

LG Uplus Corp. and Subsidiaries
Consolidated Financial Statements
December 31, 2020 and 2019

LG Uplus Corp. and Subsidiaries

Index

December 31, 2020 and 2019

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
LG Uplus Corp.

Opinion

We have audited the accompanying consolidated financial statements of LG Uplus Corp. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. As discussed in Note 3 to the consolidated financial statements, the world including South Korea is facing uncertainty for severe economic conditions and prolonged situation due to the spread of Coronavirus disease 2019 (COVID-19) since the beginning of 2020. However, the ultimate effect of the recession on the financial position of the Group cannot presently be determined and, accordingly, no adjustments related to such uncertainties have been reflected in the accompanying consolidated financial statements.

Key Audit Matters

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

(a) Impairment assessment on the right to use 28Ghz frequency (intangible assets) for 5th generation wireless telecommunication service

As explained in Note 14 of the consolidated financial statements, the Group acquired the right to use 28Ghz frequency for 5th generation wireless telecommunication service for KRW 204,231 million in 2018. As at December 31, 2020, the right to use frequency is not yet available for use in the way the management intended to use. The Group performed impairment tests on the right to use frequency using value-in-use calculation based on the method of discounted cash flows.

We determined accounting for impairment of the right to use frequency as a key audit matter due to the significant size of the right to use frequency and because calculation of the value-in-use amount involves the Group management's significant judgements and estimates on discount rate, future cash flow forecasts and others.

- Obtained an understanding and evaluated the Group's policies, process and internal control related to accounting for impairment on intangible assets
- Assessed the competence and independence of an expert engaged by the Group
- Assessed the appropriateness of valuation model used for the estimation of value-in-use
- Assessed whether future cash flow is reasonably estimated based on a business plan reported to management
- Assessed the reasonableness of the key assumptions used for estimation of value-in-use
- Assessed the results of a sensitivity analysis on the discount rates performed by management to assess the impact of changes in key assumptions on the impairment tests.

(b) Impairment assessment on goodwill allocated to cash-generating units of LG Uplus Corp. and LG HelloVision Corp.

As explained in the Note 14 to the consolidated financial statements, acquisition cost of goodwill allocated to LG Uplus Corp. and LG HelloVision Corp. amount to KRW 320,108 million and KRW 212,182 million, respectively. The Group performed impairment tests on the goodwill using value-in-use calculation based on the method of discounted cash flows.

We determined accounting for impairment of goodwill as a key audit matter due to the significant size of goodwill balance and because calculation of the value-in-use amount involves the Group management's significant judgements including estimates on discount rate, growth rate, future cash flow forecasts and others. We involved our valuation specialists when performing such audit procedures.

- Obtained an understanding on the Group's policies, process and internal control related to accounting for impairment on goodwill
- Assessed the competence and independence of an expert engaged by the Group
- Assessed the appropriateness of valuation model used for the estimation of value-in-use
- Assessed the prior year estimates by comparing future cash flows used for impairment

- assessment in the prior year and outcome of the current year
- Assessed whether future cash flow is reasonably estimated based on a business plan reported to management
- Assessed the reasonableness of the key assumptions used for estimation of value-in-use
- Assessed the results of a sensitivity analysis on the discount rates and the perpetual growth rates performed by management to assess the impact of changes in key assumptions on the impairment tests.

Other Matter

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

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

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

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

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

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

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

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

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

effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Seung-Jae Cho, Certified Public Accountant.

Seoul, Korea
March 3, 2021

This report is effective as of March 3, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Uplus Corp. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

