<b>Balance at December 31, 2020</b>			3,992,348	13,652,837	(1,994,842)	(3,079)	(209,764)	15,437,500	2,104,625	17,542,125
<b>Balance at January 1, 2021</b>			3,992,348	13,652,837	(1,994,842)	(3,079)	(209,764)	15,437,500	2,104,625	17,542,125
<b>Total comprehensive income (loss):</b>										
Profit for the year			-	1,031,710	-	-	-	1,031,710	383,262	1,414,972
Remeasurements of the net defined benefit liability		20	-	27,651	-	-	-	27,651	(27,457)	194
Share of remeasurements of associates		14	-	(61,592)	-	-	-	(61,592)	-	(61,592)
Financial assets at fair value through other comprehensive income		8	-	(81)	(15,122)	-	-	(15,203)	74	(15,129)
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures		14	-	-	256,448	-	-	256,448	-	256,448
Cash flow hedges		40	-	-	65,096	-	-	65,096	1,002	66,098
Exchange differences on translation of foreign operations			-	-	569,507	15,378	-	584,885	73,539	658,424
<b>Total comprehensive income (loss)</b>			-	997,688	875,929	15,378	-	1,888,995	430,420	2,319,415
<b>Transactions with owners:</b>										
Dividends		24	-	(216,938)	-	-	-	(216,938)	(62,709)	(279,647)
Changes in controlling interests in subsidiaries			-	-	-	-	121,086	121,086	390,706	511,792
Business combination		41	-	-	-	-	-	-	4,348	4,348
<b>Total transactions with owners</b>			-	(216,938)	-	-	121,086	(95,852)	332,345	236,493
<b>Balance at December 31, 2021</b>			3,992,348	14,433,587	(1,118,913)	12,299	(88,678)	17,230,643	2,867,390	20,098,033

**LG Electronics**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

<i>(in millions of Korean won)</i>	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	36	3,585,375	5,550,712
Interest received		82,224	89,015
Interest paid		(318,512)	(372,991)
Dividend received		11,532	13,552
Income tax paid		(683,237)	(651,712)
<b>Net cash inflow from operating activities</b>		<u>2,677,382</u>	<u>4,628,576</u>
<b>Cash flows from investing activities</b>			
Decrease in deposits held by financial institutions		8,774	5,851
Decrease in other receivables		89,576	81,082
Proceeds from redemption and disposal of other financial assets		75,836	83,865
Proceeds from disposal of property, plant and equipment		311,431	135,344
Proceeds from disposal of intangible assets		12,695	31,813
Proceeds from disposal of and recovery of investments in associates and joint ventures		-	728,776
Proceeds from disposal of assets held for sale		96,113	18,378
Transfer of business	36	568,676	-
Increase in deposits held by financial institutions		(5,950)	(42,679)
Increase in other receivables		(128,372)	(117,358)
Acquisition of other financial assets		(92,665)	(100,778)
Acquisition of property, plant and equipment		(2,648,065)	(2,281,865)
Acquisition of intangible assets		(611,026)	(801,177)
Acquisition of investments in associates and joint ventures		(38,169)	(15,432)
Business combination	41	(104,390)	(40,341)
<b>Net cash outflow from investing activities</b>		<u>(2,465,536)</u>	<u>(2,314,521)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,387,368	1,281,703
Increase in non-controlling interests		472,960	-
Repayments of borrowings		(1,543,349)	(1,747,200)
Repayments of lease liabilities		(308,015)	(293,196)
Dividends paid		(291,232)	(235,182)
<b>Net cash outflow from financing activities</b>		<u>(282,268)</u>	<u>(993,875)</u>
Effects of exchange rate changes on cash and cash equivalents		230,414	(147,653)
<b>Net increase in cash and cash equivalents</b>		159,992	1,172,527
Cash and cash equivalents included in assets held for sale at the beginning of the year		53,586	-
Cash and cash equivalents at the beginning of the year	6	5,896,309	4,777,368
Cash and cash equivalents included in assets held for sale at the end of the year	42	(58,371)	(53,586)
<b>Cash and cash equivalents at the end of the year</b>	6	<u>6,051,516</u>	<u>5,896,309</u>

# LG Electronics

## Notes to the Consolidated Financial Statements

### December 31, 2021 and 2020

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#### 1. General Information

LG Electronics Inc. (the “Company” or “Parent Company”) was spun off from LG Electronics Investment Ltd. on April 1, 2002. The Parent Company’s shares were listed on the Korea Exchange on April 22, 2002, and some of its preferred shares, in the form of global depositary receipts (“GDRs”), are listed on the London Stock Exchange at the end of the reporting period. The Parent Company is domiciled in Korea at Yeoui-daero, Yeongdeungpo-gu, Seoul.

As at December 31, 2021, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (collectively referred to as the “Group”) operate following five major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs and digital media products; Vehicle component Solutions segment designs and manufactures automobile parts; Business Solutions segment manufactures and sells monitors, PCs, information displays, solar panels and others; and LG Innotek Co., Ltd. operates LED, optics solutions, substrate materials and automotive components businesses. As at December 31, 2021, the Parent Company has 134 subsidiaries (Note 1 (a)), 18 associates and joint ventures (Note 14).

**LG Electronics**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021 and 2020**

(a) Consolidated subsidiaries as at December 31, 2021 and 2020, are as follows:

Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.00%	-	100.00%	-	December	Wholesales and retails of electronic products	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.00%	-	100.00%	-	December	Production and sales of air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.00%	-	100.00%	-	December	Maintenance	More than half of voting rights
	Korea	Hi-Caresolution Corp.	100.00%	-	-	-	December	Services	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.00%	-	100.00%	-	December	Marketing services	More than half of voting rights
	Korea	LG Innotek Co., Ltd. <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Production and sales of electrical/electronic materials	De-facto control
	Korea	Innowith Co., Ltd. <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.00%	-	100.00%	-	December	Business facility maintenance	More than half of voting rights
	Korea	ZKW Lighting Systems Korea Co., Ltd.	70.00%	30.00%	70.00%	30.00%	December	R&D	More than half of voting rights
	Korea	LG Magna e-Powertrain Co., Ltd.	51.00%	49.00%	-	-	December	Production and sales of vehicle components	More than half of voting rights
China	China	LG Electronics (China) Co., Ltd.(LGECH)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.00%	-	100.00%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
China		LG ELECTRONICS HK LIMITED(LGEHK)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
China		LG Electronics (Huizhou) Inc.(LGEHZ)	80.00%	20.00%	80.00%	20.00%	December	Production of electronic products	More than half of voting rights
China		LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB)	84.10%	15.90%	50.00%	50.00%	December	Production of electronic products	De-facto control
China		LG Electronics Nanjing New Technology Co.,LTD(LGENT)	70.00%	30.00%	70.00%	30.00%	December	Production of electronic products	More than half of voting rights
China		LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	100.00%	-	100.00%	-	December	Production of electronic products	More than half of voting rights
China		LG Electronics (Qinhuangdao) Co.,LTD(LGEQH)	100.00%	-	100.00%	-	December	Production of casting	More than half of voting rights
China		LG Electronics (Shenyang) Inc(LGESY)	78.90%	21.10%	78.90%	21.10%	December	Production of electronic products	More than half of voting rights
China		LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	80.00%	20.00%	80.00%	20.00%	December	Production of electronic products	More than half of voting rights
China		Nanjing LG Panda Appliances Co., Ltd(LGEPN)	70.00%	30.00%	70.00%	30.00%	December	Production of electronic products	More than half of voting rights
China		Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.00%	-	100.00%	-	December	Production of electronic products	More than half of voting rights
China		QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	80.00%	20.00%	80.00%	20.00%	December	Installation and sales of air conditioners	More than half of voting rights
China		LG Innotek Yantai Co.,Ltd.(LGITYT) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Production and sales of electrical/electronic materials	De-facto control
China		LG Innotek Huizhou Co.,Ltd.(LGITHZ) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Production and sales of electrical/electronic materials	De-facto control

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Innotek Trading (Shanghai) Co.,Ltd.(LGITSH) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Sales of electrical/electronic materials	De-facto control
	China	ZKW Lighting Systems (Dalian) Co. Ltd.	70.00%	30.00%	70.00%	30.00%	December	Production and sales of vehicle components	More than half of voting rights
	China	LG Magna Nanjing e-Powertrain Vehicle Components Co., Ltd.	51.00%	49.00%	-	-	December	Production and sales of vehicle components	More than half of voting rights
Asia	Australia	LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	India	LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL) <sup>4</sup>	100.00%	-	100.00%	-	March	Production and sales of electronic products	More than half of voting rights
	Japan	LG Japan Lab. Inc.(LGJL)	100.00%	-	100.00%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Malaysia	LG Electronics (M) Sdn. Bhd(LGEML)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore Pte.Ltd.(LGESL)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Thailand	LG Electronics (Thailand) Company Limited(LGETH)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS1) <sup>4</sup>	100.00%	-	100.00%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. <sup>3</sup>	38.00%	62.00%	38.00%	62.00%	December	Real estates	De-facto control



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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Indonesia	PT. LG Innotek Indonesia(LGITIN) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Production and sales of electrical/electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Co., Ltd.(LGITTW) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Sales of electrical/electronic materials	De-facto control
	Vietnam	LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Production and sales of electrical/electronic materials	De-facto control
	Vietnam	LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	Indonesia	PT. LG Electronics Service Indonesia(LGEID)	99.80%	0.20%	99.80%	0.20%	December	Services	More than half of voting rights
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	India	Alphonso Labs Private Limited <sup>4</sup>	57.80%	42.20%	56.40%	43.60%	March	R&D	More than half of voting rights
	Indonesia	PT LGE INDONESIA RESEARCH AND DEVELOPMENT CENTER (LGEIC)	100.00%	-	-	-	December	R&D	More than half of voting rights
	Japan	Cybellum Technologies Ltd.	69.60%	30.40%	-	-	December	Development and sales of automotive security solutions	More than half of voting rights
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Netherlands	LG Electronics European Holding B.V.(LGEEH)	100.00%	-	100.00%	-	December	European holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S(LGEFS)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Greece	LG ELECTRONICS HELLAS SINGLE MEMBER SA (LGEHS)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.P.A.(LGEIS)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia LTD(LGELA)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar K.F.T.(LGEMK)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z.O.O.(LGEMA)	100.00%	-	100.00%	-	December	Production of electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. Z.O.O.(LGEPL)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	UK	LG Electronics U.K. LTD(LGEUK)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	100.00%	-	100.00%	-	December	Production of electronic products	More than half of voting rights
	Finland	LG Electronics Finland Lab Oy(LGEFL)	100.00%	-	100.00%	-	December	R&D	More than half of voting rights

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Poland	LG Innotek Poland Sp. z.o.o.(LGITPO) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Production and sales of electrical/electronic materials	De-facto control
	German	LG Electronics Vehicle Components Europe GmbH (LGEVG)	100.00%	-	-	-	December	Sales of vehicle components	More than half of voting rights
	Austria	ZKW Holding GmbH	70.00%	30.00%	70.00%	30.00%	December	Holding company	More than half of voting rights
	Austria	ZKW Group GmbH	70.00%	30.00%	70.00%	30.00%	December	Services	More than half of voting rights
	Austria	ZKW Elektronik GmbH	70.00%	30.00%	70.00%	30.00%	December	Production and sales of vehicle components	More than half of voting rights
	Austria	ZKW Lichtsysteme GmbH	70.00%	30.00%	70.00%	30.00%	December	Production and sales of vehicle components	More than half of voting rights
	Austria	ZKW Austria Immobilien Holding GmbH	70.00%	30.00%	70.00%	30.00%	December	Holding company	More than half of voting rights
	Austria	ZKW Austria Immobilien GmbH	70.00%	30.00%	70.00%	30.00%	December	Real estates	More than half of voting rights
	Slovakia	ZKW Slovakia s.r.o.	70.00%	30.00%	70.00%	30.00%	December	Production and sales of vehicle components	More than half of voting rights
	Czech	KES - kabelove a elektricke systemy spol. s.r.o.	70.00%	30.00%	70.00%	30.00%	December	Production and sales of vehicle components	More than half of voting rights
	Czech	ZKW Automotive Engineering CZ s.r.o.	70.00%	30.00%	-	-	December	R&D	More than half of voting rights

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Poland	KES Poland Sp.z o.o.	70.00%	30.00%	70.00%	30.00%	December	Production and sales of vehicle components	More than half of voting rights
	Poland	HI-M SOLUTEK POLAND Sp. z o.o.	100.00%	-	-	-	December	Services	More than half of voting rights
North America	USA	LG Electronics Alabama Inc.(LGEAI)	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECL)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.00%	-	100.00%	-	December	R&D	More than half of voting rights
	Mexico	LG Electronics Reynosa, S.A. De C.V.(LGERS)	100.00%	-	100.00%	-	December	Production of electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	USA	Zenith Electronics LLC(Zenith)	100.00%	-	100.00%	-	December	R&D	More than half of voting rights
	USA	LG Innotek USA, Inc.(LGITUS) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Sales of electrical/electronic materials	De-facto control
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) <sup>1</sup>	40.80%	59.20%	40.80%	59.20%	December	Production and sales of electrical/electronic materials	De-facto control
	USA	LG Electronics Vehicle Components U.S.A., LLC.(LGEVU)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
USA	LGEUS Power, LLC	100.00%	-	100.00%	-	December	Investment of solar power plant	More than half of voting rights	

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Electronics Fund I LLC	100.00%	-	100.00%	-	December	Investment in technology start-ups	More than half of voting rights
	USA	LG Technology Ventures LLC	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	USA	LG Electronics New Jersey, LLC <sup>5</sup>	100.00%	-	100.00%	-	December	Real estates	More than half of voting rights
	USA	ZKW Lighting Systems USA, Inc.	70.00%	30.00%	70.00%	30.00%	December	Sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Inmobiliaria, S.A. de C.V.	70.00%	30.00%	70.00%	30.00%	December	Real estates	More than half of voting rights
	Mexico	ZKW Mexico, S.A. de C.V.	70.00%	30.00%	70.00%	30.00%	December	Production and sales of vehicle components	More than half of voting rights
	USA	LG Magna e-Powertrain USA Inc.	51.00%	49.00%	-	-	December	Sales of vehicle components	More than half of voting rights
	USA	Alphonso Inc.	57.80%	42.20%	56.40%	43.60%	December	Advertisement	More than half of voting rights
	USA	LG Innotek Fund I LLC <sup>1</sup>	40.80%	59.20%	-	-	December	Investment in technology start-ups	De-facto control
	USA	Cybellum Technologies USA, Inc	69.60%	30.40%	-	-	December	Development and sales of automotive security solutions	More than half of voting rights
South America	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Limitada(LGECB)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	Honduras	LG Electronics Honduras S.de R.L. <sup>2</sup>	20.00%	80.00%	20.00%	80.00%	December	Sales of electronic products	De-facto control
	Chile	LG Electronics Inc Chile Limitada(LGECL)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela, S.A.(LGEVZ)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Consulting Corp.	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala, S.A.	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
Middle East and Africa	Angola	LG Electronics Angola Limitada(LGEAO)	100.00%	-	100.00%	-	December	Sales and services of electronic products	More than half of voting rights
	Jordan	LG Electronics Levant - Jordan(LGELF)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.00%	30.00%	70.00%	30.00%	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	Morocco	LG Electronics Morocco S.A.R.L.(LGEMC)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights

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Territory	Location	Subsidiary	December 31, 2021		December 31, 2020		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Tunisia	LGENAF Service Company SARL	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co.Ltd.(LGESR)	51.00%	49.00%	51.00%	49.00%	December	Production of electronic products	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia LLC	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	UAE	HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC	100.00%	-	100.00%	-	December	Services	More than half of voting rights
	Egypt	HI-M.SOLUTEK LLC	100.00%	-	-	-	December	Services	More than half of voting rights
	Israel	Cybellum Technologies Ltd.	69.60%	30.40%	-	-	December	Development and sales of automotive security solutions	More than half of voting rights
Other	Kazakhstan	LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.00%	-	100.00%	-	December	Production and sales of electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine(LGEUR)	100.00%	-	100.00%	-	December	Sales of electronic products	More than half of voting rights

## **LG Electronics**

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- <sup>1</sup> Although the Group owns less than half of the voting rights of LG Innotek Co., Ltd., which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).
- <sup>2</sup> Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.
- <sup>3</sup> Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.
- <sup>4</sup> In the preparation of the consolidated financial statements, the financial statements for the 12-month period ended December 31, 2021 were used for those subsidiaries with different fiscal year ends.
- <sup>5</sup> LG Corp. U.S.A changed its name to LG Electronics New Jersey, LLC during the year ended December 31, 2021.



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(b) Financial information of major subsidiaries as at December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020, is as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2021				
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year
LG Innotek Co., Ltd.	6,989,347	4,092,054	2,897,293	14,599,169	789,717
LG Electronics U.S.A., Inc.(LGEUS)	5,501,018	4,078,083	1,422,935	14,713,417	252,382
LG Electronics European Shared Service Center B.V.(LGESC)	1,401,862	1,365,393	36,469	493,089	1,556
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	1,422,320	622,764	799,556	2,625,580	198,528
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	1,515,442	650,031	865,411	4,143,778	118,846
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,481,671	856,700	624,971	4,705,190	130,611
Zenith Electronics LLC(Zenith)	1,337,885	117,699	1,220,186	165,215	39,870
LG Electronics do Brasil Ltda.(LGEBR)	1,372,789	432,180	940,609	1,838,995	330,014
LG Electronics RUS, LLC(LGERA)	1,177,101	547,951	629,150	1,886,789	109,630
Hiplaza Co., Ltd.	1,079,465	910,773	168,692	2,954,048	874
LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH)	1,369,835	883,917	485,918	3,122,205	160,410
ZKW Lichtsysteme GmbH	777,962	398,437	379,525	664,985	(11,390)
LG Electronics (China) Co., Ltd(LGECH)	686,470	687,734	(1,264)	337,345	60,258
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	909,494	547,005	362,489	1,646,101	37,657
ZKW Group GmbH	1,052,602	728,347	324,255	124,030	18,258
LG Electronics Deutschland GmbH(LGEDG)	1,140,618	973,875	166,743	3,879,919	26,643
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	803,550	602,287	201,263	1,686,156	39,595
LG Electronics (Thailand) Company Limited(LGETH)	680,464	291,124	389,340	1,400,763	83,485
P.T. LG Electronics Indonesia(LGEIN)	973,369	457,658	515,711	2,913,107	108,342
LG Electronics Nanjing New Technology co.,LTD(LGENT)	865,635	600,650	264,985	2,337,375	70,369
Nanjing LG Panda Appliances Co., Ltd(LGEPN)	580,270	383,562	196,708	1,068,373	26,151

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<i>(in millions of Korean won)</i>	2020				Profit (loss) for the year
	Assets	Liabilities	Equity	Sales	
LG Innotek Co., Ltd.	5,492,250	3,324,321	2,167,929	9,356,785	186,482
LG Electronics U.S.A., Inc.(LGEUS)	4,696,966	3,628,900	1,068,066	10,568,335	165,698
LG Electronics European Shared Service Center B.V.(LGESC)	1,794,505	1,759,706	34,799	465,448	1,425
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	1,412,013	520,509	891,504	2,173,107	227,775
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	1,576,031	907,399	668,632	3,193,413	196,815
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,366,972	822,907	544,065	3,188,634	69,218
Zenith Electronics LLC(Zenith)	1,177,664	95,257	1,082,407	126,915	19,838
LG Electronics do Brasil Ltda.(LGEBR)	1,086,969	487,296	599,673	1,426,032	179,773
LG Electronics RUS, LLC(LGERA)	932,506	383,556	548,950	1,545,076	124,331
Hiplaza Co., Ltd.	1,013,618	842,298	171,320	2,890,533	3,768
LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH)	792,107	495,851	296,256	1,743,226	98,564
ZKW Lichtsysteme GmbH	792,131	402,098	390,033	720,092	(2,341)
LG Electronics (China) Co., Ltd(LGECH)	917,289	975,625	(58,336)	270,879	51,739
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	727,807	420,514	307,293	1,248,006	41,394
ZKW Group GmbH	783,685	479,713	303,972	110,058	(4,020)
LG Electronics Deutschland GmbH(LGEDG)	1,047,022	907,564	139,458	2,786,308	4,425
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	771,380	543,273	228,107	1,212,638	31,526
LG Electronics (Thailand) Company Limited(LGETH)	662,949	289,198	373,751	1,228,190	52,249
P.T. LG Electronics Indonesia(LGEIN)	765,136	396,357	368,779	1,523,004	19,964
LG Electronics Nanjing New Technology co.,LTD(LGENT)	659,139	445,672	213,467	1,790,173	45,102
Nanjing LG Panda Appliances Co., Ltd(LGEPN)	508,103	340,848	167,255	798,730	23,038

<sup>1</sup> MC business was classified as discontinued operations and the sales related to the discontinued operations were excluded.

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(c) Information of subsidiaries with material non-controlling interests is as follows:

- LG Innotek Co., Ltd. and its subsidiaries

i) Percentage of ownership of non-controlling interests and accumulated non-controlling interests

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	2,011,225	1,466,760

ii) Profit and dividends attributable to non-controlling interests for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Profit to non-controlling interests	545,509	155,225
Dividends to non-controlling interests	9,808	4,204

iii) Summarized consolidated statements of financial position of subsidiaries with material non-controlling interests, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current assets	4,113,364	3,161,800
Non-current assets	3,627,989	2,876,800
<b>Total assets</b>	<b>7,741,353</b>	<b>6,038,600</b>
Current liabilities	3,310,268	2,284,222
Non-current liabilities	1,116,879	1,326,690
<b>Total liabilities</b>	<b>4,427,147</b>	<b>3,610,912</b>
Equity attributable to owners of LG Innotek Co., Ltd.	3,314,206	2,427,688
Non-controlling interests	-	-
<b>Total equity</b>	<b>3,314,206</b>	<b>2,427,688</b>

iv) Summarized consolidated statements of comprehensive income of subsidiaries with material non-controlling interests for the years ended December 31, 2021 and 2020, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Net sales	14,949,963	9,633,217
Profit for the year	888,282	236,128
Other comprehensive income (loss), net of tax	14,802	(5,940)
Total comprehensive income, net of tax	903,084	230,188

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- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the years ended December 31, 2021 and 2020, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Cash flows from operating activities	1,177,629	950,268
Cash flows from investing activities	(1,008,293)	(826,162)
Cash flows from financing activities	(309,628)	(167,158)
Effects of exchange rate changes on cash and cash equivalents	16,344	(8,330)
Net increase(decrease) in cash and cash equivalents	(123,948)	(51,382)
Cash and cash equivalents at the beginning of year reclassified as assets held for sale	53,586	-
Cash and cash equivalents at the beginning of year	694,607	799,575
Cash and cash equivalents at the end of year reclassified as assets held for sale	(58,371)	(53,586)
Cash and cash equivalents at the end of year	565,874	694,607

(d) Significant restrictions on subsidiaries

- i) Significant restrictions on ability to use the assets and settle the liabilities of the Group

Cash and other short-term financial instruments held by subsidiaries in Egypt, Algeria, Russia and Kazakhstan are subject to exchange control regulations of each relevant country. Accordingly, there are transfer limits on their cash and short-term financial instruments from these countries.

- ii) The protective rights of non-controlling interests which can restrict the use of the assets and settlement of the liabilities of the Group exist in certain subsidiaries.

(e) Changes in the Parent Company's interest in subsidiaries

- i) Changes in the Parent Company's interest in subsidiaries without the loss of control for the years ended December 31, 2021 and 2020, are:

<b>Subsidiary</b>	<b>Details</b>	<b>2021</b>	<b>2020</b>
	Decrease in the share of Parent Company due to disposal of shares (A)	(446,661)	-
LG Magna e-Powertrain USA Inc.	Consideration received from non-controlling interests (B)	595,101	-
	Changes in the ownership interest of the parent company (A+B)	148,440	-

- ii) During the year ended December 31, 2021, non-controlling interests decreased by ₩ 3,591 million due to the effect of changes in the percentage of ownership resulting from the stock options exercised and the tender offer agreement for non-controlling interests in relation to Alphonso Inc.

