

LG Electronics Inc.

Separate Financial Statements

December 31, 2021 and 2020

LG Electronics Inc.

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December 31, 2021 and 2020

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying separate financial statements of LG Electronics Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 15, 2022 expressed an unqualified opinion.

Basis for Opinion

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

Key Audit Matters

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

(a) Impairment of investments in subsidiaries

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

The Company held 70% of shares of ZKW Holding GmbH and its related entity (hereinafter referred to as "ZKW"), which was classified as a subsidiary. As at December 31, 2021, the book amount of the ZKW shares was ₩385,122 million after deducting the impairment loss of ₩528,719 million for the current period.

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

How our audit addressed the Key Audit Matter

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

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

(b) Discontinued operations of MC business

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

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

How our audit addressed the Key Audit Matter

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

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

(c) Provisions for GM recall

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

The Company recognized the amount of ₩714,722 million 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 expenses for the year ended December 31, 2021. We considered that the provisions for GM recall was a key audit matter given the amount is material to the separate financial statements and the level of management's judgments involved in the estimation are significant.

How our audit addressed the Key Audit Matter

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

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

- Performing review for determination of significant assumptions used in measurement of provisions and detailed calculations

Emphasis of Matter

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

Other Matter

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Seoul, Korea
March 15, 2022

<p>This report is effective as at March 15, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying 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.</p>

LG Electronics Inc.

Separate Statements of Financial Position

December 31, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4,5,37	2,012,229	1,916,739
Deposits held by financial institutions	4,5,37	146,388	80,000
Trade receivables	4,6,37	5,016,382	4,995,299
Other receivables	4,6,37	415,331	425,809
Other financial assets	4,7,37	9,747	1,750
Inventories	8	1,649,010	1,594,084
Current tax assets		4,115	1,023
Contract assets	9	318,367	388,350
Other current assets	10	956,849	253,343
Assets held for sale	38	84,788	13,346
		<u>10,613,206</u>	<u>9,669,743</u>
Non-current assets			
Deposits held by financial institutions	4,5,37	730	1,371
Trade receivables	4,6,37	22,040	-
Other receivables	4,6,37	180,481	191,172
Other financial assets	4,7,37	177,756	94,404
Property, plant and equipment	11	6,424,785	7,318,557
Intangible assets	12	1,758,718	2,053,815
Deferred tax assets	17	1,343,719	1,151,324
Investments in subsidiaries, associates and joint ventures	13	8,914,917	8,881,286
Contract assets	9	80,222	38,976
Other non-current assets	10	76,950	299,339
		<u>18,980,318</u>	<u>20,030,244</u>
		<u>29,593,524</u>	<u>29,699,987</u>
Total assets			
Liabilities			
Current liabilities			
Trade payables	4,37	5,638,618	6,290,494
Borrowings	4,14,37	1,116,637	1,013,345
Lease liabilities	4,15,37	73,297	68,346
Other payables	4,16,37	1,936,752	1,999,555
Other financial liabilities	4,7,37	7,045	6,215
Current tax liabilities		34,764	39,003
Provisions	19	2,167,462	588,011
Contract liabilities	9	474,065	396,313
Other current liabilities	20	2,209,208	1,700,061
		<u>13,657,848</u>	<u>12,101,343</u>
Non-current liabilities			
Borrowings	4,14,37	6,506,624	6,811,353
Lease liabilities	4,15,37	46,323	53,524
Other payables	4,16,37	100	200
Other financial liabilities	4,7,37	56,618	125,250
Net defined benefit liabilities	18	99,911	401,900
Provisions	19	184,922	138,852
Contract liabilities	9	5,747	3,554
Other non-current liabilities	20	145,176	142,278
		<u>7,045,421</u>	<u>7,676,911</u>
		<u>20,703,269</u>	<u>19,778,254</u>
Total liabilities			
Equity			
Paid-in capital:	21		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	22	4,940,122	6,018,118
Accumulated other comprehensive loss	23	(9,396)	(55,914)
Other components of equity	24	(32,819)	(32,819)
		<u>8,890,255</u>	<u>9,921,733</u>
Total equity		<u>8,890,255</u>	<u>9,921,733</u>
Total liabilities and equity		<u>29,593,524</u>	<u>29,699,987</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, 2021 and 2020

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2021	2020
Continuing operations			
Net sales	25	27,778,047	24,735,750
Cost of sales	26	<u>20,336,781</u>	<u>18,066,891</u>
Gross profit		7,441,266	6,668,859
Selling and marketing expenses	26,27	3,473,913	2,779,458
Administrative expenses	26,27	533,808	476,328
Research and development expenses	26,27	1,546,940	1,381,593
Service costs	26,27	<u>1,440,179</u>	<u>737,135</u>
Operating profit		446,426	1,294,345
Financial income	28	291,941	178,390
Financial expenses	29	394,665	409,124
Other non-operating income	30	2,050,894	1,939,197
Other non-operating expenses	31	<u>1,761,452</u>	<u>1,136,577</u>
Profit before income tax		633,144	1,866,231
Income tax expense	17	<u>355,070</u>	<u>235,363</u>
Profit(Loss) from continuing operations		<u>278,074</u>	<u>1,630,868</u>
Discontinued operations	39		
Profit(Loss) from discontinued operations		<u>(1,191,612)</u>	<u>(419,319)</u>
Profit (loss) for the year		<u>(913,538)</u>	<u>1,211,549</u>
Earnings (loss) per share during the year <i>(in Korean won)</i>			
	32		
Earnings (loss) per ordinary share		(5,078)	6,724
From continuing operations		1,540	9,052
From discontinued operations		(6,618)	(2,328)
Earnings (loss) per preferred share		(5,028)	6,774
From continuing operations		1,590	9,102
From discontinued operations		(6,618)	(2,328)

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, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	2021	2020
Profit (loss) for the year		<u>(913,538)</u>	<u>1,211,549</u>
Other comprehensive income (loss), net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of the net defined benefit liability	18	52,480	(63,627)
Financial assets at fair value through other comprehensive income	7	(4,541)	16,365
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Cash flow hedges	37	<u>51,059</u>	<u>25</u>
Other comprehensive income (loss) for the year, net of tax		<u>98,998</u>	<u>(47,237)</u>
Total comprehensive income (loss) for the year, net of tax		<u>(814,540)</u>	<u>1,164,312</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, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other Components of Equity	Total
Balance at January 1, 2020		3,992,348	5,006,105	(72,304)	(32,819)	8,893,330
Total comprehensive income:						
Profit(Loss) for the year		-	1,211,549	-	-	1,211,549
Remeasurements of the net defined benefit liability	18	-	(63,627)	-	-	(63,627)
Financial assets at fair value through other comprehensive income	7	-	-	16,365	-	16,365
Cash flow hedges	37	-	-	25	-	25
Total comprehensive income(loss)		<u>-</u>	<u>1,147,922</u>	<u>16,390</u>	<u>-</u>	<u>1,164,312</u>
Transactions with owners:						
Dividends	22	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at December 31, 2020		<u>3,992,348</u>	<u>6,018,118</u>	<u>(55,914)</u>	<u>(32,819)</u>	<u>9,921,733</u>
Balance at January 1, 2021		3,992,348	6,018,118	(55,914)	(32,819)	9,921,733
Total comprehensive income (loss):						
Loss for the year		-	(913,538)	-	-	(913,538)
Remeasurements of the net defined benefit liability	18	-	52,480	-	-	52,480
Financial assets at fair value through other comprehensive income	7	-	-	(4,541)	-	(4,541)
Cash flow hedges	37	-	-	51,059	-	51,059
Total comprehensive income(loss)		<u>-</u>	<u>(861,058)</u>	<u>46,518</u>	<u>-</u>	<u>(814,540)</u>
Transactions with owners:						
Dividends	22	-	(216,938)	-	-	(216,938)
Total transactions with owners		<u>-</u>	<u>(216,938)</u>	<u>-</u>	<u>-</u>	<u>(216,938)</u>
Balance at December 31, 2021		<u>3,992,348</u>	<u>4,940,122</u>	<u>(9,396)</u>	<u>(32,819)</u>	<u>8,890,255</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, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	33	578,295	2,107,031
Interest received		10,597	8,413
Interest paid		(223,076)	(249,199)
Dividends received		823,929	493,754
Income tax paid		(153,275)	(136,658)
Net cash inflow from operating activities		<u>1,036,470</u>	<u>2,223,341</u>
Cash flows from investing activities			
Decrease in deposits held by financial institutions		641	118
Decrease in other receivables		51,801	56,926
Proceeds from redemption and disposal of other financial assets		15,799	4,288
Proceeds from disposal of property, plant and equipment		98,716	37,261
Proceeds from disposal of intangible assets		5,706	25,454
Proceeds from withdrawal and disposal of investments in subsidiaries, associates and joint ventures		638,591	805,674
Proceeds from disposal of assets held for sale		13,648	-
Transfer of business	33	440,494	(1,968)
Increase in deposits held by financial institutions		-	(14,500)
Increase in other receivables		(62,852)	(73,174)
Acquisition of other financial assets		(53,257)	(16,495)
Acquisition of property, plant and equipment		(518,473)	(776,399)
Acquisition of intangible assets		(477,036)	(650,812)
Acquisition of investments in subsidiaries, associates and joint ventures		(447,069)	(36,300)
Split-off	40	(91,500)	-
Net cash outflow from investing activities		<u>(384,791)</u>	<u>(639,927)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,049,359	877,688
Repayments of borrowings		(1,312,065)	(1,251,101)
Repayments of lease liabilities		(75,579)	(74,588)
Dividends paid	22	(216,938)	(135,909)
Net cash outflow from financing activities		<u>(555,223)</u>	<u>(583,910)</u>
Effects of exchange rate changes on cash and cash equivalents	5	(966)	(1,560)
Net increase in cash and cash equivalents	5	95,490	997,944
Cash and cash equivalents at the beginning of the year		1,916,739	918,795
Cash and cash equivalents at the end of the year		<u>2,012,229</u>	<u>1,916,739</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, 2021 and 2020

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, 2021, 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, solar panels and others. As at December 31, 2021, 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, 2021 and 2020

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, 2021

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

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

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

Financial instruments at amortized cost

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

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

Hedging relationships

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

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

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

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

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

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

(c) amending the description of the hedging instruments

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

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

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

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

LG Electronics Inc.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

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

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

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

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

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

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

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023. 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 IASB amended IFRS Practice Statement 2 Disclosure of Accounting Policies to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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

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

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- Annual improvements to Korean IFRS 2018-2020

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

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

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.

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

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

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 additional completion cost and required selling expenses.

Assets Held for Sale and Discontinued Operations

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

When a component of discontinued operations or a component of the 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 34) when;

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

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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 2020), 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 and joint ventures. 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.

