

**LG Electronics Inc.**  
**Separate Financial Statements**  
**December 31, 2022 and 2021**

**LG Electronics Inc.**

Index

December 31, 2022 and 2021

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

### Opinion

We have audited the accompanying separate financial statements of LG Electronics Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We have also audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as at December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 17, 2023 expressed an unqualified opinion.

### Basis for Opinion

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

### Key Audit Matters

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

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

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

The Company held 70% of shares of ZKW Holding GmbH and its related entity (hereinafter referred to as "ZKW"), which was classified as a subsidiary. The Company recognized W528.7 billion of the impairment loss for the year ended December 31, 2021. The Company performed an impairment test on the ZKW CGU an impairment indication was identified during the year ended December 31, 2022. As a result, no impairment loss was recognized. However, we determined the impairment test of investments in subsidiaries as a key audit matter given the actual business performance compared to the business plan estimation was decreased due to impact of various economic conditions, and the level of management's judgments involved in the value-in-use assessment used in impairment testing is significant.

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

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

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

## **(b) Provisions for GM recall**

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

The Company recognized ₩1,429.4 billion of provisions expected to be incurred in accordance with General Motors Company (hereinafter referred to as "GM")'s voluntary recall decision in 2021 due to defects in electric vehicle batteries supplied to GM. As settlement and payment were made during the year ended December 31, 2022, the provisions were decreased to ₩363.2 billion. However, due to the fluctuations in related estimation factors, we determined the provisions for GM recall as a key audit matter given the level of management's judgments involved in the estimation of provisions is significant.

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

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

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

### **Other Matter**

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation

precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sang-Woo Nam, Certified Public Accountant.

Seoul, Korea  
March 17, 2023

This report is effective as at March 17, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG Electronics Inc.**  
**Separate Statements of Financial Position**  
**December 31, 2022 and 2021**

(in millions of Korean won)

	Notes	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,5,38	1,941,615	2,012,229
Deposits held by financial institutions	4,5,38	170,969	146,388
Trade receivables	4,6,38	3,971,617	5,016,382
Other receivables	4,6,38	495,175	415,331
Other financial assets	4,7,38	840	9,747
Inventories	8	1,523,327	1,649,010
Current tax assets		2,102	4,115
Contract assets	9	430,444	318,367
Other current assets	10	583,534	956,849
Assets held for sale	39	-	84,788
		<u>9,119,623</u>	<u>10,613,206</u>
<b>Non-current assets</b>			
Deposits held by financial institutions	4,5,38	490	730
Trade receivables	4,6,38	138,712	22,040
Other receivables	4,6,38	163,543	180,481
Other financial assets	4,7,38	314,992	177,756
Property, plant and equipment	11	6,007,599	6,424,785
Intangible assets	12	1,715,271	1,758,718
Deferred tax assets	18	1,490,211	1,343,719
Investments in subsidiaries, associates and joint ventures	13	9,004,775	8,914,917
Investment properties	14	86,792	-
Net defined benefit assets	19	517,329	-
Contract assets	9	78,752	80,222
Other non-current assets	10	74,725	76,950
		<u>19,593,191</u>	<u>18,980,318</u>
		<u>28,712,814</u>	<u>29,593,524</u>
<b>Total assets</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	4,38	5,428,176	5,638,618
Borrowings	4,15,38	1,073,908	1,116,637
Lease liabilities	4,16,38	65,979	73,297
Other payables	4,38	2,055,049	1,936,752
Other financial liabilities	4,7,38	6,581	7,045
Current tax liabilities		14,515	34,764
Provisions	20	1,061,515	2,167,462
Contract liabilities	9	497,668	474,065
Other current liabilities	21	1,857,183	2,209,208
		<u>12,060,574</u>	<u>13,657,848</u>
<b>Non-current liabilities</b>			
Borrowings	4,15,38	6,472,122	6,506,624
Lease liabilities	4,16,38	50,530	46,323
Other payables	4,38	7,723	100
Other financial liabilities	4,7,38	36,358	56,618
Net defined benefit liabilities	19	-	99,911
Provisions	20	85,455	184,922
Contract liabilities	9	4,695	5,747
Other non-current liabilities	21	106,328	145,176
		<u>6,763,211</u>	<u>7,045,421</u>
		<u>18,823,785</u>	<u>20,703,269</u>
<b>Total liabilities</b>			
<b>Equity</b>			
Paid-in capital:	22		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	23	5,890,737	4,940,122
Accumulated other comprehensive income (loss)	24	38,763	(9,396)
Other components of equity	25	(32,819)	(32,819)
		<u>9,889,029</u>	<u>8,890,255</u>
<b>Total equity</b>		<u>9,889,029</u>	<u>8,890,255</u>
<b>Total liabilities and equity</b>		<u>28,712,814</u>	<u>29,593,524</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.



**LG Electronics Inc.**  
**Separate Statements of Profit or Loss**  
**Years Ended December 31, 2022 and 2021**

<i>(in millions of Korean won, except per share amounts)</i>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>			
<b>Net sales</b>	26	27,791,746	27,115,307
<b>Cost of sales</b>	27	<u>20,434,697</u>	<u>19,602,595</u>
<b>Gross profit (loss)</b>		7,357,049	7,512,712
Selling and marketing expenses	27,28	4,055,682	3,427,404
Administrative expenses	27,28	708,690	527,388
Research and development expenses	27,28	1,633,713	1,544,214
Service costs	27,28	<u>848,177</u>	<u>1,387,112</u>
<b>Operating profit (loss)</b>		110,787	626,594
Financial income	29	462,365	285,969
Financial expenses	30	657,534	366,641
Other non-operating income	31	2,802,360	2,038,995
Other non-operating expenses	32	<u>1,686,320</u>	<u>1,673,408</u>
Profit (Loss) before income tax		1,031,658	911,509
Income tax expense	18	<u>8,288</u>	<u>430,228</u>
<b>Profit (Loss) from continuing operations</b>		<u>1,023,370</u>	<u>481,281</u>
<b>Discontinued operations</b>			
Profit (Loss) from discontinued operations	40	<u>(168,407)</u>	<u>(1,394,819)</u>
<b>Profit (Loss) for the year</b>		<u>854,963</u>	<u>(913,538)</u>
<b>Earnings (Losses) per share during the year (in Korean won)</b>			
33			
Earnings (losses) per ordinary share		4,743	(5,078)
From continuing operations		5,679	2,668
From discontinued operations		(936)	(7,746)
Earnings (losses) per preferred share		4,793	(5,028)
From continuing operations		5,729	2,718
From discontinued operations		(936)	(7,746)

The above separate statements of profit or loss should be read in conjunction with the accompanying notes.

**LG Electronics Inc.**  
**Separate Statements of Comprehensive Income**  
**Years Ended December 31, 2022 and 2021**

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<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Profit (Loss) for the year</b>		<u>854,963</u>	<u>(913,538)</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	19	249,567	52,480
Financial assets at fair value through other comprehensive income	7	(22,619)	(4,541)
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Cash flow hedges	38	<u>70,778</u>	<u>51,059</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<u>297,726</u>	<u>98,998</u>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<u>1,152,689</u>	<u>(814,540)</u>

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

**LG Electronics Inc.**  
**Separate Statements of Changes in Equity**  
**Years Ended December 31, 2022 and 2021**

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other Components of Equity	Total
<b>Balance at January 1, 2021</b>		3,992,348	6,018,118	(55,914)	(32,819)	9,921,733
<b>Total comprehensive income (loss):</b>						
Profit (Loss) for the year		-	(913,538)	-	-	(913,538)
Remeasurements of the net defined benefit liability	19	-	52,480	-	-	52,480
Financial assets at fair value through other comprehensive income	7	-	-	(4,541)	-	(4,541)
Cash flow hedges	38	-	-	51,059	-	51,059
<b>Total comprehensive income (loss)</b>		<u>-</u>	<u>(861,058)</u>	<u>46,518</u>	<u>-</u>	<u>(814,540)</u>
<b>Transactions with owners:</b>						
Dividends	23	-	(216,938)	-	-	(216,938)
<b>Total transactions with owners</b>		<u>-</u>	<u>(216,938)</u>	<u>-</u>	<u>-</u>	<u>(216,938)</u>
<b>Balance at December 31, 2021</b>		<u>3,992,348</u>	<u>4,940,122</u>	<u>(9,396)</u>	<u>(32,819)</u>	<u>8,890,255</u>
<b>Balance at January 1, 2022</b>		3,992,348	4,940,122	(9,396)	(32,819)	8,890,255
<b>Total comprehensive income (loss):</b>						
Profit (Loss) for the year		-	854,963	-	-	854,963
Remeasurements of the net defined benefit liability	19	-	249,567	-	-	249,567
Financial assets at fair value through other comprehensive income	7	-	-	(22,619)	-	(22,619)
Cash flow hedges	38	-	-	70,778	-	70,778
<b>Total comprehensive income (loss)</b>		<u>-</u>	<u>1,104,530</u>	<u>48,159</u>	<u>-</u>	<u>1,152,689</u>
<b>Transactions with owners:</b>						
Dividends	23	-	(153,915)	-	-	(153,915)
<b>Total transactions with owners</b>		<u>-</u>	<u>(153,915)</u>	<u>-</u>	<u>-</u>	<u>(153,915)</u>
<b>Balance at December 31, 2022</b>		<u>3,992,348</u>	<u>5,890,737</u>	<u>38,763</u>	<u>(32,819)</u>	<u>9,889,029</u>

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

**LG Electronics Inc.**  
**Separate Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>			
Cash generated from (used in) operations	34	75,627	578,295
Interest received		35,670	10,597
Interest paid		(221,269)	(223,076)
Dividends received		714,303	823,929
Income tax paid		(221,143)	(153,275)
<b>Net cash inflow (outflow) from operating activities</b>		<u>383,188</u>	<u>1,036,470</u>
<b>Cash flows from investing activities</b>			
Decrease in deposits held by financial institutions		241	641
Decrease in other receivables		74,488	51,801
Proceeds from withdrawal and disposal of other financial assets		32,278	15,799
Proceeds from disposal of property, plant and equipment		567,887	98,716
Proceeds from disposal of intangible assets		123,614	5,706
Proceeds from withdrawal and disposal of investments in subsidiaries, associates and joint ventures		13,540	638,591
Proceeds from disposal of assets held for sale		261,168	13,648
Transfer of business	34	141,386	440,494
Increase in other receivables		(66,366)	(62,852)
Acquisition of other financial assets		(72,332)	(53,257)
Acquisition of property, plant and equipment		(537,485)	(518,473)
Acquisition of intangible assets		(482,969)	(477,036)
Acquisition of investments in subsidiaries, associates and joint ventures		(142,199)	(447,069)
Cash outflows for split-off	41	-	(91,500)
<b>Net cash inflow (outflow) from investing activities</b>		<u>(86,749)</u>	<u>(384,791)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,531,239	1,049,359
Repayments of borrowings		(1,653,453)	(1,312,065)
Dividends paid	23	(153,915)	(216,938)
Repayments of lease liabilities		(81,699)	(75,579)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(357,828)</u>	<u>(555,223)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>(9,225)</u>	<u>(966)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(70,614)</u>	<u>95,490</u>
Cash and cash equivalents at the beginning of the year	5	<u>2,012,229</u>	<u>1,916,739</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>1,941,615</u>	<u>2,012,229</u>

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

# **LG Electronics Inc.**

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

### **December 31, 2022 and 2021**

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

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

As at December 31, 2022, LG Corp. owns 33.7% of the Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Company operates following major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs and digital media products; Vehicle Components Solutions segment designs and manufactures automobile parts; and Business Solutions segment manufactures and sells monitors, PCs, information displays and others. As at December 31, 2022, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

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

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

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

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

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

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

# LG Electronics Inc.

## Notes to the Separate Financial Statements

### December 31, 2022 and 2021

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

#### Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2022

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

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

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

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

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

- *Annual improvements to Korean IFRS 2018-2020*

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

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2022 and 2021**

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- Korean IFRS 1041 *Agriculture* – Measuring fair value

(b) New, enacted and amended standards issued, but not effective for December 31, 2022, and not early adopted by the Company

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

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

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

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

*- Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price*

If the entire or a part of financial instrument, whose exercise price is subject to change due to the

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issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

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

#### **Segment Reporting**

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

#### **Foreign Currency Translation**

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

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

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation in case of items subject to re-measurement. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the separate statements of profit or loss, except cash flow hedges qualifying to be recognized in other comprehensive income.

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

Translation differences on non-monetary financial assets and liabilities are recognized in the separate statements of profit or loss as part of the fair value gain or loss. Translation differences



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arising from equities held at fair value through profit or loss are recognized in profit or loss, and those arising from equities held at fair value through other comprehensive income are recognized in other comprehensive income.

**Cash and Cash Equivalents**

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

**Financial Instruments**

*Classification*

(a) Financial assets

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

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

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

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

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

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(b) Financial Liabilities

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

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

*Recognition and Measurement*

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

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

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

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

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expenses’.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within ‘other non-operating income (expenses)’ in the year in which it arises.

(b) Equity instruments

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

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

*Impairment*

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

*Offsetting of financial instruments*

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

*Derecognition*

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

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

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

**Derivative Financial Instruments**

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

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

The effective portion of changes in the fair value of derivatives excluding the foreign currency basis spread, that qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the separate statements of profit or loss within 'other non-operating income (expenses)' or 'financial income (expenses)'. In addition, changes in the foreign currency basis spread of derivatives related to the hedged item is recognized within other comprehensive income.

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

**Trade Receivables**

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

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**Inventories**

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

**Assets Held for Sale and Discontinued Operations**

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

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

**Property, Plant and Equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their acquisition cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

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

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

**Borrowing Costs**

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

**Government Grants**

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

**Intangible Assets**

(a) Goodwill

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

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(b) Industrial property rights

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

(c) Development costs

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

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

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

(d) Membership

Membership rights are regarded as intangible assets with an indefinite useful life and are not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. All membership rights are tested annually for impairment and stated at acquisition cost less accumulated impairment losses.

(e) Other intangible assets

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

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**Investment Property**

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

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

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

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

**Impairment of Non-Financial Assets**

Goodwill and intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. At the end of each reporting period, assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as profit or loss for the year for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use.

The value-in-use is measured by determining the estimated pre-tax cash flows based on past performance and its expectations of market development, and applying the pre-tax discount rates that reflect specific risks relating to the relevant operating segments. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment loss are reviewed for possible reversal of the impairment at the end of each reporting period.

**Trade Payables**

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



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#### **Borrowings**

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

#### **Financial Guarantee Contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts provided by the Company are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the following amounts below and recognized as 'other financial liabilities':

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

#### **Provisions**

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

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

A contingent liability is disclosed (Note 35) when;

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

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**Current and Deferred Income Tax**

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

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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**Employee Benefits**

(a) Post-employment benefits

The Company operates pension schemes: defined contribution and defined benefit plans.

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

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

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

(b) Other long-term employee benefits

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

(c) Termination benefits

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

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#### **Share Capital**

Ordinary shares and preferred shares without any obligation to repay are classified as equity. Where the Company purchases its own ordinary shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such treasury shares are subsequently reissued, any consideration received is included in equity attributable to owners of the Company.

#### **Revenue Recognition**

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

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

According to the rules and guidance on the terms and conditions of international trading (INCOTERMS 2021), the Company recognizes the transportation services as a separate performance obligation apart from the sale of goods, under the transactions with the rules where seller is responsible for paying shipping cost and insurance premium.

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

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

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

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

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

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time at which the license transfers. The Company determined the royalty income as a performance obligation satisfied at a point in time.

(c) A performance obligation satisfied over time

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

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

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

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

(d) Variable consideration

The Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Company does not expect to be entitled.

(e) Allocating the transaction price

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

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(f) Returns

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

(g) Significant financing component

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

**Leases**

*Lessee accounting*

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

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

(a) Right-of-use assets

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

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

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(b) Lease liabilities

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

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

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

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

*Lessor accounting*

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

**Dividend Distribution**

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

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**Earnings per Share**

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

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

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

**Business Combination**

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred in a business combination includes fair values of the assets and liabilities from arrangements for contingent payments. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.



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**3. Critical Accounting Estimates and Judgments**

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

Russia - Ukraine armed conflict has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company.

Significant accounting estimates and assumptions applied in the preparation of the separate financial statements can be adjusted depending on changes in the uncertainty from Russia - Ukraine armed conflict. Also, the ultimate effect of Russia - Ukraine armed conflict to the Company's business, financial position and financial performance cannot presently be determined.

