

# **LG International Corp.**

Separate financial statements  
for the years ended December 31, 2020 and 2019  
with the independent auditor's report

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## Independent auditor's report

### The Stockholders and Board of Directors LG International Corp.

#### Opinion

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

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

We also have audited, in accordance with Korean Auditing Standards (KGAAS), the Company's internal control over financial reporting (ICFR) as of December 31, 2020, based on the criteria established in Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the ICFR Committee), and our report dated March 10, 2021 expressed an unqualified opinion thereon.

#### Basis for opinion

We conducted our audits in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

##### (1) Revenue recognition of overseas export sales

As mentioned in Note 2 to the separate financial statements, the Company recognizes revenue when the performance obligation identified in the contracts with the customers is fulfilled, as the amount which is expected to be received in exchange for the goods or services. The Company's overseas export sales are ₩2,478,689 million in total, accounting for approximately 76% of total sales. The Company recognizes revenue on overseas export sales when the control of goods, produced by the Company or purchased from supplier, is transferred to the customers.

We identified the risk of overstatement in overseas export sales caused by the errors in the judgment for the timing of identification and fulfillment of performance obligations in the contracts with customers as a significant risk.

The major audit procedures we have conducted in relation to this key audit matter are as follows:

- Analysis on the accounting policies of revenue recognition for major types of sales contracts and changes therein, if any
- Assessment on the design and operating effectiveness of internal controls in relation to overseas export sales recognition
- Analysis for the contracts by type of overseas export sales (identification of performance obligation, measurement of transaction amount, allocation of transaction price, review of the appropriateness in timing of revenue recognition)
- Testing of the transactions during the current year by reconciling the records and the related documents.
- Assessment for the appropriateness of cut-off for the transactions occurred around reporting period end

## (2) Impairment assessment on investment in subsidiary related to PT. Ganda Alam Makmur ("GAM")

The Company holds a 60% stake in PT. Ganda Alam Makmur ("GAM"), which is engaged in exploration / development and production activities for bituminous coal in Indonesia. As mentioned in Note 9 to the separate financial statements, the Company recognizes equity investment in GAM as an investment in subsidiaries and applies the equity method in the separate financial statements.

The sales performance of GAM is sensitive to the international price of coal, exploration / development and production technology, and potential reserves of economically producible resources, and the collection period of related investment in a subsidiary is also generally long-term.

As of December 31, 2020, the Company has investment in a subsidiary amounting to ₩161,120 million in relation to GAM Business, and the Company assesses at the end of each reporting period whether there is any impairment indication. If impairment is identified, the Company measures the estimated recoverable amount and recognizes impairment loss. This procedure requires professional estimation and cash flows assumptions on potential reserves of resources, economic output, and international price outlook during the recoverable period. In conclusion, we identified that there is a significant risk in the Company's assessment of impairment indication and estimation of recoverable amount for the investment in a subsidiary related to GAM Business considering the materiality of amounts, uncertainty of estimation and the subjectivity of the assumptions by management.

The major audit procedures we have conducted in relation to the above significant risk are as follows:

- Analysis by understanding the process related to the impairment assessment
- Evaluation of the effectiveness of designing and operating internal controls related to impairment assessment
- Assessment of management's evaluation on whether there is an indication of impairment
- Analysis on whether the assumptions used in the valuation report (future cash flow model) are consistent with the approved budget and business plan
- Analysis by comparing the future estimates of short-term and long-term prices used in the valuation report with the estimates conducted by an independent external institution
- Analysis for the consistency and validity of the assumptions applied to the estimation of cash flows for the measurement of the recoverable amounts

## **Responsibilities of management and those charged with governance for the separate financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the separate financial statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 Joon Yang Jeong.

*Ernst & Young Han Young*

March 10, 2021

This audit report is effective as of March 10, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

# **LG International Corp.**

Separate financial statements  
for the years ended December 31, 2020 and 2019

“The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by,  
and are the responsibility of, the Company.”

Chun-sung Yoon  
Chief Executive Officer  
LG International Corp.

**LG International Corp.**  
**Separate statements of financial position**  
**as of December 31, 2020 and 2019**

(Korean won in millions)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4, 5, 26, 27	₩ 328,406	₩ 88,140
Short-term financial assets	4, 5, 12, 26, 27	35,190	13,460
Trade accounts receivable	4, 12, 24, 26, 27	304,588	261,192
Other accounts receivable	4, 6, 12, 24, 26, 27	33,044	52,161
Accrued income	4, 12, 24, 26, 27	1,466	29,381
Advance payments	24	7,728	7,825
Prepaid expenses		1,644	1,042
Other current assets	4, 12, 24	4,867	6,656
Inventories, net	7	53,456	132,381
Assets held for sale	30	-	18,888
		<u>770,389</u>	<u>611,126</u>
<b>Non-current assets</b>			
Investment assets	4, 8, 12, 24, 26, 27	261,027	323,765
Investment in subsidiaries	9	1,288,382	1,273,969
Investment in associates	9	85,972	125,146
Property, plant and equipment, net	10, 29	16,305	18,888
Intangible assets, net	11	14,289	18,860
Deferred tax assets	23	126,106	141,086
Other non-current assets	4, 5, 6, 12, 24	48,291	15,086
		<u>1,840,372</u>	<u>1,916,800</u>
<b>Total assets</b>		<u>₩ 2,610,761</u>	<u>₩ 2,527,926</u>

(Continued)



**LG International Corp.**  
**Separate statements of financial position**  
**as of December 31, 2020 and 2019 (cont'd)**

(Korean won in millions)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	4, 13, 26, 27, 28	₩ 55,052	₩ 73,684
Trade accounts payable	4, 24, 26, 27	281,730	275,490
Other accounts payable	4, 6, 24, 26, 27	46,722	59,592
Advance received	17, 24	6,683	1,761
Withholdings	4, 26, 27	1,494	998
Income tax payable		6,095	-
Accrued expenses	4, 26, 27	30,546	33,807
Current portion of bonds and long-term borrowings	4, 13, 26, 27	154,802	204,135
Deposits received	4	644	-
Lease liabilities	4, 26, 27, 28, 29	4,985	6,009
		<u>588,753</u>	<u>655,476</u>
<b>Non-current liabilities</b>			
Bonds	4, 13, 26, 27, 28	359,307	269,617
Long-term borrowings	4, 13, 26, 27, 28	258,674	332,641
Defined benefit liabilities	20	532	8,801
Lease liabilities	4, 26, 27, 28, 29	1,773	2,155
Provision	14, 22	25,348	45,626
Other non-current liabilities	4, 26, 27	7,150	5,656
		<u>652,784</u>	<u>664,496</u>
<b>Total liabilities</b>		<b><u>1,241,537</u></b>	<b><u>1,319,972</u></b>
<b>Equity</b>			
Issued capital	15	193,800	193,800
Share premium	15	102,125	102,125
Other components of equity	15	(40,690)	(968)
Accumulated other comprehensive income (loss)	15	(105,309)	(17,738)
Retained earnings		1,219,298	930,735
<b>Total equity</b>		<b><u>1,369,224</u></b>	<b><u>1,207,954</u></b>
<b>Total liabilities and equity</b>		<b><u>₩ 2,610,761</u></b>	<b><u>₩ 2,527,926</u></b>

The accompanying notes are an integral part of the separate financial statements.

**LG International Corp.**  
**Separate statements of profit or loss**  
**for the years ended December 31, 2020 and 2019**

(Korean won in millions, except per share amounts)

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Sales</b>	3, 17, 24	₩ <b>3,258,240</b>	₩ <b>3,080,464</b>
Cost of sales	19, 24	(3,151,014)	(2,946,082)
<b>Gross profit</b>		<b>107,226</b>	<b>134,382</b>
Selling and administrative expenses	18, 19	(131,620)	(145,844)
<b>Operating loss</b>	3	<b>(24,394)</b>	<b>(11,462)</b>
Finance income	4, 6, 21	179,261	128,134
Finance costs	4, 6, 21	(212,033)	(144,653)
Share of profit (loss) of subsidiaries and associates	9, 21, 22	406,295	(72,751)
Other non-operating income, net	21	1,817	86,510
<b>Profit (loss) before tax</b>		<b>350,946</b>	<b>(14,222)</b>
Income tax benefit (expense)	23	(55,683)	73,108
<b>Profit for the year</b>		<b>₩ 295,263</b>	<b>₩ 58,886</b>
<b>Earnings per share:</b>			
Basic and diluted, profit for the year	15	₩ 7,870	₩ 1,523

The accompanying notes are an integral part of the separate financial statements.

**LG International Corp.**  
**Separate statements of other comprehensive income or loss**  
**for the years ended December 31, 2020 and 2019**

(Korean won in millions)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>Profit for the year</b>		₩ <b>295,263</b>	₩ <b>58,886</b>
<b><i>Other comprehensive income (loss)</i></b>			
<b><i>that may be reclassified to profit or loss</i></b>			
<b><i>in subsequent periods:</i></b>			
Loss on valuation of derivatives designated as cash flow hedges	4, 6	(310)	(339)
Positive adjustments of equity in equity method	9	(22,739)	7,731
Negative adjustments of equity in equity method	9	(21,069)	18,300
Exchange differences on translation of foreign operations		(2,774)	3,511
Change in retained earnings in equity method	9	(21)	-
		<u>(46,913)</u>	<u>29,203</u>
<b><i>Other comprehensive income (loss)</i></b>			
<b><i>that will not be reclassified to profit or loss</i></b>			
<b><i>in subsequent periods:</i></b>			
Loss on valuation of FVOCI	4, 8	(40,680)	(3,373)
Re-measurement gain (loss) on defined benefit plans	20	4,919	(489)
Change in retained earnings in equity method	9	-	(1,260)
		<u>(35,761)</u>	<u>(5,122)</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<u><b>(82,674)</b></u>	<u><b>24,081</b></u>
<b>Total comprehensive income for the year, net of tax</b>		<u><u>₩ <b>212,589</b></u></u>	<u><u>₩ <b>82,967</b></u></u>

The accompanying notes are an integral part of the separate financial statements.

**LG International Corp.**  
**Separate statements of changes in equity**  
**for the years ended December 31, 2020 and 2019**

(Korean won in millions)

	Issued capital	Share premium	Other components of equity	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
<b>As of January 1, 2019</b>	₩ 193,800	₩ 102,125	₩ (968)	₩ (43,568)	₩ 883,263	₩ 1,134,652
Profit for the year	-	-	-	-	58,886	58,886
Loss on valuation of derivatives designated as cash flow hedges	-	-	-	(339)	-	(339)
Positive adjustments of equity in equity method	-	-	-	7,731	-	7,731
Negative adjustments of equity in equity method	-	-	-	18,300	-	18,300
Exchange differences on translation of foreign operations	-	-	-	3,511	-	3,511
Loss on valuation of FVOCI	-	-	-	(3,373)	-	(3,373)
Re-measurement loss on defined benefit plans	-	-	-	-	(489)	(489)
Change in retained earnings in equity method	-	-	-	-	(1,260)	(1,260)
<b>Total comprehensive income (loss)</b>	-	-	-	<b>25,830</b>	<b>57,137</b>	<b>82,967</b>
Dividends (Note 16)	-	-	-	-	(9,665)	(9,665)
<b>As of December 31, 2019</b>	<b>₩ 193,800</b>	<b>₩ 102,125</b>	<b>₩ (968)</b>	<b>₩ (17,738)</b>	<b>₩ 930,735</b>	<b>₩ 1,207,954</b>

(Continued)

LG International Corp.

Separate statements of changes in equity  
for the years ended December 31, 2020 and 2019 (cont'd)

(Korean won in millions)

	Issued capital	Share premium	Other components of equity	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
<b>As of January 1, 2020</b>	₩ 193,800	₩ 102,125	₩ (968)	₩ (17,738)	₩ 930,735	₩ 1,207,954
Profit for the year	-	-	-	-	295,263	295,263
Loss on valuation of derivatives designated as cash flow hedges	-	-	-	(310)	-	(310)
Positive adjustments of equity in equity method	-	-	-	(22,739)	-	(22,739)
Negative adjustments of equity in equity method	-	-	-	(21,069)	-	(21,069)
Exchange differences on translation of foreign operations	-	-	-	(2,774)	-	(2,774)
Loss on valuation of FVOCI	-	-	-	(40,679)	-	(40,679)
Re-measurement gain on defined benefit plans	-	-	-	-	4,919	4,919
Change in retained earnings in equity method	-	-	-	-	(21)	(21)
<b>Total comprehensive income (loss)</b>	-	-	-	<b>(87,571)</b>	<b>300,161</b>	<b>212,590</b>
Dividends (Note 16)	-	-	-	-	(11,598)	(11,598)
Acquisition of treasury stock	-	-	(39,722)	-	-	(39,722)
<b>As of December 31, 2020</b>	<b>₩ 193,800</b>	<b>₩ 102,125</b>	<b>₩ (40,690)</b>	<b>₩ (105,309)</b>	<b>₩ 1,219,298</b>	<b>₩ 1,369,224</b>

The accompanying notes are an integral part of the separate financial statements.

**LG International Corp.**  
**Separate statements of cash flows**  
**for the years ended December 31, 2020 and 2019**  
(Korean won in millions)

	Notes	2020	2019
<b>Cash flows from operating activities:</b>			
Profit for the year		₩ 295,263	₩ 58,886
Non-cash adjustments to reconcile gain (loss)			
for the year to net cash flows provided by operating activities	28	(338,963)	(57,573)
Working capital adjustments	28	39,111	(49,155)
Interest received		4,002	7,016
Interest paid		(22,577)	(28,664)
Dividends received		22,704	30,693
Income tax paid		20,841	54,305
<b>Net cash flows provided by operating activities</b>		<b>20,381</b>	<b>15,508</b>
<b>Cash flows from investing activities:</b>			
Decrease in financial instruments		1	-
Decrease in loans		923	2,661
Decrease in guarantee deposits		155	610
Proceeds from disposal and capital reduction			
of investment in associates	9	333,585	61,860
Proceeds from disposal of equity instruments held for long-term	8	-	586
Proceeds from disposal of Assets held for sale	30	22,920	-
Proceeds from disposal of property, plant and equipment	10	24	373
Proceeds from disposal of Investment properties		-	133,547
Proceeds from disposal of intangible assets	11	7,258	642
Increase in financial instruments		(20,000)	-
Increase in loans		(12,318)	(9,427)
Increase in guarantee deposits		(238)	(2,964)
Acquisition of equity instruments held for long-term	8	(3,000)	(21,931)
Acquisition of investment in subsidiaries	9	(4,766)	(2,588)
Acquisition of investment in associates	9	-	(9)
Acquisition of property, plant and equipment	10	(3,693)	(5,561)
Acquisition of intangible assets	11	(90)	(63)
<b>Net cash flows provided by investing activities</b>		<b>320,761</b>	<b>157,736</b>
<b>Cash flows from financing activities:</b>			
Acquisition of treasury stock	15	(39,722)	-
Proceeds from financial liabilities	28	395,302	264,258
Repayments of financial liabilities	28	(436,113)	(416,981)
Payment of principal portion of lease liabilities	28	(6,736)	(2,852)
Dividends paid to stockholders		(11,596)	(9,665)
<b>Net cash flows used in financing activities</b>		<b>(98,865)</b>	<b>(165,240)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>242,277</b>	<b>8,004</b>
<b>Cash and cash equivalents at January 1</b>		<b>88,140</b>	<b>80,089</b>
<b>Exchange differences on translation of cash and cash equivalents</b>		<b>(2,011)</b>	<b>47</b>
<b>Cash and cash equivalents at December 31</b>		<b>₩ 328,406</b>	<b>₩ 88,140</b>

The accompanying notes are an integral part of the separate financial statements.

## **1. Corporate information**

LG International Corp. (the “Company”) was established on November 26, 1953 to engage in the import and export business. It changed its name to Bando Corporation in 1956 and to Lucky Industries Co., Ltd. in 1984. Its current name was adopted on March 1, 1995.

The Company listed its common stock on the Korea Exchange in January 1976 and was designated as a general trading company by the Korean Government on November 12, 1976.

The Company is currently engaged in the import and export of goods, and other business activities. The Company is located in Seoul and operates 18 overseas branch offices, 5 liaison offices and 84 subsidiaries (including 60 sub-subsidiaries) as of December 31, 2020.

LG Corp. holds 24.69% of the Company's common stock as of the end of the reporting period. The remaining equity shares are held by institutional investors, overseas investors, and minority shareholders and so on.

## **2. Basis of preparation and summary of significant accounting policies**

### **2.1 Basis of preparation**

The Company prepares statutory financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (“KIFRS”) enacted by the *Act on External Audit of Stock Companies*. The accompanying financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors’ report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The separate financial statements have been prepared on a historical cost basis, except for debt and equity financial assets and derivative financial instruments that are valued at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The separate financial statements are presented in Korean won and all values are rounded to the nearest won except when otherwise indicated.

LG International Corp. is the parent company of its subsidiaries (collectively referred to as the “Group”) and the consolidated financial statements of the Company prepared in accordance with KIFRS have been issued separately.

### **2.2 Summary of significant accounting policies**

#### **2.2.1 Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

### **2.2.1 Current versus non-current classification (cont'd)**

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### **2.2.2 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and cash equivalents with an original maturity of three months or less.

### **2.2.3 Inventories**

Inventories are valued at the lower of cost and net realizable value, with cost being determined using the specific identification method and moving average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **2.2.4 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **2.2.4.1 Financial assets**

##### **2.2.4.1.1 Initial recognition and measurement**

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under KIFRS 1115.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



#### **2.2.4.1.2 Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
- Financial assets at fair value through profit or loss

##### **Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### **Financial assets at fair value through OCI (debt instruments)**

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

##### **Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 Financial Instruments: Presentation and are not held for trading.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

#### **2.2.4.1.2 Subsequent measurement (cont'd)**

##### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### **2.2.4.1.3 Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

#### **2.2.4.2 Impairment of financial assets**

Further disclosures relating to impairment of financial assets are also provided in Note 12.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **2.2.4.2 Impairment of financial assets (cont'd)**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external independent credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are a year past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### **2.2.4.3 Financial liabilities**

##### **2.2.4.3.1 Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bonds, borrowings and derivative financial liabilities.