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

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

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

(a) Revenue Recognition

The Company recognizes revenue over time using the percentage of completion method for the rendering of service such as equipment production and installation. The Company measures the percentage of completion by estimating 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 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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	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
Total	7,483,449	360,868	72,385	64,382	7,981,084

<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
Total	15,198,731	24,550	158,733	15,382,014

<i>(in millions of Korean won)</i>	December 31, 2020				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	1,916,739	-	-	-	1,916,739
Deposits held by financial institutions	81,371	-	-	-	81,371
Trade receivables	4,920,364	74,935	-	-	4,995,299
Other receivables	616,981	-	-	-	616,981
Other financial assets	-	64,850	29,554	1,750	96,154
Total	7,535,455	139,785	29,554	1,750	7,706,544

<i>(in millions of Korean won)</i>	December 31, 2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	6,290,494	-	-	6,290,494
Borrowings	7,824,698	-	-	7,824,698
Lease liabilities	-	-	121,870	121,870
Other payables	1,999,755	-	-	1,999,755
Other financial liabilities	-	-	131,465	131,465
Total	16,114,947	-	253,335	16,368,282

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

<i>(in millions of Korean won)</i>	2021				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	18,712	-	-	-	18,712
Exchange differences	337,717	-	-	-	337,717
Reversal of bad debts expense	28,995	-	-	-	28,995
Loss on disposal of trade receivables	-	(1,310)	-	-	(1,310)
Dividend income	-	189	3,373	-	3,562
Gain(Loss) on valuation at fair value through profit or loss	-	-	31,785	-	31,785
Gain(Loss) from discontinued operations	20,208	-	-	-	20,208
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>	2021			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expense	(143,688)	-	(33,698)	(177,386)
Exchange differences	(438,132)	-	58,898	(379,234)
Gain(Loss) on derivative instruments (through profit or loss)	-	(6,846)	-	(6,846)
Gain(Loss) from discontinued operations	(90,654)	-	(79)	(90,733)
Gain(Loss) on derivatives, net of tax (through other comprehensive income)	-	-	30,259	30,259
Others	-	-	(34)	(34)

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<i>(in millions of Korean won)</i>	2020				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	11,847	-	-	-	11,847
Exchange differences	(317,011)	-	-	-	(317,011)
Bad debts expense	(4,492)	-	-	-	(4,492)
Loss on disposal of trade receivables	(1,959)	(473)	-	-	(2,432)
Dividend income	-	151	3,472	-	3,623
Gain(Loss) from discontinued operations	(80,151)	-	-	-	(80,151)
Fair value gain(loss), net of tax (through other comprehensive income)	-	16,365	-	-	16,365
Gain(Loss) on derivatives, net of tax (through other comprehensive income)	-	-	-	963	963
Others	(3,907)	-	-	-	(3,907)

<i>(in millions of Korean won)</i>	2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expense	(113,632)	-	(28,676)	(142,308)
Exchange differences	243,209	-	(41,145)	202,064
Gain(Loss) from discontinued operations	(25,960)	-	(190)	(26,150)
Gain(Loss) on derivatives, net of tax (through other comprehensive income)	-	-	(938)	(938)
Others	-	-	(2,512)	(2,512)

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

		2021					
		Recognized financial instrument	Recognized financial instrument offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
<i>(in millions of Korean won)</i>					Financial instruments	Cash collateral	
Financial assets							
	Trade receivables	96,549	(96,549)	-	-	-	-
Financial liabilities							
	Trade payables	276,463	(96,549)	179,914	-	-	179,914
		2020					
		Recognized financial instrument	Recognized financial instrument offset	Net amounts presented in the statement of financial position	Amounts not offset		Net amount
<i>(in millions of Korean won)</i>					Financial instruments	Cash collateral	
Financial assets							
	Trade receivables	90,608	(90,608)	-	-	-	-
Financial liabilities							
	Trade payables	280,735	(90,608)	190,127	-	-	190,127

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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>	December 31, 2021	December 31, 2020
Cash on hand	49	49
Bank deposits ¹	2,012,180	1,916,690
Total	2,012,229	1,916,739

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

(b) Deposits held by financial institutions

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Current		
Fund for business cooperation	80,000	80,000
Deposits related to disposal of investments in subsidiaries	66,388	-
Subtotal	146,388	80,000
Non-current		
Deposit for checking account	33	33
National project	697	1,338
Subtotal	730	1,371
Total	147,118	81,371

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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, 2021 and 2020, are as follows:

(in millions of Korean won)

	December 31, 2021			December 31, 2020		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,052,038	(35,656)	5,016,382	5,060,475	(65,176)	4,995,299
Non-current trade receivables	22,040	-	22,040	-	-	-
Other receivables						
Current	424,639	(9,308)	415,331	437,901	(12,092)	425,809
Non-current	180,493	(12)	180,481	191,183	(11)	191,172

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

(in millions of Korean won)

	December 31, 2021	December 31, 2020
Current		
Loans	10,075	9,967
Non-trade receivables	251,684	256,160
Accrued income	58,206	72,772
Deposits	95,366	86,910
Subtotal	415,331	425,809
Non-current		
Loans	116,210	110,342
Deposits	64,271	80,830
Subtotal	180,481	191,172
Total	595,812	616,981

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

(in millions of Korean won)

	December 31, 2021				
	Trade receivables	Non-current trade receivables	Other receivables		Total
			Current	Non-current	
Receivables not past due	4,388,281	22,040	351,257	176,635	4,938,213
Past due but not impaired					
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
Subtotal	587,391	-	61,740	3,858	652,989
Impaired	76,366	-	11,642	-	88,008
Total	5,052,038	22,040	424,639	180,493	5,679,210

(in millions of Korean won)

	December 31, 2020			
	Trade receivables	Other receivables		Total
		Current	Non-current	
Receivables not past due	4,529,748	339,102	187,852	5,056,702
Past due but not impaired				
Up to 6 months	305,046	7,363	1,468	313,877
7 to 12 months	50,918	21,796	1,863	74,577
Over 1 year	67,936	57,113	-	125,049
Subtotal	423,900	86,272	3,331	513,503
Impaired	106,827	12,527	-	119,354
Total	5,060,475	437,901	191,183	5,689,559

- (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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021			At December 31
	At January 1	Addition (Reversal)	Write-off and other	
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

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

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, 2021. 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 14). Discounted trade receivables as at December 31, 2021 amount to ₩51,577 million and there were no discounted trade receivables as at December 31, 2020.

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7. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Other financial assets		
Derivatives	38,683	1,750
Financial assets at fair value through other comprehensive income	76,535	64,850
Financial assets at fair value through profit or loss	72,285	29,554
Total	187,503	96,154
Current	9,747	1,750
Non-current	177,756	94,404
<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Other financial liabilities		
Derivatives	51,961	118,614
Financial guarantee liability	11,702	12,851
Total	63,663	131,465
Current	7,045	6,215
Non-current	56,618	125,250

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

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	100	946	-	-
Currency swap	9,647	-	1,750	-
Subtotal	9,747	946	1,750	-
Non-current				
Currency swap	28,936	-	-	50,171
Interest rate swap	-	27,411	-	68,443
Put option	-	23,604	-	-
Subtotal	28,936	51,015	-	118,614
Total	38,683	51,961	1,750	118,614

The details of major derivative contracts at the end of the reporting period are presented in Note 37.

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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 carrying amount of financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

	2021					
<i>(in millions of Korean won)</i>	At January 1	Acquisition	Disposals	Transfer	Valuation	At December 31
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
Total	64,850	7,170	(13,883)	24,613	(6,215)	76,535

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

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

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

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

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8. Inventories

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

<i>(in millions of Korean won)</i>	December 31, 2021			December 31, 2020		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	827,273	(26,910)	800,363	876,329	(41,253)	835,076
Work-in-process	52,569	(1,081)	51,488	98,171	(415)	97,756
Raw materials and supplies	695,456	(55,412)	640,044	611,955	(56,325)	555,630
Other	180,823	(23,708)	157,115	126,892	(21,270)	105,622
Total	1,756,121	(107,111)	1,649,010	1,713,347	(119,263)	1,594,084

(b) In continuing operations, the cost of inventories recognized as an expense during the year ended December 31, 2021 amounted to ₩18,930,693 million (2020: ₩16,797,837 million). These were included in 'cost of sales'. Loss on valuation of inventories during the year ended December 31, 2021 amounted to ₩14,280 million (2020: ₩35,692 million). In discontinued operations, the cost of inventories recognized as an expense during the year ended December 31, 2021 amounted to ₩1,015,775 million (2020: ₩2,981,425 million). These were included in 'cost of sales'. Loss on valuation of inventories during the year ended December 31, 2021 amounted to ₩56,650 million (2020: reversal allowance of inventories ₩61,745 million).

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

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9. Contract Assets and Contract Liabilities

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Due from customers	309,509	363,897
(Less: allowance for doubtful accounts)	(4)	(2)
Right to recover returned products	855	667
Costs to fulfill contracts and others	88,229	62,764
Total	398,589	427,326
Current	318,367	388,350
Non-current	80,222	38,976

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Expected promotional incentives for customers	65,932	164,418
Expected returns from customers	3,320	1,005
Customer loyalty program	50,610	30,275
Rendering of warranty services	11,862	15,846
Due to customers and others	348,088	188,323
Total	479,812	399,867
Current	474,065	396,313
Non-current	5,747	3,554

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

<i>(in millions of Korean won)</i>	2021	2020
Revenue recognized that was included in the contract liability amount at the beginning of the year:		
Due to customers and others	162,769	178,133
Customer loyalty program	30,275	25,154
Rendering of warranty services	10,132	8
Total	203,176	203,295
Revenue recognized from performance obligations satisfied in previous year	7,487	2,388

(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 ₩699,978 million, expected to be satisfied by 2023, at the latest. Also, as a practical expedient, it was excluded if the performance obligation was part of a contract that had an original expected duration of one year or less.

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For the year ended December 31, 2021, the Company recognized impairment loss amounting to ₩2 million (2020: a reversal of impairment loss of ₩2,468 million) in relation to due from customers and amortization and others of ₩19,757 million (2020: ₩51,210 million) in relation to costs to fulfill a contract.

10. Other Assets

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Current:		
Advances	30,155	17,289
Prepaid expenses	153,199	168,418
Prepaid value added tax	58,773	67,636
Others ¹	714,722	-
Subtotal	956,849	253,343
Non-current:		
Long-term prepaid expenses	76,950	74,437
Long-term advances	-	224,902
Subtotal	76,950	299,339
Total	1,033,799	552,682

¹ 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, and Intangible Assets

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

<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At December 31, 2021									
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)
Net book amount	2,056,039	2,882,624	85,448	477,809	191,941	85,867	563,518	81,539	6,424,785
At December 31, 2020									
Acquisition cost	2,284,109	4,648,218	227,768	2,641,135	1,897,600	389,353	1,073,401	236,782	13,398,366
Accumulated depreciation	(19)	(1,377,784)	(127,030)	(1,859,862)	(1,665,924)	(309,635)	(434,185)	-	(5,774,439)
Accumulated impairment losses	-	(138,516)	(3,078)	(139,077)	(13,869)	(6,063)	(4,767)	-	(305,370)
Net book amount	2,284,090	3,131,918	97,660	642,196	217,807	73,655	634,449	236,782	7,318,557

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

	2021								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1	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-in (out) ¹	-	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 ^{2,3}	-	(80)	(2,022)	(67,911)	(18,058)	(449)	(13,584)	-	(102,104)
Reclassification to assets available-for-sale	(32,256)	(48,729)	-	(3,465)	-	(338)	-	-	(84,788)
At December 31	2,056,039	2,882,624	85,448	477,809	191,941	85,867	563,518	81,539	6,424,785
	2020								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1	2,293,803	3,200,762	80,757	720,526	239,778	73,904	610,654	111,320	7,331,504
Acquisitions	15	103,515	1,609	77,744	95,058	30,021	243,412	289,023	840,397
Transfer-in (out)	-	33,712	24,021	74,783	29,842	339	864	(163,561)	-
Disposals and others	-	(1,996)	(577)	(18,560)	(13,990)	(574)	(23,537)	-	(59,234)
Depreciation	(5)	(200,523)	(8,077)	(206,529)	(124,773)	(28,387)	(192,284)	-	(760,578)
Impairment losses ¹	-	-	(2)	(5,768)	(8,108)	(1,648)	(4,660)	-	(20,186)
Reclassification to assets available-for-sale	(9,723)	(3,552)	(71)	-	-	-	-	-	(13,346)
At December 31	2,284,090	3,131,918	97,660	642,196	217,807	73,655	634,449	236,782	7,318,557

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¹ The transfer of other property, plant and equipment amounting to ₩160,635 million was made from inventories to rental assets.