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

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Fair Value of Financial Instruments

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

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(e) Provisions

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

(f) Net Defined Benefit Liabilities

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

(g) Development Costs

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

(h) Lease

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

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

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

(a) Categorizations of financial instruments as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2022				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	1,941,615	-	-	-	1,941,615
Deposits held by financial institutions	171,459	-	-	-	171,459
Trade receivables	3,655,793	290,274	-	164,262	4,110,329
Other receivables	658,718	-	-	-	658,718
Other financial assets	-	61,531	95,151	159,150	315,832
<b>Total</b>	<b>6,427,585</b>	<b>351,805</b>	<b>95,151</b>	<b>323,412</b>	<b>7,197,953</b>

<i>(in millions of Korean won)</i>	December 31, 2022			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,428,176	-	-	5,428,176
Borrowings	7,546,030	-	-	7,546,030
Lease liabilities	-	-	116,509	116,509
Other payables	2,062,772	-	-	2,062,772
Other financial liabilities	-	24,641	18,298	42,939
<b>Total</b>	<b>15,036,978</b>	<b>24,641</b>	<b>134,807</b>	<b>15,196,426</b>

<i>(in millions of Korean won)</i>	December 31, 2021				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	2,012,229	-	-	-	2,012,229
Deposits held by financial institutions	147,118	-	-	-	147,118
Trade receivables	4,728,290	284,333	-	25,799	5,038,422
Other receivables	595,812	-	-	-	595,812
Other financial assets	-	76,535	72,385	38,583	187,503
<b>Total</b>	<b>7,483,449</b>	<b>360,868</b>	<b>72,385</b>	<b>64,382</b>	<b>7,981,084</b>

<i>(in millions of Korean won)</i>	December 31, 2021			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,638,618	-	-	5,638,618
Borrowings	7,623,261	-	-	7,623,261
Lease liabilities	-	-	119,620	119,620
Other payables	1,936,852	-	-	1,936,852
Other financial liabilities	-	24,550	39,113	63,663
<b>Total</b>	<b>15,198,731</b>	<b>24,550</b>	<b>158,733</b>	<b>15,382,014</b>

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(b) Net gains or losses on each category of financial instruments for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>				
	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Other</b>	<b>Total</b>
Interest income	39,047	-	-	-	39,047
Exchange differences	299,635	-	-	-	299,635
Bad debt expenses	(561)	-	-	-	(561)
Loss on disposal of trade receivables	-	(1,189)	-	-	(1,189)
Dividend income	-	188	317	-	505
Gain (Loss) on valuation of financial assets at fair value through profit or loss	-	-	21,866	-	21,866
Profit (Loss) for the year from discontinued operations	2,355	-	-	-	2,355
Fair value gain (loss), net of tax (through other comprehensive income)	-	(22,619)	-	-	(22,619)
Gain (Loss) on derivatives, net of tax (through other comprehensive income)	-	-	-	75,882	75,882
Others	(3,483)	-	-	-	(3,483)

<i>(in millions of Korean won)</i>	<b>2022</b>			
	<b>Financial liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Other</b>	<b>Total</b>
Interest expense	(223,935)	-	16,548	(207,387)
Exchange differences	(293,639)	-	37,515	(256,124)
Gain (Loss) on derivatives (through profit or loss)	-	(25,445)	-	(25,445)
Profit (Loss) for the year from discontinued operations	(18,314)	-	(19)	(18,333)
Gain (Loss) on derivatives, net of tax (through other comprehensive income)	-	-	(5,104)	(5,104)
Others	-	-	422	422

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<i>(in millions of Korean won)</i>	<b>2021</b>				<b>Total</b>
	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Other</b>	
Interest income	18,711	-	-	-	18,711
Exchange differences	330,641	-	-	-	330,641
Reversal of bad debts expense	31,035	-	-	-	31,035
Loss on disposal of trade receivables	-	(1,310)	-	-	(1,310)
Dividend income	-	189	3,373	-	3,562
Gain (Loss) on valuation of financial assets at fair value through profit or loss	-	-	31,785	-	31,785
Profit (Loss) for the year from discontinued operations	25,245	-	-	-	25,245
Fair value gain (loss), net of tax (through other comprehensive income)	-	(4,541)	-	-	(4,541)
Gain (Loss) on derivatives, net of tax (through other comprehensive income)	-	-	-	20,800	20,800
Others	(1,290)	-	-	-	(1,290)

<i>(in millions of Korean won)</i>	<b>2021</b>			<b>Total</b>
	<b>Financial liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Other</b>	
Interest expense	(120,591)	-	(33,645)	(154,236)
Exchange differences	(428,550)	-	58,898	(369,652)
Gain (Loss) on derivatives (through profit or loss)	-	(6,846)	-	(6,846)
Profit (Loss) for the year from discontinued operations	(123,333)	-	(132)	(123,465)
Gain (Loss) on derivatives, net of tax (through other comprehensive income)	-	-	30,259	30,259
Others	-	-	(34)	(34)

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(c) Recognized financial instruments that are subject to enforceable master netting arrangements or similar arrangements as at December 31, 2022 and 2021, are as follows:

<b>2022</b>						
<i>(in millions of Korean won)</i>	<b>Recognized financial instrument</b>	<b>Recognized financial instrument offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>		<b>Net amount</b>
				<b>Financial instruments</b>	<b>Cash collateral</b>	
<b>Financial assets</b>						
Trade receivables	112,846	(112,846)	-	-	-	-
<b>Financial liabilities</b>						
Trade payables	241,516	(112,846)	128,670	-	-	128,670
<b>2021</b>						
<i>(in millions of Korean won)</i>	<b>Recognized financial instrument</b>	<b>Recognized financial instrument offset</b>	<b>Net amounts presented in the statement of financial position</b>	<b>Amounts not offset</b>		<b>Net amount</b>
				<b>Financial instruments</b>	<b>Cash collateral</b>	
<b>Financial assets</b>						
Trade receivables	96,549	(96,549)	-	-	-	-
<b>Financial liabilities</b>						
Trade payables	276,463	(96,549)	179,914	-	-	179,914

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

(a) Cash and cash equivalents

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

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	96	49
Bank deposits <sup>1</sup>	1,941,519	2,012,180
<b>Total</b>	<b>1,941,615</b>	<b>2,012,229</b>

<sup>1</sup> Deposits restricted in use amounting to ₩27,116 million (2021: ₩23,380 million) in relation to value added tax is included as at December 31, 2022.

(b) Deposits held by financial institutions

The deposits held by financial institutions restricted in use as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Fund for business cooperation	80,000	80,000
Deposits related to disposal of investments in subsidiaries	70,969	66,388
Deposits related to transfer of business	20,000	-
<b>Subtotal</b>	<b>170,969</b>	<b>146,388</b>
<b>Non-current</b>		
Deposit for checking account	31	33
National project	459	697
<b>Subtotal</b>	<b>490</b>	<b>730</b>
<b>Total</b>	<b>171,459</b>	<b>147,118</b>

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**6. Trade Receivables and Other Receivables**

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>			<b>December 31, 2021</b>		
	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Carrying amount</b>
Trade receivables	4,007,881	(36,264)	3,971,617	5,052,038	(35,656)	5,016,382
Non-current trade receivables	138,712	-	138,712	22,040	-	22,040
Other receivables						
Current	502,754	(7,579)	495,175	424,639	(9,308)	415,331
Non-current	163,555	(12)	163,543	180,493	(12)	180,481

(b) Details of other receivables as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Loans	16,818	10,075
Non-trade receivables	290,367	251,684
Accrued income	78,356	58,206
Deposits	109,634	95,366
<b>Subtotal</b>	<b>495,175</b>	<b>415,331</b>
<b>Non-current</b>		
Loans	123,696	116,210
Deposits	39,847	64,271
<b>Subtotal</b>	<b>163,543</b>	<b>180,481</b>
<b>Total</b>	<b>658,718</b>	<b>595,812</b>



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- (c) The aging analysis of trade receivables and other receivables as at December 31, 2022 and 2021, is as follows:

(in millions of Korean won)

	<b>December 31, 2022</b>				
	<b>Trade receivables</b>	<b>Non-current trade receivables</b>	<b>Other receivables</b>		<b>Total</b>
			<b>Current</b>	<b>Non-current</b>	
<b>Receivables not past due</b>	3,451,748	138,712	489,228	162,480	4,242,168
<b>Past due but not impaired</b>					
Up to 6 months	220,774	-	4,267	1,071	226,112
7 to 12 months	25,030	-	220	3	25,253
Over 1 year	239,510	-	1,432	1	240,943
<b>Subtotal</b>	485,314	-	5,919	1,075	492,308
<b>Impaired</b>	70,819	-	7,607	-	78,426
<b>Total</b>	4,007,881	138,712	502,754	163,555	4,812,902

(in millions of Korean won)

	<b>December 31, 2021</b>				
	<b>Trade receivables</b>	<b>Non-current trade receivables</b>	<b>Other receivables</b>		<b>Total</b>
			<b>Current</b>	<b>Non-current</b>	
<b>Receivables not past due</b>	4,388,281	22,040	351,257	176,635	4,938,213
<b>Past due but not impaired</b>					
Up to 6 months	232,768	-	19,423	3,198	255,389
7 to 12 months	102,574	-	111	656	103,341
Over 1 year	252,049	-	42,206	4	294,259
<b>Subtotal</b>	587,391	-	61,740	3,858	652,989
<b>Impaired</b>	76,366	-	11,642	-	88,008
<b>Total</b>	5,052,038	22,040	424,639	180,493	5,679,210

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

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- (f) Movements in allowance for doubtful accounts for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>			<b>At December 31</b>
	<b>At January 1</b>	<b>Addition (Reversal)</b>	<b>Write-off and other</b>	
Trade receivables	35,656	2,620	(2,012)	36,264
Other receivables				
Current	9,308	(1,483)	(246)	7,579
Non-current	12	-	-	12

  

<i>(in millions of Korean won)</i>	<b>2021</b>			<b>At December 31</b>
	<b>At January 1</b>	<b>Addition (Reversal)</b>	<b>Write-off and other</b>	
Trade receivables	65,176	(28,664)	(856)	35,656
Other receivables				
Current	12,092	745	(3,529)	9,308
Non-current	11	2	(1)	12

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

- (g) Trade receivables have been discounted through collateralized borrowing agreements with banks for the year ended December 31, 2022. In case the customers default, the Company has an obligation to pay the related amounts to the banks. As a result, this transaction has been accounted for as a collateralized borrowing (Note 15). Discounted trade receivables as at December 31, 2022 amount to ₩41,026 million (December 31, 2021: ₩51,577 million).

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**7. Other Financial Assets and Liabilities**

(a) Details of other financial assets and liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Other financial assets</b>		
Derivatives	159,435	38,683
Financial assets at fair value through other comprehensive income	61,531	76,535
Financial assets at fair value through profit or loss	94,866	72,285
<b>Total</b>	<b>315,832</b>	<b>187,503</b>
Current	840	9,747
Non-current	314,992	177,756
<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Other financial liabilities</b>		
Derivatives	31,804	51,961
Financial guarantee liability	11,135	11,702
<b>Total</b>	<b>42,939</b>	<b>63,663</b>
Current	6,581	7,045
Non-current	36,358	56,618

(b) Details of derivatives as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Current</b>				
Currency forward	285	135	100	946
Cross-currency swap	-	-	9,647	-
Interest rate swap	555	-	-	-
<b>Subtotal</b>	<b>840</b>	<b>135</b>	<b>9,747</b>	<b>946</b>
<b>Non-current</b>				
Cross-currency swap	129,781	6,357	28,936	-
Interest rate swap	28,814	806	-	27,411
Put option	-	24,506	-	23,604
<b>Subtotal</b>	<b>158,595</b>	<b>31,669</b>	<b>28,936</b>	<b>51,015</b>
<b>Total</b>	<b>159,435</b>	<b>31,804</b>	<b>38,683</b>	<b>51,961</b>

The details of major derivative contracts at the end of the reporting period are presented in Note 38.

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

i) Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<b>2022</b>						
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Valuation</b>	<b>At December 31</b>
Listed equity securities	48,150	825	-	-	(30,704)	18,271
Unlisted equity securities	28,385	13,275	-	1,600	-	43,260
<b>Total</b>	<b>76,535</b>	<b>14,100</b>	<b>-</b>	<b>1,600</b>	<b>(30,704)</b>	<b>61,531</b>

  

<b>2021</b>						
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Valuation</b>	<b>At December 31</b>
Listed equity securities	38,934	-	(13,883)	41,252	(18,153)	48,150
Unlisted equity securities	25,916	7,170	-	(16,639)	11,938	28,385
<b>Total</b>	<b>64,850</b>	<b>7,170</b>	<b>(13,883)</b>	<b>24,613</b>	<b>(6,215)</b>	<b>76,535</b>

ii) Changes in financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, are as follows:

<b>2022</b>						
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Valuation</b>	<b>At December 31</b>
Unlisted equity securities	72,285	16,863	(15,181)	(24,992)	21,866	70,841
Debt securities	-	633	-	23,392	-	24,025
<b>Total</b>	<b>72,285</b>	<b>17,496</b>	<b>(15,181)</b>	<b>(1,600)</b>	<b>21,866</b>	<b>94,866</b>

  

<b>2021</b>						
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Valuation</b>	<b>At December 31</b>
Unlisted equity securities	29,554	34,155	(3,828)	(16,420)	28,824	72,285
Debt securities	-	5,232	-	(8,193)	2,961	-
<b>Total</b>	<b>29,554</b>	<b>39,387</b>	<b>(3,828)</b>	<b>(24,613)</b>	<b>31,785</b>	<b>72,285</b>

**LG Electronics Inc.**  
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**8. Inventories**

(a) Inventories as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	December 31, 2022			December 31, 2021		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	804,526	(34,844)	769,682	827,273	(26,910)	800,363
Work-in-process	46,453	(893)	45,560	52,569	(1,081)	51,488
Raw materials and supplies	654,016	(56,763)	597,253	695,456	(55,412)	640,044
Other	176,381	(65,549)	110,832	180,823	(23,708)	157,115
<b>Total</b>	<b>1,681,376</b>	<b>(158,049)</b>	<b>1,523,327</b>	<b>1,756,121</b>	<b>(107,111)</b>	<b>1,649,010</b>

(b) In continuing operations, the cost of inventories recognized as an expense during the year ended December 31, 2022 amounted to ₩18,572,782 million (2021: ₩18,167,820 million). These were included in 'cost of sales'. Loss on valuation of inventories during the year ended December 31, 2022 amounted to ₩54,728 million (2021: ₩14,434 million). In discontinued operations, the cost of inventories recognized as an expense during the year ended December 31, 2022 amounted to ₩158,402 million (2021: ₩1,665,348 million). These were included in 'cost of sales'. Loss on valuation of inventories during the year ended December 31, 2022 amounted to ₩29,656 million (2021: reversal allowance of inventories ₩56,495 million).

(c) There is no inventory provided as collateral for borrowings as at December 31, 2022.

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**9. Contract Assets and Contract Liabilities**

(a) Contract assets as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Due from customers	419,764	309,509
(Less: allowance for doubtful accounts)	(4)	(4)
Right to recover returned products	987	855
Costs to fulfill contracts and others	88,449	88,229
<b>Total</b>	<b>509,196</b>	<b>398,589</b>
Current	430,444	318,367
Non-current	78,752	80,222

(b) Contract liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Expected promotional incentives for customers	68,205	65,932
Expected returns from customers	14,614	3,320
Customer loyalty program	56,474	50,610
Rendering of warranty services	20,909	11,862
Due to customers and others	342,161	348,088
<b>Total</b>	<b>502,363</b>	<b>479,812</b>
Current	497,668	474,065
Non-current	4,695	5,747

(c) Revenue recognized in relation to contract liabilities for the years ended December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Revenue recognized that was included in the contract liability amount at the beginning of the year:		
Due to customers and others	316,237	162,769
Customer loyalty program	45,733	30,275
Rendering of warranty services	5,005	10,132
<b>Total</b>	<b>366,975</b>	<b>203,176</b>
Revenue recognized from performance obligations satisfied in previous year	1,371	7,487

(d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations was ₩1,356,919 million, expected to be satisfied by 2031, at the latest. Also, as a practical expedient, the Company excluded a contract of which performance obligation had an original expected duration of one year or less.

**LG Electronics Inc.**  
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- (e) For the year ended December 31, 2022, the Company recognized impairment loss amounting to nil (2021: ₩2 million) in relation to due from customers, and amortization and others of ₩45,226 million (2021: ₩19,757 million) in relation to costs to fulfill a contract.