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- (f) Subsidiaries newly included in the scope of preparation of consolidated financial statements for the year ended December 31, 2021, are:

<b>Subsidiary</b>	<b>Reason</b>	<b>Country</b>	<b>Percentage of ownership</b>	<b>Closing month</b>	<b>Major business</b>
Hi-Caresolution Corp.	Newly established	Korea	100.0%	December	Services
ZKW Automotive Engineering CZ s.r.o.	Newly established	Czech	70.0%	December	R&D
LG Magna e-Powertrain USA Inc.	Newly established	USA	51.0%	December	Sales of vehicle components
HI-M SOLUTEK POLAND Sp. z o.o.	Newly established	Poland	100.0%	December	Services
HI-M.SOLUTEK LLC	Newly established	Egypt	100.0%	December	Services
LG Magna Nanjing e-Powertrain Vehicle Components Co., Ltd.	Newly established	China	51.0%	December	Productions and sales of vehicle components
LG Innotek Fund I LLC	Newly established	USA	40.8%	December	Investment in technology start ups
LG Magna e-Powertrain Co., Ltd.	Newly established	Korea	51.0%	December	Productions and sales of vehicle components
Cybellum Technologies Ltd.	Newly acquired	Israel	69.6%	December	Automotive security solutions
Cybellum Technologies USA, Inc	Newly acquired	USA	69.6%	December	Automotive security solutions
Cybellum Technologies Ltd.	Newly acquired	Japan	69.6%	December	Automotive security solutions
LG Electronics Vehicle Components Europe GmbH	Newly established	German	100.0%	December	Sales of vehicle components
PT LGE INDONESIA RESEARCH AND DEVELOPMENT CENTER	Newly established	Indonesia	100.0%	December	R&D

- (g) Subsidiaries excluded from the scope of preparation of consolidated financial statements for the year ended December 31, 2021, are:

<b>Subsidiary</b>	<b>Reason</b>	<b>Country</b>
V-ENS (M) Sdn. Bhd.	Liquidation	Malaysia
LG Innotek Alliance Fund	Liquidation	Korea
LG Electronics (Shanghai) Research and Development Center Co., Ltd.	Liquidation	China
LG Electronics Mexicali, S.A. de C.V	Merger	Mexico
LG Electronics Monterrey Mexico S.A.de C.V.	Merger	Mexico
Servicios Integrales LG S.A DE C.V	Merger	Mexico
Servicios LG Monterrey Mexico S.A. de C.V.	Merger	Mexico
ZKW Mexico Servicios S.A. de C.V.	Merger	Mexico
LG Electronics (Hangzhou) Co., Ltd. (LGEHN)	Sale	China
Inspur LG Digital Mobile Communications Co., Ltd.	Sale	China
QINGDAO LG INSPUR DIGITAL COMMUNICATIONS CO. LTD	Sale	China
LG Electronics Miami Inc.	Liquidation	USA
Zenith Electronics Corporation of Pennsylvania	Liquidation	USA

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(h) Gain or loss resulted from loss of control

*(in millions of Korean won)*

<b>Subsidiary</b>	<b>Reason</b>	<b>Amount</b>
V-ENS (M) Sdn. Bhd.	Liquidation	(710)
LG Electronics (Shanghai) Research and Development Center Co., Ltd.	Liquidation	(178)
LG Electronics Miami Inc.	Liquidation	(1,733)
Inspur LG Digital Mobile Communications Co., Ltd.	Sales of shares	4,601
QINGDAO LG INSPUR DIGITAL COMMUNICATIONS CO. LTD	Sales of shares	3,515
LG Electronics (Hangzhou) Co., Ltd.	Sales of shares	48,293
LG Innotek Alliance Fund	Liquidation	4

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## Notes to the Consolidated Financial Statements

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## 2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are stated below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of consolidated financial statements requires the use of critical accounting estimates. Management also needs to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

### Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2021.

*- Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)*

In relation to interest rate benchmark reform, the amendments provide exceptions including the adjustment of effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and the application of hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship.

The Group has financial instruments subject to interest rate benchmark reform, and plans to make transition to alternative benchmark during the current period. The amendments do not have a significant impact on the consolidated financial statements.

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## Notes to the Consolidated Financial Statements

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#### Financial instruments at amortized cost

Phase 2 amendments make change in the basis for determining the contractual cash flows of the financial instruments at amortized cost (i.e. financial liabilities at amortized cost and debt instruments classified to financial liabilities at fair value through other comprehensive income) that is resulted by interest rate benchmark reform, to be reflected by adjusting effective interest rate, accordingly, practical expedient is applied, which profit or loss arising from the change is not recognized.

If a portion or whole change in the basis for determining the contractual cash flows of the financial assets and liabilities does not meet the requirements above, the Group shall first apply the practical expedient to the change required by the interest rate benchmark reform. The Group shall then apply regulations for general financial instruments (i.e. determining whether there is a change or derecognition, and recognizing the fair value changes of the financial instruments which are not derecognized in profit or loss immediately) to any additional changes.

#### Hedging relationships

'Phase 2 amendments' have considered matters arising from interest rate benchmark reform, including the timing to discontinue applying 'Phase 1 amendments', to update designation and documentation for hedge, and to allow alternative benchmark rates to hedged risks.

The Phase 1 amendments include temporary exceptions to relieve from applying specific hedge accounting requirements to hedging relationships that were directly affected by interest rate benchmark reform. Before a contract is changed due to these reliefs, the reform generally does not discontinue applying hedge accounting. However, the ineffective portion of the hedges is recorded in the statements of profit or loss continuously. The amendments also set out timing to end of application of the exceptions, including the timing when the uncertainty arising from the reform is no longer present.

The Group has applied the reliefs in relation to the following hedge accounting, provided under the Phase 2 amendments, for the first time their annual reporting period commencing January 1, 2021.

- Designation of hedging relationships: When the application of Phase 1 amendments is discontinued, the Group will amend the designation of hedging relationships to make change one or more of the followings, to reflect the changes required by the interest rate benchmark reform:

(a) designating the alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

(b) amending the description of the hedged items (including the description of the designated portion for the cash flows or fair value being hedged);

(c) amending the description of the hedging instruments

- Amounts accumulated in the cash flow hedge reserve: As described above, the amount



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accumulated in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate, when the designation of hedging relationships is amended. For a discontinued hedging relationship, when the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose to determine whether the hedged future cash flows are expected occur, the amount accumulated in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate.

- Risk components: If it is reasonably expected to meet requirements and risk components are reliably measured within 24 months after the initial designation, the Group may designate the alternative benchmark rate as a non-contractually specified risk component, even though it is not separately identifiable at the date it is designated. The 24-month period applies to each alternative benchmark rate separately.

#### *- Amendment to Korean IFRS 1116 - Covid-19 - Related Rent Concessions beyond June 30, 2021*

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022.

With early adoption of amendment to Korean IFRS 1116 *Lease*, the Group has applied the practical expedient for the rent concessions that meet the requirements and the changed accounting policy, retrospectively, as permitted under the specific transitional provisions in the standard. There is no cumulative impact on the beginning balance of retained earnings as of January 1, 2021 and the Group did not restate comparatives for the 2020 reporting period. The amendment does not have a significant impact on the consolidated financial statements.

(b) New, enacted and amended standards issued, but not effective for December 31, 2021, and not early adopted by the Group

#### *- Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarifies that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its

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intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies*

The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates*

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### *- Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

#### - Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

#### Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

##### (a) Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

In transactions with non-controlling interests, which do not result in loss of control, the Group recognizes directly in equity any difference between the amount by which the non-controlling

# **LG Electronics**

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interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognized in profit or loss.

#### **(b) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss (Note 14).

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statements of profit or loss, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the consolidated statements of profit or loss.

#### **(c) Joint Arrangements**

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venture has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

#### **(d) Transactions with non-controlling interests**

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the Group. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposal of non-controlling interests are also recognized in other components of equity.

#### **(e) Business Combinations**

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The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred in a business combination includes fair values of the assets and liabilities from arrangements for contingent payments. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group measures non-controlling interests in the acquiree that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, on a case by case basis, at the proportionate share of the acquiree's identifiable net assets or fair value. All other components of non-controlling interests are measured at fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

In case of business combination achieved in stages, previously held equity interest in the acquiree is re-measured to fair value and a gain or loss is recognized in the consolidated statements of profit or loss.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net identifiable assets at the date of acquisition is recorded as goodwill (Note 2). If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of profit or loss.

#### **Segment Reporting**

Operating segments are established on the basis of business divisions whose internal reporting is provided to the chief operating decision-maker who is the chief executive officer. Segmental disclosures are disclosed in Note 4 in accordance with Korean IFRS 1108 *Operating Segment*.

#### **Foreign Currency Translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation in case of items subject to re-measurement. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

# **LG Electronics**

## **Notes to the Consolidated Financial Statements**

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translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of profit or loss, except cash flow hedges qualifying to be recognized in other comprehensive income.

Changes in the fair value of monetary debt securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognized in the consolidated statements of profit or loss as part of the fair value gain or loss - translation differences arising from equities held at fair value through profit or loss are recognized in profit or loss, and those arising from equities held at fair value through other comprehensive income are recognized in other comprehensive income.

#### (c) Translation into presentation currency

The results and financial position of all Group companies whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- i) Assets and liabilities are translated at the closing rate at the end of the reporting period;
- ii) Income and expenses are translated at monthly average exchange rates; and
- iii) All resulting exchange differences from above i) and ii) are recognized in other comprehensive income.

When the Parent Company ceases to control a subsidiary, exchange differences that were recorded in equity are recognized in the consolidated statements of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the end of the reporting period.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits at banks, and other short-term highly liquid investments with original maturities of three months or less.

#### **Financial Instruments**

##### *Classification*

##### (a) Financial assets

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The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated investments in equity instruments are recognized in profit or loss.

#### (b) Financial Liabilities

Financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost.

#### *Recognition and Measurement*

Typical purchases and sales of financial assets are recognized on the trade date. At initial recognition, the Group measures a financial asset and financial liabilities at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### (a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt

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instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other non-operating income and expenses' and impairment losses are presented in 'other non-operating expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other non-operating income (expenses)' in the year in which it arises.

#### (b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which are held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'other non-operating income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other non-operating income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.

#### *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt



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instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract assets, and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

#### *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

#### *Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as 'borrowings' in the statement of financial position

Financial liabilities are derecognized from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### **Derivative Financial Instruments**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss that does not meet the conditions for hedge accounting is recognized in 'other non-operating income (expenses)' or 'financial income (expenses)' according to the nature of transactions.

For cash flow hedges, the Group separates and excludes the foreign currency basis spread from the designation of a financial instrument as the hedging instrument.

The effective portion of changes in the fair value of derivatives, excluding the foreign currency basis spread, that qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements

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of profit or loss within 'other non-operating income (expenses)' or 'financial income (expenses)'. In addition, changes in the foreign currency basis spread of derivatives related to the hedged item is recognized within other comprehensive income.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statements of profit or loss within 'other non-operating income (expenses)' or 'financial income (expenses)'.

#### **Trade Receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the collection of trade receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value, less allowance for doubtful debts.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method, except for inventories in-transit whose cost is determined using the specific identification method. The cost of finished goods and work-in-process comprises of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The Group periodically reviews a possibility of significant changes in net realizable value of inventories from not in use, decrease in market value and obsolescence, and recognizes as Allowances for Valuation of Inventories. Net realizable value is the estimated selling price in the ordinary course of business, additional completion cost and required selling expenses.

#### **Assets Held for Sale and Discontinued Operations**

Non-current assets (or disposal groups) are classified as 'assets held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of carrying amount and the fair value less costs to sell.

When a component of discontinued operations or a component of the Group representing a separate major line of business or geographical area of operation has been disposed of, or is subject to a sale plan involving loss of control of a subsidiary, the Group discloses in the consolidated statements of profit or loss the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation. The net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented in the notes to the consolidated financial statements.

#### **Property, Plant and Equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation and

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accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred.

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows: Land is not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their acquisition cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows

	<b>Useful lives</b>
Buildings and Structures	20, 40 years
Machinery	5, 10 years
Tools and Equipment	5 years
Supplies	5 years
Other	5 years

Each asset's depreciation method, residual values, and useful lives are reviewed and adjusted if necessary, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by differences between the net disposal proceeds of the asset and its carrying amount and are recognized within 'other non-operating income (expenses)' in the consolidated statements of profit or loss.

#### **Borrowing Costs**

General and specific borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period of time that is required to prepare the asset for its intended use. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

#### **Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

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#### Intangible Assets

##### (a) Goodwill

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

##### (b) Industrial property rights

Industrial property rights are shown at historical cost. Industrial property rights have a limited useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of industrial property rights over their estimated useful lives of ten years.

##### (c) Development costs

New product development project is processed through product planning, design planning, product design, mass production verification, production readiness approval, and shipment approval. The Group generally recognizes expenditures incurred during and after the product design phase as development costs, and expenditures incurred before the phase are recognized as expenses within research and development expenses. Costs recognized as development costs are controlled by the Group and directly attributable to identifiable development projects, and meet all of the following criteria.

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset to use or sell it;
- It has the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development for using and selling the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Amortization of development costs based on the straight-line method over their estimated useful lives of one or three years begins at the commencement of sale or use of the related products.

##### (d) Membership

Membership rights are regarded as intangible assets with an indefinite useful life and are not amortized because there is no foreseeable limit to the period over which the assets are expected

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to be utilized. All membership rights are tested annually for impairment and stated at acquisition cost less accumulated impairment losses.

#### **(e) Other intangible assets**

Other intangible assets such as customer relationships, values of techniques and software which meet the definition of an intangible asset are amortized using the straight-line method over their estimated useful lives of five or ten years.

#### **Investment Property**

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After its initial recognition, investment property is carried at its cost less any accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using the straight-line method over their estimated useful lives of 20 or 40 years.

Management reviews the depreciation method, the residual value and the useful life of an asset at the end of each period. If it is decided that previous estimates should be adjusted, the adjustment is accounted for as a change in an accounting estimate.

#### **Impairment of Non-Financial Assets**

Goodwill and intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. At the end of each reporting period, assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as profit or loss for the year for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use. The value-in-use is measured by determining the estimated pre-tax cash flows based on past performance and its expectations of market development, and applying the pre-tax discount rates that reflect specific risks relating to the relevant operating segments. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment loss are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **Trade Payables**

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Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Current trade payables measured initially at fair value are not significantly different from amortized cost using the effective interest method.

#### **Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of profit or loss over the period of the borrowings using the effective interest method. The Group classifies the liability as current as long as it does not have an unconditional right to defer its settlement over 12 months after the end of the reporting period.

#### **Financial Guarantee Contracts**

Financial guarantee contracts are contracts that require 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 original or modified terms of a debt instrument. Financial guarantees contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the following amounts below and recognized as 'other financial liabilities':

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments*; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

#### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources required to settle the obligation is probable and can be reliably estimated. The Group recognizes a warranty provision, a provision for restoration, and a provision for litigation.

A warranty provision is accrued for the estimated costs of future warranty claims based on historical experience. Where the Group, as a tenant, is required to restore its leased assets to their original state at the end of the lease-term, the Group recognizes the present value of the estimated cost of restoration as a provision for restoration. When there is a probability that an outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognized as a provision for litigation in the consolidated financial statements.

A contingent liability is disclosed (Note 34) when;

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- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognized because: it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

#### **Current and Deferred Income Tax**

The tax expense for the year consists of current and deferred tax. Tax is recognized in the consolidated statements of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. It represents future tax consequences that will arise when recovering or settling the carrying amount of its assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor tax profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized only to the extent that it is probable that the deductible temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis.

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#### **Employee Benefits**

##### **(a) Post-employment benefits**

The Group operates both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expenses when an employee has rendered service. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liabilities are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

##### **(b) Other long-term employee benefits**

The Group provides other long-term employee benefits to their employees. The entitlement to these benefits is usually conditional on the employee working more than ten years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes past service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These benefits are calculated annually by independent qualified actuaries.

##### **(c) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits or when the entity recognizes costs for a restructuring.

##### **(d) Share-based payment**



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The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree and are measured at their market-based measure as at the acquisition date. If unvested, the market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period and the original vesting period of the share-based payment transaction. The balance is allocated to post-combination service.

#### **Share Capital**

Ordinary shares and preferred shares without any obligation to repay are classified as equity.

Where the Parent Company purchases its own ordinary shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Parent Company until the shares are cancelled or reissued. Where such treasury shares are subsequently reissued, any consideration received is included in equity attributable to owners of the Parent Company.

#### **Revenue Recognition**

##### **(a) Identify performance obligation**

The Group sells home appliances, TVs, monitors, automobile parts, information displays and others. If the contract with a customer includes any separate services in addition to sales of goods, the Group identifies performance obligations of the services to be rendered from such sales contracts.

According to the rules and guidance on the terms and conditions of international trading (INCOTERMS 2020), the Group recognizes the transportation services as a separate performance obligation apart from the sale of goods, under the transactions with the rules where seller is responsible for paying shipping cost and insurance premium.

The Group determines standard warranty coverage periods per product and country, considering warranty periods required by law and others when entering into contracts with customers for the sales of products. If the Group provides an extended warranty beyond the standard warranty coverage periods or a customer has the option to purchase an additional warranty separately, the Group identifies the warranty as a separate performance obligation and recognizes revenue.

##### **(b) A performance obligation satisfied at a point in time**

Sales of goods are recognized when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual sales. The Group recognizes provisions for product warranties and contract liabilities for sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically.

For royalty contracts, if there are no other goods or services provided to customer in the contracts other than obligations to provide license, the nature of the contracts are provision of right to use the Group's intellectual property that exist at the time of transfer. This means that the customer can direct the use of and obtain substantially all of the remaining benefits from the license at the point in time at which the license transfers. The Group determined the royalty income as a performance obligation satisfied at a point in time.

#### (c) A performance obligation satisfied over time

The Group builds and sells customized equipment and design plan for a customer. The revenue is recognized over time by measuring progress only if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group performed an analysis on those contracts and determined the Group has an enforceable right to payment for performance completed to date; therefore, the revenue is recognized over time using input methods by measuring the percentage of completion.

When the outcome of a transaction involving the rendering of services provided separately to customers can be estimated reliably, revenue associated with such transaction is recognized by reference to the percentage of completion of the services. Any changes in expected revenue, cost or the amount of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue or cost which is recognized in the profit or loss in the period in which management recognizes the changes in circumstances.

The Group receives licensing fees for the trademark held by the Group from associates and joint ventures. The Parent Company continues to develop the trademark's value and performs marketing activities through various media such as TV, internet, exhibitions, road shows and others. The nature of the Group's promise in granting a license is a promise to provide a right to access the Parent Company's intellectual property over a license period; therefore, the Group determined the promised license is a performance obligation that is satisfied over time.

Income from rental, lease, extended guarantees and others is recognized on a straight-line basis over the period of the contract.

#### (d) Variable consideration

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a

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significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

#### (e) Allocating the transaction price

The transaction price in an arrangement must be allocated to each separate performance obligation based on the relative stand-alone selling prices of the goods or services being provided to a customer. The Group determines the stand-alone selling price for each separate performance obligation by using an 'adjusted market assessment approach'. In limited circumstances, the Group plans to use an 'expected cost plus a margin approach' to estimate expected cost plus a reasonable margin.

#### (f) Returns

A gross contract liability (refund liability) for the expected returns to customers is recognized as adjustment to revenue, and the Group has a right to recover the product from the customer when the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. A right to recover the products is measured at former carrying amount of the product less the costs to recover the products.

#### (g) Significant financing component

In general, the period between the transfer of the promised goods or services to the customer and the payment made by the customer is less than one year. In this case, the Group uses the practical expedient in which the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

## Leases

### *Lessee accounting*

The Group leases various offices, warehouses, retail stores, equipment and cars. A lease term is normally determined considering non-cancellable period of a lease and its extension options. Lease conditions are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated to the repayment of lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### (a) Right-of-use assets

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Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- estimated restoration costs

#### (b) Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

However, payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment whose underlying assets are values below US\$ 5,000, and others.

#### *Lessor accounting*

A lessor classifies each of its leases as either an operating lease or a finance lease. A lease that transfers substantially all the risks and rewards incidental to ownership of underlying asset is classified as a finance lease, and a lease other than a finance lease is classified as an operating lease. In a finance lease, the amount received from the lessor is recognized as receivables as a net investment in the lease. The Group distributes finance income over the lease term in a way that a certain period of return is reflected in the net investment amount of the lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective

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leased assets are included in the consolidated statement of financial position based on their nature.

#### **Dividend Distribution**

A dividend liability is recognized when the dividends are approved by the shareholders at their general meeting.

#### **Earnings per Share**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Parent Company by the weighted average number of shares issued excluding shares purchased by the Parent Company that are held as treasury shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

#### **Greenhouse Gas Emissions Rights (Allowances) and Obligations**

Emission rights are defined as allowed amount of emissions that can be released, allocated by the Korean government as 'Act on the Allocation and Trading of Greenhouse-Gas Emission Permits' takes effect. Emission rights that are received free of charge from the government are measured at zero, while the rights purchased additionally from trading market such as the Korea Exchange are measured at acquisition cost. Emission rights are subsequently stated as acquisition cost less accumulated impairment loss. Emission liabilities are measured as the sum of the carrying amount of emission rights to be delivered to the government to settle the obligation for emissions occurred and expected expenditure required at the end of reporting period for any excess emissions. The emission rights and liabilities are classified as 'intangible assets' and 'provisions', respectively, in the consolidated statement of financial position.

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### **3. Critical Accounting Estimates and Judgments**

#### **Critical Accounting Estimates and Assumptions**

The Group makes estimates and assumptions concerning the future when preparing the financial statements. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The spread of COVID-19 has a material impact on the global economy. It may have a negative impact to the Group ; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

#### **(a) Revenue Recognition**

The Group recognizes revenue over time using the percentage of completion method for the rendering of service such as equipment production and installation. The Group measures the percentage of completion by estimating total cost for the completion of the transaction, and the factors for the estimation of revenue may vary.

#### **(b) Impairment of Goodwill and Others**

The Group tests goodwill regularly for impairment. The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal or value in use calculations. These calculations require estimates.

#### **(c) Income Taxes**

The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### **(d) Fair Value of Financial Instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting

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period.

#### (e) Provisions

The Group recognizes provisions for product warranties and others based on their historical data.

#### (f) Net Defined Benefit Liabilities

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate, which is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

#### (g) Development Costs

The Group capitalizes development costs when there is a reasonable assurance that projects have technical feasibility and the possibility of generating future economic benefits, and performs periodic impairment test. The recoverable amount of each project has been calculated on a basis of the value-in-use reflecting expected sales quantity and unit price and estimated operating profit.

#### (h) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The reassessment of the lease term based on a judgment of whether the extension option is reasonably certain to be exercised (or not exercised) is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### **Significant Judgment on Accounting Policies Adopted by the Group**

In order to determine the Group's de-facto control, the Group considers the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders and additional facts and circumstances including voting patterns at previous shareholders' meetings, and agreements with shareholders.

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**4. Segment Information**

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. The main products of each business division are as follows and the comparative information is presented in conformity with the same classification in the current period.

Operating segment	Type of products
Home Appliance & Air Solution (H&A)	Refrigerators, washing machines, air conditioners, vacuum cleaners and others
Home Entertainment (HE)	TVs, audio, beauty appliances and others
Vehicle component Solutions (VS)	Vehicle components and others
Business Solutions (BS)	Monitors, PCs, information displays, solar panels and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	Camera modules, substrate & material, motor/sensor and others
Other segments	Equipment production and others

(a) The segment information for sales and operating profit (loss) for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021							Total
	H&A	HE	VS	BS	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	
Sales	27,109,729	17,218,600	7,193,806	6,962,533	14,949,963	2,268,845	(981,847)	74,721,629
External sales	27,077,201	17,209,120	7,193,565	6,958,292	14,412,717	1,870,734	-	74,721,629
Internal sales	32,528	9,480	241	4,241	537,246	398,111	(981,847)	-
Operating profit (loss) <sup>3</sup>	2,222,293	1,099,828	(932,893)	144,325	1,259,418	70,803	-	3,863,774
Depreciation and amortization	764,475	372,724	529,434	227,617	766,153	163,008	-	2,823,411

<i>(in millions of Korean won)</i>	2020							Total
	H&A	HE	VS	BS	Innotek	Other segments <sup>1</sup>	Inter-segment transactions <sup>2</sup>	
Sales	22,275,260	13,183,584	5,802,762	6,013,257	9,633,217	2,045,548	(895,720)	58,057,908
External sales	22,221,327	13,174,333	5,802,760	6,011,274	9,088,964	1,759,250	-	58,057,908
Internal sales	53,933	9,251	2	1,983	544,253	286,298	(895,720)	-
Operating profit (loss) <sup>3</sup>	2,290,570	931,316	(380,327)	360,773	606,695	96,081	-	3,905,108
Depreciation and amortization	679,531	272,604	502,282	225,001	686,086	137,281	-	2,502,785

<sup>1</sup> Other segments include operating segments that are not qualified as reportable segments and departments that support the operating segments and R&D.

