

LG Electronics Inc.

**Separate Interim Financial Statements
September 30, 2021 and 2020**

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of LG Electronics Inc. (referred to as the "Company"). These financial statements consist of the separate interim statement of financial position of the Company as at September 30, 2021, and the related separate interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2021 and 2020, and separate interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2021 and 2020, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these separate interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying separate interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 3 to these separate interim financial statements of the Company, which 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. This matter does not affect our conclusion.

Other Matters

We have audited the separate statement of financial position of the Company as at December 31, 2020, and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 4, 2021. The separate statement of financial position as at December 31, 2020, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2020.

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

November 15, 2021
Seoul, Korea

<p>This report is effective as of November 15, 2021, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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LG Electronics Inc.
Separate Interim Statements of Financial Position
September 30, 2021 and December 31, 2020

<i>(in millions of Korean won)</i>	Notes	September 30, 2021 (Unaudited)	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents	4,31	1,431,534	1,916,739
Deposits held by financial institutions	4,31	146,354	80,000
Trade receivables	4,5,31	5,105,456	4,995,299
Other receivables	4,5,31	347,991	425,809
Other financial assets	4,6,31	2,662	1,750
Inventories	7	1,666,951	1,594,084
Current tax assets		632	1,023
Contract assets	8	325,418	388,350
Other current assets		267,604	253,343
Assets held for sale	32	9,333	13,346
		<u>9,303,935</u>	<u>9,669,743</u>
Non-current assets			
Deposits held by financial institutions	4,31	696	1,371
Other receivables	4,5,31	186,004	191,172
Other financial assets	4,6,31	111,638	94,404
Property, plant and equipment	9	6,647,260	7,318,557
Intangible assets	9	1,609,637	2,053,815
Deferred tax assets		1,463,601	1,151,324
Investments in subsidiaries, associates and joint ventures	10	9,402,677	8,881,286
Contract assets	8	64,404	38,976
Other non-current assets		289,914	299,339
		<u>19,775,831</u>	<u>20,030,244</u>
Total assets		<u>29,079,766</u>	<u>29,699,987</u>
Liabilities			
Current liabilities			
Trade payables	4,31	5,849,418	6,290,494
Borrowings	4,11,31	1,116,500	1,013,345
Lease liabilities	4,12,31	47,687	68,346
Other payables	4,31	1,652,931	1,999,555
Other financial liabilities	4,6,31	5,098	6,215
Current tax liabilities		14,515	39,003
Provisions	14	1,488,112	588,011
Contract liabilities	8	428,271	396,313
Other current liabilities		2,114,094	1,700,061
		<u>12,716,626</u>	<u>12,101,343</u>
Non-current liabilities			
Borrowings	4,11,31	6,704,070	6,811,353
Lease liabilities	4,12,31	50,415	53,524
Other payables	4,31	100	200
Other financial liabilities	4,6,31	37,759	125,250
Net defined benefit liabilities	13	302,056	401,900
Provisions	14	250,871	138,852
Contract liabilities	8	5,009	3,554
Other non-current liabilities		142,406	142,278
		<u>7,492,686</u>	<u>7,676,911</u>
Total liabilities		<u>20,209,312</u>	<u>19,778,254</u>

LG Electronics Inc.
Separate Interim Statements of Financial Position
September 30, 2021 and December 31, 2020

(in millions of Korean won)

	Notes	September 30, 2021 (Unaudited)	December 31, 2020
Equity			
Paid-in capital:	15		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	16	4,935,176	6,018,118
Accumulated other comprehensive loss	17	(24,251)	(55,914)
Other components of equity	18	<u>(32,819)</u>	<u>(32,819)</u>
Total equity		<u>8,870,454</u>	<u>9,921,733</u>
Total liabilities and equity		<u>29,079,766</u>	<u>29,699,987</u>

LG Electronics Inc.
Separate Interim Statements of Profit or Loss
Three-Month and Nine-Month Periods Ended September 30, 2021 and 2020

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

	Notes	Period Ended September 30			
		2021 (Unaudited)		2020 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Continuing operations					
Net sales	19	7,189,493	20,693,538	6,804,550	18,242,514
Cost of sales	20	<u>5,207,537</u>	<u>15,300,977</u>	<u>4,808,132</u>	<u>13,218,984</u>
Gross profit		1,981,956	5,392,561	1,996,418	5,023,530
Selling and marketing expenses	20,21	915,646	2,467,191	724,056	1,922,671
Administrative expenses	20,21	138,259	379,308	123,575	339,130
Research and development expenses	20,21	398,054	1,086,163	357,825	1,004,979
Service costs	20,21	<u>708,233</u>	<u>1,274,282</u>	<u>330,217</u>	<u>545,521</u>
Operating profit (loss)		(178,236)	185,617	460,745	1,211,229
Financial income	22	90,061	217,141	39,405	143,002
Financial expenses	23	123,868	283,823	93,990	313,461
Other non-operating income	24	426,333	884,684	150,795	1,501,850
Other non-operating expenses	25	<u>297,260</u>	<u>699,420</u>	<u>163,516</u>	<u>582,688</u>
Profit (loss) before income tax		(82,970)	304,199	393,439	1,959,932
Income tax expense (benefit)		<u>(9,025)</u>	<u>109,456</u>	<u>89,388</u>	<u>460,439</u>
Profit (loss) for the period from continuing operations		<u>(73,945)</u>	<u>194,743</u>	<u>304,051</u>	<u>1,499,493</u>
Discontinued operations					
Profit (loss) for the period from discontinued operation:	33	<u>20,513</u>	<u>(1,163,085)</u>	<u>14,474</u>	<u>(273,677)</u>
Profit (loss) for the period		<u>(53,432)</u>	<u>(968,342)</u>	<u>318,525</u>	<u>1,225,816</u>
Earnings (losses) per share during the period					
<i>(in Korean won) :</i>					
	26				
Earnings (losses) per ordinary share		(298)	(5,381)	1,768	6,804
From continuing operations		(412)	1,078	1,687	8,324
From discontinued operations		114	(6,459)	81	(1,520)
Earnings (losses) per preferred share		(285)	(5,344)	1,781	6,842
From continuing operations		(399)	1,115	1,700	8,361
From discontinued operations		114	(6,459)	81	(1,519)

LG Electronics Inc.
Separate Interim Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2021 and 2020

(in millions of Korean won)

	Notes	Period Ended September 30			
		2021 (Unaudited)		2020 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit (loss) for the period		<u>(53,432)</u>	<u>(968,342)</u>	<u>318,525</u>	<u>1,225,816</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	13	26,146	102,338	(15,585)	(49,039)
Financial assets at fair value through other comprehensive income	6	(511)	(9,542)	14,781	16,370
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Cash flow hedges	31	10,752	41,205	10,079	(15,401)
Other comprehensive income (loss) for the period, net of tax		<u>36,387</u>	<u>134,001</u>	<u>9,275</u>	<u>(48,070)</u>
Total comprehensive income (loss) for the period, net of tax		<u>(17,045)</u>	<u>(834,341)</u>	<u>327,800</u>	<u>1,177,746</u>

LG Electronics Inc.

Separate Interim Statements of Changes in Equity

Nine-Month Periods Ended September 30, 2021 and 2020

<i>(in millions of Korean won)</i>	Notes	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total Equity
Balance at January 1, 2020		3,992,348	5,006,105	(72,304)	(32,819)	8,893,330
Total comprehensive income (loss):						
Profit for the period		-	1,225,816	-	-	1,225,816
Remeasurements of the net defined benefit liability	13	-	(49,039)	-	-	(49,039)
Financial assets at fair value through other comprehensive income	6	-	-	16,370	-	16,370
Cash flow hedges	31	-	-	(15,401)	-	(15,401)
Total comprehensive income		<u>-</u>	<u>1,176,777</u>	<u>969</u>	<u>-</u>	<u>1,177,746</u>
Transactions with owners:						
Dividends	16	-	(135,909)	-	-	(135,909)
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>
Balance at September 30, 2020 (Unaudited)		<u>3,992,348</u>	<u>6,046,973</u>	<u>(71,335)</u>	<u>(32,819)</u>	<u>9,935,167</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 period		-	(968,342)	-	-	(968,342)
Remeasurements of the net defined benefit liability	13	-	102,338	-	-	102,338
Financial assets at fair value through other comprehensive income	6	-	-	(9,542)	-	(9,542)
Cash flow hedges	31	-	-	41,205	-	41,205
Total comprehensive income (loss)		<u>-</u>	<u>(866,004)</u>	<u>31,663</u>	<u>-</u>	<u>(834,341)</u>
Transactions with owners:						
Dividends	16	-	(216,938)	-	-	(216,938)
Total transactions with owners		<u>-</u>	<u>(216,938)</u>	<u>-</u>	<u>-</u>	<u>(216,938)</u>
Balance at September 30, 2021 (Unaudited)		<u>3,992,348</u>	<u>4,935,176</u>	<u>(24,251)</u>	<u>(32,819)</u>	<u>8,870,454</u>

LG Electronics Inc.

