

# **LG Electronics Inc.**

**Separate Financial Statements  
December 31, 2020 and 2019**

**LG Electronics Inc.**

Index

December 31, 2020 and 2019

---

	<b>Page(s)</b>
<b>Independent Auditor’s Report</b> .....	1 - 6
<b>Separate Financial Statements</b>	
Separate Statements of Financial Position .....	7
Separate Statements of Profit or Loss .....	8
Separate Statements of Comprehensive Income.....	9
Separate Statements of Changes in Equity .....	10
Separate Statements of Cash Flows .....	11
<b>Notes to the Separate Financial Statements</b> .....	12 - 108
<b>Independent Auditor’s Report on Internal Control over Financial Reporting</b>	
.....	109-110
<b>Management’s Report on the Effectiveness of Internal Control over Financial Reporting</b>	
.....	111



## 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 separate financial statements of LG Electronics Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

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

We have also audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 4, 2021 expressed an unqualified opinion.

### 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **(a) Impairment of investments in subsidiaries**

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

As disclosed in Note 13, the Company held 70% of shares of ZKW Holding GmbH and its related entity (hereinafter referred to as "ZKW"), which was classified as a subsidiary. As at December 31, 2020, the book amount of the ZKW shares was ₩913,841 million.

The Company determined that there might exist an indication of impairment on the ZKW shares during the current period, performed an impairment test in accordance with Korean IFRS 1036 *Impairment of Assets*, and recognized impairment loss of ₩65,267 million.

We considered that the impairment of investments in subsidiaries was a key audit matter given 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 estimation used in impairment testing are significant.

### *How our audit addressed the Key Audit Matter*

We performed the following audit procedures on a valuation model, significant assumptions and judgements related to value-in-use estimation performed by the Company. 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 Company 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 the valuation model used by the Company and assessing the consistency with the prior year
- Evaluating the competence and objectivity of the independent external expert engaged by the Company
- 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 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 sensitivity analysis of significant assumptions in order to quantify the downside changes in assumptions that could result in an impairment

## **(b) Impairment of investments in associates**

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

As disclosed in Note 13, the Company held 37.9% of shares of LG Display Co., Ltd. (hereinafter referred to as "LGD"), which was classified as an associate. As at December 31, 2020, the book amount of the LGD shares was ₩3,480,623 million.

As the fair value of the LGD shares is significantly lower than its book amount at the end of the reporting period, the Company performed an impairment test in accordance with Korean IFRS 1036 *Impairment of Assets*.

We considered that the impairment of investments in associates was a key audit matter given the level of management's judgments involved in the value-in-use estimation of impairment testing are significant.

### *How our audit addressed the Key Audit Matter*

We performed the following audit procedures on a valuation model, significant assumptions and judgements related to value-in-use estimation performed by the Company. 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 Company 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 the valuation model used by the Company and assessing the consistency with the prior year
- Evaluating the appropriateness of the business plan estimation by management by comparing business plans of LGD used in the prior year impairment testing with actual business performance
- Obtaining an understanding of future cash flows of LGD, 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 LGD
- Performing sensitivity analysis of significant assumptions in order to quantify the downside changes in assumptions that could result in an impairment

In addition, we reviewed the workpapers on the audit procedures related to the goodwill impairment testing performed by the independent auditor of LGD (hereinafter referred to as the "component auditor") and the evaluation result of competence and objectivity of involved independent external experts in the goodwill impairment testing prepared by management of LGD.

### **(c) Capitalization of internally generated development costs and their impairment**

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

As disclosed in Note 12, the book amount of internally generated development costs of the Company was ₩739,871 million (including ₩304,781 million of construction-in-progress) as at December 31, 2020.

The Company recognized internally generated development costs which meet certain conditions defined in Korean IFRS 1038 *Intangible Assets*. The Company also performed an impairment test applying Korean IFRS 1036 *Impairment of Assets* during the current period and recognized impairment loss of ₩101,140 million.

We considered that the capitalization of internally generated development costs and their impairment was a key audit matter given that internally generated development costs were material in the separate financial statements of the Company and related to a significant level of judgments and estimations based on management's assumptions.

#### *How our audit addressed the Key Audit Matter*

We performed the following audit procedures relating to testing for the effectiveness of internal controls related to capitalization of internally generated development costs and their impairment:

- Evaluating whether the accounting policies of the Company were appropriate under the requirements for the recognition of Korean IFRS 1038 *Intangible Assets*
- Obtaining an understanding of the internal control related to capitalization of internally generated development costs and their impairment
- Testing internal controls such as the management's review and approval of business plan estimation of individual project and significant assumptions of the valuation model

We also obtained a detailed schedule of capitalized development projects with the amounts of individual project, and reconciled them to the amounts recorded in the general ledger. For certain projects selected as samples, our audit procedures included:

- Obtaining management's analysis documentations, which included conclusions made by management, interviewing with the project managers to understand and evaluate whether each project met the criteria for capitalization, and confirming that the analyses are consistent with the explanations of the project managers
- Inspecting contracts with customers, purchase orders or quotations which represented future economic benefits
- Evaluating the appropriateness of significant assumptions and raw data applied to impairment analysis and testing them by examining that they are consistent with the assumptions used in the business plans of each individual project, historical business performances, strategies of management, discount rate and others
- Testing the occurrence and the accuracy of aggregation and allocation of capitalized expenditures by vouching proper evidences

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 3 to the separate financial statements of the Company. Note 3 to the separate financial statements describes the uncertainty, relating to the impact of the spread of Coronavirus Disease-19("COVID-19") on the Company'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 separate financial statements may differ from those generally accepted and applied in other countries.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 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 Sung-Marn Chun, Certified Public Accountant.

Seoul, Korea  
March 4, 2021

This report is effective as at March 4, 2021, 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 separate 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.



**LG Electronics Inc.**  
**Separate Statements of Financial Position**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,5,37	1,916,739	918,795
Deposits held by financial institutions	4,5,37	80,000	65,500
Trade receivables	4,6,37	4,995,299	3,665,619
Other receivables	4,6,37	425,809	845,345
Other financial assets	4,7,37	1,750	2,298
Inventories	8	1,594,084	1,195,260
Current tax assets		1,023	1,985
Contract assets	9	388,350	420,426
Other current assets	10	253,343	584,975
Assets held for sale	38	13,346	-
		<u>9,669,743</u>	<u>7,700,203</u>
<b>Non-current assets</b>			
Deposits held by financial institutions	4,5,37	1,371	1,489
Other receivables	4,6,37	191,172	159,525
Other financial assets	4,7,37	94,404	61,600
Property, plant and equipment	11	7,318,557	7,331,504
Intangible assets	12	2,053,815	1,440,219
Deferred tax assets	17	1,151,324	1,058,578
Investments in subsidiaries, associates and joint ventures	13	8,881,286	9,022,290
Contract assets	9	38,976	56,559
Other non-current assets	10	299,339	642,924
		<u>20,030,244</u>	<u>19,774,688</u>
<b>Total assets</b>		<u>29,699,987</u>	<u>27,474,891</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	4,37	6,290,494	5,227,643
Borrowings	4,14,37	1,013,345	1,054,088
Lease liabilities	4,15,37	68,346	68,278
Other payables	4,16,37	1,999,555	1,900,869
Other financial liabilities	4,7,37	6,215	7,351
Current tax liabilities		39,003	18,494
Provisions	19	588,011	502,235
Contract liabilities	9	396,313	376,464
Other current liabilities	20	1,700,061	1,385,298
		<u>12,101,343</u>	<u>10,540,720</u>
<b>Non-current liabilities</b>			
Borrowings	4,14,37	6,811,353	7,165,993
Lease liabilities	4,15,37	53,524	59,999
Other payables	4,16,37	200	410
Other financial liabilities	4,7,37	125,250	88,032
Net defined benefit liabilities	18	401,900	488,726
Provisions	19	138,852	103,852
Contract liabilities	9	3,554	1,659
Other non-current liabilities	20	142,278	132,170
		<u>7,676,911</u>	<u>8,040,841</u>
<b>Total liabilities</b>		<u>19,778,254</u>	<u>18,581,561</u>
<b>Equity</b>			
Paid-in capital:	21		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	22	6,018,118	5,006,105
Accumulated other comprehensive loss	23	(55,914)	(72,304)
Other components of equity	24	(32,819)	(32,819)
		<u>9,921,733</u>	<u>8,893,330</u>
<b>Total equity</b>		<u>9,921,733</u>	<u>8,893,330</u>
<b>Total liabilities and equity</b>		<u>29,699,987</u>	<u>27,474,891</u>

**LG Electronics Inc.**  
**Separate Statements of Profit or Loss**  
**Years Ended December 31, 2020 and 2019**

<i>(in millions of Korean won, except per share amounts)</i>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Net sales</b>	25	28,435,323	28,654,467
<b>Cost of sales</b>	26	<u>21,356,432</u>	<u>22,202,787</u>
<b>Gross profit</b>		7,078,891	6,451,680
Selling and marketing expenses	26,27	3,016,616	2,962,593
Administrative expenses	26,27	483,196	537,337
Research and development expenses	26,27	2,027,851	2,060,171
Service costs	26,27	<u>804,237</u>	<u>725,570</u>
<b>Operating profit</b>		746,991	166,009
Financial income	28	217,200	129,072
Financial expenses	29	573,164	377,562
Other non-operating income	30	2,226,550	1,078,951
Other non-operating expenses	31	<u>1,325,205</u>	<u>1,155,608</u>
Profit (loss) before income tax		1,292,372	(159,138)
Income tax expense	17	<u>80,823</u>	<u>36,980</u>
<b>Profit (loss) for the year</b>		<u>1,211,549</u>	<u>(196,118)</u>
<b>Earnings (loss) per share during the year <i>(in Korean won)</i></b>	32		
Earnings (loss) per ordinary share		6,724	(1,094)
Earnings (loss) per preferred share		6,774	(1,044)

**LG Electronics Inc.**  
**Separate Statements of Comprehensive Income**  
**Years Ended December 31, 2020 and 2019**

---

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Profit (loss) for the year</b>		<u>1,211,549</u>	<u>(196,118)</u>
<b>Other comprehensive 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	18	(63,627)	(120,558)
Financial assets at fair value through other comprehensive income	7	16,365	960
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Cash flow hedges	37	<u>25</u>	<u>(15,905)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(47,237)</u>	<u>(135,503)</u>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<u>1,164,312</u>	<u>(331,621)</u>

**LG Electronics Inc.**  
**Separate Statements of Changes in Equity**  
**Years Ended December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other Components of Equity	Total
<b>Balance at January 1, 2019</b>		3,992,348	5,460,710	(57,359)	(32,819)	9,362,880
Changes in accounting policy		-	(2,020)	-	-	(2,020)
<b>Restated total equity</b>		<u>3,992,348</u>	<u>5,458,690</u>	<u>(57,359)</u>	<u>(32,819)</u>	<u>9,360,860</u>
<b>Total comprehensive income (loss):</b>						
Loss for the year		-	(196,118)	-	-	(196,118)
Remeasurements of the net defined benefit liability	18	-	(120,558)	-	-	(120,558)
Financial assets at fair value through other comprehensive income	7	-	-	960	-	960
Cash flow hedges	37	-	-	(15,905)	-	(15,905)
<b>Total comprehensive loss</b>		<u>-</u>	<u>(316,676)</u>	<u>(14,945)</u>	<u>-</u>	<u>(331,621)</u>
<b>Transactions with owners:</b>						
Dividends	22	-	(135,909)	-	-	(135,909)
<b>Total transactions with owners</b>		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
<b>Balance at December 31, 2019</b>		<u>3,992,348</u>	<u>5,006,105</u>	<u>(72,304)</u>	<u>(32,819)</u>	<u>8,893,330</u>
<b>Balance at January 1, 2020</b>		3,992,348	5,006,105	(72,304)	(32,819)	8,893,330
<b>Total comprehensive income (loss):</b>						
Profit for the year		-	1,211,549	-	-	1,211,549
Remeasurements of the net defined benefit liability	18	-	(63,627)	-	-	(63,627)
Financial assets at fair value through other comprehensive income	7	-	-	16,365	-	16,365
Cash flow hedges	37	-	-	25	-	25
<b>Total comprehensive income</b>		<u>-</u>	<u>1,147,922</u>	<u>16,390</u>	<u>-</u>	<u>1,164,312</u>
<b>Transactions with owners:</b>						
Dividends	22	-	(135,909)	-	-	(135,909)
<b>Total transactions with owners</b>		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
<b>Balance at December 31, 2020</b>		<u>3,992,348</u>	<u>6,018,118</u>	<u>(55,914)</u>	<u>(32,819)</u>	<u>9,921,733</u>

**LG Electronics Inc.**  
**Separate Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	2,107,031	366,345
Interest received		8,413	15,804
Interest paid		(249,199)	(248,500)
Dividends received		493,754	285,807
Income tax paid		(136,658)	(70,392)
<b>Net cash inflow from operating activities</b>		<u>2,223,341</u>	<u>349,064</u>
<b>Cash flows from investing activities</b>			
Decrease in deposits held by financial institutions		118	15,000
Decrease in other receivables		56,926	78,113
Proceeds from redemption and disposal of other financial assets		4,288	5,019
Proceeds from disposal of property, plant and equipment		37,261	37,035
Proceeds from disposal of intangible assets		25,454	1,992
Proceeds from withdrawal and disposal of investments in subsidiaries, associates and joint ventures		805,674	260,280
Proceeds from disposal of investment properties		-	99,663
Transfer of business	33	(1,968)	3,126
Increase in deposits held by financial institutions		(14,500)	(279)
Increase in other receivables		(73,174)	(50,565)
Acquisition of other financial assets		(16,495)	(16,591)
Acquisition of property, plant and equipment		(776,399)	(759,822)
Acquisition of intangible assets		(650,812)	(296,033)
Acquisition of investments in subsidiaries, associates and joint ventures		(36,300)	(33,953)
<b>Net cash outflow from investing activities</b>		<u>(639,927)</u>	<u>(657,015)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		877,688	1,060,062
Repayments of borrowings		(1,251,101)	(767,743)
Repayments of lease liabilities		(74,588)	(39,037)
Dividends paid	22	(135,909)	(135,909)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(583,910)</u>	<u>117,373</u>
Effects of exchange rate changes on cash and cash equivalents		(1,560)	(510)
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>997,944</u>	<u>(191,088)</u>
Cash and cash equivalents at the beginning of the year	5	<u>918,795</u>	<u>1,109,883</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>1,916,739</u>	<u>918,795</u>

# **LG Electronics Inc.**

## **Notes to the Separate Financial Statements**

### **December 31, 2020 and 2019**

---

#### **1. General Information**

LG Electronics Inc. (the “Company”) was spun off from LG Electronics Investment Ltd. on April 1, 2002. The 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 Company is domiciled in Korea at Yeoui-daero, Yeongdeungpo-gu, Seoul.

As at December 31, 2020, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following 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; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle Components Solutions segment designs and manufactures automobile parts; and Business Solutions segment manufactures and sells monitors, PCs, information displays, solar panels and others. As at December 31, 2020, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

#### **2. Significant Accounting Policies**

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

##### **Basis of Preparation**

The Company 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 separate 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 Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate 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, 2020.

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

The amended definition of a business requires to include inputs and substantive processes that have the ability to significantly contribute to the creation of outputs and outputs exclude the returns in the form of lower costs. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions are that the Company shall assume that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the financial statements.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

- Amendments to Korean IFRS 1116 *Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

When the conditions to apply the practical expedient are met, 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. A lessee that makes this election shall not account for any changes in lease payments resulting from the rent concession as a lease modification, but recognizes it as profit or loss.

In accordance with amendments to Korean IFRS 1116, the Company applied a practical expedient which does not assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. The Company has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard. There was no cumulative impact on the beginning balance of retained earnings as at January 1, 2020 by retrospectively applying this standard, and the Company did not restate comparatives for the 2019 reporting period. The amendments do not have a significant impact on the separate interim financial statements.

(b) New, enacted and amended standards issued, but not effective for December 31, 2020, and not early adopted by the Company

- 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*

In relation to interest rate benchmark reform, the amendments provide exceptions to adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and to apply hedge accounting without discontinuance when the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021. The Company does not expect that these amendments have a significant impact on the financial statements.

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

The amendments update a reference of the definitions of assets and liabilities to qualify for recognition to 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 clarify 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. The Company does not expect that these amendments have a significant impact on the financial statements.



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

- Amendments to Korean IFRS 1016 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity is required to 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. The Company does not expect that these amendments have a significant impact on the 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. The Company does not expect that these amendments have a significant impact on the 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 Company does not expect that these amendments have a significant impact on the 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

- 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 include the transfer of the entity's own equity instruments, however, it would be excluded if the entity classifies the option as an equity instrument, recognizing it separately from the liabilities as an equity component of a compound financial instruments. The amendments should be applied for annual periods beginning on or after January 1, 2023. The Company does not expect that these amendments have a significant impact on the financial statements.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**Investments in Subsidiaries, Associates and Joint ventures**

In accordance with Korean IFRS 1027 *Separate Financial Statements*, the investments in subsidiaries, associates and joint ventures are recorded at acquisition cost on the basis of the direct equity interest. The Company recognizes dividend income from subsidiaries, associates and joint ventures in profit or loss when its right to receive the dividend is established.

**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 of the consolidated financial statements 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 Company operates (the "functional currency"). The separate financial statements are presented in Korean won, which is the 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 translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the separate 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 separate 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**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

The Company 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 Company'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 Company 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 Company 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 Company 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

*Recognition and Measurement*

Typical purchases and sales of financial assets are recognized on the trade date. At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt 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.
-

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

(b) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company'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 Company assesses on a forward looking basis the expected credit losses associated with its debt 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

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

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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 Company 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 separate statements 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 separate 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 Company 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, less applicable selling expenses.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**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 Company 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 Company discloses in the separate 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 separate financial statements.

**Property, Plant and Equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation and 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 Company 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 separate statements of profit or loss during the financial period in which they are incurred.

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:

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 proceeds from the disposal of the asset and its carrying amount and are recognized within 'other non-operating income (expenses)' in the separate statements of profit or loss.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**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 a government are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to income are deferred and recognized in the separate statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are presented as a deduction of related assets and are credited to depreciation over the expected lives of the related assets.