##### **2.2.4.3.2 Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as described below:

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

#### **2.2.4.3.2 Subsequent measurement (cont'd)**

##### **Borrowings**

Interest-bearing borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

#### **2.2.4.3.3 Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### **2.2.4.4 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **2.2.5 Derivative financial instruments and hedge accounting**

#### **2.2.5.1 Initial recognition and subsequent measurement**

The Company uses derivative financial instruments such as forward currency contracts, swap currency and interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

### **2.2.5.1 Initial recognition and subsequent measurement (cont'd)**

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

#### **Fair value hedges**

The change in the fair value of a hedging derivative is recognized in the statement of profit or loss in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through the statement of profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognized, the unamortized fair value is recognized immediately in the statement of profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain (loss) recognized in the statement of profit or loss.

#### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income or loss in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

#### **Hedges of a net investment in a foreign operation**

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

### **2.2.6 Investment in subsidiaries and associates and joint ventures**

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

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

The Company's investments in its subsidiaries, associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in a subsidiary, an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the subsidiary, associate or joint venture since the acquisition date. Goodwill relating to the subsidiary, associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of the subsidiary, associate or joint venture. Any change in other comprehensive income or loss of those investees is presented as part of the Company's other comprehensive income or loss. In addition, when there has been a change recognized directly in the equity of the subsidiary, associate or joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the subsidiary, associate or joint venture are eliminated to the extent of the interest in the subsidiary, associate or joint venture.

The aggregate of the Company's share of profit or loss of a subsidiary, associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the subsidiary, associate or joint venture.

The financial statements of the subsidiary, associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its subsidiary, associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiary, associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of a subsidiary, associate and a joint venture' in the statement of profit or loss.

Upon loss of control, significant influence or joint control over the subsidiary, associate or joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the subsidiary, associate or joint venture upon loss of control, significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of profit or loss.

## **2.2.7 Non-current assets held for sale (or distribution to equity holders) and discontinued operations**

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the disposal is highly probable and the asset or disposal group is available for immediate disposal in its present condition. Actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the disposal will be withdrawn. Management must be committed to the disposal expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the group that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

## **2.2.8 Property, plant and equipment**

Construction in progress is carried at acquisition cost less accumulated impairment loss, and property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Useful lives	Depreciation method
Buildings	40	Straight-line method
Structures	40	“
Machinery	5	“
Vehicles	5 ~ 12	“
Others	5	“

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain (loss) arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The assets' residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

## **2.2.9 Leases**

At inception of a contract, the Company assesses whether the contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### **Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **2.2.9.1 Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows.

	Useful lives (years)
Buildings	1 ~ 10
Vehicles	1 ~ 5

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.2.19 Impairment of non-financial assets.

#### **2.2.9.2 Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings (Refer to Note 26).

#### **2.2.9.3 Short-term leases and Leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of buildings and vehicle (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.



### **2.2.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **2.2.11 Investment properties**

Investment properties are measured initially at cost, including transaction costs and replacement costs which satisfied asset recognition requirements when they incurred. However, costs incurred during common maintenance activities are recognized as expenses when they occurred. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **2.2.12 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

### 2.2.12 Intangible assets (cont'd)

A summary of the policies applied to the Company's intangible assets is as follows:

	Useful lives	Amortization method
Goodwill	-	Test for impairment annually
Industrial property rights	5 ~ 15 years	Straight-line method
Overseas resources development (*)	Production period	Unit of production method
Others	5 years	Straight-line method

(\*) Natural resources exploration and development expenditures are classified as overseas resource investments. When proved reserves of oil are determined and development is sanctioned, they are depreciated on a unit of production basis. Conversely, if there is any evidence or event that implies impairment of the asset, such as suspending the exploration or development before proposing its technical feasibility and possibility of commercialization, the Company commences test on the assets for impairment. When the book value of the asset is greater than estimated recoverable amounts for the residual period, the Company recognizes it as impairment.

### 2.2.13 Pension benefits and other post-employment benefits

The Company operates a defined benefit pension plan and defined contribution pension plan. The defined benefit pension plan in Korea requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under selling and administrative expenses in the statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

### 2.2.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss, net of any reimbursement.

### 2.2.15 Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognizes any impairment loss that has occurred on assets dedicated to that contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

### **2.2.16 Treasury shares**

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### **2.2.17 Revenue from contracts with customers**

The Company is in the business of sales of goods in the resource and infrastructure sectors. The company provides the supply of goods and export-import transactions through contracts with customers. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

#### **2.2.17.1 Sales of goods**

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Company takes into consideration whether it is principal or agency relating to the performance obligations when determining the transaction price of sales of goods.

#### **2.2.17.2 Principal versus agent consideration**

When another party is involved in providing goods or services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the goods or services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

#### **2.2.17.3 Contract balance**

##### **Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional. Refer to accounting policies of financial assets in the Note 2.2.4.1

##### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

### **2.2.18 Foreign currency translation**

The Company's separate financial statements are presented in Korean won, which is also the Company's functional currency.

### **2.2.18.1 Transactions and balances**

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of profit or loss with the exception of all monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value was determined.

### **2.2.18.2 Translations of foreign operation**

Assets and liabilities of foreign operation are translated into Korea won at the closing rate at the reporting date and income and expenses are translated at exchange rates prevailing at the dates of the transactions, and these exchange differences are recognized in OCI. On the disposal of a foreign operation, the cumulative amount of the exchange differences in OCI relating to that foreign operation is reclassified from equity to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation, and translated at the spot rate of exchange at the reporting date.

### **2.2.19 Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

### **2.2.19 Impairment of non-financial assets (cont'd)**

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

#### **Goodwill**

Goodwill is tested for impairment annually (at certain time) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or company of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **Intangible assets with indefinite useful lives excluding goodwill**

For intangible assets with indefinite useful lives, the Company performs the impairment test for an individual asset or a cash-generating unit to which the asset has been allocated, annually or at any indication of impairment.

### **2.2.20 Taxes**

#### **2.2.20.1 Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### **2.2.20.2 Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

### **2.2.20.2 Deferred tax (cont'd)**

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

### **2.2.20.3 Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## **2.3 New and amended standards and interpretations**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### **2.3.1 Amendments to KIFRS 1103 : Definition of a Business**

The amendment to KIFRS 1103 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

### **2.3.2 Amendments to KIFRS 1107, KIFRS 1109 and KIFRS 1039 Interest Rate Benchmark Reform**

The amendments to KIFRS 1109 and KIFRS 1039 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the separate financial statements of the Company as it does not have any interest rate hedge relationships.

### **2.3.3 Amendments to KIFRS 1001 and KIFRS 1008 Definition of Material**

The amendments provide a new definition of material that states, “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, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the separate financial statements of, nor is there expected to be any future impact to the Company.

### **2.3.4 Conceptual Framework for Financial Reporting issued on March 29, 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the KASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the separate financial statements of the Company.

## **2.4 Significant accounting judgments, estimates and assumptions**

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Company’s exposure to risks and uncertainties includes:

- Financial instruments risk management and policies                      Note 26
- Sensitivity analyses disclosures    Note 20, 26

#### **2.4.1 Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

##### ***Determining the lease term of contracts with renewal and termination options – Company as lessee***

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew and recognizes right-of-use assets and lease liabilities.

#### **2.4.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond control of the Company. Such changes are reflected in the assumptions when they occur.

##### **2.4.2.1 Impairment of non-financial assets**

The Company assesses at each reporting date, whether there is any objective evidence that a non-financial asset is impaired. Goodwill and intangible assets with indefinite useful lives are tested when there are indications. Other non-financial asset is tested when there are indications that carrying amount is not to be collected. In assessing value in use, management estimates future cash flows from certain assets or CGUs and selects the appropriate discount rate to calculate the present value of future cash flow. Refer to Note 22 for information on the specific details of main assumptions.

##### **2.4.2.2 Defined benefit pension plan**

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

##### **2.4.2.3 Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.



#### **2.4.2.4 Provision for expected credit losses of trade receivables**

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

#### **2.4.2.5 Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### **2.4.2.6 Deferred tax assets**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company has ₩71,625 million (2019: ₩66,598 million) of tax credits carried forward which can be used to offset future taxable income but with time constraint. Among the total tax credits carried forward, the Company has determined not to recognize deferred tax assets on ₩34,312 million of tax credits carried forward, due to lack of probability of occurrence. Refer to Note 23 for details.

### **2.5 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### **2.5.1 Amendments to KIFRS 1001: *Classification of Liabilities as Current or Non-current***

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of KIFRS 1001 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

### **2.5.2 Reference to the Conceptual Framework – Amendments to KIFRS 1103**

In May 2020, the IASB issued Amendments to KIFRS 1103 *Business Combinations* - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of KIFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 or KIFRS 2121 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in KIFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

### **2.5.3 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

### **2.5.4 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037**

In May 2020, the IASB issued amendments to KIFRS 1037 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

## **2.5.5 2018-2020 Annual Improvements to KIFRS**

### **2.5.5.1 KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to KIFRS standards process, the IASB issued an amendment to KIFRS 1101 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of KIFRS 1101.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

### **2.5.5.2 KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to KIFRS standards process the IASB issued amendment to KIFRS 1109. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

### **2.5.5.3 KIFRS 1041 *Agriculture* – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to KIFRS standards process the IASB issued amendment to KIFRS 1041 *Agriculture*. The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

### **2.5.5.4 Amendments to KIFRS 1116 *Covid-19 Related Rent Concessions***

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions – amendments to KIFRS 1116 Leases*. The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June, 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

**LG International Corp.**  
**Notes to the separate financial statements**  
**December 31, 2020 and 2019**

**3. Segment information**

For management purposes, the Company is organized into business units based on its products and services and has three reportable segments as follows:

Segment	Principal activity
Energy/Palm	Development and sales of coal, Development of metals, Agro&Food TFT, Indonesia palm
Industrial material/Solution	Chemicals, Metal material, Project, IT, Platform and Others
Collectively grouped	Common group management

**3.1 Segment sales and operating income**

Details of segment results for the years ended December 31, 2020 and 2019, are as follows (Korean won in millions):

	2020		2019	
	Sales	Operating income (loss)	Sales	Operating income (loss)
Energy/Palm	₩ 823,137	₩ (10,757)	₩ 815,115	₩ 4,160
Industrial material/Solution	2,435,103	(13,636)	2,265,349	(15,621)
	₩ 3,258,240	₩ (24,393)	₩ 3,080,464	₩ (11,461)

**3.2 Segment assets and liabilities**

Details of assets and liabilities of operating segments as of December 31, 2020 and 2019, are as follows (Korean won in millions):

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Energy/Palm	₩ 745,058	₩ 180,680	₩ 805,771	₩ 248,278
Industrial material/Solution	714,398	400,780	807,424	513,307
Collectively grouped (*)	1,151,305	660,077	914,731	558,387
	₩ 2,610,761	₩ 1,241,537	₩ 2,527,926	₩ 1,319,972

(\*) Assets and liabilities that individually do not have a material effect to a particular operating segment have been collectively grouped. These include cash and cash equivalents, investment assets, property, plant and equipment, and intangible assets.

**3.3 Sales by geographic region**

Details of external revenue for the years ended December 31, 2020 and 2019, by geographic locations are as follows (Korean won in millions):

	2020	2019
Korea	₩ 779,551	₩ 1,045,520
America	502,169	386,052
Europe	312,349	266,327
Asia	1,643,522	1,362,921
Others	20,649	19,644
	₩ 3,258,240	₩ 3,080,464

#### 4. Classification of financial instruments

##### 4.1 Financial instruments by category

##### 4.1.1 Financial assets

Financial assets by category as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020				
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at amortised cost	Hedge accounting-related assets	Total
Cash and cash equivalents	₩ 233,273	₩ -	₩ 95,133	₩ -	₩ 328,406
Short-term financial asset	-	-	35,190	-	35,190
Equity instruments held for long-term	7,781	107,458	-	-	115,239
Trade accounts receivable	-	-	304,588	-	304,588
Other accounts receivable	6,096	-	26,948	-	33,044
Long-term loans	-	-	145,787	-	145,787
Other financial assets	-	-	52,549	-	52,549
	<u>₩ 247,150</u>	<u>₩ 107,458</u>	<u>₩ 660,195</u>	<u>₩ -</u>	<u>₩ 1,014,803</u>
	2019				
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at amortised cost	Hedge accounting-related assets	Total
Cash and cash equivalents	₩ 31,000	₩ -	₩ 57,140	₩ -	₩ 88,140
Short-term financial asset	-	-	13,460	-	13,460
Equity instruments held for long-term	4,779	161,124	-	-	165,903
Trade accounts receivable	-	-	261,192	-	261,192
Other accounts receivable	1,153	-	51,008	-	52,161
Long-term loans	-	-	157,862	-	157,862
Other financial assets	-	-	45,998	1,261	47,259
	<u>₩ 36,932</u>	<u>₩ 161,124</u>	<u>₩ 586,660</u>	<u>₩ 1,261</u>	<u>₩ 785,977</u>

**LG International Corp.**  
**Notes to the separate financial statements**  
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**4.1.2 Financial liabilities**

Financial liabilities by category as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Hedge accounting-related liabilities	Total
Trade accounts payable	₩ -	₩ 281,730	₩ -	₩ 281,730
Other accounts payable	575	39,609	6,538	46,722
Borrowings	-	313,726	-	313,726
Bonds payable	-	359,307	-	359,307
Current portion of bonds payable and long-term borrowings	-	154,802	-	154,802
Other financial liabilities	-	45,097	1,495	46,592
	₩ 575	₩ 1,194,271	₩ 8,033	₩ 1,202,879

	2019			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Hedge accounting-related liabilities	Total
Trade accounts payable	₩ -	₩ 275,490	₩ -	₩ 275,490
Other accounts payable	1,890	57,702	-	59,592
Borrowings	-	406,325	-	406,325
Bonds payable	-	269,617	-	269,617
Current portion of bonds payable and long-term borrowings	-	204,135	-	204,135
Other financial liabilities	-	48,625	-	48,625
	₩ 1,890	₩ 1,261,894	₩ -	₩ 1,263,784

**LG International Corp.**  
**Notes to the separate financial statements**  
**December 31, 2020 and 2019**

**4.2 Gains and losses on financial instruments**

**4.2.1 Gains and losses on financial assets**

Gains and losses on financial assets by category for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020				
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at amortised cost	Hedge accounting-related assets	Total
<b>Net income:</b>					
Interest income	₩ -	₩ -	₩ 7,977	₩ -	₩ 7,977
Dividend income	-	4,151	-	-	4,151
Gain on foreign currency transactions	-	-	(46,496)	-	(46,496)
Gain on foreign currency translation	-	-	(15,376)	-	(15,376)
Gain on currency forwards	13,676	-	-	-	13,676
Gain on currency swaps	-	-	-	1,688	1,688
Reversal of bad debt expenses	-	-	311	-	311
Reversal of other bad debt expenses	-	-	4,260	-	4,260
Loss on disposal of receivables	-	-	(1,162)	-	(1,162)
<b>Other comprehensive income (*1):</b>					
Loss on valuation of FVOCI	-	(53,666)	-	-	(53,666)
	<u>₩ 13,676</u>	<u>₩ (49,515)</u>	<u>₩ (50,486)</u>	<u>₩ 1,688</u>	<u>₩ (84,637)</u>
	2019				
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at amortised cost	Hedge accounting-related assets	Total
<b>Net income:</b>					
Interest income	₩ -	₩ -	₩ 11,787	₩ -	₩ 11,787
Dividend income	-	5,970	-	-	5,970
Gain on foreign currency transactions	-	-	26,927	-	26,927
Gain on foreign currency translation	-	-	274	-	274
Gain on currency forwards	13,892	-	-	-	13,892
Gain on currency swaps	-	-	-	4,471	4,471
Bad debt expenses	-	-	(501)	-	(501)
Other bad debt expenses	-	-	(4,814)	-	(4,814)
Loss on disposal of receivables	-	-	(2,292)	-	(2,292)
<b>Other comprehensive income (*1):</b>					
Gain on valuation of FVOCI	-	(4,450)	-	-	(4,450)
Loss on valuation of derivatives designated as cash flow hedges	-	-	-	(70)	(70)
	<u>₩ 13,892</u>	<u>₩ 1,520</u>	<u>₩ 31,381</u>	<u>₩ 4,401</u>	<u>₩ 51,194</u>

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(\*1) Other comprehensive income is the amount before income tax effect.

**4.2.2 Gains and losses on financial liabilities**

Gains and losses on financial liabilities by category for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Hedge accounting-related liabilities	Total
<b>Net income:</b>				
Interest expenses	₩ -	₩ (23,047)	₩ -	₩ (23,047)
Loss on foreign currency transactions	-	25,191	-	25,191
Loss on foreign currency translation	-	18,445	-	18,445
Loss on currency forwards	(9,842)	-	-	(9,842)
Loss on currency swaps	-	-	(8,553)	(8,553)
<b>Other comprehensive income (*1):</b>				
Loss on valuation of derivatives designated as cash flow hedges	-	-	(409)	(409)
	<u>₩ (9,842)</u>	<u>₩ 20,589</u>	<u>₩ (8,962)</u>	<u>₩ 1,785</u>
	2019			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Hedge accounting-related liabilities	Total
<b>Net income:</b>				
Interest expenses	₩ -	₩ (29,752)	₩ -	₩ (29,752)
Loss on foreign currency transactions	-	(28,495)	-	(28,495)
Loss on foreign currency translation	-	(4,035)	-	(4,035)
Loss on currency forwards	(16,245)	-	-	(16,245)
<b>Other comprehensive income (*1):</b>				
Loss on valuation of derivatives designated as cash flow hedges	-	-	(378)	(378)
	<u>₩ (16,245)</u>	<u>₩ (62,282)</u>	<u>₩ (378)</u>	<u>₩ (78,905)</u>

(\*1) Other comprehensive income is the amount before income tax effect.



## 5. Cash and cash equivalents

Details of cash and cash equivalents as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Cash on hand	₩	321	₩	325
Short-term deposits		328,085		87,815
	₩	328,406	₩	88,140

Outstanding balances of restricted deposits as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Restricted deposits	₩	20,010	₩	10

## 6. Derivative financial instruments

### 6.1 Valuation of derivative financial instruments

Valuation gains and losses arising from derivative financial instruments included in other accounts receivable and payable as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			2019		
	Gain on valuation	Loss on valuation	Other comprehensive income (*)	Gain on valuation	Loss on valuation	Other comprehensive income (*)
Currency forwards	₩ 6,096	₩ 575	₩ -	₩ 1,153	₩ 1,890	₩ -
Currency swaps	-	8,220	(409)	2,978	-	(378)
	₩ 6,096	₩ 8,795	₩ (409)	₩ 4,131	₩ 1,890	₩ (378)

(\*) Other comprehensive income is the amount before income tax effect.