<i>(in millions of Korean won)</i>	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5,8,21,32	₩ 726,179	₩ 474,365
Financial institution deposits	5,9,32	38,424	21,765
Trade receivables	5,6,21,31,32	1,855,722	1,765,630
Other receivables	5,6,21,31,32	292,961	236,225
Inventories	10	284,077	436,724
Current tax assets	28	-	619
Current derivative assets	5,6,27,32	-	1,119
Other current assets	7,11	1,753,537	1,661,864
Assets held for sale	5,6,8,12,21,31	-	207,183
		<u>4,950,900</u>	<u>4,805,494</u>
Non-current assets			
Financial institution deposits	5,9,32	99	61
Available-for-sale financial assets	5,32	45,874	40,671
Trade receivables	5,6,21,31,32	780,061	888,130
Other receivables	5,6,21,31,32	190,644	255,691
Investments in associates and joint ventures	15,31	55,285	50,680
Deferred tax assets	28	-	38
Property, plant and equipment	12,21,35	9,949,806	8,861,052
Investment property	13	37,172	34,241
Intangible assets	14	1,540,659	2,218,862
Other non-current assets	7,11	799,690	786,130
		<u>13,399,290</u>	<u>13,135,556</u>
Total assets		<u>₩ 18,350,190</u>	<u>₩ 17,941,050</u>
Liabilities			
Current liabilities			
Trade payables	5,21,31,32	₩ 73,752	₩ 421,487
Non-trade and other payables	5,21,31,32	2,146,780	2,516,085
Short-term borrowings	5,12,16,32	50,000	5,000
Debentures and long-term borrowings	5,12,16,32	1,081,600	824,583
Other financial liabilities	5,17,21,32	227,787	177,437
Current tax liabilities	28	179,323	17,061
Current derivative liabilities	5,24,27,32	1,950	151
Other current liabilities	5,7,20,21,33,35	567,143	520,002
Liabilities held for sale	5,21,32	-	167,047
		<u>4,328,335</u>	<u>4,648,853</u>
Non-current liabilities			
Debentures and long-term borrowings	5,12,16,32	4,670,426	4,356,648
Other financial liabilities	5,17,32	478,302	690,155
Net defined benefit liabilities	19,31	48,510	136,460
Deferred tax liabilities	28	97,627	135,051
Provisions	18	84,008	43,100
Non-current derivative liabilities	5,24,27,32	1,147	746
Other non-current liabilities	5,7,20,21,33,35	990,621	580,421
		<u>6,370,641</u>	<u>5,942,581</u>
Total liabilities		<u>10,698,976</u>	<u>10,591,434</u>
Equity			
Share capital	22	2,573,969	2,573,969
Capital surplus	22	836,918	836,918
Accumulated other comprehensive income	24	(4,575)	(3,596)
Retained earnings	22	3,968,550	3,673,570
Equity attributable to owners of the Parent Company		<u>7,374,862</u>	<u>7,080,861</u>
Non-controlling interest	36	<u>276,352</u>	<u>268,755</u>
Total equity		<u>7,651,214</u>	<u>7,349,616</u>
Total liabilities and equity		<u>₩ 18,350,190</u>	<u>₩ 17,941,050</u>

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

LG Uplus Corp. and Subsidiaries
Consolidated Statements of Profit or Loss
Years Ended December 31, 2020 and 2019

(in millions of Korean won, except for earnings per share)

	Notes	2020	2019
Operating revenue	4,31	₩ 13,417,627	₩ 12,381,969
Operating expenses			
Costs of merchandise purchased	10,31	2,980,406	3,437,694
Employee benefits	19,31	1,240,844	977,684
Depreciation and amortization	12,13,14,35	2,364,697	2,057,544
Other operating expenses	25	5,945,529	5,222,803
		<u>12,531,476</u>	<u>11,695,725</u>
Operating profit		<u>886,151</u>	<u>686,244</u>
Financial income	27,31	58,235	41,706
Financial costs	27,35	152,778	132,379
Share of profit of associates and joint ventures	15	616	1,201
Other non-operating income	26	72,619	59,926
Other non-operating expenses	26	491,496	82,758
Profit before income tax		373,347	573,940
Income tax expense	28	<u>120,787</u>	<u>133,029</u>
Profit from continuing operations		252,560	440,911
Profit (loss) from discontinued operations	21,31	225,505	(2,080)
Profit for the year		<u>₩ 478,065</u>	<u>₩ 438,831</u>
Profit is attributable to:			
Owners of the Parent Company	21	₩ 466,764	₩ 438,855
Non-controlling interests	36	11,301	(24)
Basic and diluted earnings per share (in Korean won)			
From continuing and discontinued operations	29	₩ 1,095	₩ 1,005
From continuing operations	29	579	1,010

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

LG Uplus Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

(in millions of Korean won)