**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 Company 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 Company and directly attributable to identifiable development projects, and meet all of the following criteria.



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

- 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 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 Company 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 separate 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**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**

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 separate statements of profit or loss over the period of the borrowings using the effective interest method. The Company 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 Company are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company'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 the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**Provisions**

Provisions are recognized when the Company 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 Company 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 Company, as a tenant, is required to restore its leased assets to their original state at the end of the lease-term, the Company 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 separate financial statements.

A contingent liability is disclosed (Note 34) when;

- 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 separate 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 calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where the Company operates and generates taxable income. 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 separate 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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 Company, 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.

**Employee Benefits**

(a) Post-employment benefits

The Company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company operates both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate fund. The Company 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. For the defined contribution plan, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

(b) Other long-term employee benefits

The Company 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 Company 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 Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company 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.

**Share Capital**

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

Where the Company purchases its own ordinary shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the 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 Company.

**Revenue Recognition**

(a) Identify performance obligation

The Company sells home appliances, mobile communications equipment, 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 Company 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 2010), the Company 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 Company 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 Company provides an extended warranty beyond the standard warranty coverage periods or a customer has the option to purchase an additional warranty separately, the Company identifies the warranty as a separate performance obligation and recognizes revenue.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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

Sales of goods are recognized when the Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

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 Company 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 Company'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 Company determined the royalty income as a performance obligation satisfied at a point in time.

(c) A performance obligation satisfied over time

The Company builds and sells customized equipment and design plan for a customer. The revenue is recognized over time by measuring progress only if the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. The Company performed an analysis on those contracts and determined the Company 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 Company receives licensing fees for the trademark held by the Company from subsidiaries and associates. The 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 Company's promise in granting a license is a promise to provide a right to access the Company's intellectual property over a license period; therefore, the Company 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

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

over the period of the contract.

(d) Variable consideration

The Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a 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 Company 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 Company determines the stand-alone selling price for each separate performance obligation by using an 'adjusted market assessment approach'. In limited circumstances, the Company 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 Company 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 Company uses the practical expedient in which the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

**Leases**

*Lessee accounting*

The Company 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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 Company. 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

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.



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

*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. 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 leased assets are included in the separate 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 Company by the weighted average number of shares issued excluding shares purchased by the Company that are held as treasury shares. Preferred shares have a right to participate in the profits of the 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 separate statement of financial position.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**Business Combination**

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. 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 excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

**3. Critical Accounting Estimates and Judgments**

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The Company makes estimates and assumptions concerning the future. 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.

During 2020, COVID-19 has a material impact on the global economy. It may have a negative impact; 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 Company.

Significant accounting estimates and assumptions applied in the preparation of the separate financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Company'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 Company recognizes revenue over time using the percentage of completion method for the rendering of service such as equipment production and installation. The Company measures the percentage of completion by estimating cost for the completion of the transaction, and the factors for the estimation of revenue may vary.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

(b) Impairment of Goodwill

The Company 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 Company 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 Company 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 period.

(e) Provisions

The Company 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 Company 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 Company 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 historical experience and future business plans. These calculations require estimates.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(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 assessment of reasonable certainty to exercise (or not exercise) an extension option 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.

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

(a) Categorizations of financial instruments as at December 31, 2020 and 2019, are as follows:

<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	1,916,739	-	-	-	1,916,739
Deposits held by financial institutions	81,371	-	-	-	81,371
Trade receivables	4,920,364	74,935	-	-	4,995,299
Other receivables	616,981	-	-	-	616,981
Other financial assets	-	64,850	29,554	1,750	96,154
<b>Total</b>	<b>7,535,455</b>	<b>139,785</b>	<b>29,554</b>	<b>1,750</b>	<b>7,706,544</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	6,290,494	-	-	6,290,494
Borrowings	7,824,698	-	-	7,824,698
Lease liabilities	-	-	121,870	121,870
Other payables	1,999,755	-	-	1,999,755
Other financial liabilities	-	-	131,465	131,465
<b>Total</b>	<b>16,114,947</b>	<b>-</b>	<b>253,335</b>	<b>16,368,282</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**December 31, 2019**

<i>(in millions of Korean won)</i>	<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>
Cash and cash equivalents	918,795	-	-	-	918,795
Deposits held by financial institutions	66,989	-	-	-	66,989
Trade receivables	3,647,265	18,354	-	-	3,665,619
Other receivables	1,004,870	-	-	-	1,004,870
Other financial assets	-	38,514	21,282	4,102	63,898
<b>Total</b>	<b>5,637,919</b>	<b>56,868</b>	<b>21,282</b>	<b>4,102</b>	<b>5,720,171</b>

**December 31, 2019**

<i>(in millions of Korean won)</i>	<b>Financial liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Other</b>	<b>Total</b>
Trade payables	5,227,643	-	-	5,227,643
Borrowings	8,220,081	-	-	8,220,081
Lease liabilities	-	-	128,277	128,277
Other payables	1,901,279	-	-	1,901,279
Other financial liabilities	-	-	95,383	95,383
<b>Total</b>	<b>15,349,003</b>	<b>-</b>	<b>223,660</b>	<b>15,572,663</b>

(b) Net gains or losses on each category of financial instruments for the years ended December 31, 2020 and 2019, are as follows:

**2020**

<i>(in millions of Korean won)</i>	<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	12,005	-	-	-	12,005
Exchange differences	(396,653)	-	-	-	(396,653)
Bad debts expense	(5,159)	-	-	-	(5,159)
Loss on disposal of trade receivables	(1,959)	(473)	-	-	(2,432)
Dividend income	-	151	3,472	-	3,623
Fair value gain, net of tax (through other comprehensive income)	-	16,365	-	-	16,365
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	963	963
Others	(3,907)	-	-	-	(3,907)

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**2020**

<i>(in millions of Korean won)</i>	<b>Financial liabilities at</b>				<b>Total</b>
	<b>Financial liabilities at amortized cost</b>	<b>fair value through profit or loss</b>	<b>Other</b>		
Interest expense	(215,456)	-	(28,866)		(244,322)
Exchange differences	319,074	-	(41,145)		277,929
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(938)		(938)
Others	-	-	(2,512)		(2,512)

**2019**

<i>(in millions of Korean won)</i>	<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	18,566	-	-	-	18,566
Exchange differences	132,027	-	-	-	132,027
Bad debts expense	(37,206)	-	-	-	(37,206)
Loss on disposal of trade receivables	(2,113)	(2,825)	-	-	(4,938)
Dividend income	-	242	273	-	515
Loss on valuation of financial assets at fair value through profit or loss	-	-	17	-	17
Fair value loss, net of tax (through other comprehensive income)	-	960	-	-	960
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	86	86
Others	(11,508)	-	-	-	(11,508)

**2019**

<i>(in millions of Korean won)</i>	<b>Financial liabilities at</b>				<b>Total</b>
	<b>Financial liabilities at amortized cost</b>	<b>fair value through profit or loss</b>	<b>Other</b>		
Interest expense	(241,691)	-	(6,983)		(248,674)
Exchange differences	(160,952)	-	20,036		(140,916)
Gain on derivatives (through profit or loss)	-	345	-		345
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(15,991)		(15,991)
Others	-	-	(9,118)		(9,118)

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(c) Recognized financial instruments that are subject to enforceable master netting arrangements or similar arrangements as at December 31, 2020 and 2019, are as follows:

		<b>2020</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>
<i>(in millions of Korean won)</i>				<b>Recognized financial instrument</b>	<b>Financial instruments</b>	
<b>Financial assets</b>						
	Trade receivables	90,608	(90,608)	-	-	-
<b>Financial liabilities</b>						
	Trade payables	280,735	(90,608)	190,127	-	190,127
		<b>2019</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>
<i>(in millions of Korean won)</i>				<b>Recognized financial instrument</b>	<b>Financial instruments</b>	
<b>Financial assets</b>						
	Trade receivables	63,679	(63,679)	-	-	-
<b>Financial liabilities</b>						
	Trade payables	115,590	(63,679)	51,911	-	51,911

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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

(a) Cash and cash equivalents

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

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	49	49
Bank deposits	1,916,690	918,746
<b>Total</b>	<b>1,916,739</b>	<b>918,795</b>

(b) Deposits held by financial institutions

The deposits held by financial institutions restricted in use as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Fund for business cooperation	80,000	65,500
<b>Non-current</b>		
Deposit for checking account	33	33
National project	1,338	1,456
<b>Subtotal</b>	<b>1,371</b>	<b>1,489</b>
<b>Total</b>	<b>81,371</b>	<b>66,989</b>



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**6. Trade Receivables and Other Receivables**

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at December 31, 2020 and 2019, are as follows:

*(in millions of Korean won)*

	December 31, 2020			December 31, 2019		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,060,475	(65,176)	4,995,299	3,727,941	(62,322)	3,665,619
Other receivables						
Current	437,901	(12,092)	425,809	854,985	(9,640)	845,345
Non-current	191,183	(11)	191,172	160,067	(542)	159,525

(b) Details of other receivables as at December 31, 2020 and 2019, are as follows:

*(in millions of Korean won)*

	December 31, 2020	December 31, 2019
<b>Current</b>		
Loans	9,967	12,870
Non-trade receivables	256,160	627,422
Accrued income	72,772	105,778
Deposits	86,910	99,275
<b>Subtotal</b>	<b>425,809</b>	<b>845,345</b>
<b>Non-current</b>		
Loans	110,342	85,921
Deposits	80,830	73,604
<b>Subtotal</b>	<b>191,172</b>	<b>159,525</b>
<b>Total</b>	<b>616,981</b>	<b>1,004,870</b>

(c) The aging analysis of trade receivables and other receivables as at December 31, 2020 and 2019, is as follows:

*(in millions of Korean won)*

	December 31, 2020				December 31, 2019			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
<b>Receivables not past due</b>	4,529,748	339,102	187,852	5,056,702	3,195,394	695,353	142,751	4,033,498
<b>Past due but not impaired</b>								
Up to 6 months	305,046	7,363	1,468	313,877	353,752	53,804	13,886	421,442
7 to 12 months	50,918	21,796	1,863	74,577	35,054	15,660	1,844	52,558
Over 1 year	67,936	57,113	-	125,049	43,775	79,694	1,586	125,055
<b>Subtotal</b>	<b>423,900</b>	<b>86,272</b>	<b>3,331</b>	<b>513,503</b>	<b>432,581</b>	<b>149,158</b>	<b>17,316</b>	<b>599,055</b>
<b>Impaired</b>	<b>106,827</b>	<b>12,527</b>	<b>-</b>	<b>119,354</b>	<b>99,966</b>	<b>10,474</b>	<b>-</b>	<b>110,440</b>
<b>Total</b>	<b>5,060,475</b>	<b>437,901</b>	<b>191,183</b>	<b>5,689,559</b>	<b>3,727,941</b>	<b>854,985</b>	<b>160,067</b>	<b>4,742,993</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

- (d) The allowance for doubtful accounts is recognized based on aging analysis and historical experience.
- (e) The Company 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 Company 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.
- (f) Movements in allowance for doubtful accounts for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>			<b>At December 31</b>
	<b>At January 1</b>	<b>Addition (Reversal)</b>	<b>Write-off and other</b>	
Trade receivables	62,322	3,247	(393)	65,176
Other receivables				
Current	9,640	2,443	9	12,092
Non-current	542	(531)	-	11

<i>(in millions of Korean won)</i>	<b>2019</b>			<b>At December 31</b>
	<b>At January 1</b>	<b>Addition</b>	<b>Write-off and other</b>	
Trade receivables	30,487	33,144	(1,309)	62,322
Other receivables				
Current	6,267	3,529	(156)	9,640
Non-current	9	533	-	542

Bad debt expenses for trade receivables are included in 'selling and marketing expenses' in the separate 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) There are no transferred financial assets that are not derecognized in their entirety, nor any associated liabilities recognized at the end of the reporting period.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**7. Other Financial Assets and Liabilities**

(a) Details of other financial assets and liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Other financial assets</b>		
Derivatives	1,750	4,102
Financial assets at fair value through other comprehensive income	64,850	38,514
Financial assets at fair value through profit or loss	29,554	21,282
<b>Total</b>	<b>96,154</b>	<b>63,898</b>
Current	1,750	2,298
Non-current	94,404	61,600

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Other financial liabilities</b>		
Derivatives	118,614	78,865
Financial guarantee liability	12,851	16,518
<b>Total</b>	<b>131,465</b>	<b>95,383</b>
Current	6,215	7,351
Non-current	125,250	88,032

(b) Details of derivatives as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Current</b>				
Currency swap	1,750	-	2,298	-
<b>Non-current</b>				
Currency swap	-	50,171	1,804	8,633
Interest rate swap	-	68,443	-	70,232
<b>Subtotal</b>	<b>-</b>	<b>118,614</b>	<b>1,804</b>	<b>78,865</b>
<b>Total</b>	<b>1,750</b>	<b>118,614</b>	<b>4,102</b>	<b>78,865</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(c) Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

i) Changes in carrying amount of financial assets at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>					
	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Valuation</b>	<b>At December 31</b>
Listed equity securities	10,835	-	-	833	27,266	38,934
Unlisted equity securities	27,679	3,941	-	(833)	(4,871)	25,916
<b>Total</b>	<b>38,514</b>	<b>3,941</b>	<b>-</b>	<b>-</b>	<b>22,395</b>	<b>64,850</b>

<i>(in millions of Korean won)</i>	<b>2019</b>					
	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>At December 31</b>	
Listed equity securities	13,265	-	(769)	(1,661)	10,835	
Unlisted equity securities	16,760	10,919	(2,978)	2,978	27,679	
<b>Total</b>	<b>30,025</b>	<b>10,919</b>	<b>(3,747)</b>	<b>1,317</b>	<b>38,514</b>	

ii) Changes in carrying amount of financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>					
	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>At December 31</b>	
Unlisted equity securities	21,282	12,560	(4,288)	-	29,554	

<i>(in millions of Korean won)</i>	<b>2019</b>					
	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>At December 31</b>	
Unlisted equity securities	12,685	9,852	(1,272)	17	21,282	

**8. Inventories**

(a) Inventories as at December 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>	<b>Cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Finished products and merchandise	876,329	(41,253)	835,076	623,726	(40,988)	582,738
Work-in-process	98,171	(415)	97,756	69,214	(2,641)	66,573
Raw materials and supplies	611,955	(56,325)	555,630	554,777	(118,424)	436,353
Other	126,892	(21,270)	105,622	139,581	(29,985)	109,596
<b>Total</b>	<b>1,713,347</b>	<b>(119,263)</b>	<b>1,594,084</b>	<b>1,387,298</b>	<b>(192,038)</b>	<b>1,195,260</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(b) The cost of inventories recognized as an expense during the year ended December 31, 2020 amounted to ₩19,779,262 million (2019: ₩20,633,139 million). These were included in 'cost of sales'. Reversal of valuation allowance of inventories during the year ended December 31, 2020 amounted to ₩26,053 million (2019: loss on valuation of inventories of ₩124,284 million).

(c) There is no inventory provided as collateral for borrowings as at December 31, 2020.

**9. Contract Assets and Contract Liabilities**

(a) Contract assets as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Due from customers	363,897	399,802
(Less: allowance for doubtful accounts)	(2)	(2,999)
Right to recover returned products	667	704
Costs to fulfill contracts and others	62,764	79,478
<b>Total</b>	<b>427,326</b>	<b>476,985</b>
Current	388,350	420,426
Non-current	38,976	56,559

(b) Contract liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Expected promotional incentives for customers	164,418	147,279
Expected returns from customers	1,005	1,099
Customer loyalty program	30,275	34,446
Rendering of warranty services	15,846	8
Due to customers and others	188,323	195,291
<b>Total</b>	<b>399,867</b>	<b>378,123</b>
Current	396,313	376,464
Non-current	3,554	1,659

(c) Revenue recognized in relation to contract liabilities for the years ended December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Revenue recognized that was included in the contract liability amount at the beginning of the year:		
Due to customers and others	178,133	243,618
Customer loyalty program	25,154	51,015
Rendering of warranty services	8	48
<b>Total</b>	<b>203,295</b>	<b>294,681</b>
Revenue recognized from performance obligations satisfied in previous year	2,388	3,306

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(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 ₩422,623 million, expected to be satisfied by 2022, 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.

For the year ended December 31, 2020, the Company recognized a reversal of impairment loss amounting to ₩2,468 million (2019: impairment loss of ₩70 million) in relation to due from customers and amortization and others of ₩51,210 million (2019: ₩118,752 million) in relation to costs to fulfill a contract.