**10. Other Assets**

Details of other assets as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current:</b>		
Advances	119,696	30,155
Prepaid expenses	149,177	153,199
Prepaid value added tax	84,448	58,773
Others <sup>1</sup>	230,213	714,722
<b>Subtotal</b>	<b>583,534</b>	<b>956,849</b>
<b>Non-current:</b>		
Long-term prepaid expenses	74,725	76,950
<b>Total</b>	<b>658,259</b>	<b>1,033,799</b>

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

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**11. Property, Plant and Equipment**

(a) Details of property, plant and equipment as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
<b>At December 31, 2022</b>									
Acquisition cost	2,050,475	3,875,838	197,857	1,469,466	1,765,878	402,345	1,045,378	157,052	10,964,289
Accumulated depreciation	(5)	(1,309,653)	(117,352)	(958,854)	(1,526,164)	(289,714)	(609,455)	-	(4,811,197)
Accumulated impairment losses	-	(79,580)	(5,105)	(23,325)	(29,144)	(4,712)	(3,627)	-	(145,493)
<b>Net book amount</b>	<b>2,050,470</b>	<b>2,486,605</b>	<b>75,400</b>	<b>487,287</b>	<b>210,570</b>	<b>107,919</b>	<b>432,296</b>	<b>157,052</b>	<b>6,007,599</b>
<b>At December 31, 2021</b>									
Acquisition cost	2,056,063	4,468,722	218,722	2,163,698	1,741,148	400,023	1,125,779	81,539	12,255,694
Accumulated depreciation	(24)	(1,448,665)	(128,239)	(1,519,835)	(1,521,866)	(308,366)	(557,112)	-	(5,484,107)
Accumulated impairment losses	-	(137,433)	(5,035)	(166,054)	(27,341)	(5,790)	(5,149)	-	(346,802)
<b>Net book amount</b>	<b>2,056,039</b>	<b>2,882,624</b>	<b>85,448</b>	<b>477,809</b>	<b>191,941</b>	<b>85,867</b>	<b>563,518</b>	<b>81,539</b>	<b>6,424,785</b>

(b) Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

<b>2022</b>									
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
<b>At January 1</b>	2,056,039	2,882,624	85,448	477,809	191,941	85,867	563,518	81,539	6,424,785
Acquisitions	39,944	132,553	167	69,317	120,184	57,593	10,077	222,508	652,343
Transfer <sup>1</sup>	7,648	45,436	-	62,899	27,550	-	103,347	(146,995)	99,885
Disposals and others	(53,156)	(280,150)	(3,645)	(9,009)	(8,242)	(1,630)	(1,832)	-	(357,664)
Decrease due to transfer of business	-	-	-	-	(51)	(5)	-	-	(56)
Depreciation	(5)	(183,517)	(6,274)	(112,675)	(117,576)	(33,994)	(222,479)	-	(676,520)
Impairment losses <sup>2,3,4</sup>	-	(110,341)	(296)	(1,054)	(3,236)	88	(20,335)	-	(135,174)
<b>At December 31</b>	<b>2,050,470</b>	<b>2,486,605</b>	<b>75,400</b>	<b>487,287</b>	<b>210,570</b>	<b>107,919</b>	<b>432,296</b>	<b>157,052</b>	<b>6,007,599</b>
<b>2021</b>									
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
<b>At January 1</b>	2,284,090	3,131,918	97,660	642,196	217,807	73,655	634,449	236,782	7,318,557
Acquisitions	(787)	138,733	2,861	85,090	117,380	45,470	14,720	202,181	605,648
Transfer <sup>1</sup>	-	195,982	-	142,463	16,573	335	160,635	(355,353)	160,635
Disposals and others	(35,908)	(20,670)	(155)	(5,131)	(4,139)	(145)	(12,120)	-	(78,268)
Decrease due to split-off	(123,547)	(267,104)	(1,596)	(99,982)	(20,700)	(1,195)	(518)	(2,043)	(516,685)
Decrease due to transfer of business	(35,549)	(56,197)	(4,506)	(33,828)	(2,221)	(531)	(232)	(28)	(133,092)
Depreciation	(4)	(191,229)	(6,794)	(181,623)	(114,701)	(30,935)	(219,832)	-	(745,118)
Impairment losses <sup>2,3,4</sup>	-	(80)	(2,022)	(67,911)	(18,058)	(449)	(13,584)	-	(102,104)
Reclassification to assets held for sale	(32,256)	(48,729)	-	(3,465)	-	(338)	-	-	(84,788)
<b>At December 31</b>	<b>2,056,039</b>	<b>2,882,624</b>	<b>85,448</b>	<b>477,809</b>	<b>191,941</b>	<b>85,867</b>	<b>563,518</b>	<b>81,539</b>	<b>6,424,785</b>



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<sup>1</sup> The transfer of other property, plant and equipment amounting to ₩103,298 million (2021: ₩160,635 million) was made from inventories to rental assets.

<sup>2</sup> The Company conducted a periodic impairment test, accordingly, impairment loss of ₩9,593 million (H&A: ₩8,333 million, BS: ₩1,260 million) (2021: ₩68,389 million) for some of business under H&A and BS segment, where sales are expected to decline in the future, was recognized as 'other non-operating expenses'.

This impairment loss was allocated to machinery, equipment and others of the cash-generating units. The recoverable amount was measured at the higher of fair value less costs of disposal or value in use, and the fair value amount is categorized within 'level 3' of fair value hierarchy.

<sup>3</sup> For the year ended December 31, 2022, impairment loss on property plant and equipment from discontinued operations of energy business amounting to ₩75,629 million is included.

<sup>4</sup> For the year ended December 31, 2022, impairment loss on property plant and equipment from discontinued operations of MC business amounting to ₩825 million (2021: ₩18,655 million) is included.

(c) Line items including depreciation in the separate statements of profit or loss for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Cost of sales	506,030	484,665
Selling and marketing expenses	39,455	37,852
Administrative expenses	51,685	48,180
Research and development expenses	44,101	42,324
Service costs	18,787	16,137
Other non-operating expenses	1,404	2,911
<b>Subtotal</b>	<b>661,462</b>	<b>632,069</b>
<b>Discontinued operations</b>	<b>15,058</b>	<b>113,049</b>
<b>Total</b>	<b>676,520</b>	<b>745,118</b>

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(d) Changes of right-of-use assets for the years ended December 31, 2022 and 2021, are as follows:

	<b>2022</b>								
<i>(in millions of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>	<b>Tools</b>	<b>Equipment</b>	<b>Other</b>	<b>Construction -in-progress</b>	<b>Total</b>
<b>At January 1</b>	-	88,629	193	1,241	1,840	6,415	23,525	-	121,843
Acquisitions	3,438	68,576	-	-	-	5,957	7,901	51	85,923
Transfer	(3,413)	51	-	-	-	-	-	(51)	(3,413)
Disposals and others	-	(2,502)	-	(89)	-	-	(1,645)	-	(4,236)
Depreciation	(5)	(63,746)	(155)	(445)	(1,108)	(3,728)	(15,633)	-	(84,820)
<b>At December 31</b>	<b>20</b>	<b>91,008</b>	<b>38</b>	<b>707</b>	<b>732</b>	<b>8,644</b>	<b>14,148</b>	<b>-</b>	<b>115,297</b>

	<b>2021</b>								
<i>(in millions of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>	<b>Tools</b>	<b>Equipment</b>	<b>Other</b>	<b>Construction -in-progress</b>	<b>Total</b>
<b>At January 1</b>	4	85,526	348	579	2,999	4,601	31,703	2	125,762
Acquisitions	-	63,860	-	1,925	-	4,684	9,969	-	80,438
Transfer	-	2	-	-	-	-	-	(2)	-
Disposals and others	-	(1,518)	-	(813)	-	(35)	(1,160)	-	(3,526)
Depreciation	(4)	(59,241)	(155)	(450)	(1,159)	(2,835)	(16,987)	-	(80,831)
<b>At December 31</b>	<b>-</b>	<b>88,629</b>	<b>193</b>	<b>1,241</b>	<b>1,840</b>	<b>6,415</b>	<b>23,525</b>	<b>-</b>	<b>121,843</b>

The amount recognized as lease income in relation to sublease of the right-of-use assets for the year ended December 31, 2022, was ₩7,517 million (2021: ₩11,237 million).

(e) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Capitalized borrowing costs	2,916	2,445
Capitalization rate (%)	3.05	2.90

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

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**12. Intangible assets**

(a) Details of intangible assets are as at December 31, 2022 and 2021, are as follows:

		<b>2022</b>					
<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs<sup>1</sup></b>	<b>Membership rights</b>	<b>Other</b>	<b>Construction -in-progress<sup>1</sup></b>	<b>Total</b>
<b>At December 31, 2022</b>							
Acquisition cost	86,528	869,793	3,012,065	19,192	1,077,074	568,952	5,633,604
Accumulated amortization and impairment losses	(86,337)	(461,863)	(2,544,826)	(633)	(816,657)	(8,017)	(3,918,333)
<b>Net book amount</b>	<b>191</b>	<b>407,930</b>	<b>467,239</b>	<b>18,559</b>	<b>260,417</b>	<b>560,935</b>	<b>1,715,271</b>
		<b>2021</b>					
<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs<sup>1</sup></b>	<b>Membership rights</b>	<b>Other</b>	<b>Construction -in-progress<sup>1</sup></b>	<b>Total</b>
<b>At December 31, 2021</b>							
Acquisition cost	86,528	832,429	2,888,123	38,355	1,117,969	574,426	5,537,830
Accumulated amortization and impairment losses	(86,337)	(433,405)	(2,393,656)	(640)	(844,402)	(20,672)	(3,779,112)
<b>Net book amount</b>	<b>191</b>	<b>399,024</b>	<b>494,467</b>	<b>37,715</b>	<b>273,567</b>	<b>553,754</b>	<b>1,758,718</b>

<sup>1</sup> As at December 31, 2022, internally generated development costs are included in development costs and construction-in-progress amounting to ₩332,363 million and ₩301,792 million (2021: ₩390,877 million and ₩225,934 million), respectively.

(b) Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

		<b>2022</b>					
<i>(in millions of Korean won)</i>	<b>Goodwill</b>	<b>Industrial property rights</b>	<b>Development costs</b>	<b>Membership rights</b>	<b>Other</b>	<b>Construction -in-progress</b>	<b>Total</b>
<b>At January 1</b>	191	399,024	494,467	37,715	273,567	553,754	1,758,718
Acquisitions	-	-	25,731	-	109,607	227,401	362,739
Acquisitions by internal development	-	-	-	-	-	159,819	159,819
Transfer	-	96,171	125,013	-	-	(356,023)	(134,839)
Disposals and others	-	(12,447)	-	(19,156)	(742)	(19,289)	(51,634)
Decrease due to transfer of business	-	-	(7,810)	-	(34)	(4,363)	(12,207)
Amortization	-	(74,202)	(201,996)	-	(121,031)	-	(397,229)
Impairment losses <sup>1,2</sup>	-	(616)	31,834	-	(950)	(364)	29,904
<b>At December 31</b>	<b>191</b>	<b>407,930</b>	<b>467,239</b>	<b>18,559</b>	<b>260,417</b>	<b>560,935</b>	<b>1,715,271</b>

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	2021						
<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
<b>At January 1</b>	55,420	423,802	535,295	38,376	642,937	357,985	2,053,815
Acquisitions	-	-	23,109	-	132,440	197,490	353,039
Acquisitions by internal development	-	-	-	-	-	139,818	139,818
Transfer	-	101,725	187,266	-	270	(289,261)	-
Disposals and others	-	(47,133)	(5,153)	(287)	(541)	(26,779)	(79,893)
Decrease due to transfer of business	-	(460)	(29)	-	(20)	-	(509)
Decrease due to split-off	-	(524)	(1,840)	(374)	(3,338)	(47,806)	(53,882)
Amortization	-	(75,181)	(210,955)	-	(200,342)	-	(486,478)
Impairment losses <sup>1,2,3</sup>	(55,229)	(3,205)	(33,226)	-	(297,839)	(2,595)	(392,094)
Others <sup>4</sup>	-	-	-	-	-	224,902	224,902
<b>At December 31</b>	191	399,024	494,467	37,715	273,567	553,754	1,758,718

<sup>1</sup> The Company conducted a periodic impairment test, accordingly, impairment loss of ₩1,340 million (H&A: ₩991 million, BS: ₩349 million) (2021: ₩73,413 million) for some of business under H&A and BS segment, where sales are expected to decline in the future, was recognized as 'other non-operating expenses'. This impairment loss was allocated to industrial property rights and others. The recoverable amount was measured at the higher of fair value less costs of disposal or value in use, and the fair value amount is categorized within 'level 3' of fair value hierarchy.

<sup>2</sup> As a result of an impairment test for all projects related to internally generated development costs and others, a reversal of impairment loss of development costs relating to certain projects with improved business value, amounting to ₩31,470 million (2021: impairment loss of ₩26,571 million), was recognized as 'other non-operating expenses'.

<sup>3</sup> For the year ended December 31, 2021, impairment loss on intangible assets from discontinued operations of MC business amounting to ₩292,044 million is included.

<sup>4</sup> Others include reclassification of long-term advances and others.

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(c) Line items including amortization of intangible assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Cost of sales	300,705	316,626
Selling and marketing expenses	9,792	6,280
Administrative expenses	29,087	29,736
Research and development expenses	53,911	39,176
Service costs	2,550	1,669
Other non-operating expenses	3	-
<b>Subtotal</b>	<b>396,048</b>	<b>393,487</b>
<b>Discontinued operations</b>	<b>1,181</b>	<b>92,991</b>
<b>Total</b>	<b>397,229</b>	<b>486,478</b>

(d) Capitalized borrowing costs and capitalization rates for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Capitalized borrowing costs	2,880	2,187
Capitalization rate (%)	3.05	2.90

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

(f) Impairment tests for goodwill

- i) Goodwill is allocated among the Company's cash-generating units (CGUs) under each operating segment. At the end of the reporting period, goodwill amounting to ₩191 million is allocated to Home Appliance & Air Solution business segment.
- ii) The recoverable amount of CGUs has been determined based on value-in-use or fair value less costs of disposal. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate for the industry in which the identified CGUs operate.
- iii) Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Discount rates used for calculating the value-in-use are the discount rates reflecting specific risks relating to CGUs identified in Air conditioning business under Home Appliance & Air Solution business segment of 10.51% and nominal permanent growth rates of 1%.
- iv) There is no impairment loss on goodwill recognized based on the recoverable amount calculated based on fair value less costs to sell for each cash-generating unit.

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(g) Research and development expenses

Research and development expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Uncapitalized research and development expenditures	2,840,889	2,648,732
Amortization from internally generated development costs	159,440	175,684
<b>Subtotal</b>	<b>3,000,329</b>	<b>2,824,416</b>
<b>Discontinued operations</b>	<b>8,267</b>	<b>305,480</b>
<b>Total</b>	<b>3,008,596</b>	<b>3,129,896</b>

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

(a) Investments in subsidiaries, associates and joint ventures as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)	Location	Closing month	Percentage of ownership at December 31, 2022 (%)	Carrying amount	
				December 31, 2022	December 31, 2021
<b>Subsidiaries</b>					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
LG Magna e-Powertrain Co., Ltd.	Korea	December	51.0	388,661	388,661
ZKW Holding GmbH	Austria	December	70.0	349,482	349,482
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	India	March	100.0	311,746	311,746
LG Electronics do Brasil Ltda.(LGEBR)	Brazil	December	100.0	270,631	270,631
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	Poland	December	100.0	214,091	214,091
LG Electronics Nanjing Vehicle Components Co., Ltd.(LGENV)	China	December	100.0	180,349	180,349
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holding B.V.(LGEEH)	Netherlands	December	100	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100	136,459	136,459
Cybellum Technologies Ltd.	Israel	December	69.2	133,162	133,162
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	90.0	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
PT.LGE Indonesia Research and Development Center (LGEIC) <sup>1</sup>	Indonesia	December	100.0	63,237	35,436
LG Electronics (Shenyang) Inc(LGESY)	China	December	56.3	62,033	62,033
LG Electronics Fund I LLC <sup>1</sup>	USA	December	100.0	56,264	54,618
LG Electronics (Thailand) Company Limited(LGETH)	Thailand	December	100.0	55,578	55,578
LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	Australia	December	100.0	50,664	50,664
LG Electronics Ticaret A.S.(LGETK)	Türkiye	December	100.0	47,320	47,320
LG Electronics RUS, LLC(LGERA)	Russia	December	100.0	43,645	43,645
LG Electronics (Huizhou) Inc.(LGEHZ)	China	December	45.0	41,984	41,984
LG Electronics Nanjing New Technology co.,LTD (LGENT)	China	December	45.0	38,744	38,744
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	36,492	36,492
ZKW Austria Immobilien Holding GmbH	Austria	December	70.0	35,640	35,640

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(in millions of Korean won)	Location	Closing month	Percentage of ownership at December 31, 2022 (%)	Carrying amount	
				December 31, 2022	December 31, 2021
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0	30,175	30,175
APPLEMANGO CO.,LTD <sup>2</sup>	Korea	December	60.0	27,840	-
Nanjing LG Panda Appliances Co., Ltd(LGEPN)	China	December	50.0	26,614	26,614
LG Electronics Peru S.A.(LGEPR)	Peru	December	100.0	25,043	25,043
LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	China	December	100.0	20,615	20,615
LG Soft India Private Limited.(LGSi)	India	March	100.0	20,105	20,105
LG Electronics Saudi Arabia LLC <sup>2</sup>	Saudi Arabia	December	100.0	13,064	-
LG Electronics Fund II LLC <sup>2</sup>	USA	December	100.0	9,669	-
LG Electronics Africa Logistics FZE(LGEAF) <sup>6</sup>	Arab Emirates	December	100.0	7,434	16,377
LG Electronics Inc Chile Limitada.(LGECL) <sup>6</sup>	Chile	December	100.0	3,335	12,992
NOVA Prime Fund I, LP <sup>2</sup>	USA	December	100.0	2,802	-
LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) <sup>4</sup>	China	December	-	-	11,282
LG Electronics Overseas Trading FZE(LGEOT) <sup>6</sup>	Arab Emirates	December	100.0	-	7,349
Others				143,225	143,225
<b>Associates</b>					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Robostar Co.,Ltd.	Korea	December	33.4	88,112	88,112
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	52,124	52,124
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Mirae Asset-LG Electronics New Growth Fund I <sup>1,5</sup>	Korea	December	50.0	28,023	10,000
RINSE, INC. <sup>1</sup>	USA	December	23.3	18,184	7,030
ROBOTIS Co., Ltd. <sup>3</sup>	Korea	December	7.9	9,000	9,000
Acryl Inc. <sup>3</sup>	Korea	December	13.6	2,000	2,000
AiM Future, Inc. <sup>3</sup>	Korea	December	15.6	800	800
<b>Joint ventures</b>					
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT) <sup>6</sup>	Türkiye	December	50.0	27,711	40,844
LG-LHT Aircraft Solutions GmbH <sup>1</sup>	Germany	December	49.0	34,343	22,983
LG-LHT Passenger Solutions GmbH <sup>1</sup>	Germany	December	49.0	32,817	20,528
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD. <sup>1</sup>	China	December	35.0	1,535	1,194
FITNESSCANDY Co.,Ltd. <sup>2</sup>	Korea	December	51.0	4,233	-
<b>Total</b>				<b>9,004,775</b>	<b>8,914,917</b>

<sup>1</sup> It was additionally acquired during the year ended December 31, 2022.