	2020	2019
Profit for the year	<u>₩ 478,065</u>	<u>₩ 438,831</u>
Other comprehensive income (loss) for the year, net of tax		
<i>Items that will not be reclassified to profit or loss</i>		
Gain (loss) on valuation of FV-OCI equity instruments	(552)	2,821
Remeasurements of net defined benefit liability	2,071	(43,403)
<i>Items that may be subsequently reclassified to profit or loss</i>		
Gain on valuation of FV-OCI debt instruments	2,375	4,470
Loss on valuation of cash flow hedge derivatives	(1,628)	(664)
Gain (loss) on translation of foreign operations	(1,182)	248
Share of other comprehensive loss of associates and joint ventures	<u>(2)</u>	<u>(52)</u>
	<u>1,082</u>	<u>(36,580)</u>
Total comprehensive income for the year	<u>₩ 479,147</u>	<u>₩ 402,251</u>
Total comprehensive income (loss) for the year is attributable to:		
Owners of the Parent Company	₩ 468,646	₩ 402,275
Non-controlling interest	10,501	(24)

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

LG Uplus Corp. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

(in millions of Korean won)

(in millions of Korean won)

		Attributable to owners of the Parent Company							
		Accumulated							
		Other							
Notes		Share Capital	Capital Surplus	Comprehensive Income	Retained Earnings	Total	Non-controlling Interest	Total Equity	
		₩	₩	₩	₩	₩	₩	₩	
Balance at January 1, 2019		2,573,969	836,918	(4,827)	3,447,171	6,853,231	138	6,853,369	
Annual dividends	23,31	-	-	-	(174,645)	(174,645)	-	(174,645)	
Profit for the year		-	-	-	438,855	438,855	(24)	438,831	
Gain on translation of foreign operations	24	-	-	248	-	248	-	248	
Share of other comprehensive loss of associates and joint ventures	15	-	-	(52)	-	(52)	-	(52)	
Remeasurements of net defined benefit liability	19,24	-	-	-	(43,403)	(43,403)	-	(43,403)	
Loss on valuation of cash flow hedge derivatives	24	-	-	(664)	-	(664)	-	(664)	
Gain on valutaion of debt instruments at fair value through other comprehensive income	24	-	-	4,470	-	4,470	-	4,470	
Gain on valutaion of equity instruments at fair value through other comprehensive income	24	-	-	2,821	-	2,821	-	2,821	
Reclassification of loss on valutaion of equity instruments at fair value through other comprehensive income	24	-	-	(5,592)	5,592	-	-	-	
Changes in consolidation		-	-	-	-	-	268,641	268,641	
Balance at December 31, 2019		₩ 2,573,969	₩ 836,918	₩ (3,596)	₩ 3,673,570	₩ 7,080,861	₩ 268,755	₩ 7,349,616	
Balance at January 1, 2020		₩ 2,573,969	₩ 836,918	₩ (3,596)	₩ 3,673,570	₩ 7,080,861	₩ 268,755	₩ 7,349,616	
Annual dividends	23,31	-	-	-	(174,645)	(174,645)	(2,904)	(177,549)	
Profit for the year		-	-	-	466,764	466,764	11,301	478,065	
Loss on translation of foreign operations	24	-	-	(1,182)	-	(1,182)	-	(1,182)	
Share of other comprehensive loss of associates and joint ventures	15	-	-	(2)	-	(2)	-	(2)	
Remeasurements of net defined benefit liability	19,24	-	-	-	2,871	2,871	(800)	2,071	
Gain on valutaion of debt instruments at fair value through other comprehensive income	24	-	-	2,375	-	2,375	-	2,375	
Loss on valutaion of equity instruments at fair value through other comprehensive income	24	-	-	(552)	-	(552)	-	(552)	
Reclassification of loss on valutaion of equity instruments at fair value through other comprehensive income	24	-	-	10	(10)	-	-	-	
Loss on valuation of cash flow hedge derivatives	24	-	-	(1,628)	-	(1,628)	-	(1,628)	
Balance at December 31, 2020		₩ 2,573,969	₩ 836,918	₩ (4,575)	₩ 3,968,550	₩ 7,374,862	₩ 276,352	₩ 7,651,214	

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

LG Uplus Corp. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(in millions of Korean won)