**10. Other Assets**

Details of other assets as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Current:</b>		
Advances	17,289	144,493
Prepaid expenses	168,418	333,884
Prepaid value added tax	67,636	106,598
<b>Subtotal</b>	<b>253,343</b>	<b>584,975</b>
<b>Non-current:</b>		
Long-term prepaid expenses	74,437	409,388
Long-term advances	224,902	233,536
<b>Subtotal</b>	<b>299,339</b>	<b>642,924</b>
<b>Total</b>	<b>552,682</b>	<b>1,227,899</b>

**11. Property, Plant and Equipment, and Intangible Assets**

(a) Details of property, plant and equipment as at December 31, 2020 and 2019, are as follows:

<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 December 31, 2020</b>									
Acquisition cost	2,284,109	4,648,218	227,768	2,641,135	1,897,600	389,353	1,073,401	236,782	13,398,366
Accumulated depreciation	(19)	(1,377,784)	(127,030)	(1,859,862)	(1,665,924)	(309,635)	(434,185)	-	(5,774,439)
Accumulated impairment losses	-	(138,516)	(3,078)	(139,077)	(13,869)	(6,063)	(4,767)	-	(305,370)
<b>Net book amount</b>	<b>2,284,090</b>	<b>3,131,918</b>	<b>97,660</b>	<b>642,196</b>	<b>217,807</b>	<b>73,655</b>	<b>634,449</b>	<b>236,782</b>	<b>7,318,557</b>
<b>At December 31, 2019</b>									
Acquisition cost	2,293,817	4,539,412	203,583	2,644,824	1,964,604	378,052	896,792	111,320	13,032,404
Accumulated depreciation	(14)	(1,200,118)	(119,724)	(1,780,777)	(1,717,607)	(299,637)	(285,924)	-	(5,403,801)
Accumulated impairment losses	-	(138,532)	(3,102)	(143,521)	(7,219)	(4,511)	(214)	-	(297,099)
<b>Net book amount</b>	<b>2,293,803</b>	<b>3,200,762</b>	<b>80,757</b>	<b>720,526</b>	<b>239,778</b>	<b>73,904</b>	<b>610,654</b>	<b>111,320</b>	<b>7,331,504</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(b) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019, are as follows:

<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>	2,293,803	3,200,762	80,757	720,526	239,778	73,904	610,654	111,320	7,331,504
Acquisitions	15	103,515	1,609	77,744	95,058	30,021	243,412	289,023	840,397
Transfer-in (out)	-	33,712	24,021	74,783	29,842	339	864	(163,561)	-
Disposals and others	-	(1,996)	(577)	(18,560)	(13,990)	(574)	(23,537)	-	(59,234)
Depreciation	(5)	(200,523)	(8,077)	(206,529)	(124,773)	(28,387)	(192,284)	-	(760,578)
Impairment losses <sup>1</sup>	-	-	(2)	(5,768)	(8,108)	(1,648)	(4,660)	-	(20,186)
Reclassification to assets available-for-sale	(9,723)	(3,552)	(71)	-	-	-	-	-	(13,346)
<b>At December 31</b>	<b>2,284,090</b>	<b>3,131,918</b>	<b>97,660</b>	<b>642,196</b>	<b>217,807</b>	<b>73,655</b>	<b>634,449</b>	<b>236,782</b>	<b>7,318,557</b>

<b>2019</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>	2,291,002	3,175,844	88,066	842,294	267,595	76,998	473,258	63,181	7,278,238
Changes in accounting policy	14	60,759	701	449	5,125	3,036	1,671	-	71,755
<b>Restated net book amount</b>	<b>2,291,016</b>	<b>3,236,603</b>	<b>88,767</b>	<b>842,743</b>	<b>272,720</b>	<b>80,034</b>	<b>474,929</b>	<b>63,181</b>	<b>7,349,993</b>
Acquisitions	4,850	112,772	2,143	90,110	96,482	26,328	302,296	229,213	864,194
Transfer-in (out)	-	35,815	1,390	111,987	31,514	287	81	(181,074)	-
Disposals and others	(2,058)	(9,113)	(363)	(19,970)	(8,217)	(399)	(14,947)	-	(55,067)
Decrease due to transfer of business	-	-	-	(74)	(388)	(37)	-	-	(499)
Depreciation	(5)	(164,849)	(8,076)	(226,797)	(146,306)	(28,634)	(151,562)	-	(726,229)
Impairment losses <sup>1</sup>	-	(10,466)	(3,104)	(77,473)	(6,027)	(3,675)	(143)	-	(100,888)
<b>At December 31</b>	<b>2,293,803</b>	<b>3,200,762</b>	<b>80,757</b>	<b>720,526</b>	<b>239,778</b>	<b>73,904</b>	<b>610,654</b>	<b>111,320</b>	<b>7,331,504</b>

<sup>1</sup> Some of separate cash-generating units under 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 ₩14,971 million (MC: ₩5,534 million, VS: ₩9,437 million) (2019: ₩73,303 million) was recognized as 'other non-operating expenses'. This impairment loss was allocated to machinery, equipment and others after reducing goodwill allocated to the cash-generating units. For the purpose of establishing a joint venture of certain business in VS segment in 2021, the Company entered into the share purchase agreement, and the amount of consideration significantly exceeded the recoverable amount measured at the previous reporting period. Accordingly, the Company reversed the impairment losses amounting to ₩4,862 million recognized in the previous reporting period, and recognized it as 'other non-operating income'. This reversal 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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(c) Line items including depreciation in the separate statements of profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Cost of sales	592,809	579,932
Selling and marketing expenses	37,563	30,799
Administrative expenses	50,120	29,886
Research and development expenses	56,514	66,926
Service costs	17,737	13,429
Other non-operating expenses	5,835	5,257
<b>Total</b>	<b>760,578</b>	<b>726,229</b>

(d) Changes of right-of-use assets for the years ended December 31, 2020 and 2019, are as follows:

<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>	9	84,714	536	166	4,027	3,748	40,333	-	133,533
Acquisitions	-	62,579	305	639	120	3,522	11,457	162	78,784
Transfer-in (out)	-	-	160	-	-	-	-	(160)	-
Disposals and others	-	(1,860)	(495)	-	-	(138)	(2,378)	-	(4,871)
Depreciation	(5)	(59,907)	(158)	(226)	(1,148)	(2,531)	(17,709)	-	(81,684)
<b>At December 31</b>	<b>4</b>	<b>85,526</b>	<b>348</b>	<b>579</b>	<b>2,999</b>	<b>4,601</b>	<b>31,703</b>	<b>2</b>	<b>125,762</b>

  

<b>2019</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>	14	60,759	701	449	5,125	3,036	10,652	-	80,736
Acquisitions	-	58,166	-	-	-	2,709	43,029	976	104,880
Transfer-in (out)	-	976	-	-	-	-	-	(976)	-
Disposals and others	-	(6,640)	-	-	-	-	(1,186)	-	(7,826)
Depreciation	(5)	(28,547)	(165)	(283)	(1,098)	(1,997)	(12,162)	-	(44,257)
<b>At December 31</b>	<b>9</b>	<b>84,714</b>	<b>536</b>	<b>166</b>	<b>4,027</b>	<b>3,748</b>	<b>40,333</b>	<b>-</b>	<b>133,533</b>

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the year ended December 31, 2020, was ₩ 12,682 million (2019: ₩ 11,596 million).

(e) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Capitalized borrowing costs	2,926	2,030
Capitalization rate (%)	3.09	3.07

(f) There is no property, plant and equipment pledged as a collateral for borrowings from banks.



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**12. Intangible assets**

(a) Details of intangible assets are as at December 31, 2020 and 2019, are as follows:

		<b>2020</b>					
<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, 2020</b>							
Acquisition cost	86,528	872,076	3,429,579	39,016	1,263,724	496,873	6,187,796
Accumulated amortization and impairment losses	(31,108)	(448,274)	(2,894,284)	(640)	(620,787)	(138,888)	(4,133,981)
<b>Net book amount</b>	<b>55,420</b>	<b>423,802</b>	<b>535,295</b>	<b>38,376</b>	<b>642,937</b>	<b>357,985</b>	<b>2,053,815</b>
		<b>2019</b>					
<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, 2019</b>							
Acquisition cost	86,528	869,355	2,944,921	64,992	679,958	604,213	5,249,967
Accumulated amortization and impairment losses	(31,108)	(439,678)	(2,531,139)	(1,315)	(603,008)	(203,500)	(3,809,748)
<b>Net book amount</b>	<b>55,420</b>	<b>429,677</b>	<b>413,782</b>	<b>63,677</b>	<b>76,950</b>	<b>400,713</b>	<b>1,440,219</b>

<sup>1</sup> As at December 31, 2020, internally generated development costs are included in development costs and construction-in-progress amounting to ₩435,090 million and ₩304,781 million (2019: ₩307,036 million and ₩385,144 million), respectively.

(b) Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

		<b>2020</b>					
<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>	55,420	429,677	413,782	63,677	76,950	400,713	1,440,219
Acquisitions	-	126,233	21,273	67	9,586	50,461	207,620
Acquisitions by internal development	-	-	-	-	-	333,397	333,397
Transfer-in (out)	-	-	381,597	-	-	(381,597)	-
Disposals and others	-	(44,340)	(2,522)	(25,368)	(103)	(8,076)	(80,409)
Amortization	-	(84,871)	(211,663)	-	(31,876)	-	(328,410)
Impairment losses <sup>1,2</sup>	-	(2,897)	(67,172)	-	(7,244)	(36,913)	(114,226)
Others <sup>3</sup>	-	-	-	-	595,624	-	595,624
<b>At December 31</b>	<b>55,420</b>	<b>423,802</b>	<b>535,295</b>	<b>38,376</b>	<b>642,937</b>	<b>357,985</b>	<b>2,053,815</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

2019							
<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
<b>At January 1</b>	85,314	422,458	356,284	63,993	103,726	639,842	1,671,617
Acquisitions	-	123,675	13,551	-	12,480	30,109	179,815
Acquisitions by internal development	-	-	4,421	-	-	239,825	244,246
Transfer-in (out)	-	-	311,463	-	685	(312,148)	-
Disposals and others	-	(27,554)	(191)	(316)	(39)	(4,159)	(32,259)
Decrease due to transfer of business	-	(546)	(38)	-	(138)	-	(722)
Amortization	-	(83,680)	(204,988)	-	(35,432)	-	(324,100)
Impairment losses <sup>1</sup>	(29,894)	(4,676)	(66,720)	-	(4,332)	(192,756)	(298,378)
<b>At December 31</b>	55,420	429,677	413,782	63,677	76,950	400,713	1,440,219

<sup>1</sup> Some of separate cash-generating units under 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 ₩13,652 million (MC: ₩5,570 million, VS: ₩8,082 million) (2019: ₩44,896 million) was recognized as 'other non-operating expenses'. This impairment loss was allocated to industrial property rights, development costs and others. For the purpose of establishing a joint venture of certain business in VS segment in 2021, the Company entered into the share purchase agreement, and the amount of consideration significantly exceeded the recoverable amount measured at the previous reporting period. Accordingly, the Company reversed the impairment losses amounting to ₩537 million recognized in the previous reporting period, and recognized it as 'other non-operating income'. This reversal was allocated to industrial property rights and other 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.

<sup>2</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 ₩101,140 million, was recognized as 'other non-operating expenses'.

<sup>3</sup> Others include reclassification of licensed assets and others.

(c) Line items including amortization of intangible assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	222,034	194,008
Selling and marketing expenses	10,533	13,214
Administrative expenses	33,225	49,364
Research and development expenses	61,720	66,805
Service costs	898	702
Other non-operating expenses	-	7
<b>Total</b>	328,410	324,100

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

(d) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Capitalized borrowing costs	1,227	524
Capitalization rate (%)	3.09	3.07

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

(f) Impairment tests for goodwill

- i) Goodwill is allocated among the Company's cash-generating units (CGUs) under each operating segment. At the end of the reporting period, goodwill amounting to ₩55,420 million is allocated to Home Appliance & Air Solution business segment.
- ii) The recoverable amount of CGUs has been determined based on value-in-use or fair value less costs of disposal. These calculations use pre-tax 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. Discount rates used for calculating the value-in-use are the pre-tax discount rates reflecting specific risks relating to CGUs identified in Home Appliance & Air Solution business segment of 12.1% and nominal permanent growth rates of 0.0%.

(g) Research and development expenses

Research and development expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Uncapitalized research and development expenditures	3,017,109	3,059,311
Amortization from internally generated development costs	174,041	149,440
<b>Total</b>	<b>3,191,150</b>	<b>3,208,751</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**13. Investments in Subsidiaries, Associates and Joint Ventures**

(a) Investments in subsidiaries, associates and joint ventures as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at December 31, 2020 (%)	Carrying amount	
				December 31, 2020	December 31, 2019
<b>Subsidiaries</b>					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
ZKW Holding GmbH (ZKW) <sup>1</sup>	Austria	December	70.0	878,201	943,468
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holding B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
LG Electronics (Shenyang) Inc(LGESY)	China	December	56.3	62,033	62,033
LG Electronics (Thailand) Company Limited(LGETH)	Thailand	December	100.0	55,578	55,578
LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	Australia	December	100.0	50,664	50,664
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	China	December	60.0	48,624	48,624
LG Electronics Ticaret A.S.(LGETK)	Turkey	December	100.0	47,320	47,320
LG Electronics Fund I LLC <sup>2</sup>	USA	December	100.0	45,045	22,083
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics (Huizhou) Inc.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co., LTD (LGEENT)	China	December	45.0	38,744	38,744
ZKW Austria Immobilien Holding GmbH	Austria	December	70.0	35,640	35,640
LG Electronics S.A. (Pty) Ltd.(LGESA) <sup>1</sup>	Republic of South Africa	December	100.0	30,175	32,112

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at December 31, 2020 (%)	Carrying amount	
				December 31, 2020	December 31, 2019
Nanjing LG Panda Appliances Co., Ltd.(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Colombia Limitada. (LGECEB)	Colombia	December	60.7	25,215	25,215
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Overseas Trading FZE(LGEOT) <sup>1</sup>	United Arab Emirates	December	100.0	10,521	22,538
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	China	December	60.0	22,142	22,142
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGSi)	India	March	100.0	20,105	20,105
LG Electronics (Kunshan) Co.,Ltd.(LGEKS) <sup>3</sup>	China	December	-	-	13,508
LG Electronics Morocco S.A.R.L.(LGEMC) <sup>1</sup>	Morocco	December	100.0	7,096	13,090
LG Electronics Finland Lab Oy(LGEFL) <sup>1</sup>	Finland	December	100.0	3,145	12,060
V-ENS (M) Sdn. Bhd. <sup>4</sup>	Malaysia	December	100.0	-	1,856
Tianjin Lijie Cartridge Heater Co., Ltd.(LGETL) <sup>5</sup>	China	December	-	-	226
Others				175,497	175,497
<b>Associates</b>					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
Robostar Co.,Ltd.	Korea	December	33.4	88,112	88,112
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Kiwigrid GmbH <sup>6</sup>	Germany	December	9.6	-	13,019
ROBOTIS Co., Ltd. <sup>7</sup>	Korea	December	8.5	9,000	9,000
Korea Information Certificate Authority Inc. <sup>8</sup>	Korea	December	-	-	2,088
Acryl Inc. <sup>7</sup>	Korea	December	14.5	2,000	2,000
AiM Future, Inc. <sup>7,9</sup>	Korea	December	19.9	800	-
<b>Joint ventures</b>					
LG Holdings (HK) Ltd. <sup>8</sup>	China	December	-	-	53,277
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
LG-LHT Aircraft Solutions GmbH <sup>2</sup>	Germany	December	49.0	12,039	5,085
LG-LHT Passenger Solutions GmbH <sup>2</sup>	Germany	December	49.0	10,637	4,553
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD <sup>2</sup>	China	December	35.0	891	591
<b>Total</b>				<b>8,881,286</b>	<b>9,022,290</b>

<sup>1</sup> It was impaired during the year ended December 31, 2020.

<sup>2</sup> It was additionally acquired during the year ended December 31, 2020.

<sup>3</sup> It was liquidated during the year ended December 31, 2020.

<sup>4</sup> The residual assets were distributed during the year ended December 31, 2020, and the difference between

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

the recoverable amount and the book amount was recognized in 'other non-operating expense'.

<sup>5</sup> It was impaired and liquidated during the year ended December 31, 2020.

<sup>6</sup> It was impaired during the year ended December 31, 2020 and reclassified to financial assets at fair value through other comprehensive income due to the loss of significant influence.

<sup>7</sup> Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

<sup>8</sup> It was disposed during the year ended December 31, 2020.

<sup>9</sup> It was newly acquired during the year ended December 31, 2020.

(b) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Carrying amount at January 1</b>	9,022,290	9,108,014
Acquisitions	37,100	32,436
Disposal and others <sup>1</sup>	(70,607)	(111,524)
Impairment loss	(107,497)	(6,636)
<b>Carrying amount at December 31</b>	<b>8,881,286</b>	<b>9,022,290</b>

<sup>1</sup> The Company 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 ₩666,667 million, net of related costs, in 'other non-operating income' (Note 30).