Separate Interim Statements of Cash Flows

Nine-Month Periods Ended September 30, 2021 and 2020

(in millions of Korean won)

	Notes	Nine-month Period Ended September 30	
		2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	27	297,643	895,342
Interest received		5,378	6,150
Interest paid		(167,120)	(188,006)
Dividend received		232,083	346,165
Income tax paid		(74,385)	(113,259)
Net cash inflow from operating activities		<u>293,599</u>	<u>946,392</u>
Cash flows from investing activities			
Decrease in deposits held by financial institutions		675	-
Decrease in other receivables		39,839	46,237
Proceeds from redemption and disposal of other financial assets		17,181	2,568
Proceeds from disposal of property, plant and equipment		90,816	18,113
Proceeds from disposal of intangible assets		1,968	628
Proceeds from redemption and disposal of investment in subsidiaries, associates and joint ventures		489,445	727,885
Proceeds from disposal of assets held for sale		13,648	-
Transfer of business	27	-	(1,968)
Increase in deposits held by financial institutions		-	(14,550)
Increase in other receivables		(49,280)	(68,288)
Acquisition of other financial assets		(27,823)	(11,880)
Acquisition of property, plant and equipment		(392,026)	(521,734)
Acquisition of intangible assets		(282,332)	(261,314)
Acquisition of investments in subsidiaries, associates and joint ventures		(233,670)	(33,304)
Cash outflow from split-off		(91,500)	-
Net cash outflow from investing activities		<u>(423,059)</u>	<u>(117,607)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,082,141	877,688
Repayments of borrowings		(1,164,779)	(611,393)
Dividend paid and others		(216,938)	(135,909)
Repayments of lease liabilities		(56,169)	(55,269)
Net cash inflow (outflow) from financing activities		<u>(355,745)</u>	<u>75,117</u>
Effects of exchange rate changes on cash and cash equivalents		-	-
Net increase (decrease) in cash and cash equivalents		<u>(485,205)</u>	<u>903,902</u>
Cash and cash equivalents at the beginning of the period		<u>1,916,739</u>	<u>918,795</u>
Cash and cash equivalents at the end of the period		<u>1,431,534</u>	<u>1,822,697</u>

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2021 and 2020 (Unaudited), and December 31, 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 September 30, 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 September 30, 2021, the Company operates manufacturing facilities mainly in Changwon, Pyeongtaek, Gumi and Incheon in the Republic of Korea.

LG Electronics Inc.
Notes to the Separate Interim Financial Statements
September 30, 2021 and 2020 (Unaudited), and December 31, 2020

2. Significant Accounting Policies

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 interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The financial statements of the Company are the separate interim financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. The separate interim financial statements for the nine-month period ended September 30, 2021, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These separate interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at September 30, 2021.

Changes in Accounting Policies and Disclosures

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

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

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

The Company has financial instruments subject to interest rate benchmark reform, however there is no completed transition to alternative benchmark during the current period. The amendments do not have a significant impact on the separate interim financial statements.

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

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

With early adoption of Korean IFRS 1116 *Lease*, the Company has retrospectively applied the changed accounting policy according to the application of the practical expedient and the transitional provisions in the standard for the rent concessions and others that meet the requirements. However, there is no cumulative impact of initial application on the beginning balance of retained earnings as at January 1, 2021, and the Company did not restate comparatives for the 2020 reporting period. The amendments do not have a significant impact on the separate interim financial statements.

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September 30, 2021 and 2020 (Unaudited), and December 31, 2020

(b) New, enacted and amended standards issued, but not effective for September 30, 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 qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The 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 separate interim 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 separate interim 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 separate interim financial statements.

- Annual improvements to Korean IFRS 2018-2020

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

LG Electronics Inc.

Notes to the Separate Interim Financial Statements

September 30, 2021 and 2020 (Unaudited), and December 31, 2020

- 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 separate interim financial statements.

Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate interim financial statements for the year ended December 31, 2020, except for the changes due to the application of amendment and enactments of standards described in Note 2 and the income tax expense described below. MC business of which operation has been discontinued during the nine-month period ended September 30, 2021, was accounted for in accordance with accounting policy of 'Assets Held for Sale and Discontinued Operations' in Note 2.

Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income for the period.

Assets Held for Sale and Discontinued Operations

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

When a component of discontinued operations or a component held for sale due to disposals is of a major line of business or geographical area, its post-tax profit or loss is presented separately in the statement of profit or loss as the profit or loss of discontinued operations. The net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented in the notes to the consolidated interim financial statements.

LG Electronics Inc.
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September 30, 2021 and 2020 (Unaudited), and December 31, 2020

3. Critical Accounting Estimates and Judgements

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

Critical Accounting Estimates and Assumptions

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.

The spread of COVID-19 has a material impact on domestic and foreign 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, and the impact is expected to be continued to the separate annual financial statements in 2021.

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

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

(a) Revenue Recognition

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

(b) Impairment of Goodwill

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

(c) Income Taxes

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

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(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 judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of the reporting period.

(e) Provisions

The Company recognizes provisions for product warranties and others based on their historical data at the end of the reporting period.

(f) Net Defined Benefit Liabilities

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

(g) Development Costs

The Company capitalizes development costs when there is a reasonable assurance that projects have technical feasibility and the possibility of generating future economic benefits, and performs periodic impairment test. The recoverable amount of each project has been calculated on a basis of the value-in-use reflecting historical experience and future business plans. These calculations require estimates.

(h) Lease

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

The assessment of reasonable certainty to exercise (or not exercise) an extension option is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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4. Financial Instruments by Category

(a) Categorizations of financial instruments as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 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	1,431,534	-	-	-	1,431,534
Deposits held by financial institutions	147,050	-	-	-	147,050
Trade receivables	4,951,151	154,305	-	-	5,105,456
Other receivables	533,995	-	-	-	533,995
Other financial assets	-	45,079	41,465	27,756	114,300
Total	7,063,730	199,384	41,465	27,756	7,332,335

<i>(in millions of Korean won)</i>	September 30, 2021			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	5,849,418	-	-	5,849,418
Borrowings	7,820,570	-	-	7,820,570
Lease liabilities	-	-	98,102	98,102
Other payables	1,653,031	-	-	1,653,031
Other financial liabilities	-	552	42,305	42,857
Total	15,323,019	552	140,407	15,463,978

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<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

(b) Net gains or losses on each category of financial instruments for the nine-month periods ended September 30, 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	7,516	-	-	-	7,516
Exchange differences	373,183	-	-	-	373,183
Reversal of bad debt expenses	28,958	-	-	-	28,958
Loss on disposal of trade receivables	(875)	(124)	-	-	(999)
Dividend income	-	189	1,139	-	1,328
Profit(loss) for the period from discontinued operations	21,446	-	-	-	21,446
Fair value loss, net of tax (through other comprehensive income)	-	(9,542)	-	-	(9,542)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	-	13,855	13,855
Others	(941)	-	-	-	(941)

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<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 expenses	(90,993)	-	(25,719)	(116,712)
Exchange differences	(455,506)	-	57,605	(397,901)
Loss on derivatives (through profit or loss)	-	(5,996)	-	(5,996)
Profit(loss) for the period from discontinued operations	(90,716)	-	(79)	(90,795)
Gain on derivatives, net of tax (through other comprehensive income)	-	-	27,350	27,350
Others	-	-	(309)	(309)

<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	8,597	-	-	-	8,597
Exchange differences	(5,729)	-	-	-	(5,729)
Bad debt expense	(1,951)	-	-	-	(1,951)
Loss on disposal of trade receivables	(1,667)	(473)	-	-	(2,140)
Dividend income	-	151	-	-	151
Profit(loss) for the period from discontinued operations	(11,809)	-	-	-	(11,809)
Fair value gain, net of tax (through other comprehensive income)	-	16,370	-	-	16,370
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	2,266	2,266
Others	(3,943)	-	-	-	(3,943)

<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 expenses	(90,825)	-	(19,492)	(110,317)
Exchange differences	(105,997)	-	12,965	(93,032)
Profit(loss) for the period from discontinued operations	(86,040)	-	(151)	(86,191)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(17,667)	(17,667)
Others	-	-	(2,799)	(2,799)

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5. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021			December 31, 2020		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,141,978	(36,522)	5,105,456	5,060,475	(65,176)	4,995,299
Other receivables						
Current	359,778	(11,787)	347,991	437,901	(12,092)	425,809
Non-current	186,016	(12)	186,004	191,183	(11)	191,172

(b) Movements in allowance for doubtful accounts for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021			
	At January 1	Addition (Reversal)	Write-off and other	At September 30
Trade receivables	65,176	(28,636)	(18)	36,522
Other receivables				
Current	12,092	(314)	9	11,787
Non-current	11	1	-	12
<i>(in millions of Korean won)</i>	2020			
	At January 1	Addition (Reversal)	Write-off and other	At September 30
Trade receivables	62,322	1,332	-	63,654
Other receivables				
Current	9,640	1,041	8	10,689
Non-current	542	(531)	-	11

(c) The aging analysis of trade receivables and other receivables as at September 30, 2021 and December 31, 2020, is as follows:

<i>(in millions of Korean won)</i>	September 30, 2021				December 31, 2020			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
	Current	Non-current			Current	Non-current		
Receivables not past due	4,571,594	276,157	180,839	5,028,590	4,529,748	339,102	187,852	5,056,702
Past due but not impaired								
Up to 6 months	237,943	15,052	869	253,864	305,046	7,363	1,468	313,877
7 to 12 months	125,999	109	3,000	129,108	50,918	21,796	1,863	74,577
Over 1 year	124,688	56,493	1,308	182,489	67,936	57,113	-	125,049
Subtotal	488,630	71,654	5,177	565,461	423,900	86,272	3,331	513,503
Impaired	81,754	11,967	-	93,721	106,827	12,527	-	119,354
Total	5,141,978	359,778	186,016	5,687,772	5,060,475	437,901	191,183	5,689,559

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- (d) Trade receivables have been discounted through collateralized borrowing agreements with banks for the nine-month period ended September 30, 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 11). Discounted trade receivables as at September 30, 2021 amount to ₩90,769 million and there were no discounted trade receivables as at December 31, 2020.

6. Other Financial Assets and Liabilities

- (a) Details of other financial assets and liabilities as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Other financial assets		
Derivatives	27,813	1,750
Financial assets at fair value through other comprehensive income	45,079	64,850
Financial assets at fair value through profit or loss	41,408	29,554
Total	114,300	96,154
Current	2,662	1,750
Non-current	111,638	94,404

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Other financial liabilities		
Derivatives	32,408	118,614
Financial guarantee liability	10,449	12,851
Total	42,857	131,465
Current	5,098	6,215
Non-current	37,759	125,250

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

<i>(in millions of Korean won)</i>	September 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	57	552	-	-
Cross-currency swap	2,605	-	1,750	-
Subtotal	2,662	552	1,750	-
Non-current				
Cross-currency swap	25,151	-	-	50,171
Interest rate swap	-	31,856	-	68,443
Subtotal	25,151	31,856	-	118,614
Total	27,813	32,408	1,750	118,614

The details of major derivative contracts at the end of the reporting period are presented in Note 31.