	2020	2019
Cash flows from operating activities		
Profit for the year	₩ 478,065	₩ 438,831
Additions of expenses not involving cash outflows		
Post-employment benefits	92,099	68,487
Depreciation	2,026,038	1,756,997
Amortization	344,439	310,568
Bad debt expenses	62,952	61,592
Interest expense	149,250	111,182
Loss on foreign currency translation	4,936	1,516
Loss on disposal of trade receivables	2,529	19,192
Loss on disposal of property, plant and equipment, and others	39,060	28,475
Impairment loss on property, plant and equipment, and others	399,346	33,632
Loss on disposal of available-for-sale assets	268	-
Income tax expense	200,018	133,029
Share of loss of associates and joint ventures	966	48
Amortization of contract assets and others	2,231,160	2,002,176
Others	3,043	13,934
	<u>5,556,104</u>	<u>4,540,828</u>
Deduction of income not involving cash inflows		
Interest income	(51,218)	(41,290)
Gain on foreign currency translation	(3,312)	(1,617)
Gain on disposal of property, plant and equipment	(3,163)	(1,981)
Share of profit of associates and joint ventures	(1,582)	(1,249)
Gain on disposal of investments in subsidiaries	(313,926)	-
Gain on disposal of investments in associates	-	(5,107)
Dividend income	(239)	(347)
Amortization of contract liabilities and others	(361,597)	(359,683)
Others	(8,545)	(4)
	<u>(743,582)</u>	<u>(411,278)</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(41,464)	(337,822)
Decrease (increase) in other receivables	(26,834)	23,319
Decrease in inventories	152,616	22,878
Increase in contract assets	(2,327,022)	(2,343,594)
Increase in other assets	(7,170)	(19,940)
Increase (decrease) in trade payables	(347,732)	68,213
Increase (decrease) in other payables	(255,475)	97,934
Decrease in net defined benefit liabilities	(178,159)	(30,403)
Increase in contract liabilities	347,218	365,244
Increase in other liabilities	114,127	42,043
	<u>(2,569,895)</u>	<u>(2,112,128)</u>
Cash generated from operations		
Interest income received	41,236	34,750
Dividend received	227	407
Interest expense paid	(128,705)	(89,134)
Income taxes paid	(84,899)	(149,676)
	<u>(172,141)</u>	<u>(203,653)</u>
Net cash inflow from operating activities	₩ 2,548,551	₩ 2,252,600

LG Uplus Corp. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(in millions of Korean won)

	2020	2019
Cash flows from investing activities		
Cash inflows from investing activities		
Proceeds from disposal of available-for-sale assets	₩ 7,316	₩ 10,894
Decrease in financial institution deposits	6,050	27,500
Decrease in derivative financial instruments	2,439	-
Proceeds from disposal of property, plant and equipment	17,325	18,388
Proceeds from disposal of intangible assets	25,707	5,430
Decrease in loans	75,113	40,781
Decrease in security deposits provided	24,110	33,131
Proceeds from disposal of investments in associates	-	5,940
Proceeds from disposal of held for sale assets	310,456	-
Increase in advances received	-	36,500
	<u>468,516</u>	<u>178,564</u>
Cash outflows for investing activities		
Payments for acquisition of available-for-sale assets	(11,221)	(12,419)
Increase in financial institution deposits	(22,709)	(28,032)
Payments for acquisition of investments in associates	(4,500)	(5,361)
Net cash outflows due to business combination	-	(719,258)
Payments for acquisition of property, plant and equipment	(2,703,443)	(2,326,514)
Payments for acquisition of intangible assets	(269,805)	(237,971)
Increase in loans	(59,038)	(50,020)
Increase in security deposits provided	(13,439)	(11,162)
Increase in advance payments	-	(2,171)
	<u>(3,084,155)</u>	<u>(3,392,908)</u>
Net cash outflow from investing activities	<u>(2,615,639)</u>	<u>(3,214,344)</u>
Cash flows from financing activities		
Cash inflows from financing activities		
Proceeds from short-term borrowings	100,785	63,283
Issuance of debentures	996,200	1,484,186
Proceeds from long-term borrowings	400,000	1,100,000
Increase in government grants	6,313	128
	<u>1,503,298</u>	<u>2,647,597</u>
Cash outflows for financing activities		
Repayments of short-term borrowings	(55,785)	(68,283)
Repayments of current portion of long-term liabilities	(826,039)	(885,000)
Repayment of government grants	-	(852)
Payment of dividends	(177,549)	(174,645)
Repayments of lease liabilities	(286,774)	(298,756)
	<u>(1,346,147)</u>	<u>(1,427,536)</u>
Net cash inflow from financing activities	<u>157,151</u>	<u>1,220,061</u>
Effects of exchange rate changes on cash and cash equivalents	(1,199)	367
Net increase in cash and cash equivalents	88,864	258,684
Cash and cash equivalents at the beginning of the year	637,315	378,631
Cash and cash equivalents classified as held for sale	162,950	-
Cash and cash equivalents at the beginning of the year in the consolidated statements of financial position	<u>474,365</u>	<u>378,631</u>
Cash and cash equivalents at the end of the year	726,179	637,315
Cash and cash equivalents classified as held for sale	-	162,950
Cash and cash equivalents at the end of the year in the consolidated statement of financial position	<u>₩ 726,179</u>	<u>₩ 474,365</u>