(c) Impairment test for investments in subsidiaries, associates and joint ventures

- i) The Company records the investments in subsidiaries, associates and joint ventures at acquisition cost on the basis of the direct equity interest and assesses at the end of each reporting period whether there is any indication that asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset by future cash flow projection technique. And if the recoverable amount of an asset is less than its carrying amount, the Company recognizes an impairment loss immediately by reducing its carrying amount to its recoverable amount.
- ii) The difference of ₩65,267 million between recoverable amount and carrying amount relating to ZKW Holding GmbH, a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020. The recoverable amount of investment in the subsidiary has been determined based on value in use, and is impacted by the changes in the key assumptions such as the pre-tax discount rate of 12.6% used for future cash flow discount method, nominal permanent growth rate of 2%. If the discount rate increases by 1%p, the value in use would decrease by ₩164,828 million, and if the nominal permanent growth rate decreases by 1%p, the value in use would decrease by ₩105,413 million.
- iii) The difference of ₩13,019 million between recoverable amount and carrying amount relating to Kiwigrid GmbH, an associate, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

- iv) The difference of ₩12,017 million between recoverable amount and carrying amount relating to LG Electronics Overseas Trading FZE(LGEOT), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020.
- v) The difference of ₩8,915 million between recoverable amount and carrying amount relating to LG Electronics Finland Lab Oy(LGEFL), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020.
- vi) The difference of ₩5,994 million between recoverable amount and carrying amount relating to LG Electronics Morocco S.A.R.L.(LGEMC), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020.
- vii) The difference of ₩1,937 million between recoverable amount and carrying amount relating to LG Electronics S.A. (Pty) Ltd.(LGESA), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020.
- viii) The difference of ₩226 million between recoverable amount and carrying amount relating to Tianjin Lijie Cartridge Heater Co., Ltd.(LGETL), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020.
- ix) The difference of ₩122 million between recoverable amount and carrying amount relating to V-ENS (M) Sdn. Bhd., a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2020.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(d) Details of marketable investments in subsidiaries and associates as at December 31, 2020 and 2019, are as follows:

<b>December 31, 2020</b>					
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (Unit: won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	18,550	2,515,844	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	182,500	1,761,706	541,538
Robostar Co.,Ltd.	Associate	3,256,500	19,250	62,688	88,112
ROBOTIS Co., Ltd.	Associate	961,550	13,750	13,221	9,000

  

<b>December 31, 2019</b>					
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (Unit: won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	16,250	2,203,906	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	140,000	1,351,445	541,538
Robostar Co.,Ltd.	Associate	3,256,500	17,400	56,663	88,112
ROBOTIS Co., Ltd.	Associate	961,550	12,400	11,923	9,000
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,785	7,609	2,088

**14. Borrowings**

(a) Carrying amounts of borrowings as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Short-term borrowings	200,736	233,537
Current portion of long-term borrowings	232,714	178,679
Current portion of debentures	579,895	641,872
<b>Subtotal</b>	<b>1,013,345</b>	<b>1,054,088</b>
<b>Non-current</b>		
Long-term borrowings	2,452,679	2,687,110
Debentures	4,358,674	4,478,883
<b>Subtotal</b>	<b>6,811,353</b>	<b>7,165,993</b>
<b>Total</b>	<b>7,824,698</b>	<b>8,220,081</b>

(b) Details of borrowings as at December 31, 2020 and 2019, are as follows:

i) Short-term borrowings

<i>(in millions of Korean won)</i>	<b>Annual interest rate</b>		<b>Carrying amount</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Foreign currency loans</b>				
LG Electronics European Shared Service Center B.V. (LGESC)	3M EURIBOR+1.10	3M EURIBOR+1.10	200,736	233,537
			<b>200,736</b>	<b>233,537</b>



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

ii) Long-term borrowings

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2020 (%)	December 31, 2020		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2027.01.28	3M CD+0.91	169,643	27,143	142,500
Kookmin Bank	2029.04.30	3M CD+1.14	170,000	20,000	150,000
Nonghyup Bank	2030.07.07	3M CD+1.05	185,250	19,000	166,250
Woori Bank	2030.04.15	3M CD+0.82	370,500	39,000	331,500
Bank of China	2027.01.15	3M CD+0.95	89,500	14,000	75,500
Hana Bank	2024.01.03	3M CD+0.98	160,000	15,000	145,000
Korea Development Bank	2023.12.19	2.65	90,000	30,000	60,000
Korea Development Bank	2023.12.19	2.69	60,000	20,000	40,000
Korea Development Bank	2035.01.09	2.49	200,000	-	200,000
The Export-Import Bank of Korea	2026.07.29	2.21	85,714	14,286	71,428
The Export-Import Bank of Korea	2026.07.29	2.21	85,714	14,285	71,429
The Export-Import Bank of Korea	2027.05.25	2.75	135,000	13,500	121,500
The Export-Import Bank of Korea	2027.05.25	2.75	50,000	5,000	45,000
The Export-Import Bank of Korea	2027.05.25	2.75	15,000	1,500	13,500
The Export-Import Bank of Korea	2030.08.01	3.50	200,000	-	200,000
<b>Foreign currency loans</b>					
Hana Bank	2025.04.23	3M LIBOR+1.2	108,800	-	108,800
Hana Bank	2027.05.17	3M LIBOR+1.6	108,800	-	108,800
The Export-Import Bank of Korea	2030.08.01	2.50	133,824	-	133,824
LGESC	2022.05.02	3M EURIBOR+1.10	267,648	-	267,648
<b>Total</b>			<b>2,685,393</b>	<b>232,714</b>	<b>2,452,679</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	Maturity date	Annual interest rate at December 31, 2019 (%)	December 31, 2019		
			Total	Current	Non-current
<b>Local currency loans</b>					
Kookmin Bank	2027.01.28	3M CD+0.91	190,000	20,357	169,643
Kookmin Bank	2029.04.30	3M CD+1.14	190,000	20,000	170,000
Nonghyup Bank	2030.07.07	3M CD+1.05	190,000	4,750	185,250
Woori Bank	2030.04.15	3M CD+0.82	390,000	19,500	370,500
Bank of China	2027.01.15	3M CD+0.95	100,000	10,500	89,500
Hana Bank	2024.01.03	3M CD+0.98	185,000	25,000	160,000
Korea Development Bank	2023.12.19	2.65	120,000	30,000	90,000
Korea Development Bank	2023.12.19	2.69	80,000	20,000	60,000
Korea Development Bank	2025.09.09	3.00	200,000	-	200,000
The Export-Import Bank of Korea	2026.07.29	2.21	100,000	14,286	85,714
The Export-Import Bank of Korea	2026.07.29	2.21	100,000	14,286	85,714
The Export-Import Bank of Korea	2027.05.25	2.75	135,000	-	135,000
The Export-Import Bank of Korea	2027.05.25	2.75	50,000	-	50,000
The Export-Import Bank of Korea	2027.05.25	2.75	15,000	-	15,000
The Export-Import Bank of Korea	2030.08.01	3.50	200,000	-	200,000
<b>Foreign currency loans</b>					
Hana Bank	2025.04.23	3M LIBOR+1.2	115,780	-	115,780
Hana Bank	2027.05.17	3M LIBOR+1.6	115,780	-	115,780
The Export-Import Bank of Korea	2030.08.01	2.50	129,743	-	129,743
LGESC	2022.05.02	3M EURIBOR+1.10	259,486	-	259,486
<b>Total</b>			<b>2,865,789</b>	<b>178,679</b>	<b>2,687,110</b>

The Company entered into interest rate swap and cross-currency swap contracts to hedge cash flow risks related to floating interest rates and foreign exchange rates of some of these borrowings (Note 37).

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

iii) Debentures

<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2020 (%)	December 31, 2020		
			Total	Current	Non-current
<b>Fixed rate notes in local currency</b>					
Private, non-guaranteed bonds(68-3 <sup>rd</sup> )	2023.05.22	3.68	50,000	-	50,000
Private, non-guaranteed bonds(68-4 <sup>th</sup> )	2023.05.23	3.68	30,000	-	30,000
Public, non-guaranteed bonds(71-3 <sup>rd</sup> )	2023.10.18	4.25	90,000	-	90,000
Public, non-guaranteed bonds(73-3 <sup>rd</sup> )	2021.01.24	3.95	160,000	160,000	-
Public, non-guaranteed bonds(73-4 <sup>th</sup> )	2024.01.24	4.44	120,000	-	120,000
Public, non-guaranteed bonds(74-2 <sup>nd</sup> )	2021.05.29	3.52	130,000	130,000	-
Public, non-guaranteed bonds(74-3 <sup>rd</sup> )	2024.05.29	4.04	210,000	-	210,000
Public, non-guaranteed bonds(74-4 <sup>th</sup> )	2029.05.29	4.44	60,000	-	60,000
Private, non-guaranteed bonds(75 <sup>th</sup> )	2026.07.16	3.96	100,000	-	100,000
Private, non-guaranteed bonds(76-1 <sup>st</sup> )	2028.11.17	3.79	40,000	-	40,000
Private, non-guaranteed bonds(76-2 <sup>nd</sup> )	2028.11.18	3.79	60,000	-	60,000
Public, non-guaranteed bonds(77-2 <sup>nd</sup> )	2022.02.02	2.51	230,000	-	230,000
Public, non-guaranteed bonds(77-3 <sup>rd</sup> )	2025.02.02	2.97	210,000	-	210,000
Public, non-guaranteed bonds(77-4 <sup>th</sup> )	2030.02.02	3.45	100,000	-	100,000
Public, non-guaranteed bonds(78-2 <sup>nd</sup> )	2021.02.24	2.14	200,000	200,000	-
Public, non-guaranteed bonds(78-3 <sup>rd</sup> )	2023.02.24	2.45	140,000	-	140,000
Public, non-guaranteed bonds(79-2 <sup>nd</sup> )	2021.09.06	1.75	90,000	90,000	-
Public, non-guaranteed bonds(79-3 <sup>rd</sup> )	2023.09.06	2.08	130,000	-	130,000
Public, non-guaranteed bonds(79-4 <sup>th</sup> )	2026.09.06	2.67	150,000	-	150,000
Private, non-guaranteed bonds(81 <sup>st</sup> )	2027.03.10	3.42	50,000	-	50,000
Private, non-guaranteed bonds(82 <sup>nd</sup> )	2027.03.22	3.29	50,000	-	50,000
Public, non-guaranteed bonds(83-1 <sup>st</sup> )	2022.04.28	2.36	160,000	-	160,000
Public, non-guaranteed bonds(83-2 <sup>nd</sup> )	2024.04.28	2.79	130,000	-	130,000
Public, non-guaranteed bonds(83-3 <sup>rd</sup> )	2027.04.28	3.20	70,000	-	70,000
Private, non-guaranteed bonds(85-1 <sup>st</sup> )	2027.11.17	3.62	30,000	-	30,000
Private, non-guaranteed bonds(85-2 <sup>nd</sup> )	2032.11.17	4.03	20,000	-	20,000
Private, non-guaranteed bonds(87-1 <sup>st</sup> )	2026.01.04	3.26	120,000	-	120,000
Private, non-guaranteed bonds(87-2 <sup>nd</sup> )	2028.01.04	3.55	10,000	-	10,000
Private, non-guaranteed bonds(88-1 <sup>st</sup> )	2033.01.31	4.21	60,000	-	60,000
Private, non-guaranteed bonds(89-1 <sup>st</sup> )	2026.03.16	3.39	80,000	-	80,000
Private, non-guaranteed bonds(89-2 <sup>nd</sup> )	2028.03.16	3.71	10,000	-	10,000
Private, non-guaranteed bonds(90 <sup>th</sup> )	2038.04.03	4.20	20,000	-	20,000
Public, non-guaranteed bonds(91-1 <sup>st</sup> )	2025.05.28	3.00	60,000	-	60,000
Public, non-guaranteed bonds(91-2 <sup>nd</sup> )	2028.05.28	3.52	200,000	-	200,000
Public, non-guaranteed bonds(91-3 <sup>rd</sup> )	2033.05.28	3.75	90,000	-	90,000
Public, non-guaranteed bonds(93-1 <sup>st</sup> )	2024.02.21	2.08	50,000	-	50,000
Public, non-guaranteed bonds(93-2 <sup>nd</sup> )	2026.02.21	2.29	60,000	-	60,000
Public, non-guaranteed bonds(93-3 <sup>rd</sup> )	2029.02.21	2.58	280,000	-	280,000
Public, non-guaranteed bonds(93-4 <sup>th</sup> )	2034.02.21	2.95	110,000	-	110,000
Private, non-guaranteed bonds(94 <sup>th</sup> )	2034.04.03	2.79	70,000	-	70,000

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2020 (%)	December 31, 2020		
			Total	Current	Non-current
Public, non-guaranteed bonds(95-1 <sup>st</sup> )	2027.02.25	1.62	120,000	-	120,000
Public, non-guaranteed bonds(95-2 <sup>nd</sup> )	2030.02.25	2.01	130,000	-	130,000
Public, non-guaranteed bonds(95-3 <sup>rd</sup> )	2035.02.25	2.22	50,000	-	50,000
Public, non-guaranteed bonds(96 <sup>th</sup> )	2040.07.06	2.66	60,000	-	60,000
<b>Floating rate notes in foreign currency</b>					
Private, non-guaranteed bonds(80 <sup>th</sup> )	2022.02.02	1M LIBOR+0.90	108,800	-	108,800
Private, guaranteed bonds(84 <sup>th</sup> )	2023.02.24	3M EURIBOR+0.75	133,824	-	133,824
Private, non-guaranteed bonds(86-2 <sup>nd</sup> )	2022.11.22	1M LIBOR+0.86	92,480	-	92,480
Private, non-guaranteed bonds(92 <sup>nd</sup> )	2028.06.08	3M LIBOR+1.61	108,800	-	108,800
Private, guaranteed bonds(97 <sup>th</sup> )	2024.01.09	6M SOR+0.92	115,111	-	115,111
<b>Less: discount on debentures</b>			(10,446)	(105)	(10,341)
<b>Total</b>			<b>4,938,569</b>	<b>579,895</b>	<b>4,358,674</b>

<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2019 (%)	December 31, 2019		
			Total	Current	Non-current
<b>Fixed rate notes in local currency</b>					
Private, non-guaranteed bonds(68-1 <sup>st</sup> )	2020.05.23	3.29	100,000	100,000	-
Private, non-guaranteed bonds(68-2 <sup>nd</sup> )	2020.05.24	3.29	20,000	20,000	-
Private, non-guaranteed bonds(68-3 <sup>rd</sup> )	2023.05.22	3.68	50,000	-	50,000
Private, non-guaranteed bonds(68-4 <sup>th</sup> )	2023.05.23	3.68	30,000	-	30,000
Public, non-guaranteed bonds(69-3 <sup>rd</sup> )	2020.07.31	3.85	150,000	150,000	-
Public, non-guaranteed bonds(71-2 <sup>nd</sup> )	2020.10.18	3.82	110,000	110,000	-
Public, non-guaranteed bonds(71-3 <sup>rd</sup> )	2023.10.18	4.25	90,000	-	90,000
Public, non-guaranteed bonds(73-3 <sup>rd</sup> )	2021.01.24	3.95	160,000	-	160,000
Public, non-guaranteed bonds(73-4 <sup>th</sup> )	2024.01.24	4.44	120,000	-	120,000
Public, non-guaranteed bonds(74-2 <sup>nd</sup> )	2021.05.29	3.52	130,000	-	130,000
Public, non-guaranteed bonds(74-3 <sup>rd</sup> )	2024.05.29	4.04	210,000	-	210,000
Public, non-guaranteed bonds(74-4 <sup>th</sup> )	2029.05.29	4.44	60,000	-	60,000
Private, non-guaranteed bonds(75 <sup>th</sup> )	2026.07.16	3.96	100,000	-	100,000
Private, non-guaranteed bonds(76-1 <sup>st</sup> )	2028.11.17	3.79	40,000	-	40,000
Private, non-guaranteed bonds(76-2 <sup>nd</sup> )	2028.11.18	3.79	60,000	-	60,000
Public, non-guaranteed bonds(77-1 <sup>st</sup> )	2020.02.02	2.28	210,000	210,000	-
Public, non-guaranteed bonds(77-2 <sup>nd</sup> )	2022.02.02	2.51	230,000	-	230,000
Public, non-guaranteed bonds(77-3 <sup>rd</sup> )	2025.02.02	2.97	210,000	-	210,000
Public, non-guaranteed bonds(77-4 <sup>th</sup> )	2030.02.02	3.45	100,000	-	100,000
Public, non-guaranteed bonds(78-2 <sup>nd</sup> )	2021.02.24	2.14	200,000	-	200,000
Public, non-guaranteed bonds(78-3 <sup>rd</sup> )	2023.02.24	2.45	140,000	-	140,000
Public, non-guaranteed bonds(79-2 <sup>nd</sup> )	2021.09.06	1.75	90,000	-	90,000
Public, non-guaranteed bonds(79-3 <sup>rd</sup> )	2023.09.06	2.08	130,000	-	130,000
Public, non-guaranteed bonds(79-4 <sup>th</sup> )	2026.09.06	2.67	150,000	-	150,000
Private, non-guaranteed bonds(81 <sup>st</sup> )	2027.03.10	3.42	50,000	-	50,000
Private, non-guaranteed bonds(82 <sup>nd</sup> )	2027.03.22	3.29	50,000	-	50,000

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	Maturity date	Annual Interest rate at December 31, 2019 (%)	December 31, 2019		
			Total	Current	Non-current
Public, non-guaranteed bonds(83-1 <sup>st</sup> )	2022.04.28	2.36	160,000	-	160,000
Public, non-guaranteed bonds(83-2 <sup>nd</sup> )	2024.04.28	2.79	130,000	-	130,000
Public, non-guaranteed bonds(83-3 <sup>rd</sup> )	2027.04.28	3.20	70,000	-	70,000
Private, non-guaranteed bonds(85-1 <sup>st</sup> )	2027.11.17	3.62	30,000	-	30,000
Private, non-guaranteed bonds(85-2 <sup>nd</sup> )	2032.11.17	4.03	20,000	-	20,000
Private, non-guaranteed bonds(87-1 <sup>st</sup> )	2026.01.04	3.26	120,000	-	120,000
Private, non-guaranteed bonds(87-2 <sup>nd</sup> )	2028.01.04	3.55	10,000	-	10,000
Private, non-guaranteed bonds(88-1 <sup>st</sup> )	2033.01.31	4.21	60,000	-	60,000
Private, non-guaranteed bonds(89-1 <sup>st</sup> )	2026.03.16	3.39	80,000	-	80,000
Private, non-guaranteed bonds(89-2 <sup>nd</sup> )	2028.03.16	3.71	10,000	-	10,000
Private, non-guaranteed bonds(90 <sup>th</sup> )	2038.04.03	4.20	20,000	-	20,000
Public, non-guaranteed bonds(91-1 <sup>st</sup> )	2025.05.28	3.00	60,000	-	60,000
Public, non-guaranteed bonds(91-2 <sup>nd</sup> )	2028.05.28	3.52	200,000	-	200,000
Public, non-guaranteed bonds(91-3 <sup>rd</sup> )	2033.05.28	3.75	90,000	-	90,000
Public, non-guaranteed bonds(93-1 <sup>st</sup> )	2024.02.21	2.08	50,000	-	50,000
Public, non-guaranteed bonds(93-2 <sup>nd</sup> )	2026.02.21	2.29	60,000	-	60,000
Public, non-guaranteed bonds(93-3 <sup>rd</sup> )	2029.02.21	2.58	280,000	-	280,000
Public, non-guaranteed bonds(93-4 <sup>th</sup> )	2034.02.21	2.95	110,000	-	110,000
Private, non-guaranteed bonds(94 <sup>th</sup> )	2034.04.03	2.79	70,000	-	70,000
<b>Floating rate notes in foreign currency</b>					
Private, non-guaranteed bonds(80 <sup>th</sup> )	2022.02.02	1M LIBOR+0.90	115,780	-	115,780
Private, guaranteed bonds(84 <sup>th</sup> )	2023.02.24	3M EURIBOR+0.75	129,743	-	129,743
Private, non-guaranteed bonds(86-1 <sup>st</sup> )	2020.11.22	1M LIBOR+0.78	52,101	52,101	-
Private, non-guaranteed bonds(86-2 <sup>nd</sup> )	2022.11.22	1M LIBOR+0.86	98,413	-	98,413
Private, non-guaranteed bonds(92 <sup>nd</sup> )	2028.06.08	3M LIBOR+1.61	115,780	-	115,780
<b>Less: discount on debentures</b>			(11,062)	(229)	(10,833)
<b>Total</b>			<b>5,120,755</b>	<b>641,872</b>	<b>4,478,883</b>

The Company entered into interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of the debentures (Note 37).