### 6.2 Currency forwards

As of December 31, 2020 and 2019, gains and losses on valuation of unsettled currency forward contracts are as follows (Korean won in millions and other currencies in thousands):

2020						
Position-buy	Buying amount	Position-sell	Selling amount	Contracted exchange rate	Gain on valuation	Loss on valuation
KRW	149,116	USD	131,493	1,087.00 ~ 1,192.30	₩ 6,095	₩ 1
USD	27,143	KRW	30,096	1,087.00 ~ 1,180.80	1	565
AED	1,602	KRW	483	301.55	-	9
					₩ 6,096	₩ 575

2019						
Position-buy	Buying amount	Position-sell	Selling amount	Contracted exchange rate	Gain on valuation	Loss on valuation
KRW	121,605	USD	104,266	1,162.50 ~ 1,184.50	₩ 1,140	₩ -
KRW	735	CNY	4,395	167.24	9	-
EUR	400	KRW	515	1287.95	4	-
USD	104,843	KRW	122,427	1,152.70 ~ 1,176.00	-	1,890
					₩ 1,153	₩ 1,890

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**6.3 Currency swaps**

As of December 31, 2020 and 2019, gains and losses on valuation of unsettled currency swap contracts are as follows (Korean won in millions and other currencies in thousands):

2020								
Contracted party	Buying amount	Selling amount	Contracted exchange rate	Receivable interest rate	Payment interest rate	Contracted term	Gain/loss on valuation	Other comprehensive loss
The Export-Import Bank of Korea	USD 25,000	₩ 28,613	1,144.50	3ML + 2.30%	3.20%	2016.4.1 ~ 2021.4.1	₩ (1,745)	₩ (346)
Hana Bank	USD 50,000	₩ 60,875	1,217.50	3ML + 1.50%	1.80%	2020.4.29 ~ 2021.2.15	₩ (6,475)	₩ (63)
<b>Total</b>							<b>₩ (8,220)</b>	<b>₩ (409)</b>

2019								
Contracted party	Buying amount	Selling amount	Contracted exchange rate	Receivable interest rate	Payment interest rate	Contracted term	Gain on valuation	Other comprehensive loss
The Export-Import Bank of Korea	USD 75,000	₩ 85,838	1,144.50	3ML + 2.30%	3.20%	2016.4.1 ~ 2021.4.1	₩ 2,978	₩ (378)

**7. Inventories**

Details of inventories as of December 31, 2020 and 2019 are as follows (Korean won in millions):

2020			
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩ 31,362	₩ -	₩ 31,362
Materials in transit	22,094	-	22,094
	<b>₩ 53,456</b>	<b>₩ -</b>	<b>₩ 53,456</b>

2019			
	Acquisition cost	Valuation allowance	Book value
Merchandise	₩ 55,035	₩ (23)	₩ 55,012
Materials in transit	77,369	-	77,369
	<b>₩ 132,404</b>	<b>₩ (23)</b>	<b>₩ 132,381</b>

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**8. Investment assets**

Details of investment assets as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Equity instruments held for long-term		
Financial assets at fair value through profit or loss	₩ 7,782	₩ 4,779
Financial assets at fair value through OCI	107,458	161,124
Long-term loans receivable	145,787	157,862
	<u>₩ 261,027</u>	<u>₩ 323,765</u>

**8.1 Equity instruments held for long-term**

As of December 31, 2020, details of equity instruments held for long-term are as follows (Korean won in millions):

	Number of shares	Equity ownership (%)	Acquisition cost	Book value
<b>Financial assets at fair value through profit or loss</b>				
Aromatics Oman LLC	-	1.00	₩ 4,779	₩ 4,779
Futureplay Co.	15,730	3.05	3,000	3,003
			<u>7,779</u>	<u>7,782</u>
<b>Financial assets at fair value through OCI (*1)</b>				
Korea Ras Laffan LNG Co., Ltd. (Qatar LNG project)	1,558,666	5.60	2,410	21,500
Vietnam Korea Exchange Ltd.	-	10.00	322	322
LG Int'l (Saudi) LLC (*2)	-	90.00	118	118
Oilhub Korea Yeosu Co., Ltd.	131,000	5.00	7,205	7,530
GS E&R Co., Ltd.	1,654,445	9.52	95,585	55,100
Tianjin LG Bohai Chemical Co., Ltd.	-	10.00	11,737	21,819
Cobalt blue holdings Ltd.	7,093,959	2.92	6,467	1,069
			<u>123,844</u>	<u>107,458</u>
			<u>₩ 131,623</u>	<u>₩ 115,240</u>

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**8.1 Equity instruments held for long-term (cont'd)**

(\*1) Financial assets measured at fair value through OCI include investments in shares of non-listed companies held as non-controlling interests. As the Company holds these investments for the purpose of business strategy, fair value changes are presented as OCI and the Company irrevocably elected to classify as financial asset at fair value through OCI.

(\*2) The Company's equity interest in the entity has been excluded from investments in subsidiaries and associates as the entity is undergoing liquidation procedures and therefore, has no substantial business operations.

Changes in the net book value of equity instruments held for long-term for the year ended December 31, 2020 and changes in the net book value of available-for-sale financial assets for the year ended December 31, 2019 are as follows (Korean won in millions):

	Equity ownership (%)	2020		Valuation	Dec. 31
		Jan. 1	Acquisition (disposal)		
<b>Financial assets at fair value through profit or loss</b>					
Aromatics Oman LLC	1.00	₩ 4,779	₩ -	₩ -	₩ 4,779
Futureplay Co. (*1)	3.05	-	3,000	3	3,003
		4,779	3,000	3	7,782
<b>Financial assets at fair value through OCI</b>					
Korea Ras Laffan LNG Co., Ltd. (Qatar LNG project)	5.60	33,853	-	(12,353)	21,500
Vietnam Korea Exchange Ltd	10.00	322	-	-	322
LG Int'l (Saudi) LLC	90.00	118	-	-	118
Oilhub Korea Yeosu Co., Ltd	5.00	9,707	-	(2,177)	7,530
GS E&R Co., Ltd.	9.52	96,961	-	(41,861)	55,100
Tianjin LG Bohai Chemical Co., Ltd.	10.00	19,358	-	2,461	21,819
Cobalt blue holdings Ltd.	2.92	805	-	264	1,069
		161,124	-	(53,666)	107,458
		₩ 165,903	₩ 3,000	₩ (53,663)	₩ 115,240

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**8.1 Equity instruments held for long-term (cont'd)**

	Equity ownership (%)	2019		Valuation	Dec. 31 (*3)
		Jan. 1	Acquisition (disposal)		
<b>Financial assets at fair value through profit or loss</b>					
Aromatics Oman LLC	1.00	₩ 4,779	₩ -	₩ -	₩ 4,779
		4,779	-	-	4,779
<b>Financial assets at fair value through OCI</b>					
Korea Ras Laffan LNG Co., Ltd. (Qatar LNG project)	5.60	38,255	-	(4,402)	33,853
Vietnam Korea Exchange Ltd	10.00	322	-	-	322
LG Int'l (Saudi) LLC	90.00	118	-	-	118
Minera Corocobre S.A. (*2)	-	586	(586)	-	-
Oilhub Korea Yeosu Co., Ltd	5.00	7,848	-	1,859	9,707
GS E&R Co., Ltd. (*3)	9.52	78,844	21,931	(3,814)	96,961
Tianjin LG Bohai Chemical Co., Ltd.	10.00	17,109	-	2,249	19,358
Cobalt blue holdings Ltd.	4.73	1,146	-	(341)	805
		144,228	21,345	(4,449)	161,124
		₩ 149,007	₩ 21,345	₩ (4,449)	₩ 165,903

(\*1) During the year ended December 31, 2020, the Company acquired 3.23% of equity interests of Futureplay Co., Ltd. and classified it as financial assets at fair value through profit or loss.

(\*2) During the year ended December 31, 2019, the Company disposed all of its equity interests of Minera Corocobre S.A..

(\*3) During the year ended December 31, 2019, the Company acquired additional shares of 2.02% in GS E&R Co., Ltd. from GS Holdings Corp. by exercising the right to purchase 351,111 shares for ₩62,463 per share if GS E&R Co., Ltd. cannot undergo an initial public offering of its ordinary shares by February 28, 2019.

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**9. Investment in subsidiaries and associates**

**9.1 Investment in subsidiaries**

As of December 31, 2020 and 2019, investments in subsidiaries are as follows.

	Country of domicile	Equity ownership (%)		Reporting date	Principal operation
		2020	2019		
LG International (America) Inc.	USA	100.00	100.00	Dec. 31	Export and import
LG International (Japan) Ltd.	Japan	100.00	100.00	Dec. 31	"
LG International (Hong Kong) Ltd.	Hong Kong	100.00	100.00	Dec. 31	"
LG International (Singapore) Pte. Ltd.	Singapore	100.00	100.00	Dec. 31	"
LG International (Deutschland) GmbH	Deutschland	100.00	100.00	Dec. 31	"
LG International (China) Ltd.	China	100.00	100.00	Dec. 31	"
Yantai VMI Hub LG International Co., Ltd.	China	100.00	100.00	Dec. 31	Hub
Guangzhou Steel Flower Electrical & Machinery Co., Ltd. (*1)	China	-	100.00	Dec. 31	Steel frames
Bowen Investment (Australia) Pty. Ltd.	Australia	100.00	100.00	Dec. 31	Coal mining
PT. Batubara Global Energy (BGE)	Indonesia	100.00	100.00	Dec. 31	"
PT. Ganda Alam Makmur (GAM)	Indonesia	60.00	60.00	Dec. 31	"
LG International (India) Ltd.	India	100.00	100.00	Mar. 31	Export and import
PT. Green Global Lestari (GGL)	Indonesia	100.00	100.00	Dec. 31	Palm oil
PT. LG International Indonesia (LGII) (*2)	Indonesia	100.00	100.00	Dec. 31	Industrial planting
PT. Binsar Natorang Energi (BNE)	Indonesia	95.00	95.00	Dec. 31	Hydroelectric power
Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	China	100.00	100.00	Dec. 31	Steel frames
Philco Resources Ltd. (Rapu-Rapu)	Malaysia	60.00	60.00	Dec. 31	Copper mining
Resource Investment (Hong Kong) Ltd. (Wantugou)	Hong Kong	100.00	100.00	Dec. 31	Coal mining
LG International Yakutsk Ltd.	Russia	100.00	100.00	Dec. 31	Real estate
Korea Carbon International Co., Ltd. (Shaanxi BBM)	Hong Kong	60.00	60.00	Dec. 31	Renewable plant
Colmineral, S.A. de.C.V.	Mexico	100.00	100.00	Dec. 31	Iron ore
Fertilizer Resources Investment Ltd.	Hong Kong	100.00	100.00	Dec. 31	Fertilizer
Dangjin Tank Terminal Co., Ltd.	Korea	100.00	100.00	Dec. 31	Storage
Haiphong Steel Flower Electrical & Machinery Company Limited	Vietnam	100.00	100.00	Dec. 31	Steel frames
Highland Cement International Co., Ltd. (*1)	Myanmar	-	51.00	Sep. 30	Cement
Pantos Logistics Co., Ltd.	Korea	51.00	51.00	Dec. 31	Logistics

(\*1) During the year ended December 31, 2020, the Company disposed all the equity shares that had been classified as non-current assets held for sale.

(\*2) During the year ended December 31, 2020, PT. Indonesia Renewable Resources has changed the company name to PT. LG International Indonesia.

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**9.1 Investment in subsidiaries (cont'd)**

Details of the investments in subsidiaries as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
	Acquisition Cost	Net asset value	Net book value	Net book value
LG International (America) Ltd.	₩ 21,156	₩ 36,323	₩ 36,266	₩ 34,222
LG International (Japan) Pte. Ltd.	401	4,202	3,711	4,735
LG International (Hong Kong) Ltd.	17,663	8,429	8,426	6,097
LG International (Singapore) Pte. Ltd.	3,288	12,266	12,173	9,834
LG International (Deutschland) GmbH	12,314	9,624	9,624	8,428
LG International (China) Ltd.	6,129	7,126	7,126	7,016
Yantai VMI Hub LG International Co., Ltd.	1,070	4,013	4,013	3,210
Bowen Investment (Australia) Pty. Ltd.	26,707	8,157	8,545	27,973
PT. Batubara Global Energy (BGE)	11,753	33,591	33,533	37,484
PT. Ganda Alam Makmur (GAM)	241,090	222,851	161,120	168,563
LG International (India) Ltd.	943	1,737	1,737	1,681
PT. Green Global Lestari (GGL)	175,502	151,490	149,813	153,085
PT. LG International Indonesia (LGII)	98,231	755	755	470
PT. Binsar Natorang Energi (BNE)	59,071	76,165	73,933	78,030
Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	7,419	28,438	28,653	25,762
Philco Resources Ltd. (Rapu-Rapu)	4,310	209	-	-
Resource Investment (Hong Kong) Ltd. (Wantugou)	53,176	59,554	59,554	67,602
LG International Yakutsk Ltd.	5,325	(6,277)	-	-
Korea Carbon International Co., Ltd. (Shaanxi BBM)	839	-	-	-
Colmineral, S.A. de.C.V.	5	3	4	4
Fertilizer Resources Investment Ltd.	97,580	131,109	131,109	120,465
Dangjin Tank Terminal Co., Ltd.	106,220	91,635	92,390	94,715
Haiphong Steel Flower Electrical & Machinery Company Limited	7,773	4,471	4,471	4,376
Pantos Logistics Co., Ltd.	314,721	648,098	461,426	420,217
	<u>₩ 1,272,686</u>	<u>₩ 1,533,969</u>	<u>₩ 1,288,382</u>	<u>₩ 1,273,969</u>

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**9.1 Investment in subsidiaries (cont'd)**

The summarized financial information of major subsidiaries as of December 31, 2020 and 2019 and operation results for the years ended by December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (loss) for the year	Dividends paid by subsidiaries
LG International (America) Inc.	₩ 372,124	₩ 3,030	₩ 337,917	₩ 914	₩ 1,376,181	₩ 4,440	₩ -
LG International (Japan) Ltd.	71,373	4,286	70,374	1,083	362,349	(245)	782
LG International (Hong Kong) Ltd.	107,255	3,932	101,957	801	308,790	2,924	-
LG International (Singapore) Pte. Ltd.	582,751	18,816	571,963	17,338	2,348,661	2,318	-
PT. Batubara Global Energy (BGE)	70,976	(983)	36,211	191	323,439	(477)	-
PT. Ganda Alam Makmur (GAM)	55,254	422,043	62,778	191,668	194,484	7,236	-
PT. Green Global Lestari (GGL)	6,660	171,720	2,570	24,320	-	3,774	-
Resource Investment (Hong Kong) Ltd. (Wantugou)	5,025	54,529	-	-	-	(6,551)	-
Fertilizer Resources Investment Ltd.	69	131,040	-	-	-	10,643	-
Dangjin Tank Terminal Co., Ltd.	283	91,977	610	15	-	(2,325)	-
Pantos Logistics Co., Ltd.	1,142,531	546,350	904,234	136,549	4,763,367	117,751	11,985

	2019						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (loss) for the year	Dividends paid by subsidiaries
LG International (America) Inc.	₩ 311,596	₩ 2,510	₩ 279,425	₩ 384	₩ 1,265,305	₩ 6,055	₩ -
LG International (Japan) Ltd.	120,890	4,732	119,484	919	474,155	802	4,037
LG International (Hong Kong) Ltd.	80,233	3,126	77,229	29	178,753	(332)	-
LG International (Singapore) Pte. Ltd.	289,283	19,946	280,516	18,467	2,015,920	1,486	-
PT. Batubara Global Energy (BGE)	68,421	2,914	33,232	619	319,162	(6,205)	-
PT. Ganda Alam Makmur (GAM)	39,090	445,085	108,873	145,424	183,600	(9,537)	-
PT. Green Global Lestari (GGL)	5,313	171,914	1,914	22,246	-	(10,265)	-
Resource Investment (Hong Kong) Ltd. (Wantugou)	5,001	62,609	8	-	-	(9,312)	-
Fertilizer Resources Investment Ltd.	85	120,381	1	-	-	13,032	-
Dangjin Tank Terminal Co., Ltd.	1,418	92,653	98	12	-	(1,134)	-
Pantos Logistics Co., Ltd.	886,046	535,757	668,512	185,967	4,199,815	78,006	10,506

Changes in the net book value of investments in subsidiaries by equity method for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020						
	Jan. 1	Acquisition (disposal) and transfer	Dividends	Equity adjustments in equity method	Share of profit or loss	Others	Dec. 31
LG International (America) Inc.	₩ 34,222	₩ -	₩ -	₩ (2,414)	₩ 4,458	₩ -	₩ 36,266
LG International (Japan) Ltd.	4,735	-	(782)	11	(253)	-	3,711
LG International (Hong Kong) Ltd.	6,097	-	-	(595)	2,924	-	8,426
LG International (Singapore) Pte. Ltd.	9,834	-	-	(298)	2,637	-	12,173
LG International (Deutschland) GmbH	8,428	-	-	260	936	-	9,624
LG International (China) Ltd.	7,016	-	-	49	61	-	7,126
Yantai VMI Hub LG International Co., Ltd.	3,210	-	-	5	798	-	4,013
Bowen Investment (Australia) Pty. Ltd. (*1)	27,973	-	-	629	(6,629)	(13,428)	8,545
PT. Batubara Global Energy (BGE)	37,484	-	-	(3,416)	(535)	-	33,533
PT. Ganda Alam Makmur	168,563	-	-	(11,442)	3,999	-	161,120
LG International (India) Ltd.	1,681	-	-	(156)	212	-	1,737
PT. Green Global Lestari (GGL)	153,085	4,766	-	(10,117)	2,079	-	149,813
PT. LG International Indonesia(LGII)	470	-	-	(85)	370	-	755
PT. Binsar Natorang Energi Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	78,030	-	-	(10,645)	6,548	-	73,933
Philco Resources Ltd. (Rapu-Rapu)	25,762	-	-	124	2,767	-	28,653
Resource Investment (Hong Kong) Ltd. (Wantugou)	-	-	-	-	-	-	-
LG International Yakutsk Ltd.	67,602	-	-	(1,497)	(6,551)	-	59,554
Colmineral, S.A. de.C.V.	-	-	-	(416)	(166)	582	-
Fertilizer Resources Investment Ltd.	4	-	-	-	-	-	4
Dangjin Tank Terminal Co., Ltd.	120,465	-	-	2	10,642	-	131,109
Haiphong Steel Flower Electrical & Machinery Company Limited	94,715	-	-	-	(2,325)	-	92,390
Pantos Logistics Co., Ltd.	4,376	-	-	(281)	376	-	4,471
	420,217	-	(11,985)	(6,867)	60,061	-	461,426
	₩ 1,273,969	₩ 4,766	₩ (12,767)	₩ (47,149)	₩ 82,409	₩ (12,846)	₩ 1,288,382