<sup>2</sup> Sales between segments are accounted on terms equivalent to those that prevail in arm's length transactions.

<sup>3</sup> Other income or expenses items not included in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.



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(b) Segment assets and liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
H&A	24,253,234	12,878,080	20,963,845	11,711,590
HE	13,620,098	9,638,743	11,824,138	8,755,478
VS	8,050,137	9,973,745	6,509,025	7,671,125
BS	6,430,420	4,839,950	5,443,429	4,166,338
Innotek	7,741,353	4,427,147	6,038,600	3,610,912
<b>Subtotal<sup>1</sup></b>	<b>60,095,242</b>	<b>41,757,665</b>	<b>50,779,037</b>	<b>35,915,443</b>
Other segments and inter-segment transactions	(6,613,764)	(8,374,220)	(2,574,810)	(5,253,341)
<b>Total</b>	<b>53,481,478</b>	<b>33,383,445</b>	<b>48,204,227</b>	<b>30,662,102</b>

<sup>1</sup> The amounts of assets and liabilities of each segment are before inter-company elimination, and common assets and liabilities are allocated based on the operations of the segments.

(c) Non-current assets by geographic area as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>Non-current assets<sup>1</sup></b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Geographic areas</b>		
Korea	11,747,934	12,150,444
China	949,526	899,453
Asia	1,399,179	935,727
North America	1,534,049	1,450,716
Europe	963,708	1,327,801
South America	105,440	98,476
Middle East & Africa	290,804	106,761
Russia and others	153,763	144,079
<b>Total</b>	<b>17,144,403</b>	<b>17,113,457</b>

<sup>1</sup> Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

(d) Details of net sales from a major external customer for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>	<b>Related segment</b>
Major customer A	11,250,707	6,532,144	Innotek and others

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**5. Financial Instruments by Category and Offsetting Financial Assets and Financial Liabilities**

(a) Categorizations of financial instruments as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	6,051,516	-	-	-	6,051,516
Deposits held by financial institutions	205,391	-	-	-	205,391
Trade receivables	6,598,731	1,567,007	-	25,799	8,191,537
Other receivables	1,160,959	-	-	-	1,160,959
Other financial assets	-	121,222	79,145	41,487	241,854
<b>Total</b>	<b>14,016,597</b>	<b>1,688,229</b>	<b>79,145</b>	<b>67,286</b>	<b>15,851,257</b>

<i>(in millions of Korean won)</i>	December 31, 2021			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	8,741,937	-	-	8,741,937
Borrowings	9,931,553	-	-	9,931,553
Lease liabilities	-	-	955,422	955,422
Other payables	4,193,751	-	-	4,193,751
Other financial liabilities	-	17,092	51,210	68,302
<b>Total</b>	<b>22,867,241</b>	<b>17,092</b>	<b>1,006,632</b>	<b>23,890,965</b>

<i>(in millions of Korean won)</i>	December 31, 2020				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	5,896,309	-	-	-	5,896,309
Deposits held by financial institutions	140,921	-	-	-	140,921
Trade receivables	6,352,015	802,917	-	-	7,154,932
Other receivables	904,597	-	-	-	904,597
Other financial assets	1,612	117,420	41,751	-	160,783
<b>Total</b>	<b>13,295,454</b>	<b>920,337</b>	<b>41,751</b>	<b>-</b>	<b>14,257,542</b>

<i>(in millions of Korean won)</i>	December 31, 2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	8,728,159	-	-	8,728,159
Borrowings	9,919,755	-	-	9,919,755
Lease liabilities	-	-	862,060	862,060
Other payables	3,619,104	-	-	3,619,104
Other financial liabilities	-	26,913	170,519	197,432
<b>Total</b>	<b>22,267,018</b>	<b>26,913</b>	<b>1,032,579</b>	<b>23,326,510</b>

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(b) Net gains or losses on each category of financial instruments for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	88,840	-	-	-	88,840
Exchange differences	515,567	73,808	-	-	589,375
Reversal of bad debt expenses	23,429	-	-	-	23,429
Loss on disposal of trade receivables	(411)	(6,603)	-	-	(7,014)
Dividend income	-	247	5,761	-	6,008
Gain(Loss) on valuation of financial assets at fair value through profit or loss	-	-	45,562	-	45,562
Gain(Loss) on derivatives (through profit or loss)	-	-	55,551	-	55,551
Profit (loss) for the year from discontinued operations	24,181	-	3,796	-	27,977
Fair value gain(loss), net of tax (through other comprehensive income)	-	(15,129)	-	-	(15,129)
Gain(Loss) on derivatives, net of tax (through other comprehensive income)	-	-	-	26,231	26,231

<i>(in millions of Korean won)</i>	2021			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expense	(198,551)	-	(64,884)	(263,435)
Exchange differences	(691,641)	-	70,475	(621,166)
Gain(Loss) on derivatives (through profit or loss)	-	(51,358)	-	(51,358)
Gain(loss) on redemption of bonds	(1,968)	-	-	(1,968)
Profit (loss) for the year from discontinued operations	(106,973)	(2,465)	(465)	(109,903)
Gain(Loss) on derivatives, net of tax (through other comprehensive income)	-	-	41,809	41,809
Others	(2,918)	-	-	(2,918)

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<i>(in millions of Korean won)</i>	<b>2020</b>				
	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Other</b>	<b>Total</b>
Interest income	83,132	-	-	-	83,132
Exchange differences	(427,891)	(73,313)	-	-	(501,204)
Bad debts expense	(11,342)	-	-	-	(11,342)
Loss on disposal of trade receivables	(3,704)	(6,042)	-	-	(9,746)
Dividend income	-	1,280	3,438	-	4,718
Gain(Loss) on valuation of financial assets at fair value through profit or loss	-	-	185	-	185
Gain(Loss) on derivatives (through profit or loss)	-	-	65,886	-	65,886
Profit (loss) for the year from discontinued operations	(81,557)	-	14,450	-	(67,107)
Fair value gain(loss), net of tax (through other comprehensive income)	-	22,285	-	-	22,285
Gain(Loss) on derivatives, net of tax (through other comprehensive income)	-	-	-	963	963

<i>(in millions of Korean won)</i>	<b>2020</b>			
	<b>Financial liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Other</b>	<b>Total</b>
Interest expense	(176,099)	-	(54,548)	(230,647)
Exchange differences	355,978	-	(55,847)	300,131
Gain(Loss) on derivatives (through profit or loss)	-	(58,541)	-	(58,541)
Profit (loss) for the year from discontinued operations	(65,537)	(10,081)	(1,525)	(77,143)
Gain(Loss) on derivatives, net of tax (through other comprehensive income)	-	-	(15,999)	(15,999)
Others	(3,957)	-	-	(3,957)

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(c) Recognized financial instruments that are subject to an enforceable master netting arrangements or similar arrangements as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>					
	<b>Recognized financial instrument</b>	<b>Recognized financial instrument offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>		<b>Net amount</b>
				<b>Financial instruments</b>	<b>Cash collateral</b>	
<b>Financial assets</b>						
Trade receivables	425,321	(402,770)	22,551	-	-	22,551
<b>Financial liabilities</b>						
Trade payables	735,572	(402,770)	332,802	-	-	332,802

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>					
	<b>Recognized financial instrument</b>	<b>Recognized financial instrument offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>		<b>Net amount</b>
				<b>Financial instruments</b>	<b>Cash collateral</b>	
<b>Financial assets</b>						
Trade receivables	315,471	(302,988)	12,483	-	-	12,483
<b>Financial liabilities</b>						
Trade payables	590,643	(302,988)	287,655	-	-	287,655

**6. Cash and Cash Equivalents and Deposits held by Financial Institutions**

(a) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position are equal to the cash and cash equivalents in the consolidated statements of cash flows. Details are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	411	362
Bank deposits <sup>1</sup>	6,051,105	5,895,947
<b>Total</b>	<b>6,051,516</b>	<b>5,896,309</b>

<sup>1</sup> Deposits restricted in use amounting to ₩ 23,380 million (2020: nil) in relation to value added tax is included as at December 31, 2021.

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(b) Deposits held by financial institutions

The deposits held by financial institutions restricted in use as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current</b>		
Fund for business cooperation	80,000	80,000
Deposits related to disposal of investments in subsidiaries	66,388	-
Others	68	2,018
<b>Subtotal</b>	<b>146,456</b>	<b>82,018</b>
<b>Non-current</b>		
Deposit for checking account	65	65
National project	697	1,338
Others	58,173	57,500
<b>Subtotal</b>	<b>58,935</b>	<b>58,903</b>
<b>Total</b>	<b>205,391</b>	<b>140,921</b>

**7. Trade Receivables and Other Receivables**

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>			<b>December 31, 2020</b>		
	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>
Trade receivables						
Current	8,251,982	(85,523)	8,166,459	7,267,448	(112,516)	7,154,932
Non-current	25,078	-	25,078	-	-	-
Other receivables						
Current	500,773	(11,717)	489,056	465,655	(19,229)	446,426
Non-current	672,017	(114)	671,903	458,206	(35)	458,171

(b) Details of other receivables as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current</b>		
Loans	12,766	10,573
Non-trade receivables	248,357	246,062
Accrued income	83,242	101,673
Deposits	144,691	88,118
<b>Subtotal</b>	<b>489,056</b>	<b>446,426</b>
<b>Non-current</b>		
Loans	126,693	112,757
Non-trade receivables	232,716	41,864

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<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Deposits	312,494	303,550
<b>Subtotal</b>	<b>671,903</b>	<b>458,171</b>
<b>Total</b>	<b>1,160,959</b>	<b>904,597</b>

- (c) The aging analysis of trade receivables and other receivables as at December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>				
	<b>Trade receivables</b>		<b>Other receivables</b>		<b>Total</b>
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>	
<b>Receivables not past due</b>	7,293,018	25,078	463,197	667,263	8,448,556
<b>Past due but not impaired</b>					
Up to 6 months	767,628	-	18,565	3,616	789,809
7 to 12 months	17,199	-	1,792	895	19,886
Over 1 year	19,157	-	5,831	243	25,231
<b>Subtotal</b>	<b>803,984</b>	<b>-</b>	<b>26,188</b>	<b>4,754</b>	<b>834,926</b>
<b>Impaired</b>	154,980	-	11,388	-	166,368
<b>Total</b>	<b>8,251,982</b>	<b>25,078</b>	<b>500,773</b>	<b>672,017</b>	<b>9,449,850</b>

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>			
	<b>Trade receivables</b>	<b>Other receivables</b>		<b>Total</b>
		<b>Current</b>	<b>Non-current</b>	
<b>Receivables not past due</b>	6,561,201	433,690	454,787	7,449,678
<b>Past due but not impaired</b>				
Up to 6 months	466,159	10,202	1,526	477,887
7 to 12 months	20,397	1,087	1,863	23,347
Over 1 year	32,328	5,306	30	37,664
<b>Subtotal</b>	<b>518,884</b>	<b>16,595</b>	<b>3,419</b>	<b>538,898</b>
<b>Impaired</b>	187,363	15,370	-	202,733
<b>Total</b>	<b>7,267,448</b>	<b>465,655</b>	<b>458,206</b>	<b>8,191,309</b>

- (d) The allowance for doubtful accounts is recognized based on aging analysis and historical experience.
- (e) The Group classifies individually impaired receivables as defaulted receivables if the receivables are impaired due to reasons including bankruptcy and insolvency of the debtors. Defaulted receivables are classified into two categories of rehabilitation related receivables and other defaulted receivables. The Group performs impairment test on rehabilitation related receivables based on expected repayment amount and recognizes impairment loss on other defaulted receivables based on types and values of collaterals.

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- (f) Movements in allowance for doubtful accounts for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>				
	<b>At Jan. 1</b>	<b>Addition (Reversal)</b>	<b>Write-off</b>	<b>Other</b>	<b>At Dec. 31</b>
Trade receivables	112,516	(23,249)	(5,528)	1,784	85,523
Other receivables					
Current	19,229	716	(3,586)	(4,642)	11,717
Non-current	35	76	-	3	114

  

<i>(in millions of Korean won)</i>	<b>2020</b>				
	<b>At Jan. 1</b>	<b>Addition</b>	<b>Write-off</b>	<b>Other</b>	<b>At Dec. 31</b>
Trade receivables	111,300	5,915	(16,865)	12,166	112,516
Other receivables					
Current	16,523	6,784	(34)	(4,044)	19,229
Non-current	588	(548)	-	(5)	35

Bad debt expenses for trade receivables are included in 'selling and marketing expenses' in the consolidated statement of profit or loss and those for other receivables are included in 'other non-operating expenses'. Allowance for doubtful accounts decrease when reasons for allowance are resolved or when the receivables are written off as there is no reasonable expectation of recovery.

- (g) Trade receivables have been discounted through collateralized borrowing agreements with banks for the year ended December 31, 2021. In case the customers default, the Group has an obligation to pay the related amounts to the banks. As a result, this transaction has been accounted for as a collateralized borrowing (Note 16). Discounted trade receivables as at December 31, 2021 amount to ₩ 51,577 million and there were no discounted trade receivables as at December 31, 2020.



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**8. Other Financial Assets and Liabilities**

(a) Details of other financial assets and liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Other financial assets</b>		
Derivatives	47,114	4,292
Financial assets at fair value through other comprehensive income	121,222	117,420
Financial assets at fair value through profit or loss	73,518	37,459
Financial assets at amortized cost	-	1,612
<b>Total</b>	<b>241,854</b>	<b>160,783</b>
Current	18,276	4,292
Non-current	223,578	156,491
<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Other financial liabilities</b>		
Derivatives	68,188	197,318
Financial guarantee liability	114	114
<b>Total</b>	<b>68,302</b>	<b>197,432</b>
Current	8,512	19,961
Non-current	59,790	177,471

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(b) Details of derivatives as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Currency forward	6,332	8,398	2,542	19,847
Currency swap	9,647	-	1,750	-
<b>Subtotal</b>	<b>15,979</b>	<b>8,398</b>	<b>4,292</b>	<b>19,847</b>
<b>Non-current</b>				
Currency swap	31,135	1,420	-	65,581
Interest rate swap	-	54,219	-	111,890
Put option	-	4,151	-	-
<b>Subtotal</b>	<b>31,135</b>	<b>59,790</b>	<b>-</b>	<b>177,471</b>
<b>Total</b>	<b>47,114</b>	<b>68,188</b>	<b>4,292</b>	<b>197,318</b>

The details of major derivative contracts at the end of the reporting period are presented in Note 40.

(c) Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021						At December 31
	At January 1	Acquisition	Disposal	Transfer	Valuation	Other	
Listed equity securities	58,103	-	(13,883)	43,702	(28,765)	1,284	60,441
Unlisted equity securities	59,317	12,141	-	(25,625)	11,939	3,009	60,781
<b>Total</b>	<b>117,420</b>	<b>12,141</b>	<b>(13,883)</b>	<b>18,077</b>	<b>(16,826)</b>	<b>4,293</b>	<b>121,222</b>

<i>(in millions of Korean won)</i>	2020						At December 31
	At January 1	Acquisition	Disposal	Transfer	Valuation	Other	
Listed equity securities	18,638	-	-	6,976	32,921	(432)	58,103
Unlisted equity securities	51,124	23,064	(224)	(6,976)	(5,415)	(2,256)	59,317
<b>Total</b>	<b>69,762</b>	<b>23,064</b>	<b>(224)</b>	<b>-</b>	<b>27,506</b>	<b>(2,688)</b>	<b>117,420</b>

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(d) Changes in financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021						At December 31
	At January 1	Acquisition	Disposals	Transfer	Valuation	Others	
Listed equity securities	-	-	(6,781)	1,521	6,904	653	2,297
Unlisted equity securities	29,844	15,654	(9,230)	(3,516)	35,697	2,772	71,221
Debt securities	7,615	5,232	-	(16,082)	2,961	274	-
<b>Total</b>	<b>37,459</b>	<b>20,886</b>	<b>(16,011)</b>	<b>(18,077)</b>	<b>45,562</b>	<b>3,699</b>	<b>73,518</b>

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposals	Valuation	Others	At December 31
Unlisted equity securities <sup>1</sup>	21,572	12,560	(4,774)	486	-	29,844
Debt securities	1,752	8,252	(1,556)	(302)	(531)	7,615
<b>Total</b>	<b>23,324</b>	<b>20,812</b>	<b>(6,330)</b>	<b>184</b>	<b>(531)</b>	<b>37,459</b>

<sup>1</sup> Equity securities in CerebrumX Labs, Inc and Aurora Labs Ltd, which the Group can exercise a significant influence in the Board of Directors of the investee although the percentage of ownership is less than 20%, are included. The equity securities are held by LG Electronics Fund I LLC, a subsidiary, and measured at fair value due to exemption from applying the equity method.

(e) Financial assets at amortized cost

i) Maturity analysis of financial assets at amortized cost as at December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Within one year	-	-
One to five years	-	1,612
<b>Total</b>	<b>-</b>	<b>1,612</b>

ii) The amount recognized as interest income in relation to financial assets at amortized cost for the nine-month period ended September 30, 2021, was ₩10 million (December 31, 2020: ₩29 million). No impairment losses were recognized in relation to financial assets at amortized cost for the years ended December 31, 2021 and 2020.

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**9. Inventories**

(a) Inventories as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	December 31, 2021			December 31, 2020		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	5,804,591	(140,508)	5,664,083	4,344,610	(101,164)	4,243,446
Work-in-process	485,275	(11,547)	473,728	528,004	(6,433)	521,571
Raw materials and supplies	3,377,654	(103,212)	3,274,442	2,522,056	(79,136)	2,442,920
Other	374,978	(33,213)	341,765	269,576	(30,356)	239,220
<b>Total</b>	<b>10,042,498</b>	<b>(288,480)</b>	<b>9,754,018</b>	<b>7,664,246</b>	<b>(217,089)</b>	<b>7,447,157</b>

(b) In continuing operations, the cost of inventories recognized as an expense during the year ended December 31, 2021 amounted to ₩54,404,894 million (2020: ₩41,427,613 million). These were included in 'cost of sales'. Loss on valuation of inventories during the year ended December 31, 2021 amounted to ₩ 178,068 million (2020: ₩96,900 million). In discontinued operations, the cost of inventories recognized as an expense during the year ended December 31, 2021 amounted to ₩1,474,603 million (2020: ₩4,216,609 million). These were included in 'cost of sales'. Loss on valuation of inventories during the year ended December 31, 2021 amounted to ₩66,276 million (2020: ₩55,700 million).

(c) There is no inventory provided as collateral for borrowings as at December 31, 2021.

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**10. Contract Assets and Contract Liabilities**

(a) Contract assets as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Due from customers	496,732	568,881
(Less: allowance for doubtful accounts)	(3,901)	(6,828)
Right to recover returned products	136,587	92,789
Costs to fulfill contracts and others	280,048	217,840
<b>Total</b>	<b>909,466</b>	<b>872,682</b>
Current	612,754	642,171
Non-current	296,712	230,511

(b) Contract liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Expected promotional incentives for customers	819,831	1,072,912
Expected returns from customers	218,642	145,287
Customer loyalty program	114,406	97,185
Rendering of warranty services	95,871	81,297
Due to customers and others	252,632	277,684
<b>Total</b>	<b>1,501,382</b>	<b>1,674,365</b>
Current	1,453,996	1,645,323
Non-current	47,386	29,042

(c) Revenue recognized in relation to contract liabilities for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Revenue recognized that was included in the contract liability amount at the beginning of the year:		
Due to customers and others	144,091	126,339
Customer loyalty program	77,197	51,167
Rendering of warranty services	44,391	32,425
<b>Total</b>	<b>265,679</b>	<b>209,931</b>
Revenue recognized from performance obligations satisfied in previous year	16,888	9,239

(d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations was ₩1,070,818 million, expected to be satisfied by 2025, at the latest. Also, as a practical expedient, it was excluded if the performance obligation was part of a contract that had an original expected duration of one year or less.

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- (e) For the year ended December 31, 2021, the Group recognized a reversal of impairment loss amounting to ₩3,370 million (2020: impairment loss of ₩1,141 million) in relation to due from customers and amortization and others of ₩73,970 million (2020: ₩80,008 million) in relation to costs to fulfill a contract.

**11. Other Assets**

Details of other assets as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current:</b>		
Advances	79,393	91,181
Prepaid expenses	281,384	305,701
Prepaid value added tax	814,361	642,094
Others <sup>1</sup>	714,721	-
<b>Subtotal</b>	<b>1,889,859</b>	<b>1,038,976</b>
<b>Non-current:</b>		
Long-term prepaid expenses	332,167	323,816
Long-term advances	50	225,067
Other investment assets	156	157
<b>Subtotal</b>	<b>332,373</b>	<b>549,040</b>
<b>Total</b>	<b>2,222,232</b>	<b>1,588,016</b>

<sup>1</sup> The amount agreed to be reimbursed by the related party for provisions to be paid by the Group to a third party is included.

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**12. Property, Plant and Equipment**

(a) Details of property, plant and equipment as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
<b>At December 31, 2021</b>									
Acquisition cost	3,058,006	10,131,052	484,983	9,493,363	3,462,304	1,229,057	1,465,425	554,086	29,878,276
Accumulated depreciation	(164,143)	(3,431,464)	(223,650)	(6,212,407)	(2,912,585)	(852,284)	(776,183)	-	(14,572,716)
Accumulated impairment losses	(9,122)	(173,775)	(10,439)	(347,816)	(33,306)	(6,349)	(6,899)	-	(587,706)
Government grants	(9,073)	(683)	(8)	(7,029)	(274)	(3)	-	-	(17,070)
<b>Net book amount</b>	<b>2,875,668</b>	<b>6,525,130</b>	<b>250,886</b>	<b>2,926,111</b>	<b>516,139</b>	<b>370,421</b>	<b>682,343</b>	<b>554,086</b>	<b>14,700,784</b>

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
<b>At December 31, 2020</b>									
Acquisition cost	2,999,782	9,319,304	448,106	8,640,233	3,281,903	1,113,779	1,381,289	565,694	27,750,090
Accumulated depreciation	(134,100)	(2,969,060)	(210,358)	(5,673,379)	(2,808,314)	(786,287)	(629,090)	-	(13,210,588)
Accumulated impairment losses	-	(192,898)	(9,219)	(310,646)	(23,967)	(7,197)	(5,129)	-	(549,056)
Government grants	(9,500)	(835)	(8)	(5,419)	(622)	(64)	-	-	(16,448)
<b>Net book amount</b>	<b>2,856,182</b>	<b>6,156,511</b>	<b>228,521</b>	<b>2,650,789</b>	<b>449,000</b>	<b>320,231</b>	<b>747,070</b>	<b>565,694</b>	<b>13,973,998</b>

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(b) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021								Total
	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	
<b>At January 1</b>	2,856,182	6,156,511	228,521	2,650,789	449,000	320,231	747,070	565,694	13,973,998
Acquisitions	85,824	520,193	10,332	159,710	204,418	139,692	75,690	1,928,174	3,124,033
Acquisition from business combination	-	887	-	-	-	152	-	-	1,039
Reclassification from assets held for sale	73,198	215,339	585	902	134	116	1,661	-	291,935
Transfer-in (out) <sup>1</sup>	1,002	336,531	27,398	1,292,271	238,672	32,569	163,106	(1,933,328)	158,221
Disposals and others	(39,013)	(189,774)	(398)	(6,582)	(9,390)	(2,195)	(18,953)	(16,852)	(283,157)
Decrease due to transfer of business	(37,023)	(80,587)	(5,117)	(57,588)	(3,526)	(1,069)	(1,368)	(906)	(187,184)
Depreciation	(38,761)	(522,107)	(17,776)	(1,040,539)	(357,957)	(127,502)	(274,381)	-	(2,379,023)
Impairment losses <sup>2,3</sup>	(9,122)	(11,938)	(2,794)	(148,536)	(22,317)	(717)	(15,523)	-	(210,947)
Reclassification to assets held for sale	(34,350)	(51,787)	(8)	(19,084)	(50)	(433)	(1)	-	(105,713)
Exchange differences	17,731	151,862	10,143	94,768	17,155	9,577	5,042	11,304	317,582
<b>At December 31</b>	<b>2,875,668</b>	<b>6,525,130</b>	<b>250,886</b>	<b>2,926,111</b>	<b>516,139</b>	<b>370,421</b>	<b>682,343</b>	<b>554,086</b>	<b>14,700,784</b>

<i>(in millions of Korean won)</i>	2020								Total
	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	
<b>At January 1</b>	2,944,267	6,238,014	196,325	2,895,032	509,090	318,030	717,996	686,665	14,505,419
Acquisitions	53,304	429,908	6,098	206,774	153,863	92,311	304,853	1,400,479	2,647,590
Acquisition from business combination	-	-	-	-	-	126	-	-	126
Transfer-in (out)	2,346	432,245	56,526	808,287	136,722	36,262	5,198	(1,477,586)	-
Disposals and others	(2,188)	(29,750)	(1,523)	(47,012)	(26,599)	(7,846)	(29,151)	(24,574)	(168,643)
Depreciation	(36,844)	(513,521)	(17,622)	(982,115)	(300,915)	(110,916)	(238,879)	-	(2,200,812)
Impairment losses <sup>2</sup>	-	(61,581)	(2,691)	(170,619)	(13,070)	(2,455)	(6,629)	-	(257,045)
Reclassification to assets held for sale	(89,319)	(188,929)	(437)	(11,834)	(608)	(147)	-	-	(291,274)
Exchange differences	(15,384)	(149,875)	(8,155)	(47,724)	(9,483)	(5,134)	(6,318)	(19,290)	(261,363)
<b>At December 31</b>	<b>2,856,182</b>	<b>6,156,511</b>	<b>228,521</b>	<b>2,650,789</b>	<b>449,000</b>	<b>320,231</b>	<b>747,070</b>	<b>565,694</b>	<b>13,973,998</b>

<sup>1</sup> The transfer of other property, plant and equipment amounting to ₩ 158,221 million was made from inventories to rental assets.