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(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021					
	At January 1	Acquisition	Disposals	Transfer	Valuation	At September 30
Listed equity securities	38,934	-	(13,883)	-	(4,666)	20,385
Unlisted equity securities	25,916	7,170	-	-	(8,392)	24,694
Total	64,850	7,170	(13,883)	-	(13,058)	45,079

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposals	Transfer	Valuation	At September 30
Listed equity securities	10,835	-	-	833	22,453	34,121
Unlisted equity securities	27,679	3,941	-	(833)	-	30,787
Total	38,514	3,941	-	-	22,453	64,908

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021				
	At January 1	Acquisition	Disposals	Valuation	At September 30
Unlisted equity securities	29,554	9,851	(3,229)	-	36,176
Debt securities	-	5,232	-	-	5,232
Total	29,554	15,083	(3,229)	-	41,408

<i>(in millions of Korean won)</i>	2020				
	At January 1	Acquisition	Disposals	Valuation	At September 30
Unlisted equity securities	21,282	7,945	(2,568)	-	26,659

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7. Inventories

Inventories as at September 30, 2021 and December 31, 2020, consist of:

<i>(in millions of Korean won)</i>	September 30, 2021			December 31, 2020		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	780,448	(31,431)	749,017	876,329	(41,253)	835,076
Work-in-process	99,264	(594)	98,670	98,171	(415)	97,756
Raw materials and supplies	710,839	(45,987)	664,852	611,955	(56,325)	555,630
Other	177,367	(22,955)	154,412	126,892	(21,270)	105,622
Total	1,767,918	(100,967)	1,666,951	1,713,347	(119,263)	1,594,084

8. Contract Assets and Contract Liabilities

(a) Contract assets as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Due from customers	314,545	363,897
(Less: allowance for doubtful accounts)	(2)	(2)
Right to recover returned products	802	667
Costs to fulfill contracts and others	74,477	62,764
Total	389,822	427,326
Current	325,418	388,350
Non-current	64,404	38,976

(b) Contract liabilities as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Expected promotional incentives for customers	79,754	164,418
Expected returns from customers	1,572	1,005
Customer loyalty program	46,895	30,275
Rendering of warranty services	11,979	15,846
Due to customers and others	293,080	188,323
Total	433,280	399,867
Current	428,271	396,313
Non-current	5,009	3,554

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(c) Revenue recognized in relation to contract liabilities for the nine-month periods ended September 30, 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 period:		
Due to customers and others	157,234	167,303
Customer loyalty program	30,275	16,877
Rendering of warranty services	8,982	8
Total	196,491	184,188
Revenue recognized from performance obligations satisfied in previous periods	6,127	2,201

(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 ₩639,982 million which were expected to be satisfied by 2023, at the latest. Also, as a practical expedient, the Company excluded performance obligation which was a contract that had an original expected duration of one year or less.

(e) For the nine-month period ended September 30, 2021, there is no impairment loss recognized by the Company (September 30, 2020: reversal of impairment loss of ₩2,468 million) in relation to due from customers, and amortization and other costs of ₩14,191 million (September 30, 2020: ₩32,756 million) in relation to costs to fulfill contracts.

9. Property, Plant and Equipment, and Intangible Assets

(a) Changes in property, plant and equipment for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
At January 1	7,318,557	7,331,504
Acquisitions	515,032	496,399
Reclassification to assets held for sale	-	(13,346)
Disposals and others	(72,313)	(31,403)
Decrease due to split-off	(516,685)	-
Depreciation	(568,496)	(570,759)
Impairment losses ¹	(28,835)	(6,703)
At September 30	6,647,260	7,205,692

¹ Impairment loss on property, plant and equipment from discontinued operations of MC business amounting to ₩18,655 million is included.

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(b) Line items including depreciation in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Cost of sales	444,040	438,697
Selling and marketing expenses	28,215	27,465
Administrative expenses	35,464	36,266
Research and development expenses	31,246	32,469
Service costs	11,988	11,204
Other non-operating expenses	4,697	3,507
Subtotal	555,650	549,608
Discontinued operations	12,846	21,151
Total	568,496	570,759

(c) Changes in right-of-use assets included in property, plant and equipment for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
At January 1	125,762	133,533
Acquisitions	36,902	43,300
Disposals and others	(2,504)	(4,685)
Depreciation	(59,344)	(61,098)
At September 30	100,816	111,050

The amount recognized as lease income in relation to sublease of the above right-of-use assets for the nine-month period September 30, 2021, was ₩8,602 million (September 30, 2020: ₩9,510 million).

(d) Changes in intangible assets for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
At January 1	2,053,815	1,440,219
Acquisitions	235,875	144,560
Acquisitions by internal development	120,386	299,831
Disposals and others	(48,130)	(32,326)
Decrease due to split-off	(53,882)	-
Amortization	(379,518)	(242,379)
Impairment losses ¹	(318,909)	(31,866)
At September 30	1,609,637	1,578,039

¹ Impairment loss on intangible assets from discontinued operations of MC business amounting to ₩294,397 million is included.

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(e) Line items including amortization of intangible assets in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Cost of sales	234,787	145,637
Selling and marketing expenses	4,340	5,345
Administrative expenses	22,223	25,538
Research and development expenses	26,219	23,005
Service costs	1,148	224
Subtotal	288,717	199,749
Discontinued operations	90,801	42,630
Total	379,518	242,379

10. Investments in Subsidiaries, Associates and Joint Ventures

(a) Investments in subsidiaries, associates and joint ventures as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at September 30, 2021 (%)	Carrying amount	
				September 30, 2021	December 31, 2020
Subsidiaries					
LG Electronics U.S.A., Inc.(LGEUS)	USA	December	100.0	955,542	955,542
ZKW Holding GmbH	Austria	December	70.0	878,201	878,201
LG Innotek Co., Ltd.	Korea	December	40.8	541,538	541,538
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
LG Electronics Egypt S.A.E(LGEEG)	Egypt	December	100.0	110,245	110,245
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	China	December	88.4	97,608	97,608
P.T. LG Electronics Indonesia(LGEIN)	Indonesia	December	100.0	94,118	94,118
LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	Vietnam	December	100.0	84,784	84,784
LG Electronics Panama, S.A.(LGEPS)	Panama	December	100.0	79,222	79,222
LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	Poland	December	100.0	70,014	70,014
LG Electronics Mexico S.A. DE C.V.(LGEMS)	Mexico	December	100.0	68,721	68,721

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at September 30, 2021 (%)	Carrying amount	
				September 30, 2021	December 31, 2020
LG Electronics (Shenyang) Inc(LGESY)	China	December	56.3	62,033	62,033
LG Electronics (Thailand) Company Limited(LGETH)	Thailand	December	100.0	55,578	55,578
LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	Australia	December	100.0	50,664	50,664
LG Electronics Fund I LLC ¹	USA	December	100.0	49,478	45,045
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
ZKW Austria Immobilien Holding GmbH	Austria	December	70.0	35,640	35,640
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 Colombia Limitada(LGECB)	Colombia	December	60.7	25,215	25,215
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
Hi-M.Solutek ²	Korea	December	100.0	1,812	3,654
Hi-Caresolution Corp ²	Korea	December	100.0	1,842	-
LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC) ⁸	China	December	100.0	-	9,790
Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT) ^{4,5}	China	December	60.0	-	48,624
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD) ^{4,5}	China	December	60.0	-	22,142
Others				178,010	178,010
Associates					
LG Display Co., Ltd.	Korea	December	37.9	3,480,623	3,480,623
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	131,378	131,378
Robostar Co.,Ltd.	Korea	December	33.4	88,112	88,112
RINSE, INC. ^{3,6}	USA	December	11.9	7,030	-
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
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	20,554	12,039
LG-LHT Passenger Solutions GmbH ¹	Germany	December	49.0	18,098	10,637
EiC PROPERTIES PTE LTD.	Singapore	December	38.2	7,881	7,881

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<i>(in millions of Korean won)</i>	Location	Closing month	Percentage of ownership at September 30, 2021 (%)	Carrying amount	
				September 30, 2021	December 31, 2020
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD. ¹	China	December	35.0	1,194	891
Total				9,402,677	8,881,286

¹ It was additionally acquired during the nine-month period ended September 30, 2021.

² Hi-Caresolution Corp was newly established through spin-off of Hi-M Solutek during the nine-month period ended September 30, 2021.

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 nine-month period ended September 30, 2021.

⁵ Impairment loss was recognized during the nine-month period ended September 30, 2021.

⁶ It was newly acquired during the nine-month period ended September 30, 2021.

⁷ Capital increase with consideration was executed during the nine-month period ended September 30, 2021.

⁸ It was liquidated during the nine-month period ended September 30, 2021.

⁹ It was newly acquired through split-off during the nine-month period ended September 30, 2021.

(b) Changes in investments in subsidiaries, associates and joint ventures for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
At January 1	8,881,286	9,022,290
Acquisitions	213,286	33,304
Increase due to split-off	762,080	-
Disposal ¹	(420,984)	(55,365)
Impairment	(32,991)	(13,243)
At September 30	9,402,677	8,986,986

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 classified as held for sale due to the signing of a share transfer agreement during the nine-month period ended September 30, 2021. It includes a stake of ₩373,419 million (49%) in LG Magna E-Powertrain Co., Ltd., a subsidiary, and there is an agreement for change of settlement consideration related to disposal during the nine-month period ended September 31, 2021.

The Company disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the nine-month period ended September 30, 2020, and recognized gain on disposal of ₩666,667 million, net of related costs, in 'other non-operating income' (Note 24).