² Some of separate cash-generating units under H&A, VS and BS segment were tested for impairment as accumulation of operating losses has been experienced and a future downturn in sales is expected. And impairment loss of ₩68,389 million (H&A: ₩2,311 million, VS: ₩189 million, BS: ₩65,889 million) (2020 : ₩14,971 million) was recognized as 'other non-operating expenses'.

This impairment loss was allocated to machinery, equipment and others of the cash-generating units. The recoverable amount was measured at the higher of fair value less costs of disposal or value in use, and the fair value amount is categorized within 'level 3' of fair value hierarchy (Note 12).

³ Impairment loss on property, plant and equipment from discontinued operations of MC business amounting to ₩18,655 million is included.

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Cost of sales	576,921	584,980
Selling and marketing expenses	37,896	36,642
Administrative expenses	48,772	48,908
Research and development expenses	42,351	43,036
Service costs	16,147	14,864
Other non-operating expenses	8,018	4,939
Subtotal	730,105	733,369
Discontinued operations	15,013	27,209
Total	745,118	760,578

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

	2021								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1	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-in (out)	-	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)
At December 31	-	88,629	193	1,241	1,840	6,415	23,525	-	121,843

	2020								
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery	Tools	Equipment	Other	Construction -in-progress	Total
At January 1	9	84,714	536	166	4,027	3,748	40,333	-	133,533
Acquisitions	-	62,579	305	639	120	3,522	11,457	162	78,784
Transfer-in (out)	-	-	160	-	-	-	-	(160)	-
Disposals and others	-	(1,860)	(495)	-	-	(138)	(2,378)	-	(4,871)
Depreciation	(5)	(59,907)	(158)	(226)	(1,148)	(2,531)	(17,709)	-	(81,684)
At December 31	4	85,526	348	579	2,999	4,601	31,703	2	125,762

The amount recognized as lease income in relation to sublease of the right-of-use assets for the year ended December 31, 2021, was ₩11,237 million (2020: ₩12,682 million).

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

<i>(in millions of Korean won)</i>	2021	2020
Capitalized borrowing costs	2,445	2,926
Capitalization rate (%)	2.90	3.09

(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, 2021 and 2020, are as follows:

		2021					
<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs¹	Membership rights	Other	Construction -in-progress¹	Total
At December 31, 2021							
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)
Net book amount	191	399,024	494,467	37,715	273,567	553,754	1,758,718
		2020					
<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs¹	Membership rights	Other	Construction -in-progress¹	Total
At December 31, 2020							
Acquisition cost	86,528	872,076	3,429,579	39,016	1,263,724	496,873	6,187,796
Accumulated amortization and impairment losses	(31,108)	(448,274)	(2,894,284)	(640)	(620,787)	(138,888)	(4,133,981)
Net book amount	55,420	423,802	535,295	38,376	642,937	357,985	2,053,815

¹ As at December 31, 2021, internally generated development costs are included in development costs and construction-in-progress amounting to ₩ 390,877 million and ₩ 225,934 million (2020: ₩ 435,090 million and ₩ 304,781 million), respectively.

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

		2021					
<i>(in millions of Korean won)</i>	Goodwill	Industrial property rights	Development costs	Membership rights	Other	Construction -in-progress	Total
At January 1	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-in (out)	-	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 ^{1,2,3}	(55,229)	(3,205)	(33,226)	-	(297,839)	(2,595)	(392,094)
Others ⁴	-	-	-	-	-	224,902	224,902
At December 31	191	399,024	494,467	37,715	273,567	553,754	1,758,718

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

¹ Some of separate cash-generating units under H&V, VS and BS segment were tested for impairment as accumulation of operating losses has been experienced and a future downturn in sales is expected. And impairment loss of ₩73,413 million (H&V: ₩56,173 million, VS: ₩14,139 million, BS: ₩3,101 million) (2020: ₩13,652 million) was recognized as 'other non-operating expenses'. This impairment loss was allocated to goodwill, industrial property rights, development costs and others. This reversal was allocated to industrial property rights and other of the cash-generating units. The recoverable amount was measured at the higher of fair value less costs of disposal or value in use, and the fair value amount is categorized within 'level 3' of fair value hierarchy.

² As a result of an impairment test for all projects related to internally generated development costs and others, an impairment loss of development costs relating to certain projects determined to have less business value, amounting to ₩26,571 million (2020: ₩101,140 million), was recognized as 'other non-operating expenses'.

³ Impairment loss on intangible assets from discontinued operations of MC business amounting to ₩292,044 million is included.

⁴ Others include reclassification of long-term advances.

⁵ Others include reclassification of licensed assets and others.

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Cost of sales	318,501	201,517
Selling and marketing expenses	6,350	6,794
Administrative expenses	29,771	33,225
Research and development expenses	39,588	30,223
Service costs	1,695	555
Subtotal	395,905	272,314
Discontinued operations	90,573	56,096
Total	486,478	328,410

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

<i>(in millions of Korean won)</i>	2021	2020
Capitalized borrowing costs	2,187	1,227
Capitalization rate (%)	2.90	3.09

(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 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 Home Appliance & Air Solution business segment of 13.5% and nominal permanent growth rates of 0.0%.
- iv) Impairment loss on goodwill recognized based on the recoverable amount calculated based on fair value less costs to sell for each cash-generating unit amount to ₩55,229 million.

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(g) Research and development expenses

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Uncapitalized research and development expenditures	2,678,136	2,416,149
Amortization from internally generated development costs	175,684	146,859
Subtotal	2,853,820	2,563,008
Discontinued operations	276,076	628,142
Total	3,129,896	3,191,150

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13. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as at December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at December 31, 2021 (%)	Carrying amount	
				December 31, 2021	December 31, 2020
Subsidiaries					
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
ZKW Holding GmbH ⁵	Austria	December	70.0	349,482	878,201
LG Magna e-Powertrain Co., Ltd. ⁹	Korea	December	51.0	388,661	-
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) ⁷	China	December	100.0	180,349	4,805
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	China	December	70.0	161,331	161,331
LG Electronics European Holding B.V.(LGEEH)	Netherlands	December	100.0	148,551	148,551
Hiplaza Co., Ltd.	Korea	December	100.0	136,459	136,459
Cybellum Technologies Ltd. ⁶	Israel	December	69.6	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	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721
LG Electronics (Shenyang) Inc(LGESY)	China	December	56.3	62,033	62,033
LG Electronics (Thailand) Company Limited(LGETH)	Thailand	December	100.0	55,578	55,578
LG Electronics Fund I LLC ¹	USA	December	100.0	54,618	45,045
LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	Australia	December	100.0	50,664	50,664
LG Electronics Ticaret A.S.(LGETK)	Turkey	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) ⁵	Panama	December	100.0	36,492	79,222
ZKW Austria Immobilien Holding GmbH	Austria	December	70.0	35,640	35,640
PT.LGE Indonesia Research and Development Center (LGEIC) ⁶	Indonesia	December	100.0	35,436	-

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(in millions of Korean won)	Location	Closing month	Percentage of ownership at December 31, 2021 (%)	Carrying amount	
				December 31, 2021	December 31, 2020
LG Electronics S.A. (Pty) Ltd.(LGESA)	Republic of South Africa	December	100.0	30,175	30,175
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 Colombia Limitada(LGECB) ⁵	Columbia	December	60.7	14,351	25,215
LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) ^{5,7}	China	December	84.1	11,282	-
LG Electronics Overseas Trading FZE(LGEOT) ⁵	Arab Emirates	December	100.0	7,349	10,520
Hi-M.Solutek ²	Korea	December	100.0	1,812	3,654
Hi-Caresolution Corp ²	Korea	December	100.0	1,842	-
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) ^{4,5}	China	December	60.0	-	48,624
LG Electronics (Hangzhou) Co., Ltd.(LGEHN) ¹⁰	China	December	70.0	-	12,901
LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC) ⁸	China	December	100.0	-	9,790
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) ^{4,5}	China	December	60.0	-	22,142
Others				154,589	154,589
Associates					
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) ⁵	Japan	December	49.0	52,124	131,378
Ericsson-LG Co., Ltd.	Korea	December	25.0	38,834	38,834
Mirae Asset-LG Electronics New Growth Fund I ⁶	Korea	December	50.0	10,000	-
ROBOTIS Co., Ltd. ³	Korea	December	8.5	9,000	9,000
RINSE, INC. ^{3,6}	USA	December	11.9	7,030	-
Acryl Inc. ³	Korea	December	14.5	2,000	2,000
AiM Future, Inc. ³	Korea	December	15.6	800	800
Joint ventures					
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	Turkey	December	50.0	40,844	40,844
LG-LHT Aircraft Solutions GmbH ¹	Germany	December	49.0	22,983	12,039
LG-LHT Passenger Solutions GmbH ¹	Germany	December	49.0	20,528	10,637
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD. ¹	China	December	35.0	1,194	891
Total				8,914,917	8,881,286

¹ It was additionally acquired during the year ended December 31, 2021.

² Hi-Caresolution Corp was newly established through spin-off of Hi-M Solutek during the year ended December 31, 2021.

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³ Classified as an associate although the percentage of ownership is less than 20% because the Company can exercise a significant influence in the Board of Directors of the investee.

⁴ Capital reduction with consideration was executed during the year ended December 31, 2021.

⁵ Impairment loss was recognized during the year ended December 31, 2021.

⁶ It was newly acquired during the year ended December 31, 2021.

⁷ Capital increase with consideration was executed during the year ended December 31, 2021.

⁸ It was liquidated during the year ended December 31, 2021.

⁹ It was newly acquired through split-off during the year ended December 31, 2021.

¹⁰ It was disposed during the year ended December 31, 2021.

(b) Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Carrying amount at January 1	8,881,286	9,022,290
Acquisitions	450,288	37,100
Increase due to split-off	762,080	-
Disposal ¹	(433,885)	(70,607)
Impairment loss	(744,852)	(107,497)
Carrying amount at December 31	8,914,917	8,881,286

¹ 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 30).

The Company disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the year ended December 31, 2020, and recognized gain on disposal of ₩666,667 million, net of related costs, in 'other non-operating income' (Note 30).