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**9.1 Investment in subsidiaries (cont'd)**

	2019						
	Jan. 1	Acquisition (disposal) and transfer	Dividends	Equity adjustments in equity method	Share of profit or loss	Others (*1)	Dec. 31
LG International (America) Inc.	₩ 27,217	₩ -	₩ -	₩ 930	₩ 6,075	₩ -	₩ 34,222
LG International (Japan) Ltd.	7,863	-	(4,037)	189	720	-	4,735
LG International (Hong Kong) Ltd.	6,179	-	-	222	(304)	-	6,097
LG International (Singapore) Pte. Ltd.	12,855	-	-	(4,169)	1,148	-	9,834
LG International (Deutschland) GmbH	6,498	-	-	82	1,848	-	8,428
LG International (China) Ltd.	6,358	-	-	107	551	-	7,016
Yantai VMI Hub LG International Co., Ltd.	2,945	-	-	50	215	-	3,210
Guangzhou Steel Flower Electric & Machinery Co., Ltd. (*2)	18,953	-	-	355	(420)	(18,888)	-
Bowen Investment (Australia) Pty. Ltd.	27,916	-	(8,146)	765	7,438	-	27,973
PT. Batubara Global Energy (BGE)	42,878	-	-	1,640	(7,034)	-	37,484
PT. Ganda Alam Makmur (GAM) (*1)	238,605	-	-	8,475	(7,738)	(70,779)	168,563
LG International (India) Ltd.	1,470	-	-	18	193	-	1,681
PT. Green Global Lestari (GGL)	150,806	-	-	11,181	(8,902)	-	153,085
PT. Indonesia Renewable Resources (IRR)	1,536	-	-	157	(1,223)	-	470
PT. Binsar Natorang Energi Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	68,745	2,168	-	(3,757)	10,874	-	78,030
Resource Investment (Hong Kong) Ltd. (Wantugou)	21,181	-	-	312	4,269	-	25,762
LG International Yakutsk Ltd.	74,848	-	-	2,066	(9,312)	-	67,602
Colmineral, S.A. de.C.V.	-	-	-	412	(387)	(25)	-
Fertilizer Resources Investment Ltd.	4	-	-	-	-	-	4
Dangjin Tank Terminal Co., Ltd.	105,566	-	-	1,867	13,032	-	120,465
Haiphong Steel Flower Electrical & Machinery Company Limited	95,429	420	-	-	(1,134)	-	94,715
Highland Cement International Co., Ltd. (*1)	4,618	-	-	173	(415)	-	4,376
Pantos Logistics Co., Ltd.	32,986	-	-	2,628	(4,244)	(31,370)	-
	388,551	-	(10,506)	3,784	39,648	(1,260)	420,217
	₩ 1,344,007	₩ 2,588	₩ (22,689)	₩ 27,487	₩ 44,898	₩ (122,322)	₩ 1,273,969

(\*1) Others include the effects of reduction due to recognition of impairment loss on the assets (Refer to Note 22).

(\*2) As of December 31, 2019, the subsidiaries have been reclassified as non-current assets held for sale (Refer to Note 30).

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**9.2 Investment in associates**

As of December 31, 2020 and 2019, investments in associates are as follows.

	Domicile	Equity ownership (%)		Reporting date	Principal business activity
		2020	2019		
Global Dynasty Natural Resources Private Equity Fund (*1)	Korea	7.46	7.46	12.31	Overseas resources development
Heungkuk highclass Private Special Asset PEF E1	Korea	50.00	50.00	12.31	"
POSCO-IPPC (India Pune Processing Center)	India	35.00	35.00	12.31	Processing and selling steel
POSCO-PWPC (Poland Wroclaw Processing Center)	Poland	40.00	40.00	12.31	"
LG Holdings (HK) Ltd. (*2)	Hong Kong	-	25.00	12.31	Leasing real estate
Kernhem B.V.	Netherland	30.00	30.00	12.31	Oil and gas
ADA Oil LLP (*1)	Kazakhstan	12.50	12.50	12.31	"
GS HP Sunflower Village Int'l Corp.	Vietnam	30.00	30.00	12.31	Leasing real estate Mining and selling lithium
Sal de Vida Korea Corp. (*3)	Korea	-	33.33	12.31	Manufacturing and selling PTA, PET
Oman International Petrochemical Industry Company LLC	Oman	30.00	30.00	12.31	Thermal power plant
Musandam Power Company SAOC (*1,4)	Oman	18.00	18.00	12.31	Generating Cogeneration
Gansu Wuwei Cogeneration Power Plant	China	30.00	30.00	12.31	

(\*1) The entities were classified as associates even though the Company holds less than 20% equity ownership. As the Company has rights to elect the directors of the entities and its executives participate in their management as directors, the Company considered that it has significant influence over these entities.

(\*2) For the year ended December 31, 2020, it has been excluded from investments in associates due to disposal of all the equity shares in the investee.

(\*3) For the year ended December 31, 2020, it has been excluded from investments in associates due to liquidation.

(\*4) For the year ended December 31, 2019, the Company disposed 12% of the equity shares in the investee.

Details of the investments in associates as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			2019
	Acquisition cost	Net asset value	Net book value	Net book value
Global Dynasty Natural Resources Private Equity Fund	₩ 2,242	₩ (1,840)	₩ -	₩ -
Heungkuk Highclass Private Special Asset PEF E1	4,566	(8,974)	-	-
POSCO-IPPC (India Pune Processing Center)	9,184	27,912	9,769	8,864
POSCO-PWPC (Poland Wroclaw Processing Center)	5,244	16,820	6,752	6,113
LG Holdings (HK) Ltd.	-	-	-	44,660
Kernhem B.V.	2,005	(65,654)	-	-
ADA Oil LLP	22,011	(64,901)	-	-
GS HP Sunflower Village Int'l Corp.	2,911	14,648	4,395	4,350
Sal de Vida Korea Corp.	-	-	-	30
Oman International Petrochemical Industry Company LLC	19,766	64,587	-	-
Musandam Power Company SAOC	6,535	27,894	5,409	4,939
Gansu Wuwei Cogeneration Power Plant	55,932	197,327	59,647	56,190
	₩ 130,396	₩ 207,819	₩ 85,972	₩ 125,146

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**9.2 Investment in associates (cont'd)**

The condensed financial information of major associates as of December 31, 2020 and 2019 is as follows (Korean won in millions):

	2020						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year	Dividends paid by associates
POSCO-IPPC (India Pune Processing Center)	₩ 96,289	₩ 38,821	₩ 85,426	₩ 21,772	₩ 267,760	₩ 5,060	₩ -
POSCO-PWPC (Poland Wroclaw Processing Center)	50,541	10,778	41,873	2,626	108,292	2,325	-
Gansu Wuwei Cogeneration Power Plant	95,422	404,354	39,820	262,628	176,972	18,771	2,490
	2019						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year	Dividends paid by associates
LG Holdings (HK) Ltd.	₩ 23,199	₩ 155,440	₩ -	₩ -	₩ -	₩ 12,307	₩ -
Kernhem B.V.	785	66,672	-	136,867	-	445	-
ADA Oil LLP	10,098	72,127	1,301	152,818	43,116	3,866	-

Changes in the net book value of investments in associates for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020						
	Jan. 1	Acquisition (disposal)	Dividends	Change in equity adjustment in equity method	Share of profit or loss	Impairment and others	Dec. 31
POSCO-IPPC (India Pune Processing Center)	₩ 8,864	₩ -	₩ -	₩ (866)	₩ 1,771	₩ -	₩ 9,769
POSCO-PWPC (Poland Wroclaw Processing Center)	6,113	-	-	(291)	930	-	6,752
LG Holdings (HK) Ltd. (LG Building Ltd.)	44,660	(32,690)	-	(12,367)	397	-	-
Kernhem B.V. (*1)	-	-	-	2,437	(1,310)	(1,127)	-
ADA Oil LLP (*1)	-	-	-	1,419	(545)	(874)	-
GS HP Sunflower Village Int'l Corp.	4,350	-	(183)	(268)	517	(21)	4,395
Sal de Vida Korea Corp.	30	(30)	-	-	-	-	-
Musandam Power Company SAOC	4,939	-	(1,079)	(324)	1,873	-	5,409
Gansu Wuwei Cogeneration Power Plant	56,190	-	(2,490)	316	5,631	-	59,647
	₩ 125,146	₩ (32,720)	₩ (3,752)	₩ (9,944)	₩ 9,264	₩ (2,022)	₩ 85,972
	2019						
	Jan. 1	Acquisition (disposal)	Dividends	Change in equity adjustment in equity method	Share of profit or loss	Impairment and others	Dec. 31
POSCO-IPPC (India Pune Processing Center)	₩ 9,637	₩ -	₩ -	₩ 163	₩ (936)	₩ -	₩ 8,864
POSCO-PWPC (Poland Wroclaw Processing Center)	6,355	-	-	159	(401)	-	6,113
LG Holdings (HK) Ltd. (LG Building Ltd.)	55,168	(14,893)	-	1,309	3,076	-	44,660
Kernhem B.V. (*1)	-	14,247	-	(807)	121	(13,561)	-
ADA Oil LLP (*1)	3,302	7,232	-	(385)	(342)	(9,807)	-
GS HP Sunflower Village Int'l Corp.	3,561	-	(197)	125	861	-	4,350
Sal de Vida Korea Corp.	2,418	-	-	-	-	(2,388)	30
United Copper & Moly LLC (Rosemont)	37,406	(39,909)	-	216	12	2,275	-
Musandam Power Company SAOC	8,850	(7,050)	(3,139)	303	2,746	3,229	4,939
Gansu Wuwei Cogeneration Power Plant	53,049	-	(777)	923	2,995	-	56,190
	₩ 179,746	₩ (40,373)	₩ (4,113)	₩ 2,006	₩ 8,132	₩ (20,252)	₩ 125,146

(\*1) Refer to Note 12, 22.

**LG International Corp.**  
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**10. Property, plant and equipment and investment properties**

**10.1 Property, plant and equipment**

Details of property, plant and equipment as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	₩ 12	₩ -	₩ -	₩ 12
Buildings	560	(111)	-	449
Structures	1,275	(812)	-	463
Machinery and equipment	19,939	(10,500)	(9,349)	90
Vehicles	11,464	(4,100)	-	7,364
Others	9,328	(8,029)	-	1,299
Construction-in-progress	9	-	-	9
Right-of-use assets	9,389	(2,770)	-	6,619
	<u>₩ 51,976</u>	<u>₩ (26,322)</u>	<u>₩ (9,349)</u>	<u>₩ 16,305</u>
	2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	₩ 12	₩ -	₩ -	₩ 12
Buildings	560	(97)	-	463
Structures	1,275	(757)	-	518
Machinery and equipment	19,899	(10,472)	(9,349)	78
Vehicles	11,403	(3,166)	-	8,237
Others	14,598	(13,115)	-	1,483
Construction-in-progress	55	-	-	55
Right-of-use assets	10,938	(2,896)	-	8,042
	<u>₩ 58,740</u>	<u>₩ (30,503)</u>	<u>₩ (9,349)</u>	<u>₩ 18,888</u>

Changes in the net book value of property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020					
	Jan. 1	Additions	Transfer (*1)	Disposals	Depreciation	Dec. 31
Land	₩ 12	₩ -	₩ -	₩ -	₩ -	₩ 12
Buildings	463	-	-	-	(14)	449
Structures	518	-	-	-	(55)	463
Machinery and equipment	78	40	-	-	(28)	90
Vehicles	8,237	61	-	-	(934)	7,364
Others	1,483	419	-	(107)	(496)	1,299
Construction-in-progress	55	3,173	(3,219)	-	-	9
Right-of-use assets	8,042	7,732	-	(2,457)	(6,698)	6,619
	<u>₩ 18,888</u>	<u>₩ 11,425</u>	<u>₩ (3,219)</u>	<u>₩ (2,564)</u>	<u>₩ (8,225)</u>	<u>₩ 16,305</u>

(\*1) For the year ended December 31, 2020, ₩3,219 million was transferred to the intangible assets.

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**10.1 Property, plant and equipment (cont'd)**

	2019						
	Jan. 1	Effect of adoption of new accounting standards	Additions	Transfer (*2)	Disposals	Depreciation	Dec. 31
Land	₩ 4,406	₩ -	₩ -	₩ (4,394)	₩ -	₩ -	₩ 12
Buildings	12,417	-	-	(11,895)	-	(59)	463
Structures	613	-	-	-	(40)	(55)	518
Machinery and equipment	54	-	43	-	-	(19)	78
Vehicles	9,186	-	-	-	-	(949)	8,237
Others	923	-	3,453	-	(169)	(2,724)	1,483
Construction-in-progress	107	-	2,065	(2,117)	-	-	55
Right-of-use assets (*2)	-	5,311	5,725	-	(65)	(2,929)	8,042
	₩ 27,706	₩ 5,311	₩ 11,286	₩ (18,406)	₩ (274)	₩ (6,735)	₩ 18,888

(\*2) For the year ended December 31, 2019, land and buildings which are amounting to ₩16,381 million were transferred to the investment properties.

Details of insurance for properties are as follows (Korean won in millions):

	Insured assets	Insurance institution	Insured amount	
			2020	2019
Property insurance	Plant & equipment, etc.	KB insurance Co. Ltd. and others	₩ 67,078	₩ 64,080

**11. Intangible assets**

Details of intangible assets as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
License	₩ 11,287	₩ 17,340
Others	3,002	1,520
	₩ 14,289	₩ 18,860

Changes in the net book value of intangible assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020						
	Jan. 1	Additions	Disposals	Transfer	Amortization	Impairment (*1)	Dec. 31
License	₩ 17,340	₩ -	₩ (7,212)	₩ 1,259	₩ -	₩ (100)	₩ 11,287
Others	1,520	90	-	1,960	(568)	-	3,002
	₩ 18,860	₩ 90	₩ (7,212)	₩ 3,219	₩ (568)	₩ (100)	₩ 14,289

	2019						
	Jan. 1	Additions	Disposals	Transfer	Amortization	Dec. 31	
License	₩ 16,479	₩ -	₩ (748)	₩ 1,609	₩ -	₩ 17,340	
Others	1,821	64	-	417	(782)	1,520	
	₩ 18,300	₩ 64	₩ (748)	₩ 2,026	₩ (782)	₩ 18,860	

(\*1) Refer to Note 22

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**12. Trade and other receivables**

Details of trade and other receivables as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			2019		
	Total amount	Allowance for doubtful accounts	Net value	Total amount	Allowance for doubtful accounts	Net value
Current:						
Trade receivables	₩ 343,113	₩ (38,525)	₩ 304,588	₩ 301,990	₩ (40,798)	₩ 261,192
Short-term loans	15,190	-	15,190	13,460	-	13,460
Other receivables (*1)	36,016	(9,068)	26,948	61,016	(10,008)	51,008
Accrued income	4,054	(2,588)	1,466	39,777	(10,396)	29,381
Short-term deposits	2,791	-	2,791	2,792	-	2,792
	<u>401,164</u>	<u>(50,181)</u>	<u>350,983</u>	<u>419,035</u>	<u>(61,202)</u>	<u>357,833</u>
Non-current:						
Long-term loans	249,248	(103,461)	145,787	251,023	(93,161)	157,862
Long-term other receivables (*1)	19,366	(194)	19,172	17,367	(173)	17,194
Present value discount	(2,644)	-	(2,644)	(3,960)	-	(3,960)
Long-term uncollected income	38,495	(7,407)	31,088	-	-	-
Long-term bank deposits	10	-	10	10	-	10
Long-term deposits	4,955	(4,289)	666	4,871	(4,290)	581
	<u>309,430</u>	<u>(115,351)</u>	<u>194,079</u>	<u>269,311</u>	<u>(97,624)</u>	<u>171,687</u>
	<u>₩ 710,594</u>	<u>₩ (165,532)</u>	<u>₩ 545,062</u>	<u>₩ 688,346</u>	<u>₩ (158,826)</u>	<u>₩ 529,520</u>

(\*1) As of December 31, 2020, other receivables related to derivatives of ₩6,096 million (₩1,153 million in 2019) were excluded. As of December 31, 2019, long-term other receivables of ₩1,261 million were excluded.

## 12. Trade and other receivables (cont'd)

Changes in the net book value of allowance for doubtful accounts for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Jan. 1	₩ 40,798	₩ 118,028	₩ 40,609	₩ 91,906
Bad debt expenses	-	-	501	4,814
Reversal of allowance for bad debts	(311)	(4,260)	-	-
Others (*2)	(1,962)	13,239	(312)	21,308
Dec. 31	₩ 38,525	₩ 127,007	₩ 40,798	₩ 118,028

(\*2) Impairment loss in relation to Kernhem B.V. and ADA Oil LLP., which amounts are ₩9,611 million (₩21,479 million in 2019), is included.

Aging analysis of trade receivables as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Total
Dec. 31, 2020	₩ 285,083	₩ 12,455	₩ 4	₩ 563	₩ 45,008	₩ 343,113
Dec. 31, 2019	₩ 240,977	₩ 983	₩ 34	₩ 5,579	₩ 54,417	₩ 301,990

As of the December 31, 2020, there are no trade accounts receivable that were transferred or factored but not derecognized because the requirements for financial instrument derecognition are not met.

## 13. Borrowings and bonds

### 13.1 Short-term borrowings

Details of short-term borrowings as of December 31, 2020 and 2019 are as follows (Korean won in millions):

Financial institution	Description	Annual interest rate as of Dec. 31, 2020	2020	2019
Woori Bank and others	General borrowings	3ML + 1.50%	₩ 54,400	₩ 73,156
KEB Hana Bank	Banker's usance	0.54% ~ 0.63%	652	528
			₩ 55,052	₩ 73,684

The Company has contracts of commercial paper discount with Woori, Shinhan, Hana and KDB bank. Amounts that have not reached maturity after discounts and do not meet the requirements of financial asset derecognition are accounted as short-term borrowings.