<sup>2</sup> Some of separate cash-generating units under H&A, VS and BS segment were tested for impairment as accumulation of operating losses has been experienced and a future downturn in sales is expected. And impairment loss of ₩109,672 million (H&A: ₩2,311 million, VS: ₩41,472 million, BS: ₩ 65,889 million) (2020: ₩106,422 million) was recognized as 'other non-operating expenses'. This impairment loss was allocated to machinery, equipment and others of the cash-generating units. The recoverable amount was measured at the higher of fair value less costs of disposal or value in use, and the fair value amount is categorized within 'level 3' of fair value hierarchy (Note 13).

<sup>3</sup> Impairment loss on property, plant and equipment from discontinued operations of MC business amounting to ₩33,550 million is included as at December 31, 2021. Impairment loss on some exclusive facilities and individual assets related to automotive components businesses of LG Innotek Co., Ltd., are included in the amount of ₩47,193 million (2020: ₩143,487 million).



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(c) Line items including depreciation in the consolidated statements of profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Cost of sales	1,839,331	1,657,656
Selling and marketing expenses	239,083	224,644
Administrative expenses	145,251	130,937
Research and development expenses	75,158	76,203
Service costs	30,845	28,446
Other non-operating expenses	15,474	13,350
<b>Subtotal</b>	<b>2,345,142</b>	<b>2,131,236</b>
<b>Discontinued operations</b>	<b>33,881</b>	<b>69,576</b>
<b>Total</b>	<b>2,379,023</b>	<b>2,200,812</b>

(d) Changes of right-of-use assets for the years ended December 31, 2021 and 2020, are as follows:

		<b>2021</b>								
<i>(in millions of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>	<b>Tools</b>	<b>Equipment</b>	<b>Other</b>	<b>Construction -in-progress</b>	<b>Total</b>	
<b>At January 1</b>	225,017	624,050	635	1,227	3,069	10,349	101,810	53	966,210	
Acquisitions	75,973	267,301	1,871	2,184	109	7,292	47,957	-	402,687	
Acquisition from business combination	-	887	-	-	-	-	-	-	887	
Transfer-in (out)	-	2	-	-	-	-	-	(2)	-	
Disposals and others	(5,638)	(18,123)	(137)	(838)	(14)	(415)	(3,442)	-	(28,607)	
Depreciation	(38,761)	(229,932)	(835)	(760)	(1,206)	(5,441)	(64,761)	-	(341,696)	
Exchange differences	6,175	26,114	14	52	(1)	339	3,202	2	35,897	
<b>At December 31</b>	<b>262,766</b>	<b>670,299</b>	<b>1,548</b>	<b>1,865</b>	<b>1,957</b>	<b>12,124</b>	<b>84,766</b>	<b>53</b>	<b>1,035,378</b>	

  

		<b>2020</b>								
<i>(in millions of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>	<b>Tools</b>	<b>Equipment</b>	<b>Other</b>	<b>Construction -in-progress</b>	<b>Total</b>	
<b>At January 1</b>	220,692	544,259	1,025	686	4,316	7,583	96,885	45	875,491	
Acquisitions	44,981	349,678	632	1,144	129	8,247	65,196	169	470,176	
Transfer-in (out)	-	-	160	-	-	-	-	(160)	-	
Disposals and others	(2,188)	(24,315)	(520)	(118)	(137)	(311)	(7,087)	-	(34,676)	
Depreciation	(36,844)	(212,454)	(657)	(490)	(1,228)	(5,078)	(49,760)	-	(306,511)	
Exchange differences	(1,624)	(33,118)	(5)	5	(11)	(92)	(3,424)	(1)	(38,270)	
<b>At December 31</b>	<b>225,017</b>	<b>624,050</b>	<b>635</b>	<b>1,227</b>	<b>3,069</b>	<b>10,349</b>	<b>101,810</b>	<b>53</b>	<b>966,210</b>	

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the year ended December 31, 2021, was ₩9,144 million (2020: ₩8,651 million).

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(e) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Capitalized borrowing costs	2,793	3,287
Capitalization rate (%)	2.65	2.96

(f) Details of property, plant and equipment provided as collateral as at December 31, 2021 and 2020, are as follows:

i) Details of collateral provided for the Group

<b>December 31, 2021</b>					
<i>(in millions of Korean won)</i>	<b>Carrying amount</b>	<b>Secured amount</b>	<b>Related line item</b>	<b>Related amount</b>	<b>Secured party</b>
Land and buildings	86,907	165,238	Borrowings and others	157,460	Korea Development Bank and others

  

<b>December 31, 2020</b>					
<i>(in millions of Korean won)</i>	<b>Carrying amount</b>	<b>Secured amount</b>	<b>Related line item</b>	<b>Related amount</b>	<b>Secured party</b>
Land and buildings	197,738	157,608	Borrowings and others	208,381	Korea Development Bank and others

ii) Details of collateral provided for external parties

At the end of the reporting period, buildings were pledged as a collateral to guarantee the land lessor's obligation to Shinhan Bank and others, the mortgagee, within the secured amount of up to ₩14,040 million (2020: ₩14,040 million). The carrying amount of the pledged asset was ₩5,923 million as at December 31, 2021 (2020: ₩6,709 million).

### 13. Intangible assets

(a) Details of intangible assets as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs<sup>1</sup></b>	<b>Membership rights</b>	<b>Other</b>	<b>Construction-in-progress<sup>1</sup></b>	<b>Total</b>
<b>At December 31, 2021</b>							
Acquisition cost	886,581	907,218	3,163,905	53,446	1,464,811	746,555	7,222,516
Accumulated amortization and impairment losses	(637,985)	(454,057)	(2,618,301)	(640)	(1,040,142)	(28,142)	(4,779,267)
<b>Net book amount</b>	<b>248,596</b>	<b>453,161</b>	<b>545,604</b>	<b>52,806</b>	<b>424,669</b>	<b>718,413</b>	<b>2,443,249</b>
<b>At December 31, 2020</b>							
Acquisition cost	755,686	1,037,932	3,637,508	52,223	1,883,435	608,535	7,975,319
Accumulated amortization and impairment losses	(268,282)	(553,176)	(3,066,126)	(640)	(809,127)	(138,888)	(4,836,239)

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<b>Net book amount</b>	487,404	484,756	571,382	51,583	1,074,308	469,647	3,139,080
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<sup>1</sup> As at December 31, 2021, internally generated development costs are included in development costs and construction-in-progress amounting to ₩532,043 million and ₩360,556 million (2020: ₩466,382 million and ₩378,629 million), respectively.

(b) Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

**2021**

<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Membership rights</b>	<b>Other</b>	<b>Construction-in-progress</b>	<b>Total</b>
<b>At January 1</b>	487,404	484,756	571,382	51,583	1,074,308	469,647	3,139,080
Acquisitions	-	32	18,002	1,457	169,586	244,574	433,651
Acquisitions by internal development	-	-	-	-	-	195,601	195,601
Acquisitions due to business combination <sup>1</sup>	119,087	-	-	-	58,018	-	177,105
Reclassification from assets held for sale	-	410	21	-	-	-	431
Transfer-in(out)	-	110,144	250,683	-	26,795	(387,622)	-
Disposals and others	-	(52,598)	(7,767)	(324)	(2,335)	(30,433)	(93,457)
Decrease due to transfer of business	-	(461)	(403)	-	(189)	-	(1,053)
Amortization	-	(81,898)	(242,696)	-	(260,156)	-	(584,750)
Impairment losses <sup>2,3,4</sup>	(369,703)	(4,635)	(57,658)	-	(633,650)	(9,169)	(1,074,815)
Reclassification to assets held for sale	-	(1,940)	-	-	(23)	-	(1,963)
Others <sup>5</sup>	-	-	-	-	-	243,226	243,226
Exchange differences	11,808	(649)	14,040	90	(7,685)	(7,411)	10,193
<b>At December 31</b>	<b>248,596</b>	<b>453,161</b>	<b>545,604</b>	<b>52,806</b>	<b>424,669</b>	<b>718,413</b>	<b>2,443,249</b>

**2020**

<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Membership rights</b>	<b>Other</b>	<b>Construction-in-progress</b>	<b>Total</b>
<b>At January 1</b>	611,781	512,776	492,298	81,664	444,929	548,524	2,691,972
Acquisitions	-	168,591	23,413	75	53,822	69,114	315,015
Acquisitions by internal development	-	-	870	-	-	387,945	388,815
Acquisitions due to business combination <sup>6</sup>	112,922	-	-	-	29,945	-	142,867
Transfer-in(out)	-	-	428,009	492	48,048	(476,549)	-
Disposals and others	-	(54,069)	(2,582)	(30,552)	(802)	(8,214)	(96,219)
Amortization	-	(97,907)	(245,992)	(3)	(98,185)	-	(442,087)
Impairment losses <sup>2,3</sup>	(237,174)	(11,137)	(107,488)	(68)	(7,336)	(69,067)	(432,270)
Reclassification to assets held for sale	-	(33,688)	-	-	(123)	-	(33,811)
Others <sup>7</sup>	-	-	-	-	595,624	-	595,624
Exchange differences	(125)	190	(17,146)	(25)	8,386	17,894	9,174
<b>At December 31</b>	<b>487,404</b>	<b>484,756</b>	<b>571,382</b>	<b>51,583</b>	<b>1,074,308</b>	<b>469,647</b>	<b>3,139,080</b>

# LG Electronics

## Notes to the Consolidated Financial Statements

### December 31, 2021 and 2020

<sup>1</sup> In 2021, the Group recognized goodwill and other identifiable intangible assets arising from business combination with Cybellum Technologies Ltd. (Note 41).

<sup>2</sup> Some of separate cash-generating units under H&A, MC and VS segment, were tested for impairment as accumulation of operating losses has been experienced and a future downturn in sales is expected. And impairment loss of ₩732,480 million (H&A: ₩65,172 million, VS: ₩664,207million, BS: ₩3,101 million) (2020: ₩251,773 million) was recognized as 'other non-operating expenses'. This impairment loss was allocated to goodwill, industrial property rights and others of cash-generating units. The recoverable amount was measured at the higher of fair value less costs of disposal or value in use, and the fair value amount is categorized within 'level 3' of fair value hierarchy.

<sup>3</sup> As a result of an impairment test for all projects related to internally generated development costs and others, an impairment loss of development costs relating to certain projects determined to have less business value, amounting to ₩46,991 million, was recognized as other non-operating expenses.

<sup>4</sup> Impairment loss on intangible assets from discontinued operations of MC business amounting to ₩ 293,348 million is included as at December 31, 2021.

<sup>5</sup> Others include reclassification of long-term advances.

<sup>6</sup> In 2020, the Group recognized goodwill and identifiable intangible assets arising from business combination with Alphonso Inc.

<sup>7</sup> Others include reclassifications of licensed assets and others.

(c) Line items including amortization of intangible assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Cost of sales	366,145	260,115
Selling and marketing expenses	21,465	20,562
Administrative expenses	53,808	55,955
Research and development expenses	49,728	46,865
Service costs	2,588	1,393
Other non-operating expenses	23	-
<b>Subtotal</b>	<b>493,757</b>	<b>384,890</b>
<b>Discontinued operations</b>	<b>90,993</b>	<b>57,197</b>
<b>Total</b>	<b>584,750</b>	<b>442,087</b>

(d) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Capitalized borrowing costs	2,187	1,377
Capitalization rate (%)	2.90	2.87

(e) There are no intangible assets pledged as a collateral for borrowings at the end of the reporting period.

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(f) Impairment tests for goodwill

- i) Goodwill is allocated among the Group's cash generating units (CGUs) under each operating segment. At the end of the reporting period, an operating segment-level summary of goodwill allocation is presented below:

<i>(in millions of Korean won)</i>	<b>H&amp;A</b>	<b>HE</b>	<b>VS</b>	<b>Others</b>	<b>Total</b>
Goodwill	2,071	124,848	120,490	1,187	248,596

- ii) The recoverable amount of CGUs has been determined based on value-in-use or fair value less costs of disposal. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate for the industry in which the identified CGUs operate.
- iii) Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Value-in-use is measured by applying the discount rates according to the cash flows reflecting specific risks relating to the relevant CGUs by operating segments. Key assumptions used for calculating the value-in-use of major divisions are as follows:

	<b>H&amp;A</b>	<b>HE</b>	<b>VS</b>
Discount rates	13.5%	15.1%	14.8%
Nominal permanent growth rates	0.0%	0.0%	2.0%

- iv) The sensitivity analysis of the impairment test in case of changes in the key assumptions is as follows:

<i>(in millions of Korean won)</i>	<b>VS<sup>1</sup></b>	
	<b>1%p increase</b>	<b>1%p decrease</b>
Discount rates	144,449	(177,886)
Nominal permanent growth rates	(94,962)	77,574

<sup>1</sup> Amount of impairment loss on a separate cash-generating unit, ZKW Holding GmbH, its subsidiaries and related entities in VS segment would be impacted.

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(g) Research and development expenses

Research and development expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Uncapitalized research and development expenditures	3,396,750	3,030,627
Amortization from internally generated development costs	273,685	176,867
<b>Subtotal</b>	<b>3,670,435</b>	<b>3,207,494</b>
<b>Discontinued operations</b>	<b>276,076</b>	<b>628,142</b>
<b>Total</b>	<b>3,946,511</b>	<b>3,835,636</b>

**14. Investments in Associates and Joint Ventures**

(a) Investments in associates and joint ventures

i) Carrying amounts of investments in associates and joint ventures, as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Associates	5,099,208	4,416,616
Joint ventures	50,036	54,974
<b>Total</b>	<b>5,149,244</b>	<b>4,471,590</b>

ii) Investments in associates as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>				<b>December 31, 2020</b>			
	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Net asset amount</b>	<b>Unrealized gain</b>	<b>Carrying amount</b>
LG Display Co., Ltd.	679,218	4,972,517	(100,046)	4,872,471	679,218	4,321,404	(107,316)	4,214,088
Ericsson-LG Co., Ltd.	12,649	60,008	-	60,008	12,649	55,468	-	55,468
Hitachi-LG Data Storage Inc.(HLDS)	101,961	54,189	(1,482)	52,707	101,961	50,025	(1,203)	48,822
CCP-LGE OWNER, LLC	11,652	9,720	-	9,720	11,652	9,723	-	9,723
ROBOTIS Co., Ltd. <sup>1</sup>	9,000	8,639	-	8,639	9,000	8,396	-	8,396
Acryl Inc. <sup>1</sup>	2,000	1,128	-	1,128	2,000	1,376	-	1,376
Robostar Co., Ltd.	88,112	78,755	(1,722)	77,033	88,112	79,007	(1,064)	77,943
AiM Future, Inc.	800	993	-	993	800	800	-	800
Mirae Asset-LG Electronics New Growth Fund I	10,000	9,489	-	9,489	-	-	-	-
RINSE, INC <sup>1</sup>	7,030	7,020	-	7,020	-	-	-	-
<b>Total</b>	<b>922,422</b>	<b>5,202,458</b>	<b>(103,250)</b>	<b>5,099,208</b>	<b>905,392</b>	<b>4,526,199</b>	<b>(109,583)</b>	<b>4,416,616</b>

<sup>1</sup> The financial statements as at November 30, 2021 were used due to a different closing date.

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iii) Investments in joint ventures as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021				December 31, 2020			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	14,718	22,121	(278)	21,843	14,718	31,731	(429)	31,302
EIC PROPERTIES PTE LTD.	9,636	16,871	-	16,871	9,636	15,207	-	15,207
LG-MRI LLC	516	1,445	-	1,445	516	1,118	-	1,118
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-
LG-LHT Aircraft Solutions GmbH	22,984	4,441	-	4,441	12,039	2,724	-	2,724
LG-LHT Passenger Solutions GmbH	20,528	3,475	-	3,475	10,637	2,011	-	2,011
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	1,193	1,436	-	1,436	891	939	-	939
Alluto LLC	2,095	525	-	525	2,095	1,673	-	1,673
<b>Total</b>	<b>71,670</b>	<b>50,314</b>	<b>(278)</b>	<b>50,036</b>	<b>50,532</b>	<b>55,403</b>	<b>(429)</b>	<b>54,974</b>

(b) Associates and joint ventures

i) Associates as at December 31, 2021, are as follows:

<u>Name of associate</u>	<u>Location</u>	<u>Closing month</u>	<u>Percentage of ownership (%)</u>	<u>Nature of relationships with the Group</u>
LG Display Co., Ltd.	Korea	December	37.9	Production and supply of display products
Ericsson-LG Co., Ltd.	Korea	December	25.0	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	Production and supply of data storages
CCP-LGE OWNER, LLC <sup>1</sup>	USA	December	70.2	Solar power plant
ROBOTIS Co., Ltd. <sup>2</sup>	Korea	December	8.5	Production and sales of personal robot
Acryl Inc. <sup>2</sup>	Korea	December	13.6	Development and sales of software
Robostar Co., Ltd.	Korea	December	33.4	Production and sales of industrial robot
AiM Future, Inc. <sup>2</sup>	Korea	December	15.6	A.I. solution
Mirae Asset-LG Electronics New Growth Fund I	Korea	December	50.0	Investment in technology start ups
RINSE, INC. <sup>2</sup>	USA	December	11.9	Laundry service

<sup>1</sup> Classified as an associate although the percentage of ownership is more than 50% because the Group does not have the right to control by an agreement with other shareholders.

<sup>2</sup> Classified as an associate although the percentage of ownership is less than 20% because the Group can exercise a significant influence in the Board of Directors of the investee.

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ii) Joint ventures as at December 31, 2021, are as follows:

All joint arrangements, over which the Group has joint control, are structured through separate companies and are categorized as joint ventures as the parties with joint control are assumed to have rights to the net assets of the arrangement.

<b>Name of joint venture</b>	<b>Location</b>	<b>Closing month</b>	<b>Percentage of ownership (%)</b>	<b>Nature of relationships with the Group</b>
Arcelic-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	Real estate
LG-MRI LLC	USA	December	50.0	Production and supply of digital display products
Neolite ZKW Lightings PVT Ltd.	India	March	26.0	Production and sales of vehicle components
LG-LHT Aircraft Solutions GmbH	Germany	December	49.0	Production and sales of aircraft components
LG-LHT Passenger Solutions GmbH	Germany	December	49.0	Production and sales of aircraft components
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	China	December	35.0	Sales of electronic products
Allluto LLC <sup>1</sup>	USA	December	51.0	Automotive software license

<sup>1</sup> Classified as a joint venture although the percentage of ownership is more than 50% because the Group has joint control by a joint venture agreement.

iii) Above associates and joint ventures are accounted for using the equity method.



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(c) Changes in investments in associates and joint ventures

i) Changes in the carrying amounts of investments in associates for the years ended December 31, 2021 and 2020, are as follows:

*(in millions of Korean won)*

	2021								
	At Jan. 1	Acquisition	Share of profit(loss)	Other comprehensive income (excluding remeasurement)	Remeasurement component	Withdrawal of investments by dividend / capital reduction / liquidation and others	Changes in share of associates	Exchange differences	At Dec. 31
LG Display Co., Ltd.	4,214,088	-	454,787	265,548	(61,952)	-	-	-	4,872,471
Ericsson-LG Co., Ltd.	55,468	-	9,592	(17)	215	(5,250)	-	-	60,008
Hitachi-LG Data Storage Inc.(HLDS)	48,822	-	(180)	4,065	-	-	-	-	52,707
CCP-LGE OWNER, LLC	9,723	-	(838)	-	-	-	-	835	9,720
ROBOTIS Co.,Ltd.	8,396	-	(325)	568	-	-	-	-	8,639
Acryl Inc.	1,376	-	(309)	-	-	-	61	-	1,128
Robostar Co.,Ltd.	77,943	-	(1,125)	70	145	-	-	-	77,033
AiM Future, Inc.	800	-	17	-	-	-	176	-	993
Mirae Asset-LG Electronics New Growth Fund I	-	10,000	(511)	-	-	-	-	-	9,489
RINSE, INC.	-	7,030	(10)	-	-	-	-	-	7,020
<b>Total</b>	<b>4,416,616</b>	<b>17,030</b>	<b>461,098</b>	<b>270,234</b>	<b>(61,592)</b>	<b>(5,250)</b>	<b>237</b>	<b>835</b>	<b>5,099,208</b>

*(in millions of Korean won)*

	2020								
	At Jan. 1	Acquisition	Share of profit(loss)	Other comprehensive income (excluding remeasurement)	Remeasurement component	Withdrawal of investments by dividend / capital reduction / liquidation and others	Disposal	Exchange differences	At Dec. 31
LG Display Co., Ltd.	4,182,293	-	(25,024)	14,957	41,862	-	-	-	4,214,088
Ericsson-LG Co., Ltd.	52,716	-	10,733	103	166	(8,250)	-	-	55,468
Hitachi-LG Data Storage Inc.(HLDS)	48,510	-	1,222	(910)	-	-	-	-	48,822
Korea Information Certificate Authority Inc. <sup>1</sup>	5,518	-	235	(2)	-	(201)	(5,550)	-	-
One-Red, LLC	2,260	-	-	-	-	(2,260)	-	-	-
Kiwigrid GmbH <sup>2</sup>	7,873	-	(1,003)	(11)	-	(6,859)	-	-	-
CCP-LGE OWNER, LLC	11,288	-	(966)	-	-	-	-	(599)	9,723
ROBOTIS Co.,Ltd.	9,086	-	(606)	(84)	-	-	-	-	8,396
Acryl Inc.	1,799	-	(423)	-	-	-	-	-	1,376
Robostar Co.,Ltd.	84,224	-	(6,063)	3	(221)	-	-	-	77,943
AiM Future, Inc.	-	800	-	-	-	-	-	-	800
<b>Total</b>	<b>4,405,567</b>	<b>800</b>	<b>(21,895)</b>	<b>14,056</b>	<b>41,807</b>	<b>(17,570)</b>	<b>(5,550)</b>	<b>(599)</b>	<b>4,416,616</b>

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<sup>1</sup> The Group disposed all shares of Korea Information Certificate Authority Inc. for ₩12,409 million during the year ended December 31, 2020, and recognized gain on disposal of ₩6,899 million, net of related costs, in 'other non-operating income' (Note 33).