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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 ₩528,719 million between recoverable amount and carrying amount relating to ZKW Holding GmbH, a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021. The recoverable amount of investment in the subsidiary has been determined based on value in use, and is impacted by the changes in the key assumptions such as the after-tax discount rate of 11.9% used for future cash flow discount method, nominal permanent growth rate of 2%. If the discount rate increases by 1%p, the value in use would decrease by ₩102,018 million, and if the nominal permanent growth rate decreases by 1%p, the value in use would decrease by ₩55,036 million.
 - iii) The difference of ₩42,730 million between recoverable amount and carrying amount relating to LG Electronics Panama, S.A.(LGEPS), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021.
 - iv) The difference of ₩10,864 million between recoverable amount and carrying amount relating to LG Electronics Colombia Limitada(LGECB), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021.
 - v) The difference of ₩ 3,171 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, 2021.
 - vi) The difference of ₩47,123 million between recoverable amount and carrying amount relating to LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021.
 - vii) The difference of ₩24,865 million between recoverable amount and carrying amount relating to Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021.

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- viii) The difference of ₩7,893 million between recoverable amount and carrying amount relating to Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021.
- ix) The difference of ₩232 million between recoverable amount and carrying amount relating to LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRRC), a subsidiary, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021.
- x) The difference of ₩79,254 million between recoverable amount and carrying amount relating to Hitachi-LG Data Storage Inc.(HLDS), an associate, is recognized in the separate statement of profit or loss within 'other non-operating expenses' for the year ended December 31, 2021.
- (d) Details of marketable investments in subsidiaries and associates as at December 31, 2021 and 2020, are as follows:

December 31, 2021					
	Type	Shares held (Unit: shares)	Price per share (Unit: won)	Fair value (in millions of Korean won)	Book amount
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

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

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14. Borrowings

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Current		
Short-term borrowings	51,577	200,736
Current portion of long-term borrowings	456,183	232,714
Current portion of debentures	608,877	579,895
Subtotal	1,116,637	1,013,345
Non-current		
Long-term borrowings	2,071,342	2,452,679
Debentures	4,435,282	4,358,674
Subtotal	6,506,624	6,811,353
Total	7,623,261	7,824,698

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at December 31, 2021 (%)	Carrying amount	
			December 31, 2021	December 31, 2020
Short-term borrowings in foreign currency				
Citibank ¹	2022. 2. 7	2.35 ~ 3.25	51,577	200,736
Long-term borrowings in local currency				
Korea Development Bank and others	2035. 1. 9	2.11 ~ 3.50	1,733,607	2,066,321
Long-term borrowings in foreign currency				
Hana Bank and others	2031. 7.28	0.53 ~ 2.50	793,917	619,072
Local currency debentures				
Public, non-guaranteed bonds	2036. 5. 4	1.62 ~ 4.44	3,480,000	3,530,000
Private, non-guaranteed bonds	2041. 2. 9	2.66 ~ 4.21	980,000	860,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028. 6. 8	0.96 ~ 1.82	460,667	425,191
Private, guaranteed bonds	2023. 2.24	3M EURIBOR+0.75	134,234	133,824
Less: discount on debentures			(10,741)	(10,446)
Total			7,623,261	7,824,698

¹ The above short-term borrowings in foreign currency are all collateralized by trade receivables and there were no short-term borrowings collateralized by trade receivables as at December 31, 2020.

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

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

15. Lease Liabilities

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Lease liabilities		
Current	73,297	68,346
Non-current	46,323	53,524
Total	119,620	121,870

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Interest expense relating on lease liabilities	3,468	4,040
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	30,152	31,492
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)	13,796	15,413
Subtotal	47,416	50,945
Discontinued operations	3,485	4,882
Total	50,901	55,827

¹ 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 ₩126,431 million (2020: ₩130,168 million).

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16. Other Payables

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Current		
Non-trade payables	1,577,066	1,594,315
Accrued expenses	343,715	391,140
Leasehold deposits received	15,971	14,100
Subtotal	1,936,752	1,999,555
Non-current		
Leasehold deposits received	100	200
Total	1,936,852	1,999,755

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17. Current and Deferred Income Tax

Income tax expense

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

<i>(in millions of Korean won)</i>	2021	2020
Current income taxes		
Current tax on profits for the year	165,543	197,470
Adjustments in respect of prior years	(22,325)	(40,363)
Deferred tax		
Changes in temporary differences	(275,256)	(40,941)
Changes in tax credit carryforwards	46,376	(131,284)
Changes in tax loss carryforwards	-	95,941
Income tax expense(income)	(85,662)	80,823
Continuing operations	355,071	235,363
Discontinued operations	(440,733)	(154,540)

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations	633,144	1,866,232
Discontinued operations	(1,632,345)	(573,859)
Profit (loss) before income tax	(999,201)	1,292,373
Tax expense (income) based on statutory tax rate	(258,516)	337,293
Income not subject to tax	(3,083)	(664)
Expenses not deductible for tax purposes	76,837	58,275
Tax credits/exemptions	(76,722)	(291,382)
Adjustments in respect of prior years	(22,325)	(40,363)
Changes in unrecognized deferred tax assets and others	198,147	17,664
	(85,662)	80,823
Income tax expense(income)		
Continuing operations	355,071	235,363
Discontinued operations	(440,733)	(154,540)
Effective tax rate	1	6.30%

¹ Effective tax rate is not calculated for the year ended December 31, 2021 due to the net loss before income tax of the Company.

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Deferred income tax

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	615,661	476,201
Deferred tax asset to be recovered after more than 12 months	2,352,352	2,060,086
Deferred tax assets before offsetting	2,968,013	2,536,287
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	171,566	1,452
Deferred tax liability to be settled after more than 12 months	1,452,728	1,383,511
Deferred tax liabilities before offsetting	1,624,294	1,384,963
Deferred tax assets after offsetting	1,343,719	1,151,324

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

<i>(in millions of Korean won)</i>	2021			
	At January 1	Charged (credited) to statement of profit or loss	Charged to other comprehensive income	At December 31
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
Other	323,851	(272,089)	(36,486)	15,276
Subtotal	468,873	275,256	(36,486)	707,643
Tax credit carryforwards	682,451	(46,375)	-	636,076
Tax loss carryforwards	-	-	-	-
Deferred tax assets (liabilities)	1,151,324	228,881	(36,486)	1,343,719

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

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

<i>(in millions of Korean won)</i>	2021			2020		
	Before tax	Tax effects	After tax	Before tax	Tax effects	After tax
Remeasurements of the net defined benefit liability	71,822	(19,342)	52,480	(86,347)	22,720	(63,627)
Financial assets at fair value through other comprehensive income	(6,215)	1,674	(4,541)	22,395	(6,030)	16,365
Cash flow hedges	69,877	(18,818)	51,059	253	(228)	25
Total	135,484	(36,486)	98,998	(63,699)	16,462	(47,237)

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

<i>(in millions of Korean won)</i>	Amount	Remark
Taxable temporary difference (investment in subsidiary)	(1,209,866)	Permanent reinvestment of undistributed profit planned
Deductible temporary difference (investment in subsidiary)	2,175,181	Unlikely to reverse (dispose of) in the foreseeable future
Tax credit carryforwards ¹	501,847	Uncertainty of future taxable profit

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

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18. Post-employment Benefits

Defined Benefit Plan

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Present value of funded obligations	3,268,721	3,278,480
Fair value of plan assets	(3,168,810)	(2,876,580)
Net defined benefit liability	99,911	401,900

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

<i>(in millions of Korean won)</i>	2021	2020
Current service cost	316,852	301,987
Net interest cost	10,197	11,144
Operating management cost	2,186	1,945
Total	329,235	315,076

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Cost of sales	161,675	149,991
Selling and marketing expenses	38,979	33,234
Administrative expenses	20,043	18,557
Research and development expenses	60,663	53,016
Service costs	23,079	20,485
Subtotal	304,439	275,283
Discontinued operations	24,796	39,793
Total	329,235	315,076

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

<i>(in millions of Korean won)</i>	2021	2020
At January 1	3,278,480	2,961,034
Current service cost	316,852	301,987
Interest cost	79,817	66,312
Remeasurements for:		
- Actuarial loss (gain) arising from changes in demographic assumptions	11,583	(3,053)
- Actuarial loss (gain) arising from changes in financial assumptions	(161,889)	(25,997)
- Actuarial loss (gain) arising from experience adjustments	58,793	110,817
Decrease due to split-off	(76,741)	-
Benefits paid	(238,174)	(132,620)
At December 31	3,268,721	3,278,480

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

<i>(in millions of Korean won)</i>	2021	2020
At January 1	2,876,580	2,472,308
Interest income	69,620	55,168
Remeasurements of plan assets	(19,691)	(4,231)
Decrease due to split-off	(76,741)	-
Employer contributions	450,000	450,000
Benefits paid	(128,772)	(94,720)
Operating management cost	(2,186)	(1,945)
At December 31	3,168,810	2,876,580

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

	December 31, 2021	December 31, 2020
Discount rate	2.9%	2.4%
Expected salary growth rate	5.0%	5.0%

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

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(294,327)	341,210
Expected salary growth rate	331,129	(291,941)

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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>	December 31, 2021		December 31, 2020	
	Amount	Composition (%)	Amount	Composition (%)
Securities combined with derivatives (guaranteed)	1,496,430	47.2	1,306,585	45.4
Time deposits and others	1,672,380	52.8	1,569,995	54.6
Total	3,168,810	100.0	2,876,580	100.0

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

(i) The weighted average duration of the defined benefit obligations is 10.3 years. Expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

<i>(in millions of Korean won)</i>	Within 1 year	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Pension benefits	139,600	175,039	580,355	1,073,209	2,501,589	4,469,792

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, 2022, are ₩200,000 million.

Defined Contribution Plan

The expense recognized in relation to defined contribution plan for the year ended December 31, 2021 was ₩5,433 million (2020: ₩10,541 million).

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19. Provisions

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

2021				
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	615,998	10,233	100,632	726,863
Additions ¹	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)
At December 31	2,279,025	10,460	62,899	2,352,384
Current	2,158,005	8,501	956	2,167,462
Non-current	121,020	1,959	61,943	184,922

2020				
<i>(in millions of Korean won)</i>	Warranty	Restoration	Litigation and others	Total
At January 1	518,383	10,324	77,380	606,087
Additions ¹	543,870	414	55,540	599,824
Utilizations	(446,255)	(505)	(32,288)	(479,048)
At December 31	615,998	10,233	100,632	726,863
Current	585,953	2,058	-	588,011
Non-current	30,045	8,175	100,632	138,852

¹ Net amount of additional provisions equals to additional provisions less reversed amounts.

(b) Greenhouse Gas Emission Liabilities

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

<i>(in tons)</i>	2021	2020
Emission rights received free of charge ¹	957,798	957,798

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

In 2021, there was no emission right that the Company additionally purchased from the market, and there was no recognized emission liability as greenhouse gas emission estimated by management was 503,896 tons.