The principal and interests of private guaranteed bonds (84th) are guaranteed by Shinhan Bank (Note 34).

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**15. Lease Liabilities**

(a) Details of lease liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Lease liabilities</b>		
Current	68,346	68,278
Non-current	53,524	59,999
<b>Total</b>	<b>121,870</b>	<b>128,277</b>

(b) The amounts recognized in the separate statement of profit or loss relating to leases for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Interest expense relating on lease liabilities	4,229	2,891
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	34,643	69,805
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)	16,955	15,515

Total expenses for leases including short-term leases and leases of low-value assets are ₩130,168 million (2019: ₩125,981 million).

**16. Other Payables**

Details of other payables as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Non-trade payables	1,594,315	1,466,445
Accrued expenses	391,140	420,604
Leasehold deposits received	14,100	13,820
<b>Subtotal</b>	<b>1,999,555</b>	<b>1,900,869</b>
<b>Non-current</b>		
Leasehold deposits received	200	410
<b>Total</b>	<b>1,999,755</b>	<b>1,901,279</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**17. Current and Deferred Income Tax**

**Income tax expense**

(a) Details of income tax expense for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current income taxes		
Current tax on profits for the year	197,470	76,427
Adjustments in respect of prior years	(40,363)	545
Deferred tax		
Changes in temporary differences	(40,941)	(108,278)
Changes in tax credit carryforwards	(131,284)	73,909
Changes in tax loss carryforwards	95,941	(5,623)
<b>Income tax expense</b>	<b>80,823</b>	<b>36,980</b>

(b) The reconciliation between profit (loss) before income tax and income tax expense for the years ended December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Profit (loss) before income tax</b>	<b>1,292,372</b>	<b>(159,138)</b>
Tax expense (income) based on statutory tax rate	337,293	(38,511)
Income not subject to tax	(664)	(6,847)
Expenses not deductible for tax purposes	58,275	18,721
Tax credits/exemptions	(291,382)	(68,317)
Adjustments in respect of prior years	(40,363)	545
Changes in unrecognized deferred tax assets and others	17,664	131,389
<b>Income tax expense</b>	<b>80,823</b>	<b>36,980</b>
Effective tax rate	6.3%	<sup>1</sup>

<sup>1</sup> Effective tax rate is not calculated for the year ended December 31, 2019 due to the net loss before income tax of the Company.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**Deferred income tax**

(a) Deferred tax assets and deferred tax liabilities after offsetting as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	476,201	485,970
Deferred tax asset to be recovered after more than 12 months	2,060,086	1,852,337
<b>Deferred tax assets before offsetting</b>	<b>2,536,287</b>	<b>2,338,307</b>
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	1,452	1,429
Deferred tax liability to be settled after more than 12 months	1,383,511	1,278,300
<b>Deferred tax liabilities before offsetting</b>	<b>1,384,963</b>	<b>1,279,729</b>
<b>Deferred tax assets after offsetting</b>	<b>1,151,324</b>	<b>1,058,578</b>

(b) Changes in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>			
	<b>At January 1</b>	<b>Charged (credited) to statement of profit or loss</b>	<b>Charged to other comprehensive income</b>	<b>At December 31</b>
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(292,566)	7,209	-	(285,357)
Property, plant and equipment	(36,703)	35,414	-	(1,289)
Accrued expenses	253,977	38,091	-	292,068
Provisions	130,757	8,843	-	139,600
Other	356,005	(48,616)	16,462	323,851
<b>Subtotal</b>	<b>411,470</b>	<b>40,941</b>	<b>16,462</b>	<b>468,873</b>
Tax credit carryforwards	551,167	131,284	-	682,451
Tax loss carryforwards	95,941	(95,941)	-	-
<b>Deferred tax assets (liabilities)</b>	<b>1,058,578</b>	<b>76,284</b>	<b>16,462</b>	<b>1,151,324</b>



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	<b>2019</b>			
	<b>At January 1</b>	<b>Charged (credited) to statement of profit or loss</b>	<b>Charged to other comprehensive income</b>	<b>At December 31</b>
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(254,930)	(37,636)	-	(292,566)
Property, plant and equipment	(66,201)	29,498	-	(36,703)
Accrued expenses	250,226	3,751	-	253,977
Provisions	96,147	34,610	-	130,757
Other	227,603	78,055	50,347	356,005
<b>Subtotal</b>	<b>252,845</b>	<b>108,278</b>	<b>50,347</b>	<b>411,470</b>
Tax credit carryforwards	625,076	(73,909)	-	551,167
Tax loss carryforwards	90,318	5,623	-	95,941
<b>Deferred tax assets (liabilities)</b>	<b>968,239</b>	<b>39,992</b>	<b>50,347</b>	<b>1,058,578</b>

(c) Tax effects recognized in other comprehensive income directly for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>			<b>2019</b>		
	<b>Before tax</b>	<b>Tax effects</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effects</b>	<b>After tax</b>
Remeasurements of the net defined benefit liability	(86,347)	22,720	(63,627)	(165,351)	44,793	(120,558)
Financial assets at fair value through other comprehensive income	22,395	(6,030)	16,365	1,317	(357)	960
Cash flow hedges	253	(228)	25	(21,816)	5,911	(15,905)
<b>Total</b>	<b>(63,699)</b>	<b>16,462</b>	<b>(47,237)</b>	<b>(185,850)</b>	<b>50,347</b>	<b>(135,503)</b>

(d) Details of deductible (taxable) temporary differences and tax credit carryforward unrecognized as deferred tax assets (liabilities) as at December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>	<b>Remark</b>
Taxable temporary difference (investment in subsidiary)	(1,514,318)	Permanent reinvestment of undistributed profit planned
Deductible temporary difference (investment in subsidiary)	1,223,119	Unlikely to reverse (dispose of) in the foreseeable future
Tax credit carryforwards <sup>1</sup>	229,427	Uncertainty of future taxable profit

<sup>1</sup> Unrecognized tax credit carryforwards as at December 31, 2020, will be expired from 2026.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**18. Post-employment Benefits**

**Defined Benefit Plan**

(a) The amounts of net defined benefit liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of funded obligations	3,278,480	2,961,034
Fair value of plan assets	(2,876,580)	(2,472,308)
<b>Net defined benefit liability</b>	<b>401,900</b>	<b>488,726</b>

(b) The amounts recognized in the separate statements of profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current service cost	301,987	305,543
Past service cost	-	(11,847)
Net interest cost	11,144	10,349
Operating management cost	1,945	2,137
<b>Total</b>	<b>315,076</b>	<b>306,182</b>

(c) Line items in which expenses are included for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Cost of sales	160,090	150,217
Selling and marketing expenses	37,895	37,558
Administrative expenses	18,971	20,237
Research and development expenses	74,017	79,554
Service costs	24,103	18,616
<b>Total</b>	<b>315,076</b>	<b>306,182</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(d) Movements in the present value of defined benefit obligations for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	2,961,034	2,610,800
Current service cost	301,987	305,543
Past service cost	-	(11,847)
Interest cost	66,312	63,487
Remeasurements for:		
- Actuarial loss (gain) arising from changes in demographic assumptions	(3,053)	132,227
- Actuarial loss (gain) arising from changes in financial assumptions	(25,997)	68,329
- Actuarial loss (gain) arising from experience adjustments	110,817	(40,412)
Benefits paid	(132,620)	(145,043)
Decrease due to plan liquidation	-	(22,050)
<b>At December 31</b>	<b>3,278,480</b>	<b>2,961,034</b>

(e) Movements in the fair value of plan assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	2,472,308	2,304,879
Interest income	55,168	53,138
Remeasurements of plan assets	(4,231)	(5,207)
Employer contributions	450,000	250,000
Benefits paid	(94,720)	(106,918)
Decrease due to plan liquidation	-	(21,447)
Operating management cost	(1,945)	(2,137)
<b>At December 31</b>	<b>2,876,580</b>	<b>2,472,308</b>

(f) The significant actuarial assumptions used as at December 31, 2020 and 2019, are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate	2.4%	2.3%
Expected salary growth rate	5.0%	5.0%

(g) The sensitivity analysis of the defined benefit obligation in case of changes in significant assumptions as at December 31, 2020, is as follows:

<i>(in millions of Korean won)</i>	<b>1%p increase</b>	<b>1%p decrease</b>
Discount rate	(312,748)	364,741
Expected salary growth rate	351,430	(308,333)

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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, 2020</b>		<b>December 31, 2019</b>	
	<b>Amount</b>	<b>Composition (%)</b>	<b>Amount</b>	<b>Composition (%)</b>
Securities combined with derivatives (guaranteed)	1,306,585	45.4	854,516	34.6
Time deposits and others	1,569,995	54.6	1,617,792	65.4
<b>Total</b>	<b>2,876,580</b>	<b>100.0</b>	<b>2,472,308</b>	<b>100.0</b>

(i) The weighted average duration of the defined benefit obligations is 10.8 years. Expected maturity analysis of undiscounted pension benefits as at December 31, 2020, 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	117,477	146,359	576,256	984,432	2,452,313	4,276,837

The Company evaluates the fund contribution level annually, and if there is a shortfall in the funds, the Company has a policy to finance the funds. Expected contributions to post-employment benefit plans for the year ending December 31, 2021, are ₩250,000 million.

**Defined Contribution Plan**

The expense recognized in relation to defined contribution plan for the year ended December 31, 2020 was ₩10,541 million (2019: ₩13,983 million).

**19. Provisions**

(a) Changes in provisions for the years ended December 31, 2020 and 2019, are as follows:

<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>	518,383	10,324	77,380	606,087
Additions <sup>1</sup>	543,870	414	55,540	599,824
Utilizations	(446,255)	(505)	(32,288)	(479,048)
<b>At December 31</b>	<b>615,998</b>	<b>10,233</b>	<b>100,632</b>	<b>726,863</b>
Current	585,953	2,058	-	588,011
Non-current	30,045	8,175	100,632	138,852

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	<b>2019</b>			
	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	379,493	10,626	68,834	458,953
Additions <sup>1</sup>	527,868	897	35,055	563,820
Utilizations	(388,978)	(1,199)	(26,509)	(416,686)
<b>At December 31</b>	<b>518,383</b>	<b>10,324</b>	<b>77,380</b>	<b>606,087</b>
Current	494,524	7,711	-	502,235
Non-current	23,859	2,613	77,380	103,852

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

(b) Greenhouse Gas Emission Liabilities

As at December 31, 2020, 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>2020</b>	<b>2019</b>
Emission rights received free of charge <sup>1</sup>	2,026,837	1,018,097

<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 2020, there was no emission right that the Company additionally purchased from the market, and there was no recognized emission liability as greenhouse gas emission estimated by management was 605,559 tons.

**20. Other Liabilities**

Other liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Current</b>		
Advances from customers	361,474	256,800
Withholding	117,887	118,941
Accrued expenses	1,220,700	1,009,557
<b>Subtotal</b>	<b>1,700,061</b>	<b>1,385,298</b>
<b>Non-current</b>		
Accrued expenses	142,278	132,170
<b>Total</b>	<b>1,842,339</b>	<b>1,517,468</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**21. Paid-in Capital**

(a) As at December 31, 2020 and 2019, the number of shares authorized is 600 million.

	Par value per share	December 31, 2020		December 31, 2019	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
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.

(b) Share premium balance as at December 31, 2020, 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 Company's capital of ₩783,961 million and less the 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 options 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.

**22. Retained Earnings and Dividends**

(a) Retained earnings as at December 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	December 31, 2020	December 31, 2019
Legal reserves <sup>1</sup>	209,524	195,933
Discretionary reserves	4,660,573	5,128,769
Unappropriated retained earnings (Undisposed accumulated deficit)	1,148,021	(318,597)
<b>Total</b>	<b>6,018,118</b>	<b>5,006,105</b>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the 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 capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(b) Appropriation of retained earnings for the years ended December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Unappropriated retained earnings (Deficit for disposition)</b>		
Unappropriated retained earnings carried over from prior year	99	99
Changes in accounting policy	-	(2,020)
Remeasurement of net defined benefit liability	(63,627)	(120,558)
Profit (loss) for the year	1,211,549	(196,118)
	<u>1,148,021</u>	<u>(318,597)</u>
<b>Transfer from discretionary reserve</b>		
Reserve for research and manpower development	4,660,573	5,128,769
<b>Total</b>	<u>5,808,594</u>	<u>4,810,172</u>
<b>Appropriation of retained earnings</b>		
Earned profit reserves	21,694	13,591
Reserve for research and manpower development	5,569,862	4,660,573
Dividends	216,939	135,909
Ordinary Share :		
₩ 1,200 (24%) in 2020		
₩ 750 (15%) in 2019		
Preferred share :		
₩ 1,250 (25%) in 2020		
₩ 800 (16%) in 2019		
	<u>5,808,495</u>	<u>4,810,073</u>
<b>Unappropriated retained earnings to be carried forward to subsequent year</b>	<u>99</u>	<u>99</u>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(c) Dividends

Details of dividends per share and a total dividend in respect of the year ended December 31, 2020, which is to be proposed at the annual general meeting on March 24, 2021, are as follows. These separate financial statements do not reflect this dividend payable.

	2020		2019	
	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares
Outstanding shares	163,647,814	17,185,992	163,647,814	17,185,992
Treasury shares	(763,176)	(4,692)	(763,173)	(4,692)
Numbers of shares for dividend	162,884,638	17,181,300	162,884,641	17,181,300
Par value (in Korean won)	5,000	5,000	5,000	5,000
Dividend rate	24%	25%	15%	16%
Dividends per share (in Korean won)	1,200	1,250	750	800
Total dividend amount (in millions of Korean won)	195,462	21,477	122,164	13,745
Dividend payout ratio <sup>1</sup> (Dividends/Net profit)	16%	2%	-	-
Stock price <sup>2</sup> (in Korean won)	112,050	49,638	72,050	28,925
Dividend yield ratio (Dividend per share/ Market price)	1.07%	2.52%	1.04%	2.77%

<sup>1</sup> Dividend payout ratio is not calculated for the year ended December 31, 2019 due to the net loss of the 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.

**23. Accumulated Other Comprehensive Income**

Accumulated other comprehensive income as at December 31, 2020 and 2019, consist of:

(in millions of Korean won)	December 31, 2020	December 31, 2019
Cash flow hedge	(73,026)	(73,051)
Financial assets at fair value through other comprehensive income	17,112	747
<b>Total</b>	<b>(55,914)</b>	<b>(72,304)</b>



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**24. Other Components of Equity**

Other components of equity as at December 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</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
<b>At December 31</b>	<b>(32,819)</b>	<b>(32,819)</b>

<sup>1</sup> At the end of the reporting period, the Company has treasury shares consisting of 763,176 ordinary shares (December 31, 2019: 763,173 shares) and 4,692 preferred shares (December 31, 2019: 4,692 shares). The Company intends to either grant these treasury shares to employees and directors as compensation or sell them in the future.

**25. Net Sales**

(a) Details of net sales for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers:		
Sales of goods	26,839,914	27,265,057
Rendering of services	516,263	451,752
Royalty income	466,345	475,103
<b>Subtotal</b>	<b>27,822,522</b>	<b>28,191,912</b>
Revenue from other sources:		
Rental income and others	612,801	462,555
<b>Total</b>	<b>28,435,323</b>	<b>28,654,467</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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

	2020							
<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Other segments	Inter-segment transactions	Total
Revenue from contracts with customers:								
External sales	12,566,804	4,173,136	3,708,839	2,683,372	3,588,133	1,102,238	-	27,822,522
Internal sales	20,301	-	-	-	27	122,113	(142,441)	-
	<u>12,587,105</u>	<u>4,173,136</u>	<u>3,708,839</u>	<u>2,683,372</u>	<u>3,588,160</u>	<u>1,224,351</u>	<u>(142,441)</u>	<u>27,822,522</u>
By type of products:								
Refrigerators/washing machine/air conditioners and others	9,781,374	-	-	-	-	-	(3,875)	9,777,499
TV	-	3,799,770	-	-	-	-	-	3,799,770
Mobile communications	-	-	3,708,839	-	-	-	-	3,708,839
In-vehicle infotainment	-	-	-	2,314,999	-	-	-	2,314,999
Monitor/PC and others	-	-	-	-	2,197,228	-	-	2,197,228
Others	2,805,731	373,366	-	368,373	1,390,932	1,224,351	(138,566)	6,024,187
Domestic / Export:								
Domestic	6,622,406	893,369	606,084	462,703	1,391,557	494,408	(142,441)	10,328,086
Export	5,964,699	3,279,767	3,102,755	2,220,669	2,196,603	729,943	-	17,494,436
Timing of transfer:								
Transferred at a point in time	12,157,667	3,927,648	3,572,570	2,638,378	3,551,722	47,743	(20,328)	25,875,400
Transferred over time	429,438	245,488	136,269	44,994	36,438	1,176,608	(122,113)	1,947,122

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

	<b>2019</b>							
<i>(in millions of Korean won)</i>	<b>H&amp;A</b>	<b>HE</b>	<b>MC</b>	<b>VS</b>	<b>BS</b>	<b>Other segments</b>	<b>Inter-segment transactions</b>	<b>Total</b>
Revenue from contracts with customers:								
External sales	11,622,387	4,180,110	4,198,944	2,475,560	3,748,299	1,966,612	-	28,191,912
Internal sales	18,496	563	-	-	-	85,439	(104,498)	-
	<u>11,640,883</u>	<u>4,180,673</u>	<u>4,198,944</u>	<u>2,475,560</u>	<u>3,748,299</u>	<u>2,052,051</u>	<u>(104,498)</u>	<u>28,191,912</u>
By type of products:								
Refrigerators/washing machine/air conditioners and others	9,603,696	-	-	-	-	-	(7,296)	9,596,400
TV	-	3,709,370	-	-	-	-	-	3,709,370
Mobile communications	-	-	4,198,944	-	-	-	-	4,198,944
In-vehicle infotainment	-	-	-	2,043,654	-	-	-	2,043,654
Monitor/PC and others	-	-	-	-	2,267,630	-	-	2,267,630
Others	2,037,187	471,303	-	431,906	1,480,669	2,052,051	(97,202)	6,375,914
Domestic / Export:								
Domestic	6,665,461	821,848	1,235,553	477,946	1,306,552	572,807	(104,498)	10,975,669
Export	4,975,422	3,358,825	2,963,391	1,997,614	2,441,747	1,479,244	-	17,216,243
Timing of transfer:								
Transferred at a point in time	11,252,278	3,953,583	4,065,481	2,445,712	3,697,502	52,039	(19,059)	25,447,536
Transferred over time	388,605	227,090	133,463	29,848	50,797	2,000,012	(85,439)	2,744,376