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(c) Details of marketable investments in subsidiaries and associates as at September 30, 2021 and December 31, 2020, are as follows:

September 30, 2021					
	Type	Shares held (Unit: shares)	Price per share (in Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	18,950	2,570,094	3,480,623
LG Innotek Co., Ltd.	Subsidiary	9,653,181	208,500	2,012,688	541,538
Robostar Co.,Ltd.	Associate	3,256,500	22,000	71,643	88,112
ROBOTIS Co.,Ltd.	Associate	961,550	13,500	12,981	9,000

December 31, 2020					
	Type	Shares held (Unit: shares)	Price per share (in Korean 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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11. Borrowings

(a) Carrying amounts of borrowings as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Current		
Short-term borrowings	90,769	200,736
Current portion of long-term borrowings	517,576	232,714
Current portion of debentures	508,155	579,895
Subtotal	1,116,500	1,013,345
Non-current		
Long-term borrowings	2,166,626	2,452,679
Debentures	4,537,444	4,358,674
Subtotal	6,704,070	6,811,353
Total	7,820,570	7,824,698

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

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at September 30, 2021 (%)	Carrying amount	
			September 30, 2021	December 31, 2020
Short-term borrowings in foreign currency				
Citibank ¹	2021. 12. 28	2.29 ~ 2.87	90,769	200,736
Long-term borrowings in local currency				
Korea Development Bank and others	2035. 1. 9	1.86 ~ 3.50	1,880,893	2,066,321
Long-term borrowings in foreign currency				
Hana Bank and others	2031. 7. 28	0.56 ~ 2.50	803,310	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	0.94 ~ 1.74	459,515	425,191
Private, guaranteed bonds	2023. 2.24	0.21	137,431	133,824
Less: discount on debentures			(11,348)	(10,446)
Total			7,820,570	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.

The Company entered into interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of some portion of borrowings (Note 31).

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12. Lease Liabilities

(a) Details of lease liabilities as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Lease liabilities		
Current	47,687	68,346
Non-current	50,415	53,524
Total	98,102	121,870

(b) The amounts, relating to leases, recognized in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Interest expense relating on lease liabilities	2,597	3,090
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	22,905	24,109
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)	9,982	11,523
Sub total	35,484	38,722
Discontinued operations	3,029	3,905
Total	38,513	42,627

Total expenses for leases including short-term leases and leases of low-value assets for the nine-month period ended September 30, 2021, are ₩94,598 million (September 30, 2020: ₩97,683 million).

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13. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Present value of funded obligations	3,177,337	3,278,480
Fair value of plan assets	(2,875,281)	(2,876,580)
Net defined benefit liabilities	302,056	401,900

(b) The amounts recognized in the separate interim statements of profit or loss for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Current service cost	239,696	226,490
Net interest cost	7,470	8,358
Operating management cost	1,635	1,458
Total	248,801	236,306

(c) Line items in which expenses are included for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Continuing operations		
Cost of sales	121,691	112,606
Selling and marketing expenses	28,397	24,907
Administrative expenses	14,852	13,725
Research and development expenses	44,398	39,868
Service costs	17,167	15,338
Sub total	226,505	206,444
Discontinued operations	22,296	29,862
Total	248,801	236,306

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(d) Movements in the present value of defined benefit obligations for the nine-month periods ended September 30, 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	239,696	226,490
Interest expense	58,905	49,734
Remeasurements for:		
- Actuarial loss (gain) arising from changes in financial assumptions	(155,728)	64,178
- Actuarial loss arising from experience adjustments	1,329	-
Decrease due to split-off	(76,741)	-
Benefits paid	(168,604)	(104,819)
At September 30	3,177,337	3,196,617

(e) Movements in the fair value of plan assets for the nine-month periods ended September 30, 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	51,435	41,376
Remeasurements of plan assets	(14,344)	(3,083)
Decrease due to split-off	(76,741)	-
Employer contribution	150,000	-
Benefits paid	(110,014)	(75,644)
Operating management cost	(1,635)	(1,458)
At September 30	2,875,281	2,433,499

(f) The significant actuarial assumptions used as at September 30, 2021 and December 31, 2020, are as follows:

	September 30, 2021	December 31, 2020
Discount rate	2.8%	2.4%
Expected salary growth rate	5.0%	5.0%

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at September 30, 2021, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(291,930)	339,114
Expected salary growth rate	328,110	(288,824)

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

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Defined Contribution Plan

The expense recognized for the nine-month period ended September 30, 2021 in relation to the defined contribution plan was ₩7,006 million (September 30, 2020: ₩8,001 million).

14. Provisions

Changes in provisions for the nine-month periods ended September 30, 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
Additional provisions, net ¹	1,379,422	631	(4,429)	1,375,624
Decrease due to split-off	(11,692)	-	-	(11,692)
Utilizations	(336,082)	(257)	(15,473)	(351,812)
At September 30	1,647,646	10,607	80,730	1,738,983
Current	1,480,267	7,845	-	1,488,112
Non-current	167,379	2,762	80,730	250,871

	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
Additional provisions, net ¹	400,631	364	16,264	417,259
Utilizations	(326,971)	(372)	(22,226)	(349,569)
At September 30	592,043	10,316	71,418	673,777
Current	559,790	2,015	-	561,805
Non-current	32,253	8,301	71,418	111,972

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

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15. Paid-in Capital

(a) At the end of the reporting period, the number of shares authorized is 600 million.

	Par value per share	September 30, 2021		December 31, 2020	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

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 September 30, 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 right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

16. Retained Earnings

Retained earnings as at September 30, 2021 and December 31, 2020, consist of:

(in millions of Korean won)	September 30, 2021	December 31, 2020
Legal reserve ¹	231,220	209,524
Discretionary reserve	5,569,860	4,660,573
Unappropriated retained earnings (undisposed accumulated deficit) ²	(865,904)	1,148,021
Total	4,935,176	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 share capital. The reserve is not available for the payment of cash dividends, but may be transferred to share capital or used to reduce accumulated deficit.

² Dividend for the year ended December 31, 2020 of ₩216,938 million was approved at the annual general meeting held on March 24, 2021, and paid in April 2021 (2020 payments: ₩135,909 million).

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17. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as at September 30, 2021 and December 31, 2020, consists of:

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Cash flow hedge	(31,821)	(73,026)
Financial assets at fair value through other comprehensive income	7,570	17,112
Total	(24,251)	(55,914)

18. Other Components of Equity

Other components of equity as at September 30, 2021 and December 31, 2020, consist of:

<i>(in millions of Korean won)</i>	September 30, 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
Total	(32,819)	(32,819)

¹ 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) at the end of the reporting period. The Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

19. Net Sales

(a) Details of net sales for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Continuing operations				
Revenue from contracts with customers:				
Sales of goods	6,752,755	19,454,298	6,403,673	17,159,144
Rendering of services	144,330	390,835	114,535	354,756
Royalty income	128,252	370,268	124,485	285,071
Subtotal	7,025,337	20,215,401	6,642,693	17,798,971
Revenue from other sources:				
Rental income and others	164,156	478,137	161,857	443,543
Subtotal	7,189,493	20,693,538	6,804,550	18,242,514
Discontinued operations	61,359	968,220	1,159,655	2,829,014
Total	7,250,852	21,661,758	7,964,205	21,071,528

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(b) Details of revenue from contracts with customers for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
By type of products:		
Refrigerator/washing machine/air conditioner and others	10,671,737	9,507,836
TV/AV and others	3,313,074	2,926,401
In-vehicle infotainment and others	2,416,347	1,809,839
Monitor/PC and others	2,894,548	2,741,730
Others	1,052,723	884,247
Inter-company transactions	(133,028)	(71,082)
Domestic/Export:		
Domestic	7,910,046	7,510,337
Export	12,305,355	10,288,634
Timing of transfer:		
Transferred at a point in time	18,578,271	16,408,720
Transferred over time	1,637,130	1,390,251
Total	20,215,401	17,798,971

(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 during the nine-month period ended September 30, 2021, the estimated total contract revenue and costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the nine-month periods ended September 30, 2021 and the succeeding periods 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 period ended September 30, 2021	Impact on profit or loss for the succeeding periods
Other segments	93,956	59,114	24,862	9,980

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20. Expenses by Nature

Expenses that are recorded by nature for the three-month and nine-month periods ended September 30, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Continuing operations				
Changes in finished goods and work-in-process	107,873	50,135	(131,262)	(151,095)
Raw materials and merchandise used	3,699,222	11,033,208	3,595,380	9,654,935
Employee benefit expense	1,085,743	3,154,203	988,698	2,775,208
Depreciation and amortization	274,496	839,670	249,632	745,850
Advertising expense	172,102	417,857	160,170	336,566
Promotion expense	44,551	137,958	47,595	131,344
Freight expense	330,107	865,805	183,101	482,958
Commission expense	464,136	1,355,363	425,452	1,235,945
Other expenses	1,189,499	2,653,722	825,039	1,819,574
Subtotal¹	7,367,729	20,507,921	6,343,805	17,031,285
Discontinued operations	26,523	2,195,926	1,223,589	3,208,503
Total	7,394,252	22,703,847	7,567,394	20,239,788

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

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

Details of general operating expenses for the three-month and nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Continuing operations				
Salaries	386,702	1,094,223	325,043	920,910
Post-employment benefits	40,773	109,866	32,913	100,141
Employee welfare benefits	66,309	180,175	60,096	174,468
Freight expense	327,806	858,969	180,575	476,682
Rental expense	7,465	22,139	7,898	24,529
Commission expense	335,095	958,440	301,195	870,352
Depreciation	36,706	106,913	35,711	107,403
Amortization	23,452	53,930	17,274	54,112
Taxes and dues	7,944	15,248	7,452	13,058
Advertising expense	172,102	417,857	160,170	336,566
Promotional expense	44,551	137,958	47,595	131,344
R&D expense	64,167	180,887	76,318	200,337
Direct service costs	595,580	956,339	242,016	273,224
Bad debts expense (reversal)	1,228	(28,650)	(350)	(1,092)