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20. Other Liabilities

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

<i>(in millions of Korean won)</i>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current		
Advances from customers	480,407	361,474
Withholding	140,607	117,887
Accrued expenses	1,588,194	1,220,700
Subtotal	<u>2,209,208</u>	<u>1,700,061</u>
Non-current		
Accrued expenses	145,176	142,278
Total	<u>2,354,384</u>	<u>1,842,339</u>

21. Paid-in Capital

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

	<u>Par value per share</u>	<u>December 31, 2021</u>		<u>December 31, 2020</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
Total		<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, 2021, is ₩ 3,088,179 million. The share premium of ₩ 1,876,153 million was recognized, which is ₩ 2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the 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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22. Retained Earnings and Dividends

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Legal reserves ¹	231,218	209,524
Discretionary reserves	5,569,863	4,660,573
Unappropriated retained earnings (Undisposed accumulated deficit)	(860,959)	1,148,021
Total	4,940,122	6,018,118

¹ 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, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021	2020
Unappropriated retained earnings (Deficit for disposition)		
Unappropriated retained earnings carried over from prior year	99	99
Changes in accounting policy	-	-
Remeasurement of net defined benefit liability	52,480	(63,627)
Profit (loss) for the year	(913,538)	1,211,549
	<u>(860,959)</u>	<u>1,148,021</u>
Transfer from discretionary reserve		
Reserve for research and manpower development	5,569,863	4,660,573
Total	4,708,904	5,808,594
Appropriation of retained earnings		
Earned profit reserves	15,391	21,694
Reserve for research and manpower development	4,539,499	5,569,863
Dividends	153,915	216,938
Ordinary Share :		
₩ 850 (17%) in 2021		
₩ 1,200 (24%) in 2020		
Preferred share :		
₩ 900 (18%) in 2021		
₩ 1,250 (25%) in 2020		
	<u>4,708,805</u>	<u>5,808,495</u>
Unappropriated retained earnings to be carried forward to subsequent year	99	99

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(c) Dividends

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

	2021		2020	
	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)	(4,692)
Numbers of shares for dividend	162,884,638	17,181,299	162,884,638	17,181,300
Par value (in Korean won)	5,000	5,000	5,000	5,000
Dividend rate	17%	18%	24%	25%
Dividends per share (in Korean won)	850	900	1,200	1,250
Total dividend amount (in millions of Korean won)	138,452	15,463	195,462	21,477
Dividend payout ratio ¹ (Dividends/Net profit)	-	-	16%	2%
Stock price ² (in Korean won)	135,800	65,460	112,050	49,638
Dividend yield ratio (Dividend per share/ Market price)	0.63%	1.37%	1.07%	2.52%

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

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

23. Accumulated Other Comprehensive Income

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

(in millions of Korean won)	December 31, 2021	December 31, 2020
Cash flow hedge	(21,967)	(73,026)
Financial assets at fair value through other comprehensive income	12,571	17,112
Total	(9,396)	(55,914)

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24. Other Components of Equity

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
At December 31	(32,819)	(32,819)

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

25. Net Sales

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Revenue from contracts with customers:		
Sales of goods	26,072,983	23,276,104
Rendering of services	543,183	451,744
Royalty income	503,395	395,279
Subtotal	27,119,561	24,123,127
Revenue from other sources:		
Rental income and others	658,486	612,623
Subtotal	27,778,047	24,735,750
Discontinued operations	1,001,826	3,699,573
Total	28,779,873	28,435,323

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

<i>(in millions of Korean won)</i>	2021	2020
By type of products:		
Refrigerator/washing machine/air conditioner and others	14,293,289	12,566,224
TV/AV and others	4,661,803	4,180,250
In-vehicle infotainment and others	3,131,169	2,686,182
Monitor/PC and others	3,776,823	3,592,173
Others	1,414,199	1,240,739
Inter-company transactions	(157,722)	(142,441)
Domestic/Export:		
Domestic	10,186,823	9,727,893
Export	16,932,738	14,395,234
Timing of transfer:		
Transferred at a point in time	24,696,823	22,260,925
Transferred over time	2,422,738	1,862,202
Total	27,119,561	24,123,127

(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 2021, 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>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the year	Impact on profit or loss for the succeeding year
Other segments	118,811	82,513	24,989	11,309

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26. Expenses by Nature

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Changes in finished goods and work-in-process	103,236	(198,023)
Raw materials and merchandise used	14,583,948	13,175,461
Employee benefit expense	4,391,081	3,770,704
Depreciation and amortization	1,117,992	1,000,744
Advertising expense	654,512	548,290
Promotion expense	183,455	184,822
Freight expense	1,184,045	726,698
Commission expense	1,845,347	1,703,316
Other expenses	3,268,005	2,529,393
Subtotal	27,331,621	23,441,405
Discontinued operations	2,258,689	4,246,926
Total¹	29,590,310	27,688,331

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

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

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Salaries	1,570,087	1,278,975
Post-employment benefits	146,891	136,272
Employee welfare benefits	248,877	229,310
Freight expense	1,174,004	717,218
Rental expense	29,523	32,044
Commission expense	1,318,347	1,198,397
Depreciation	145,166	143,450
Amortization	77,404	70,797
Taxes and dues	20,646	16,901
Advertising expense	654,512	548,290
Promotional expense	183,455	184,822
R&D expense	270,712	268,018
Direct service costs	984,600	370,585
Bad debts expense	(28,825)	848
Others	199,441	178,587
Subtotal	6,994,840	5,374,514
Discontinued operations	1,004,680	957,385
Total	7,999,520	6,331,899

28. Financial Income

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Interest income	18,712	11,847
Exchange differences	271,641	164,713
Others	1,588	1,830
Subtotal	291,941	178,390
Discontinued operations	19,063	38,810
Total	311,004	217,200

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29. Financial Expenses

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Interest expense	177,386	142,308
Exchange differences	213,057	256,136
Loss on disposal of trade receivables	1,310	2,432
Others	2,912	8,248
Subtotal	394,665	409,124
Discontinued operations	65,750	164,040
Total	460,415	573,164

30. Other Non-operating Income

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Dividend income	753,902	395,468
Exchange differences	651,322	761,104
Gain on disposal of property, plant and equipment	25,027	9,876
Reversal of impairment loss on property, plant and equipment	-	4,862
Gain on disposal of intangible assets	104	16
Reversal of impairment loss on intangible assets	1	537
Gain on transfer of business	252,034	-
Gain on disposal of investments in subsidiaries, associates and joint ventures	273,344	739,575
Gain on disposal of assets held for sale	7,278	-
Others	87,882	27,759
Subtotal	2,050,894	1,939,197
Discontinued operations	75,026	287,353
Total	2,125,920	2,226,550

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31. Other Non-operating Expenses

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

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Exchange differences	738,998	789,654
Loss on disposal of property, plant and equipment	15,611	25,242
Impairment loss on property, plant and equipment	83,448	10,888
Loss on disposal of intangible assets	37,713	45,726
Impairment loss on intangible assets	100,050	105,658
Loss on disposal of investments in subsidiaries, associates and joint ventures	5,390	-
Impairment loss on investments in subsidiaries, associates and joint ventures	744,853	107,497
Loss on disposal of assets held for sale	4,950	-
Others	30,439	51,912
Subtotal	1,761,452	1,136,577
Discontinued operations	403,822	188,629
Total	2,165,274	1,325,206

32. Earnings per Share

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

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

	2021	2020
Profit (loss) attributable to ordinary shares <i>(in millions of Korean won)</i> ¹	(827,148)	1,095,171
Continuing operations	250,764	1,474,479
Discontinued operations	(1,077,912)	(379,308)
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i> ²	162,884,638	162,884,640
Basic earnings (loss) per ordinary share <i>(in Korean won)</i>	(5,078)	6,724
Continuing operations	1,540	9,052
Discontinued operations	(6,618)	(2,328)

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

	<u>2021</u>	<u>2020</u>
Profit (loss) attributable to preferred shares (in millions of Korean won)	(86,390)	116,378
Continuing operations	27,310	156,389
Discontinued operations	(113,700)	(40,011)
Weighted average number of preferred shares outstanding (unit: shares)	17,181,299	17,181,300
Basic earnings (loss) per preferred share (in Korean won)	(5,028)	6,774
Continuing operations	1,590	9,102
Discontinued operations	(6,618)	(2,328)

¹ Profit (loss) attributable to ordinary and preferred shares are as follows:

<i>(in millions of Korean won)</i>	<u>2021</u>	<u>2020</u>
Profit (loss) for the year (A)	(913,538)	1,211,549
Continuing operations	278,074	1,630,868
Discontinued operations	(1,191,612)	(419,319)
Ordinary share dividends (B)	138,452	195,462
Preferred share dividends (C)	15,463	21,477
Undistributed profit (loss) (D=A-B-C)	(1,067,453)	994,610
Continuing operations	124,159	1,413,929
Discontinued operations	(1,191,612)	(419,319)
Undistributed profit (loss) available for ordinary shares (E)	(965,600)	899,709
Undistributed profit (loss) available for preferred shares (F)	(101,853)	94,901
Profit (loss) attributable to ordinary shares (G=B+E)	(827,148)	1,095,171
Profit (loss) attributable to preferred shares (H=C+F)	(86,390)	116,378

² Weighted average numbers of shares outstanding are calculated as follows:

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

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33. Cash Flow Information

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

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2021	2020
Profit (loss) for the year	(913,538)	1,211,549
Adjustments:		
Interest expense, net	158,674	130,460
Exchange differences, net	3,751	4,024
Depreciation	730,105	733,370
Amortization	395,905	272,315
Loss on disposal of property, plant and equipment and intangible assets, net	28,192	61,077
Provisions for severance benefits	311,796	284,929
Additional provisions, net	1,750,229	563,482
Dividend income	(753,902)	(395,468)
Income tax expense	355,070	235,363
Gain on disposal of investments in subsidiaries, associates and joint ventures, net	(267,954)	(739,575)
Impairment loss on investments in subsidiaries, associates and joint ventures	744,852	107,497
Others	(41,666)	195,269
Discontinued operations	506,389	(52,362)
	<u>3,921,441</u>	<u>1,400,381</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	(408,358)	(1,386,467)
Decrease (increase) in other receivables	169,296	398,484
Decrease (increase) in inventories	(391,027)	(372,718)
Decrease (increase) in contract assets	33,735	43,661
Decrease (increase) in other assets	(714,943)	173,248
Increase (decrease) in trade payables	(544,936)	1,168,817
Increase (decrease) in other payables	(80,900)	147,327
Increase (decrease) in provisions	(514,135)	(479,048)
Increase (decrease) in contract liabilities	80,220	25,884
Increase (decrease) in other liabilities	556,032	323,346
Payment of defined benefit liability	(116,849)	(48,441)
Deposit in plan assets, net	(497,743)	(498,992)
	<u>(2,429,608)</u>	<u>(504,899)</u>
Cash generated from operations	<u>578,295</u>	<u>2,107,031</u>

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(b) Changes in liabilities arising from financing activities

<i>(in millions of Korean won)</i>	2021					
	At January 1	Net cash flows from financing activities	Non-cash transactions			At December 31
			Addition and others	Exchange differences	Amortization and others	
Short-term borrowings	200,736	(146,906)	-	(2,253)	-	51,577
Long-term borrowings	2,685,393	(183,279)	-	25,410	-	2,527,524
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
Total	7,946,568	(338,285)	73,287	59,006	2,305	7,742,881

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

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2021	2020
Reclassification of construction-in-progress to property, plant and equipment	355,353	163,561
Reclassification of construction-in-progress to intangible assets	289,261	381,597
Reclassification of current portion of borrowings and debentures	1,065,165	812,609
Other payables to acquire property, plant and equipment	77,814	75,626
Other payables to acquire intangible assets	36,050	25,431
Acquisition of right-of-use assets	80,438	78,784

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- (d) Assets and liabilities arising from the transfer of business
- Transfer of CEM(Chemical Electronic Material) business
- i) On November 1, 2021, CEM business was transferred to LG Chem Ltd.
- ii) Total consideration received and assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	440,494
Other receivables	25,813
Other payables	1,123
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
Liabilities of the transferred business:	
Trade payables	55,477
Lease liabilities	94
Other payables	5,067
Provisions	1,386
Contract liabilities	19
Other liabilities	4,758