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

Due to the factors causing the changes in the costs of other segments in 2020, the estimated total revenue and total costs for contracts in progress at the end of the reporting period have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the year and the succeeding year are as follows:

<i>(in millions of Korean won)</i>	<b>Changes in total contract revenue</b>	<b>Changes in 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>
Other segments	19,491	39,797	(27,633)	7,327

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**26. Expenses by Nature**

Expenses that are recorded by nature for the years ended December 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Changes in finished goods and work-in-process	(190,386)	76,479
Raw materials and merchandise used	15,808,692	16,470,805
Employee benefit expense	4,301,566	4,274,736
Depreciation and amortization	1,083,153	1,045,719
Advertising expense	596,519	591,513
Promotion expense	207,653	265,216
Freight expense	773,156	634,565
Commission expense	1,874,611	1,822,738
Other expenses	3,233,368	3,306,687
<b>Total<sup>1</sup></b>	<b>27,688,332</b>	<b>28,488,458</b>

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

**27. 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, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Salaries	1,563,787	1,572,325
Post-employment benefits	171,523	165,360
Employee welfare benefits	284,857	294,618
Freight expense	763,586	625,269
Rental expense	36,471	61,810
Commission expense	1,325,855	1,264,320
Depreciation	161,934	141,694
Amortization	106,376	130,085
Taxes and dues	20,160	20,305
Advertising expense	596,519	591,513
Promotional expense	207,653	265,216
R&D expense	504,579	444,685
Direct service costs	379,763	391,578
Bad debts expense	779	33,214
Others	208,058	283,679
<b>Total</b>	<b>6,331,900</b>	<b>6,285,671</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**28. Financial Income**

Financial income for the years ended December 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Interest income	12,005	18,566
Exchange differences	203,365	107,856
Others	1,830	2,650
<b>Total</b>	<b>217,200</b>	<b>129,072</b>

**29. Financial Expenses**

Financial expenses for the years ended December 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Interest expense	244,322	248,674
Exchange differences	318,161	100,674
Loss on disposal of trade receivables	2,432	4,938
Others	8,249	23,276
<b>Total</b>	<b>573,164</b>	<b>377,562</b>

**30. Other Non-operating Income**

Other non-operating income for the years ended December 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Dividend income	505,400	283,999
Exchange differences	937,308	613,949
Gain on disposal of property, plant and equipment	10,931	11,492
Reversal of impairment loss on property, plant and equipment	4,862	-
Gain on disposal of intangible assets	16	766
Reversal of impairment loss on intangible assets	537	-
Gain on valuation of financial assets at fair value through profit or loss	-	17
Gain on disposal of investments in subsidiaries, associates and joint ventures	739,575	153,235
Gain on derivatives	-	345
Others	27,921	15,148
<b>Total</b>	<b>2,226,550</b>	<b>1,078,951</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**31. Other Non-operating Expenses**

Other non-operating expenses for the years ended December 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Exchange differences	946,261	630,412
Loss on disposal of property, plant and equipment	25,475	19,562
Impairment loss on property, plant and equipment	25,048	100,888
Loss on disposal of intangible assets	54,953	30,021
Impairment loss on intangible assets	114,763	298,378
Loss on disposal of investments in subsidiaries, associates and joint ventures	-	2,530
Impairment loss on investments in subsidiaries, associates and joint ventures	107,497	6,636
Others	51,208	67,181
<b>Total</b>	<b>1,325,205</b>	<b>1,155,608</b>

**32. Earnings per Share**

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

(a) Basic earnings (loss) per ordinary share for the years December 31, 2020 and 2019, is as follows:

	<b>2020</b>	<b>2019</b>
Profit (loss) attributable to ordinary shares <sup>1</sup> <i>(in millions of Korean won)</i>	1,095,171	(178,182)
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i> <sup>2</sup>	162,884,640	162,884,641
Basic earnings (loss) per ordinary share <i>(in Korean won)</i>	6,724	(1,094)

(b) Basic earnings (loss) per preferred share for the years December 31, 2020 and 2019, is as follows:

	<b>2020</b>	<b>2019</b>
Profit (loss) attributable to preferred shares <sup>1</sup> <i>(in millions of won)</i>	116,378	(17,936)
Weighted average number of preferred shares outstanding <i>(unit: shares)</i> <sup>2</sup>	17,181,300	17,181,300
Basic earnings (loss) per preferred share <i>(in Korean won)</i>	6,774	(1,044)

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<sup>1</sup> Profit (loss) attributable to ordinary and preferred shares are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Profit (loss) for the year (A)</b>	1,211,549	(196,118)
Ordinary share dividends (B)	195,462	122,164
Preferred share dividends (C)	21,477	13,745
<b>Undistributed profit (loss) (D=A-B-C)</b>	994,610	(332,027)
Undistributed profit (loss) available for ordinary shares (E)	899,709	(300,346)
Undistributed profit (loss) available for preferred shares (F)	94,901	(31,681)
<b>Profit (loss) attributable to ordinary shares (G=B+E)</b>	1,095,171	(178,182)
<b>Profit (loss) attributable to preferred shares (H=C+F)</b>	116,378	(17,936)

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

<i>(unit: shares)</i>	<b>2020</b>	<b>2019</b>
Ordinary shares issued	163,647,814	163,647,814
Ordinary treasury shares	(763,176)	(763,173)
Ordinary shares outstanding	162,884,638	162,884,641
<b>Weighted average number of ordinary shares outstanding</b>	162,884,640	162,884,641
Preferred shares issued	17,185,992	17,185,992
Preferred treasury shares	(4,692)	(4,692)
Preferred shares outstanding	17,181,300	17,181,300
<b>Weighted average number of preferred shares outstanding</b>	17,181,300	17,181,300

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

**33. Cash Flow Information**

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the years ended December 31, 2020 and 2019, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Profit (loss) for the year	1,211,549	(196,118)
Adjustments:		
Interest expense, net	232,317	230,108
Exchange differences, net	(14,361)	(20,769)
Depreciation	760,578	726,229
Amortization	328,410	324,100
Loss on disposal of property, plant and equipment and intangible assets, net	69,481	37,325
Provisions for severance benefits	325,617	306,182
Additional provisions, net	599,824	563,820
Dividend income	(505,400)	(283,999)
Income tax expense	80,823	36,980
Gain on disposal of investments in subsidiaries, associates and joint ventures, net	(739,575)	(150,705)
Impairment loss on investments in subsidiaries, associates and joint ventures	107,497	6,636
Others	155,170	618,192
	<u>1,400,381</u>	<u>2,394,099</u>
Changes in operating assets and liabilities:		
Increase in trade receivables	(1,386,467)	(12,475)
Decrease (increase) in other receivables	398,484	(234,516)
Decrease (increase) in inventories	(372,718)	178,991
Decrease (increase) in contract assets	43,661	67,197
Decrease (increase) in other assets	173,248	(426,617)
Increase (decrease) in trade payables	1,168,817	(272,596)
Increase (decrease) in other payables	147,327	(494,495)
Increase (decrease) in provisions	(479,048)	(416,686)
Increase (decrease) in contract liabilities	25,884	(86,087)
Increase in other liabilities	323,346	200,170
Payment of defined benefit liability	(48,441)	(38,728)
Deposit in plan assets, net	(498,992)	(295,794)
	<u>(504,899)</u>	<u>(1,831,636)</u>
<b>Cash generated from operations</b>	<u>2,107,031</u>	<u>366,345</u>



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(b) Changes in liabilities arising from financing activities

		2020				
		Non-cash transactions				
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Addition and others	Exchange differences	Amortization and others	At December 31
Short-term borrowings	233,537	(36,597)	-	3,796	-	200,736
Long-term borrowings	2,865,789	(175,776)	-	(4,620)	-	2,685,393
Debentures	5,120,755	(161,040)	-	(23,645)	2,499	4,938,569
Lease liabilities	128,277	(74,588)	67,557	377	247	121,870
<b>Total</b>	<b>8,348,358</b>	<b>(448,001)</b>	<b>67,557</b>	<b>(24,092)</b>	<b>2,746</b>	<b>7,946,568</b>

  

		2019				
		Non-cash transactions				
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Addition and others	Exchange differences	Amortization and others	At December 31
Short-term borrowings	-	231,554	-	1,983	-	233,537
Long-term borrowings	2,621,536	235,750	-	8,503	-	2,865,789
Debentures	5,278,976	(174,985)	-	13,988	2,776	5,120,755
Lease liabilities	74,107	(39,037)	92,876	14	317	128,277
<b>Total</b>	<b>7,974,619</b>	<b>253,282</b>	<b>92,876</b>	<b>24,488</b>	<b>3,093</b>	<b>8,348,358</b>

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of construction-in-progress to property, plant and equipment	163,561	181,074
Reclassification of construction-in-progress to intangible assets	381,597	312,148
Reclassification of current portion of borrowings and debentures	812,609	820,776
Other payables to acquire property, plant and equipment	75,626	92,255
Other payables to acquire intangible assets	25,431	24,261
Acquisition of right-of-use assets	78,784	104,880

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

– Transfer of vehicle rear lamp business

i) On December 19, 2019, vehicle rear lamp business was transferred to ZKW Holding GmbH.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

- ii) Total consideration received and 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	2,597
Other payables <sup>1</sup>	1,443
Assets of the transferred business:	
Inventories	6,883
Property, plant and equipment	499
Intangible assets	722
Other assets	1,013
Liabilities of the transferred business:	
Other liabilities	2,623

<sup>1</sup> These were paid during the nine-month period ended September 30, 2020.

**34. Contingencies**

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩241,647 million (December 31, 2019: ₩240,968 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal amounting to EUR 100 million (December 31, 2019: EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩ 3,336,055 million (December 31, 2019: ₩ 3,874,217 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	<b>Beneficiary</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	980,723	963,997
LG Electronics do Brasil Ltda.(LGEBR)	CHUBB and others	541,707	705,447
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	518,260	551,509
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	261,706	271,457
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	175,479	199,659
LG Electronics Inc Chile Limitada.(LGECL)	Scotiabank and others	114,954	126,445
LG Electronics Algeria SARL(LGEAS)	Citibank and others	114,455	139,809
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	98,437	92,877
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	80,853	111,189
LG Electronics Colombia Limitada.(LGECEB)	Citibank and others	79,920	92,663
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	51,186	53,384
LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	Citibank	43,520	57,890
LG Electronics RUS, LLC(LGERA)	Citibank	43,520	83,652
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	33,179	35,298
LG Electronics Mexico S.A. DE C.V.(LGEMS)	BBVA	32,640	-
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	29,591	54,173
LG Electronics Italia S.P.A.(LGEIS)	Intesa	26,765	25,949
LG Electronics Singapore Pte.Ltd.(LGESL)	Citibank and others	21,822	23,058
LG Electronics Japan, Inc.(LGEJP)	SMBC and others	21,085	21,269
P.T. LG Electronics Indonesia(LGEIN)	HSBC and others	16,320	23,156
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	Citi	4,468	57,509
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	HSBC and others	-	86,640
Others	Citibank and others	45,465	97,187
<b>Total</b>		<b>3,336,055</b>	<b>3,874,217</b>

(c) At the end of the reporting period, the Company is providing KEB Hana Bank with a payment guarantee for buyers up to ₩46,000 million (December 31, 2019: ₩46,000 million).

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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

**35. Commitments**

(a) At the end of the reporting period, the Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2019: ₩165,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 18 other banks amounting to ₩1,910,416 million (December 31, 2019: ₩1,895,310 million) and has sales agreements for domestic trade receivables with MUFG Bank and two other banks amounting to ₩1,050,000 million (December 31, 2019: ₩900,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,190,000 million (December 31, 2019: ₩1,210,000 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩720,864 million (December 31, 2019: ₩688,936 million).

(e) Contractual commitments for the acquisition of assets

The 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, 2020</b>	<b>December 31, 2019</b>
Property, plant and equipment	131,764	167,585
Intangible assets	81,436	118,014
Investments in subsidiaries, associates and joint ventures	78,651	88,968
<b>Total</b>	<b>291,851</b>	<b>374,567</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(f) Operating lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>				<b>Total lease payments</b>
	<b>1 year or less</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	
Healthcare rental	534,015	342,147	159,381	33,202	1,068,745

- ii) The Company recognized ₩588,942 million (2019: ₩439,416 million) in lease income for the year ended December 31, 2020.

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

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Acquisition cost	915,601	746,379
Accumulated depreciation	(367,208)	(237,963)
Accumulated impairment losses	(4,621)	(67)
<b>Net book amount</b>	<b>543,772</b>	<b>508,349</b>

iv) Changes in net book amount of assets subject to operating lease for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>At January 1</b>	508,349	503,878
Acquisition	229,469	249,388
Disposal	(21,184)	(112,208)
Depreciation	(168,275)	(132,709)
Impairment loss	(4,587)	-
<b>At December 31</b>	<b>543,772</b>	<b>508,349</b>

(g) Trademark license agreements

At the end of the reporting period, the Company 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/ Mobile	Qualcomm Incorporated and others	LG Electronics Inc.
Provision for license	Home appliance/ Mobile	LG Electronics Inc.	Panasonic Corporation and others

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**36. Related Party**

(a) Major transactions for the years ended December 31, 2020 and 2019, and balances of receivables and payables from transaction with related parties as at December 31, 2020 and 2019, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

		<b>2020</b>					
		<b>Income transactions</b>			<b>Expense transactions</b>		
<b>Classification</b>	<b>Name</b>	<b>Sales</b>	<b>Others</b>	<b>Total</b>	<b>Purchases</b>	<b>Others<sup>6</sup></b>	<b>Total</b>
Significantly influencing the Company	LG Corp.	398	-	398	267	171,958	172,225
Subsidiaries	LG Innotek Co., Ltd.	127,322	28,467	155,789	243,277	5,482	248,759
	Hiplaza Co., Ltd.	2,046,484	12,124	2,058,608	-	28,779	28,779
	LG Electronics U.S.A., Inc.	4,993,816	595	4,994,411	3,471	57,137	60,608
	LG Electronics Vietnam Hai Phong Co., Ltd.	2,370,964	5,926	2,376,890	472,314	23,884	496,198
	LG Electronics do Brasil Ltda.	464,617	990	465,607	2,938	3,373	6,311
	LG Electronics Canada, Inc.	393,186	-	393,186	3	6,654	6,657
	Qingdao LG Inspur Digital Communication Co., Ltd.	175,754	20	175,774	69,273	1,406	70,679
	LG ELECTRONICS AUSTRALIA PTY LIMITED	313,875	51	313,926	-	4,083	4,083
	LG Electronics RUS, LLC	387,829	324	388,153	999	4,132	5,131
	LG ELECTRONICS INDIA PRIVATE LIMITED	207,827	51	207,878	21,508	3,514	25,022
	LG Electronics Deutschland GmbH	179,785	1,354	181,139	7,889	60,267	68,156
	LG Electronics Japan, Inc.	223,724	-	223,724	4,998	31,161	36,159
	LG Electronics Reynosa S.A. DE C.V.	340,965	181	341,146	1,741	-	1,741
	LG Electronics Mlawa Sp. z.O.O.	597,173	1,221	598,394	3,543	5,638	9,181
	LG Electronics Egypt S.A.E	97,412	73	97,485	-	636	636
	LG Electronics Nanjing New Technology co.,LTD	347,051	217	347,268	544,758	1,505	546,263
	LG Electronics Polska Sp. Z.O.O	173,271	1,448	174,719	1,675	4,707	6,382
	LG Electronics Panama, S.A.	107,391	21	107,412	4	698	702
	P.T. LG Electronics Indonesia	196,761	14,857	211,618	188,388	33	188,421
	LG Electronics (Hangzhou) Co., Ltd	209,493	66	209,559	26,214	3,022	29,236
	LG Electronics Colombia Ltda.	62,897	4	62,901	4	961	965
	LG Electronics (Tianjin) Appliances Co., Ltd.	60,575	704	61,279	189,544	54	189,598
	LG Electronics Vehicle components U.S.A., LLC	190,608	6,110	196,718	2,604	31,175	33,779
	LG Electronics Mexico S.A. DE C.V.	175,505	41	175,546	-	1,232	1,232