<sup>2</sup> Impairment loss amounting to ₩6,859 million recognized during the year ended December 31, 2020 was included.

ii) Changes in the carrying amounts of investments in joint ventures for the years ended December 31, 2021 and 2020, are as follows:

*(in millions of Korean won)*

	2021								
	At Jan. 1	Acquisition	Share of profit(loss)	Other comprehensive income (excluding remeasurement)	Remeasurement component	Withdrawal of investments by dividend / capital reduction / liquidation and others	Disposal	Exchange differences	At Dec. 31
Arcelic-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	31,302	-	5,812	(15,271)	-	-	-	-	21,843
EIC PROPERTIES PTE LTD.	15,207	-	297	1,367	-	-	-	-	16,871
LG-MRI LLC	1,118	-	515	-	-	(274)	-	85	1,444
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-	-
LG-LHT Aircraft Solutions GmbH	2,724	10,946	(9,215)	(13)	-	-	-	-	4,442
LG-LHT Passenger Solutions GmbH	2,011	9,891	(8,427)	-	-	-	-	-	3,475
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	939	302	64	131	-	-	-	-	1,436
Alluto LLC	1,673	-	(1,263)	-	-	-	-	115	525
<b>Total</b>	<b>54,974</b>	<b>21,139</b>	<b>(12,217)</b>	<b>(13,786)</b>	<b>-</b>	<b>(274)</b>	<b>-</b>	<b>200</b>	<b>50,036</b>

*(in millions of Korean won)*

	2020								
	At Jan. 1	Acquisition	Share of profit(loss)	Other comprehensive income (excluding remeasurement)	Remeasurement component	Withdrawal of investments by dividend / capital reduction / liquidation and others	Disposal	Exchange differences	At Dec. 31
LG HOLDINGS (HK) LIMITED <sup>1</sup>	88,301	-	(1,419)	531	-	-	(87,413)	-	-
Arcelic-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	31,333	-	9,286	(9,317)	-	-	-	-	31,302
EIC PROPERTIES PTE LTD.	15,696	-	165	(654)	-	-	-	-	15,207
LG-MRI LLC	1,216	-	325	-	-	(349)	-	(74)	1,118
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-	-
LG-LHT Aircraft Solutions GmbH	243	6,954	(4,611)	138	-	-	-	-	2,724
LG-LHT Passenger Solutions GmbH	1,600	6,084	(5,837)	164	-	-	-	-	2,011

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	2020								
	At Jan. 1	Acquisition	Share of profit(loss)	Other comprehensive income (excluding remeasurement)	Remeasurement component	Withdrawal of investments by dividend / capital reduction / liquidation and others	Disposal	Exchange differences	At Dec. 31
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	565	299	80	(5)	-	-	-	-	939
Alluto LLC	-	2,095	(271)	-	-	-	-	(151)	1,673
<b>Total</b>	<b>138,954</b>	<b>15,432</b>	<b>(2,282)</b>	<b>(9,143)</b>	<b>-</b>	<b>(349)</b>	<b>(87,413)</b>	<b>(225)</b>	<b>54,974</b>

<sup>1</sup> The Group disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the year ended December 31, 2020, and recognized gain on disposal of ₩640,124 million, net of related costs, in 'other non-operating income' (Note 33). The amount reclassified from accumulated other comprehensive income and included in gain on disposal was ₩7,593 million.

(d) Summarized financial information of the associates that are material to the reporting entity as at December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020, is as follows:

- LG Display Co., Ltd. and its subsidiaries

(in millions of Korean won)	December 31, 2021	December 31, 2020
Current assets	13,187,067	11,099,470
Non-current assets	24,967,448	23,972,053
<b>Total assets</b>	<b>38,154,515</b>	<b>35,071,523</b>
Current liabilities	13,994,817	11,006,948
Non-current liabilities	9,397,197	11,327,637
<b>Total liabilities</b>	<b>23,392,014</b>	<b>22,334,585</b>
Equity attributable to owners of LG Display Co., Ltd.	13,118,855	11,401,042
Non-controlling interests	1,643,646	1,335,896
<b>Total equity</b>	<b>14,762,501</b>	<b>12,736,938</b>

(in millions of Korean won)	2021	2020
Net sales	29,878,043	24,230,124
Profit (loss) for the year	1,328,033	(70,636)
Equity attributable to owners of LG Display Co., Ltd.		
Profit (loss) for the year	1,180,671	(89,342)
Other comprehensive income, net of tax	537,141	149,071
Total comprehensive income, net of tax	1,717,812	59,729

There are no dividends received from LG Display Co., Ltd. for the years ended December 31, 2021 and 2020.

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- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the years ended December 31, 2021 and 2020, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Opening equity attributable to owners of LG Display Co., Ltd.	11,401,043	11,340,483
Profit (loss) for the year	1,180,671	(89,342)
Other comprehensive income, net of tax	537,141	149,071
Dividends	-	-
Others	-	830
Closing equity attributable to owners of LG Display Co., Ltd.	13,118,855	11,401,042
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	4,972,517	4,321,404
Unrealized gain	(100,046)	(107,316)
<b>Carrying amount at the end of the reporting period</b>	<b>4,872,471</b>	<b>4,214,088</b>

- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>		<b>2020</b>	
	<b>Associates</b>	<b>Joint ventures</b>	<b>Associates</b>	<b>Joint ventures</b>
Profit(loss) for the year	7,391	(12,368)	3,286	(1,918)
Other comprehensive income (loss), net of tax	5,050	(13,786)	(950)	(16,738)
<b>Total comprehensive income(loss), net of tax</b>	<b>12,441</b>	<b>(26,154)</b>	<b>2,336</b>	<b>(18,656)</b>

- (g) There is no accumulated unrecognized change in equity due to discontinued use of the equity method for the years ended December 31, 2021 and 2020.

- (h) Details of marketable investments in associates as at December 31, 2021 and 2020, are as follows:

	<b>Type</b>	<b>December 31, 2021</b>			
		<b>Shares held (Unit: shares)</b>	<b>Price per share (Unit: Korean won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	24,600	3,336,375	4,872,471
Robostar Co.,Ltd	Associate	3,256,500	26,550	86,460	77,033
ROBOTIS Co.,Ltd.	Associate	961,550	24,700	23,750	8,639

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	December 31, 2020				
	Type	Shares held (Unit: shares)	Price per share (Unit: Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	18,550	2,515,844	4,214,088
Robostar Co.,Ltd	Associate	3,256,500	19,250	62,688	77,943
ROBOTIS Co.,Ltd.	Associate	961,550	13,750	13,221	8,396

**15. Investment Properties**

(a) Details of investment properties as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021		
	Land	Buildings	Total
<b>At December 31, 2021</b>			
Acquisition cost	194	817	1,011
Accumulated depreciation	-	(641)	(641)
<b>Net book amount</b>	194	176	370

<i>(in millions of Korean won)</i>	December 31, 2020		
	Land	Buildings	Total
<b>At December 31, 2020</b>			
Acquisition cost	194	817	1,011
Accumulated depreciation	-	(632)	(632)
<b>Net book amount</b>	194	185	379

(b) Changes in investment properties for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		
	Land	Buildings	Total
<b>At January 1</b>	194	185	379
Acquisition and others	-	-	-
Depreciation	-	(9)	(9)
<b>At December 31</b>	194	176	370

<i>(in millions of Korean won)</i>	2020		
	Land	Buildings	Total
<b>At January 1</b>	194	97	291
Acquisition and others	-	97	97
Depreciation	-	(9)	(9)
<b>At December 31</b>	194	185	379

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- (c) The fair value of investment property is valued by an independent professional appraiser with certified qualification or determined based on the evaluation reflecting official land value or recently available transaction price of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment property as at December 31, 2021, is ₩505 million (December 31, 2020: ₩506 million).
- (d) Rental income amounting to ₩127 million (2020: ₩353 million) and rental expenses amounting to ₩132 million (2020: ₩357 million) are recognized in the consolidated statements of profit or loss relating to the investment properties for the year ended December 31, 2021.
- (e) There are no gains on disposal recognized relating to investment properties for the year ended December 31, 2021. Gains on disposal amounting to ₩20 million are recognized relating to investment properties for the year ended December 31, 2020.
- (f) At the end of the reporting period, the Group assumes obligation for repairs and maintenance of investment property owned by the Group.

**16. Borrowings**

- (a) Carrying amounts of borrowings as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current</b>		
Short-term borrowings	330,086	196,774
Current portion of long-term borrowings	856,648	553,515
Current portion of debentures	708,866	699,846
<b>Subtotal</b>	<b>1,895,600</b>	<b>1,450,135</b>
<b>Non-current</b>		
Long-term borrowings	3,142,863	3,528,600
Debentures	4,893,090	4,941,020
<b>Subtotal</b>	<b>8,035,953</b>	<b>8,469,620</b>
<b>Total</b>	<b>9,931,553</b>	<b>9,919,755</b>

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(b) Details of borrowings as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at September 30, 2021(%)	Carrying amount	
			September 30, 2021	December 31, 2020
<b>Short-term borrowings in local currency</b>				
Nonghyup Bank and others <sup>1</sup>	-	0.18 ~ 3.64	24,869	-
<b>Short-term borrowings in foreign currency</b>				
Citibank and others <sup>1</sup>	-	0.40 ~ 6.17	305,217	196,774
<b>Long-term borrowings in local currency</b>				
Korea Development Bank and others	2035. 1. 9	2.11 ~ 3.50	2,213,607	2,671,263
<b>Long-term borrowings in foreign currency</b>				
Hana Bank and others	2031. 7.28	0.75 ~ 4.10	1,785,904	1,410,852
<b>Local currency debentures</b>				
Public, non-guaranteed bonds	2036. 5. 4	1.33 ~ 4.44	3,880,000	4,050,000
Private, non-guaranteed bonds	2041. 2. 9	1.99 ~ 4.21	1,080,000	990,000
<b>Foreign currency debentures</b>				
Private, non-guaranteed bonds	2028. 6. 8	0.96 ~ 1.82	460,668	425,191
Private, guaranteed bonds	2026.10.26	0.18 ~ 1.22	193,509	188,224
Less: discount on debentures			(12,221)	(12,549)
<b>Total</b>			<b>9,931,553</b>	<b>9,919,755</b>

<sup>1</sup> It includes short-term borrowings collateralized by trade receivables as at December 31, 2021.

The Group entered into interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rates and foreign exchange rates of some of these borrowings (Note 40).

The principal and interests of certain private guaranteed bonds (the company and LG Innotek Co., Ltd.) are guaranteed by Shinhan Bank (Note 37).

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**17. Lease Liabilities**

(a) Details of lease liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Lease liabilities</b>		
Current	292,526	276,632
Non-current	662,896	585,428
<b>Total</b>	<b>955,422</b>	<b>862,060</b>

(b) The amounts, relating to leases, recognized in the consolidated statements of profit or loss for years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Continuing operations</b>		
Interest expense relating on lease liabilities	31,104	28,710
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	60,499	56,694
Payments for leases of low-value assets that are not short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	27,548	27,225
Expense relating to variable lease payments not included in the measurement of lease liabilities (included in selling and marketing expenses, administrative expenses, and others)	115,815	94,710
<b>Subtotal</b>	<b>234,966</b>	<b>207,339</b>
<b>Discontinued operations</b>	<b>8,130</b>	<b>9,621</b>
<b>Total</b>	<b>243,096</b>	<b>216,960</b>

Depreciation of right-of-use assets is stated in 'Note 12'.

Total expenses for leases including short-term leases and leases of low-value assets are ₩543,786 million (2020: ₩508,143 million).



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**18. Other Payables**

Details of other payables as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current</b>		
Non-trade payables	3,177,650	2,693,516
Accrued expenses	886,499	853,436
Dividends payable	279	255
Leasehold deposits received	12,993	8,761
<b>Subtotal</b>	<b>4,077,421</b>	<b>3,555,968</b>
<b>Non-current</b>		
Non-trade payables	116,021	62,293
Leasehold deposits received	309	843
<b>Subtotal</b>	<b>116,330</b>	<b>63,136</b>
<b>Total</b>	<b>4,193,751</b>	<b>3,619,104</b>

**19. Current and Deferred Income Tax**

**Income tax expense**

(a) Details of income tax expense) for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Current income taxes</b>		
Current tax on profits for the year	954,697	735,787
Adjustments in respect of prior years	(20,341)	(110,772)
<b>Deferred income taxes</b>		
Changes in temporary differences	(410,284)	(154,733)
Changes in tax credit carryforwards	33,094	(143,543)
Changes in tax loss carryforwards	(502)	65,114
<b>Income tax expense</b>	<b>556,664</b>	<b>391,853</b>
Continuing operations	978,562	596,410
Discontinued operations	(421,898)	(204,557)

(b) The reconciliation between profit before income tax and income tax expense for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Continuing operations	3,543,395	3,343,346
Discontinued operations	(1,571,759)	(887,703)
<b>Profit(Loss) before income tax</b>	<b>1,971,636</b>	<b>2,455,643</b>

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<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Tax expense based on applicable tax rate <sup>1</sup>	538,458	551,660
Income not subject to tax	(74,661)	(59,757)
Expenses not deductible for tax purposes	105,161	89,028
Tax credits/exemptions	(207,680)	(305,568)
Adjustments in respect of prior years	(20,341)	(110,772)
Changes in unrecognized deferred tax assets	168,425	83,082
Tax effect on investment in subsidiaries and associates	47,352	145,429
Tax effect on deferred tax due to changes in tax rates	(50)	(1,249)
<b>Income tax expense</b>	<b>556,664</b>	<b>391,853</b>
Continuing operations	978,562	596,410
Discontinued operations	(421,898)	(204,557)
Effective tax rate	28.2%	16.0%

<sup>1</sup> The applicable tax rate, calculated using the weighted average statutory tax rates applicable to each entity within the Group to the profit before tax of the Group is 27.3% (2020: 22.5%) for the year ended December 31, 2021. The applicable tax rate has decreased due to changes in the proportions of each entity's profit (loss) before income tax.

**Deferred income tax**

(a) Deferred tax assets and deferred tax liabilities after offsetting as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	876,658	1,026,029
Deferred tax asset to be recovered after more than 12 months	3,278,364	2,282,737
<b>Deferred tax assets before offsetting</b>	<b>4,155,022</b>	<b>3,308,766</b>
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	402,208	129,288
Deferred tax liability to be settled after more than 12 months	1,704,156	1,639,455
<b>Deferred tax liabilities before offsetting</b>	<b>2,106,364</b>	<b>1,768,743</b>
<b>Deferred tax assets after offsetting</b>	<b>2,085,710</b>	<b>1,668,430</b>
<b>Deferred tax liabilities after offsetting</b>	<b>37,052</b>	<b>128,407</b>

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(b) Changes in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021					
	At January 1	Business combination	Charged (credited) to the statements of profit or loss	Charged (credited) to other comprehensive income	Exchange differences	At December 31
Changes in temporary differences						
Investments in subsidiaries, associates and joint ventures	(402,589)	(38,105)	(6,426)	1,986	-	(445,134)
Property, plant and equipment	141,866	103,919	-	(2,748)	-	243,037
Accrued expenses	523,849	146,356	-	(7,507)	(151)	662,547
Provisions	219,459	436,332	-	(3,078)	-	652,713
Other	495,917	(238,218)	(29,299)	(52,476)	(13,193)	162,731
<b>Subtotal</b>	<b>978,502</b>	<b>410,284</b>	<b>(35,725)</b>	<b>(63,823)</b>	<b>(13,344)</b>	<b>1,275,894</b>
Tax credit carryforwards	717,045	(33,094)	-	-	-	683,951
Tax loss carryforwards	88,572	502	-	(261)	-	88,813
<b>Deferred tax assets(liabilities)</b>	<b>1,784,119</b>	<b>377,692</b>	<b>(35,725)</b>	<b>(64,084)</b>	<b>(13,344)</b>	<b>2,048,658</b>

<i>(in millions of Korean won)</i>	2020					
	At January 1	Business combination	Charged (credited) to the statements of profit or loss	Charged (credited) to other comprehensive income	Exchange differences	At December 31
Changes in temporary differences						
Investments in subsidiaries, associates and joint ventures	(430,939)	-	23,326	5,561	(537)	(402,589)
Property, plant and equipment	58,592	-	88,036	-	(4,762)	141,866
Accrued expenses	439,359	-	89,247	-	(4,757)	523,849
Provisions	211,537	-	9,130	-	(1,208)	219,459
Other	534,017	(8,224)	(55,006)	21,420	3,710	495,917
<b>Subtotal</b>	<b>812,566</b>	<b>(8,224)</b>	<b>154,733</b>	<b>26,981</b>	<b>(7,554)</b>	<b>978,502</b>
Tax credit carryforwards	573,502	-	143,543	-	-	717,045
Tax loss carryforwards	153,955	-	(65,114)	-	(269)	88,572
<b>Deferred tax assets(liabilities)</b>	<b>1,540,023</b>	<b>(8,224)</b>	<b>233,162</b>	<b>26,981</b>	<b>(7,823)</b>	<b>1,784,119</b>

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(c) Tax effects directly recognized in other comprehensive income directly for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021			2020		
	Before tax	Tax effects	After tax	Before tax	Tax effects	After tax
Remeasurements of the net defined benefit liability	4,292	(4,098)	194	(197,065)	51,487	(145,578)
Cash flow hedges	89,804	(23,706)	66,098	(44,658)	11,240	(33,418)
Financial assets at fair value through other comprehensive income	(16,826)	1,697	(15,129)	9,154	(521)	8,633
Exchange differences on translation of foreign operations	668,045	(9,618)	658,424	298,939	(2,595)	296,344
<b>Total</b>	<b>745,315</b>	<b>(35,725)</b>	<b>709,587</b>	<b>66,370</b>	<b>59,611</b>	<b>125,981</b>

(d) Details of deductible (taxable) temporary differences and tax credit carryforwards unrecognized as deferred tax assets (liabilities) as at December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	Amount	Remark
Taxable temporary difference (investment in subsidiaries)	(9,609,129)	Planned permanent reinvestment of undistributed profit
Deductible temporary difference (investment in subsidiaries)	2,302,958	Unlikely to reverse (disposed of) in the foreseeable future
Tax credit carryforwards <sup>1</sup>	516,188	Uncertainty of future taxable profit
Loss carryforwards <sup>2</sup>	41,526	Uncertainty of future taxable profit

<sup>1</sup> Unrecognized tax credit carryforwards as at December 31, 2021 will be expired from 2026.

<sup>2</sup> Unrecognized loss carryforwards as at December 31, 2021 will be expired from 2023

## 20. Post-employment Benefits

### Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Present value of funded obligations	4,200,364	3,980,162
Present value of unfunded obligations	52,362	48,985
<b>Subtotal</b>	<b>4,252,726</b>	<b>4,029,147</b>
Fair value of plan assets	(4,056,627)	(3,540,730)
<b>Net defined benefit liabilities<sup>1</sup></b>	<b>196,099</b>	<b>488,417</b>

<sup>1</sup> Net defined benefit assets are included.

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(b) The amounts recognized in the consolidated statements of profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Current service cost	427,432	392,630
Past service cost	203	(8)
Net interest cost	11,373	13,871
Operating management cost	2,992	2,841
<b>Total</b>	<b>442,000</b>	<b>409,334</b>

(c) Line items in which expenses are included for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Cost of sales	218,521	192,448
Selling and marketing expenses	70,137	59,253
Administrative expenses	26,764	25,631
Research and development expenses	72,472	65,301
Service costs	28,644	25,220
<b>Subtotal</b>	<b>416,538</b>	<b>367,853</b>
<b>Discontinued operations</b>	<b>25,462</b>	<b>41,481</b>
<b>Total</b>	<b>442,000</b>	<b>409,334</b>

(d) Movements in the present value of defined benefit obligations for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>At January 1</b>	<b>4,029,147</b>	<b>3,628,727</b>
Current service cost	427,432	392,630
Past service cost	203	(8)
Interest cost	97,075	81,427
Remeasurements for:		
- Actuarial loss(gain) arising from changes in demographic assumptions	35,019	3,737
- Actuarial loss(gain) arising from changes in financial assumptions	(157,137)	(43,851)
- Actuarial loss(gain) arising from experience adjustments	94,476	136,873
Benefits paid	(273,706)	(164,399)
Increase due to business combination	-	140
Decrease due to plan liquidation and other	(753)	(256)
Others <sup>1</sup>	970	(5,873)
<b>At December 31</b>	<b>4,252,726</b>	<b>4,029,147</b>

<sup>1</sup> Others include effects of exchange rate changes.

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- (e) Movements in the fair value of plan assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>At January 1</b>	3,540,730	3,035,798
Interest income	85,702	67,556
Remeasurements of plan assets	(23,350)	(4,326)
Employer contributions	611,110	562,051
Benefits paid	(155,857)	(116,541)
Operating management cost	(2,992)	(2,841)
Others <sup>1</sup>	1,284	(967)
<b>At December 31</b>	<b>4,056,627</b>	<b>3,540,730</b>

<sup>1</sup> Others include effects of exchange rate changes.

- (f) The significant actuarial assumptions used as at December 31, 2021 and 2020, are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Weighted average of discount rate of the Group	2.9%	2.4%
Weighted average of expected salary growth rate of the Group	5.0%	4.9%

As at December 31, 2021, the discount rates applied to the Parent Company and subsidiaries are within the range of 0.1% and 7.9% (2020: 0.2% and 9.8%), and the expected salary growth rates are within the range of 1.0% and 10.0% (2020: 1.0% and 10.0%).

- (g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at December 31, 2021, is as follows:

<i>(in millions of Korean won)</i>	<b>1%p increase</b>	<b>1%p decrease</b>
Discount rate	(388,071)	451,411
Expected salary growth rate	430,472	(385,374)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations.

- (h) Plan assets consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Amount</b>	<b>Composition (%)</b>	<b>Amount</b>	<b>Composition (%)</b>
Securities combined with derivatives (guaranteed)	1,686,270	41.6	1,494,575	42.2
Time deposits and others	2,370,357	58.4	2,046,155	57.8
<b>Total</b>	<b>4,056,627</b>	<b>100.0</b>	<b>3,540,730</b>	<b>100.0</b>

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Most of plan assets are invested in the assets with the quoted prices in an active market.

- (i) The weighted average duration of the defined benefit obligations is 10.4 years. Expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

<i>(in millions of Korean won)</i>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>5 to 10 years</b>	<b>Over 10 years</b>	<b>Total</b>
Pension benefits	190,866	226,276	749,207	1,397,363	3,680,968	6,244,680

The Group evaluates the fund contribution level annually, and if there is a shortfall in the funds, the Group has a policy to finance the funds. Expected contributions to post-employment benefit plans for the year ending December 31, 2022, are ₩314,463 million.

**Defined Contribution Plan**

The expense recognized in relation to defined contribution plan for the year ended December 31, 2021 was ₩16,292 million (2020: ₩16,449 million).

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**21. Provisions**

(a) Changes in provisions for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>			
	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	966,233	47,038	182,508	1,195,779
Additions <sup>1</sup>	2,617,243	5,631	43,625	2,666,499
Utilization	(829,762)	(2,492)	(65,862)	(898,116)
Decrease due to transfer of business	(2,383)	-	-	(2,383)
Exchange differences	15,760	303	5,167	21,230
<b>At December 31</b>	<b>2,767,091</b>	<b>50,480</b>	<b>165,438</b>	<b>2,983,009</b>
Current	2,559,658	32,250	17,376	2,609,284
Non-current	207,433	18,230	148,062	373,725

<i>(in millions of Korean won)</i>	<b>2020</b>			
	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	878,555	38,444	166,001	1,083,000
Additions <sup>1</sup>	934,459	10,053	69,328	1,013,840
Utilization	(833,766)	(1,186)	(41,291)	(876,243)
Exchange differences	(13,015)	(273)	(11,530)	(24,818)
<b>At December 31</b>	<b>966,233</b>	<b>47,038</b>	<b>182,508</b>	<b>1,195,779</b>
Current	883,461	21,476	6,072	911,009
Non-current	82,772	25,562	176,436	284,770

<sup>1</sup> Net amount of additional provisions equals to additional provisions less reversed amounts.