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

LG Uplus Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. General Information

LG Uplus Corp. (the “Company” or the “Parent Company”) was incorporated on July 11, 1996, under the Commercial Code of the Republic of Korea to provide personal communication services, including voice, data and value-added communication. The Company commenced its commercial operation on October 1, 1997. The Company listed its shares on the Korea Securities Dealers Automated Quotation (“KOSDAQ”) stock market on September 21, 2000. The Company listed its shares on the Korea Exchange on April 21, 2008.

In efforts to enhance operational efficiency and maximize synergy effects between wire and wireless communication businesses, LG Dacom Corp. and LG Powercom Corp. merged into the Company on January 1, 2010. Through this merger, the Company expanded its business to include landline phone service (including international and long-distance telephone services), internet access service and value-added telecommunications activities from LG Dacom Corp., and broadband network rentals and broadband internet service activities from LG Powercom Corp.

Effective July 1, 2010, the Company changed its name from LG Telecom, Ltd. to LG Uplus Corp. to reflect the expanded nature of its business operations.

The Company’s headquarters is located at Hangang daero, Yongsan-gu, Seoul, Korea, and it has set up telecommunication networks all over the country to provide fixed-line and wireless services.

As at December 31, 2020, the Parent Company’s shareholders are as follows:

	Number of shares	Percentage of ownership (%)
LG Corporation	164,422,375	37.66%
National Pension Fund	49,801,336	11.41%
Others	222,387,650	50.93%
	<u>436,611,361</u>	<u>100.00%</u>

LG Uplus Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1.1 Consolidated Subsidiaries

		2020	2019		
	Location	Ownership interest held by the Group (%)	Ownership interest held by the Group (%)	Closing month	Main business
AIN TeleService, LTD.	Korea	100.00	100.00	December	Telemarketing service
CSLEADER	Korea	100.00	100.00	December	Telemarketing service
Medialog corp.	Korea	99.58	99.58	December	Internet services and etc.
DACOM America, Inc.	USA	100.00	100.00	December	Telecommunication service
CS One partner Corporation	Korea	100.00	100.00	December	Telemarketing services
WithU Corporation	Korea	100.00	100.00	December	Other business support services
LG UPLUS FUND I LLC	USA	100.00	100.00	December	Investment fund
LG HelloVision Corp.	Korea	50.00% + 1 share	50.00% + 1 share	December	Cable television business and etc.
Hana Broadcasting Co., Ltd. ¹	Korea	-	50.00% + 1 share	December	Cable television business
Uplus Home Service ²	Korea	100.00	-	December	Telecommunication construction
CV Partners Co.,Ltd. ³	Korea	50.00% + 1 share	-	December	Telemarketing services

¹ During 2020, it merged into LG HelloVision Corp.

² During 2020, it was newly established.

³ During 2020, it was newly established through LG HelloVision Corp.

1.2 Changes in Scope for Consolidation

The subsidiaries excluded from the consolidation and subsidiary newly included in the consolidation for the year ended December 31, 2020, are as follows:

(a) The subsidiaries newly included in the consolidation

Subsidiary	Reason
Uplus Home Service	Newly established in 2020.
Toss Payments Co.,Ltd	Spun off in 2020 (Note 21).
CV Partners Co.,Ltd.	Newly established through LG HelloVision Corp. in 2020.

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(b) The subsidiaries excluded from the consolidation

Subsidiary	Reason
Hana Broadcasting Co., Ltd.	Merged into LG HelloVision Corp. in 2020.
Toss Payments Co.,Ltd	Sold to Toss Payments & Co., Inc in 2020 (Note 21).