<sup>2</sup> It was newly acquired during the year ended December 31, 2022.

<sup>3</sup> Classified as an associate although the percentage of ownership is less than 20% because the



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Company can exercise a significant influence in the Board of Directors of the investee.

<sup>4</sup> It was liquidated during the year ended December 31, 2022.

<sup>5</sup> Capital reduction with consideration was executed during the year ended December 31, 2022.

<sup>6</sup> Impairment loss was recognized during the year ended December 31, 2022.

(b) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Carrying amount at January 1</b>	8,914,917	8,881,286
Acquisitions	142,199	450,288
Increase due to split-off	-	762,080
Disposal and others <sup>1</sup>	(13,259)	(433,885)
Impairment loss	(39,082)	(744,852)
<b>Carrying amount at December 31</b>	<b>9,004,775</b>	<b>8,914,917</b>

<sup>1</sup> It includes the amount retrieved by the capital reduction with consideration on the Mirae Asset-LG Electronics New Growth Fund I, which is an associate of the Company, during the year ended December 31, 2022.

It includes the amount retrieved by the capital reduction with consideration on the Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) and Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD), which are subsidiaries of the Company, and the amount due to the signing of a share transfer agreement during the year ended December 31, 2021.

The Company disposed shares of LG Magna E-Powertrain Co., Ltd., a subsidiary, for ₩373,419 million (49%) during the year ended December 31, 2021, and recognized gain on disposal of ₩218,283 million, net of related costs, in 'other non-operating income' (Note 31).

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- (c) Impairment test for investments in subsidiaries, associates and joint ventures
- i) The Company records the investments in subsidiaries, associates and joint ventures at acquisition cost on the basis of the direct equity interest and assesses at the end of each reporting period whether there is any indication that asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset by future cash flow projection technique. And if the recoverable amount of an asset is less than its carrying amount, the Company recognizes an impairment loss immediately by reducing its carrying amount to its recoverable amount.
  - ii) The difference of ₩9,657 million between recoverable amount and carrying amount relating to LG Electronics Inc Chile Limitada.(LGECL), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2022.
  - iii) The difference of ₩8,943 million between recoverable amount and carrying amount relating to LG Electronics Africa Logistics FZE(LGEAF), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2022.
  - iv) The difference of ₩7,349 million between recoverable amount and carrying amount relating to LG Electronics Overseas Trading FZE(LGEOT), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2022.
  - v) The difference of ₩13,133 million between recoverable amount and carrying amount relating to Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT), a joint venture, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2022.

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(d) Details of marketable investments in subsidiaries and associates as at December 31, 2022 and 2021, are as follows:

<b>December 31, 2022</b>					
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (Unit: won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	12,450	1,688,531	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	252,500	2,437,428	541,538
Robostar Co.,Ltd.	Associate	3,256,500	18,650	60,734	88,112
ROBOTIS Co., Ltd.	Associate	961,550	22,500	21,635	9,000

  

<b>December 31, 2021</b>					
	<b>Type</b>	<b>Shares held (Unit: shares)</b>	<b>Price per share (Unit: won)</b>	<b>Fair value (in millions of Korean won)</b>	<b>Book amount</b>
LG Display Co., Ltd.	Associate	135,625,000	24,600	3,336,375	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	364,000	3,513,758	541,538
Robostar Co.,Ltd.	Associate	3,256,500	26,550	86,460	88,112
ROBOTIS Co., Ltd.	Associate	961,550	24,700	23,750	9,000

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**14. Investment properties**

(a) Details of investment properties as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>At December 31, 2022</b>			
Acquisition cost	3,413	134,840	138,253
Accumulated depreciation	(99)	(3,933)	(4,032)
Accumulated impairment losses	-	(47,429)	(47,429)
<b>Net book amount</b>	<b>3,314</b>	<b>83,478</b>	<b>86,792</b>

(b) Changes in investment properties for the year ended December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>At January 1</b>	-	-	-
Transfer	3,413	134,840	138,253
Depreciation	(99)	(3,933)	(4,032)
Impairment losses	-	(47,429)	(47,429)
<b>At December 31</b>	<b>3,314</b>	<b>83,478</b>	<b>86,792</b>

(c) The fair value of investment property is valued by an independent professional appraiser with certified qualification or determined based on the evaluation reflecting official land value or recently available transaction price of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment property as at December 31, 2022, is ₩86,792 million.

(d) Rental income amounting to ₩2,581 million and rental expenses amounting to ₩4,032 million are recognized in the separate statements of profit or loss relating to the investment properties for the year ended December 31, 2022.

**15. Borrowings**

(a) Carrying amounts of borrowings as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Short-term borrowings	311,266	51,577
Current portion of long-term borrowings	187,715	456,183
Current portion of debentures	574,927	608,877
<b>Subtotal</b>	<b>1,073,908</b>	<b>1,116,637</b>
<b>Non-current</b>		
Long-term borrowings	2,591,454	2,071,341
Debentures	3,880,668	4,435,283
<b>Subtotal</b>	<b>6,472,122</b>	<b>6,506,624</b>
<b>Total</b>	<b>7,546,030</b>	<b>7,623,261</b>

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(b) Details of borrowings as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at December 31, 2022 (%)	Carrying amount	
			December 31, 2022	December 31, 2021
<b>Short-term borrowings</b>				
<b>in foreign currency</b>				
LG Electronics European Shared Service Center B.V.(LGESC) and others <sup>1</sup>	2023.5.2	3.23~11.45	311,266	51,577
<b>Long-term borrowings</b>				
<b>in local currency</b>				
The Export-Import Bank of Korea and others	2035.1.9	2.21~5.12	1,825,893	1,733,607
<b>Long-term borrowings in foreign currency</b>				
The Export-Import Bank of Korea and others	2031.7.28	2.50~6.35	953,276	793,917
<b>Local currency debentures</b>				
Public, non-guaranteed bonds	2036.5.4	1.62~4.44	3,090,000	3,480,000
Private, non-guaranteed bonds	2041.2.9	2.66~4.21	980,000	980,000
<b>Foreign currency debentures</b>				
Private, non-guaranteed bonds	2028.6.8	5.35~6.36	258,765	460,667
Private, guaranteed bonds	2023.2.24	3M EURIBOR+0.75	135,120	134,234
Less: discount on debentures			(8,290)	(10,741)
<b>Total</b>			<b>7,546,030</b>	<b>7,623,261</b>

<sup>1</sup> The above short-term borrowings in foreign currency include the short-term borrowings collateralized by trade receivables amounting to ₩41,026 million (2021: ₩51,577 million) as at December 31, 2022

The Company entered into interest rate swap and cross-currency swap contracts to hedge cash flow risks related to floating interest rates and foreign exchange rates of certain portion of borrowings (Note 38).

The principal and interests of private guaranteed bonds are guaranteed by Shinhan Bank (Note 35).

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**16. Lease Liabilities**

(a) Details of lease liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Lease liabilities</b>		
Current	65,979	73,297
Non-current	50,530	46,323
<b>Total</b>	<b>116,509</b>	<b>119,620</b>

(b) The amounts, relating to leases, recognized in the separate statement of profit or loss relating to leases for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Interest expense relating on lease liabilities	3,492	3,415
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	28,194	29,590
Payments for leases of low-value assets that are not short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	14,973	13,539
<b>Subtotal</b>	<b>46,659</b>	<b>46,544</b>
<b>Discontinued operations</b>	<b>1,341</b>	<b>4,357</b>
<b>Total</b>	<b>48,000</b>	<b>50,901</b>

<sup>1</sup> Depreciation of right-of-use assets is stated in 'Note 11'.

(c) Total expenses for leases including short-term leases and leases of low-value assets are ₩129,392 million (2021: ₩126,431 million).

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**17. Other Payables**

Details of other payables as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current</b>		
Non-trade payables	1,659,806	1,577,066
Accrued expenses	394,542	343,715
Leasehold deposits received	701	15,971
<b>Subtotal</b>	<b>2,055,049</b>	<b>1,936,752</b>
<b>Non-current</b>		
Leasehold deposits received	7,723	100
<b>Total</b>	<b>2,062,772</b>	<b>1,936,852</b>

**18. Current and Deferred Income Tax**

**Income tax expense**

(a) Details of income tax expense for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current income taxes		
Current tax on profits for the year	238,422	165,543
Adjustments in respect of prior years	(29,695)	(22,325)
Deferred tax		
Changes in temporary differences	174,938	(275,256)
Changes in tax credit carryforwards	(350,957)	46,376
Changes in tax loss carryforwards	(82,273)	-
<b>Income tax expense (benefit)</b>	<b>(49,565)</b>	<b>(85,662)</b>
Continuing operations	8,288	430,228
Discontinued operations	(57,853)	(515,890)

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(b) The reconciliation between profit (loss) before income tax and income tax expense for the years ended December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Continuing operations	1,031,658	911,509
Discontinued operations	(226,261)	(1,910,710)
<b>Profit (Loss) before income tax</b>	<b>805,397</b>	<b>(999,201)</b>
Tax expense (income) based on statutory tax rate	211,122	(258,516)
Income not subject to tax	(14,689)	(3,083)
Expenses not deductible for tax purposes	32,611	76,837
Tax credits/exemptions	(112,534)	(76,722)
Adjustments in respect of prior years	(29,695)	(22,325)
Others	(136,380)	198,147
<b>Income tax expense (benefit)</b>	<b>(49,565)</b>	<b>(85,662)</b>
Continuing operations	8,288	430,228
Discontinued operations	(57,853)	(515,890)
Effective tax rate	(-)6.15%	1

<sup>1</sup> Effective tax rate is not calculated for the year ended December 31, 2022 due to the net loss before income tax of the Company.

**Deferred income tax**

(a) Deferred tax assets and deferred tax liabilities after offsetting as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	387,377	615,661
Deferred tax asset to be recovered after more than 12 months	2,468,560	2,352,352
<b>Deferred tax assets before offsetting</b>	<b>2,855,937</b>	<b>2,968,013</b>
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	65,486	171,566
Deferred tax liability to be settled after more than 12 months	1,300,240	1,452,728
<b>Deferred tax liabilities before offsetting</b>	<b>1,365,726</b>	<b>1,624,294</b>
<b>Deferred tax assets after offsetting</b>	<b>1,490,211</b>	<b>1,343,719</b>



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(b) Changes in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>			
	<b>At January 1</b>	<b>Charged (credited) to statement of profit or loss</b>	<b>Charged to other comprehensive income</b>	<b>At December 31</b>
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(270,084)	165,471	-	(104,613)
Property, plant and equipment	833	34,406	-	35,239
Accrued expenses	392,648	(78,929)	-	313,719
Provisions	568,970	(278,363)	-	290,607
Others	15,276	(17,523)	(111,800)	(114,047)
<b>Subtotal</b>	<b>707,643</b>	<b>(174,938)</b>	<b>(111,800)</b>	<b>420,905</b>
Tax credit carryforwards	636,076	350,957	-	987,033
Tax loss carryforwards	-	82,273	-	82,273
<b>Deferred tax assets (liabilities)</b>	<b>1,343,719</b>	<b>258,292</b>	<b>(111,800)</b>	<b>1,490,211</b>

<i>(in millions of Korean won)</i>	<b>2021</b>			
	<b>At January 1</b>	<b>Charged (credited) to statement of profit or loss</b>	<b>Charged to other comprehensive income</b>	<b>At December 31</b>
Changes in temporary differences				
Investments in subsidiaries, associates and joint ventures	(285,357)	15,273	-	(270,084)
Property, plant and equipment	(1,289)	2,122	-	833
Accrued expenses	292,068	100,580	-	392,648
Provisions	139,600	429,370	-	568,970
Others	323,851	(272,089)	(36,486)	15,276
<b>Subtotal</b>	<b>468,873</b>	<b>275,256</b>	<b>(36,486)</b>	<b>707,643</b>
Tax credit carryforwards	682,451	(46,375)	-	636,076
Tax loss carryforwards	-	-	-	-
<b>Deferred tax assets (liabilities)</b>	<b>1,151,324</b>	<b>228,881</b>	<b>(36,486)</b>	<b>1,343,719</b>

(c) Tax effects recognized in other comprehensive income directly for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>			<b>2021</b>		
	<b>Before tax</b>	<b>Tax effects</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effects</b>	<b>After tax</b>
Remeasurements of the net defined benefit liability	344,588	(95,021)	249,567	71,822	(19,342)	52,480
Financial assets at fair value through other comprehensive income	(30,704)	8,085	(22,619)	(6,215)	1,674	(4,541)
Cash flow hedges	95,642	(24,864)	70,778	69,877	(18,818)	51,059
<b>Total</b>	<b>409,526</b>	<b>(111,800)</b>	<b>297,726</b>	<b>135,484</b>	<b>(36,486)</b>	<b>98,998</b>

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(d) Details of deductible (taxable) temporary differences and tax credit carryforward unrecognized as deferred tax assets (liabilities) as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>	<b>Remark</b>
Taxable temporary difference (investment in subsidiary)	(1,370,684)	Permanent reinvestment of undistributed profit planned
Deductible temporary difference (investment in subsidiary)	2,379,044	Unlikely to reverse (dispose of) in the foreseeable future
Tax credit carryforwards <sup>1</sup>	598,578	Uncertainty of future taxable profit

<sup>1</sup> Unrecognized tax credit carryforwards as at December 31, 2022, will be expired from 2026.

**19. Post-employment Benefits**

**Defined Benefit Plan**

(a) The amounts of net defined benefit liabilities (assets) as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of funded obligations	2,937,364	3,268,721
Fair value of plan assets	(3,454,693)	(3,168,810)
<b>Net defined benefit liabilities (assets)</b>	<b>(517,329)</b>	<b>99,911</b>

(b) The amounts recognized in the separate statements of profit or loss for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current service cost	310,676	316,852
Net interest cost	2,867	10,197
Operating management cost	2,203	2,186
<b>Total</b>	<b>315,746</b>	<b>329,235</b>

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(c) Line items in which expenses are included for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Cost of sales	147,609	153,339
Selling and marketing expenses	42,181	38,252
Administrative expenses	26,919	18,430
Research and development expenses	61,858	60,481
Service costs	26,663	22,958
<b>Subtotal</b>	<b>305,230</b>	<b>293,460</b>
<b>Discontinued operations</b>	<b>10,516</b>	<b>35,775</b>
<b>Total</b>	<b>315,746</b>	<b>329,235</b>

(d) Movements in the present value of defined benefit obligations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>At January 1</b>	3,268,721	3,278,480
Current service cost	310,676	316,852
Interest cost	91,740	79,817
Remeasurements for:		
- Actuarial loss (gain) arising from changes in demographic assumptions	7,932	11,583
- Actuarial loss (gain) arising from changes in financial assumptions	(424,201)	(161,889)
- Actuarial loss (gain) arising from experience adjustments	41,193	58,793
Decrease due to split-off	-	(76,741)
Benefits paid	(358,697)	(238,174)
<b>At December 31</b>	<b>2,937,364</b>	<b>3,268,721</b>

(e) Movements in the fair value of plan assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>At January 1</b>	3,168,810	2,876,580
Interest income	88,873	69,620
Remeasurements of plan assets	(30,488)	(19,691)
Decrease due to split-off	-	(76,741)
Employer contributions	580,000	450,000
Benefits paid	(350,299)	(128,772)
Operating management cost	(2,203)	(2,186)
<b>At December 31</b>	<b>3,454,693</b>	<b>3,168,810</b>

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(f) The significant actuarial assumptions used as at December 31, 2022 and 2021, are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	5.3%	2.9%
Expected salary growth rate	6.0%	5.0%

(g) The sensitivity analysis of the defined benefit obligation in case of changes in significant assumptions as at December 31, 2022, is as follows:

<i>(in millions of Korean won)</i>	<u>1%p increase</u>	<u>1%p decrease</u>
Discount rate	(244,492)	280,494
Expected salary growth rate	293,817	(259,355)

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

(h) Plan assets consist of:

<i>(in millions of Korean won)</i>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Amount</u>	<u>Composition (%)</u>	<u>Amount</u>	<u>Composition (%)</u>
Securities combined with derivatives (guaranteed)	1,160,231	33.6	1,496,430	47.2
Time deposits and others	2,294,462	66.4	1,672,380	52.8
<b>Total</b>	<b>3,454,693</b>	<b>100.0</b>	<b>3,168,810</b>	<b>100.0</b>

<sup>1</sup> Most of plan assets are invested in the assets with the quoted prices in an active market.

(i) The weighted average duration of the defined benefit obligations is 9.7 years. The Company evaluates the fund contribution level annually, and if there is a shortfall in the funds, the Company has a policy to finance the funds. Expected contributions to post-employment benefit plans for the year ending December 31, 2023, are ₩200,000 million.

**Defined Contribution Plan**

The expense recognized in relation to defined contribution plan for the year ended December 31, 2022 was ₩9,368 million (2021: ₩5,433 million).