(b) Greenhouse Gas Emission Liabilities

As at December 31, 2021, emission rights received free of charge for each reporting period and greenhouse gas emission estimated by management, are as follows:

<i>(in tons)</i>	<b>2021</b>	<b>2022</b>
Emission rights received free of charge <sup>1</sup>	1,345,108	1,345,108

<sup>1</sup> Emission rights received free of charge are defined as allowed amount of emissions that can be released, allocated by the Korean government for free in accordance with 'Act on the Allocation and Trading of Greenhouse-Gas Emission Permits' of the Republic of Korea.

In 2021, there was no emission right that the Group additionally purchased from the market and there was no recognized emission liability as greenhouse gas emission estimated by management was 816,062 tons.



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**22. Other Liabilities**

Other liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current</b>		
Advances from customers	712,624	526,791
Withholding	558,309	601,015
Accrued expenses	2,874,788	2,289,402
Other	311	210
<b>Subtotal</b>	<b>4,146,032</b>	<b>3,417,418</b>
<b>Non-current</b>		
Accrued expenses	226,407	211,264
Other	2,129	2,937
<b>Subtotal</b>	<b>228,536</b>	<b>214,201</b>
<b>Total</b>	<b>4,374,568</b>	<b>3,631,619</b>

**23. Paid-in Capital**

(a) As at December 31, 2021 and 2020, the number of shares authorized is 600 million.

	<b>Par value per share</b>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
		<b>Number of shares issued</b>	<b>Amount (in millions of Korean won)</b>	<b>Number of shares issued</b>	<b>Amount (in millions of Korean won)</b>
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
<b>Total</b>		<b>180,833,806</b>	<b>904,169</b>	<b>180,833,806</b>	<b>904,169</b>

The preferred shareholders have no voting rights and are entitled to preferred dividends at a rate of one percentage point over that of ordinary shares. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have same rights on the remaining assets as ordinary shareholders. Repayment and conversion are not applicable to preferred shares.

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- (b) Share premium balance as at December 31, 2021, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

**24. Retained Earnings and Dividends**

- (a) Retained earnings as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Legal reserves <sup>1</sup>	231,218	209,524
Discretionary reserves	5,569,863	4,660,573
Unappropriated retained earnings	8,632,506	8,782,740
<b>Total</b>	<b>14,433,587</b>	<b>13,652,837</b>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Parent Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for the payment of cash dividends, but may be transferred to share capital or used to reduce accumulated deficit.

- (b) Dividends of the Parent Company

Details of dividends per share and a total dividend in respect of the year ended December 31, 2021, which is to be proposed at the annual general meeting on March 24, 2022, are as follows. These consolidated financial statements do not reflect this dividend payable.

<i>(Unit: shares)</i>	<b>2021</b>		<b>2020</b>	
	<b>Ordinary shares</b>	<b>Preferred shares</b>	<b>Ordinary shares</b>	<b>Preferred shares</b>
Outstanding shares	163,647,814	17,185,992	163,647,814	17,185,992
Treasury shares	(763,176)	(4,693)	(763,176)	(4,692)
Numbers of shares for dividend	162,884,638	17,181,299	162,884,638	17,181,300
Par value <i>(in Korean won)</i>	5,000	5,000	5,000	5,000
Dividend rate	17%	18%	24%	25%
Dividends per share <i>(in Korean won)</i>	850	900	1,200	1,250
Total dividend amount <i>(in millions of Korean won)</i>	138,452	15,463	195,462	21,477
Dividend payout ratio <sup>1</sup> (Dividends/Net profit)	-	-	16%	2%
Stock price <sup>2</sup> <i>(in Korean won)</i>	135,800	65,460	112,050	49,638
Dividend yield ratio (Dividend per share/Market price)	0.63%	1.37%	1.07%	2.52%

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<sup>1</sup> Dividend payout ratio is calculated based on the net profit of the Parent Company. It is not calculated for the year ended December 31, 2021 due to the net loss of the Parent Company.

<sup>2</sup> Average of prices in the stock market for one week preceding the two business days before the record date of the shareholders' list for the general meeting of shareholders related to above dividends.

#### 25. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accumulated share of other comprehensive loss of associates and joint ventures	88,013	(168,435)
Cash flow hedge	(36,660)	(101,756)
Financial assets at fair value through other comprehensive income	7,360	22,482
Exchange differences on translation of foreign operations	(1,177,626)	(1,747,133)
<b>Subtotal</b>	<b>(1,118,913)</b>	<b>(1,994,842)</b>
Accumulated other comprehensive income held for sale	12,299	(3,079)
<b>Subtotal</b>	<b>12,299</b>	<b>(3,079)</b>
<b>Total</b>	<b>(1,106,614)</b>	<b>(1,997,921)</b>

#### 26. Other Components of Equity

Other components of equity as at December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Treasury shares <sup>1</sup>	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group and others <sup>2</sup>	(55,859)	(176,945)
<b>Total</b>	<b>(88,678)</b>	<b>(209,764)</b>

<sup>1</sup> The Parent Company has treasury shares consisting of 763,176 ordinary shares (December 31, 2020: 763,176 shares) and 4,693 preferred shares (December 31, 2020: 4,692 shares) at the end of the reporting period. The Parent Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

<sup>2</sup> Included gain (loss) from transactions with non-controlling interests and other reserves of subsidiaries net of deferred taxes.

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**27. Share-based Payments**

(a) On December 31, 2020, the Group acquired Alphonso Inc., which had granted share options to directors and selected employees. Details are as follows:

- Type of shares issued through share option: registered share capital
- Grant method: issuance of shares
- Vesting condition and exercisable period:
  - The options are exercisable if the directors and employees have been completed service in Alphonso Inc. and its subsidiary for five years after the grant date. Five years after the grant date, 100% of originally issued number of shares are exercisable. (But for retiree with service period over one year and less than five years, only the number of vested shares is exercisable.)

On December 31, 2021, the Group acquired Cybellum Technologies Ltd., which had granted share options to directors and selected employees. Details are as follows:

- Type of shares issued through share option: registered share capital
- Grant method: issuance of shares
- Vesting condition and exercisable period:
  - The options are exercisable if the directors and employees have been completed service in Cybellum Technologies Ltd. and its subsidiary for one year after the grant date. Four years after the grant date, 100% of originally issued number of shares are exercisable. (But for retiree with service period over one year and less than four years, only the number of vested shares is exercisable.)

(b) The number of share options granted to employees by Alphonso Inc. as at December 31, 2021 is as follows :

<u>Expected expiry date</u>	<u>Number of granted shares (Unit : shares)<sup>1</sup></u>	<u>Number of vested shares (Unit : shares)</u>	<u>Exercise price per share (in USD)</u>
2023	7,900	7,900	0.01
2027	34,884	28,292	0.18
	98,848	45,375	0.67
2028	1,650	650	0.50
	52,937	23,065	0.67
2029	99,424	49,469	0.50
	46,161	13,912	0.54
	500	66	0.67
2030	10,875	3,225	0.42
	113,029	18,376	0.54
2031	6,000	1,364	0.42
	1,292,451	73,666	1.82
<b>Total</b>	<b>1,764,659</b>	<b>265,360</b>	

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<sup>1</sup>During 2021, share options of 1,340,364 shares were newly granted, and the type of shares to be issued, grant method and vesting condition and exercisable period are the same as the previously granted share options. The Group measured the cost of the share options using the Black-scholes model.

The Group recognized ₩8,813 million that was measured at fair value using the binomial model approach for above share option as at the acquisition date (Note 41).

The number of share options granted to employees by Cybellum Technologies Ltd. as at December 31, 2021 is as follows :

<b>Expected expiry date</b>	<b>Number of granted shares (Unit : shares)</b>	<b>Number of vested shares (Unit : shares)</b>	<b>Exercise price per share (in USD)</b>
2026	1,101	1,101	30.75
2027	484	484	30.75
2028	357	357	30.75
2029	246	246	30.75
2030	7,263	3,801	14.58
2031	5,444	290	14.22
<b>Total</b>	<b>14,895</b>	<b>6,279</b>	

The Group recognized ₩4,348 million that was measured at fair value using the binomial model approach for above share option as at the acquisition date and recognized the share-based payments of ₩456 million after the acquisition date (Note 41).

(c) Changes in unexercised share options

Changes in the number of Alphonso Inc.'s unexercised share options outstanding and their related weighted average exercise prices for the year ended December 31, 2021, are as follows:

	<b>Number of shares (Unit : shares)</b>	<b>Exercise price (in USD)</b>
Beginning unexercised balance	764,663	0.52
Expired	(37,806)	0.61
Exercised	(302,562)	0.66
Increase (newly granted)	1,340,364	1.81
Ending unexercised balance	1,764,659	1.48
Exercisable at the end of the reporting period	265,360	0.86

The weighted average remaining contractual maturity of share options outstanding is 9.3 years and 8.2 years as at December 31, 2021 and 2020, respectively.

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**28. Net Sales**

(a) Details of net sales for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Revenue from contracts with customers:		
Sales of goods	72,759,199	56,403,612
Rendering of services	1,195,026	954,734
Royalty income	94,212	80,867
<b>Subtotal</b>	<b>74,048,437</b>	<b>57,439,213</b>
Revenue from other sources:		
Rental income and others	673,192	618,695
<b>Subtotal</b>	<b>74,721,629</b>	<b>58,057,908</b>
<b>Discontinued operations</b>	<b>1,791,737</b>	<b>5,204,138</b>
<b>Total</b>	<b>76,513,366</b>	<b>63,262,046</b>

(b) Details of revenue from contracts with customers for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
By type of products:		
Refrigerator/ washing machine/ air conditioner and others	26,446,306	21,665,614
TV/AV and others	17,201,365	13,169,909
In-vehicle infotainment and others	7,192,034	5,792,906
Monitor/PC and others	6,957,190	6,007,433
Camera module and others	14,949,502	9,632,249
Others	2,267,816	2,051,049
Inter-segment transactions	(965,776)	(879,947)
By major geographical market <sup>1</sup> :		
Korea	26,955,759	21,121,929
North America	17,716,417	12,664,074
Asia	6,667,201	5,806,644
Europe	12,012,075	9,181,239
South America	3,284,600	2,567,691
Middle East & Africa	2,779,506	2,213,986
China	2,600,818	2,221,586
Russia and others	2,032,061	1,662,064
Timing of transfer:		
Transferred at a point in time	71,803,934	55,579,843
Transferred over time	2,244,503	1,859,370
<b>Total</b>	<b>74,048,437</b>	<b>57,439,213</b>

<sup>1</sup> Sales by major geographical market are the sales by region in which the Group is located.

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(c) Changes in the estimates of total revenue and total contract costs

Due to the factors causing the changes in costs of VS and other segments in 2021, the estimated total contract revenue and costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the year ended December 31, 2021 and the succeeding period are as follows:

<i>(in millions of Korean won)</i>	<b>Changes in estimated total contract revenue</b>	<b>Changes in estimated total contract cost</b>	<b>Impact on profit or loss for the year</b>	<b>Impact on profit or loss for the succeeding year</b>
VS	40,565	42,331	(817)	(949)
Other segments	113,201	79,435	22,987	10,779
<b>Total</b>	<b>153,766</b>	<b>121,766</b>	<b>22,170</b>	<b>9,830</b>

**29. Expenses by Nature**

Expenses that are recorded by nature for the years ended December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Changes in finished goods and work-in-process	(1,595,265)	(938,453)
Raw materials and merchandise used	46,781,593	34,299,001
Employee benefit expense	8,542,414	7,362,646
Depreciation and amortization	2,823,411	2,502,785
Advertising expense	1,473,861	1,039,956
Promotion expense	511,805	485,680
Freight expense	3,202,050	1,974,411
Commission expense	3,994,348	3,385,850
Other expenses	5,123,638	4,040,924
<b>Subtotal<sup>1</sup></b>	<b>70,857,855</b>	<b>54,152,800</b>
<b>Discontinued operations</b>	<b>2,934,158</b>	<b>5,914,259</b>
<b>Total</b>	<b>73,792,013</b>	<b>60,067,059</b>

<sup>1</sup> Cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and service costs are included.

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**30. General Operating Expenses (Selling and Marketing Expenses, Administrative Expenses, Research and Development Expenses, and Service Costs)**

Details of general operating expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Salaries	3,371,443	2,806,514
Post-employment benefits	207,051	205,146
Employee welfare benefits	720,574	619,058
Freight expense	3,183,167	1,959,030
Rental expense	78,196	78,759
Commission expense	2,732,367	2,341,856
Depreciation	490,346	460,239
Amortization	127,589	124,775
Advertising expense	1,473,861	1,039,955
Promotional expense	511,805	485,680
R&D expense	322,384	291,028
Direct service costs	1,401,146	665,628
Bad debts expense	(26,672)	4,764
Others	415,846	521,181
<b>Subtotal</b>	<b>15,009,103</b>	<b>11,603,613</b>
<b>Discontinued operations</b>	<b>1,155,805</b>	<b>1,518,343</b>
<b>Total</b>	<b>16,164,908</b>	<b>13,121,956</b>

**31. Financial Income**

Financial income for the years ended December 31, 2021 and 2020, consists of:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Interest income	88,840	83,132
Exchange differences	477,745	486,719
Gain on derivatives	29,571	24,008
<b>Subtotal</b>	<b>596,156</b>	<b>593,859</b>
<b>Discontinued operations</b>	<b>25,459</b>	<b>64,279</b>
<b>Total</b>	<b>621,615</b>	<b>658,138</b>



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**32. Financial Expenses**

Financial expenses for the years ended December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Interest expense	263,435	230,647
Exchange differences	386,393	620,309
Loss on derivatives	28,673	28,092
Loss on disposal of trade receivables	7,014	9,746
Loss on redemption of debentures	1,968	-
Others	2,918	3,957
<b>Subtotal</b>	690,401	892,751
<b>Discontinued operations</b>	81,892	223,292
<b>Total</b>	<b>772,293</b>	<b>1,116,043</b>

**33. Other Non-operating Income**

Other non-operating income for the years ended December 31, 2021 and 2020, consists of:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Dividend income	6,008	4,718
Exchange differences	1,271,330	1,572,190
Gain on derivatives	45,176	54,358
Gain on disposal of property, plant and equipment	38,824	32,018
Gain on disposal of intangible assets	2,020	616
Reversal of impairment loss on assets held for sale	40,324	-
Gain on disposal of assets held for sale	36,539	3,701
Gain on valuation of financial assets at fair value through profit or loss	55,752	511
Gain on disposal of investments in associates and joint ventures	237	647,023
Gain on transfer of business	290,062	-
Others	87,797	32,143
<b>Subtotal</b>	1,874,069	2,347,278
<b>Discontinued operations</b>	86,651	244,622
<b>Total</b>	<b>1,960,720</b>	<b>2,591,900</b>

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**34. Other Non-operating Expenses**

Other non-operating expenses for the years ended December 31, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Continuing operations</b>		
Exchange differences	1,381,920	1,644,784
Loss on derivatives	41,881	42,929
Loss on disposal of property, plant and equipment	26,601	52,313
Impairment loss on property, plant and equipment	180,681	249,078
Loss on disposal of intangible assets	40,114	46,106
Impairment loss on intangible assets	781,467	423,703
Loss on disposal of assets held for sale	6,820	-
Impairment loss on assets held for sale	1,435	-
Loss on valuation of financial assets at fair value through profit or loss	10,190	327
Loss on disposal of investments in associates and joint ventures	-	1,369
Impairment loss on investments in associates and joint ventures	-	6,859
Others	77,975	118,503
<b>Subtotal</b>	<b>2,549,084</b>	<b>2,585,971</b>
<b>Discontinued operations</b>	<b>459,557</b>	<b>263,191</b>
<b>Total</b>	<b>3,008,641</b>	<b>2,849,162</b>

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**35. Earnings per Share**

The Parent Company has no potential dilutive ordinary shares. Accordingly, basic earnings per share is identical to diluted earnings per share.

(a) Basic earnings per ordinary share for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	<u>2021</u>	<u>2020</u>
Profit (loss) attributable to ordinary shares <i>(in millions of Korean won)</i> <sup>1</sup>	932,491	1,779,743
Continuing operations	1,971,605	2,366,290
Discontinued operations	(1,039,114)	(586,547)
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i> <sup>2</sup>	162,884,638	162,884,640
Basic earnings (loss) per ordinary share <i>(in Korean won)</i>	5,725	10,926
Continuing operations	12,104	14,527
Discontinued operations	(6,379)	(3,601)

(b) Basic earnings per preferred share for the years ended December 31, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	<u>2021</u>	<u>2020</u>
Profit (loss) attributable to preferred shares <i>(in millions of Korean won)</i> <sup>1</sup>	99,219	188,589
Continuing operations	208,826	250,459
Discontinued operations	(109,607)	(61,870)
Weighted average number of preferred shares outstanding <i>(unit: shares)</i> <sup>2</sup>	17,181,299	17,181,300
Basic earnings (loss) per preferred share <i>(in Korean won)</i>	5,775	10,976
Continuing operations	12,154	14,577
Discontinued operations	(6,379)	(3,601)

<sup>1</sup> Profit attributable to ordinary and preferred shares is as follows:

<i>(in millions of Korean won)</i>	<u>2021</u>	<u>2020</u>
<b>Profit (loss) for the year (A)</b>	1,031,710	1,968,332
Continuing operations	2,180,431	2,616,749
Discontinued operations	(1,148,721)	(648,417)
Ordinary share dividends (B)	138,452	195,462
Preferred share dividends (C)	15,463	21,477
<b>Undistributed profit (loss) (D=A-B-C)</b>	877,795	1,751,394
Continuing operations	2,026,516	2,399,811
Discontinued operations	(1,148,721)	(648,417)
Undistributed profit available for ordinary shares (E)	794,039	1,584,281
Undistributed profit available for preferred shares (F)	83,756	167,112

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<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Profit attributable to ordinary shares (G=B+E)</b>	932,491	1,779,743
<b>Profit attributable to preferred shares (H=C+F)</b>	99,219	188,588

<sup>2</sup> Weighted average numbers of shares are calculated as follows:

<i>(unit: shares)</i>	<b>2021</b>	<b>2020</b>
Ordinary shares issued	163,647,814	163,647,814
Ordinary treasury shares	(763,176)	(763,176)
Ordinary shares outstanding	162,884,638	162,884,638
<b>Weighted average number of ordinary shares outstanding</b>	162,884,638	162,884,640
Preferred shares issued	17,185,992	17,185,992
Preferred treasury shares	(4,693)	(4,692)
Preferred shares outstanding	17,181,299	17,181,300
<b>Weighted average number of preferred shares outstanding</b>	17,181,299	17,181,300

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**36. Cash Flow Information**

Cash flows from operating activities are prepared using the indirect method. Details of cash generated from operations for the years ended December 31, 2021 and 2020, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Profit for the year	1,414,972	2,063,790
Adjustments:		
Interest expense, net	174,595	147,515
Exchange differences, net	(14,615)	28,896
Loss (gain) on derivatives, net	(4,193)	(7,345)
Depreciation	2,345,142	2,131,236
Amortization	493,757	384,890
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	34,146	65,785
Provisions for severance benefits	432,830	384,302
Additional provisions, net	2,247,145	965,021
Income tax expense	978,562	596,410
Loss (gain) from equity method, net	(448,881)	24,177
Loss (gain) on disposal of investments in associates and joint ventures, net	(237)	(645,654)
Impairment loss on investments in associates and joint ventures	-	6,859
Others	722,375	847,557
Discontinued operations	625,163	94,685
	<u>7,585,789</u>	<u>5,024,334</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(685,221)	(1,522,277)
Decrease (increase) in other receivables	(179,618)	128,677
Decrease (increase) in inventories	(2,394,912)	(1,994,582)
Decrease (increase) in contract assets	(19,659)	1,846
Decrease (increase) in other assets	(845,661)	(15,066)
Increase (decrease) in trade payables	(387,712)	2,530,698
Increase (decrease) in other payables	319,058	451,417
Increase (decrease) in provisions	(898,116)	(876,243)
Increase (decrease) in contract liabilities	(232,351)	253,046
Increase (decrease) in other liabilities	716,184	192,075
Payment of defined benefit liability	(136,908)	(64,563)
Deposit in plan assets, net	(670,470)	(622,440)
	<u>(5,415,386)</u>	<u>(1,537,412)</u>
<b>Cash generated from operations</b>	<u>3,585,375</u>	<u>5,550,712</u>

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(b) Changes in liabilities from financing activities

2021									
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Non-cash transactions						At December 31
			Business combination	Addition and others	Exchange differences (profit/loss)	Amortization	Transfer of business	Effects of exchange rate changes	
Short-term borrowings	196,774	109,768	-	-	(1,658)	-	-	25,202	330,086
Long-term borrowings	4,082,115	(181,262)	-	-	41,254	58	-	57,346	3,999,511
Debentures	5,640,866	(84,487)	-	-	42,602	2,975	-	-	5,601,956
Lease liabilities	862,060	(308,015)	-	359,916	705	7,325	(400)	33,831	955,422
Other payables	-	-	48,048	-	-	-	-	-	48,048
<b>Total</b>	<b>10,781,815</b>	<b>(463,996)</b>	<b>48,048</b>	<b>359,916</b>	<b>82,903</b>	<b>10,358</b>	<b>(400)</b>	<b>116,379</b>	<b>10,935,023</b>

2020									
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Non-cash transactions						At December 31
			Business combination	Addition and others	Exchange differences (profit/loss)	Amortization	Effects of exchange rate changes		
Short-term borrowings	271,541	(57,058)	4,352	-	12,008	-	(34,069)	196,774	
Long-term borrowings	4,318,854	(176,384)	4,242	-	(20,397)	59	(44,259)	4,082,115	
Debentures	5,896,943	(232,055)	-	-	(27,134)	3,112	-	5,640,866	
Lease liabilities	771,424	(293,196)	-	401,339	1,243	2,013	(20,763)	862,060	
<b>Total</b>	<b>11,258,762</b>	<b>(758,693)</b>	<b>8,594</b>	<b>401,339</b>	<b>(34,280)</b>	<b>5,184</b>	<b>(99,091)</b>	<b>10,781,815</b>	

(c) Significant non-cash transactions:

<i>(in millions of Korean won)</i>	2021	2020
Reclassification of construction-in-progress to property, plant and equipment	1,933,330	1,477,586
Reclassification of construction-in-progress to intangible assets	387,622	476,549
Reclassification of current portion of borrowings and debentures	1,400,628	1,365,378
Other payables to acquire property, plant and equipment	408,667	337,212
Other payables to acquire intangible assets	36,050	25,431
Acquisition of right-of-use assets	402,591	470,176

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(d) Assets and liabilities arising from the transfer of business

- Transfer of CEM(Chemical Electronic Material) business

- i) On November 1, 2021, CEM business was transferred to LG Chem Ltd.
- ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	572,356
Other receivables	26,513
Other payables	(1,123)
Assets of the transferred business:	
Cash and cash equivalents	4,376
Trade receivables	213,565
Other receivables	5,474
Inventories	78,601
Property, plant and equipment	184,443
Intangible assets	1,053
Current tax assets	2
Deferred tax assets	40
Contract assets	73
Other assets	3,093
Liabilities of the transferred business:	
Trade payables	130,119
Lease liabilities	400
Other payables	32,687
Provisions	2,383
Contract liabilities	81
Other liabilities	6,097
Foreign currency translation	3,439
Non-controlling interests	9,644

- Transfer of mobile communications production business

- i) On December 6, 2021, mobile communications production business of Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) and Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)was transferred to Langchao.
- ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

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<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	9,351
Assets of the transferred business:	
Cash and cash equivalents	8,656
Other receivables	2,599
Property, plant and equipment	2,741
Other assets	34
Liabilities of the transferred business:	
Other payables	322
Deferred tax liabilities	1,491
Other liabilities	20
Foreign currency translation	7,799
Non-controlling interests	3,162

**37. Contingencies**

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land, buildings and others) (Note 12).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩330,670 million (December 31, 2020: ₩262,808 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company is provided with guarantee of principal amounting to EUR 100 million and USD 50 million (December 31, 2020: EUR 100 million and USD 50 million) and interests from Shinhan Bank and others for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2020: ₩46,000 million).