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Others	50,312	142,650	41,767	130,267
Subtotal	2,160,192	5,206,944	1,535,673	3,812,301
Discontinued operations	(22,711)	976,584	253,921	721,689
Total	2,137,481	6,183,528	1,789,594	4,533,990

22. Financial Income

Financial income for the three-month and nine-month periods ended September 30, 2021 and 2020, consists of:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Continuing operations				
Interest income	2,838	7,516	2,562	8,597
Exchange differences	86,581	208,432	36,219	133,357
Others	642	1,193	624	1,048
Subtotal	90,061	217,141	39,405	143,002
Discontinued operations	-	19,063	9,715	31,610
Total	90,061	236,204	49,120	174,612

23. Financial Expenses

Financial expenses for the three-month and nine-month periods ended September 30, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Continuing operations				
Interest expense	56,306	116,712	35,422	110,317
Exchange differences	66,228	163,669	57,430	193,215
Loss on disposal of trade receivables	310	999	317	2,140
Others	1,024	2,443	821	7,789
Subtotal	123,868	283,823	93,990	313,461
Discontinued operations	-	65,751	42,345	127,102
Total	123,868	349,574	136,335	440,563

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24. Other Non-operating Income

Other non-operating income for the three-month and nine-month periods ended September 30, 2021 and 2020, consists of:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Continuing operations				
Dividend income	1,135	139,969	15,468	355,942
Exchange differences	222,218	509,643	121,810	436,754
Gain on disposal of property, plant and equipment	21,912	24,153	2,881	5,466
Gain on disposal of intangible assets	-	56	-	16
Gain on disposal of investments in subsidiaries, associates and joint ventures	152,340	152,340	299	677,102
Gain on disposal of assets held for sale	6,777	6,777	-	-
Others	21,951	51,746	10,337	26,570
Subtotal	426,333	884,684	150,795	1,501,850
Discontinued operations	6,481	74,458	141,082	202,100
Total	432,814	959,142	291,877	1,703,950

25. Other Non-operating Expenses

Other non-operating expenses for the three-month and nine-month periods ended September 30, 2021 and 2020, consist of:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Continuing operations				
Exchange differences	255,231	565,004	129,112	471,255
Loss on valuation of derivatives	587	6,121	-	-
Loss on disposal of property, plant and equipment	2,994	14,688	7,224	17,501
Impairment loss on property, plant and equipment	7,303	10,180	6,113	6,694
Loss on disposal of intangible assets	5,380	19,909	8,575	24,573
Impairment loss on intangible assets	-	24,512	3,687	31,864
Loss on disposal of investments in subsidiaries, associates and joint ventures	-	5,390	-	-
Impairment loss on investments in subsidiaries, associates and joint ventures	14,679	32,991	-	13,243
Loss on disposal of assets held for sale	4,950	4,950	-	-

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Others	6,136	15,675	8,805	17,558
Subtotal	297,260	699,420	163,516	582,688
Discontinued operations	13,922	391,807	24,709	101,659
Total	311,182	1,091,227	188,225	684,347

26. Earnings per Share

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

- (a) Basic earnings per ordinary share for the three-month and nine-month periods ended September 30, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to ordinary shares <i>(in millions of Korean won)</i>				
Continuing operations	(48,528)	(876,530)	287,938	1,108,270
Discontinued operations	(67,083)	175,579	274,845	1,355,833
Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	18,555	(1,052,109)	13,093	(247,563)
Basic earnings per ordinary share <i>(in Korean won)</i>	162,884,638	162,884,638	162,884,640	162,884,640
Continuing operations	(298)	(5,381)	1,768	6,804
Discontinued operations	(412)	1,078	1,687	8,324
	114	(6,459)	81	(1,520)

- (b) Basic earnings (losses) per preferred share for the three-month and nine-month periods ended September 30, 2021 and 2020, is as follows:

<i>(in millions of Korean won)</i>	2021		2020	
	Three months	Nine months	Three months	Nine months
Profit (loss) attributable to preferred shares <i>(in millions of Korean won)</i>				
Continuing operations	(4,904)	(91,812)	30,587	117,546
Discontinued operations	(6,862)	19,164	29,206	143,660
Weighted average number of preferred shares outstanding <i>(unit: shares)</i>	1,958	(110,976)	1,381	(26,114)
Basic earnings per preferred share <i>(in Korean won)</i>	17,181,299	17,181,299	17,181,300	17,181,300
Continuing operations	(285)	(5,344)	1,781	6,842
Discontinued operations	(399)	1,115	1,700	8,361
	114	(6,459)	81	(1,519)

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27. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(a) Cash generated from operations

<i>(in millions of Korean won)</i>	2021	2020
Profit (loss) for the period	(968,342)	1,225,816
Adjustments:		
Interest expense, net	109,196	101,721
Exchange differences, net	31,255	36,333
Depreciation	555,650	549,609
Amortization	288,718	199,750
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	10,388	36,592
Provisions for severance benefits	233,176	213,784
Additional provisions, net	984,377	393,533
Dividend income	(139,969)	(355,942)
Income tax expense	109,456	460,439
Loss (gain) on disposal of investments in subsidiaries, associates and joint ventures	(146,950)	(677,102)
Impairment loss on investments in subsidiaries, associates and joint ventures	32,991	13,243
Other	51,636	37,600
Discontinued operations	484,367	(21,208)
	<u>2,604,291</u>	<u>988,352</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(323,516)	(1,932,170)
Decrease (increase) in other receivables	227,709	248,320
Decrease (increase) in inventories	(334,333)	(216,847)
Decrease (increase) in contract assets	45,332	65,473
Decrease (increase) in other assets	(90,401)	(84,081)
Increase (decrease) in trade payables	(446,459)	1,043,856
Increase (decrease) in other payables	(306,510)	(286,889)
Increase (decrease) in provisions	(351,812)	(349,569)
Increase (decrease) in contract liabilities	34,068	13,400
Increase (decrease) in other liabilities	458,668	253,692
Payment of defined benefit liability	(65,596)	(37,176)
Deposit in plan assets, net	(185,456)	(36,835)
	<u>(1,338,306)</u>	<u>(1,318,826)</u>
Cash generated from operations	<u>297,643</u>	<u>895,342</u>

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(b) Changes in liabilities from financing activities

2021						
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Non-cash transactions			At September 30
			Additions	Exchange differences	Amortization and others	
Short-term borrowings	200,736	(114,124)	-	4,157	-	90,769
Long-term borrowings	2,685,393	(35,994)	-	34,803	-	2,684,202
Debentures	4,938,569	67,480	-	37,796	1,754	5,045,599
Lease liabilities	121,870	(56,169)	32,283	34	84	98,102
Total	7,946,568	(138,807)	32,283	76,790	1,838	7,918,672

2020						
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Non-cash transactions			At September 30
			Additions	Exchange differences	Amortization and others	
Short-term borrowings	233,537	199,350	-	19,022	-	451,909
Long-term borrowings	2,865,789	68,607	-	24,737	-	2,959,133
Debentures	5,120,755	(1,662)	-	11,774	1,853	5,132,720
Lease liabilities	128,277	(55,269)	33,060	364	213	106,645
Total	8,348,358	211,026	33,060	55,897	2,066	8,650,407

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2021	2020
Reclassification of construction-in-progress to property, plant and equipment	282,453	112,697
Reclassification of construction-in-progress to intangible assets	202,003	310,536
Reclassification of current portion of borrowings and debentures	966,051	765,213
Other payables to acquire property, plant and equipment	27,455	22,326
Other payables to acquire intangible assets	17,455	8,604
Acquisition of right-of-use assets	36,902	43,300

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28. Contingencies

(a) At the end of the reporting period, the Company is provided with performance guarantees of ₩260,542 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.

(b) At the end of the reporting period, the financial guarantees provided by the Company to related parties amount to ₩3,460,955 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	September 30, 2021	December 31, 2020
LG Electronics European Shared Service Center B.V.(LGESC)	Citibank and others	1,011,549	980,723
LG Electronics U.S.A., Inc.(LGEUS)	Citibank and others	564,418	518,260
LG Electronics do Brasil Ltda.(LGEBR)	Chubb and others	551,022	541,707
LG Electronics (China) Co., Ltd.(LGECH)	Citibank and others	285,723	261,706
LG Electronics Peru S.A.(LGEPR)	Scotiabank and others	173,837	175,479
LG Electronics Algeria SARL(LGEAS)	Citibank and others	118,933	114,455
LG Electronics Morocco S.A.R.L.(LGEMC)	Citibank and others	106,003	98,437
LG Electronics Inc Chile Limitada(LGECL)	Scotiabank and others	102,403	114,954
LG Electronics Ticaret A.S.(LGETK)	HSBC and others	83,900	80,853
LG Electronics Colombia Limitada(LGECB)	Citibank and others	77,423	79,920
LG Electronics Egypt S.A.E(LGEEG)	Credit Agricole and others	55,811	51,186
LG Electronics RUS, LLC(LGERA)	Citibank	47,396	43,520
LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK)	Citibank	47,396	43,520
LG Electronics (M) Sdn. Bhd(LGEML)	Citibank	35,604	33,179
LG Electronics Mexico S.A. DE C.V. (LGEMS)	BBVA	35,547	32,640
LG Electronics Philippines Inc.(LGEPH)	Citibank and others	31,734	29,591
LG Electronics Italia S.P.A.(LGEIS)	Intesa	27,486	26,765
LG Electronics Japan, Inc.(LGEJP)	Woori and others	21,164	21,085
LG Electronics Singapore Pte.Ltd.(LGESL)	HSBC and others	20,550	21,822
LG ELECTRONICS HELLAS SINGLE MEMBER SA (LGEHS)	Citibank	13,743	13,382
Others	Citibank and others	49,313	52,871
Total		3,460,955	3,336,055

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

(d) The Company has a joint guarantee obligation for the debt amount as of July 1, 2021, the date of split-off of LG Magna e-Powertrain Co., Ltd., a newly established company.