34. Contingencies

- (a) At the end of the reporting period, the Company is provided with performance guarantees of ₩252,462 million (December 31, 2020: ₩241,647 million) from Seoul Guarantee Insurance and one other financial institution relating to the performance guarantees. The Company is also provided with guarantee of principal amounting to EUR 100 million (December 31, 2020: EUR 100 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

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(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,262,858 million (December 31, 2020: ₩3,336,055 million) on the indebtedness of its subsidiaries. Details are as follows:

<i>(in millions of Korean won)</i>	Beneficiaries	December 31, 2021	December 31, 2020
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	989,849	980,723
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	565,010	518,260
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	461,808	541,707
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	287,718	261,706
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	178,273	175,479
LG Electronics Algeria SARL(LGEAS)	Citibank and others	109,233	114,455
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	104,537	98,437
LG Electronics Inc Chile Limitada(LGECL)	Scotiabank and others	98,182	114,954
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	77,489	80,853
LG Electronics Colombia Limitada(LGECB)	Citibank and others	72,428	79,920
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	55,840	51,186
LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	Citibank	47,420	43,520
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	35,622	33,179
LG Electronics Mexico S.A. DE C.V. (LGEMS)	BBVA	35,565	32,640
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	31,717	29,591
LG Electronics Italia S.P.A.(LGEIS)	Intesa	26,847	26,765
LG Electronics Singapore Pte.Ltd.(LGESL)	HSBC and others	20,626	21,822
LG ELECTRONICS HELLAS SINGLE MEMBER SA (LGEHS)	Citibank	13,423	13,382
LG Electronics S.A. (Pty) Ltd.(LGESA)	Citibank and others	13,006	13,001
LG Electronics Japan, Inc.(LGEJP)	Citibank	10,302	21,085
LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	Citibank	8,952	8,817
LG-Shaker Co.Ltd.(LGESR)	SABB	8,052	-
Others	Citibank and others	10,959	74,573
Total		3,262,858	3,336,055

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

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- (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.

35. 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 ₩1,244,093 million (December 31, 2020: ₩886,364 million).
- (b) At the end of the reporting period, the Company has sales agreements for receivables with various banks including KEB Hana Bank amounting to ₩2,481,320 million (December 31, 2020: ₩2,960,416 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, 2020: ₩1,190,000 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>	December 31, 2021	December 31, 2020
Property, plant and equipment	323,323	131,764
Intangible assets	36,754	81,436
Investments in subsidiaries, associates and joint ventures	105,140	78,651
Total	465,217	291,851

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).

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(e) Operating lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	December 31, 2021				Total lease payments
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	
Healthcare rental	446,139	271,862	138,411	21,702	878,114

- ii) The Company recognized ₩612,903 million (2020: ₩588,942 million) in lease income for the year ended December 31, 2021.

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Acquisition cost	962,702	915,601
Accumulated depreciation	(472,019)	(367,208)
Accumulated impairment losses	(5,006)	(4,621)
Net book amount	485,677	543,772

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

<i>(in millions of Korean won)</i>	2021	2020
At January 1	543,772	508,349
Acquisition	160,635	229,469
Disposal	(11,042)	(21,184)
Depreciation	(194,104)	(168,275)
Impairment loss	(13,584)	(4,587)
At December 31	485,677	543,772

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(f) Financial lease commitments – the Company as lessor

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

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020	
	Gross investment in the lease	Net investment in the lease	Gross investment in the lease	Net investment in the lease
Within one year	4,983	3,999	-	-
Between 1 and 2 years	5,015	4,716	-	-
Between 2 and 3 years	5,007	4,531	-	-
Between 3 and 4 years	5,027	4,378	-	-
Later than 4 years	9,935	8,166	-	-
Total	29,967	25,790	-	-

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

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

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

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

(i) Trademark license agreements

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

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

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36. Related Party

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

i) Major income and expense transactions with related parties

(in millions of Korean won)

		2021					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others ⁶	Total
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 do Brasil Ltda.	334,823	131	334,954	2,747	2,027	4,774
	LG Electronics Canada, Inc.	684,491	18	684,509	-	10,694	10,694
	LG ELECTRONICS AUSTRALIA PTY LIMITED	313,407	18	313,425	32	6,482	6,514
	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 Electronics 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 Egypt S.A.E	86,294	23	86,317	-	715	715
	LG Electronics Nanjing New Technology co.,LTD	371,620	161	371,781	631,606	2,315	633,921
	LG Electronics Polska Sp. Z.O.O	117,999	24	118,023	988	4,674	5,662
	LG Electronics Panama, S.A.	131,212	158	131,370	-	690	690
	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 (Tianjin) Appliances Co., Ltd.	86,334	1,699	88,033	299,630	112	299,742
	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 Peru S.A.	78,210	21	78,231	-	-	-
	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

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		2021					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others⁶	Total
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	193,937	44	193,981	10,993	2,390	13,383
	LG Electronics Inc Chile Ltda.	115,039	41	115,080	-	2,016	2,016
	LG Electronics United Kingdom Ltd.	163,354	8	163,362	1,365	14,989	16,354
	Hi-M.Solutek	30,866	367	31,233	16,842	41,688	58,530
	Others	2,864,530	30,236	2,894,766	519,171	411,981	931,152
	Subtotal	18,464,476	186,905	18,651,381	2,858,126	761,110	3,619,236
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
	Subtotal	433,245	79,193	512,438	324,958	9,576	334,534
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	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
	Subtotal	153,501	287	153,788	129,087	738,816	867,903
Others ¹	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 ²	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
	LX HAUSYS,LTD., its subsidiaries and associates ³	2,310	109	2,419	1,547	583	2,130
	LX Semicon Co., Ltd. ⁴	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 IIR Inc. and its subsidiaries	250	943	1,193	203	203,094	203,297
	LX Holdings Corp.	99	-	99	-	-	-
	LX MMA Corporation ⁵	5	-	5	-	-	-
	Subtotal	818,720	8,711	827,431	1,019,898	1,610,167	2,630,065
	Total	19,904,446	275,096	20,179,542	4,332,069	3,280,567	7,612,636

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		2020					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others ⁶	Total
Significantly influencing the Company	LG Corp.	398	-	398	267	171,958	172,225
Subsidiaries	LG Innotek Co., Ltd.	127,322	28,467	155,789	243,277	5,482	248,759
	Hiplaza Co., Ltd.	2,046,484	12,124	2,058,608	-	28,779	28,779
	LG Electronics U.S.A., Inc.	4,993,816	595	4,994,411	3,471	57,137	60,608
	LG Electronics Vietnam Hai Phong Co., Ltd.	2,370,964	5,926	2,376,890	472,314	23,884	496,198
	LG Electronics do Brasil Ltda.	464,617	990	465,607	2,938	3,373	6,311
	LG Electronics Canada, Inc.	393,186	-	393,186	3	6,654	6,657
	LG ELECTRONICS AUSTRALIA PTY LIMITED	313,875	51	313,926	-	4,083	4,083
	LG Electronics RUS, LLC	387,829	324	388,153	999	4,132	5,131
	LG Electronics Deutschland GmbH	179,785	1,354	181,139	7,889	60,267	68,156
	LG Electronics Reynosa S.A. DE C.V.	340,965	181	341,146	1,741	-	1,741
	LG Electronics Mlawa Sp. z.O.O.	597,173	1,221	598,394	3,543	5,638	9,181
	LG Electronics Egypt S.A.E	97,412	73	97,485	-	636	636
	LG Electronics Nanjing New Technology co.,LTD	347,051	217	347,268	544,758	1,505	546,263
	LG Electronics Polska Sp. Z.O.O	173,271	1,448	174,719	1,675	4,707	6,382
	LG Electronics Panama, S.A. P.T. LG Electronics Indonesia	107,391	21	107,412	4	698	702
	LG Electronics Colombia Ltda.	196,761	14,857	211,618	188,388	33	188,421
	LG Electronics (Tianjin) Appliances Co., Ltd.	62,897	4	62,901	4	961	965
	LG Electronics Vehicle components U.S.A., LLC	60,575	704	61,279	189,544	54	189,598
	LG Electronics Mexico S.A. DE C.V.	190,608	6,110	196,718	2,604	31,175	33,779
	LG Electronics Peru S.A.	175,505	41	175,546	-	1,232	1,232
	LG Electronics European Shared Service Center B.V.	83,229	8	83,237	-	449	449
	Taizhou LG Electronics Refrigeration Co., Ltd.	428,918	24,060	452,978	10	19,926	19,936
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	110,833	241	111,074	283,267	598	283,865
	LG Electronics Inc Chile Ltda.	204,993	146	205,139	13,267	729	13,996
	LG Electronics United Kingdom Ltd.	64,431	6	64,437	-	849	849
	Hi-M.Solutek	185,420	-	185,420	37	12,488	12,525
	Others	78,453	224	78,677	246,548	79,588	326,136
	Subtotal	3,307,165	8,183	3,315,348	312,483	387,893	700,376
	Subtotal	18,090,929	107,576	18,198,505	2,518,764	742,950	3,261,714

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		2020					
		Income transactions			Expense transactions		
Classification	Name	Sales	Others	Total	Purchases	Others ⁶	Total
Associates	LG Display Co., Ltd. and its subsidiaries	294,941	98,149	393,090	646,722	607	647,329
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	2,108	-	2,108	23,766	79	23,845
	Robostar Co.,Ltd. and its subsidiaries	8	-	8	48,565	3,166	51,731
	ROBOTIS Co., Ltd.	-	-	-	-	27	27
	Korea Information Certificate Authority Inc.	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	624	624
	Subtotal		297,058	98,149	395,207	719,053	4,542
Joint ventures	LG-MRI LLC	7,385	-	7,385	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	130,479	3	130,482	152,038	376,538	528,576
	S&I Corp. and its subsidiaries	16,293	-	16,293	33,169	172,579	205,748
	LG Management Development Institute	10	-	10	326	26,692	27,018
	LG SPORTS Ltd.	5	19	24	-	13,664	13,664
	LG MMA Ltd. ⁵	1	-	1	-	-	-
Subtotal		146,788	22	146,810	185,533	589,473	775,006
Others ¹	LG Chem Ltd., its subsidiaries and joint ventures	742,110	7,273	749,383	627,064	562	627,626
	LG INTERNATIONAL CORP and its subsidiaries ²	6,736	763	7,499	530,131	933,287	1,463,418
	LG Uplus Corp and its subsidiaries	189,213	463	189,676	2,983	2,321	5,304
	LG HAUSYS,LTD., its subsidiaries and associates ³	5,196	148	5,344	5,820	52	5,872
	Silicon Works Co., Ltd ⁴	3,272	2,183	5,455	12,114	336	12,450
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	53,530	1	53,531	130	26	156
	G I I R Inc. and its subsidiaries	37	-	37	123	212,705	212,828
Subtotal		1,000,094	10,831	1,010,925	1,178,365	1,149,289	2,327,654
Total		19,542,652	216,578	19,759,230	4,601,982	2,658,212	7,260,194

¹ 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.

² The entity changed its name from LG INTERNATIONAL CORP to LX INTERNATIONAL CORP. on July 1, 2021.

³ The entity changed its name from LG HAUSYS,LTD. to LX HAUSYS, LTD. on July 1, 2021.