(d) In relation to the Bolt electric vehicle consumers' class action lawsuit filed against General Motors (GM) in November 2020, the Group and others were additionally included as defendants in September 2021, and the ultimate outcome of these case cannot be determined at the reporting date.

(e) There are a number of legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Group cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Group's financial position.

At the end of the reporting period, LG Display Co., Ltd., an associate of the Group, has been accused as a defendant in cases related to the infringement of patents. In addition, LG Display Co., Ltd. is currently under the investigation and civil suit for anti-competitive activities. The outcome of



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the case may affect the gain or loss from the equity method valuation, but the Group is not individually responsible for the above case and the investigation.

**38. Commitments**

(a) At the end of the reporting period, the Group has borrowing agreements, such as overdraft facility agreements, trade financing and others, with various banks, including Shinhan Bank, with a limit of ₩6,061,789 million (December 31, 2020: ₩5,573,696 million) and has additional long-term borrowing commitment for up to ₩300,000 million after the reporting period.

(b) At the end of the reporting period, the Group has sales agreements for receivables with various banks including KEB Hana Bank amounting to ₩5,187,180 million (December 31, 2020: ₩5,636,808 million).

(c) At the end of the reporting period, the Group has corporate electronic settlement services contracts and vendor prepayment services contracts with various banks including Shinhan Bank for up to ₩1,408,000 million (December 31, 2020: ₩1,436,400 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, the Group has commercial paper agreements with Shinhan Bank and others for ₩90,000 million (December 31, 2020: ₩40,000 million).

(e) Contractual commitments for the acquisition of assets

Assets contracted for, but not yet acquired at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Property, plant and equipment	747,738	197,365
Intangible assets	48,265	99,967
Investments in associates and joint ventures	101,441	78,651
<b>Total</b>	<b>897,444</b>	<b>375,983</b>

Other than the above commitments, Zenith Electronics LLC(Zenith), a subsidiary, agreed to tender offers based on fair value at certain time in relation to the shares held by non-controlling shareholders of Alphonso Inc. and the shares to be issued by the exercise of stock options. At the end of the reporting period, the Group recognized this commitment as 'other payables' (Note 41).

In addition, the Parent Company agreed to tender offers based on fair value at certain time in relation to the shares held by non-controlling shareholders of Cybellum Technologies Ltd. and the shares to be issued by the exercise of stock options. At the end of the reporting period, the Group recognized this commitment as 'other payables' and 'other financial liabilities' (Note 41).

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(f) Operating lease commitments – the Group as a lessor

- i) The Group has non-cancellable operating lease agreements regarding healthcare rental business that lends water purifiers and others to customers and real estate rentals business. The future aggregate lease receipts under operating lease at the end of the reporting period, are as follows:

<b>December 31, 2021</b>					
<i>(in millions of Korean won)</i>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>Total lease payments</b>
Healthcare rental	451,515	276,333	139,886	21,884	889,618
Real estate rental	50	-	-	-	50
<b>Total</b>	<b>451,565</b>	<b>276,333</b>	<b>139,886</b>	<b>21,884</b>	<b>889,668</b>

- ii) The Group recognized ₩615,542 million (2020: ₩591,064 million) of lease income for the year ended December 31, 2021.

- iii) Details of assets subject to operating lease are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Acquisition cost	939,807	894,731
Accumulated depreciation	(457,003)	(356,221)
Accumulated impairment losses	(6,703)	(4,621)
<b>Net book amount</b>	<b>476,101</b>	<b>533,889</b>

- iv) Changes in net book amount of assets subject to operating lease for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>At January 1</b>	533,889	495,578
Acquisition	158,221	228,819
Disposal	(11,043)	(21,180)
Depreciation	(189,983)	(164,506)
Impairment loss	(15,203)	(4,587)
Exchange differences	220	(235)
<b>At December 31</b>	<b>476,101</b>	<b>533,889</b>

(g) Financial lease commitments – the Group as lessor

- i) Gross investment in the lease and present value of the minimum lease payments for the financial lease as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Gross investment in the lease<sup>1</sup></b>	<b>Net Investment in the lease</b>	<b>Gross investment in the lease</b>	<b>Net Investment in the lease</b>
Within one year	4,983	3,999	-	-
Between 1 and 2 years	5,015	4,716	-	-

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Between 2 and 3 years	5,007	4,531	-	-
Between 3 and 4 years	5,027	4,378	-	-
Later than 4 years	9,935	8,166	-	-
<b>Total</b>	<b>29,967</b>	<b>25,790</b>	<b>-</b>	<b>-</b>

<sup>1</sup> There are no remaining useful life without guarantee reflected on gross investment in the lease.

ii) Unrealized interest income of financial lease as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total lease investments	29,967	-
Net lease investments	25,790	-
<b>Unrealized interest income</b>	<b>4,177</b>	<b>-</b>

iii) For the year ended December 31, 2021, the Group recognized income amounting to ₩24,550 million (2020: nil) in relation to financial lease contract, and financial income of net lease investment amounting to ₩188 million is included.

(h) License agreements including patent and trademark

At the end of the reporting period, the Group has various agreements as follows:

<b>Purpose</b>	<b>Related products</b>	<b>Provided by</b>	<b>Used by</b>
Use of license	Home appliance	Qualcomm Incorporated and others	LG Electronics Inc.
Provision of license	Home appliance	LG Electronics Inc.	Panasonic Corporation and others
Use of trademarks	All products	LG Corp.	LG Electronics Inc.
Use of trademarks	Vehicle components	Magna International Inc.	LG Electronics Inc.

**39. Related Party**

(a) Major transactions for the years ended December 31, 2021 and 2020, and balances of receivables and payables from transaction with related parties as at December 31, 2021 and 2020, are as follows:

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i) Major income and expense transactions with related parties

(in millions of Korean won)

		2021					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others <sup>8</sup>	Total
Significantly influencing the Group	LG Corp.	556	-	556	259	190,898	191,157
Associates	LG Display Co., Ltd. and its subsidiaries	570,990	79,644	650,634	4,916,555	3,691	4,920,246
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	753	-	753	59,672	291	59,963
	Acryl Inc.	-	-	-	-	1,380	1,380
	ROBOTIS Co., Ltd.	-	-	-	-	6	6
	Robostar Co., Ltd. and its subsidiaries	116	-	116	31,901	4,539	36,440
	<b>Subtotal</b>	<b>571,859</b>	<b>79,644</b>	<b>651,503</b>	<b>5,008,128</b>	<b>9,907</b>	<b>5,018,035</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	63,621	-	63,621	127,652	7	127,659
	EIC PROPERTIES PTE LTD.	-	-	-	-	414	414
	LG-MRI LLC	33,966	-	33,966	47,044	-	47,044
	<b>Subtotal</b>	<b>97,587</b>	<b>-</b>	<b>97,587</b>	<b>174,696</b>	<b>421</b>	<b>175,117</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	144,942	263	145,205	157,485	763,945	921,430
	S&I Corp. and its subsidiaries	31,781	-	31,781	10,897	255,034	265,931
	LG Management Development Institute	1,673	21	1,694	799	48,774	49,573
	LG SPORTS Ltd.	16	17	33	-	13,636	13,636
	LG MMA Ltd. <sup>2</sup>	-	-	-	-	19	19
	LG Holdings Japan Co., Ltd.	19	-	19	-	852	852
	<b>Subtotal</b>	<b>178,431</b>	<b>301</b>	<b>178,732</b>	<b>169,181</b>	<b>1,082,260</b>	<b>1,251,441</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	1,265,838	8,597	1,274,435	1,259,021	131,243	1,390,264
	LX INTERNATIONAL CORP and its subsidiaries and associates <sup>3</sup>	13,435	1,135	14,570	4,557,053	2,922,354	7,479,407
	LG Uplus Corp and its subsidiaries	48,642	9	48,651	64,756	10,601	75,357
	LX HAUSYS,LTD., its subsidiaries and associates <sup>4</sup>	2,603	1,274	3,877	1,547	583	2,130
	LX Semicon Co., Ltd. <sup>5</sup>	81,277	4,767	86,044	17,152	682	17,834
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	8,247	2	8,249	331	272	603
	G IIR Inc. and its subsidiaries	5,908	943	6,851	213	459,157	459,370
	LX Holdings Corp.	99	-	99	-	-	-
	LX MMA Corporation <sup>2</sup>	89	-	89	-	-	-
	<b>Subtotal</b>	<b>1,426,138</b>	<b>16,727</b>	<b>1,442,865</b>	<b>5,900,073</b>	<b>3,524,892</b>	<b>9,424,965</b>
	<b>Total</b>	<b>2,274,571</b>	<b>96,672</b>	<b>2,371,243</b>	<b>11,252,337</b>	<b>4,808,378</b>	<b>16,060,715</b>

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(in millions of Korean won)

		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others <sup>8</sup>	Total
Significantly influencing the Group	LG Corp.	401	-	401	268	191,338	191,606
Associates	LG Display Co., Ltd. and its subsidiaries	416,005	98,155	514,160	3,579,891	905	3,580,796
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	2,108	-	2,108	57,047	80	57,127
	Korea Information Certificate Authority Inc. <sup>6</sup>	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	624	624
	ROBOTIS Co., Ltd.	-	-	-	-	27	27
	Robostar Co., Ltd. and its subsidiaries	17	-	17	50,023	3,198	53,221
	<b>Subtotal</b>	<b>418,131</b>	<b>98,155</b>	<b>516,286</b>	<b>3,686,961</b>	<b>4,873</b>	<b>3,691,834</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	52,945	-	52,945	101,865	2	101,867
	LG HOLDINGS (HK) LIMITED and its subsidiaries <sup>7</sup>	-	-	-	-	472	472
	EIC PROPERTIES PTE LTD.	-	-	-	-	640	640
	LG-MRI LLC	7,385	-	7,385	33,722	-	33,722
	<b>Subtotal</b>	<b>60,330</b>	<b>-</b>	<b>60,330</b>	<b>135,587</b>	<b>1,114</b>	<b>136,701</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	135,012	105	135,117	175,887	568,169	744,056
	S&I Corp. and its subsidiaries	31,042	-	31,042	39,174	200,508	239,682
	LG Management Development Institute	10	-	10	375	30,562	30,937
	LG SPORTS Ltd.	15	19	34	-	13,664	13,664
	LG MMA Ltd. <sup>2</sup>	245	-	245	34	288	322
	LG Holdings Japan Co., Ltd.	20	-	20	-	3,749	3,749
	<b>Subtotal</b>	<b>166,344</b>	<b>124</b>	<b>166,468</b>	<b>215,470</b>	<b>816,940</b>	<b>1,032,410</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	1,252,930	7,273	1,260,203	1,186,448	1,517	1,187,965
	LG INTERNATIONAL CORP and its subsidiaries <sup>3</sup>	23,324	766	24,090	3,610,497	1,918,083	5,528,580
	LG Uplus Corp and its subsidiaries	232,426	465	232,891	39,197	5,485	44,682
	LG HAUSYS,LTD., its subsidiaries and associates <sup>4</sup>	6,884	685	7,569	5,820	71	5,891
	Silicon Works Co., Ltd. <sup>5</sup>	58,889	2,183	61,072	13,421	636	14,057
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	53,713	2	53,715	391	552	943
	G IIR Inc. and its subsidiaries	5,162	-	5,162	127	397,588	397,715
	<b>Subtotal</b>	<b>1,633,328</b>	<b>11,374</b>	<b>1,644,702</b>	<b>4,855,901</b>	<b>2,323,932</b>	<b>7,179,833</b>
	<b>Total</b>	<b>2,278,534</b>	<b>109,653</b>	<b>2,388,187</b>	<b>8,894,187</b>	<b>3,338,197</b>	<b>12,232,384</b>

<sup>1</sup> Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

## **LG Electronics**

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- <sup>2</sup> The entity changed its name from LG MMA Ltd. to LX MMA Corporation on July 1, 2021. And, it was classified as others due to changes in corporate governance.
- <sup>3</sup> The entity changed its name from LG INTERNATIONAL CORP to LX INTERNATIONAL CORP. on July 1, 2021.
- <sup>4</sup> The entity changed its name from LG HAUSYS,LTD. to LX HAUSYS, LTD. on July 1, 2021.
- <sup>5</sup> The entity changed its name from Silicon Works Co., Ltd. to LX Semicon Co., Ltd. on July 1, 2021.
- <sup>6</sup> All shares of Korea Information Certificate Authority Inc. were disposed during the year ended December 31, 2020.
- <sup>7</sup> All shares of LG HOLDINGS (HK) LIMITED were disposed to RECO CHANGAN PRIVATE LIMITED on March 20, 2020.
- <sup>8</sup> Others include acquisition amount of right-of-use assets and interest expense of lease liabilities

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ii) The balances of receivables from and payables to related parties

(in millions of Korean won)

		December 31, 2021							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>2</sup>	Total
Significantly influencing the Group	LG Corp.	45	-	25,447	25,492	-	-	53,538	53,538
Associates	LG Display Co., Ltd. and its subsidiaries	144,286	-	56,336	200,622	753,472	-	75,527	828,999
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	110	-	-	110	39,494	-	543	40,037
	Acryl Inc.	-	-	-	-	-	-	120	120
	Robostar Co., Ltd. and its subsidiaries	85	-	-	85	343	-	10,527	10,870
	<b>Subtotal</b>	<b>144,481</b>	<b>-</b>	<b>56,336</b>	<b>200,817</b>	<b>793,309</b>	<b>-</b>	<b>86,717</b>	<b>880,026</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	20,507	-	-	20,507	12,852	-	-	12,852
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	68	68
	LG-MRI LLC	8,753	-	1,292	10,045	11,015	-	28	11,043
	<b>Subtotal</b>	<b>29,260</b>	<b>-</b>	<b>1,292</b>	<b>30,552</b>	<b>23,867</b>	<b>-</b>	<b>96</b>	<b>23,963</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	31,234	-	237	31,471	22,091	-	301,526	323,617
	S&I Corp. and its subsidiaries	13,296	-	24,802	38,098	604	-	54,557	55,161
	LG Management Development Institute	31	-	15,544	15,575	-	-	1,396	1,396
	LG SPORTS Ltd.	1	-	-	1	-	-	699	699
	LG Holdings Japan Co., Ltd.	-	-	5,884	5,884	-	-	-	-
	<b>Subtotal</b>	<b>44,562</b>	<b>-</b>	<b>46,467</b>	<b>91,029</b>	<b>22,695</b>	<b>-</b>	<b>358,178</b>	<b>380,873</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures <sup>2</sup>	181,175	-	894,909	1,076,084	291,647	-	16,202	307,849
	LX INTERNATIONAL CORP. and its subsidiaries and associates <sup>3</sup>	17,718	-	3,523	21,241	182,776	-	413,614	596,390
	LG Uplus Corp and its subsidiaries	4,476	-	161	4,637	3,751	-	983	4,734
	LX HAUSYS, LTD. and its subsidiaries and associates <sup>4</sup>	695	-	12	707	486	-	1,119	1,605
	LX Semicon Co., Ltd. <sup>5</sup>	9,021	-	89	9,110	6,486	-	2	6,488
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,128	-	2,818	3,946	29	-	162	191
	G II R Inc. and its subsidiaries	33	-	345	378	1,009	-	231,831	232,840
	LX MMA Corporation <sup>6</sup>	81	-	-	81	-	-	-	-
	<b>Subtotal</b>	<b>214,327</b>	<b>-</b>	<b>901,857</b>	<b>1,116,184</b>	<b>486,184</b>	<b>-</b>	<b>663,913</b>	<b>1,150,097</b>

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		December 31, 2021							
Classification	Name	Receivables			Payables				
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>2</sup>	Total
	<b>Total</b>	432,675	-	1,031,399	1,464,074	1,326,055	-	1,162,442	2,488,497

(in millions of Korean won)

		December 31, 2020							
Classification	Name	Receivables			Payables				
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>5</sup>	Total
Significantly influencing the Group	LG Corp.	5	-	25,666	25,671	-	-	30,542	30,542
Associates	LG Display Co., Ltd. and its subsidiaries	107,463	-	67,211	174,674	461,630	-	65,495	527,125
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	473	-	-	473	32,686	-	243	32,929
	Acryl Inc.	-	-	-	-	-	-	229	229
	Robostar Co., Ltd. and its subsidiaries	-	-	-	-	242	-	19,122	19,364
	<b>Subtotal</b>	107,936	-	67,211	175,147	494,558	-	85,089	579,647
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	5,655	-	-	5,655	7,839	-	1	7,840
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	65	65
	LG-MRI LLC	2,107	-	545	2,652	4,859	-	42	4,901
	<b>Subtotal</b>	7,762	-	545	8,307	12,698	-	108	12,806
Other related parties	LG CNS Co., Ltd. and its subsidiaries	29,814	-	1,033	30,847	15,340	-	271,135	286,475
	S&I Corp. and its subsidiaries	8,520	-	24,802	33,322	6,785	-	66,661	73,446
	LG Management Development Institute	1	-	17,864	17,865	-	-	1,455	1,455
	LG SPORTS Ltd.	1	-	-	1	-	-	1,883	1,883
	LG MMA Ltd. <sup>6</sup>	-	-	-	-	-	-	19	19
	LG Holdings Japan Co., Ltd.	-	-	3,870	3,870	-	-	-	-
	<b>Subtotal</b>	38,336	-	47,569	85,905	22,125	-	341,153	363,278
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	387,830	-	186,292	574,122	355,634	-	14,811	370,445
	LG INTERNATIONAL CORP and its subsidiaries <sup>3</sup>	15,506	-	524	16,030	291,948	-	373,049	664,997
	LG Uplus Corp and its subsidiaries	45,102	-	1	45,103	2,022	-	1,401	3,423
	LG HAUSYS,LTD., its subsidiaries and associates <sup>4</sup>	1,714	-	12	1,726	311	-	124	435
	Silicon Works Co., Ltd <sup>5</sup> .	16,772	-	148	16,920	3,003	-	1,237	4,240
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	11,577	-	22,069	33,646	31	-	1,210	1,241



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(in millions of Korean won)

December 31, 2020

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>5</sup>	Total
	G II R Inc. and its subsidiaries	17	-	282	299	1,067	-	203,573	204,640
	<b>Subtotal</b>	478,518	-	209,328	687,846	654,016	-	595,405	1,249,421
	<b>Total</b>	632,557	-	350,319	982,876	1,183,397	-	1,052,297	2,235,694

<sup>1</sup> Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>2</sup> The amount agreed to be reimbursed by the related party for provisions to be paid by the Group to a third party is included.

<sup>3</sup> The entity changed its name from LG INTERNATIONAL CORP to LX INTERNATIONAL CORP. on July 1, 2021.

<sup>4</sup> The entity changed its name from LG HAUSYS,LTD. to LX HAUSYS, LTD. on July 1, 2021.

<sup>5</sup> The entity changed its name from Silicon Works Co., Ltd. to LX Semicon Co., Ltd. on July 1, 2021.

<sup>6</sup> The entity changed its name from LG MMA Ltd. to LX MMA Corporation on July 1, 2021. And, it was classified as others due to changes in corporate governance.

<sup>7</sup> Other payables include lease liabilities.

#### iii) Significant capital transactions and others with related parties

(in millions of Korean won)

2021

		Dividend income	Dividend paid <sup>1</sup>	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions <sup>1</sup>	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	66,113	-	-	-	27,819	27,633
Associates	Ericsson-LG Co., Ltd.	5,250	-	-	-	-	-	-
	LG-MRI LLC	274	-	-	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	10,946	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	9,891	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	-	-	303	-	-	-	-
	<b>Subtotal</b>	5,524	-	21,140	-	-	-	-
Other related parties	S&I Corp.	-	-	-	-	-	-	363
	<b>Total</b>	5,524	66,113	21,140	-	-	27,819	27,996

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(in millions of Korean won)

Classification	Name	2020						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions <sup>1</sup>	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	41,321	-	-	-	27,473	27,556
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc. <sup>2</sup>	201	-	-	-	-	-	-
	LG-MRI LLC	349	-	-	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	6,954	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	6,084	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	-	-	300	-	-	-	-
	<b>Subtotal</b>	<b>8,800</b>	<b>-</b>	<b>13,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other related parties	S&I Corp.	-	-	-	-	-	-	351
	<b>Total</b>	<b>8,800</b>	<b>41,321</b>	<b>13,338</b>	<b>-</b>	<b>-</b>	<b>27,473</b>	<b>27,907</b>

<sup>1</sup> Financing borrowing transactions include borrowings and repayment of principal elements of lease liabilities.

<sup>2</sup> All shares of Korea Information Certificate Authority Inc. were disposed during the year ended December 31, 2020.

(b) The compensation paid or payable to key management personnel for the years ended December 31, 2021 and 2020, consist of:

(in millions of Korean won)	2021	2020
Salaries and other short-term benefits	13,707	12,487
Post-employment benefits	1,879	2,435
Other long-term benefits	44	103
<b>Total</b>	<b>15,630</b>	<b>15,025</b>

Key management refers to the directors who have significant control and responsibilities on the Group's business plans, operations and control.

(c) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.

(d) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

(e) The Group transferred CEM (Chemical Electronic Material) business to LG Chem, Ltd. on November 1, 2021 (Note 36).

# LG Electronics

## Notes to the Consolidated Financial Statements

### December 31, 2021 and 2020

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#### 40. Risk Management

##### Financial Risk Management

The Group's financial risk management ("FRM") policy supports each business division to achieve excellent performance solidly and continuously against market risk, credit risk and liquidity risk. In addition, FRM helps the Group to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

While cooperating with other divisions, Finance Division in the Parent Company mainly implements FRM. This involves setting-up risk management policies and recognizing, evaluating and hedging risks from a global point of view.

The Group anticipatively and systematically manages the financial risks over global business activities through its four overseas treasury centers in New Jersey (United States), Amsterdam (Netherlands), Beijing (China), and Singapore in coordination with Finance Division in the Parent Company. And it also helps to improve overseas subsidiaries' business competitiveness by performing integration of their finance functions.

The Group mitigates the adverse effects from financial risk by monitoring the risk periodically and updating FRM policy each year.

The carrying amount and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 5 and Note 16, respectively.

##### (a) Market risk

###### i) Foreign exchange risk

Due to its multinational business operations, the Group is mainly exposed to foreign exchange risk on the US Dollar and Euro.

The purpose of foreign exchange risk management is to provide the foundation of a stable business operation by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

The Group's foreign exchange risk management is implemented under its own foreign exchange policy through which the Group can minimize the exposure to foreign exchange risk by preferentially making equal amount of foreign exchange assets and liabilities from general operating activities. And the Group continuously considers efficient foreign exchange risk hedges against its remaining exposure with derivative financial instruments and scrutinizes changes in foreign exchange exposure and the results of hedging activities on a monthly basis. Speculative foreign exchange trading is prohibited in principle.

As at December 31, 2021 and 2020, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional

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currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(3,521)	3,521	(21,571)	21,571
EUR/KRW	(2,378)	2,378	1,300	(1,300)

ii) Interest rate risk

The Group is exposed to interest rate risk through changes in interest-bearing liabilities or assets. The risk mainly arises from borrowings and deposits held by financial institutions with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in improving corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

The Group minimizes its borrowings from others and optimizes its deposits by expanding internal finance sharing. The Group periodically monitors both domestic and foreign interest rate trends to establish countermeasures against changes in interest rates.

If interest rates fluctuate by 1%p with all other variables held constant, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>		<b>2020</b>	
	<b>1%p increase</b>	<b>1%p decrease</b>	<b>1%p increase</b>	<b>1%p decrease</b>
Interest income	59,613	(59,613)	58,359	(58,359)
Interest expense	5,371	(5,371)	5,314	(5,314)

iii) Details of derivatives contracts are as follows:

*Derivatives for hedging purposes*

The Group entered into the currency forward, cross-currency swap and the interest rate swap contracts to hedge cash flow risks related to the floating interest rates and foreign exchange rates.