The Company has signed individual and comprehensive loan agreements (credit limit of ₩18,000 million) with Shinhan Bank and two other banks in relation to bank overdraft facilities as of December 31, 2020. In relation to the bank overdraft facilities above, long-term financial instruments are provided as collateral.

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**13.2 Long-term borrowings**

Details of long-term borrowings as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	Financial institution	Annual interest rate as of Dec. 31, 2020	2020	2019
Local currency	Korea Energy Agency	Special energy fund rate - 2.25%	₩ 2,635	₩ 4,623
	Forestry Cooperative in Korea	1.50%	8,488	10,612
	Woori International the 1 <sup>st</sup> Co., Ltd.	2.89% ~ 2.91%	130,000	130,000
	The Export-Import Bank of Korea	Export-Import Financial Debentures 3 month + (1.36% ~ 1.39%)	96,200	120,280
			237,323	265,515
		Less: current portion	(11,943)	(16,282)
		₩ 225,380	₩ 249,233	
Foreign currency	Korea Energy Agency	Special energy fund rate - 2.25%	₩ 33,739	₩ 39,185
	The Export-import Bank of Korea	6ML + 2.32%, 3ML + 2.3%	36,992	144,725
	Nonghyup Bank	3ML + 2.3%	4,080	13,025
	NH Investment & Securities (H.K.)	3ML + 2.3%	1,360	4,342
			76,171	201,277
		Less: current portion	(42,877)	(117,869)
		₩ 33,294	₩ 83,408	
		₩ 258,674	₩ 332,641	

**13.3 Bonds**

Details of bonds as of December 31, 2020 and 2019 are as follows (Korean won in millions):

Series	Issue date	Maturity date	Annual interest rate	2020	2019	Warranty
115th	Mar. 03, 2015	Mar. 03, 2022	2.74%	50,000	50,000	Non-warranty
116-2nd	May. 28, 2015	May. 28, 2020	2.43%	-	70,000	"
116-3rd	May. 28, 2015	May. 28, 2022	2.86%	90,000	90,000	"
117-2nd	Sep. 05, 2016	Sep. 05, 2021	2.02%	30,000	30,000	"
118-1st	Jan. 23, 2018	Jan. 22, 2021	2.57%	70,000	70,000	"
118-2nd	Jan. 23, 2018	Jan. 20, 2023	2.95%	30,000	30,000	"
119th	May. 13, 2020	May. 13, 2030	3.10%	50,000	-	"
120-1st	May. 27, 2020	May. 27, 2023	1.80%	90,000	-	"
120-2nd	May. 27, 2020	May. 27, 2025	2.07%	50,000	-	"
Less: discount on bonds				(710)	(399)	
Less: current portion of bonds				(100,000)	(70,000)	
Less: current portion of discount on bonds				17	16	
				₩ 359,307	₩ 269,617	

The Company issued the 115th, 116-3rd, 117-2nd, 118-1st, 118-2nd, 119th, 120-1st and 120-2nd unsecured bonds at discounts with the condition of full redemption on maturity date, and those interests are payable every 3 months. Bond discounts were amortized using the effective interest rate method during redemption period and recognized as finance costs.



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**14. Provisions**

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

	2020				
	Jan. 1	Reversal	Used	Others	Dec. 31
Onerous contracts	₩ 39,354	₩ (7,663)	₩ (4,889)	₩ (1,929)	₩ 24,873
Provisions for litigation	505	-	-	(30)	475
Financial guarantee liabilities	5,767	-	-	(5,767)	-
	<u>₩ 45,626</u>	<u>₩ (7,663)</u>	<u>₩ (4,889)</u>	<u>₩ (7,726)</u>	<u>₩ 25,348</u>

	2019				
	Jan. 1	Recognition	Used	Others	Dec. 31
Onerous contracts	₩ 38,099	₩ 2,994	₩ (3,076)	₩ 1,337	₩ 39,354
Provisions for litigation	-	516	-	(11)	505
Financial guarantee Liabilities (*1)	-	5,767	-	-	5,767
	<u>₩ 38,099</u>	<u>₩ 9,277</u>	<u>₩ (3,076)</u>	<u>₩ 1,326</u>	<u>₩ 45,626</u>

(\*1) Refer to note 22

**15. Issued capital and others**

**15.1 Issued capital**

Details of issued capital as of December 31, 2020 and 2019 are as follows (Korean won in millions, except per share amounts):

	2020	2019
Number of ordinary shares issued	38,760,000	38,760,000
Par value per share	₩ 5,000	₩ 5,000
	<u>₩ 193,800</u>	<u>₩ 193,800</u>

**15.2 Share premium**

Details of share premium as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Paid-in capital in excess of par value	₩ 47,106	₩ 47,106
Asset revaluation surplus (*)	37,286	37,286
Other capital surplus	17,732	17,732
	<u>₩ 102,124</u>	<u>₩ 102,124</u>

(\*) The Company revalued its property, plant and equipment on July 1, 1998 in accordance with the Assets Revaluation Act, and the revaluation difference amounted to ₩87,151 million. The revaluation reserve was calculated by deducting the revaluation tax and the exchange rate adjustment difference from the revaluation difference.

**LG International Corp.**  
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**15.3 Other components of equity**

Details of other components of equity as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Treasury stock (*1)	₩ (40,689)	₩ (968)

(\*1) The Company signed the contract of acquisition of treasury stocks with KB Securities (for up to: ₩100 billion), and during the year ended December 31, 2020, acquired 2,691,323 shares of treasury stocks.

**15.4 Accumulated other comprehensive income or loss**

Details of accumulated other comprehensive income or loss as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Gain on valuation of FVOCI	₩ (12,447)	₩ 28,232
Gain on valuation of derivatives designated as cash flow hedges	(110)	200
Positive adjustments of equity in equity method	5,662	28,400
Negative adjustments of equity in equity method	(93,721)	(71,180)
Exchange differences on translation of foreign operations	(4,693)	(1,918)
Equity directly associated with the non-current assets held for sale	-	(1,472)
	<u>₩ (105,309)</u>	<u>₩ (17,738)</u>

**15.5 Retained earnings**

Details of retained earnings as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Legal reserve	₩ 37,266	₩ 36,106
Business rationalization reserve	1,511	1,511
Improvement of financial structure reserve	13,693	13,693
Voluntary reserves and retained earnings before appropriations	1,166,829	879,425
	<u>₩ 1,219,299</u>	<u>₩ 930,735</u>

**15.6 Earnings per share**

The Company's per share amounts for the years ended December 31, 2020 and 2019 are computed as follows (number of shares, Korean won):

	2020	2019
Profit for the year	₩ 295,262,540,235	₩ 58,886,114,331
Weighted-average number of ordinary shares outstanding (*1)	37,517,383	38,659,249
Basic earnings profit per share	<u>₩ 7,870</u>	<u>₩ 1,523</u>

(\*1) The Company's weighted-average number of ordinary shares for the years ended December 31, 2020 and 2019 are computed as follows:

**LG International Corp.**  
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**15.6 Earnings per share (cont'd)**

	2020		2019	
	Number of shares	Number of shares*days of holding	Number of shares	Number of shares*days of holding
Number of common shares issued	38,760,000	14,186,160,000	38,760,000	14,147,400,000
Treasury shares	(2,792,074)	(454,797,807)	(100,751)	(36,774,115)
Number of ordinary shares outstanding	35,967,926	13,731,362,193	38,659,249	14,110,625,885
Days of holding	-	366 days	-	365 days
Weighted-average number of ordinary shares outstanding (*2)	-	37,517,383	-	38,659,249

(\*2) For the year ended December 31, 2019, there is no change in the number of treasury stocks, and thus the weighted-average number of ordinary shares equals the number of common shares issued minus the number of treasury stocks.

**15.7 Statements of appropriation of retained earnings**

The statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows (Korean won):

	2020	2019
Retained earnings before appropriations :		
Unappropriated retained earnings carried forward from the prior year	₩ -	₩ -
Re-measurement loss on defined benefit plans	4,919,485,387	(488,755,209)
Change in retained earnings in equity method	(20,844,042)	(1,260,157,469)
Profit for the year	295,262,540,235	58,886,114,331
	<u>300,161,181,580</u>	<u>57,137,201,653</u>
Reversal of voluntary reserves:	-	-
Appropriation:		
Legal reserve	(1,438,717,040)	(1,159,777,470)
Cash dividends (Note 16)	(14,387,170,400)	(11,597,774,700)
Voluntary reserve	(284,335,294,140)	(44,379,649,483)
	<u>(300,161,181,580)</u>	<u>(57,137,201,653)</u>
Unappropriated retained earnings to be carried forward to the next year	₩ -	₩ -

The statement of retained earnings (accumulated deficit) before appropriations (disposition) for the year ended December 31, 2020 is scheduled to be approved at the annual stockholder's meeting to be held on March 24, 2021. The statement of retained earnings (accumulated deficit) before appropriations (disposition) for the year ended December 31, 2019 was approved at the annual stockholder's meeting on March 26, 2020.

**LG International Corp.**  
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**16. Dividends**

For the years ended December 31, 2020 and 2019, dividends paid are as follows (Korean won in millions, except per share amounts):

	2020		2019	
Dividend per share	₩	300	₩	250
Dividends paid		11,598		9,665

As of December 31, 2020 and 2019, proposed dividends to be approved at the general meeting of shareholders consist of the following (Korean won in millions, except per share amounts):

	2020		2019	
Dividend per share	₩	400	₩	300
Dividends		14,387		11,598

**17. Sales**

Revenue from contracts with customers for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
	Energy/Palm	Industrial material/Solution	Energy/Palm	Industrial material/Solution
<b>Revenue recognized at point of time</b>				
Sales of goods	₩ 822,846	₩ 2,413,626	₩ 810,896	₩ 2,250,804
Sales of services	271	20,575	3,594	11,409
	823,117	2,434,201	814,490	2,262,213
<b>Revenue recognized over period</b>				
Sales of services	20	902	625	3,136
	₩ 823,137	₩ 2,435,103	₩ 815,115	₩ 2,265,349

Details of changes in contract liabilities arising from contracts with customers during December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			
	Jan. 1	Increase	Decrease	Dec. 31
Energy/Palm	₩ 61	₩ 22,358	₩ (17,342)	₩ 5,077
Industrial material/Solution	1,700	30,336	(30,430)	1,606
	₩ 1,761	₩ 52,694	₩ (47,772)	₩ 6,683
	2019			
	Jan. 1	Increase	Decrease	Dec. 31
Energy/Palm	₩ 61	₩ 24,441	₩ (24,441)	₩ 61
Industrial material/Solution	835	19,213	(18,348)	1,700
	₩ 896	₩ 43,654	₩ (42,789)	₩ 1,761

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**18. Selling and administrative expenses**

Details of selling and administrative expenses for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019
Salaries	₩ 32,807	₩	36,176
Retirement benefits	5,243		4,930
Employee welfare benefits	7,540		7,621
Travel	1,421		3,783
Rents	1,476		4,341
Depreciation	6,625		5,707
Insurance	714		1,289
Freight	36,152		37,804
Service	23,700		24,605
Loading and unloading	365		1,728
Amortization	567		782
Bad debt expenses (Reversal of allowance for bad debts)	(311)		501
Sales commissions	1,400		1,648
Expenses for overseas branch office	6,495		7,311
Others	7,425		7,618
	₩ 131,619	₩	145,844

**19. Expenses classified by nature**

Expenses classified by nature for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019
Cost of goods sales	₩ 3,149,416	₩	2,944,762
Employee benefits (salaries, retirement benefits)	38,050		41,106
Distribution costs (custody charges, packaging costs, transportation expenses)	37,213		38,755
Depreciation and amortization	8,793		7,809
Others	49,161		59,493
	₩ 3,282,633	₩	3,091,925

**20. Pension benefits**

The Company operates both defined contribution and defined benefit pension plans.

Details of employee benefit liabilities as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019
Present value of defined benefit obligation	₩ 34,613	₩	41,658
Fair value of plan assets	(34,081)		(32,857)
	₩ 532	₩	8,801

**LG International Corp.**  
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**20. Pension benefits (cont'd)**

Expenses recognized in respect of the defined benefit plans for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Current service costs	₩	4,812	₩	4,752
Net interest costs		175		206
Management costs of plan assets		63		99
	₩	<u>5,050</u>	₩	<u>5,057</u>

Changes in the present value of defined benefit obligation for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
As of January 1	₩	41,658	₩	41,213
Current service costs		4,812		4,752
Interest costs		793		940
Benefits paid		(5,595)		(5,892)
Transfer in (out)		(597)		(56)
Re-measurement loss (gain) on defined benefit plans		(6,458)		701
As of December 31	₩	<u>34,613</u>	₩	<u>41,658</u>

Changes in the fair value of plan assets for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
As of January 1	₩	32,857	₩	32,574
Return on plan assets		618		734
Contribution payable		6,207		5,661
Benefits paid		(5,559)		(5,892)
Re-measurement loss on defined benefit plans		21		(121)
Management costs of plan assets		(63)		(99)
As of December 31	₩	<u>34,081</u>	₩	<u>32,857</u>

The key components of plan assets account for total fair value of plan assets as of December 31, 2020 and 2019 as follows:

	2020		2019	
Debt securities		95.52%		95.40%
Deposits		4.44%		4.59%
Others		0.04%		0.00%
		<u>100.00%</u>		<u>100.00%</u>

The principal assumptions used in actuarial calculation as of December 31, 2020 and 2019 are as follows:

	2020		2019	
Salary increase rate		5.00%		5.99%
Discount rate		1.75%		1.99%

**20. Pension benefits (cont'd)**

Sensitivity analyses on the principal assumptions used in actuarial calculation as of December 31, 2019 are as follows (Korean won in millions):

	Defined benefit obligation		
	Dec. 31	Increase by 1%	Decrease by 1%
Salary increase rate	₩ 34,613	₩ 36,620	₩ 32,768
Discount rate	34,613	32,737	36,700

Expenses by operating a defined contribution plan for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Retirement benefits	₩ 128	₩ 117

**21. Finance income and costs**

**21.1 Finance income**

Details of finance income for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Interest income	₩ 7,977	₩ 11,787
Gain on foreign currency transactions	129,304	81,178
Gain on foreign currency translation	21,891	9,857
Gain on currency forwards	13,676	13,892
Gain on currency swaps	1,688	4,471
Dividend income	4,151	5,970
Commission revenue from guarantees	574	979
	₩ 179,261	₩ 128,134

**21.2 Finance costs**

Details of finance costs for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Interest expenses	₩ 23,047	₩ 29,752
Loss on foreign currency transactions	150,609	82,746
Loss on foreign currency translation	18,822	13,618
Loss on currency forwards	9,841	16,245
Loss on currency swaps	8,552	-
Loss on disposal of receivables	1,162	2,292
	₩ 212,033	₩ 144,653

### 21.3 Share of profit (loss) of subsidiaries and associates, and related gain and loss

Share of profit (loss) of subsidiaries and associates, and related gain and loss for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Share of profit of subsidiaries and associates	₩	109,988	₩	95,821
Share of loss of subsidiaries and associates		(18,314)		(42,791)
Gain on disposal of investment in subsidiaries and Associates (*1)		337,660		5,504
Impairment loss on investment in subsidiaries and associates (*2)		(23,039)		(131,285)
	₩	406,295	₩	(72,751)

(\*1) Gains on disposal of investment in LG Holdings(HK) Ltd.(LG Building Ltd.), Guangzhou Steel Flower Electrical & Machinery Co., Ltd. and Highland Cement International Co., Ltd. during the year ended December 31, 2020, are included.

(\*2) Refer to note 22

### 21.4 Other non-operating income and expenses

Other non-operating income and expenses for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Other reversal of allowance for bad debts (Other bad debt expenses)	₩	4,260	₩	(4,814)
Gain on disposal of Investment Properties		-		92,657
Impairment loss on intangible assets (*3)		(100)		-
Others		(2,342)		(1,333)
	₩	1,818	₩	86,510

(\*3) Refer to note 22

## 22. Impairment loss on assets

Details of impairment loss recognized for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		
	Investment in subsidiaries Energy/Palm	Investment in associates Industrial material/Solution	Intangible assets Collectively grouped
Cause of impairment	Decline in business performances	Decline in business performances	Decline in market value
Impairment loss	₩ 13,428	₩ 9,611	₩ 100
Measuring of recoverable amount	Value in use	Value in use	Fair value less costs to sell
Basis of estimates	Zero-Growth / DCF	Zero-Growth / DCF	-
Discount rate	5.04%	9.96%	-



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**22. Impairment loss on assets (cont'd)**

Segment	2019		
	Investment in subsidiaries	Investment in associates	Investment in subsidiaries (*1)
	Resources	Resources	Infra-business
Cause of impairment	Decline in business performances	Decline in business performances	Decline in business performances
Impairment loss	₩ 70,779	₩ 23,368	₩ 37,138
Measuring of recoverable amount	Fair value less costs to sell	Value in use	Fair value less costs to sell
Basis of estimates	Zero-Growth / DCF	Zero-Growth / DCF	Zero-Growth / DCF
Discount rate	9.03%	10.66%	14.55%

(\*1) At the year ended December 31, 2019, in order to fulfill the conditions of the contract providing payment guarantee to the subsidiary, the Company has recognized the recoverable value of ₩5,767 million as provisions, which is lower than the book value for comparison of ₩32,803 million. (Refer to Note 14).

**23. Income tax**

The major components of income tax expenses for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Current income tax (*1)	₩	25,057	₩	(56,963)
Changes in deferred tax		14,979		(12,946)
Deferred tax related to items recognized in other comprehensive income (loss)		15,648		(3,199)
Income tax expenses (benefit) reported in the statement of profit or loss	₩	55,684	₩	(73,108)

(\*1) The 2020 amounts include refunds with regards to the local income tax correction claims and adjustment due to administrative litigation, KRW 15,969 million for the year ended December 31, 2020. The 2019 amounts include the refund of ₩47,547 million and related local income taxes by the resolution of Tax Tribunal, from the additionally imposed tax resulting from the periodic tax investigation for the years from 2012 to 2016 .