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**20. Provisions**

(a) Changes in provisions for the years ended December 31, 2022 and 2021, are as follows:

<b>2022</b>				
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	2,279,025	10,460	62,899	2,352,384
Additions <sup>1</sup>	417,816	453	31,281	449,550
Utilizations	(1,617,002)	(1,553)	(36,409)	(1,654,964)
<b>At December 31</b>	<b>1,079,839</b>	<b>9,360</b>	<b>57,771</b>	<b>1,146,970</b>
Current	1,035,633	7,595	18,287	1,061,515
Non-current	44,206	1,765	39,484	85,455

  

<b>2021</b>				
<i>(in millions of Korean won)</i>	<b>Warranty</b>	<b>Restoration</b>	<b>Litigation and others</b>	<b>Total</b>
<b>At January 1</b>	615,998	10,233	100,632	726,863
Additions <sup>1</sup>	2,159,977	976	(9,188)	2,151,765
Decrease due to business transfers	(1,386)	-	-	(1,386)
Decrease due to split-off	(11,691)	-	-	(11,691)
Utilizations	(483,873)	(749)	(28,545)	(513,167)
<b>At December 31</b>	<b>2,279,025</b>	<b>10,460</b>	<b>62,899</b>	<b>2,352,384</b>
Current	2,158,005	8,501	956	2,167,462
Non-current	121,020	1,959	61,943	184,922

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

(b) Greenhouse Gas Emission Liabilities

As at December 31, 2022, emission rights received free of charge for each reporting period and greenhouse gas emission estimated by management, are as follows:

<i>(in tons)</i>	<b>2022</b>	<b>2021</b>
Emission rights received free of charge <sup>1</sup>	957,798	922,571

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

In 2022, there was no emission right that the Company additionally purchased from the market, and there was no recognized emission liability as greenhouse gas emission estimated by management was 280,988 tons.

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**21. Other Liabilities**

Other liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Current</b>		
Advances from customers	339,351	480,407
Withholding	134,532	140,607
Accrued expenses	1,383,300	1,588,194
<b>Subtotal</b>	<u>1,857,183</u>	<u>2,209,208</u>
<b>Non-current</b>		
Accrued expenses	106,328	145,176
<b>Total</b>	<u>1,963,511</u>	<u>2,354,384</u>

**22. Paid-in Capital**

(a) As at December 31, 2022 and 2021, the number of shares authorized is 600 million.

	<u>Par value per share</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Number of shares issued</u>	<u>Amount (in millions of Korean won)</u>	<u>Number of shares issued</u>	<u>Amount (in millions of Korean won)</u>
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
<b>Total</b>		<u>180,833,806</u>	<u>904,169</u>	<u>180,833,806</u>	<u>904,169</u>

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

(b) Share premium balance as at December 31, 2022, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Company's capital of ₩783,961 million and less the Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion options in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

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**23. Retained Earnings and Dividends**

(a) Retained earnings as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Legal reserves <sup>1</sup>	246,609	231,218
Discretionary reserves	4,539,499	5,569,863
Unappropriated retained earnings (Undisposed accumulated deficit)	1,104,629	(860,959)
<b>Total</b>	<b>5,890,737</b>	<b>4,940,122</b>

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

(b) Appropriation of retained earnings for the years ended December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Unappropriated retained earnings (Deficit for disposition)</b>		
Unappropriated retained earnings carried over from prior year	99	99
Remeasurement of net defined benefit liability	249,567	52,480
Profit (loss) for the year	854,963	(913,538)
	<u>1,104,629</u>	<u>(860,959)</u>
<b>Transfer from discretionary reserve</b>		
Reserve for research and manpower development	4,539,499	5,569,863
<b>Total</b>	<u>5,644,128</u>	<u>4,708,904</u>
<b>Appropriation of retained earnings</b>		
Earned profit reserves	12,691	15,391
Reserve for research and manpower development	5,504,433	4,539,499
Dividends	126,905	153,915
Ordinary Share :		
₩ 700 (14%) in 2022		
₩ 850 (17%) in 2021		
Preferred share :		
₩ 750 (15%) in 2022		
₩ 900 (18%) in 2021		
	<u>5,644,029</u>	<u>4,708,805</u>
<b>Unappropriated retained earnings to be carried forward to subsequent year</b>	<u>99</u>	<u>99</u>

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(c) Dividends

Details of dividends per share and a total dividend in respect of the year ended December 31, 2022, which is to be proposed at the annual general meeting on March 27, 2023, are as follows. These separate financial statements do not reflect this dividend payable.

	2022		2021	
	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares
Outstanding shares	163,647,814	17,185,992	163,647,814	17,185,992
Treasury shares	(763,176)	(4,693)	(763,176)	(4,693)
Numbers of shares for dividend	162,884,638	17,181,299	162,884,638	17,181,299
Par value (in Korean won)	5,000	5,000	5,000	5,000
Dividend rate	14%	15%	17%	18%
Dividends per share (in Korean won)	700	750	850	900
Total dividend amount (in millions of Korean won)	114,019	12,886	138,452	15,463
Dividend payout ratio <sup>1</sup> (Dividends/Net profit)	13%	2%	-	-
Stock price <sup>2</sup> (in Korean won)	89,140	42,880	135,800	65,460
Dividend yield ratio (Dividend per share/ Market price)	0.79%	1.75%	0.63%	1.37%

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

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

**24. Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss) as at December 31, 2022 and 2021, consist of:

(in millions of Korean won)	December 31, 2022	December 31, 2021
Cash flow hedge	48,811	(21,967)
Financial assets at fair value through other comprehensive income	(10,048)	12,571
<b>Total</b>	<b>38,763</b>	<b>(9,396)</b>



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**25. Other Components of Equity**

Other components of equity as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Treasury shares <sup>1</sup>	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
<b>At December 31</b>	<b>(32,819)</b>	<b>(32,819)</b>

<sup>1</sup> At the end of the reporting period, the Company has treasury shares consisting of 763,176 ordinary shares (December 31, 2021: 763,176 shares) and 4,693 preferred shares (December 31, 2021: 4,693 shares). The Company intends to either grant these treasury shares to employees and directors as compensation or sell them in the future.

**26. Net Sales**

(a) Details of net sales for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Revenue from contracts with customers:		
Sales of goods	24,783,698	25,417,461
Rendering of services	2,262,079	1,039,988
<b>Subtotal</b>	<b>27,045,777</b>	<b>26,457,449</b>
Revenue from other sources:		
Rental income and others	745,969	657,858
<b>Subtotal</b>	<b>27,791,746</b>	<b>27,115,307</b>
<b>Discontinued operations</b>	<b>160,295</b>	<b>1,664,566</b>
<b>Total</b>	<b>27,952,041</b>	<b>28,779,873</b>

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(b) Details of revenue from contracts with customers for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
By type of products:		
Refrigerator/washing machine/air conditioner and others	14,586,641	14,293,944
TV/AV and others	3,655,638	4,662,323
In-vehicle infotainment and others	3,684,393	3,131,198
Monitor/PC and others	2,513,302	2,644,685
Others <sup>1</sup>	2,605,803	1,725,299
Domestic/Export:		
Domestic	10,068,745	10,106,975
Export	16,977,032	16,350,474
Timing of transfer:		
Transferred at a point in time	24,043,922	24,040,186
Transferred over time	3,001,855	2,417,263
<b>Total</b>	<b>27,045,777</b>	<b>26,457,449</b>

<sup>1</sup> Others include equipment production, inter-segment transactions and others.

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

Due to the factors causing the changes in the costs of other segments in 2022, the estimated total revenue and total costs for contracts in progress at the end of the reporting period have changed. Details of changes in estimated total contract revenue and costs, and the impact on profit or loss for the year and the succeeding year are as follows:

<i>(in millions of Korean won)</i>	<b>Changes in estimated total contract revenue</b>	<b>Changes in estimated total contract cost</b>	<b>Impact on profit or loss for the year</b>	<b>Impact on profit or loss for the succeeding year</b>
Other segments	128,508	154,214	(27,939)	2,233

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**27. Expenses by Nature**

Expenses that are recorded by nature for the years ended December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Changes in finished goods and work-in-process	18,115	29,553
Raw materials and merchandise used	14,414,066	14,220,733
Employee benefit expense	4,656,943	4,266,320
Depreciation and amortization	1,060,135	1,022,645
Advertising expense	668,960	654,350
Promotion expense	150,643	183,318
Freight expense	1,505,285	1,155,689
Commission expense	2,162,615	1,802,333
Other expenses	3,044,197	3,153,772
<b>Subtotal<sup>1</sup></b>	<b>27,680,959</b>	<b>26,488,713</b>
<b>Discontinued operations</b>	<b>389,921</b>	<b>3,101,597</b>
<b>Total<sup>1</sup></b>	<b>28,070,880</b>	<b>29,590,310</b>

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

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

Details of general operating expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Salaries	1,567,340	1,558,831
Post-employment benefits	288,202	144,165
Employee welfare benefits	320,223	246,884
Freight expense	1,485,279	1,145,741
Rental expense	33,078	29,265
Commission expense	1,633,107	1,308,763
Depreciation	158,060	144,492
Amortization	95,340	76,861
Advertising expense	668,960	654,350
Promotional expense	150,643	183,318
R&D expense	295,184	270,947
Direct service costs	291,214	932,804
(Reversal of) Bad debts expense	2,076	(28,835)
Others	257,556	218,532
<b>Subtotal</b>	<b>7,246,262</b>	<b>6,886,118</b>
<b>Discontinued operations</b>	<b>148,047</b>	<b>1,113,402</b>
<b>Total</b>	<b>7,394,309</b>	<b>7,999,520</b>

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**29. Financial Income**

Financial income for the years ended December 31, 2022 and 2021, consists of:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Interest income	39,047	18,711
Exchange differences	420,122	265,670
Others	3,196	1,588
<b>Subtotal</b>	<b>462,365</b>	<b>285,969</b>
<b>Discontinued operations</b>	<b>1,921</b>	<b>25,035</b>
<b>Total</b>	<b>464,286</b>	<b>311,004</b>

**30. Financial Expenses**

Financial expenses for the years ended December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Interest expense	207,387	154,236
Exchange differences	442,701	208,182
Loss on disposal of trade receivables	1,189	1,310
Others	6,257	2,913
<b>Subtotal</b>	<b>657,534</b>	<b>366,641</b>
<b>Discontinued operations</b>	<b>15,208</b>	<b>93,774</b>
<b>Total</b>	<b>672,742</b>	<b>460,415</b>

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**31. Other Non-operating Income**

Other non-operating income for the years ended December 31, 2022 and 2021, consists of:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Dividend income	722,441	751,747
Exchange differences	1,523,187	642,065
Gain on disposal of property, plant and equipment	210,689	25,033
Gain on disposal of intangible assets	17,162	115
Gain on valuation of derivatives	17,382	801
Gain on transfer of business	94,010	252,034
Gain on disposal of investments in subsidiaries, associates and joint ventures	281	273,344
Gain on valuation of financial assets at fair value through profit or loss	25,066	33,321
Gain on disposal of assets held for sale	182,317	6,773
Others	9,825	53,762
<b>Subtotal</b>	<b>2,802,360</b>	<b>2,038,995</b>
<b>Discontinued operations</b>	<b>114,859</b>	<b>86,925</b>
<b>Total</b>	<b>2,917,219</b>	<b>2,125,920</b>

**32. Other Non-operating Expenses**

Other non-operating expenses for the years ended December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Continuing operations</b>		
Exchange differences	1,449,810	726,138
Loss on disposal of property, plant and equipment	4,414	15,608
Impairment loss on property, plant and equipment	58,720	14,443
Loss on disposal of intangible assets	23,543	36,685
Loss on valuation of derivatives	42,827	7,647
Loss on valuation of financial assets at fair value through profit or loss	3,200	1,536
Impairment loss on investments in subsidiaries, associates and joint ventures	39,082	744,853
Others	64,724	126,498
<b>Subtotal</b>	<b>1,686,320</b>	<b>1,673,408</b>
<b>Discontinued operations</b>	<b>98,206</b>	<b>491,866</b>
<b>Total</b>	<b>1,784,526</b>	<b>2,165,274</b>

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**33. Earnings (Losses) per Share**

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

- (a) Basic earnings (losses) per ordinary share for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Profit (Loss) attributable to ordinary shares (in millions of Korean won) <sup>1</sup>	772,608	(827,148)
Continuing operations	924,947	434,582
Discontinued operations	(152,339)	(1,261,730)
Weighted average number of ordinary shares outstanding (unit: shares) <sup>2</sup>	162,884,638	162,884,638
Basic earnings (losses) per ordinary share (in Korean won)	4,743	(5,078)
Continuing operations	5,679	2,668
Discontinued operations	(936)	(7,746)

- (b) Basic earnings (losses) per preferred share for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Profit (Loss) attributable to preferred shares (in millions of Korean won)	82,355	(86,390)
Continuing operations	98,423	46,699
Discontinued operations	(16,068)	(133,089)
Weighted average number of preferred shares outstanding (unit: shares)	17,181,299	17,181,299
Basic earnings (losses) per preferred share (in Korean won)	4,793	(5,028)
Continuing operations	5,729	2,718
Discontinued operations	(936)	(7,746)

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

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Profit (Loss) for the year (A)</b>	854,963	(913,538)
Continuing operations	1,023,370	481,281
Discontinued operations	(168,407)	(1,394,819)
Ordinary share dividends (B)	114,019	138,452
Preferred share dividends (C)	12,886	15,463
<b>Undistributed profit (loss) (D=A-B-C)</b>	728,058	(1,067,453)
Continuing operations	896,465	327,366
Discontinued operations	(168,407)	(1,394,819)
Undistributed profit (loss) available for ordinary shares (E)	658,589	(965,600)
Undistributed profit (loss) available for preferred shares (F)	69,469	(101,853)
<b>Profit (Loss) attributable to ordinary shares (G=B+E)</b>	772,608	(827,148)
<b>Profit (Loss) attributable to preferred shares (H=C+F)</b>	82,355	(86,390)

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

<i>(unit: shares)</i>	<b>2022</b>	<b>2021</b>
Ordinary shares issued	163,647,814	163,647,814
Ordinary treasury shares	(763,176)	(763,176)
Ordinary shares outstanding	162,884,638	162,884,638
<b>Weighted average number of ordinary shares outstanding</b>	162,884,638	162,884,638
Preferred shares issued	17,185,992	17,185,992
Preferred treasury shares	(4,693)	(4,693)
Preferred shares outstanding	17,181,299	17,181,299
<b>Weighted average number of preferred shares outstanding</b>	17,181,299	17,181,299

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**34. Cash Flow Information**

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the years ended December 31, 2022 and 2021, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Profit (Loss) for the year	854,963	(913,538)
Adjustments:		
Interest expense, net	168,340	135,525
Exchange differences, net	(133,013)	3,986
Depreciation	661,462	632,069
Amortization	396,048	393,487
Loss (Gain) on disposal of property, plant and equipment and intangible assets, net	(199,894)	27,145
Provisions for severance benefits	314,598	300,907
Additional provisions, net	381,412	1,698,626
Dividend income	(722,441)	(751,747)
Income tax expense	8,288	430,228
Loss (Gain) on disposal of investments in subsidiaries, associates and joint ventures, net	(281)	(267,954)
Impairment loss on investments in subsidiaries, associates and joint ventures	39,082	744,853
Others	(129,731)	(110,867)
Discontinued operations	46,500	685,183
	<u>830,370</u>	<u>3,921,441</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	792,623	(408,358)
Decrease (increase) in other receivables	(70,815)	169,296
Decrease (increase) in inventories	(61,924)	(391,027)
Decrease (increase) in contract assets	(111,807)	33,735
Decrease (increase) in other assets	372,148	(714,943)
Increase (decrease) in trade payables	49,040	(544,936)
Increase (decrease) in other payables	46,403	(80,900)
Increase (decrease) in provisions	(1,654,964)	(514,135)
Increase (decrease) in contract liabilities	22,949	80,220
Increase (decrease) in other liabilities	(395,593)	556,032
Payment of defined benefit liability	(17,766)	(116,849)
Deposit in plan assets, net	(580,000)	(497,743)
	<u>(1,609,706)</u>	<u>(2,429,608)</u>
<b>Cash generated from operations</b>	<u>75,627</u>	<u>578,295</u>



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(b) Changes in liabilities arising from financing activities

<b>2022</b>						
		<b>Effects of other changes</b>				
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Net cash flows from financing activities</b>	<b>Additions</b>	<b>Exchange differences</b>	<b>Amortization and others</b>	<b>At December 31</b>
Borrowings	2,579,101	476,577	-	34,757	-	3,090,435
Debentures	5,044,160	(598,791)	-	7,741	2,485	4,455,595
Lease liabilities	119,620	(81,699)	78,162	119	307	116,509
<b>Total</b>	<b>7,742,881</b>	<b>(203,913)</b>	<b>78,162</b>	<b>42,617</b>	<b>2,792</b>	<b>7,662,539</b>

  

<b>2021</b>						
		<b>Effects of other changes</b>				
<i>(in millions of Korean won)</i>	<b>At January 1</b>	<b>Net cash flows from financing activities</b>	<b>Additions</b>	<b>Exchange differences</b>	<b>Amortization and others</b>	<b>At December 31</b>
Borrowings	2,886,129	(330,185)	-	23,157	-	2,579,101
Debentures	4,938,569	67,479	-	35,762	2,350	5,044,160
Lease liabilities	121,870	(75,579)	73,287	87	(45)	119,620
<b>Total</b>	<b>7,946,568</b>	<b>(338,285)</b>	<b>73,287</b>	<b>59,006</b>	<b>2,305</b>	<b>7,742,881</b>

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Reclassification of construction-in-progress to property, plant and equipment	146,995	355,353
Reclassification of construction-in-progress to intangible assets	356,023	289,261
Reclassification of current portion of borrowings and debentures	763,066	1,065,165
Other payables to acquire property, plant and equipment	101,670	77,814
Other payables to acquire intangible assets	39,407	36,050
Acquisition of right-of-use assets	85,873	80,438

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

– Transfer of in-vehicle wireless charging business

i) On October 4, 2022, in-vehicle wireless charging business was transferred to BH EVS Co., Ltd.