Details of hedging instruments are as follows:

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	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount (in millions of Korean won)	
							Assets	Liabilities
Currency forward	DZ Bank AG and others	CZK 500 (EUR/CZK)	25.5 ~ 26.4	-	2021.10.14 ~ 2021.10.27	2022. 1. 3 ~ 2022.12. 2	530	-
	Oberbank AT	MXN 101 (USD/MXN)	21.1	-	2021.12.14	2021. 1.10	175	-
Cross-currency swap	MUFG Bank and others	USD 735 (USD/KRW)	1,067.9 ~ 1,233.7	1.88 ~ 3.64	2017. 2. 2 ~ 2021. 7. 26	2022. 2. 2 ~ 2031. 7. 28	35,887	1,420
	DBS	SGD 140 (SGD/KRW)	859.3	1.21	2020. 7. 9	2024. 1. 9	4,895	-
Interest rate swap	Woori Bank and others	KRW 1,045,536 / EUR 100 / USD 235	-	1.00 ~ 4.53	2014. 1. 3 ~ 2018. 5.24	2023. 2.24 ~ 2030. 7. 7	-	49,675

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings and debentures (Note 16).

Details of hedged items are as follows:

(in millions of Korean won)	Hedged items	Book amount	Changes in fair value (net of tax)
Currency forward	Forecast transactions	-	(1,273)
Cross-currency swap	Borrowings	992,008	(72,026)
Interest rate swap	Borrowings	1,423,122	(24,690)

The results of hedge accounting are as follows:

(in millions of Korean won)	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Currency forward	1,273	Exchange differences	(631)	642	82
Cross-currency swap	70,026	Interest expense and exchange differences	(45,258)	24,768	(999)
Interest rate swap	24,690	Interest expense	17,940	42,630	(34,208)

*Non-derivative for hedging purposes*

LG Innotek Co., Ltd., a subsidiary, applied cash flow hedging accounting by designating the amount of contract liabilities from customers as hedging instrument to hedge foreign exchange risk of the future expected sales.

Details of hedging instruments are as follows:

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<i>(in millions of Korean won)</i>	<b>Contracted amount (in millions)</b>	<b>Starting date</b>	<b>Expiration date</b>	<b>Book amount</b>	<b>Expected time to be realized</b>	
					<b>Within 1 year</b>	<b>1 to 2 years</b>
Contract liabilities	-	2019.12	2021.12	-	-	-

The highly probable forecast transactions in relation to cash flow hedges are expected to happen on various dates until the expiration date for the hedging, and they are expected to affect future cash flows. At the end of the reporting period, the book amount of contract liabilities is a reasonable approximation of its fair value.

There is no forecast transaction that needs to be changed for which hedges had previously been used, but which is no longer expected to occur.

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	<b>Line items in profit or loss</b>	<b>Reclassified to profit or loss (net of tax)</b>	<b>Other comprehensive income (net of tax)</b>	<b>Accumulated other comprehensive loss</b>
Foreign exchange risk hedge for sales	Sales	951	(1,942)	-

*Trading purposes*

The Group entered into the currency forward, the cross-currency swap and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. Details of currency forward contracts of subsidiaries, the cross-currency swap contracts and the interest rate swap contracts as at December 31, 2021, and related profit or loss for the year ended December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>Purchase</b>	<b>Sale</b>	<b>Gain (loss) on valuation</b>	<b>Gain on transaction</b>
Currency forward	751,485	758,281	3,602	(706)
Cross-currency swap	-	-	(1,750)	-
Interest rate swap	-	-	2,745	302

iv) Hedging relationship affected by interest rate benchmark reform

The book amount of hedged item and hedging instrument related to the Group's interest rate benchmark reform as at December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>Book amount <sup>1</sup></b>		<b>Subject to transition to alternative benchmark rate <sup>2</sup></b>	
	<b>Hedged item</b>	<b>Hedging instrument</b>	<b>Hedged item</b>	<b>Hedging instrument</b>
USD LIBOR				
- Long-term borrowings	1,128,800	-	909,863	-
- Derivative financial net assets (liabilities)	-	16,320	-	6,673

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<sup>1</sup> Includes financial instruments which will expire prior to transitioning to an alternative benchmark rate.

<sup>2</sup> Excludes financial instruments which will expire prior to transitioning to an alternative benchmark rate from disclosure amount subject to transition.

From July 2023, USD LIBOR interest rate is expected to be transferred to SOFR (Secured Overnight Financing Rate) which is based on actual transaction. In relation to such hedging relationship, the Group estimated the spread changing to SOFR in 2023 is expected to be similar to the spread included in interest rate swap used for hedging instrument. The Group did not estimate other changes in consideration.

The KRW CD rate is planned to be transferred to the KOFR(Korea Overnight Financing Repo Rate) in the long term, but it is not clear which policy measures will be taken to activate the alternative rate or when the CD rate calculation will be stopped.

#### v) Price risk

The Group is exposed to price risk through equity securities owned by the Group classified as financial assets at fair value through other comprehensive income.

The listed securities owned by the Group are traded in the open market, and related to KOSDAQ, NASDAQ, NYSE Index and Austrian Traded Index.

The effect of price index's fluctuation related to the listed securities on the equity (before applying the tax effect) is set out in the below table. The analysis is performed in respect of 30% increase/decrease in the price index under the assumption that other variations are consistent and the listed securities owned by the Group have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	6,789	(6,789)	12,742	(12,742)
NASDAQ	3,300	(3,300)	9,236	(9,236)
NYSE	3,343	(3,343)	-	-
Austrian Traded Index	165	(165)	129	(129)

The valuation and changes in book amounts of the financial assets at fair value through other comprehensive income related to the market risk above are presented in Note 8.

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(b) Credit risk

The Group operates a consistent Global Credit / TR (trade receivables) policy to manage credit risk exposures.

In regard to receivables, the Group operates an integrated receivable insurance program with the world top three receivable insurers (Euler Hermes, Atradius and Coface) and Korea Trade Insurance Corporation (K-SURE). In an effort to minimize receivable credit risk, the Group applies the credit rating of the counterparty when determining the insurance coverage. In addition, the Group performs stringent credit risk management based on credit valuation criteria for receivables without insurance coverage or collateral.

Details of credit quality for trade receivables that are neither past due nor impaired are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Trade receivables with insurance or collateral</b>		
Excellent	2,638,867	1,826,166
Good	909,792	897,052
Fair	1,852,645	1,882,725
Poor <sup>1</sup>	498,438	668,407
<b>Subtotal</b>	<b>5,899,742</b>	<b>5,274,350</b>
<b>Trade receivables without insurance or collateral</b>		
Tier 1	412,051	609,203
Tier 2	377,740	299,011
Tier 3	628,563	378,637
<b>Subtotal</b>	<b>1,418,354</b>	<b>1,286,851</b>
<b>Total</b>	<b>7,318,096</b>	<b>6,561,201</b>

<sup>1</sup> Debtors with insurance or collateral, but without credit rating are included herein.

Criteria of categorizing trade receivables with insurance or collateral are as follows:

<b>Category</b>	<b>Atradius</b>	<b>Euler</b>	<b>Coface</b>	<b>K-SURE</b>
Excellent	1~28	1~3	8~10	A~B
Good	29~40	4~5	7	C
Fair	41~72	6~7	3~6	D~E
Poor	73~	8~10	0~2	F~R

Debtors for which credit ratings are not provided by insurance company are categorized using the criteria from domestic credit rating agency.

Criteria of categorizing trade receivables without insurance or collateral are as follows:

Tier 1 – National or local government, domestic and global credit rating agency AA- ~ AAA+, including related parties such as associates

Tier 2 – Debtors with domestic and global credit rating other than Tier 1



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Tier 3 – Small debtors without credit history

The credit rating of cash equivalents and deposits held by financial institutions estimated by the Group using external credit rating criteria as at December 31, 2021 and 2020, is as follows:

<b>Category</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Excellent	5,770,896	5,145,157
Good	244,326	609,855
Others	241,274	281,856
<b>Total</b>	<b>6,256,496</b>	<b>6,036,868</b>

Excellent: Equal to or more than A-(Global credit rating agency such as S&P), AAA(Domestic credit rating agency such as Korea investors service)

Good: Equal to or more than BBB-(Global credit rating agency such as S&P), AA(Domestic credit rating agency such as Korea investors service)

Others: Financial deposit without credit rating

(c) Liquidity risk

The Group forecasts its cash flow and liquidity status, and sets action plans on a regular basis to manage liquidity risk proactively. The Group systematically works with experts in four regional treasury centers to carry out fund and liquidity management that can react proactively to the changing global financial environment.

The Group maintains adequate amount of cash and committed credit facilities in Kookmin Bank, and Shinhan Bank to cope with potential financial distress.

In addition, the Group is able to source funds any time in the domestic and international financial markets because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB from Standard & Poors, and Baa2 from Moody's at the end of the reporting period.

i) Cash flow information on maturity of financial liabilities as at December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Trade payables	8,741,937	8,741,937	-	-	-
Borrowings	11,177,885	2,130,104	1,372,473	3,615,734	4,059,574
Lease liabilities	1,009,161	307,346	197,629	332,327	171,859
Other payables	4,193,769	4,077,438	519	110,925	4,887
Other financial liabilities	17,070	10,382	1,588	4,685	415
<b>Total</b>	<b>25,139,822</b>	<b>15,267,207</b>	<b>1,572,209</b>	<b>4,063,671</b>	<b>4,236,735</b>

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩8,398 million within the less than 1-year time bucket. This is because the contractual

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maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

- ii) The maturity analysis of financial guarantee contracts provided by the Group to third party companies as at December 31, 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts	46,000	46,000	-	-	-

The above cash flow is the maximum amount of guarantees allocated to earliest period in which the Group can be required to make payments.

#### Capital Risk Management

The Group's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Group monitors financial ratios, such as liability to equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

Debt-to-equity ratio and net borrowing ratio as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Liability (A)	33,383,445	30,662,102
Equity (B)	20,098,033	17,542,125
Cash and cash equivalents (C)	6,051,516	5,896,309
Borrowings and lease liabilities (D)	10,886,975	10,781,815
Debt-to-equity ratio (A/B)	166.1%	174.8%
Net borrowings ratio ((D-C)/B)	24.1%	27.9%

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**Fair Value Estimation**

(a) The book amounts and fair values of the Group's financial assets and liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	7,924	7,924	71,221	71,221
Financial assets at fair value through other comprehensive income				
Trade receivables	1,567,007	1	-	-
Other financial assets	-	-	121,222	121,222
Derivatives for hedging purposes				
Other financial assets	10,352	10,352	31,135	31,135
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	6,051,516	1	-	-
Deposits held by financial institutions	146,456	1	58,935	58,935
Trade receivables	6,595,693	1	3,038	3,038
Other receivables	489,056	1	671,903	645,960
<b>Other assets</b>				
Trade receivables	3,759	1	22,040	22,040
<b>Total</b>	<b>14,871,763</b>		<b>979,494</b>	

<i>(in millions of Korean won)</i>	December 31, 2021			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
<b>Liabilities at fair value</b>				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	8,398	8,398	8,695	8,695
Derivatives for hedging purposes				
Other financial liabilities	-	-	51,095	51,095
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	8,741,937	1		
Borrowings	1,895,600	1	8,035,953	8,043,340
Other payables	4,077,421	1	116,330	116,324
<b>Other liabilities</b>				
Lease liabilities	292,526	2	662,896	2
Other financial liabilities	114	3	-	-
<b>Total</b>	<b>15,015,996</b>		<b>8,874,969</b>	

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<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	4,292	4,292	37,459	37,459
Financial assets at fair value through other comprehensive income				
Trade receivables	802,917	1	-	-
Other financial assets	-	-	117,420	117,420
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	5,896,309	1	-	-
Deposits held by financial institutions	82,018	1	58,903	58,903
Trade receivables	6,352,015	1	-	-
Other receivables	446,426	1	458,171	429,727
Other financial assets	-	-	1,612	1
<b>Total</b>	<b>13,583,977</b>		<b>673,565</b>	

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Liabilities at fair value</b>				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	19,669	19,669	7,244	7,244
Derivatives for hedging purposes				
Other financial liabilities	178	178	170,227	170,227
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	8,728,159	1	-	-
Borrowings	1,450,135	1	8,469,620	8,719,840
Other payables	3,555,968	1	63,136	63,135
<b>Other liabilities</b>				
Lease liabilities	276,632	2	585,428	2
Other financial liabilities	114	3	-	-
<b>Total</b>	<b>14,030,855</b>		<b>9,295,655</b>	

<sup>1</sup> Excluded from disclosure such as fair value hierarchy and measurement method as the book amount is the reasonable approximate of fair value.

<sup>2</sup> Lease liabilities were excluded from the fair value disclosures in accordance with Korean IFRS 1107 *Financial Instruments: Disclosures*.

<sup>3</sup> Measured at the higher of the amount of the loss allowance determined in accordance with Korean IFRS 1109 *Financial Instruments*, and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*, and excluded from disclosure as there is no significant difference between the book amount and its fair value.

(b) Fair value measurements of assets and liabilities

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### **Notes to the Consolidated Financial Statements**

#### **December 31, 2021 and 2020**

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i) Fair value hierarchy and measurement method

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement is to estimate 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 under current market conditions. When measuring fair value using valuation techniques, the Group maximizes the use of market information and minimizes the use of unobservable inputs.

Financial instruments measured at fair value are categorized within the fair value hierarchy, and the defined levels are as follows:

- Level 1: Financial instruments measured at the quoted prices in an active market for identical assets or liabilities are included in 'level 1'. Assets or liabilities categorized within 'level 1' are financial instruments such as listed equity securities.

- Level 2: When financial instruments are measured by using a discounted cash flow, if all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'. Assets or liabilities categorized within 'level 2' are financial instruments such as derivative financial instruments.

- Level 3: When financial instruments are measured by using a discounted cash flow, if one or more of the significant inputs are unobservable market data, the instrument is included in 'level 3'. There are no assets or liabilities categorized within 'level 3'.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price for financial assets held by the Group is the closing price at the end of the reporting period. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily equity investments classified as financial assets at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques that the Group develops or figures that external valuation agencies provide, and makes judgements based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.

If one or more of the significant inputs are not based on observable market data, the instrument is included in 'level 3'. Financial instrument included 'level 3' uses other method including discounting cash flow method.

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ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income	60,441	-	60,781	121,222
Financial assets at fair value through profit or loss	2,297	5,627	71,221	79,145
Derivatives for hedging purposes	-	41,487	-	41,487
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	17,093	-	17,093
Derivatives for hedging purposes	-	51,095	-	51,095

<i>(in millions of Korean won)</i>	December 31, 2020			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income	58,103	-	59,317	117,420
Financial assets at fair value through profit or loss	-	4,292	37,459	41,751
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	26,913	-	26,913
Derivatives for hedging purposes	-	170,405	-	170,405

The above fair value amounts are recurring fair value measurements.

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- Valuation technique and inputs for fair value measurements categorized within 'level 2'

Valuation technique and inputs for fair value measurements categorized within 'level 2' as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2021	December 31, 2020		
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through profit or loss	5,627	4,292	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	41,487	-	Discounted cash flow	Discount rate and exchange rate
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	17,093	26,913	Discounted cash flow and binomial model	Discount rate and exchange rate share price and volatility
Derivatives for hedging purposes	51,095	170,405	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

At the end of the reporting period, financial instruments measured at fair value categorized within 'level 3' comprise unlisted equity securities and debt securities and are measured using discounted cash flow considering discount rate and others as inputs.

iii) Financial instruments not measured at fair value but for which the fair value is disclosed

Financial instruments not measured at fair value but for which the fair value is disclosed as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	58,935	58,935
Non-current trade receivables	-	-	25,078	25,078
Non-current other receivables	-	-	645,960	645,960
<b>Liabilities</b>				
Non-current borrowings	-	-	8,043,340	8,043,340
Non-current other payables	-	-	116,324	116,324

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<i>(in millions of Korean won)</i>	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	58,903	58,903
Non-current other receivables	-	-	429,727	429,727
<b>Liabilities</b>				
Non-current borrowings	-	-	8,719,840	8,719,840
Non-current other payables	-	-	63,135	63,135

- Valuation technique and inputs for fair value measurements categorized within 'level 2'

At the end of the reporting period, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 2'.

- Disclosure in relation to fair value measurements categorized within 'level 3'

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Book amount	Fair value	Book amount	Fair value				
<b>Assets</b>								
Non-current deposits held by financial institutions	58,935	58,935	58,903	58,903	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.8%
Non-current trade receivables	25,078	25,078	-	-	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.82%
Non-current other receivables	671,903	645,960	458,171	429,727	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.6% ~ 5.5%
<b>Liabilities</b>								
Non-current borrowings	8,035,953	8,043,340	8,469,620	8,719,840	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.7% ~ 3.8%
Non-current other payables	116,330	116,324	63,136	63,135	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.0% ~ 2.1%



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**41. Business Combinations**

- (a) On November 1, 2021, the Group acquired 69.6% shares of Cybellum Technologies Ltd. and its subsidiaries in order to secure vehicle security technology.

The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	109,558
Other payables <sup>1</sup>	48,048
Other financial liabilities <sup>1</sup>	4,151
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	5,168
Trade receivables <sup>2</sup>	237
Other assets	92
Non-current assets	
Property, plant and equipment	1,039
Intangible assets	58,018
Other assets	265
Current liabilities	
Trade and other payables	2,114
Other liabilities	1,216
Non-current liabilities	
Other payables	169
Other liabilities	958
Deferred tax liabilities	13,344
<b>Fair value of total identifiable net assets</b>	<b>47,018</b>
Non-controlling interests <sup>3</sup>	4,348
<b>Goodwill<sup>4</sup></b>	<b>119,087</b>

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<sup>1</sup> According to the non-controlling interest in Cybellum Technologies Ltd. and the put options grant to employees to whom stock options were granted, the Group recognized such obligation as financial liabilities at the acquisition date(Note 38).

<sup>2</sup> The fair value of above trade receivables is the same as the contractual amount in gross.

<sup>3</sup> Non-controlling interests of ₩4,348 million is the fair value of share options issued by Cybellum Technologies Ltd. measured at the acquisition date.

<sup>4</sup> Goodwill incurred in a business combination amounting to ₩119,087 million is due to an increase in sales from integration of business with Cybellum Technologies Ltd. and its subsidiary, which is not allowed to be tax deductible.

The acquisition-related direct costs in relation to business combination amounting to ₩2,250 million was recognized as expenses as incurred.

Net sales and loss of Cybellum Technologies Ltd. and its subsidiary for the period from November 1, 2021, the acquisition date, amounted to ₩668 million and ₩2,875 million and included in the consolidated statements of profit or loss. Net sales and profit for the current reporting period as though the acquisition date had been as at the beginning of the annual reporting period are as follows:

<i>(in millions of Korean won)</i>	<b>Before adjustments</b>	<b>Adjustments</b>	<b>After adjustments</b>
Net sales	74,721,629	1,584	74,723,213
Profit(loss) for the year	1,414,972	(4,721)	1,410,251

- (b) On December 31, 2020, Zenith Electronics LLC(Zenith), a subsidiary, acquired 56.4% shares of Alphonso Inc. and its subsidiary in order to secure growth engines through differentiating the competitiveness of service and contents of TV business.

The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	75,422
Other payables <sup>1</sup>	67,285
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	35,081
Trade receivables <sup>2</sup>	1,683
Other assets	1,507
Non-current assets	
Property, plant and equipment	126
Intangible assets	29,945
Other assets	54
Current liabilities	

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<i>(in millions of Korean won)</i>	<b>Amount</b>
Trade and other payables	1,696
Borrowings	4,352
Other liabilities	11,144
Non-current liabilities	
Borrowings	4,242
Net defined benefit liabilities	140
Deferred tax liabilities	8,224
<b>Fair value of total identifiable net assets</b>	<b>38,598</b>
Non-controlling interests <sup>3</sup>	8,813
<b>Goodwill<sup>4</sup></b>	<b>112,922</b>

<sup>1</sup> Zenith Electronics LLC(Zenith), a subsidiary, agreed to tender offers for non-controlling interests if the initial public offering of Alphonso Inc. would not be complete until certain time. The Group recognized such obligation as financial liabilities at the acquisition date(Note 30).

<sup>2</sup> The fair value of above trade receivables is the same as the contractual amount in gross.

<sup>3</sup> Non-controlling interests of ₩8,813 million is the fair value of share options issued by Alphonso Inc. measured at the acquisition date.

<sup>4</sup> Goodwill incurred in a business combination amounting to ₩112,922 million is due to an increase in sales from integration of business with Alphonso Inc. and its subsidiary, which is not allowed to be tax deductible.

The acquisition-related direct costs in relation to business combination amounting to ₩2,359 million was recognized as expenses as incurred.

**42. Assets Classified as Held for Sale**

(a) Details of assets classified as held for sale as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021<sup>1</sup></b>	<b>December 31, 2020<sup>2</sup></b>
Assets held for sale		
Cash and cash equivalents	58,371	53,586
Land	35,079	89,319
Building	58,174	188,929
Machinery	19,280	11,834
Other property, plant and equipment	773	1,192
Intangible assets	-	33,811
Other assets	8,403	11,144
<b>Total</b>	<b>180,080</b>	<b>389,815</b>

<sup>1</sup> The assets amounting to ₩66,827 million (December 31, 2021: ₩369,840 million belonging to LEG business which LG Innotek Co., Ltd, a subsidiary, decided to sell under the approval of management on October 28, 2020, are included above. In this regard, the Group recognized impairment loss on property, plant and equipment of ₩43,780 million in 2020. Assets held for sale increased by ₩4,979 million due to the changes in the assets of subsidiaries of LG Innotek Co., Ltd. As the Group changes its sale plan of the LED business during 2021, the Group reclassified ₩291,486 million to property, plant and equipment, reversed an impairment loss of ₩40,324 million and recognized an impairment loss of ₩1,435 million. For

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assets of ₩53,218 million that have been sold, gain or loss on disposal of ₩25,207 million was recognized in profit or loss.

- (b) Assets held for sale were measured at fair value less costs to sell before the reclassification, and the Group recognized impairment loss on property, plant and equipment amounting to ₩11,790 million.
- (c) Details of other components of equity as held for sale as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Exchange differences on translation of foreign operations	12,299	(3,079)

#### 43. Discontinued Operation

At the end of the reporting period, the Group discontinued the operation of MC business in order to focus on the Group's core business through firmwide resource efficiency and to secure financial resources for preparing new busss for future growth by improving its financial structure.

Profit and loss from discontinued operation for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Net sales	1,791,737	5,204,138
Operating loss	(1,142,421)	(710,121)
Loss before income tax <sup>1</sup>	(1,571,759)	(887,703)
Income tax expense <sup>1</sup>	(421,898)	(204,557)
Loss for the period, net of tax	(1,149,861)	(683,146)

<sup>1</sup> It includes an impairment loss and loss on disposal of property, plant and equipment and intangible assets amounting to ₩349,113 million due to discontinued operations of MC business, and income tax benefits of ₩93,637 million for the related profit or loss during the year ended December 31, 2021.

Cash flows from discontinued operations for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>2021</b>	<b>2020</b>
Net cash outflow from operating activities	(1,653,638)	(405,219)
Net cash inflow (outflow) from investing activities	123,417	(299,092)
Net cash inflow from financing activities	1,530,221	704,311

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#### **44. Events After the Reporting Period**

##### (1) Russia-Ukraine conflict

The Russia - Ukraine conflict has been escalated in February 2022, Russia is imposed to the international sanctions. Due to the limitations of Russian banks' access to the SWIFT (Society for Worldwide Interbank Financial Telecommunication) payment system, the lack of liquidity in the foreign exchange market as well as the significant decline in value of the Rubles and the decline in value of Russian companies' securities are in progress. As a result, the Group may experience situations such as a decrease in value of financial assets or operating assets owned by the Group regarding the conflict, an increase in receivable payment terms, limitation to transfer funds, a decrease in the profit.

As of December 31, 2021, the Group expects such conflict and sanctions would have financial impacts on LG Electronics RUS, LLC and LG Electronics Ukraine, its subsidiaries (Note 1). However, the Group cannot reasonably predict the financial impacts because it is highly uncertain to estimate the impact on the Group's financial position and business performance. The Group did not reflect the impact due to the conflict on the financial statements as at December 31, 2021 accordingly.

##### (2) Discontinued energy business

The Group decided to discontinue the production and sales of the solar panel business in accordance with the resolution of the Board of Directors on February 22, 2022 to concentrate its capabilities on core projects and improve its business structure through internal resource efficiency.

#### **45. Approval of the Consolidated Financial Statements**

The consolidated financial statements of the Group was approved by the Board of Directors on January 26, 2022, and final approval is expected at the regular general meeting of shareholders to be held on March 24, 2022.