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

		<b>2020</b>					
		<b>Income transactions</b>			<b>Expense transactions</b>		
<b>Classification</b>	<b>Name</b>	<b>Sales</b>	<b>Others</b>	<b>Total</b>	<b>Purchases</b>	<b>Others<sup>6</sup></b>	<b>Total</b>
	LG Electronics Peru S.A.	83,229	8	83,237	-	449	449
	LG Electronics European Shared Service Center B.V.	428,918	24,060	452,978	10	19,926	19,936
	Taizhou LG Electronics Refrigeration Co., Ltd.	110,833	241	111,074	283,267	598	283,865
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	204,993	146	205,139	13,267	729	13,996
	Hi-M.Solutek	78,453	224	78,677	246,548	79,588	326,136
	Others	2,740,218	8,052	2,748,270	190,527	362,127	552,654
	<b>Subtotal</b>	<b>18,090,929</b>	<b>107,576</b>	<b>18,198,505</b>	<b>2,518,764</b>	<b>742,950</b>	<b>3,261,714</b>
Associates	LG Display Co., Ltd. and its subsidiaries	294,941	98,149	393,090	646,722	607	647,329
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	2,108	-	2,108	23,766	79	23,845
	Robostar Co.,Ltd. and its subsidiaries	8	-	8	48,565	3,166	51,731
	ROBOTIS Co., Ltd.	-	-	-	-	27	27
	Korea Information Certificate Authority Inc. <sup>2</sup>	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	624	624
	<b>Subtotal</b>	<b>297,058</b>	<b>98,149</b>	<b>395,207</b>	<b>719,053</b>	<b>4,542</b>	<b>723,595</b>
Joint ventures	LG-MRI LLC	7,385	-	7,385	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	130,479	3	130,482	152,038	376,538	528,576
	S&I Corp. and its subsidiaries <sup>3</sup>	16,293	-	16,293	33,169	172,579	205,748
	LG Management Development Institute	10	-	10	326	26,692	27,018
	LG SPORTS Ltd.	5	19	24	-	13,664	13,664
	LG MMA Ltd.	1	-	1	-	-	-
	<b>Subtotal</b>	<b>146,788</b>	<b>22</b>	<b>146,810</b>	<b>185,533</b>	<b>589,473</b>	<b>775,006</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	742,110	7,273	749,383	627,064	562	627,626
	LG INTERNATIONAL CORP and its subsidiaries	6,736	763	7,499	530,131	933,287	1,463,418
	LG Uplus Corp and its subsidiaries	189,213	463	189,676	2,983	2,321	5,304
	LG HAUSYS,LTD., its subsidiaries and associates	5,196	148	5,344	5,820	52	5,872
	Silicon Works Co., Ltd	3,272	2,183	5,455	12,114	336	12,450
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	53,530	1	53,531	130	26	156
	G II R Inc. and its subsidiaries	37	-	37	123	212,705	212,828
	<b>Subtotal</b>	<b>1,000,094</b>	<b>10,831</b>	<b>1,010,925</b>	<b>1,178,365</b>	<b>1,149,289</b>	<b>2,327,654</b>
	<b>Total</b>	<b>19,542,652</b>	<b>216,578</b>	<b>19,759,230</b>	<b>4,601,982</b>	<b>2,658,212</b>	<b>7,260,194</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

		2019					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others <sup>6</sup>	Total
Significantly influencing the Company	LG Corp.	903	-	903	-	174,069	174,069
Subsidiaries	LG Innotek Co., Ltd.	86,623	40,919	127,542	348,608	10,740	359,348
	Hiplaza Co., Ltd.	2,001,483	12,816	2,014,299	-	31,854	31,854
	LG Electronics U.S.A., Inc.	4,281,603	4,718	4,286,321	3,010	73,460	76,470
	LG Electronics Vietnam Hai Phong Co., Ltd.	1,740,057	20,244	1,760,301	267,946	22,277	290,223
	LG Electronics do Brasil Ltda.	490,626	1,395	492,021	3,065	4,403	7,468
	LG Electronics Canada, Inc.	285,586	20	285,606	-	6,600	6,600
	Qingdao LG Inspur Digital Communication Co., Ltd.	259,232	11	259,243	104,234	921	105,155
	LG ELECTRONICS AUSTRALIA PTY LIMITED	277,708	113	277,821	106	5,067	5,173
	LG Electronics RUS, LLC	374,003	259	374,262	1,087	4,805	5,892
	LG ELECTRONICS INDIA PRIVATE LIMITED	288,524	14,501	303,025	5,849	3,311	9,160
	LG Electronics Deutschland GmbH	133,821	6,910	140,731	14,321	45,220	59,541
	LG Electronics Japan, Inc.	331,243	82	331,325	4,649	26,022	30,671
	LG Electronics Reynosa S.A. DE C.V.	357,953	97	358,050	966	31	997
	LG Electronics Mlawa Sp. z.O.O.	382,244	99	382,343	8,352	4,675	13,027
	LG Electronics Egypt S.A.E	90,939	1,383	92,322	-	2,142	2,142
	LG Electronics Nanjing New Technology co.,LTD	285,240	-	285,240	449,078	2,801	451,879
	LG Electronics Polska Sp. Z.O.O	137,313	773	138,086	1,775	4,811	6,586
	LG Electronics Panama, S.A. P.T. LG Electronics Indonesia	87,055	183	87,238	2	917	919
	LG Electronics (Hangzhou) Co., Ltd	141,680	134	141,814	62,894	381	63,275
	LG Electronics Colombia Ltda.	190,360	64	190,424	29,438	5,367	34,805
	LG Electronics (Tianjin) Appliances Co., Ltd.	52,220	28	52,248	-	872	872
	LG Electronics Vehicle components U.S.A., LLC	61,031	1,484	62,515	179,978	135	180,113
	LG Electronics Mexico S.A. DE C.V.	318,398	900	319,298	2,675	37,284	39,959
	LG Electronics Peru S.A.	113,755	17	113,772	4	947	951
	LG Electronics European Shared Service Center B.V.	103,738	160	103,898	-	622	622
	Taizhou LG Electronics Refrigeration Co., Ltd.	430,139	15,104	445,243	4,425	17,920	22,345
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	97,365	2,192	99,557	268,433	1,508	269,941
	Hi-M.Solutek	71,155	2,430	73,585	6,040	89	6,129
		65,436	230	65,666	217,077	45,454	262,531



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

		<b>2019</b>					
		<b>Income transactions</b>			<b>Expense transactions</b>		
<b>Classification</b>	<b>Name</b>	<b>Sales</b>	<b>Others</b>	<b>Total</b>	<b>Purchases</b>	<b>Others<sup>6</sup></b>	<b>Total</b>
	Others	3,067,036	7,988	3,075,024	297,441	381,575	679,016
	<b>Subtotal</b>	<b>16,603,566</b>	<b>135,254</b>	<b>16,738,820</b>	<b>2,281,453</b>	<b>742,211</b>	<b>3,023,664</b>
Associates	LG Display Co., Ltd. and its subsidiaries	887,903	97,409	985,312	943,409	4,000	947,409
	Ericsson-LG Co., Ltd. and its subsidiaries	106	-	106	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	2,329	-	2,329	30,514	320	30,834
	LG Fuel Cell Systems Inc. and its subsidiaries	77	510	587	13	69	82
	Robostar Co.,Ltd.	2	-	2	46,517	6,601	53,118
	ROBOTIS Co., Ltd.	-	-	-	-	205	205
	Korea Information Certificate Authority Inc. <sup>2</sup>	1	-	1	-	86	86
	Acryl Inc.	-	-	-	-	704	704
	Kiwigrid GmbH <sup>4</sup>	-	-	-	-	479	479
	<b>Subtotal</b>	<b>890,418</b>	<b>97,919</b>	<b>988,337</b>	<b>1,020,453</b>	<b>12,464</b>	<b>1,032,917</b>
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	-	-	-	28	-	28
	LG-MRI LLC	6,267	-	6,267	-	-	-
	<b>Subtotal</b>	<b>6,267</b>	<b>-</b>	<b>6,267</b>	<b>28</b>	<b>-</b>	<b>28</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	130,346	48	130,394	113,327	353,680	467,007
	S&I Corp. and its subsidiaries <sup>3</sup>	26,117	4,250	30,367	220,938	176,566	397,504
	LG Management Development Institute	3	-	3	8,149	20,462	28,611
	LG SPORTS Ltd.	4	21	25	-	15,529	15,529
	LG MMA Ltd.	1	-	1	-	-	-
	<b>Subtotal</b>	<b>156,471</b>	<b>4,319</b>	<b>160,790</b>	<b>342,414</b>	<b>566,237</b>	<b>908,651</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	990,198	24,141	1,014,339	575,672	8,813	584,485
	LG INTERNATIONAL CORP and its subsidiaries	46,036	7,802	53,838	645,970	827,637	1,473,607
	LG Uplus Corp and its subsidiaries	470,145	94	470,239	1,957	3,639	5,596
	LG HAUSYS,LTD., its subsidiaries and associates	6,681	232	6,913	2,654	351	3,005
	Silicon Works Co., Ltd	2,643	2,979	5,622	12,355	34	12,389
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	30,503	4	30,507	218	216	434
	G II R Inc. and its subsidiaries	190	46	236	82	236,884	236,966

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

SERVEONE Co., Ltd. <sup>3</sup>	48	2,492	2,540	144,761	27,591	172,352
Techcross Environmental Services Inc. <sup>5</sup>	75	-	75	1,435	481	1,916
<b>Subtotal</b>	<b>1,546,519</b>	<b>37,790</b>	<b>1,584,309</b>	<b>1,385,104</b>	<b>1,105,646</b>	<b>2,490,750</b>
<b>Total</b>	<b>19,204,144</b>	<b>275,282</b>	<b>19,479,426</b>	<b>5,029,452</b>	<b>2,600,627</b>	<b>7,630,079</b>

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

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

<sup>3</sup> SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>4</sup> Kiwigrid GmbH was excluded from associates due to the loss of right to appoint a member of the Board of Directors during year ended December 31, 2020.

<sup>5</sup> All shares of Hi Entech Co., Ltd. were disposed to Techcross Vision Investment Inc. on September 26, 2019. And the name of Hi Entech Co., Ltd. was changed to Techcross Environmental Services Inc. On December 30, 2019, Techcross Environmental Services Inc. was excluded from the Large Enterprise Group in accordance with the Monopoly Regulations and Fair Trade Act.

<sup>6</sup> Others include the acquisition cost of right-of-use assets and interest expense of lease liabilities.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

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

(in millions of Korean won)

		December 31, 2020							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
Significantly influencing the Company	LG Corp.	5	-	25,605	25,610	-	-	27,881	27,881
Subsidiaries	LG Innotek Co., Ltd.	45,013	-	3,344	48,357	68,292	-	27,107	95,399
	Hiplaza Co., Ltd.	190,468	-	27,055	217,523	-	-	8,307	8,307
	LG Electronics U.S.A., Inc.	664,087	-	2,213	666,300	-	-	10,711	10,711
	LG Electronics Vietnam Hai Phong Co., Ltd.	370,556	-	240	370,796	527,257	-	2,603	529,860
	LG Electronics do Brasil Ltda.	61,209	-	46,560	107,769	205	-	659	864
	LG Electronics Canada, Inc.	47,914	-	-	47,914	-	-	668	668
	Qingdao LG Inspur Digital Communication Co., Ltd.	14,065	-	-	14,065	42,664	-	45	42,709
	LG ELECTRONICS AUSTRALIA PTY LIMITED	33,216	-	-	33,216	-	-	347	347
	LG Electronics RUS, LLC	156,807	-	263	157,070	766	-	259	1,025
	LG ELECTRONICS INDIA PRIVATE LIMITED	45,493	-	194	45,687	139	-	1,412	1,551
	LG Electronics Deutschland GmbH	352,277	-	325	352,602	-	-	9,129	9,129
	LG Electronics Japan, Inc.	7,219	-	-	7,219	-	-	4,182	4,182
	LG Electronics Reynosa S.A. DE C.V.	27,987	-	-	27,987	155,249	-	9,977	165,226
	LG Electronics Mlawa Sp. z.O.O.	142,526	-	1,002	143,528	974,406	-	299	974,705
	LG Electronics Egypt S.A.E	17,477	-	52,085	69,562	4,684	-	378	5,062
	LG Electronics Nanjing New Technology co.,LTD	59,619	-	-	59,619	262,788	-	274	263,062
	LG Electronics Polska Sp. Z.O.O	91,031	-	9	91,040	-	-	641	641
	LG Electronics Panama, S.A.	69,134	-	-	69,134	-	-	37	37
	P.T. LG Electronics Indonesia	18,009	-	1,369	19,378	397,444	-	894	398,338
	LG Electronics (Hangzhou) Co., Ltd	51,336	-	25	51,361	1,634	-	712	2,346
	LG Electronics Colombia Ltda.	90,538	-	-	90,538	-	-	128	128
	LG Electronics (Tianjin) Appliances Co., Ltd.	16,504	-	650	17,154	68,359	-	-	68,359

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

		December 31, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
	LG Electronics Vehicle components U.S.A., LLC	140,658	-	6,039	146,697	-	-	2,848	2,848
	LG Electronics Mexico S.A. DE C.V.	97,492	-	-	97,492	-	-	191	191
	LG Electronics Peru S.A.	71,963	-	-	71,963	-	-	31	31
	LG Electronics European Shared Service Center B.V.	41,088	-	-	41,088	-	468,384	-	468,384
	Taizhou LG Electronics Refrigeration Co., Ltd.	34,074	-	99	34,173	195,638	-	18	195,656
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	89,619	-	578	90,197	24,326	-	4,629	28,955
	Hi-M.Solutek	10,905	-	81	10,986	-	-	39,915	39,915
	Others	895,932	-	7,390	903,322	671,369	-	55,324	726,693
	<b>Subtotal</b>	<b>3,954,216</b>	<b>-</b>	<b>149,521</b>	<b>4,103,737</b>	<b>3,395,220</b>	<b>468,384</b>	<b>181,725</b>	<b>4,045,329</b>
Associates	LG Display Co., Ltd. and its subsidiaries	74,434	-	66,681	141,115	72,374	-	64,713	137,087
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	473	-	-	473	24,672	-	243	24,915
	Robostar Co.,Ltd. and its subsidiaries	-	-	-	-	214	-	17,884	18,098
	Acryl Inc.	-	-	-	-	-	-	229	229
	<b>Subtotal</b>	<b>74,907</b>	<b>-</b>	<b>66,681</b>	<b>141,588</b>	<b>97,260</b>	<b>-</b>	<b>83,069</b>	<b>180,329</b>
Joint ventures	LG-MRI LLC	2,107	-	-	2,107	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	27,712	-	959	28,671	2,104	-	203,692	205,796
	S&I Corp. and its subsidiaries <sup>2</sup>	5,397	-	21,871	27,268	-	-	58,673	58,673
	LG Management Development Institute	1	-	15,660	15,661	-	-	1,315	1,315
	LG SPORTS Ltd.	-	-	-	-	-	-	1,883	1,883
	<b>Subtotal</b>	<b>33,110</b>	<b>-</b>	<b>38,490</b>	<b>71,600</b>	<b>2,104</b>	<b>-</b>	<b>265,563</b>	<b>267,667</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	264,920	-	186,263	451,183	186,434	-	14,398	200,832
	LG INTERNATIONAL CORP and its subsidiaries	15,060	-	7	15,067	91,789	-	180,879	272,668
	LG Uplus Corp and its subsidiaries	39,914	-	1	39,915	-	-	718	718
	LG HAUSYS,LTD., its subsidiaries and associates	1,083	-	12	1,095	311	-	106	417
	Silicon Works Co., Ltd	-	-	28	28	2,884	-	1,237	4,121

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

		December 31, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	11,398	-	22,069	33,467	-	-	1,037	1,037
	G IIR Inc. and its subsidiaries	-	-	140	140	-	-	148,359	148,359
	<b>Subtotal</b>	<b>332,375</b>	<b>-</b>	<b>208,520</b>	<b>540,895</b>	<b>281,418</b>	<b>-</b>	<b>346,734</b>	<b>628,152</b>
	<b>Total</b>	<b>4,396,720</b>	<b>-</b>	<b>488,817</b>	<b>4,885,537</b>	<b>3,776,002</b>	<b>468,384</b>	<b>904,972</b>	<b>5,149,358</b>

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
Significantly influencing the LG Corp. Company		38	-	25,884	25,922	-	-	27,716	27,716
Subsidiaries	LG Innotek Co., Ltd.	42,548	-	5,851	48,399	61,571	-	18,853	80,424
	Hiplaza Co., Ltd.	157,004	-	25,881	182,885	-	-	7,466	7,466
	LG Electronics U.S.A., Inc.	146,000	-	123,082	269,082	-	-	9,901	9,901
	LG Electronics Vietnam Hai Phong Co., Ltd.	330,415	-	959	331,374	211,406	-	2,113	213,519
	LG Electronics do Brasil Ltda.	95,804	-	42,281	138,085	1,291	-	669	1,960
	LG Electronics Canada, Inc.	25,781	-	-	25,781	-	-	832	832
	Qingdao LG Inspur Digital Communication Co., Ltd.	19,987	-	5,107	25,094	118,304	-	142	118,446
	LG ELECTRONICS AUSTRALIA PTY LIMITED	55,061	-	-	55,061	-	-	255	255
	LG Electronics RUS, LLC	57,771	-	77,911	135,682	631	-	316	947
	LG ELECTRONICS INDIA PRIVATE LIMITED	34,579	-	7,873	42,452	34	-	444	478
	LG Electronics Deutschland GmbH	192,597	-	49,979	242,576	-	-	6,112	6,112
	LG Electronics Japan, Inc.	21,340	-	-	21,340	-	-	3,159	3,159
	LG Electronics Reynosa S.A. DE C.V.	8,409	-	3,606	12,015	153,814	-	-	153,814
	LG Electronics Mlawa Sp. z.O.O.	48,560	-	11	48,571	903,612	-	219	903,831
	LG Electronics Egypt S.A.E	9,339	-	56,530	65,869	2,919	-	1,573	4,492
	LG Electronics Nanjing New Technology co.,LTD	41,432	-	174	41,606	208,782	-	359	209,141
	LG Electronics Polska Sp. Z.O.O	110,927	-	47	110,974	-	-	564	564