ii) Total consideration received and assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	116,696
Deposits held by financial institutions	20,000
Other payables	(18,745)
Other liabilities	(10,000)
Subtotal	107,951
Assets of the transferred business:	
Property, plant and equipment	57
Intangible assets	12,207
Contract assets	1,677
Subtotal	13,941

– Transfer of CEM(Chemical Electronic Material) business

i) On November 1, 2021, CEM business was transferred to LG Chem Ltd.

ii) Total consideration received and assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>
Total consideration	
Cash and cash equivalents	440,494
Other receivables	25,813
Other payables	(1,123)
Subtotal	465,184
Assets of the transferred business:	
Trade receivables	112,194
Other receivables	4,566
Inventories	28,467
Property, plant and equipment	133,093
Intangible assets	511
Contract assets	17
Other assets	1,104
Subtotal	279,952
Liabilities of the transferred business:	
Trade payables	55,477

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<i>(in millions of Korean won)</i>	<b>Amount</b>
Lease liabilities	94
Other payables	5,067
Provisions	1,386
Contract liabilities	19
Other liabilities	4,758
Subtotal	66,801

**35. Contingencies**

- (a) At the end of the reporting period, the Company is provided with performance guarantees of ₩321,191 million (December 31, 2021: ₩252,462 million) from Seoul Guarantee Insurance and one others relating to the performance guarantees. The Company is also provided with guarantee of principal amounting to EUR 100 million (December 31, 2021: EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.
- (b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,885,483 million (December 31, 2021: ₩3,262,858 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	<b>Beneficiaries</b>	<b>December 31, 2022<sup>1</sup></b>	<b>December 31, 2021<sup>1</sup></b>
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	899,851	989,849
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	601,968	565,010
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	515,655	461,808
LG Electronics (China) Co., Ltd(LGECH)	Citibank and others	297,145	287,718
ZKW Group GmbH	The Export-Import Bank of Korea	270,240	-
LG Electronics Mexico S.A. DE C.V.(LGEMS)	HSBC and others	252,479	35,565
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	197,674	178,273
LG Electronics Mlawa Sp. z.O.O.(LGEMA), LG Electronics Polska Sp. Z.O.O.(LGEPL), LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Citibank and others	165,718	-
LG Electronics Inc Chile Limitada(LGECL)	Scotiabank and others	104,600	98,182
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	93,262	104,537
LG Electronics Algeria SARL(LGEAS)	Citibank and others	89,026	109,233
LG Electronics Colombia Limitada(LGECB)	Citibank and others	64,935	72,428
LG Electronics Reynosa, S.A. DE C.V.(LGERS)	BBVA	63,365	-
LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	Citibank	50,692	47,420
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	38,648	55,840

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<i>(in millions of Korean won)</i>	<b>Beneficiaries</b>	<b>December 31, 2022<sup>1</sup></b>	<b>December 31, 2021<sup>1</sup></b>
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	38,076	35,622
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	ING	33,780	-
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	32,118	77,489
LG Electronics Italia S.P.A.(LGEIS)	Intesa	27,024	26,847
LG Electronics S.A. (Pty) Ltd.(LGESA)	Citibank and others	26,692	13,006
LG ELECTRONICS HELLAS SINGLE MEMBER SA (LGEHS)	Citibank	13,512	13,423
LG-Shaker Co.Ltd.(LGESR)	SABB	8,595	8,052
Others	Citibank and others	428	82,556
<b>Total</b>		<b>3,885,483</b>	<b>3,262,858</b>

<sup>1</sup> This is the amount for which a payment guarantee is provided, and in some cases, an agreement is made to pay including incidental expenses incurred in the performance of guarantee obligations.

- (c) At the end of the reporting period, the Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2021: ₩46,000 million).
- (d) The Company has a joint guarantee obligation for the debt amount as of July 1, 2021, the date of split-off of LG Magna e-Powertrain Co. ,Ltd., a newly established company.
- (e) In relation to the Bolt electric vehicle consumers' class action lawsuit filed against General Motors (GM) in November 2020, the Company and others were additionally included as defendants in September 2021, and the ultimate outcome of these case cannot be determined at the reporting date.
- (f) There are a number of legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Company cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Company's financial position.

**36. Commitments**

- (a) At the end of the reporting period, the Company has borrowing agreements, such as overdraft facility agreements, trade financing and others, with various banks, including Shinhan Bank, with a limit of ₩849,259 million (December 31, 2021: ₩1,244,093 million).
- (b) At the end of the reporting period, the Company has sales agreements for receivables with

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various banks including KEB Hana Bank amounting to ₩2,777,572 million (December 31, 2021: ₩2,481,320 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and vendor prepayment services contracts with various banks including Shinhan Bank for up to ₩1,160,000 million (December 31, 2021: ₩1,160,000 million) in connection with the payment of trade payables.

(d) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Property, plant and equipment	248,722	323,323
Intangible assets	27,255	36,754
Investments in subsidiaries, associates and joint ventures	108,816	105,140
<b>Total</b>	<b>384,793</b>	<b>465,217</b>

The Company agreed to tender offers based on fair value at a certain time in relation to the shares of Cybellum Technologies Ltd. and the shares to be issued by the exercise of stock options. At the end of the reporting period, the Company recognized this commitment as 'other financial liabilities' (Note 7).

(e) Operating lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>					<b>Total lease payments</b>
	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>4 to 5 years</b>	
Home appliance rental	317,334	192,338	74,954	12,925	-	597,551
Property rent	4,699	4,699	4,699	4,698	4,676	23,471
<b>Total</b>	<b>322,033</b>	<b>197,037</b>	<b>79,653</b>	<b>17,623</b>	<b>4,676</b>	<b>621,022</b>

ii) The Company recognized ₩586,161 million (2021: ₩612,903 million) in lease income for the year ended December 31, 2022.

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

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Acquisition cost	1,020,914	962,702
Accumulated depreciation	(512,837)	(472,019)
Accumulated impairment losses	(50,893)	(5,006)
<b>Net book amount</b>	<b>457,184</b>	<b>485,677</b>

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- iv) Changes in net book amount of assets subject to operating lease for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>At January 1</b>	485,677	543,772
Acquisition	241,550	160,635
Disposal	(94)	(11,042)
Depreciation	(202,205)	(194,104)
Impairment loss	(67,744)	(13,584)
<b>At December 31</b>	<b>457,184</b>	<b>485,677</b>

- (f) Financial lease commitments – the Company as lessor

- i) Gross investment in the lease and present value of the minimum lease payments for the financial lease as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Gross investment in the lease<sup>1</sup></b>	<b>Net investment in the lease</b>	<b>Gross investment in the lease<sup>1</sup></b>	<b>Net investment in the lease</b>
Within one year	34,637	25,550	4,983	3,999
Between 1 and 2 years	35,114	27,598	5,015	4,716
Between 2 and 3 years	34,604	28,766	5,007	4,531
Between 3 and 4 years	33,999	29,881	5,027	4,378
Later than 4 years	55,174	52,466	9,935	8,166
<b>Total</b>	<b>193,528</b>	<b>164,261</b>	<b>29,967</b>	<b>25,790</b>

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

- ii) Unrealized interest income of financial lease as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
gross investment in the lease	193,528	29,967
Net investment in the lease	164,261	25,790
<b>Unrealized interest income</b>	<b>29,267</b>	<b>4,177</b>

- iii) For the year ended December 31, 2022, the Company recognized income amounting to ₩142,470 million (2021: ₩24,550 million) in relation to financial lease contract, and financial income net investment in the lease amounting to ₩5,005 million (2021: ₩188 million) is included.

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(g) Trademark license agreements

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

<u>Purpose</u>	<u>Related products</u>	<u>Provided by</u>	<u>Used by</u>
Use of license	All products	Qualcomm Incorporated and others	LG Electronics Inc.
Provision for license	All products	LG Electronics Inc.	Panasonic Corporation and others
Use of trademarks	All products	LG Corp.	LG Electronics Inc.

**37. Related Party**

(a) Major transactions for the years ended December 31, 2022 and 2021, and balances of receivables and payables from transaction with related parties as at December 31, 2022 and 2021, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

<u>Classification</u>	<u>Name</u>	<b>2022</b>					
		<u>Income transactions</u>			<u>Expense transactions</u>		
		<u>Sales</u>	<u>Others</u>	<u>Total</u>	<u>Purchases</u>	<u>Others<sup>5</sup></u>	<u>Total</u>
Significantly influencing the Company	LG Corp.	1,158	-	1,158	-	135,756	135,756
Subsidiaries	LG Innotek Co., Ltd.	202,926	14,865	217,791	100,116	1,154	101,270
	Hiplaza Co., Ltd.	1,790,760	14,876	1,805,636	9,023	16,962	25,985
	LG Electronics U.S.A., Inc.	5,353,487	20,092	5,373,579	5,713	85,264	90,977
	LG Electronics Vietnam Hai Phong Co., Ltd	1,494,428	806	1,495,234	175,530	64,315	239,845
	LG Electronics Canada, Inc.	628,671	21	628,692	-	16,199	16,199
	LG Electronics RUS, LLC	118,492	2,010	120,502	-	6,255	6,255
	LG Electronics Deutschland GmbH	90,908	12,901	103,809	659	15,798	16,457
	LG Electronis Reynosa, S.A. De C.V.	385,305	1,203	386,508	1,879	388	2,267
	LG Electronics Mlawa Sp. z.O.O.	767,687	4,847	772,534	2,766	1,861	4,627
	LG Electronics Nanjing New Technology co.,LTD	389,731	1	389,732	657,776	1,533	659,309
	P.T. LG Electronics Indonesia	234,140	640	234,780	578,547	487	579,034
	LG Electronics Colombia Ltda.	44,088	71	44,159	-	904	904
	LG Electronics Vehicle Components U.S.A., LLC.	197,394	2,358	199,752	2,271	46,767	49,038
	LG Electronics Mexico S.A. DE C.V.	136,042	158	136,200	2	2,172	2,174
	LG Electronics European Shared Service Center B.V.	515,598	1,417	517,015	617	32,721	33,338
	Taizhou LG Electronics Refrigeration Co., Ltd.	89,007	8,137	97,144	249,448	65	249,513

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(in millions of Korean won)

		<b>2022</b>					
		<b>Income transactions</b>			<b>Expense transactions</b>		
<b>Classification</b>	<b>Name</b>	<b>Sales</b>	<b>Others</b>	<b>Total</b>	<b>Purchases</b>	<b>Others<sup>5</sup></b>	<b>Total</b>
	LG ELECTRONICS AUSTRALIA PTY LIMITED	267,017	10	267,027	609	4,287	4,896
	LG Electronics (Tianjin) Appliances Co., Ltd.	119,687	188	119,875	439,819	237	440,056
	LG Electronics Inc Chile Limitada.	9,961	110	10,071	42,200	2,339	44,539
	LG Electronics do Brasil Ltda.	238,289	1,309	239,598	634	3,358	3,992
	Hi-Caresolution Corp	52,549	190	52,739	262,579	38,632	301,211
	Others	3,435,603	250,400	3,686,003	291,523	724,049	1,015,572
	<b>Subtotal</b>	<b>16,561,770</b>	<b>336,610</b>	<b>16,898,380</b>	<b>2,821,711</b>	<b>1,065,747</b>	<b>3,887,458</b>
Associates	LG Display Co., Ltd. and its subsidiaries	654,185	72,603	726,788	229,257	9,101	238,358
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	340	-	340	44,600	14,099	58,699
	Robostar Co.,Ltd. and its subsidiaries	94	-	94	25,390	1,138	26,528
	ROBOTIS Co., Ltd.	-	-	-	-	2	2
	Acryl Inc.	-	-	-	-	1,545	1,545
	<b>Subtotal</b>	<b>654,619</b>	<b>72,603</b>	<b>727,222</b>	<b>299,247</b>	<b>25,885</b>	<b>325,132</b>
Other related parties	LG CNS Co., Ltd. And its subsidiaries	132,372	1,245	133,617	134,890	583,676	718,566
	D&O Corp. and its subsidiaries <sup>2</sup>	808	186	994	1,470	32,196	33,666
	LG Management Development Institute	35	-	35	55	50,105	50,160
	LG SPORTS Ltd.	6	21	27	280	12,967	13,247
	<b>Subtotal</b>	<b>133,221</b>	<b>1,452</b>	<b>134,673</b>	<b>136,695</b>	<b>678,944</b>	<b>815,639</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	490,655	5,472	496,127	290,377	157	290,534
	LX INTERNATIONAL CORP and its subsidiaries <sup>3</sup>	4,993	1,179	6,172	165,921	975,005	1,140,926
	LG Uplus Corp and its subsidiaries	3,617	590	4,207	3,799	452	4,251
	LX HAUSYS,LTD., its subsidiaries and associates <sup>3</sup>	2,077	77	2,154	1,670	385	2,055
	LX Semicon Co., Ltd. <sup>3</sup>	1,410	2,012	3,422	6,490	19	6,509
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	2,908	566	3,474	21	39	60
	G I I R Inc. and its subsidiaries	1,229	-	1,229	7	245,283	245,290
	LX MMA Corporation <sup>3</sup>	5	-	5	-	-	-
	XI C&A Co., Ltd. <sup>4</sup>	9,835	20	9,855	-	47,026	47,026
	S&I Corp. and its subsidiaries <sup>4</sup>	3,349	319	3,668	337	62,934	63,271
	<b>Subtotal</b>	<b>520,078</b>	<b>10,235</b>	<b>530,313</b>	<b>468,622</b>	<b>1,331,300</b>	<b>1,799,922</b>
	<b>Total</b>	<b>17,870,846</b>	<b>420,900</b>	<b>18,291,746</b>	<b>3,726,275</b>	<b>3,237,632</b>	<b>6,963,907</b>



**LG Electronics Inc.**  
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(in millions of Korean won)

		<b>2021</b>					
		<b>Income transactions</b>			<b>Expense transactions</b>		
<b>Classification</b>	<b>Name</b>	<b>Sales</b>	<b>Others</b>	<b>Total</b>	<b>Purchases</b>	<b>Others<sup>5</sup></b>	<b>Total</b>
Significantly influencing the Company	LG Corp.	538	-	538	-	160,898	160,898
Subsidiaries	LG Innotek Co., Ltd.	191,860	22,521	214,381	235,257	9,118	244,375
	Hiplaza Co., Ltd.	2,064,794	15,517	2,080,311	11,975	16,457	28,432
	LG Electronics U.S.A., Inc.	6,123,975	791	6,124,766	3,839	43,105	46,944
	LG Electronics Vietnam Hai Phong Co., Ltd	1,469,274	895	1,470,169	231,162	60,005	291,167
	LG Electronics Canada, Inc.	684,491	18	684,509	-	10,694	10,694
	LG Electronics RUS, LLC	337,440	389	337,829	12	3,798	3,810
	LG Electronics Deutschland GmbH	210,673	96,780	307,453	4,017	70,086	74,103
	LG Electronis Reynosa, S.A. De C.V.	381,678	56	381,734	345	90	435
	LG Electronics Mlawa Sp. z.O.O.	840,485	1,107	841,592	5,876	4,010	9,886
	LG Electronics Nanjing New Technology co.,LTD	371,620	161	371,781	631,606	2,315	633,921
	P.T. LG Electronics Indonesia	189,277	1,797	191,074	640,014	58	640,072
	LG Electronics Colombia Ltda.	85,935	19	85,954	-	537	537
	LG Electronics Vehicle Components U.S.A., LLC.	158,619	7,878	166,497	1,831	28,498	30,329
	LG Electronics Mexico S.A. DE C.V.	299,065	22	299,087	-	843	843
	LG Electronics European Shared Service Center B.V.	436,285	14	436,299	50	23,591	23,641
	Taizhou LG Electronics Refrigeration Co., Ltd.	103,000	6,170	109,170	240,374	141	240,515
	LG ELECTRONICS AUSTRALIA PTY LIMITED	313,407	18	313,425	32	6,482	6,514
	LG Electronics (Tianjin) Appliances Co., Ltd.	86,334	1,699	88,033	299,630	112	299,742
	LG Electronics Inc Chile Limitada.	115,039	41	115,080	-	2,016	2,016
	LG Electronics do Brasil Ltda.	334,823	131	334,954	2,747	2,027	4,774
	Hi-Caresolution Corp	52,460	312	52,772	248,859	31,763	280,622
	Others	3,613,942	30,569	3,644,511	300,500	445,364	745,864
	<b>Subtotal</b>	<b>18,464,476</b>	<b>186,905</b>	<b>18,651,381</b>	<b>2,858,126</b>	<b>761,110</b>	<b>3,619,236</b>
Associates	LG Display Co., Ltd. and its subsidiaries	432,386	79,193	511,579	267,070	3,327	270,397
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	753	-	753	26,753	286	27,039
	Robostar Co.,Ltd. and its subsidiaries	106	-	106	31,135	4,577	35,712
	ROBOTIS Co., Ltd.	-	-	-	-	6	6
	Acryl Inc.	-	-	-	-	1,380	1,380
	<b>Subtotal</b>	<b>433,245</b>	<b>79,193</b>	<b>512,438</b>	<b>324,958</b>	<b>9,576</b>	<b>334,534</b>

**LG Electronics Inc.**  
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(in millions of Korean won)

		<b>2021</b>					
		<b>Income transactions</b>			<b>Expense transactions</b>		
<b>Classification</b>	<b>Name</b>	<b>Sales</b>	<b>Others</b>	<b>Total</b>	<b>Purchases</b>	<b>Others<sup>5</sup></b>	<b>Total</b>
Joint ventures	LG-MRI LLC	33,966	-	33,966	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	139,991	249	140,240	121,231	532,855	654,086
	S&I Corp. and its subsidiaries <sup>2</sup>	13,476	-	13,476	7,195	152,490	159,685
	LG Management Development Institute	28	21	49	661	39,835	40,496
	LG SPORTS Ltd.	6	17	23	-	13,636	13,636
	<b>Subtotal</b>		153,501	287	153,788	129,087	738,816
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures	794,919	3,251	798,170	543,541	1,377	544,918
	LX INTERNATIONAL CORP and its subsidiaries <sup>3</sup>	6,618	1,133	7,751	439,291	1,400,179	1,839,470
	LG Uplus Corp and its subsidiaries	3,699	6	3,705	19,611	4,454	24,065
	LG HAUSYS,LTD., its subsidiaries and associates <sup>3</sup>	2,310	109	2,419	1,547	583	2,130
	LX Semicon Co., Ltd. <sup>3</sup>	2,696	3,267	5,963	15,641	416	16,057
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	8,124	2	8,126	64	64	128
	G II R Inc. and its subsidiaries	250	943	1,193	203	203,094	203,297
	LX Holdings Corp <sup>3</sup>	99	-	99	-	-	-
	LX MMA Corporation <sup>3</sup>	5	-	5	-	-	-
	<b>Subtotal</b>		818,720	8,711	827,431	1,019,898	1,610,167
<b>Total</b>		19,904,446	275,096	20,179,542	4,332,069	3,280,567	7,612,636

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

<sup>2</sup> The entity changed its name from S&I Corp. to D&O Corp. on April 1, 2022.