⁴ The entity changed its name from Silicon Works Co., Ltd. to LX Semicon Co., Ltd. on July 1,

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2021.

⁵ The entity changed its name from LG MMA Ltd. to LX MMA Corporation on July 1, 2021. And, it was classified as others due to changes in corporate governance.

⁶ Others include acquisition amount of right-of-use asset and interest expense of lease liabilities.

⁷ All shares of Korea Information Certificate Authority Inc. were disposed during the year ended December 31, 2020.

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

(in millions of Korean won)

		December 31, 2021							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
Significantly influencing the Company	LG Corp.	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 do Brasil Ltda.	64,341	-	27,146	91,487	76	-	633	709
	LG Electronics Canada, Inc.	62,560	-	-	62,560	-	-	1,336	1,336
	LG ELECTRONICS AUSTRALIA PTY LIMITED	68,286	-	-	68,286	-	-	258	258
	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 Electronics 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 Egypt S.A.E	19,837	-	39,451	59,288	16,913	-	414	17,327
	LG Electronics Nanjing New Technology co.,LTD	58,251	-	192	58,443	446,159	-	227	446,386
	LG Electronics Polska Sp. Z.O.O	45,935	-	5	45,940	-	-	325	325
	LG Electronics Panama, S.A.	63,063	-	-	63,063	-	-	32	32
	P.T. LG Electronics Indonesia	15,598	-	616	16,214	587,591	-	-	587,591
	LG Electronics Colombia Ltda.	96,312	-	-	96,312	-	-	72	72

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		December 31, 2021							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
	LG Electronics (Tianjin) Appliances Co., Ltd.	21,349	-	3,492	24,841	177,674	-	-	177,674
	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 Peru S.A.	64,285	-	3	64,288	-	-	-	-
	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 Nanjing Vehicle Components Co.,Ltd.	60,316	-	4,179	64,495	17,136	-	453	17,589
	LG Electronics Inc Chile Ltda.	71,451	-	-	71,451	-	-	244	244
	LG Electronics United Kingdom Ltd.	59,411	-	-	59,411	-	-	389	389
	Hi-M.Solutek	5,915	-	56	5,971	65	-	13,658	13,723
	Others	895,323	-	41,424	936,747	667,781	-	148,567	816,348
	Subtotal	3,976,796	-	350,312	4,327,108	3,538,536	268,468	259,599	4,066,603
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
	Subtotal	99,358	-	56,299	155,657	94,235	-	85,619	179,854
Joint ventures	LG-MRI LLC	8,753	-	-	8,753	-	-	-	-
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	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
	Subtotal	36,536	-	35,212	71,748	1,733	-	251,090	252,823
Others ¹	LG Chem Ltd., its subsidiaries and joint ventures ⁶	110,353	-	894,887	1,005,240	160,590	-	15,560	176,150
	LX INTERNATIONAL CORP and its subsidiaries ²	17,257	-	2,679	19,936	18,345	-	203,412	221,757

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		December 31, 2021							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
	LG Uplus Corp and its subsidiaries	372	-	-	372	104	-	511	615
	LX HAUSYS,LTD., its subsidiaries and associates ³	668	-	12	680	486	-	919	1,405
	LX Semicon Co., Ltd. ⁴	-	-	-	-	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
	Subtotal	129,797	-	900,396	1,030,193	185,571	-	368,753	554,324
	Total	4,251,285	-	1,367,605	5,618,890	3,820,075	268,468	1,007,873	5,096,416

(in millions of Korean won)

		December 31, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
Significantly influencing the LG Corp. Company		5	-	25,605	25,610	-	-	27,881	27,881
Subsidiaries	LG Innotek Co., Ltd.	45,013	-	3,344	48,357	68,292	-	27,107	95,399
	Hiplaza Co., Ltd.	190,468	-	27,055	217,523	-	-	8,307	8,307
	LG Electronics U.S.A., Inc.	664,087	-	2,213	666,300	-	-	10,711	10,711
	LG Electronics Vietnam Hai Phong Co., Ltd.	370,556	-	240	370,796	527,257	-	2,603	529,860
	LG Electronics do Brasil Ltda.	61,209	-	46,560	107,769	205	-	659	864
	LG Electronics Canada, Inc.	47,914	-	-	47,914	-	-	668	668
	LG ELECTRONICS AUSTRALIA PTY LIMITED	33,216	-	-	33,216	-	-	347	347
	LG Electronics RUS, LLC	156,807	-	263	157,070	766	-	259	1,025
	LG Electronics Deutschland GmbH	352,277	-	325	352,602	-	-	9,129	9,129
	LG Electronics Reynosa S.A. DE C.V.	27,987	-	-	27,987	155,249	-	9,977	165,226
	LG Electronics Mlawa Sp. z.O.O.	142,526	-	1,002	143,528	974,406	-	299	974,705
	LG Electronics Egypt S.A.E	17,477	-	52,085	69,562	4,684	-	378	5,062
	LG Electronics Nanjing New Technology co.,LTD	59,619	-	-	59,619	262,788	-	274	263,062

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		December 31, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
	LG Electronics Polska Sp. Z.O.O	91,031	-	9	91,040	-	-	641	641
	LG Electronics Panama, S.A.	69,134	-	-	69,134	-	-	37	37
	P.T. LG Electronics Indonesia	18,009	-	1,369	19,378	397,444	-	894	398,338
	LG Electronics Colombia Ltda.	90,538	-	-	90,538	-	-	128	128
	LG Electronics (Tianjin) Appliances Co., Ltd.	16,504	-	650	17,154	68,359	-	-	68,359
	LG Electronics Vehicle components U.S.A., LLC	140,658	-	6,039	146,697	-	-	2,848	2,848
	LG Electronics Mexico S.A. DE C.V.	97,492	-	-	97,492	-	-	191	191
	LG Electronics Peru S.A.	71,963	-	-	71,963	-	-	31	31
	LG Electronics European Shared Service Center B.V.	41,088	-	-	41,088	-	468,384	-	468,384
	Taizhou LG Electronics Refrigeration Co., Ltd.	34,074	-	99	34,173	195,638	-	18	195,656
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	89,619	-	578	90,197	24,326	-	4,629	28,955
	LG Electronics Inc Chile Ltda.	71,406	-	-	71,406	-	-	272	272
	LG Electronics United Kingdom Ltd.	128,120	-	75	128,195	-	-	1,019	1,019
	Hi-M.Solutek	10,905	-	81	10,986	-	-	39,915	39,915
	Others	814,519	-	7,534	822,053	715,806	-	60,384	776,190
	Subtotal	3,954,216	-	149,521	4,103,737	3,395,220	468,384	181,725	4,045,329
Associates	LG Display Co., Ltd. and its subsidiaries	74,434	-	66,681	141,115	72,374	-	64,713	137,087
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	473	-	-	473	24,672	-	243	24,915
	Robostar Co.,Ltd. and its subsidiaries	-	-	-	-	214	-	17,884	18,098
	Acryl Inc.	-	-	-	-	-	-	229	229
	Subtotal	74,907	-	66,681	141,588	97,260	-	83,069	180,329
Joint ventures	LG-MRI LLC	2,107	-	-	2,107	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	27,712	-	959	28,671	2,104	-	203,692	205,796
	S&I Corp. and its subsidiaries ²	5,397	-	21,871	27,268	-	-	58,673	58,673
	LG Management Development Institute	1	-	15,660	15,661	-	-	1,315	1,315
	LG SPORTS Ltd.	-	-	-	-	-	-	1,883	1,883

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		December 31, 2020							
		Receivables				Payables			
Classification	Name	Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
	Subtotal	33,110	-	38,490	71,600	2,104	-	265,563	267,667
Others ¹	LG Chem Ltd., its subsidiaries and joint ventures	264,920	-	186,263	451,183	186,434	-	14,398	200,832
	LG INTERNATIONAL CORP and its subsidiaries ²	15,060	-	7	15,067	91,789	-	180,879	272,668
	LG Uplus Corp and its subsidiaries	39,914	-	1	39,915	-	-	718	718
	LG HAUSYS,LTD., its subsidiaries and associates ³	1,083	-	12	1,095	311	-	106	417
	Silicon Works Co., Ltd ⁴	-	-	28	28	2,884	-	1,237	4,121
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	11,398	-	22,069	33,467	-	-	1,037	1,037
	G IIR Inc. and its subsidiaries	-	-	140	140	-	-	148,359	148,359
	Subtotal	332,375	-	208,520	540,895	281,418	-	346,734	628,152
	Total	4,396,720	-	488,817	4,885,537	3,776,002	468,384	904,972	5,149,358

¹ 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.

² The entity changed its name from LG INTERNATIONAL CORP to LX INTERNATIONAL CORP. on July 1, 2021.

³ The entity changed its name from LG HAUSYS,LTD. to LX HAUSYS, LTD. on July 1, 2021.

⁴ The entity changed its name from Silicon Works Co., Ltd. to LX Semicon Co., Ltd. on July 1, 2021.

⁵ Other payables include lease liabilities.

⁶ 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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iii) Significant capital transactions and others with related parties

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Classification	Name	Dividend income	Dividend paid	Cash distribution	2021		2020	
					Loans	Collections	Borrowings	Repayments ¹
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 Ltd.	4,788	-	-	-	-	-	-
	LG Electronics Thailand Co., Ltd.	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
	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	-	-	-	-	-	-

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Classification	Name	2021						
		Dividend income	Dividend paid	Cash distribution	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments ¹
	LG Electronics Nanjing Battery Pack Co.,Ltd.	-	-	58,405	-	-	-	-
	Subtotal	787,803	-	220,704	-	-	6,731-	200,764
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	-	-	-	-
	Subtotal	5,250	-	21,140	-	-	-	-
Total		793,053	66,113	241,844	-	-	34,550	228,397

(in millions of Korean won)

Classification	Name	2020						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments ¹
Significantly influencing the Company	LG Corp. ¹	-	41,321	-	-	-	27,473	27,556
Subsidiaries	LG Innotek Co., Ltd.	2,896	-	-	-	-	-	-
	LG ELECTRONICS INDIA PRIVATE LIMITED	211,626	-	-	-	-	-	-
	LG Electronics RUS, LLC	72,738	-	-	-	-	-	-
	Inspur LG Digital Mobile Communications Co., Ltd.	72,314	-	-	-	-	-	-
	Qingdao LG Inspur Digital Communication Co., Ltd.	37,618	-	-	-	-	-	-
	LG Electronics do Brasil Ltda.	20,924	-	-	-	-	-	-
	LG Electronics Nanjing New Technology co.,LTD	18,211	-	-	-	-	-	-
	LG-Shaker Co., Ltd.	15,130	-	-	-	-	-	-
	NanJing LG-Panda Appliances Co., Ltd.	12,430	-	-	-	-	-	-
	LG Electronics Dubai FZE	12,193	-	-	-	-	-	-
	LG Electronics Tianjin Appliances Co., Ltd.	10,804	-	-	-	-	-	-
	LG Electronics Huizhou Ltd.	4,663	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd	1,779	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	430,776	466,907
	LG Electronics Fund I LLC	-	-	22,962	-	-	-	-
	Subtotal		493,326	-	22,962	-	-	430,776

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Classification	Name	Dividend income	Dividend paid	Cash distribution (reduction)	2020			
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments ¹
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc. ²	201	-	-	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	6,954	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	6,084	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	-	-	300	-	-	-	-
	Subtotal	8,451	-	13,338	-	-	-	-
	Total	501,777	41,321	36,300	-	-	458,249	494,463

¹ Financing borrowing transactions include repayment of principal elements of lease liabilities.