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

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

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29. Commitments

(a) At the end of the reporting period, the Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2020: ₩165,500 million).

(b) At the end of the reporting period, the Company has sales agreements for export trade receivables with KEB Hana Bank and 18 other banks amounting to ₩2,070,216 million (December 31, 2020: ₩1,910,416 million) and has sales agreements for domestic trade receivables with MUFG Bank and 2 other banks amounting to ₩410,000 million (December 31, 2020: ₩1,050,000 million).

(c) At the end of the reporting period, the Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,160,000 million (December 31, 2020: ₩1,190,000 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, the Company has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩1,119,923 million (December 31, 2020: ₩720,864 million).

(e) Contractual commitments for the acquisition of assets

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

<i>(in millions of Korean won)</i>	September 30, 2021	December 31, 2020
Property, plant and equipment	302,684	131,764
Intangible assets	52,883	81,436
Investments in subsidiaries, associates and joint ventures	225,053	78,651
Total	580,620	291,851

(f) Operating lease commitments – the Company as a 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>	September 30, 2021				Total lease payments
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	
Healthcare rental	481,100	293,749	154,420	29,160	958,429

ii) The Company recognized ₩457,828 million (September 30, 2020: ₩425,750 million) in lease income for the nine-month period ended September 30, 2021.

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(g) License agreements including patent and trademark

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

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

30. Related Party

(a) Major transactions for the nine-month periods ended September 30, 2021 and 2020, and balances of receivables and payables from transaction with related parties as at September 30, 2021 and December 31, 2020, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

<u>Classification</u>	<u>Name</u>	<u>2021</u>					
		<u>Income transactions</u>			<u>Expense transactions</u>		
		<u>Sales</u>	<u>Others</u>	<u>Total</u>	<u>Purchases</u>	<u>Others⁶</u>	<u>Total</u>
Significantly influencing the Company	LG Corp.	415	-	415	-	100,114	100,114
Subsidiaries	LG Innotek Co., Ltd.	149,961	17,132	167,093	190,499	8,995	199,494
	Hiplaza Co., Ltd.	1,612,678	12,439	1,625,117	9,743	12,265	22,008
	LG Electronics U.S.A., Inc.	4,150,052	767	4,150,819	2,789	28,790	31,579
	LG Electronics Vietnam Hai Phong Co., Ltd	1,130,700	560	1,131,260	196,395	39,625	236,020
	LG Electronics do Brasil Ltda.	279,104	131	279,235	2,724	1,238	3,962
	LG Electronics Canada, Inc.	440,614	18	440,632	-	6,992	6,992
	LG ELECTRONICS AUSTRALIA PTY LIMITED	249,521	18	249,539	-	5,145	5,145
	LG Electronics RUS, LLC	235,102	389	235,491	-	2,370	2,370
	LG Electronics Deutschland GmbH	207,308	19,735	227,043	2,498	47,189	49,687
	LG Electronis Reynosa, S.A. De C.V.	279,118	56	279,174	254	90	344
	LG Electronics Mlawa Sp. z.O.O.	656,596	399	656,995	4,384	3,115	7,499
	LG Electronics Egypt S.A.E	70,552	23	70,575	-	531	531
	LG Electronics Nanjing New Technology co.,LTD	266,627	161	266,788	457,571	1,430	459,001
	LG Electronics Polska Sp. Z.O.O	93,140	19	93,159	988	3,557	4,545
	LG Electronics Panama, S.A.	106,968	158	107,126	-	554	554
	P.T. LG Electronics Indonesia	132,704	967	133,671	474,402	35	474,437
	LG Electronics Colombia Ltda.	49,235	19	49,254	-	442	442

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		2021					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁶	Total
	LG Electronics (Tianjin) Appliances Co., Ltd.	55,330	157	55,487	232,925	112	233,037
	LG Electronics Vehicle Components U.S.A., LLC.	110,629	7,878	118,507	1,491	16,993	18,484
	LG Electronics Mexico S.A. DE C.V.	206,413	22	206,435	-	640	640
	LG Electronics Peru S.A.	57,344	21	57,365	-	-	-
	LG Electronics European Shared Service Center B.V.	355,692	14	355,706	-	16,750	16,750
	Taizhou LG Electronics Refrigeration Co., Ltd.	77,303	163	77,466	180,357	141	180,498
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	151,284	12	151,296	8,305	2,389	10,694
	LG Electronics Inc Chile Ltda.	90,431	41	90,472	-	1,414	1,414
	LG Electronics United Kingdom Ltd.	131,215	8	131,223	976	11,896	12,872
	Hi-M.Solutek	23,770	212	23,982	12,427	31,143	43,570
	Others	2,284,506	14,337	2,298,843	395,987	304,923	700,910
	Subtotal	13,653,897	75,856	13,729,753	2,174,715	548,764	2,723,479
Associates	LG Display Co., Ltd. and its subsidiaries	345,927	62,460	408,387	203,247	191	203,438
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	650	-	650	20,746	187	20,933
	Robostar Co.,Ltd. and its subsidiaries	63	-	63	25,313	2,953	28,266
	ROBOTIS Co., Ltd.	-	-	-	-	6	6
	Acryl Inc.	-	-	-	-	1,027	1,027
	Subtotal	346,640	62,460	409,100	249,306	4,364	253,670
Joint ventures	LG-MRI LLC	21,407	-	21,407	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	109,571	125	109,696	84,896	283,019	367,915
	S&I Corp. and its subsidiaries	8,819	-	8,819	5,348	120,469	125,817
	LG Management Development Institute	20	21	41	46	31,025	31,071
	LG SPORTS Ltd.	4	17	21	-	10,882	10,882
	Subtotal	118,414	163	118,577	90,290	445,395	535,685
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	587,964	2,411	590,375	460,053	973	461,026
	LX INTERNATIONAL CORP. and its subsidiaries ²	5,616	737	6,353	333,568	1,015,754	1,349,322
	LG Uplus Corp and its subsidiaries	3,208	5	3,213	18,994	4,344	23,338
	LX HAUSYS, LTD.and its subsidiaries and associates ³	1,827	78	1,905	1,075	542	1,617
	LX Semicon Co., Ltd. ⁴	2,006	2,457	4,463	11,110	411	11,521

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		2021					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁶	Total
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	5,325	1	5,326	54	53	107
	GIR Inc. and its subsidiaries	214	943	1,157	203	143,382	143,585
	LX Holdings Corp.	99	-	99	-	-	-
	LX MMA Corporation ⁵	3	-	3	-	-	-
	Subtotal	606,262	6,632	612,894	825,057	1,165,459	1,990,516
	Total	14,747,035	145,111	14,892,146	3,339,368	2,264,096	5,603,464

(in millions of Korean won)

		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁶	Total
Significantly influencing the Company	LG Corp.	279	-	279	-	104,848	104,848
Subsidiaries	LG Innotek Co., Ltd.	100,242	20,665	120,907	178,514	4,375	182,889
	Hiplaza Co., Ltd.	1,613,664	9,639	1,623,303	-	21,530	21,530
	LG Electronics U.S.A., Inc.	3,518,507	595	3,519,102	2,986	37,811	40,797
	LG Electronics Vietnam Haiphong Co., Ltd.	1,844,720	5,498	1,850,218	380,136	16,709	396,845
	LG Electronics do Brasil Ltda.	342,205	868	343,073	2,532	2,778	5,310
	LG Electronics Canada, Inc.	273,482	-	273,482	3	4,292	4,295
	LG Electronics Australia Pty, Ltd.	232,437	51	232,488	-	3,003	3,003
	LG Electronics RUS, LLC	299,012	61	299,073	988	3,334	4,322
	LG Electronics Deutschland GmbH	95,581	1,029	96,610	6,375	39,881	46,256
	LG Electronics Reynosa S.A. DE C.V.	229,045	181	229,226	1,665	-	1,665
	LG Electronics Mlawa Sp. z.O.O.	370,824	219	371,043	3,389	4,733	8,122
	LG Electronics Egypt S.A.E	68,686	66	68,752	-	494	494
	LG Electronics Nanjing New Technology co.,LTD	237,079	191	237,270	404,224	947	405,171
	LG Electronics Polska Sp. Z.O.O	115,781	1,448	117,229	1,220	3,416	4,636
	LG Electronics Panama, S.A.	63,737	21	63,758	4	555	559
	P.T. LG Electronics Indonesia	150,203	3,230	153,433	54,421	33	54,454
	LG Electronics Colombia Limitada	36,982	4	36,986	-	766	766
	LG Electronics Tianjin Appliances Co., Ltd.	44,255	691	44,946	154,206	54	154,260
	LG Electronics Vehicle Components U.S.A, LLC	139,596	71	139,667	1,712	23,823	25,535
	LG Electronics Mexico S.A.	105,274	41	105,315	-	979	979