<sup>3</sup> LX Holdings Corp. and its affiliates are separated from the corporate group based on their independent management on June 21, 2022.

<sup>4</sup> Transactions with entities which were excluded from consolidation due to sales of shares in subsidiaries of D&O Corp. during the three-month period ended March 31, 2022 are included.

<sup>5</sup> Others include acquisition amount of right-of-use asset and interest expense of lease liabilities.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
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ii) The balances of receivables from and payables to related parties

(in millions of Korean won)

		December 31, 2022							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>5</sup>	Total
Significantly influencing the Company	LG Corp.	40	-	25,679	25,719	-	-	36,103	36,103
Subsidiaries	LG Innotek Co., Ltd.	68,885	-	2,594	71,479	19,173	-	40,323	59,496
	Hiplaza Co., Ltd.	161,725	-	31,486	193,211	-	-	738	738
	LG Electronics U.S.A., Inc.	186,946	-	391	187,337	-	-	21,403	21,403
	LG Electronics Vietnam Hai Phong Co., Ltd	242,321	-	46	242,367	441,896	-	5,224	447,120
	LG Electronics Canada, Inc.	19,915	-	-	19,915	-	-	3,295	3,295
	LG Electronics RUS, LLC	56,453	-	96,728	153,181	-	-	2,774	2,774
	LG Electronics Deutschland GmbH	47,583	-	61	47,644	-	-	1,314	1,314
	LG Electronis Reynosa, S.A. De C.V.	25,549	-	593	26,142	280,239	-	345	280,584
	LG Electronics Mlawa Sp. z.O.O.	122,867	-	2,029	124,896	963,473	-	85	963,558
	LG Electronics Nanjing New Technology co.,LTD	59,015	-	1	59,016	251,558	-	267	251,825
	P.T. LG Electronics Indonesia	18,299	-	42	18,341	600,451	-	313	600,764
	LG Electronics Colombia Ltda.	56,730	-	66	56,796	-	-	38	38
	LG Electronics Vehicle Components U.S.A., LLC.	181,025	-	4,005	185,030	-	-	7,370	7,370
	LG Electronics Mexico S.A. DE C.V.	114,261	-	122	114,383	-	-	167	167
	LG Electronics European Shared Service Center B.V.	52,543	-	-	52,543	-	270,240	1,293	271,533
	Taizhou LG Electronics Refrigeration Co., Ltd.	15,562	-	1,108	16,670	235,284	-	47	235,331
	LG ELECTRONICS AUSTRALIA PTY LIMITED	37,919	-	-	37,919	-	-	324	324
	LG Electronics (Tianjin) Appliances Co., Ltd.	19,268	-	52	19,320	192,577	-	235	192,812
	LG Electronics Inc Chile Limitada.	10,035	-	46	10,081	-	-	242	242
	LG Electronics do Brasil Ltda.	55,802	-	45,810	101,612	166	-	175	341
	Hi-Caresolution Corp	7,065	-	-	7,065	-	-	27,358	27,358
	Others	1,480,919	-	108,909	1,589,828	820,926	-	179,996	1,000,922

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
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(in millions of Korean won)

		December 31, 2022							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>5</sup>	Total
	<b>Subtotal</b>	3,040,687	-	294,089	3,334,776	3,805,743	270,240	293,326	4,369,309
Associates	LG Display Co., Ltd. and its subsidiaries	90,972	-	86,788	177,760	59,550	-	58,078	117,628
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	-	-	-	-	48,640	-	2,551	51,191
	Robostar Co.,Ltd. and its subsidiaries	81	-	-	81	1,968	-	14,411	16,379
	<b>Subtotal</b>	91,053	-	86,788	177,841	110,158	-	75,040	185,198
Other related parties	LG CNS Co., Ltd. and its subsidiaries	29,344	-	275	29,619	4,128	-	215,754	219,882
	D&O Corp. and its subsidiaries <sup>2</sup>	98	-	-	98	-	-	4,879	4,879
	LG Management Development Institute	4	-	-	4	-	-	1,086	1,086
	LG SPORTS Ltd.	-	-	-	-	-	-	1,146	1,146
	<b>Subtotal</b>	29,446	-	275	29,721	4,128	-	222,865	226,993
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures <sup>3</sup>	142,886	-	178,691	321,577	97,771	-	105,846	203,617
	LG Uplus Corp and its subsidiaries	173	-	260	433	89	-	266	355
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	483	-	71	554	-	-	226	226
	G IIR Inc. and its subsidiaries	29	-	-	29	-	-	166,136	166,136
	XI C&A Co., Ltd.	7,719	-	-	7,719	-	-	33,396	33,396
	S&I Corp. and its subsidiaries	1,575	-	-	1,575	-	-	16,118	16,118
	<b>Subtotal</b>	152,865	-	179,022	331,887	97,860	-	321,988	419,848
	<b>Total</b>	3,314,091	-	585,853	3,899,944	4,017,889	270,240	949,322	5,237,451

(in millions of Korean won)

		December 31, 2021							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>5</sup>	Total
Significantly influencing the LG Corp. Company		45	-	25,386	25,431	-	-	42,812	42,812
Subsidiaries	LG Innotek Co., Ltd.	143,326	-	5,155	148,481	47,683	-	50,823	98,506
	Hiplaza Co., Ltd.	219,564	-	28,719	248,283	-	-	7,226	7,226
	LG Electronics U.S.A., Inc.	783,450	-	266	783,716	-	-	10,478	10,478
	LG Electronics Vietnam Hai Phong Co., Ltd	222,709	-	189	222,898	374,755	-	6,905	381,660

**LG Electronics Inc.**  
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(in millions of Korean won)

		December 31, 2021							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>5</sup>	Total
	LG Electronics Canada, Inc.	62,560	-	-	62,560	-	-	1,336	1,336
	LG Electronics RUS, LLC	113,312	-	110,437	223,749	927	-	247	1,174
	LG Electronics Deutschland GmbH	381,001	-	77,045	458,046	-	-	14,935	14,935
	LG Electronis Reynosa, S.A. De C.V.	24,913	-	-	24,913	95,718	-	-	95,718
	LG Electronics Mlawa Sp. z.O.O.	97,807	-	707	98,514	831,975	-	339	832,314
	LG Electronics Nanjing New Technology co.,LTD	58,251	-	192	58,443	446,159	-	227	446,386
	P.T. LG Electronics Indonesia	15,598	-	616	16,214	587,591	-	-	587,591
	LG Electronics Colombia Ltda.	96,312	-	-	96,312	-	-	72	72
	LG Electronics Vehicle Components U.S.A., LLC.	159,526	-	732	160,258	-	-	1,731	1,731
	LG Electronics Mexico S.A. DE C.V.	114,059	-	-	114,059	-	-	57	57
	LG Electronics European Shared Service Center B.V.	24,389	-	3,573	27,962	-	268,468	250	268,718
	Taizhou LG Electronics Refrigeration Co., Ltd.	20,507	-	6,925	27,432	274,083	-	-	274,083
	LG ELECTRONICS AUSTRALIA PTY LIMITED	68,286	-	-	68,286	-	-	258	258
	LG Electronics (Tianjin) Appliances Co., Ltd.	21,349	-	3,492	24,841	177,674	-	-	177,674
	LG Electronics Inc Chile Limitada.	71,451	-	-	71,451	-	-	244	244
	LG Electronics do Brasil Ltda.	64,341	-	27,146	91,487	76	-	633	709
	Hi-Caresolution Corp	8,096	-	1,504	9,600	1,810	-	27,844	29,654
	Others	1,205,989	-	83,614	1,289,603	700,085	-	135,994	836,079
	<b>Subtotal</b>	<b>3,976,796</b>	<b>-</b>	<b>350,312</b>	<b>4,327,108</b>	<b>3,538,536</b>	<b>268,468</b>	<b>259,599</b>	<b>4,066,603</b>
Associates	LG Display Co., Ltd. and its subsidiaries	99,163	-	56,299	155,462	63,354	-	74,620	137,974
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	110	-	-	110	30,538	-	543	31,081
	Robostar Co.,Ltd. and its subsidiaries	85	-	-	85	343	-	10,336	10,679
	Acryl Inc.	-	-	-	-	-	-	120	120
	<b>Subtotal</b>	<b>99,358</b>	<b>-</b>	<b>56,299</b>	<b>155,657</b>	<b>94,235</b>	<b>-</b>	<b>85,619</b>	<b>179,854</b>
Joint ventures	LG-MRI LLC	8,753	-	-	8,753	-	-	-	-

**LG Electronics Inc.**  
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(in millions of Korean won)

		December 31, 2021							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables <sup>5</sup>	Total
Other related parties	LG CNS Co., Ltd. and its subsidiaries	31,379	-	-	31,379	1,733	-	218,177	219,910
	S&I Corp. and its subsidiaries <sup>2</sup>	5,154	-	21,872	27,026	-	-	30,942	30,942
	LG Management Development Institute	3	-	13,340	13,343	-	-	1,272	1,272
	LG SPORTS Ltd.	-	-	-	-	-	-	699	699
	<b>Subtotal</b>	<b>36,536</b>	<b>-</b>	<b>35,212</b>	<b>71,748</b>	<b>1,733</b>	<b>-</b>	<b>251,090</b>	<b>252,823</b>
Others <sup>1</sup>	LG Chem Ltd., its subsidiaries and joint ventures <sup>3</sup>	110,353	-	894,887	1,005,240	160,590	-	15,560	176,150
	LX INTERNATIONAL CORP and its subsidiaries <sup>4</sup>	17,257	-	2,679	19,936	18,345	-	203,412	221,757
	LG Uplus Corp and its subsidiaries	372	-	-	372	104	-	511	615
	LG HAUSYS,LTD., its subsidiaries and associates <sup>4</sup>	668	-	12	680	486	-	919	1,405
	LX Semicon Co., Ltd. <sup>4</sup>	-	-	-	-	6,046	-	2	6,048
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	1,127	-	2,818	3,945	-	-	88	88
	G II R Inc. and its subsidiaries	20	-	-	20	-	-	148,261	148,261
	<b>Subtotal</b>	<b>129,797</b>	<b>-</b>	<b>900,396</b>	<b>1,030,193</b>	<b>185,571</b>	<b>-</b>	<b>368,753</b>	<b>554,324</b>
<b>Total</b>	<b>4,251,285</b>	<b>-</b>	<b>1,367,605</b>	<b>5,618,890</b>	<b>3,820,075</b>	<b>268,468</b>	<b>1,007,873</b>	<b>5,096,416</b>	

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

<sup>2</sup> The entity changed its name from S&I Corp. to D&O Corp. on April 1, 2022.

<sup>3</sup> The amount agreed to be reimbursed by the related party for provisions to be paid by the Company to a third party is included.

<sup>4</sup> LX Holdings Corp. and its affiliates are separated from the corporate group in accordance with independent management on June 21, 2022.

<sup>5</sup> Other payables include lease liabilities.

**LG Electronics Inc.**  
**Notes to the Separate Financial Statements**  
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iii) Significant capital transactions and others with related parties

(in millions of Korean won)

Classification	Name	2022						
		Dividend income	Dividend paid	Cash distribution	Financing loan transactions		Financing borrowing transactions <sup>1</sup>	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Company	LG Corp.	-	46,830	-	-	-	27,941	27,747
Subsidiaries	LG Innotek Co., Ltd.	28,960	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	1,646	-	-	-	-
	LG Electronics Fund II LLC	-	-	9,545	-	-	-	-
	LG Electronics RUS, LLC	156,663	-	-	-	-	-	-
	LG Magna e-Powertrain Co., Ltd.	-	-	-	-	-	4,867	5,770
	LG Electronics (Tianjin) Appliances Co., Ltd.	19,942	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	53,894	-	-	-	-	-	-
	Taizhou LG Electronics Refrigeration Co., Ltd.	43,388	-	-	-	-	-	-
	LG Electronics Vietnam Hai Phong Co., Ltd	158,598	-	-	-	-	-	-
	LG Electronics Mlawa Sp. z.O.O.	57,226	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	24,252	-	-	-	-	-	-
	NanJing LG Panda Appliances Co., Ltd.	18,574	-	-	-	-	-	-
	LG Electronics (Thailand) Company Limited	34,104	-	-	-	-	-	-
	LG Electronics (Huizhou) Inc.	5,650	-	-	-	-	-	-
	LG ELECTRONICS AUSTRALIA PTY LIMITED	26,757	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	266,948	266,948
	LG Electronics Japan, Inc.	13,578	-	-	-	-	-	-
	LG Electronics Saudi Arabia LLC	-	-	12,874	-	-	-	-
	APPLEMANGO CO.,LTD	-	-	21,840	-	-	-	-
	PT.LGE Indonesia Research and Development Center	-	-	27,802	-	-	-	-
	<b>Subtotal</b>	<b>641,586</b>	<b>-</b>	<b>73,707</b>	<b>-</b>	<b>-</b>	<b>271,815</b>	<b>272,718</b>
Associates	LG Display Co., Ltd. and its subsidiaries	88,156	-	-	-	-	-	-
	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Rinse, Inc.	-	-	11,154	-	-	-	-

**LG Electronics Inc.**  
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(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution	2022			
					Financing loan transactions		Financing borrowing transactions <sup>1</sup>	
					Loans	Collections	Borrowings	Repayments
	Mirae Asset-LG Electronics New Growth Fund I	2,362	-	18,023	-	-	-	-
	<b>Subtotal</b>	<b>98,768</b>	<b>-</b>	<b>29,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Joint ventures	LG-LHT Aircraft Solutions GmbH	-	-	11,359	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	12,290	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY FITNESSCANDY CO.,LTD	-	-	341	-	-	-	-
	<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>25,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other related parties	LG CNS Co., Ltd. and its subsidiaries	-	-	-	-	-	204	83
	D&O Corp. and its subsidiaries	-	-	-	-	-	3,219	409
	<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,423</b>	<b>492</b>
<b>Total</b>		<b>740,354</b>	<b>46,830</b>	<b>128,557</b>	<b>-</b>	<b>-</b>	<b>303,179</b>	<b>300,957</b>

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2021			
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments <sup>1</sup>
Significantly influencing the Company	LG Corp	-	66,113	-	-	-	27,819	27,633
Subsidiaries	LG Innotek Co., Ltd.	6,757	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	9,573	-	-	-	-
	LG Electronics RUS, LLC	71,324	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd	40,650	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	23,328	-	(16,871)	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	19,384	-	(6,908)	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	18,407	-	-	-	-	-	-
	NanJing LG Panda Appliances Co., Ltd.	8,058	-	-	-	-	-	-
	LG Electronics (Huizhou) Inc.	4,788	-	-	-	-	-	-
	LG Electronics (Thailand) Company Limited	37,690	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	-	199,817
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	-	-	176,505	-	-	-	-
	LG Magna e-Powertrain Co. ,Ltd.	-	-	-	-	-	6,731	947



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Classification	Name	2021						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments <sup>1</sup>
	LG ELECTRONICS INDIA PRIVATE LIMITED	352,057	-	-	-	-	-	-
	Taizhou LG Electronics Refrigeration Co., Ltd.	83,534	-	-	-	-	-	-
	LG Electronics (Tianjin) Appliances Co., Ltd.	12,839	-	-	-	-	-	-
	LG Electronics Mlawa Sp. z.O.O.	47,251	-	-	-	-	-	-
	LG ELECTRONICS AUSTRALIA PTY LIMITED	34,398	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	27,338	-	-	-	-	-	-
	LG Electronics Nanjing Battery Pack Co.,Ltd.	-	-	58,405	-	-	-	-
	<b>Subtotal</b>	<b>787,803</b>	<b>-</b>	<b>220,704</b>	<b>-</b>	<b>-</b>	<b>6,731</b>	<b>200,764</b>
Associates	Ericsson-LG Co., Ltd.	5,250	-	-	-	-	-	-
Joint ventures	LG-LHT Aircraft Solutions GmbH	-	-	10,946	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	9,891	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	-	-	303	-	-	-	-
	<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>21,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>793,053</b>	<b>66,113</b>	<b>241,844</b>	<b>-</b>	<b>-</b>	<b>34,550</b>	<b>228,397</b>

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

(b) The compensation paid or payable to key management personnel for the years ended December 31, 2022 and 2021, consist of:

(in millions of Korean won)	2022	2021
Salaries and other short-term benefits	12,526	13,707
Post-employment benefits	1,547	1,879
Other long-term benefits	2	44
<b>Total</b>	<b>14,075</b>	<b>15,630</b>

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

(c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 35.