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
	LG Electronics Panama, S.A.	44,508	-	-	44,508	-	-	71	71
	P.T. LG Electronics Indonesia	14,988	-	330	15,318	255,857	-	11	255,868
	LG Electronics (Hangzhou) Co., Ltd	46,101	-	1,124	47,225	4,411	-	1,477	5,888
	LG Electronics Colombia Ltda.	76,803	-	4	76,807	-	-	85	85
	LG Electronics (Tianjin) Appliances Co., Ltd.	11,284	-	11,619	22,903	54,918	-	14	54,932
	LG Electronics Vehicle components U.S.A., LLC	26,851	-	997	27,848	-	-	2,299	2,299
	LG Electronics Mexico S.A. DE C.V.	68,146	-	-	68,146	-	-	29	29
	LG Electronics Peru S.A.	79,532	-	37	79,569	-	-	61	61
	LG Electronics European Shared Service Center B.V.	16,960	-	13,257	30,217	-	493,023	5,076	498,099
	Taizhou LG Electronics Refrigeration Co., Ltd.	21,388	-	3,314	24,702	222,979	-	428	223,407
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	47,222	-	8,236	55,458	34,231	-	1,266	35,497
	Hi-M.Solutek	9,503	-	102	9,605	-	-	38,630	38,630
	Others	620,038	-	42,587	662,625	562,536	-	47,871	610,407
	<b>Subtotal</b>	<b>2,480,878</b>	<b>-</b>	<b>480,899</b>	<b>2,961,777</b>	<b>2,797,296</b>	<b>493,023</b>	<b>150,295</b>	<b>3,440,614</b>
Associates	LG Display Co., Ltd. and its subsidiaries	143,998	-	84,620	228,618	188,615	-	76,812	265,427
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	714	-	-	714	12,182	-	411	12,593
	Robostar Co.,Ltd.	-	-	-	-	-	-	25,151	25,151
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	145	145
	Korea Information Certificate Authority Inc. <sup>3</sup>	-	-	-	-	-	-	18	18
	Acryl Inc.	-	-	-	-	-	-	229	229
	<b>Subtotal</b>	<b>144,712</b>	<b>-</b>	<b>84,620</b>	<b>229,332</b>	<b>200,797</b>	<b>-</b>	<b>102,766</b>	<b>303,563</b>
Joint ventures	LG-MRI LLC	2,311	-	-	2,311	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	19,512	-	987	20,499	18,324	-	115,892	134,216
	S&I Corp. and its subsidiaries <sup>2</sup>	16,178	-	47,165	63,343	-	-	45,777	45,777
	LG Management Development Institute	-	-	15,660	15,660	-	-	810	810
	LG SPORTS Ltd.	-	-	-	-	-	-	2,311	2,311
	LG MMA Ltd.	341	-	-	341	-	-	-	-
	<b>Subtotal</b>	<b>36,031</b>	<b>-</b>	<b>63,812</b>	<b>99,843</b>	<b>18,324</b>	<b>-</b>	<b>164,790</b>	<b>183,114</b>

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

		December 31, 2019							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>4</sup>	Total
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	468,058	-	228,082	696,140	173,341	-	60,039	233,380
	LG INTERNATIONAL CORP and its subsidiaries	13,043	-	1,397	14,440	97,908	-	115,903	213,811
	LG Uplus Corp and its subsidiaries	5,820	-	98	5,918	-	-	551	551
	LG HAUSYS,LTD., its subsidiaries and associates	2,296	-	117	2,413	469	-	1,496	1,965
	Silicon Works Co., Ltd	215	-	258	473	2,764	-	485	3,249
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	20,064	-	8,709	28,773	1	-	3,355	3,356
	G II R Inc. and its subsidiaries	12	-	-	12	-	-	140,417	140,417
	<b>Subtotal</b>	<b>509,508</b>	<b>-</b>	<b>238,661</b>	<b>748,169</b>	<b>274,483</b>	<b>-</b>	<b>322,246</b>	<b>596,729</b>
	<b>Total</b>	<b>3,173,478</b>	<b>-</b>	<b>893,876</b>	<b>4,067,354</b>	<b>3,290,900</b>	<b>493,023</b>	<b>767,813</b>	<b>4,551,736</b>

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

<sup>2</sup> SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>3</sup> All shares of Korea Information Certificate Authority Inc. were disposed during the year ended December 31, 2020.

<sup>4</sup> Other payables include lease liabilities.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

iii) Significant capital transactions and others with related parties

(in millions of Korean won)

Classification	Name	2020						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp. <sup>1</sup>	-	41,321	-	-	-	27,473	27,556
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG ELECTRONICS INDIA PRIVATE LIMITED	211,626	-	-	-	-	-	-
	LG Electronics RUS, LLC	72,738	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	72,314	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	37,618	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	20,924	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	18,211	-	-	-	-	-	-
	LG-Shaker Co., Ltd.	15,130	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	12,430	-	-	-	-	-	-
	LG Electronics Dubai FZE	12,193	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	10,804	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	4,663	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd	1,779	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	430,776	466,907
	LG Electronics Fund I LLC	-	-	22,962	-	-	-	-
	<b>Subtotal</b>	<b>493,326</b>	<b>-</b>	<b>22,962</b>	<b>-</b>	<b>-</b>	<b>430,776</b>	<b>466,907</b>
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc. <sup>2</sup>	201	-	-	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	6,954	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	6,084	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	-	-	300	-	-	-	-
	<b>Subtotal</b>	<b>8,451</b>	<b>-</b>	<b>13,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>501,777</b>	<b>41,321</b>	<b>36,300</b>	<b>-</b>	<b>-</b>	<b>458,249</b>	<b>494,463</b>



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

(in millions of Korean won)

Classification	Name	2019						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp. <sup>1</sup>	-	41,321	-	-	-	29,988	2,194
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG Hitachi Water Solution Co., Ltd.	11,705	-	-	-	-	-	-
	Hi Entech Co., Ltd. <sup>3</sup>	20,003	-	-	-	-	-	-
	LG Electronics RUS, LLC	57,345	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	16,461	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd	718	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	6,485	-	-	-	-	-	-
	LG Electronics Fund I LLC.	-	-	15,140	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	492,304	-
	LG Electronics Huizhou Ltd.	3,174	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	26,037	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	63,108	-	-	-	-	-	-
	LG-Shaker Co., Ltd.	32,239	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	33,728	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	9,278	-	-	-	-	-	-
	<b>Subtotal</b>	<b>283,177</b>	<b>-</b>	<b>15,140</b>	<b>-</b>	<b>-</b>	<b>492,304</b>	<b>-</b>
Associates	LG HOLDINGS (HK) LIMITED.	-	-	(29,182)	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	702	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	1,234	-	-	-	-
	Korea Information Certificate Authority Inc. <sup>2</sup>	161	-	-	-	-	-	-
	Robostar Co.,Ltd.	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	-	-	291	-	-	-	-
	<b>Subtotal</b>	<b>307</b>	<b>-</b>	<b>(25,955)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>283,484</b>	<b>41,321</b>	<b>(10,815)</b>	<b>-</b>	<b>-</b>	<b>522,292</b>	<b>2,194</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.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

<sup>3</sup> All shares of Hi Entech Co., Ltd. were disposed to Techcross Vision Investment Inc. on September 26, 2019. And the name of Hi Entech Co., Ltd. was changed to Techcross Environmental Services Inc. On December 30, 2019, Techcross Environmental Services Inc. was excluded from the Large Enterprise Group in accordance with the Monopoly Regulations and Fair Trade Act.

- (b) The compensation paid or payable to key management personnel for the years ended December 31, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Salaries and other short-term benefits	12,487	18,173
Post-employment benefits	2,435	3,416
Other long-term benefits	103	107
<b>Total</b>	<b>15,025</b>	<b>21,696</b>

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 34.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for receivables from related parties at the end of the reporting period.

**37. Risk Management**

**Financial Risk Management**

The Company'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 Company to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

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

The Company 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 4 and Note 14, respectively.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

(a) Market risk

i) Foreign exchange risk

Due to its multinational business operations, the Company 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 Company's foreign exchange risk management is implemented under its own foreign exchange policy through which the Company 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 Company 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, 2020 and 2019, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional 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, 2020</b>		<b>December 31, 2019</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	(8,565)	8,565	(52,607)	52,607
EUR/KRW	1,765	(1,765)	(14,797)	14,797

ii) Interest rate risk

The Company 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 Company minimizes its borrowings from others and optimizes its deposits. The Company 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, 2020 and 2019, are as follows:

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	2020		2019	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	19,167	(19,167)	9,187	(9,187)
Interest expense	2,676	(2,676)	4,930	(4,930)

iii) Details of derivative contracts are as follows:

The Company entered into the cross-currency swap and 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:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 485 (USD/KRW)	1,067.9 ~ 1,155.2	2.17 ~ 3.64	2017. 2. 2 ~ 2018. 6. 8	2022. 2. 2 ~ 2028. 6. 8	-	45,113
	HSBC Seoul	EUR 150 (EUR/KRW)	1,329.0	0.78	2020. 4. 28	2021. 4. 28	1,750	-
	DBS	SGD 140 (SGD/KRW)	859.3	1.21	2020. 7. 9	2024. 1. 9	-	5,058
Interest rate swap	Woori Bank and others	KRW 1,144,893 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8. 24	2023. 2. 24 ~ 2030. 7. 7	-	68,443

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings and debentures (Note 14).

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	841,871	34,593
Interest rate swap	Borrowings	1,278,167	12,602

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	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
Cross-currency swap	(34,593)	Interest expense and exchange differences	33,141	(1,452)	(24,980)
Interest rate swap	(12,602)	Interest expense	14,079	1,477	(48,046)

iv) Price risk

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

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

The listed securities owned by the Company are traded in the open market, and related to KOSDAQ 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 Company have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>30% increase</b>	<b>30% decrease</b>	<b>30% increase</b>	<b>30% decrease</b>
KOSDAQ	12,742	(12,742)	2,654	(2,654)

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 7.

(b) Credit risk

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

In regard to receivables, the Company operates an integrated receivable insurance program with the Korea Trade Insurance Corporation (K-SURE) and Seoul Guarantee Insurance Company (Coface). In an effort to minimize receivable credit risk, the Company applies the credit rating of the counterparty when determining the insurance coverage. In addition, the Company performs stringent credit risk managements 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, 2020</b>	<b>December 31, 2019</b>
<b>Trade receivables with insurance or collateral</b>		
Excellent	78,734	154,400
Good	111,122	109,072
Fair	189,469	68,623
Poor <sup>1</sup>	99,695	121,968
<b>Subtotal</b>	<b>479,020</b>	<b>454,063</b>
<b>Trade receivables without insurance or collateral</b>		
Tier 1	3,771,212	2,481,763
Tier 2	126,589	193,334
Tier 3	152,927	66,234
<b>Subtotal</b>	<b>4,050,728</b>	<b>2,741,331</b>
<b>Total</b>	<b>4,529,748</b>	<b>3,195,394</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:

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<b>Category</b>	<b>Coface</b>	<b>K-SURE</b>
Excellent	8~10	A~B
Good	7	C
Fair	3~6	D~E
Poor	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 credit rating agency AA- ~ AAA+, including related parties such as subsidiaries, associates, and others

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

Tier 3 – Small debtors without credit history

The credit rating of cash equivalents and deposits held by financial institutions estimated by the Company using external credit rating criteria as at December 31, 2020 and 2019, is as follows:

<b>Category</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Excellent	1,998,061	985,735
Good	-	-
<b>Total</b>	<b>1,998,061</b>	<b>985,735</b>

Excellent: Equal to or more than A-(Global credit rating agency such as Moody's), AAA(Domestic credit rating agency such as Korea investors service)

Good: Equal to or more than BBB-(Global credit rating agency such as Moody's), AA(Domestic credit rating agency such as Korea investors service)

(c) Liquidity risk

The Company forecasts its cash flow and liquidity status and sets action plans on a regular base to manage liquidity risk proactively. The Company 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 Company maintains adequate amount of cash and committed credit facilities in Kookmin Bank, Shinhan Bank and SC Bank to cope with potential financial distress.

In addition, the Company is able to source funds any time in 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 Baa3 from Moody's at the end of the reporting period.

- i) Cash flow information on maturity of financial liabilities as at December 31, 2020, are as follows:

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<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	6,290,494	6,290,494	-	-	-
Borrowings	9,014,546	1,221,158	1,289,710	2,728,163	3,775,515
Lease liabilities	126,447	72,107	31,403	19,993	2,944
Other payables	1,999,755	1,999,555	200	-	-
<b>Total</b>	<b>17,431,242</b>	<b>9,583,314</b>	<b>1,321,313</b>	<b>2,748,156</b>	<b>3,778,459</b>

The above cash flows are calculated at nominal value based on the earliest maturity dates, and include cash flows of principal and interests. 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 Company to subsidiaries and third party companies as at December 31, 2020, 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	3,382,055	2,803,895	118,897	203,583	255,680

The financial guarantee contracts provided to the subsidiaries are analysed by their maturities according to the residual periods. And, the financial guarantee contracts provided to the third party companies are analysed at the maximum amount of guarantees allocated to earliest period in which the Company can be required to make the payments.

**Capital Risk Management**

The Company's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Company 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, 2020 and 2019, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Liability (A)	19,778,254	18,581,561
Equity (B)	9,921,733	8,893,330
Cash and cash equivalents (C)	1,916,739	918,795
Borrowings and lease liabilities (D)	7,946,568	8,348,358
Debt-to-equity ratio (A/B)	199.3%	208.9%
Net borrowings ratio ((D-C)/B)	60.8%	83.5%

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

**Fair Value Estimation**

(a) The book amounts and fair values of the Company's financial assets and liabilities as at December 31, 2020 and 2019, are as follows:

<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	-	-	29,554	1
Financial assets at fair value through other comprehensive income				
Trade receivables	74,935	1	-	-
Other financial assets				
Listed equity securities	-	-	38,934	38,934
Unlisted equity securities	-	-	25,916	1
Derivatives for hedging purposes				
Other financial assets	1,750	1,750	-	-
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	1,916,739	1	-	-
Deposits held by financial institutions	80,000	1	1,371	1,371
Trade receivables	4,920,364	1	-	-
Other receivables	425,809	1	191,172	181,898
<b>Total</b>	<b>7,419,597</b>		<b>286,947</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>				
Derivatives for hedging purposes				
Other financial liabilities	-	-	118,614	118,614
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	6,290,494	1	-	-
Borrowings	1,013,345	1	6,811,353	6,999,601
Other payables	1,999,555	1	200	197
<b>Other liabilities</b>				
Lease liabilities	68,346	2	53,524	2
Other financial liabilities	6,215	3	6,636	3
<b>Total</b>	<b>9,377,955</b>		<b>6,990,327</b>	



**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	December 31, 2019			
	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	-	-	21,282	1
Financial assets at fair value through other comprehensive income				
Trade receivables	18,354	1	-	-
Other financial assets				
Listed equity securities	-	-	10,835	10,835
Unlisted equity securities	-	-	27,679	1
Derivatives for hedging purposes				
Other financial assets	2,298	2,298	1,804	1,804
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	918,795	1	-	-
Deposits held by financial institutions	65,500	1	1,489	1,489
Trade receivables	3,647,265	1	-	-
Other receivables	845,345	1	159,525	149,720
<b>Total</b>	<b>5,497,557</b>		<b>222,614</b>	

<i>(in millions of Korean won)</i>	December 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
<b>Liabilities at fair value</b>				
Derivatives for hedging purposes				
Other financial liabilities	-	-	78,865	78,865
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	5,227,643	1	-	-
Borrowings	1,054,088	1	7,165,993	7,410,003
Other payables	1,900,869	1	410	396
<b>Other liabilities</b>				
Lease liabilities	68,278	2	59,999	2
Other financial liabilities	7,351	3	9,167	3
<b>Total</b>	<b>8,258,229</b>		<b>7,314,434</b>	

<sup>1</sup> Excluded from disclosures 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*.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

(b) Fair value measurements of assets and liabilities

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 Company 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 price 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 Company 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 listed equity securities 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 Company uses various valuation techniques that the Company 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'.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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.

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, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	38,934	-	-	38,934
Derivatives for hedging purposes	-	1,750	-	1,750
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	-	118,614	-	118,614
<i>(in millions of Korean won)</i>	<b>December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	10,835	-	-	10,835
Derivatives for hedging purposes	-	4,102	-	4,102
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	-	78,865	-	78,865

The above fair value amounts are recurring fair value measurements.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

- 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, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2020	December 31, 2019		
<b>Assets</b>				
Other financial assets				
Derivatives for hedging purposes	1,750	4,102	Discounted cash flow	Discount rate and exchange rate

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2020	December 31, 2019		
<b>Liabilities</b>				
Other financial liabilities				
Derivatives for hedging purposes	118,614	78,865	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

At the end of the reporting period, no financial instruments measured at fair value are categorized within 'level 3'.

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, 2020 and 2019, are as follows:

<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	-	-	1,371	1,371
Non-current other receivables	-	-	181,898	181,898
<b>Liabilities</b>				
Non-current borrowings	-	-	6,999,601	6,999,601
Non-current other payables	-	-	197	197

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

<i>(in millions of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	1,489	1,489
Non-current other receivables	-	-	149,720	149,720
<b>Liabilities</b>				
Non-current borrowings	-	-	7,410,003	7,410,003
Non-current other payables	-	-	396	396

- 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, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2020		December 31, 2019		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	1,371	1,371	1,489	1,489	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	191,172	181,898	159,525	149,720	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.7% ~ 2.9%
<b>Liabilities</b>								
Non-current borrowings	6,811,353	6,999,601	7,165,993	7,410,003	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.1% ~ 3.7%
Non-current other payables	200	197	410	396	Discounted cash flow	Discount rate	Discount rate	1.1%

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2020 and 2019**

---

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

(a) Details of assets classified as held for sale as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2020<sup>1</sup></u>	<u>December 31, 2019</u>
Assets classified as held for sale		
Land	9,723	-
Building	3,552	-
Other property, plant and equipment	71	-
<b>Total</b>	<b>13,346</b>	<b>-</b>

<sup>1</sup> At the end of the reporting period, procedure to sell the above assets is in progress and the selling procedure is expected to be completed by 2021.

(b) Assets held for sale are measured at fair value less costs to sell before the reclassification, and there is no impairment loss recognized.

**39. Approval of the Separate Financial Statements**

The separate financial statements of the Company was approved by the Board of Directors on January 28, 2021.

## **Independent Auditor's Report on Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

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

### **Opinion on Internal Control over Financial Reporting**

We have audited LG Electronics Inc.'s (the "Company") Internal Control over Financial Reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2020, and the separate statement of profit or loss, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 4, 2021 expressed an unqualified opinion.

### **Basis for Opinion on Internal Control over Financial Reporting**

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting 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.

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

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on the Effectiveness of Internal Control over Financial Reporting.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

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

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

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes

obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

**Definition and Inherent Limitations of Internal Control over Financial Reporting**

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Sung-Marn Chun, Certified Public Accountant.

Seoul, Korea

March 4, 2021

<p>This report is effective as at March 4, 2021, 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 Company's internal control over financial reporting 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>
---



**Management's Report on the Effectiveness of  
Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Audit Committee of  
LG Electronics Inc.

We, as the Representative Director and the Internal Control over Financial Reporting Officer of LG Electronics Inc. (the "Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting ("ICFR") for the year ended December 31, 2020.

The Company's management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2020, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

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

January 28, 2021

Bae, Doo Yong  
Representative Director

Lee, Hong-Su  
Internal Control over Financial Reporting Officer