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Classification	Name	2020					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁶	Total
	DE C.V						
	LG Electronics Peru S.A.	48,794	8	48,802	-	449	449
	LG Electronics European Shared Service Center B.V.	333,012	24,060	357,072	5	14,766	14,771
	Taizhou LG Electronics Refrigeration Co., Ltd.	76,612	142	76,754	209,042	581	209,623
	LG Electronics Nanjing Vehicle Components Co., Ltd.	146,458	146	146,604	8,934	360	9,294
	LG Electronics Inc Chile Ltda.	27,484	6	27,490	-	149	149
	LG Electronics United Kingdom Ltd.	107,044	-	107,044	37	8,979	9,016
	Hi-M.Solutek	58,913	178	59,091	185,176	59,671	244,847
	Others	2,505,147	7,308	2,512,455	236,494	288,385	524,879
	Subtotal	13,184,776	76,417	13,261,193	1,832,063	542,853	2,374,916
Associates	LG Display Co., Ltd. and its subsidiaries	213,289	74,261	287,550	538,957	580	539,537
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	1,673	-	1,673	16,347	79	16,426
	Robostar Co.,Ltd. and its subsidiaries	6	-	6	37,437	2,505	39,942
	ROBOTIS Co., Ltd.	-	-	-	-	27	27
	Korea Information Certificate Authority Inc. ⁷	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	468	468
	Subtotal	214,969	74,261	289,230	592,741	3,698	596,439
Joint ventures	LG-MRI LLC	5,196	-	5,196	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	102,875	3	102,878	90,885	205,083	295,968
	S&I Corp. and its subsidiaries	11,646	-	11,646	30,555	116,634	147,189
	LG Management Development Institute	8	-	8	8	18,940	18,948
	LG SPORTS Ltd.	3	19	22	-	9,035	9,035
	LG MMA Ltd. ⁵	1	-	1	-	-	-
	Subtotal	114,533	22	114,555	121,448	349,692	471,140
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	504,990	5,632	510,622	424,941	514	425,455
	LG INTERNATIONAL CORP and its subsidiaries ²	5,011	633	5,644	438,705	639,596	1,078,301
	LG Uplus Corp and its subsidiaries	151,303	49	151,352	2,257	2,144	4,401
	LG HAUSYS,LTD. and its subsidiaries and associates ³	3,444	155	3,599	5,525	48	5,573
	Silicon Works Co., Ltd. ⁴	2,623	1,396	4,019	8,177	337	8,514
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	46,604	1	46,605	111	7	118

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Classification	Name	2020					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁶	Total
	GIR Inc. and its subsidiaries	28	-	28	123	136,392	136,515
	Subtotal	714,003	7,866	721,869	879,839	779,038	1,658,877
	Total	14,233,756	158,566	14,392,322	3,426,091	1,780,129	5,206,220

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, 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 interest expense of lease liabilities.

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

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

iii) (in millions of Korean won)

September 30, 2021

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
Significantly influencing the Company	LG Corp.	45	-	25,475	25,520	-	-	19,265	19,265
Subsidiaries	LG Innotek Co., Ltd.	89,679	-	15,051	104,730	53,372	-	38,174	91,546
	Hiplaza Co., Ltd.	207,688	-	27,550	235,238	-	-	17,747	17,747
	LG Electronics U.S.A., Inc.	378,120	-	-	378,120	-	-	3,774	3,774
	LG Electronics Vietnam Hai Phong Co., Ltd	173,638	-	-	173,638	367,203	-	4,894	372,097
	LG Electronics do Brasil Ltda.	62,296	-	-	62,296	72	-	4,493	4,565
	LG Electronics Canada, Inc.	76,051	-	-	76,051	-	-	1,200	1,200
	LG ELECTRONICS AUSTRALIA PTY LIMITED	32,908	-	-	32,908	-	-	750	750
	LG Electronics RUS, LLC	236,152	-	8	236,160	456	-	42,940	43,396
	LG Electronics Deutschland GmbH	541,340	-	11,275	552,615	-	-	6,930	6,930
	LG Electronis Reynosa, S.A. De C.V.	35,520	-	-	35,520	180,205	-	74	180,279
	LG Electronics Mlawa Sp. z.O.O.	122,969	-	-	122,969	833,202	-	431	833,633
	LG Electronics Egypt S.A.E	14,922	-	52,098	67,020	13,995	-	2,485	16,480
	LG Electronics Nanjing New Technology co.,LTD	48,785	-	-	48,785	334,340	-	196	334,536
	LG Electronics Polska Sp. Z.O.O	68,855	-	-	68,855	-	-	234	234
	LG Electronics Panama, S.A.	97,762	-	-	97,762	-	-	64	64
	P.T. LG Electronics Indonesia	19,435	-	59	19,494	515,750	-	-	515,750
	LG Electronics Colombia Ltda.	97,394	-	-	97,394	-	-	121	121
	LG Electronics (Tianjin) Appliances Co., Ltd.	12,989	-	81	13,070	101,612	-	43	101,655
	LG Electronics Vehicle Components U.S.A., LLC.	116,345	-	-	116,345	-	-	2,020	2,020
	LG Electronics Mexico S.A. DE C.V.	158,284	-	-	158,284	-	-	85	85
	LG Electronics Peru S.A.	69,747	-	-	69,747	-	-	-	-
	LG Electronics European Shared Service Center B.V.	36,631	-	-	36,631	-	274,862	-	274,862
	Taizhou LG Electronics Refrigeration Co., Ltd.	20,838	-	51	20,889	240,841	-	1,636	242,477
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	75,908	-	831	76,739	11,429	-	128	11,557

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iii) (in millions of Korean won)

September 30, 2021

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
	LG Electronics Inc Chile Ltda.	139,694	-	-	139,694	-	-	136	136
	LG Electronics United Kingdom Ltd.	76,026	-	8	76,034	-	-	1,200	1,200
	Hi-M.Solutek	4,852	-	62	4,914	-	-	12,155	12,155
	Others	970,373	-	7,038	977,411	743,057	-	92,737	835,794
	Subtotal	3,985,201	-	114,112	4,099,313	3,395,534	274,862	234,647	3,905,043
Associates	LG Display Co., Ltd. and its subsidiaries	89,173	-	74,121	163,294	51,936	-	63,182	115,118
	Ericsson-LG Co., Ltd.	-	-	5,250	5,250	-	-	-	-
	Hitachi-LG Data Storage Inc.(HLDS) and its subsidiaries	73	-	-	73	24,797	-	229	25,026
	Robostar Co.,Ltd.	41	-	-	41	202	-	15,546	15,748
	Acryl Inc.	-	-	-	-	-	-	356	356
	Subtotal	89,287	-	79,371	168,658	76,935	-	79,313	156,248
Joint ventures	LG-MRI LLC.	9,060	-	-	9,060	-	-	-	-
Other related parties	LG CNS Co., Ltd. and its subsidiaries	40,387	-	85	40,472	1,423	-	122,143	123,566
	S&I Corp. and its subsidiaries	2,547	-	21,872	24,419	-	-	41,847	41,847
	LG Management Development Institute	4	-	13,340	13,344	-	-	1,777	1,777
	LG SPORTS Ltd.	-	-	-	-	-	-	552	552
	Subtotal	42,938	-	35,297	78,235	1,423	-	166,319	167,742
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	151,051	-	96,534	247,585	224,868	-	27,363	252,231
	LX INTERNATIONAL CORP.and its subsidiaries ²	8,136	-	10,456	18,592	158,096	-	138,158	296,254
	LG Uplus Corp and its subsidiaries	476	-	-	476	69	-	750	819
	LX HAUSYS, LTD.and its subsidiaries and associates ³	346	-	12	358	484	-	567	1,051
	LX Semicon Co., Ltd. ⁴	-	-	51	51	5,214	-	2,171	7,385
	LG HOUSEHOLD & HEALTH CARE LTD. and its subsidiaries	17,811	-	7,866	25,677	-	-	172	172
	GIR Inc. and its subsidiaries	88	-	-	88	-	-	138,336	138,336
	Subtotal	177,908	-	114,919	292,827	388,731	-	307,517	696,248
	Total	4,304,439	-	369,174	4,673,613	3,862,623	274,862	807,061	4,944,546

(in millions of Korean won)

December 31, 2020

Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total

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		December 31, 2020							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
Significantly influencing the Company	LG Corp.	5	-	25,605	25,610	-	-	27,881	27,881
Subsidiaries	LG Innotek Co., Ltd.	45,013	-	3,344	48,357	68,292	-	27,107	95,399
	Hiplaza Co., Ltd.	190,468	-	27,055	217,523	-	-	8,307	8,307
	LG Electronics U.S.A., Inc.	664,087	-	2,213	666,300	-	-	10,711	10,711
	LG Electronics Vietnam Hai Phong Co., Ltd	370,556	-	240	370,796	527,257	-	2,603	529,860
	LG Electronics do Brasil Ltda.	61,209	-	46,560	107,769	205	-	659	864
	LG Electronics Canada, Inc.	47,914	-	-	47,914	-	-	668	668
	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 Electronis Reynosa, S.A. De C.V.	27,987	-	-	27,987	155,249	-	9,977	165,226
	LG Electronics Mlawa Sp. z.O.O.	142,526	-	1,002	143,528	974,406	-	299	974,705
	LG Electronics Egypt S.A.E	17,477	-	52,085	69,562	4,684	-	378	5,062
	LG Electronics Nanjing New Technology co.,LTD	59,619	-	-	59,619	262,788	-	274	263,062
	LG Electronics Polska Sp. Z.O.O	91,031	-	9	91,040	-	-	641	641
	LG Electronics Panama, S.A.	69,134	-	-	69,134	-	-	37	37
	P.T. LG Electronics Indonesia	18,009	-	1,369	19,378	397,444	-	894	398,338
	LG Electronics 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	128,120	-	75	128,195	-	-	1,019	1,019

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		December 31, 2020							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
	Kingdom Ltd.								
	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	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
	Subtotal	33,110	-	38,490	71,600	2,104	-	265,563	267,667
Others ¹	LG Chem Ltd. and 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 and 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
	GIR 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.