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

(e) The Company has not recognized any bad debt expense or allowance for receivables from

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related parties at the end of the reporting period.

- (f) The Company transferred CEM (Chemical Electronic Material) business to LG Chem, Ltd. on November 1, 2021 (Note 34).

### **38. Risk Management**

#### **38.1 Financial Risk Management**

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

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

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

The carrying amount, and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 4 and Note 15, respectively.

- (a) Market risk

- i) Foreign exchange risk

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

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

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

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As at December 31, 2022 and 2021, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while holding other variables constant, the impact on profit (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD/KRW	2,095	(2,095)	(5,592)	5,592
EUR/KRW	(18,368)	18,368	2,443	(2,443)

ii) Interest rate risk

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

The Company minimizes its borrowings from others and optimizes its deposits. The Company periodically monitors both domestic and foreign interest rate trends to establish countermeasures against changes in interest rates.

If interest rates fluctuate by 1%p with all other variables held constant, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>1%p increase</b>	<b>1%p decrease</b>	<b>1%p increase</b>	<b>1%p decrease</b>
Interest income	19,415	(19,415)	20,122	(20,122)
Interest expense	3,113	(3,113)	3,230	(3,230)

iii) Details of derivative contracts are as follows:

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

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Details of hedging instruments are as follows:

	Contractor	Contracted amount (in millions)	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount (in millions of Korean won)	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 644	1,067.9 ~ 1,309	1.88~ 4.26	2017. 10. 23 ~ 2022. 12. 7	2025. 4. 23 ~ 2031. 7. 28	112,688	4,184
	Citi Bank	EUR 95	1,312	3.84	2022.7.15	2028.1.14	-	2,173
	DBS	SGD 140	859.3	1.21	2020. 7. 9	2024. 1. 9	17,093	-
Interest rate swap	Woori Bank and others	KRW 971,607 EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2022. 11. 16	2023. 2. 24 ~ 2032. 11. 16	29,369	806

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings (Note 15).

Details of hedged items are as follows:

(in millions of Korean won)	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	1,075,921	(63,061)
Interest rate swap	Borrowings	1,106,645	(34,344)

The results of hedge accounting are as follows:

(in millions of Korean won)	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	63,061	Interest expense and exchange differences	(31,215)	31,846	27,665
Interest rate swap	34,344	Interest expense	4,588	38,932	21,145

*Trading purposes*

Currency forward contracts

The Company entered into the currency forward contracts to manage the risk against possible future changes in foreign exchange rates. The Company's currency forward contracts as at December 31, 2022, and related profit or loss for the year ended December 31, 2022, are as follows:

(in millions of Korean won)	Purchase	Sale	Gain (Loss) on valuation	Gain (Loss) on transaction
Currency forward	25,647	25,638	(79)	(24,464)

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Stock purchase contracts

According to the put options granted to Cybellum Technologies Ltd.'s shareholders and employees to whom stock options were granted, the Company recognized ₩24,506 million of derivative liabilities and ₩902 million of loss on derivatives transaction during the year ended December 31, 2022.

iv) Hedging relationship affected by interest rate benchmark reform

The book amount of hedged item and hedging instrument related to the Company's interest rate benchmark reform as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Book amount as at December 31, 2022		Subject to transition to alternative benchmark rate	
	Hedged item	Hedging instrument	Hedged item	Hedging instrument
USD LIBOR				
Long-term borrowings	675,975	-	675,975	-
Derivative financial assets (liabilities)	-	119,994	-	119,994

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

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

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

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

v) Price risk

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

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

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

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and the listed securities owned by the Company have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	December 31, 2022		December 31, 2021	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	4,277	(4,277)	6,789	(6,789)
NASDAQ	456	(456)	1,957	(1,957)
NYSE	1,679	(1,679)	3,343	(3,343)

The valuation and changes in book amounts of the financial assets at fair value through other comprehensive income related to the market risk above are presented in Note 7.

(b) Credit risk

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

In regard to receivables, the Company operates an integrated receivable insurance program with the Korea Trade Insurance Corporation (K-SURE) and Seoul Guarantee Insurance Company (Coface). To minimize receivable credit risk, the Company applies the credit rating of the counterparty rated by insurers, when determining the insurance coverage. In addition, the Company performs stringent credit risk managements based on credit valuation criteria for receivables without insurance coverage or collateral.

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

<i>(in millions of Korean won)</i>	December 31, 2022	December 31, 2021
<b>Trade receivables with insurance or collateral</b>		
Excellent	83,189	92,589
Good	41,087	62,369
Fair	152,077	149,012
Poor <sup>1</sup>	58,637	4,882
<b>Subtotal</b>	<b>334,990</b>	<b>308,852</b>
<b>Trade receivables without insurance or collateral</b>		
Tier 1	2,938,795	3,751,463
Tier 2	136,500	151,517
Tier 3	180,175	198,489
<b>Subtotal</b>	<b>3,255,470</b>	<b>4,101,469</b>
<b>Total</b>	<b>3,590,460</b>	<b>4,410,321</b>

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

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

<b>Category</b>	<b>Coface</b>	<b>K-SURE</b>
Excellent	8~10	A~B
Good	7	C
Fair	3~6	D~E
Poor	0~2	F~R

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

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

- Tier 1 – National or local government, domestic credit rating agency AA- ~ AAA+, including related parties such as subsidiaries, associates, and others
- Tier 2 – Debtors with domestic credit rating other than Tier 1
- Tier 3 – Small debtors without credit history

The credit rating of financial institutions which hold the Company's cash equivalents and deposits held by financial institutions as at December 31, 2022 and 2021, is as follows:

<b>Category</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Excellent	2,112,978	2,159,298
Good	-	-
<b>Total</b>	<b>2,112,978</b>	<b>2,159,298</b>

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

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

(c) Liquidity risk

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

The Company maintains adequate amount of cash and committed credit facilities in Kookmin Bank, Shinhan Bank and Standard Chartered Bank to cope with potential liquidity risk arising from financial distress.

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

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- i) Cash flow information on maturity of financial liabilities as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Trade payables	5,428,176	5,428,176	-	-	-
Borrowings	8,550,715	1,287,040	1,091,676	2,881,882	3,290,117
Lease liabilities	123,819	69,606	20,214	23,394	10,605
Other payables	2,062,772	2,055,049	200	7,523	-
Other financial liabilities	24,642	135	-	22,056	2,451
<b>Total</b>	<b>16,190,124</b>	<b>8,840,006</b>	<b>1,112,090</b>	<b>2,934,855</b>	<b>3,303,173</b>

The above cash flows are calculated at nominal value based on the earliest maturity dates, and include cash flows of principal and interests. The Company's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩135 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings. The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts	3,931,483	3,193,557	135,549	304,561	297,816

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

### **38.2 Capital Risk Management**

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

Liability to equity ratio and net borrowing ratio as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Liability (A)	18,823,785	20,703,269
Equity (B)	9,889,029	8,890,255
Cash and cash equivalents (C)	1,941,615	2,012,229
Borrowings and lease liabilities (D)	7,662,539	7,742,881
Liability to equity ratio (A/B)	190.4%	232.9%
Net borrowings ratio ((D-C)/B)	57.9%	64.5%



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**38.3 Fair Value Estimation**

(a) The book amounts and fair values of the Company's financial assets and liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	285	285	94,866	94,866
Financial assets at fair value through other comprehensive income				
Trade receivables	290,274	1	-	-
Other financial assets	-	-	61,531	61,531
Derivatives for hedging purposes				
Other financial assets	555	555	158,595	158,595
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	1,941,615	1	-	-
Deposits held by financial institutions	170,969	1	490	490
Trade receivables	3,655,793	1	-	-
Other receivables	495,175	1	163,543	149,780
<b>Other assets</b>				
Trade payables	25,550	1	138,712	138,712
<b>Total</b>	<b>6,580,216</b>		<b>617,737</b>	

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>			
	<b>Current</b>		<b>Non-current</b>	
	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
<b>Liabilities at fair value</b>				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	135	135	24,506	24,506
Derivatives for hedging purposes				
Other financial liabilities	-	-	7,163	7,163
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	5,428,176	1	-	-
Borrowings	1,073,908	1	6,472,122	5,638,608
Other payables	2,055,049	1	7,723	5,955
<b>Other liabilities</b>				
Lease liabilities	65,979	2	50,530	2
Other financial liabilities	6,446	3	4,689	3
<b>Total</b>	<b>8,629,693</b>		<b>6,566,733</b>	

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<i>(in millions of Korean won)</i>	December 31, 2021			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss				
Other financial assets	100	100	72,285	72,285
Financial assets at fair value through other comprehensive income				
Trade receivables	284,333	1	-	-
Other financial assets	-	-	76,535	76,535
Derivatives for hedging purposes				
Other financial assets	9,647	9,647	28,936	28,936
<b>Assets at amortized cost</b>				
Financial assets at amortized cost				
Cash and cash equivalents	2,012,229	1	-	-
Deposits held by financial institutions	146,388	1	730	730
Trade receivables	4,728,290	1	-	-
Other receivables	415,331	1	180,481	178,848
<b>Other assets</b>				
Trade receivables	3,759	1	22,040	22,040
<b>Total</b>	<b>7,600,077</b>		<b>381,007</b>	

<i>(in millions of Korean won)</i>	December 31, 2021			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
<b>Liabilities at fair value</b>				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	946	946	23,604	23,604
Derivatives for hedging purposes				
Other financial liabilities	-	-	27,411	27,411
<b>Liabilities at amortized cost</b>				
Financial liabilities at amortized cost				
Trade payables	5,638,618	1	-	-
Borrowings	1,116,637	1	6,506,624	6,531,699
Other payables	1,936,752	1	100	98
<b>Other liabilities</b>				
Lease liabilities	73,297	2	46,323	2
Other financial liabilities	6,099	3	5,603	3
<b>Total</b>	<b>8,772,349</b>		<b>6,609,665</b>	

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

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

<sup>3</sup> Measured at the higher of the amount of the loss allowance determined in accordance with Korean

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IFRS 1109 *Financial Instruments* and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*, and excluded from disclosure as there is no significant difference between the book amount and its fair value.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses various valuation techniques that the Company develops or figures that external valuation agencies provide, and makes judgements based on current market conditions. These valuation techniques maximize the use of observable market

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data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.

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

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income	18,271	-	43,260	61,531
Financial assets at fair value through profit or loss	-	285	94,866	95,151
Derivatives for hedging purposes	-	159,150	-	159,150
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	24,641	-	24,641
Derivatives for hedging purposes	-	7,163	-	7,163
<b>December 31, 2021</b>				
<i>(in millions of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through other comprehensive income	48,150	-	28,385	76,535
Financial assets at fair value through profit or loss	-	100	72,285	72,385
Derivatives for hedging purposes	-	38,583	-	38,583
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	24,550	-	24,550
Derivatives for hedging purposes	-	27,411	-	27,411

The above fair value amounts are recurring fair value measurements.

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

Valuation technique and inputs for fair value measurements categorized within 'level 2' as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2022	December 31, 2021		
<b>Assets</b>				
Other financial assets				
Financial assets at fair value through profit or loss	285	100	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	159,150	38,583	Discounted cash flow	Discount rate and exchange rate

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2022	December 31, 2021		
<b>Liabilities</b>				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	135	946	Discounted cash flow	Discount rate and exchange rate
Financial liabilities at fair value through profit or loss	24,506	23,604	Binomial model	Share price and volatility
Derivatives for hedging purposes	7,163	27,411	Discounted cash flow	Discount rate and exchange rate

- Valuation technique and inputs of fair value measurements categorized within 'level 3'

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

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

Financial instruments not measured at fair value but for which the fair value is disclosed as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	490	490
Non-current other receivables	-	-	149,780	149,780
Non-current trade receivables	-	-	138,712	138,712
<b>Liabilities</b>				
Non-current borrowings	-	-	5,638,608	5,638,608
Non-current other payables	-	-	5,955	5,955
<i>(in millions of Korean won)</i>	<b>December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Non-current deposits held by financial institutions	-	-	730	730
Non-current other receivables	-	-	178,848	178,848
Non-current trade receivables	-	-	22,040	22,040
<b>Liabilities</b>				
Non-current borrowings	-	-	6,531,699	6,531,699
Non-current other payables	-	-	98	98

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

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

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

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2022		December 31, 2021		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Book amount	Fair value	Book amount	Fair value				
<b>Assets</b>								
Non-current deposits held by financial institutions	490	490	730	730	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	163,543	149,780	180,481	178,848	Discounted cash flow	Discount rate and exchange rate	Discount rate	4.9%~5.4%
Non-current trade receivables	138,712	138,712	22,040	22,040	Discounted cash flow	Discount rate	Discount rate	4.2%~5.9%
<b>Liabilities</b>								
Non-current borrowings	6,472,122	5,638,608	6,506,624	6,531,699	Discounted cash flow	Discount rate and exchange rate	Discount rate	5.0%~6.1%
Non-current other payables	7,723	5,955	100	98	Discounted cash flow	Discount rate	Discount rate	5.0%~5.3%

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

(a) Details of assets classified as held for sale as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2022	December 31, 2021
Assets classified as held for sale		
Land	-	32,255
Building	-	48,730
Machinery	-	3,464
Structures	-	-
Other property, plant and equipment	-	339
<b>Total</b>	<b>-</b>	<b>84,788</b>

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

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**40. Discontinued Operation**

In 2022 and 2021, the Company discontinued the operations of energy business and MC business, respectively, in order to focus on the Company's core business through firmwide resource efficiency and to secure financial resources for preparing new business for future growth by improving its financial structure.

Profit and loss from discontinued operation for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Net sales	160,295	1,664,566
Operating profit (loss)	(229,626)	(1,437,030)
Profit (Loss) before income tax <sup>1</sup>	(226,261)	(1,910,710)
Income tax expense (benefit) <sup>1</sup>	(57,854)	(515,891)
Profit (Loss) for the year, net of tax	(168,407)	(1,394,819)

<sup>1</sup> It includes an impairment loss and gain on disposal of property, plant and equipment, intangible assets and other amounting to ₩7,656 million due to discontinued operations of MC business and energy business, and income tax expenses of ₩1,958 million for the related profit or loss during the year ended December 31, 2022.

Cash flows from discontinued operations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Net cash inflow (outflow) from operating activities	(320,010)	(1,484,806)
Net cash inflow (outflow) from investing activities	445,561	41,522
Net cash inflow (outflow) from financing activities	(125,551)	1,443,284



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**41. Split-off**

- (a) The Company split off the business related to the electric vehicle parts on July 1, 2021. On July 28, 2021, the Company sold 49% of shares of LG Magna e-Powertrain Co.,Ltd., a newly established company, to Magna Metalforming GmbH in Austria, an affiliate of Magna International Inc. in Canada. The progress of split-off is as follows:

Type of restructuring	Split-off
Subject companies	LG Electronics Inc. (Existing company) LG Magna e-Powertrain Co., Ltd. (Newly established company)
Approval from shareholders	March 24, 2021
Date of split-off	July 1, 2021

The Company determined the acquisition cost of investments in subsidiaries based on the carrying amount of net assets decreased due to the split-off. The carrying amount of net assets transferred due to the split-off and the acquisition cost of investments in subsidiaries are as follows.

<i>(in millions of Korean won)</i>	<b>Amount</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	91,500
Trade receivables and other receivables	117,000
Inventories	76,152
Other current assets	6,456
	<u>291,108</u>
Non-current assets	
Non-current trade receivables and other receivables	10,022
Investments in subsidiaries	20,385
Property, plant and equipment	516,685
Intangible assets	53,882
Other non-current assets	1,335
	<u>602,309</u>
Total assets	<u>893,417</u>
<b>Liabilities</b>	
Current liabilities	
Trade payables and other current payables	76,684
Other current liabilities	50,914
	<u>127,598</u>
Non-current liabilities	3,739
Total liabilities	<u>131,337</u>
<b>Transferred net assets (Investments in subsidiaries)</b>	<u>762,080</u>

**LG Electronics Inc.**  
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**42. Approval of the Separate Financial Statements**

The separate financial statements of the Company was approved by the Board of Directors on January 26, 2023, and final approval is expected at the regular general meeting of shareholders to be held on March 27, 2023.

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

(English Translation of a Report Originally Issued in Korean)

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

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

We have audited LG Electronics Inc.'s (the "Company") Internal Control over Financial Reporting as at December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2022, and the separate statement of profit or loss, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 17, 2023 expressed an unqualified opinion.

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

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

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

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sang-Woo Nam, Certified Public Accountant.

Seoul, Korea

March 17, 2023

This report is effective as at March 17, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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

(English Translation of a Report Originally Issued in Korean)

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

We, as the Representative Director and the Internal Control over Financial Reporting Officer of LG Electronics Inc. (the "Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting ("ICFR") for the year ended December 31, 2022.

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

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2022, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

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

January 26, 2023

Bae, Doo Yong  
Representative Director

Lee, Hong-Su  
Internal Control over Financial Reporting Officer