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**23. Income tax (cont'd)**

Reconciliations between income tax expenses at the effective income tax rate and profit before tax at the Korea statutory tax rate for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Profit (loss) before income tax	₩ 350,946	₩ (14,222)
Statutory income tax (23.8% in 2020)	84,467	-
Adjustments:		
Effect of recognized deferred tax for temporary differences	(4,510)	(10,196)
Current year adjustment related to the income tax on previous years	(18,781)	(58,443)
Effect of non-deductible expenses for tax purposes	1,672	1,067
Tax credit	(7,346)	(8,085)
Foreign income tax directly charged	2,953	1,216
Others	(2,771)	1,333
Income tax expenses (benefit)	₩ 55,684	₩ (73,108)
Effective tax rate (income tax expenses/ profit before income tax)	15.87%	-

The major components of deferred income tax charged directly to equity for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Gain on valuation of FVOCI	₩ 12,987	₩ 1,077
Positive adjustments of equity in equity method	3,258	(3,440)
Negative adjustments of equity in equity method	(1)	(22)
Exchange differences on translation of foreign operations	886	(1,121)
Gain on cash flow hedge	99	108
Re-measurement gain on defined benefit plans	(1,581)	199
	₩ 15,648	₩ (3,199)

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**23. Income tax (cont'd)**

Temporary differences and deferred taxes for the years ended December 31, 2020 and 2019 consist of the following (Korean won in millions):

	Accumulated temporary differences			Deferred tax assets (liabilities)	
	Jan. 1, 2020	Net changes	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
Deferred income tax due to temporary differences					
Impairment of available-for-sale financial assets	₩ 161,588	₩ (13,980)	₩ 147,608	₩ 37,893	₩ 34,510
Stock dividend	12,999	-	12,999	3,146	3,146
Allowance for doubtful accounts	150,529	6,510	157,039	35,136	36,570
Bad debt expenses	3,492	-	3,492	845	845
Accrued income	(3)	(2)	(5)	(1)	(1)
Interest income	2,875	163	3,038	696	735
Allowance for inventories	23	(23)	-	6	-
Gain on commodity futures	(264)	264	-	(64)	-
Loss on product futures	-	145	145	-	35
Accrued expenses	1,400	181	1,581	339	383
Admission and denial on depreciation cost	5,330	(467)	4,863	1,290	1,177
Bonus	5,240	(3,127)	2,113	1,268	511
Interest related to loans or construction	(483)	-	(483)	(117)	(117)
Brand loyalty	(67)	129	62	(16)	15
Present value of defined benefit obligation	40,717	(6,413)	34,304	9,854	8,302
Fair value of plan assets	(32,349)	(270)	(32,619)	(7,828)	(7,894)
Gain (loss) on foreign currency translation	(17,077)	139	(16,938)	(4,133)	(4,099)
Interest and translation of debt related on success	4,071	(74)	3,997	985	967
Rewards for long term employee	1,241	(97)	1,144	300	277
Impairment right of membership	2,677	(655)	2,022	648	489
Investment in subsidiaries and associates	(68,297)	(32,468)	(100,765)	(25,988)	(29,392)
Financial assets at fair value through OCI	(37,302)	53,664	16,362	(9,027)	3,960
Impairment loss	79,155	-	79,155	19,155	19,155
Provisions	51,422	(19,774)	31,648	12,444	7,659
Taxes and dues	6,563	(2,547)	4,016	1,114	498
Guarantee commission	21,819	(250)	21,569	375	375
Deemed dividend	26,685	13,441	40,126	6,458	9,710
Gains from assets contributed	1,529	-	1,529	370	370
Transfer price	7,423	-	7,423	-	-
Finance lease	121	17	138	29	34
Commission fees	8,050	(636)	7,414	591	573
	439,107	(6,130)	432,977	85,768	88,793

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**23. Income tax (cont'd)**

	Accumulated temporary differences			Deferred tax assets (liabilities)	
	Jan. 1, 2020	Net changes	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020
Tax credits	-	-	-	29,967	37,313
Tax losses carried forward	104,757	(104,757)	-	25,351	-
				<u>₩ 141,086</u>	<u>₩ 126,106</u>

Temporary differences for which the deferred tax assets (liabilities) have not been recognized for the years ended December 31, 2020 and 2019 consist of the following (Korean won in millions):

	2020		2019	
Investment in subsidiaries, associates or joint ventures (*1)	₩	207,487	₩	188,978
Guarantee commission and others		29,403		29,653
	<u>₩</u>	<u>236,890</u>	<u>₩</u>	<u>218,631</u>

(\* ) The Company did not recognize deferred tax assets (liabilities) related to temporary differences due to accumulated other comprehensive loss and accumulated losses from investment in subsidiaries or associates in which the Company has no plan for disposal in the foreseeable future.

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**24. Related party disclosures**

Consolidated subsidiaries as of December 31, 2020 are as follows:

	Country of Domicile	Equity ownership (%)		Reporting date	Principal activity
		2020	2019		
LG International (America) Inc.	USA	100.00	100.00	Dec. 31	Export and import
LHC Solar LLC	USA	100.00	100.00	Dec. 31	Solar energy
LG International (Japan) Ltd.	Japan	100.00	100.00	Dec. 31	Export and import
LG International (Hong Kong) Ltd.	Hong Kong	100.00	100.00	Dec. 31	-
LG International (Singapore) Pte. Ltd.	Singapore	100.00	100.00	Dec. 31	-
LG International (Deutschland) GmbH	Deutschland	100.00	100.00	Dec. 31	-
LG International (China) Ltd.	China	100.00	100.00	Dec. 31	-
Yantai VMI Hub LG International Co., Ltd.	China	100.00	100.00	Dec. 31	Hub
Guangzhou Steel Flower Electric & Machinery Co., Ltd. (*1)	China	-	100.00	Dec. 31	Steel frames
Bowen Investment (Australia) Pty. Ltd.	Australia	100.00	100.00	Dec. 31	Coal mining
PT. Batubara Global Energy (BGE)	Indonesia	100.00	100.00	Dec. 31	-
PT. Megaprima Persada (MPP)	Indonesia	75.00	75.00	Dec. 31	-
PT. Mega Global Energy (MGE)	Indonesia	100.00	100.00	Dec. 31	-
PT. Ganda Alam Makmur (GAM)	Indonesia	60.00	60.00	Dec. 31	-
LG International (India) Ltd.	India	100.00	100.00	Mar. 31	Export and import
PT. Green Global Lestari (GGL)	Indonesia	100.00	100.00	Dec. 31	Palm oil
PT. Parna Agromas (PAM)	Indonesia	95.00	95.00	Dec. 31	-
PT. Grand Utama Mandiri (GUM)	Indonesia	95.00	95.00	Dec. 31	-
PT. Tintin Boyok Sawit Makmur (TBSM)	Indonesia	95.00	95.00	Dec. 31	-
PT. Tintin Boyok Sawit Makmur Dua (TBSMD)	Indonesia	95.00	95.00	Dec. 31	-
PT. Green Global Utama (GGU) (*2)	Indonesia	100.00	-	Dec. 31	-
LG International Indonesia (LGII) (*3)	Indonesia	100.00	100.00	Dec. 31	Service
PT. Binsar Natorang Energi (BNE)	Indonesia	95.00	95.00	Dec. 31	Hydroelectric energy
Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	China	100.00	100.00	Dec. 31	Steel frames
Philco Resources Ltd. (Rapu-Rapu)	Malaysia	60.00	60.00	Dec. 31	Copper mining
Resource Investment (Hong Kong) Ltd. (Wantugou)	Hong Kong	100.00	100.00	Dec. 31	Coal mining
LG International Yakutsk Ltd.	Russia	100.00	100.00	Dec. 31	Real estate
Korea Carbon International Co., Ltd. (Shaanxi BBM)	Hong Kong	60.00	60.00	Dec. 31	Renewable energy
Colmineral, S.A. de C.V.	Mexico	100.00	100.00	Dec. 31	Iron ore
Fertilizer Resources Investment Ltd.	Hong Kong	100.00	100.00	Dec. 31	Fertilizer
Dangjin Tank Terminal Co., Ltd.	Korea	100.00	100.00	Dec. 31	Storage
Haiphong Steel Flower Electrical & Machinery Company Limited	Vietnam	100.00	100.00	Dec. 31	Steel frames
Highland Cement International Co., Ltd. (*1)	Myanmar	-	51.00	Sep. 30	Cement
Pantos Logistics Co., Ltd.	Korea	51.00	51.00	Dec. 31	Logistics
Pantos Busan Newport Logistics Center Co., Ltd. (*4)	Korea	100.00	100.00	Dec. 31	Warehouse
Helistar air Co., Ltd. (*4)	Korea	100.00	100.00	Dec. 31	Logistics
Hanultari Co., LTD., (*4)	Korea	100.00	100.00	Dec. 31	Other food retail
Pantos Logistics (China) Co., Ltd. (*4)	China	100.00	100.00	Dec. 31	Logistics
FNS (Beijing) Logistics Co., Ltd. (*4,5)	China	-	100.00	Dec. 31	-
Pantos Logistics (Shanghai) Co., Ltd. (*4)	China	100.00	100.00	Dec. 31	Warehouse
Pantos Logistics (Ningbo) Co., Ltd. (*4)	China	100.00	100.00	Dec. 31	Logistics
Pantos Logistics (Shenzhen) Co., Ltd. (*4)	China	100.00	100.00	Dec. 31	-
Pantos Logistics (H.K) Co., Ltd. (*4)	Hong Kong	100.00	100.00	Dec. 31	-
Pantos Logistics (Taiwan) Co., Ltd. (*4)	Taiwan	100.00	100.00	Dec. 31	-
PT. Pantos Logistics Indonesia (*4)	Indonesia	99.00	99.00	Dec. 31	-
PT. Pantos Logistics Jakarta (*4)	Indonesia	100.00	100.00	Dec. 31	-
Pantos Logistics Singapore Pte. Ltd. (*4)	Singapore	100.00	100.00	Dec. 31	-
Pantos Logistics (Thailand) Co., Ltd. (*4)	Thailand	100.00	100.00	Dec. 31	-
Pantos Logistics Malaysia Sdn. Bhd. (*4)	Malaysia	100.00	100.00	Dec. 31	-

**LG International Corp.**  
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**24. Related party disclosures (cont'd)**

	Country of domicile	Equity ownership (%)		Reporting date	Principal activity
		2020	2019		
Pantos Logistics (India) Pvt. Ltd. (*4)	India	100.00	100.00	Mar. 31	-
Pantos Logistics (Cambodia) Co., Ltd. (*4)	Cambodia	100.00	100.00	Dec. 31	-
Pantos Logistics Vietnam Co., Ltd. (*4)	Vietnam	100.00	99.00	Dec. 31	-
Pantos Logistics Australia Pty. Ltd. (*4)	Australia	100.00	100.00	Dec. 31	-
Pantos Holdings (Thailand) Co., Ltd. (*4)	Thailand	48.50	48.50	Dec. 31	-
Pantos Logistics Myanmar Co., Ltd. (*4,6)	Myanmar	87.96	69.99	Mar. 31	-
Pantos Logistics U.K. Ltd (*4)	UK	100.00	100.00	Dec. 31	-
Pantos Logistics Benelux B.V (*4)	Netherlands	100.00	100.00	Dec. 31	-
Pantos Logistics France (*4)	France	100.00	100.00	Dec. 31	-
Pantos Logistics Poland (*4)	Poland	100.00	100.00	Dec. 31	-
Pantos Logistics Germany GmbH (*4)	Deutschland	100.00	100.00	Dec. 31	-
Pantos Logistics Spain S.L. (*4)	Spain	100.00	100.00	Dec. 31	-
Pantos Logistics Ve Tic.Lgd.Sti (*4)	Turkey	100.00	100.00	Dec. 31	-
Pantos Logistics Sweden AB (*4)	Sweden	100.00	100.00	Dec. 31	-
Pantos Logistics Mexico (*4)	Mexico	100.00	100.00	Dec. 31	-
Pantos Do Brasil Logistica (*4)	Brazil	100.00	100.00	Dec. 31	-
Pantos Logistics Colombia SAS (*4)	Colombia	100.00	100.00	Dec. 31	-
Pantos Logistics Chile SpA (*4)	Chile	100.00	100.00	Dec. 31	-
Pantos Logistics Panama S.A (*4)	Panama	100.00	100.00	Dec. 31	-
Pantos Logistics AR S.A (*4)	Argentina	100.00	100.00	Dec. 31	-
Hi Logistics Brasil Servicos De Logistica LTDA (*4)	Brazil	100.00	100.00	Dec. 31	Warehouse
FNS CIS LLC (*4)	Russia	100.00	100.00	Dec. 31	Logistics
Pantos Logistics Kazakhstan (*4)	Kazakhstan	100.00	100.00	Dec. 31	-
Pantos Logistics Ukraine Ltd. (*4)	Ukraine	100.00	100.00	Dec. 31	-
Pantos Customs Services LLC (*4)	Russia	100.00	100.00	Dec. 31	Customs
Pantos Logistics L.L.C (Dubai) (*4)	Dubai	49.00	49.00	Dec. 31	Logistics
Pantos Logistics L.L.C (Oman) (*4)	Oman	70.00	70.00	Dec. 31	-
Pantos Logistics Co., LTD. Saudi Arabia (*4)	Saudi Arabia	100.00	100.00	Dec. 31	-
Pantos Logistics Nigeria Limited (*4)	Nigeria	99.93	99.93	Dec. 31	-
Pantos Logistics Japan Inc. (*4)	Japan	100.00	100.00	Dec. 31	-
Hi Logistics (China) Co., Ltd. (*4)	China	100.00	100.00	Dec. 31	-
Hi Logistics RUS LLC. (*4)	Russia	100.00	100.00	Dec. 31	-
Pantos Logistics Solutions India Private Limited (*4)	India	100.00	100.00	Mar. 31	-
Hi Logistics Egypt S.A.E (*4,6)	Egypt	99.26	98.00	Dec. 31	-
Pantos North America, INC. (*4,7)	USA	100.00	100.00	Dec. 31	-
Pantos Logistics Hungary KFT. (*4,8)	Hungary	100.00	100.00	Dec. 31	-
Onecube International Logistics Co., Ltd. (*4,8)	China	100.00	100.00	Dec. 31	-
PT. Pantos Express Indonesia (*4,9)	Indonesia	49.00	49.00	Dec. 31	-

(\*1) During the year ended December 31, 2020, Guangzhou Steel Flower Electrical & Machinery Co., Ltd. (equity shares of 100%) and Highland Cement International Co., Ltd. (equity shares of 51%), were disposed of and excluded from the consolidation scope.

(\*2) During the year ended December 31, 2020, PT.Green Global Lestari (GGL), one of the subsidiaries, acquired PT.Green Global utama (GGU), which was included in the consolidation scope.

(\*3) During the year ended December 31, 2020, the Company changed the name of PT. Indonesia Renewable Resources(IRR), one of the subsidiaries(equity shares of 100%), to PT. LG International Indonesia.

(\*4) As of December 31, 2020, the entities are subsidiaries of Pantos Logistics Co., Ltd., and the equity ownerships presented above are simple sums of equity interests held by Pantos Logistics Co., Ltd. and its subsidiaries.

(\*5) During the year ended December 31, 2020, Pantos Logistics Co., Ltd., one of the Company's subsidiaries, excluded FNS(Beijing) Logistics Co., Ltd., one of its subsidiaries, from the consolidation scope by liquidation.

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**24. Related party disclosures (cont'd)**

(\*6) During the year ended December 31, 2020, Pantos Logistics Co., Ltd., one of the Company's subsidiaries, acquired additional equity shares of Pantos Logistics Vietnam Co.,Ltd, Pantos Logistics Myanmar.,Ltd, Hi Logistics Egypt S.A.E.

(\*7) During the year ended December 31, 2019, Pantos Logistics Co., Ltd., one of the subsidiaries, changed the name of Hi Logistics USA, Inc. to Pantos North America, Inc.

(\*8) During the year ended December 31, 2019, Pantos Logistics Co., Ltd. established Pantos Logistics Hungary KFT, Onecube International Logistics Co., Ltd. (equity shares of 100%) and included it in the consolidation scope.

(\*9) During the year ended December 31, 2020, Pantos Logistics Co., Ltd., one of the Company's subsidiaries, acquired substantial control over PT. Pantos Express Indonesia, one of its associates, and included it in the consolidation scope.