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⁵ Other payables include lease liabilities.

iv) Significant capital transactions with related parties and others for the nine-month periods ended September 30, 2021 and 2020, are as follows:

(in millions of Korean won)

Classification	Name	Dividend income	Dividend paid	Cash distribution	2021		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments ¹
Significantly influencing the Company	LG Corp.	-	66,113	-	-	-	-	20,645
Subsidiaries	LG Innotek Co., Ltd.	6,757	-	-	-	-	-	-
	LG Electronics Fund I LLC	-	-	4,432	-	-	-	-
	LG Electronics RUS, LLC	71,324	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co., Ltd	22,216	-	-	-	-	-	-
	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.	1,840	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	-	199,817
	LG Electronics Nanjing Vehicle Components Co.,Ltd.	-	-	176,505	-	-	-	-
	Subtotal	176,102	-	157,158	-	-	-	199,817
Associates	Ericsson-LG Co., Ltd.	5,250	-	-	-	-	-	-
Joint ventures	LG-LHT Aircraft Solutions GmbH	-	-	8,516	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	7,461	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD.	-	-	303	-	-	-	-
	Subtotal	-	-	16,280	-	-	-	-
	Total	181,352	66,113	173,438	-	-	-	220,462

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Classification	Name	Dividend income	Dividend paid	Cash distribution	2020			
					Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments ¹
Significantly influencing the Company	LG Corp.	-	41,321	-	-	-	-	20,707
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 Nanjing New Technology co.,LTD	18,210	-	-	-	-	-	-
	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.	4,664	-	-	-	-	-	-
	LG Electronics (Hangzhou) Co.,Ltd.	1,779	-	-	-	-	-	-
	LG Electronics European Shared Service Center B.V.	-	-	-	-	-	430,776	230,960
	LG Electronics Fund I LLC	-	-	22,596	-	-	-	-
	Subtotal	457,272	-	22,596	-	-	430,776	230,960
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc. ²	201	-	-	-	-	-	-
	Subtotal	8,451	-	-	-	-	-	-
Joint ventures	LG-LHT Aircraft Solutions GmbH	-	-	5,639	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	4,769	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY	-	-	300	-	-	-	-
	Subtotal	-	-	10,708	-	-	-	-
	Total	465,723	41,321	33,304	-	-	430,776	251,667

¹ Repayments of 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, 2020.

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- (b) The compensation paid or payable to key management personnel for the nine-month periods ended September 30, 2021 and 2020, consists of:

<i>(in millions of Korean won)</i>	2021	2020
Salaries and other short-term benefits	11,474	10,041
Post-employment benefits	1,464	1,825
Other long-term benefits	44	77
Total	12,982	11,943

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 28.
- (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 trade receivables from related parties at the end of the reporting period.
- (f) The Company decided to transfer CEM (Chemical Electronic Material) business to LG Chem Ltd., in accordance with resolution of the Board of Directors on July 28, 2021.

31. 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 in 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 11, respectively.

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(a) Market risk

i) Foreign exchange risk

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

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

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

As at September 30, 2021 and December 31, 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>	September 30, 2021		December 31, 2020	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	(8,760)	8,760	(8,565)	8,565
EUR/KRW	2,394	(2,394)	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 nine-month periods ended September 30, 2021 and 2020, are as follows:

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<i>(in millions of Korean won)</i>	2021		2020	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	10,736	(10,736)	13,670	(13,670)
Interest expenses	2,061	(2,061)	3,903	(3,903)

iii) Details of derivative contracts are as follows:

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

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 615	1,067.9 ~ 1,155.2	1.88 ~ 3.64	2017. 2. 2 ~ 2021. 7. 26	2022. 2. 2 ~ 2031. 7. 28	24,892	-
	DBS	SGD 140	859.3	1.21	2020. 7. 9	2024. 1. 9	2,864	-
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	-	31,856

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings (Note 11).

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	848,926	(50,689)
Interest rate swap	Borrowings	1,182,570	(15,468)

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	50,689	Interest expense and exchange differences	(36,834)	13,855	(11,125)
Interest rate swap	15,468	Interest expense	11,882	27,350	(20,696)

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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 September 30, 2021, and related profit or loss for the nine-month period ended September 30, 2021, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Loss on valuation	Loss on transaction
Currency forward	42,231	42,966	(495)	(5,501)

iv) Price risk

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

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

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

<i>(in millions of Korean won)</i>	September 30, 2021		December 31, 2020	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	6,661	(6,661)	12,742	(12,742)

The valuation and changes in book amounts of the financial assets at fair value through other comprehensive income related to the market risk above are presented in Note 6.

(b) Credit risk

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

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

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At the end of reporting period, trade receivable balance of the Company, excluding the trade receivables from the subsidiaries, is ₩1,156,777 million (December 31, 2020: ₩1,106,259 million) and its risk is managed appropriately within insurer's credit limit of ₩2,580,861 million (December 31, 2020: ₩2,470,258 million). Therefore, the Company determined that credit risk exposed to the Company is limited.

At the end of reporting period, the carrying amount of financial assets represents net of impairment loss to reflect Company's maximum exposure to the credit risk.

(c) Liquidity risk

The Company forecasts its cash flow and liquidity status and sets action plans on a regular basis 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 liquidity risk arising from financial distress.

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

- i) Cash flow information on maturity of financial liabilities as at September 30, 2021, is 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	5,849,418	5,849,418	-	-	-
Borrowings	9,007,140	1,319,871	1,008,876	2,929,137	3,749,256
Lease liabilities	103,500	50,420	24,951	17,664	10,465
Other payables	1,653,031	1,652,931	100	-	-
Other financial liabilities	552	552	-	-	-
Total	16,613,641	8,873,192	1,033,927	2,946,801	3,759,721

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Company's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩552 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for 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.

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- ii) The maturity analysis of financial guarantee contracts provided by the Company to subsidiaries and third party companies is 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	3,595,748	3,103,938	-	216,940	274,870

The financial guarantee contracts provided to the subsidiaries are analyzed by their maturities according to the residual periods. And, the financial guarantee contracts provided to the third party companies are analyzed 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 September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	September 30, 2021	December 31, 2020
Liability (A)	20,209,312	19,778,254
Equity (B)	8,870,454	9,921,733
Cash and cash equivalents (C)	1,431,534	1,916,739
Borrowings and lease liabilities (D)	7,918,672	7,946,568
Debt-to-equity ratio (A/B)	227.8%	199.3%
Net borrowings ratio ((D-C)/B)	73.1%	60.8%

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Fair Value Estimation

(a) The book amount and fair value of the Company's financial assets and liabilities as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 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	57	57	41,408	41,408
Financial assets at fair value through other comprehensive income				
Trade receivables	154,305	1	-	-
Other financial assets	-	-	45,079	45,079
Derivatives for hedging purposes				
Other financial assets	2,605	2,605	25,151	25,151
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	1,431,534	1	-	-
Deposits held by financial institutions	146,354	1	696	696
Trade receivables	4,951,151	1	-	-
Other receivables	347,991	1	186,004	184,341
Total	7,033,997		298,338	

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<i>(in millions of Korean won)</i>	September 30, 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	552	552	-	-
Derivatives for hedging purposes				
Other financial liabilities	-	-	31,856	31,856
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	5,849,418	1	-	-
Borrowings	1,116,500	1	6,704,070	6,745,063
Other payables	1,652,931	1	100	98
Other liabilities				
Lease liabilities	47,687	2	50,415	2
Other financial liabilities	4,546	3	5,903	3
Total	8,671,634		6,792,344	

<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	

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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
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 disclosure 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.

(c) 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 prices in an active market for identical assets or liabilities are included in 'level 1'. Assets or liabilities categorized within 'level 1' are financial instruments such as marketable equity securities traded.

- 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

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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 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 September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income	20,385	-	24,694	45,079
Financial assets at fair value through profit or loss	-	57	41,408	41,465
Derivatives for hedging purposes	-	27,756	-	27,756
Liabilities				
Other financial liabilities				
Financial liabilities at fair value	-	552	-	552

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<i>(in millions of Korean won)</i>	September 30, 2021			
	Level 1	Level 2	Level 3	Total
through profit or loss				
Derivatives for hedging purposes	-	31,856	-	31,856

<i>(in millions of Korean won)</i>	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income	38,934	-	25,916	64,850
Financial assets 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.

- 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 September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	September 30, 2021	December 31, 2020		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	57	-	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	27,756	1,750	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	552	-	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	31,856	118,614	Discounted cash flow	Discount rate and exchange rate

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- 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.

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 September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	696	696
Non-current other receivables	-	-	184,341	184,341
Liabilities				
Non-current borrowings	-	-	6,745,063	6,745,063
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'.

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

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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 September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021		December 31, 2020		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	696	696	1,371	1,371	Discounted cash flow	Discount rate	Discount rate	0.1%
Non-current other receivables	186,004	184,341	191,172	181,898	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.8% ~ 2.9%
Liabilities								
Non-current borrowings	6,704,070	6,745,063	6,811,353	6,999,601	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.6% ~ 3.7%
Non-current other payables	100	98	200	197	Discounted cash flow	Discount rate	Discount rate	1.7%

32. Assets Classified as Held for Sale

(a) Details of assets classified as held for sale as at September 30, 2021 and December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	September 30, 2021 ¹	December 31, 2020
Assets classified as held for sale		
Land	-	9,723
Building	-	3,552
Other property, plant and equipment	-	71
Investments in subsidiaries, associates and joint ventures	9,333	-
Total	9,333	13,346

¹At 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. In relation to this, an impairment loss on investments in subsidiaries, associates and joint ventures amounting to ₩14,447 million was recognized.

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33. Discontinued Operations

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 nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Net sales	968,220	2,829,014
Operating loss	(1,227,706)	(379,489)
Loss before income tax ¹	(1,591,743)	(374,540)
Income tax expense ¹	(428,658)	(100,863)
Loss for the period, net of tax	(1,163,085)	(273,677)

¹ It includes an impairment loss and loss on disposal of property, plant and equipment and intangible assets amounting to ₩336,426 million due to discontinued operations of MC business, and income tax benefits of ₩90,599 million for the related profit or loss during the nine-month period ended September 30, 2021.

Cash flows from discontinued operations for the nine-month periods ended September 30, 2021 and 2020, are as follows:

<i>(in millions of Korean won)</i>	2021	2020
Net cash outflow from operating activities	(1,653,221)	(301,069)
Net cash inflow from investing activities	95,507	48,900
Net cash inflow from financing activities	1,557,714	252,169

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34. 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	123,456
Inventories	76,152
	<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	76,663
Other current liabilities	50,915
	<u>127,578</u>
Non-current liabilities	3,759
Total liabilities	<u>131,337</u>
Transferred net assets (Investments in subsidiaries)	<u>762,080</u>