² All shares of Korea Information Certificate Authority Inc. were disposed during the year ended December 31, 2021.

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

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

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

- (c) The payment guarantees for the financial support of related parties at the end of the reporting period are presented in Note 34.
- (d) There is no collateral provided by the Company for the financial support of related parties at the end of the reporting period.
- (e) The Company has not recognized any bad debt expense or allowance for receivables from related parties at the end of the reporting period.
- (f) The Company transferred CEM (Chemical Electronic Material) business to LG Chem, Ltd. on November 1, 2021 (Note 33).

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37. Risk Management

Financial Risk Management

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

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

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

The carrying amount, and profit or loss of each category of financial instruments and the details of borrowings related to the financial risk management are presented in Note 4 and Note 14, respectively.

(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, 2021 and 2020, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(5,592)	5,592	(8,565)	8,565
EUR/KRW	2,443	(2,443)	1,765	(1,765)

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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	20,122	(20,122)	19,167	(19,167)
Interest expense	3,230	(3,230)	2,676	(2,676)

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 615	1,067.9 ~ 1,156.2	1.88~ 3.64	2017. 2. 2 ~ 2021. 7. 26	2022. 2. 2 ~ 2031. 7. 28	33,688	-
	DBS	SGD 140	859.3	1.21	2020. 7. 9	2024. 1. 9	4,895	-
Interest rate swap	Woori Bank and others	KRW 1,045,536 / EUR 100	-	1.00 ~ 4.53	2014. 1. 3 ~ 2017. 8. 24	2023. 2. 24 ~ 2030. 7. 7	-	27,411

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

Details of hedged items are as follows:

(in millions of Korean won)	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	850,326	(56,826)
Interest rate swap	Borrowings	1,144,648	(14,979)

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	56,826	Interest expense and exchange differences	(36,026)	20,800	(4,180)
Interest rate swap	14,979	Interest expense	15,280	30,259	(17,787)

Trading purposes

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, 2021, and related profit or loss for the year ended December 31, 2021, are as follows:

(in millions of Korean won)	Purchase	Sale	Loss on valuation	Loss on transaction
Currency forward	41,650	42,589	(846)	(5,999)

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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, 2021, are as follows::

<i>(in millions of Korean won)</i>	Book amount as at December 31, 2021		Subject to transition to alternative benchmark rate	
	Hedged item	Hedging instrument	Hedged item	Hedging instrument
USD LIBOR				
Long-term borrowings	850,326	-	631,389	-
Derivative financial assets (liabilities)	-	38,583	-	28,936

¹ Includes financial instruments which will expire prior to transitioning to an alternative benchmark rate.

² 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 and the listed securities owned by the Company have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	6,789	(6,789)	12,742	(12,742)
NASDAQ	1,957	(1,957)	-	-
NYSE	3,343	(3,343)	-	-

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

(b) Credit risk

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

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

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

<i>(in millions of Korean won)</i>	December 31, 2021	December 31, 2020
Trade receivables with insurance or collateral		
Excellent	92,589	78,734
Good	62,369	111,122
Fair	149,012	189,469
Poor ¹	4,882	99,695
Subtotal	308,852	479,020
Trade receivables without insurance or collateral		
Tier 1	3,751,463	3,771,212
Tier 2	151,517	126,589
Tier 3	198,489	152,927
Subtotal	4,101,469	4,050,728
Total	4,410,321	4,529,748

¹ Debtors with insurance or collateral, but without credit rating are included herein.

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

Category	Coface	K-SURE
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:

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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, 2021 and 2020, is as follows:

Category	December 31, 2021	December 31, 2020
Excellent	2,159,298	1,998,061
Good	-	-
Total	2,159,298	1,998,061

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

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

(c) Liquidity risk

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

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

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

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

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	5,638,618	5,638,618	-	-	-
Borrowings	8,733,686	1,309,769	946,604	2,801,358	3,675,955
Lease liabilities	125,208	76,549	21,830	17,015	9,814
Other payables	1,936,852	1,936,752	100	-	-
Other financial liabilities	24,550	946	-	21,244	2,360
Total	16,458,914	8,962,634	968,534	2,839,617	3,688,129

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

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other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩946 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, 2021, are as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	3,276,651	2,779,288	217,844	926	278,593

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

Capital Risk Management

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

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

<i>(in millions of Korean won, except for ratios)</i>	December 31, 2021	December 31, 2020
Liability (A)	20,703,269	19,778,254
Equity (B)	8,890,255	9,921,733
Cash and cash equivalents (C)	2,012,229	1,916,739
Borrowings and lease liabilities (D)	7,742,881	7,946,568
Debt-to-equity ratio (A/B)	232.9%	199.3%
Net borrowings ratio ((D-C)/B)	64.5%	60.8%

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Fair Value Estimation

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

<i>(in millions of Korean won)</i>	December 31, 2021			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
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
Assets at amortized cost				
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
Other assets				
Trade payables	3,759	1	22,040	22,040
Total	7,600,077		381,007	

<i>(in millions of Korean won)</i>	December 31, 2021			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
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
Liabilities at amortized cost				
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
Other liabilities				
Lease liabilities	73,297	2	46,323	2
Other financial liabilities	6,099	3	5,603	3
Total	8,772,349		6,609,665	

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<i>(in millions of Korean won)</i>	December 31, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	-	-	29,554	29,554
Financial assets at fair value through other comprehensive income				
Trade receivables	74,935	1	-	-
Other financial assets	-	-	64,850	64,850
Derivatives for hedging purposes				
Other financial assets	1,750	1,750	-	-
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,916,739	1	-	-
Deposits held by financial institutions	80,000	1	1,371	1,371
Trade receivables	4,920,364	1	-	-
Other receivables	425,809	1	191,172	181,898
Total	7,419,597		286,947	

<i>(in millions of Korean won)</i>	December 31, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Derivatives for hedging purposes				
Other financial liabilities	-	-	118,614	118,614
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	6,290,494	1	-	-
Borrowings	1,013,345	1	6,811,353	6,999,601
Other payables	1,999,555	1	200	197
Other liabilities				
Lease liabilities	68,346	2	53,524	2
Other financial liabilities	6,215	3	6,636	3
Total	9,377,955		6,990,327	

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

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

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

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(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

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

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

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

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

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

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

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

If one or more of the significant inputs are not based on observable market data, the instrument

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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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
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
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	24,550	-	24,550
Derivatives for hedging purposes	-	27,411	-	27,411
December 31, 2020				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income	38,935	-	25,915	64,850
Financial liabilities at fair value through profit or loss	-	-	29,554	29,554
Derivatives for hedging purposes	-	1,750	-	1,750
Liabilities				
Other financial liabilities				
Derivatives for hedging purposes	-	118,614	-	118,614

The above fair value amounts are recurring fair value measurements.

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

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

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2021	December 31, 2020		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	100	-	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	38,583	1,750	Discounted cash flow	Discount rate and exchange rate

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	December 31, 2021	December 31, 2020		
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	946	-	Discounted cash flow	Discount rate and exchange rate
Financial liabilities at fair value through profit or loss	23,604	-	Binomial model	Share price and volatility
Derivatives for hedging purposes	27,411	118,614	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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
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
Liabilities				
Non-current borrowings	-	-	6,531,699	6,531,699
Non-current other payables	-	-	98	98
<i>(in millions of Korean won)</i>	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	1,371	1,371
Non-current other receivables	-	-	181,898	181,898
Liabilities				
Non-current borrowings	-	-	6,999,601	6,999,601
Non-current other payables	-	-	197	197

- 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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2021		December 31, 2020		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Book amount	Fair value	Book amount	Fair value				
Assets								
Non-current deposits held by financial institutions	730	730	1,371	1,371	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	180,481	178,848	191,172	181,898	Discounted cash flow	Discount rate and exchange rate	Discount rate	3.0% ~ 3.6%
Non-current trade receivables	22,040	22,040	-	-	Discounted cash flow	Discount rate	Discount rate	3.82%
Liabilities								
Non-current borrowings	6,506,624	6,531,699	6,811,353	6,999,601	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.9% ~ 3.8%
Non-current other payables	100	98	200	197	Discounted cash flow	Discount rate	Discount rate	2.0%

38. Assets Classified as Held for Sale

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

<i>(in millions of Korean won)</i>	December 31, 2021 ¹	December 31, 2020
Assets classified as held for sale		
Land	32,255	9,723
Building	48,730	3,552
Machinery	3,464	-
Structures	-	71
Other property, plant and equipment	339	-
Total	84,788	13,346

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

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

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39. Discontinued Operation

At the end of the reporting period, the Company discontinued the operation of MC business 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, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Net sales	1,001,826	3,699,573
Operating loss	(1,256,862)	(547,354)
Loss before income tax ¹	(1,632,345)	(573,859)
Income tax expense ¹	(440,733)	(154,540)
Loss for the period, net of tax	(1,191,612)	(419,319)

¹ It includes an impairment loss and loss on disposal of property, plant and equipment and intangible assets amounting to ₩ 342,692 million due to discontinued operations of MC business, and income tax benefits of ₩ 92,527 million for the related profit or loss during the year ended December 31, 2021.

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

<i>(in millions of Korean won)</i>	2021	2020
Net cash outflow from operating activities	(1,723,796)	(190,538)
Net cash inflow (outflow) from investing activities	85,739	(112,839)
Net cash inflow from financing activities	1,638,057	303,377

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40. 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>	Amount
Assets	
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>
Liabilities	
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>
Transferred net assets (Investments in subsidiaries)	<u>762,080</u>

41. Events after the Reporting Period

- (a) Russia-Ukraine conflict

The Russia - Ukraine conflict has been escalated in February 2022, Russia is imposed to the international sanctions. Due to the limitations of Russian banks' access to the SWIFT (Society for Worldwide Interbank Financial Telecommunication) payment system, the lack of liquidity in the

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foreign exchange market as well as the significant decline in value of the Rubles and the decline in value of Russian companies' securities are in progress. As a result, the Company may experience situations such as a decrease in value of financial assets or operating assets owned by the Company regarding the conflict, an increase in receivable payment terms, limitation to transfer funds, a decrease in the profit.

As of December 31, 2021, the Company expects such conflict and sanctions would have financial impacts on the receivables and transaction volumes related to subsidiary of the company LG Electronics RUS, LLC (Note 36). However, the Company cannot reasonably predict the financial impacts because it is highly uncertain to estimate the impact on the Company's financial position and business performance. The Company did not reflect the impact due to the conflict on the financial statements as at December 31, 2021 accordingly.

(b) Discontinued energy business

The Company decided to discontinue the production and sales of the solar panel business in accordance with the resolution of the Board of Directors on February 22, 2022 to concentrate its capabilities on core projects and improve its business structure through internal resource efficiency.

42. Approval of the Separate Financial Statements

The separate financial statements of the Company was approved by the Board of Directors on January 26, 2022, and final approval is expected at the regular general meeting of shareholders to be held on March 24, 2022

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, 2021, 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, 2021, 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, 2021, 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 15, 2022 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 15, 2022

This report is effective as at March 15, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the 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, 2021.

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, 2021, 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, 2022

Bae, Doo Yong
Representative Director

Lee, Hong-Su
Internal Control over Financial Reporting Officer