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

	2020			2019		
	Sales	Purchase	Service	Sales	Purchase	Service
<b>Corporations that have significant influence on the Company at the end of the current year:</b>						
LG Corp. (*1)	₩ -	₩ -	₩ 3,497	₩ 133,909	₩ -	₩ 6,290
	-	-	3,497	133,909	-	6,290
<b>Subsidiaries:</b>						
LG International (America) Inc.	502,134	543	-	383,352	324	159
LG International (Japan) Ltd.	247	48,896	193	2,136	52,604	317
LG International (Hong Kong) Ltd.	7,057	-	-	514	-	-
LG International (Singapore) Pte. Ltd.	782,104	17,849	-	379,577	34,590	-
LG International (Deutschland) GmbH	2	55	1,264	3,896	271	1,051
LG International (China) Ltd.	11	-	864	-	-	1,130
LG International (Shanghai) Ltd.	-	-	-	-	-	116
Guangzhou Steel Flower Electric & Machinery Co., Ltd.	-	-	-	1,438	-	351
Bowen Investment (Australia) Pty Ltd	1,548	-	-	1,853	-	-
PT. Batubara Global Energy (BGE)	2,600	259,287	70	-	262,649	5
PT. Megaprima Persada (MPP)	-	-	-	-	-	4
PT. Ganda Alam Makmur (GAM)	1,013	-	-	2,840	-	-
LG International (India) Ltd.	-	-	1,132	-	-	1,340
PT. Green Global Lestari (GGL)	643	-	-	1,005	-	-
PT. Parna Agromas (PAM)	2	-	3	1	-	-
PT. Tintin Boyok Sawit Makmur (TBSM)	7	-	-	-	-	-
PT. Green Global Utama (GGU)	19	-	-	-	-	-
PT. LG International Indonesia (LGII)	180	-	-	604	-	-
PT. Binsar Natorang Energi (BNE)	3,489	-	-	51	-	-
Steel Flower Electric & Machinery (Tianjin) Co., Ltd	348	546	-	165	15	-
LG International Yakutsk Ltd.	398	-	-	671	-	-
Dangjin Tank Terminal Co., Ltd.	142	-	-	155	-	-
Haiphong Steel Flower Electrical & Machinery Company Limited	6,740	-	109	3,796	-	72
Highland Cement International Co., Ltd	14	-	-	17	-	-
Philco Resources Ltd. (Rapu-Rapu)	109	-	-	7	-	-
Pantos Logistics Co., Ltd.	1	22,768	11,300	5	32,272	7,313
Pantos Logistics Japan Inc.	-	174	309	-	-	5,880
Pantos Logistics (Shenzhen) Co., Ltd.	-	-	9,532	-	-	-
Pantos Logistics Poland	2	-	-	-	-	3
Yantai VMI Hub LG International CO., Ltd	-	-	282	-	-	-
	<u>1,308,810</u>	<u>350,118</u>	<u>25,058</u>	<u>782,083</u>	<u>382,725</u>	<u>17,741</u>

**LG International Corp.**  
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**24. Related party disclosures (cont'd)**

	2020			2019		
	Sales	Purchase	Service	Sales	Purchase	Service
<b>Associates:</b>						
POSCO-IPPC (India Pune Processing Center)	₩ -	₩ -	₩ -	₩ 62	₩ -	₩ -
POSCO-PWPC (Poland Wroclow Processing Center)	209	-	-	-	-	-
Kernhem B.V.	1,088	-	-	2,695	-	-
ADA Oil LLP	319	-	-	586	-	-
Musandam Power Company SAOC	72	-	-	140	-	-
	<u>1,688</u>	<u>-</u>	<u>-</u>	<u>3,483</u>	<u>-</u>	<u>-</u>
<b>Other related parties: (*2)</b>						
LG Electronics Inc.	301,980	2,641	202	508,713	48,061	65
LG Chem Ltd.	54,798	57,800	-	60,605	185,081	-
LG Display Co., Ltd.	-	46,295	-	1,406	53,434	-
Others	61,720	750	14,315	216,101	1,547	12,043
	<u>418,498</u>	<u>107,486</u>	<u>14,517</u>	<u>786,825</u>	<u>288,123</u>	<u>12,108</u>
	<u>₩ 1,728,996</u>	<u>₩ 457,604</u>	<u>₩ 43,072</u>	<u>₩ 1,706,300</u>	<u>₩ 670,848</u>	<u>₩ 36,139</u>

(\*1) During the year ended December 31, 2019, the participation interest of Yeouido Twin Tower, an investment property owned by the Company, were sold to LG Corp. for ₩133,909 million.

(\*2) It is not included in the scope of related parties per K-IFRS 1024, *Disclosure of Related Parties*, but it belongs to the same large-scale business groups under the Act on Monopoly Regulation and Fair Trade.



**LG International Corp.**  
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**24. Related party disclosures (cont'd)**

Receivables and payables from transactions with the related parties as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020				
	Accounts receivable	Loans	Other receivables	Accounts payable	Other payables
<b>Corporations that have significant influence on the Company at the end of the current year:</b>					
LG Corp.	₩ -	₩ -	₩ 2,763	₩ -	₩ 62
	-	-	2,763	-	62
<b>Subsidiaries:</b>					
LG International (America) Inc.	24,413	-	6	363	1,619
LG International (Japan) Ltd.	18	-	281	6,114	2
LG International (Hong Kong) Ltd.	616	-	9	-	1
LG International (S'pore) Pte. Ltd.	124,318	-	30	21	1,321
LG International (Deutschland) GmbH	-	-	18	-	114
LG International (China) Ltd.	-	-	4	-	-
Yantai VMI Hub LG International Co., Ltd.	-	-	10	-	6
Haiphong Steel Flower Electrical & Machinery Company Limited	3,664	-	43	-	42
Bowen Investment (Australia) Pty Ltd	-	59,922	443	-	-
PT. Batubara Global Energy (BGE)	-	-	135	23,803	370
PT. Mega Global Energy (MGE)	-	-	13	-	-
PT. Ganda Alam Makmur (GAM)	-	39,168	18,149	-	-
LG International (India) Ltd.	-	-	3	-	-
PT. Green Global Lestari (GGL)	-	21,619	2,462	-	-
PT. Parna Agromas (PAM)	-	-	18	-	1
PT. Grand Utama Mandiri (GUM)	-	-	7	-	-
PT. Tintin Boyok Sawit Makmur (TBSM)	-	-	12	-	-
PT. Green Global Utama (GGU)	-	-	16	-	-
PT. LG International Indonesia(LGII)	-	7,557	1,348	-	-
PT. Binsar Natorang Energi (BNE)	-	5,091	281	-	11
Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	-	-	7	-	-
LG International Yakutsk Ltd.	-	10,325	1,860	-	2
Dangjin Tank Terminal Co., Ltd.	-	-	24	-	-
Pantos Logistics Co., Ltd.	-	-	2	-	934
Pantos Logistics (Shenzhen) Co., Ltd.	-	-	-	-	381
Philco Resources Ltd. (Rapu-Rapu)	-	3,576	116	-	-
	153,029	147,258	25,297	30,301	4,804
<b>Associates:</b>					
POSCO-IPPC (India Pune Steel Processing Center)	-	-	-	-	1
POSCO-PWPC (Poland Wroclaw Processing Center)	197	-	-	-	-
Kernhem B.V.	-	43,328	7,984	-	-
ADA Oil LLP	-	10,754	650	-	-
Musandam Power Company SAOC	-	-	2	-	-
GS HP Sunflower Village Int'l Corp.	-	-	49	-	-
	197	54,082	8,685	-	1
<b>Other related parties:</b>					
LG Electronics Inc.	10,953	-	-	234	232
LG Chem Ltd.	6,593	-	-	90	4,575
LG Display Co., Ltd.	-	-	-	2,129	359
Others	9,651	-	4,523	337	851
	27,197	-	4,523	2,790	6,017
	₩ 180,423	₩ 201,340	₩ 41,268	₩ 33,091	₩ 10,884

**LG International Corp.**  
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**24. Related party disclosures (cont'd)**

	2019				
	Accounts receivable	Loans	Other receivables	Accounts payable	Other payables
<b>Corporations that have significant influence on the Company at the end of the current year:</b>					
LG Corp.	₩ -	₩ -	₩ 2,859	₩ -	₩ -
	-	-	2,859	-	-
<b>Subsidiaries:</b>					
LG International (America) Inc.	29,082	-	1,266	-	2,670
LG International (Japan) Ltd.	23	-	556	7,506	17
LG International (Hong Kong) Ltd.	-	-	16	-	2
LG International (S'pore) Pte. Ltd.	16,460	-	85	11,019	13,016
LG International (Deutschland) GmbH	227	-	16	29	176
LG International (China) Ltd.	-	-	6	-	114
Yantai VMI Hub LG International Co., Ltd.	-	-	10	-	2
Guangzhou Steel Flower Electric & Machinery Co., Ltd.	121	-	11	-	27
Haiphong Steel Flower Electrical & Machinery Company Limited	1,412	-	20	-	28
Bowen Investment (Australia) Pty Ltd	-	58,044	400	-	-
PT. Batubara Global Energy (BGE)	-	-	43	23,667	105
PT. Megaprima Persada (MPP)	-	-	41	-	1
PT. Mega Global Energy (MGE)	-	-	6	-	-
PT. Ganda Alam Makmur (GAM)	-	41,681	17,240	-	-
LG International (India) Ltd.	-	-	39	-	-
PT. Green Global Lestari (GGL)	-	19,532	1,899	-	-
PT. Parna Agromas (PAM)	-	-	39	-	1
PT. Grand Utama Mandiri (GUM)	-	-	20	-	-
PT. Tintin Boyok Sawit Makmur (TBSM)	-	-	27	-	-
PT. LG International Indonesia(LGII)	-	8,042	1,004	-	-
PT. Binsar Natorang Energi (BNE)	-	5,418	119	-	11
Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	133	-	26	15	-
LG International Yakutsk Ltd.	-	10,988	1,742	-	3
Dangjin Tank Terminal Co., Ltd.	-	-	24	-	-
Highland Cement International Co., Ltd.	-	-	644	-	-
Pantos Logistics Co., Ltd.	-	-	-	-	2,215
Pantos Logistics Japan Inc.	-	-	-	-	227
Philco Resources Ltd. (Rapu-Rapu)	-	3,806	7	-	-
	<u>47,458</u>	<u>147,511</u>	<u>25,306</u>	<u>42,236</u>	<u>18,615</u>
<b>Associates:</b>					
POSCO-IPPC (India Pune Steel Processing Center)	-	-	-	-	1
Kernhem B.V.	-	46,107	6,895	-	-
ADA Oil LLP	-	11,444	451	-	-
Musandam Power Company SAOC	-	-	1,055	-	-
Gansu Wuwei Cogeneration Power Plant	-	-	767	-	-
	-	<u>57,551</u>	<u>9,168</u>	-	<u>1</u>
<b>Other related parties:</b>					
LG Electronics Inc.	33,468	-	-	5,195	209
LG Chem Ltd.	5,203	-	-	13,215	-
LG Display Co., Ltd.	-	-	-	9,187	359
Others	5,790	-	16,764	-	1,403
	<u>44,461</u>	-	<u>16,764</u>	<u>27,597</u>	<u>1,971</u>
	<u>₩ 91,919</u>	<u>₩ 205,062</u>	<u>₩ 54,097</u>	<u>₩ 69,833</u>	<u>₩ 20,587</u>

The Company recognized allowance for doubtful accounts of ₩58,549 million as of December 31, 2020 (2019: ₩46,781 million) for the trade and other accounts receivable from the related parties.

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**24. Related party disclosures (cont'd)**

Transfers under finance arrangements with the related parties for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020			
	Dividends	Investments in cash (capital reduction)	Loans	Collection
<b>Subsidiaries:</b>				
LG International (Japan) Ltd.	₩ 782	₩ -	₩ -	₩ -
PT. Green Global Lestari (GGL)	-	4,766	3,494	-
Pantos Logistics Co., Ltd.	11,985	-	-	-
	<u>12,767</u>	<u>4,766</u>	<u>3,494</u>	<u>-</u>
<b>Associates:</b>				
GS HP Sunflower Int'l Village Corp.	183	-	-	-
Musandam Power Company SAOC	1,079	-	-	-
Gansu Wuwei Cogeneration Power Plant	2,490	-	-	-
	<u>3,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>₩ 16,519</u>	<u>₩ 4,766</u>	<u>₩ 3,494</u>	<u>₩ -</u>
	2019			
	Dividends	Investments in cash (capital reduction)	Loans	Collection
<b>Subsidiaries:</b>				
LG International (Japan) Ltd.	₩ 4,037	₩ -	₩ -	₩ -
Bowen Investment (Australia) Pty Ltd	8,146	-	-	-
PT. Binsar Natorang Energi (BNE)	-	2,168	5,621	-
Dangjin Tank Terminal Co., Ltd.	-	420	-	-
Pantos Logistics Co., Ltd.	10,506	-	-	-
Philco Resources Ltd. (Rapu-Rapu)	-	-	3,806	-
	<u>22,689</u>	<u>2,588</u>	<u>9,427</u>	<u>-</u>
<b>Associates:</b>				
United Copper & Moly LLC (Rosemont) (*1)	39,918	8	-	-
GS HP Sunflower Int'l Village Corp.	197	-	-	-
Musandam Power Company SAOC	3,139	-	-	2,861
Gansu Wuwei Cogeneration Power Plant	777	-	-	-
	<u>44,031</u>	<u>8</u>	<u>-</u>	<u>2,861</u>
	<u>₩ 66,720</u>	<u>₩ 2,596</u>	<u>₩ 9,427</u>	<u>₩ 2,861</u>

(\*1) During the year ended December 31, 2019, United Copper & Moly LLC was excluded from the Company's associates due to its liquidation.

Details of compensation for key management personnel are as follows (Korean won in millions):

	2020	2019
Short-term employee benefits	₩ 9,922	₩ 11,068
Retirement benefits	4,235	5,256
	<u>₩ 14,157</u>	<u>₩ 16,324</u>

## 25. Commitments and contingencies

### 25.1 Guarantees provided

Guarantees provided by the Company as of December 31, 2020 as follows (Korean won in millions):

	Financial institution	Object	Limit	Outstanding
<b>Subsidiaries:</b>				
LG International (America) Inc.	Mizuho and others	Local finance	₩ 130,016	₩ -
LG International (Japan) Ltd.	Mizuho and others	~	137,454	401
LG International (Hong Kong) Ltd.	SMBC and others	~	326,611	7
LG International (Singapore) Pte. Ltd.	SMBC and others	~	334,180	26,152
LG International (Deutschland) GmbH	SMBC and others	~	29,702	-
Bowen Investment (Australia) Pty Ltd	ANZ and others	~	52,194	6
LG International (China) Corp.	Hana Bank and others	~	29,580	-
LG International India Private Limited	Citi	~	28	-
PT. Batubara Global Energy (BGE)	BTPN and others	~	39,269	2,849
Steel Flower Electric & Machinery (Tianjin) Co., Ltd.	HSBC and others	~	57,601	8,348
PT. Parna Agromas (PAM)	BTPN and others	~	9,411	9
PT. Ganda Alam Makmur (GAM) (*1)	KEXIM and others	~	44,234	44,085
PT. Binsar Natorang Energi (BNE)	SG	~	5,091	5,091
Haipong Steel Flower Electrical & Machinery Co., Ltd.	HSBC and others	~	20,763	6,625
PT. Grand Utama Mandiri (GUM)	Citi	~	4,311	-
PT. Tintin Boyok Sawit Makmur (TBSM)	Hana Bank and others	~	10,116	3,483
PT. LG International Indonesia (LGII)	Citi	~	186	16
PT. Green Global Utama (GGU)	BTPN and others	~	37,479	23,900
Musandam Power Company S.A.O.C	Bank Muscat	~	2,663	2,663
			<u>₩ 1,270,889</u>	<u>₩ 123,635</u>

(\*1) The amount represents 60% of total contracted guarantees, which is the same percentage as the company's equity ownership in the subsidiary. Furthermore, the Company is jointly and severally liable for outstanding balances.

### 25.2 Major agreements such as opening letters of credit

As of December 31, 2020, the agreements concluded for the establishment of Letter of credits and other financial arrangement with financial institutions are as follows (Korean won in millions and foreign currencies in thousands):

Description	Financial institution	Contract amount	
Bills bought	Shinhan Bank and others	USD	125,000
Letter of credits	KEB Hana Bank and others	USD	163,530
Payment guarantee	KEB Hana Bank and others	USD	42,000
		KRW	1,064
Bank overdrafts	KEB Hana Bank and others	KRW	13,000
		USD	35,000
Line of credit	HSBC and others	KRW	110,000
		USD	384,000
Trade financing	Woori Bank and others	KRW	78,000
		USD	749,530
		KRW	202,064

### 25.3 Guarantees received

Details of guarantees received as of December 31, 2020, are as follows (Korean won in millions and foreign currencies in thousands):

		Guarantee amount	Description
Hana Bank and others	Bonds and others	₩ 17,659	KRW 9,465, USD 5,084, OMR 942
		<u>₩ 17,659</u>	

### 25.4 Pledged notes and checks

The Company pledged 20 notes and 4 checks as collateral to its customers, creditors and guarantors related to various guarantees and borrowings as of December 31, 2020.

### 25.5 License agreement

As of December 31, 2020, the Company maintains a license agreement with LG Corp. for the use of “LG” brand.

### 25.6 Joint liability on guarantee

The Company and newly incorporated entity, LF Corp. (formerly, LG Fashion Corporation), are jointly and severally liable for the obligations of LGI existing before the spin-off.

### 25.7 Pending lawsuits

The Company is a defendant in various lawsuits with claims aggregating to ₩78,178 million, and as of December 31, 2020, the outcomes of litigation are not reliably determinable.

Among the above cases, the Company is in the process of arbitration with Oman's government in relation to the termination of the oil business which was operated in Oman. The amount charged by Oman government is ₩3,972 million as of December 31, 2020, and the outcomes of litigation are not reliably determinable.

### 25.8 Uncertainty regarding the influence of COVID-19

The spread of the pandemic COVID-19 is exerting major impact on not only the national economy, but also the global economy. Also, various forms of governmental support policies are being announced in order to cope with COVID-19.

The accounts that are influenced by COVID-19 are mostly the recoverability of accounts receivable (Refer to Note 12), impairment of the investment in associates (Refer to Note 9, 22) and so on. The Company has prepared financial statements by reasonably estimating the impact of COVID-19. However, the spread or termination of COVID-19 may affect the Company's estimation and assumptions, but the ultimate therefrom is not reasonably estimable as of December 31, 2020.

## 26. Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade receivables, loans and other receivables, and cash and short-term deposits that derive directly from its operations. The Company also holds financial assets at fair value through profit or loss and financial assets at fair value through OCI and enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below. It is the Company's policy that no trading in derivatives for speculative purposes is to be undertaken.

## **26.1 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, loans, and derivative financial instruments.

The sensitivity analysis is in the following sections relate to the financial position as of December 31, 2020 and 2019.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all held constant and on the basis of the hedge designations in place at December 31, 2020.

The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives, financial assets at fair value through profit or loss and financial assets at fair value through OCI.
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2020 and 2019 including the effect of hedge accounting.
- The sensitivity of equity is calculated by taking into account the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at December 31, 2020 associate with changes in underlying assets.

### **26.1.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company is exposed to interest rate risk due to its long-term debt. The Company is exposed to cash flow interest rate risk due to its borrowings with floating interest rates and fair value interest rate risk due to its borrowings with fixed interest rates.

The Company's position with regard to interest rate risk exposure is mainly related to debt obligations such as bonds, loans and interest-bearing deposits and investments. The Company has a risk management program in place to monitor and actively manage such risks.

The Company manages its interest rate risk by establishing regional and global working capital sharing systems, regularly monitoring market interest rates, and preparing action plans.

**26.1.1 Interest rate risk (cont'd)**

**Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings, after the impact of hedge accounting. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows. There is only an immaterial impact on the Company's equity (Korean won in millions):

	2020		2019	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Interest income	₩ 4,364	₩ (4,364)	₩ 2,887	₩ (2,887)
Interest expenses	(2,506)	2,506	(3,869)	3,869
Net effect	₩ 1,858	₩ (1,858)	₩ (982)	₩ 982

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**26.1.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company is exposed to foreign exchange risk arising from international operations and transactions with different foreign currencies. Most widely used foreign currencies are the USD, EUR, JPY, and others.

The Company manages its foreign currency risk by entering into currency forward contracts. Exposure to currency translation risk is largely dependent on the accounting standards of the local jurisdiction and the translation methods required by such jurisdiction.

**Foreign currency sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate. With all other variables held constant, the Company's profit before tax is affected, as follows (due to changes in the fair value of monetary assets and liabilities including undesignated foreign currency derivatives) (Korean won in millions):

	2020		2019	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Gain (loss) on foreign currency translation	₩ 4,393	₩ (4,393)	₩ (9,171)	₩ 9,171
Gain (loss) on valuation of derivative financial instruments	(3,139)	3,139	10,603	(10,603)
Net effect (*1)	₩ 1,254	₩ (1,254)	₩ 1,432	₩ (1,432)

(\*1) The Company manages its exchange rate risk arising from assets and liabilities denominated in foreign currencies through derivative contracts.

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**26.2 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The book value of financial assets represents maximum exposure to credit risk. The maximum exposures to credit risk as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
Cash equivalents (*1)	₩	328,085	₩	87,815
Short-term financial instruments		35,190		13,460
Equity instruments held for long-term:				
Financial assets at fair value through profit or loss		7,782		4,779
Financial assets at fair value through OCI.		107,458		161,124
Trade accounts receivable		304,588		261,192
Other accounts receivable (*2)		26,948		51,008
Long-term loans		145,787		157,862
Other financial assets (*2)		52,549		45,998
	₩	1,008,387	₩	783,238

(\*1) Excludes cash on hand.

(\*2) Excludes other receivables in relation to derivatives.

**26.3 Maturity profile of financial assets**

The table below summarizes the maturity profile of the Company's financial assets based on contractual undiscounted payments (Korean won in millions):

	2020				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Cash and cash equivalents	₩ 328,406	₩ -	₩ -	₩ -	₩ 328,406
Short-term financial assets	35,190	-	-	-	35,190
Trade accounts receivable	303,794	413	381	-	304,588
Other accounts receivable	32,543	501	-	-	33,044
Long-term loans	-	20,677	21,618	103,492	145,787
Other financial assets	4,258	21,597	6,701	19,993	52,549
	₩ 704,191	₩ 43,188	₩ 28,700	₩ 123,485	₩ 899,564

	2019				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Cash and cash equivalents	₩ 88,140	₩ -	₩ -	₩ -	₩ 88,140
Short-term financial assets	13,460	-	-	-	13,460
Trade accounts receivable	260,100	687	405	-	261,192
Other accounts receivable	46,614	5,547	-	-	52,161
Long-term loans	-	52,492	-	105,370	157,862
Other financial assets	32,174	5,411	9,674	-	47,259
	₩ 440,488	₩ 64,137	₩ 10,079	₩ 105,370	₩ 620,074



## 26.4 Liquidity risk

Liquidity risk refers to the risk that the Company may default on the contractual obligations that become due.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (Korean won in millions):

	2020				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Trade accounts payable	₩ 281,730	₩ -	₩ -	₩ -	₩ 281,730
Other accounts payable	46,722	-	-	-	46,722
Borrowings	109,871	150,175	76,240	32,259	368,545
Bonds	99,983	259,609	49,826	49,872	459,290
Lease liabilities	4,985	1,463	97	212	6,757
Other financial liabilities	32,685	7,150	-	-	39,835
	<u>₩ 575,976</u>	<u>₩ 418,397</u>	<u>₩ 126,163</u>	<u>₩ 82,343</u>	<u>₩ 1,202,879</u>

	2019				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Trade accounts payable	₩ 275,490	₩ -	₩ -	₩ -	₩ 275,490
Other accounts payable	59,592	-	-	-	59,592
Borrowings	207,834	139,060	120,818	72,764	540,476
Bonds	69,984	239,704	29,913	-	339,601
Lease liabilities	6,009	1,445	473	237	8,164
Other financial liabilities	34,806	5,655	-	-	40,461
	<u>₩ 653,715</u>	<u>₩ 385,864</u>	<u>₩ 151,204</u>	<u>₩ 73,001</u>	<u>₩ 1,263,784</u>

The table above represents the maturities of the financial liabilities as of each reporting date.

## 26.5 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize its shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend distributions, return capital or issue new shares.

The Company monitors capital using various gearing ratios including debt and net debt ratios. The Company includes within total borrowings, interest-bearing loans and borrowings, trade and other payables. Details of gearing ratios as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020	2019
Total liabilities (A)	₩ 1,241,537	₩ 1,319,972
Total equity (B)	1,369,224	1,207,954
Cash and cash equivalents (C)	328,406	88,140
Total borrowings (D)	827,835	880,077
Debt ratio (A / B)	90.67%	109.27%
Net borrowing ratio ((D-C) / B)	36.48%	65.56%

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**27. Fair value**

**27.1 Fair value of financial instruments**

The book value and fair value of financial instruments as of December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019	
	Book value	Fair value	Book value	Fair value
<b>Financial assets:</b>				
Financial assets measured at amortized cost:				
Cash and cash equivalents	₩ 95,133	₩ 95,133	₩ 57,140	₩ 57,140
Short-term financial assets	35,190	35,190	13,460	13,460
Trade accounts receivable	304,588	304,588	261,192	261,192
Long-term loans	145,787	145,787	157,862	157,862
Other accounts receivable	26,948	26,948	51,008	51,008
Other financial assets	52,549	52,549	45,998	45,998
	<u>660,195</u>	<u>660,195</u>	<u>586,660</u>	<u>586,660</u>
Financial assets recognized at fair value:				
Cash and cash equivalents	233,273	233,273	31,000	31,000
Accounts receivable related derivatives	6,096	6,096	1,153	1,153
Equity instruments held for long-term	115,239	115,239	165,903	165,903
Other financial assets	-	-	1,261	1,261
	<u>354,608</u>	<u>354,608</u>	<u>199,317</u>	<u>199,317</u>
	<u>₩ 1,014,803</u>	<u>₩ 1,014,803</u>	<u>₩ 785,977</u>	<u>₩ 785,977</u>
	2020		2019	
	Book value	Fair value	Book value	Fair value
<b>Financial liabilities:</b>				
Financial liabilities measured at amortized cost:				
Borrowings	₩ 313,726	₩ 313,726	₩ 406,325	₩ 406,325
Bonds	359,307	359,307	269,617	269,617
Current portion of bonds and long-term borrowings	154,802	154,802	204,135	204,135
Other financial liabilities	366,436	366,436	381,817	381,817
	<u>1,194,271</u>	<u>1,194,271</u>	<u>1,261,894</u>	<u>1,261,894</u>
Financial liabilities recognized at fair value:				
Accounts payable related derivatives	7,113	7,113	1,890	1,890
Other financial liabilities	1,495	1,495	-	-
	<u>8,608</u>	<u>8,608</u>	<u>1,890</u>	<u>1,890</u>
	<u>₩ 1,202,879</u>	<u>₩ 1,202,879</u>	<u>₩ 1,263,784</u>	<u>₩ 1,263,784</u>

## 27.2 Fair value measurement of assets and liabilities recorded in the statements of financial position

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2020, the Company holds the assets and liabilities measured at fair value in the statements of financial position, and assets and liabilities for which the fair values were disclosed as follows (Korean won in millions):

	2020		
	Level 1	Level 2	Level 3
<b>Assets and liabilities measured at fair value:</b>			
Financial assets at fair value through profit or loss:			
Cash and cash equivalents	₩ 233,273	₩ -	-
Accounts receivable related to derivatives	-	6,096	-
Equity instruments held for long-term (*1)	-	-	3,002
Financial assets at fair value through OCI:			
Equity instruments held for long-term (*1)	1,068	-	105,949
Financial liabilities at fair value through profit or loss:			
Accounts payable related to derivatives	-	575	-
Derivatives related to hedge accounting:			
Accounts payable related to derivatives	-	6,538	-
Other financial debts	-	1,495	-
<b>Assets and liabilities for which fair values are disclosed:</b>			
Cash and cash equivalents	₩ 95,133	₩ -	-
Short-term financial assets	-	35,190	-
Trade accounts receivable	-	-	304,588
Long-term loans	-	-	145,787
Other accounts receivable	-	-	26,948
Other financial assets	-	-	52,549
Borrowings	-	313,726	-
Bonds payable	-	359,307	-
Current portion of bonds payable and long-term borrowings	-	154,802	-
Other financial debts	-	-	366,436

(\*1) Equity instruments held for long-term whose fair value cannot be measured reliably was measured at cost after recognizing the impairment loss.

There was no movement between the levels of the fair value hierarchy for the year ended December 31, 2020.

27.2 Fair value measurement of assets and liabilities recorded in the statements of financial position  
(cont'd)

	2019		
	Level 1	Level 2	Level 3
<b>Assets and liabilities measured at fair value:</b>			
Financial assets at fair value through profit or loss:			
Cash and cash equivalents	₩ 31,000	₩ -	₩ -
Accounts receivable related to derivatives	-	1,153	-
Financial assets at fair value through OCI:			
Equity instruments held for long-term (*1)	805	-	159,879
Financial liabilities at fair value through profit or loss:			
Accounts payable related to derivatives	-	1,890	-
Derivatives related to hedge accounting:			
Other financial assets	-	1,261	-
<b>Assets and liabilities for which fair values are disclosed:</b>			
Cash and cash equivalents	₩ 57,140	₩ -	₩ -
Short-term financial assets	-	13,460	-
Trade accounts receivable	-	-	261,192
Long-term loans	-	-	157,862
Other accounts receivable	-	-	51,008
Other financial assets	-	-	45,998
Borrowings	-	406,325	-
Bonds payable	-	269,617	-
Current portion of bonds payable and long-term borrowings	-	204,135	-

(\*1) Equity securities whose fair value cannot be measured reliably was measured at cost after recognizing the impairment loss. Accordingly, it has been excluded from the above fair value hierarchy.

**Valuation method and interest rate used to determine fair value**

Equity securities within level 1 are traded in active markets (such as the Korea Exchange) for marketable equity securities, which were evaluated based on the closing price as of the end of the reporting period.

Derivative instruments within level 2, after calculating the expected cash flow by using the current exchange rate at the end of the reporting period, were measured at present value, and the discount rate applied was 0.66% during the period (2019: 1.53%).

Equity securities within level 3 were evaluated using the DCF as an active market does not exist for non-marketable equity securities. The discount rate applied was 7.34%~14.62% during the period (2019: 5.89~14.35%).

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**28. Statements of cash flows**

Non-cash adjustments to reconcile profit for the year to net cash flows for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019
Depreciation	₩ 8,225	₩	7,026
Amortization	568		782
Impairment loss on intangible assets	100		-
Retirement benefits	5,050		5,057
Bad debt expenses (Reversal of allowance for bad debts)	(4,571)		5,315
Interest income	(7,977)		(11,787)
Gain on foreign currency translation	(21,891)		(9,857)
Interest expenses	23,047		29,752
Loss on foreign currency translation	18,821		13,618
Gain on disposal of investment in subsidiaries and associates	(337,660)		(5,504)
Impairment loss on investment in subsidiaries and associates	23,039		131,285
Gain on investment on associates	(109,988)		(95,821)
Loss on equity method	18,314		42,791
Income tax expenses (benefit)	55,684		(73,108)
Others	(9,724)		(97,122)
	₩ (338,963)	₩	(57,573)

Working capital adjustments for the years ended December 31, 2020 and 2019 are as follows (Korean won in millions):

	2020		2019
Decrease in trade accounts receivable (Increase)	₩ (48,767)	₩	35,715
Decrease in other accounts receivable	21,281		33,538
Decrease in advance payments	98		6,508
Decrease (Increase) in inventories	78,948		(5,755)
Decrease (Increase) in other operating assets	1,181		(8,754)
Increase (Decrease) in trade payable	10,962		(46,535)
Decrease in other accounts payable	(19,039)		(50,186)
Increase in advance received	4,922		865
Severance and retirement benefits paid	(6,192)		(5,947)
Decrease (Increase) in plan assets	(648)		231
Decrease in Provisions	(4,889)		(3,076)
Increase in other operating liabilities (Decrease)	1,254		(5,759)
	₩ 39,111	₩	(49,155)

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**28. Statements of cash flows (cont'd)**

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

	2020				
	Jan. 1	Cash flows in financing activities	Non-cash changes		Dec. 31
			Foreign currency translation	Others	
Short-term borrowings	₩ 73,684	₩ (11,758)	₩ (6,874)	₩ -	₩ 55,052
Long-term borrowings	466,792	(148,411)	(4,887)	-	313,494
Bonds	339,601	119,359	-	330	459,290
Lease liabilities	8,164	(6,736)	(14)	5,343	6,757
	<u>₩ 888,241</u>	<u>₩ (47,546)</u>	<u>₩ (11,775)</u>	<u>₩ 5,673</u>	<u>₩ 834,593</u>
	2019				
	Jan. 1	Cash flows in financing activities	Non-cash changes		Dec. 31
			Foreign currency translation	Others	
Short-term borrowings	₩ 466	₩ 73,227	₩ (9)	₩ -	₩ 73,684
Long-term borrowings	598,795	(135,950)	6,902	(2,955)	466,792
Bonds	429,270	(90,000)	-	331	339,601
Lease liabilities	-	(2,852)	-	11,016	8,164
	<u>₩ 1,028,531</u>	<u>₩ (155,575)</u>	<u>₩ 6,893</u>	<u>₩ 8,392</u>	<u>₩ 888,241</u>

**29. Leases**

Details of and changes in right-of-use asset for the years ended December 31, 2020 are as follows (Korean won in thousands):

	2020		
	Buildings	Vehicles	Total
Jan. 1	₩ 6,905	₩ 1,137	₩ 8,042
Additions	6,819	913	7,732
Depreciation	(5,975)	(723)	(6,698)
Disposals	(2,323)	(134)	(2,457)
Dec. 31	<u>₩ 5,426</u>	<u>₩ 1,193</u>	<u>₩ 6,619</u>
Acquisition cost	7,250	2,139	9,389
Accumulated depreciation	(1,824)	(946)	(2,770)
Net book value	5,426	1,193	6,619

**LG International Corp.**  
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**29. Leases (cont'd)**

Details of and changes in right-of-use asset for the years ended December 31, 2019 are as follows (Korean won in thousands):

	2019		
	Buildings	Vehicles	Total
Jan. 1 (*1)	₩ 4,245	₩ 1,066	₩ 5,311
Additions	5,045	680	5,725
Depreciation	(2,385)	(544)	(2,929)
Disposals	-	(65)	(65)
Dec. 31	₩ 6,905	₩ 1,137	₩ 8,042
Acquisition cost	9,290	1,648	10,938
Accumulated depreciation	(2,385)	(511)	(2,896)
Net book value	6,905	1,137	8,042

(\*1) The adoption effect of KIFRS 1116.

The details of changes in lease liabilities for the years ended December 31, 2020 are as follows (Korean won in millions):

	2020
Effect of adopting new accounting standards	₩ 8,164
Additions	7,687
Interest expense	136
Payment	(6,736)
Termination	(2,480)
Others	(14)
Dec. 31	₩ 6,757

The details of changes in lease liabilities for the years ended December 31, 2019 are as follows (Korean won in millions):

	2019
Effect of adopting new accounting standards	₩ 5,245
Additions	5,703
Interest expense	132
Payment	(2,852)
Termination	(64)
Dec. 31	₩ 8,164

Details of expenses came from short-term leases and leases of low-value assets are as follows (Korean won in millions):

	2020	2019
Short-term leases	₩ 10,174	₩ 13,758
Leases of low-value assets	44	52
	10,218	13,810

### **30. Non-current Assets as held for sale**

As of December 31, 2020, the capital directly related to non-current assets held for sale and non-current assets held for sale are as follows (Korean won in millions):

	<u>Assets</u>		<u>Equity</u>
Investment in subsidiaries	₩	18,888	₩ (1,472)

During the year ended December 31, 2020, the Company sold 100% of its stake in Guangzhou Steel Flower Electrical & Machinery & Machinery Co., Ltd. and recognized gain on disposal of investment on subsidiaries of 2,216 million won.

Also, during the year ended December 31, 2020, the Company sold 100% of its stake in Highland Cement International Co., Ltd., which had been reclassified as non-current asset held for sale this year, and recognized gain on disposal of investment on subsidiaries of 886 million won.

### **31. Approval of financial statements**

The financial statements of the Company for the year ended December 31, 2020 were approved and authorized for issue by the Company's Board of Directors on January 29, 2021.



## **Independent Auditor's Report on internal control over financial reporting**

### **LG International Corp.**

This report is annexed in relation to the audit of LG International Corp.'s financial statements as of December 31, 2020.

1. Independent auditor's report on internal control over financial reporting
2. ICFR Operating Status Report

## Independent auditor's report on internal control over financial reporting

### The Stockholders and Board of Directors LG International Corp.

#### Opinion on internal control over financial reporting

We have audited LG International Corp.'s (the "Company") internal control over financial reporting ("ICFR") based on the Conceptual Framework for designing and operating ICFR established by the operating committee of ICFR (the "ICFR Committee") as of December 31, 2020.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2020, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Auditing Standards ("KGAAS"), the separate statement of financial position as of December 31, 2020, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 10, 2021 expressed an unqualified opinion thereon.

#### Basis for opinion on ICFR

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of management and those charged with governance for ICFR

Management is responsible for designing, implementing, and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying report on the effectiveness of the ICFR.

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

#### Auditor's responsibilities for the audit of ICFR

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

An audit of ICFR involves performing procedures to obtain audit evidence as to 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 also includes testing and evaluating the design and operating effectiveness of ICFR based on obtaining an understanding of ICFR and the assessed risk.

### ICFR definition and inherent limitations

A Company's ICFR is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("KIFRS"). A Company's ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with KIFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that ICFR 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 Joon Yang Jeong.



March 10, 2021

This audit report is effective as of March 10, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the Company's internal control over financial reporting and may result in modifications to this report.

## ICFR Operating Status Report

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

We, as the Chief Executive Officer and the Internal Accounting Manager of LG International Corp. (“the Company”), assessed operating status of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2020.

Design and operation of ICFR is the responsibility of the Company’s management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, “We”, “Our” or “Us”).

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.


We used the ‘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”) as the criteria for design and operation of the Company’s ICFR. And we conducted an evaluation of ICFR based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ established by the ICFR Committee.

Based on our assessment, we concluded that the Company’s ICFR is designed and operated effectively as of December 31, 2020, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

We 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 statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

January 29, 2021

  
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**Chun-sung Yoon**  
Chief Executive Officer  
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**Byeong-il Min**  
Internal Accounting Manager