1.3 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

(in millions of Korean won)

	2020							
Subsidiary	Assets	Liabilities	Equity	Sales	Operating profit (loss)	Profit (loss) for the year	Total comprehensive income (loss)	
AIN TeleService, LTD.	₩ 27,773	₩ 28,837	₩ (1,064)	₩ 77,053	₩ 2,309	₩ 1,980	₩ 1,143	
CSLEADER	20,403	19,175	1,228	47,490	1,443	1,209	1,643	
Medialog corp.	103,178	51,104	52,074	219,406	(1,326)	(1,665)	(1,648)	
DACOM America, Inc.	282	3,331	(3,049)	1,282	51	35	230	
CS One partner Corporation	37,013	34,443	2,570	92,011	1,315	935	(286)	
WithU Corporation	4,269	2,644	1,625	8,393	419	387	256	
LG UPLUS FUND I LLC	18,674	9	18,665	-	-	(1,366)	(2,743)	
LG HelloVision Corp ¹	1,472,721	841,616	631,105	1,057,935	34,150	(312,794)	(314,393)	
Uplus Home Service	24,717	18,856	5,861	59,057	(8,204)	(8,139)	(8,139)	

¹ The financial information is based on consolidated financial statements of LG HelloVision Corp.

(in millions of Korean won)

(in millions of Korean won)	2019																
Subsidiary	Assets			Liabilities			Equity			Sales		Operating profit (loss)		Profit (loss) for the year		Total comprehensive income (loss)	
AIN TeleService, LTD.	₩	25,028	₩	27,236	₩	(2,208)	₩	71,835	₩	942	₩	622	₩	(634)			
CSLEADER		18,602		19,017		(415)		45,878		414		218		(803)			
Medialog corp.		103,916		50,453		53,463		202,149		(9,520)		(11,700)		(11,618)			
DACOM America, Inc.		240		3,518		(3,278)		1,224		59		40		(74)			
CS One partner Corporation		34,425		31,569		2,856		84,459		794		392		(100)			
WithU Corporation		3,403		2,033		1,370		8,062		659		593		559			
LG UPLUS FUND I LLC		21,682		274		21,408		-		-		(1,273)		(911)			
LG HelloVision Corp ¹		1,790,671		839,364		951,307		1,112,180		20,613		(100,778)		(107,953)			

¹ The financial information is based on consolidated financial statements of LG HelloVision Corp.

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2. Significant Accounting Policies

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

2.1 Basis of Preparation

The Company and its subsidiaries (the “Group”) 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 consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

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

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments)
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of

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general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the consolidated financial statements.

(b) Amendments to Korean IFRS 1103 Business Combination – Definition of a Business

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

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

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

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

As a 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. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. With implementation of Korean IFRS 1116 Lease, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116, as permitted under the specific transitional provisions in the standard. There was no cumulative impact on the beginning balance of retained earnings as at January 1, 2020, and the Group did not restate comparatives for the 2019 reporting period. The amendments do not have a significant impact on the consolidated financial statements.

2.2.2 New standards and interpretations not yet adopted by the Group

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

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments

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at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(b) 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 Korea IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and Korean IFRS 2121 Levies. The amendments also confirm 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, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(c) 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, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(d) 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, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(e) Annual improvements to Korean IFRS 2018-2020

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

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of financial liabilities

- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if 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, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

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Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control.

Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(c) Joint arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

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2.4 Foreign Currency Translation

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Korean won, which is the functional currency of the Group and the reporting currency for the consolidated financial statements.

In preparation of the Group's consolidated financial statements, any transaction that occurred in currency other than its functional currency will be recorded in translated amount using the exchange rate of the transaction. At the end of the reporting period, all monetary assets and liabilities will be translated using the exchange rate at the end of the reporting date. Meanwhile, non-monetary assets and liabilities measured at fair value will be retranslated using the exchange rate on the day of fair value evaluation, whereas non-monetary assets and liabilities measured at historical cost will not be translated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks.

2.5 Financial Assets

(a) Classification

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

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

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

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

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

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(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

A. Debt instruments

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

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

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B. Equity instruments

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

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

(c) Impairment

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

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

(e) Offsetting of financial instruments

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

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2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has hedge relationships and designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges)

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 32. Movements in the cash flow hedge reserve are shown in Note 24.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in 'finance income or costs'.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within 'finance cost' at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any accumulated cash flow hedge reserve at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cash flow hedge reserve and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

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2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the total-average method (using the moving-average method for certain inventories).

2.8 Non-current Assets (or Disposal Group) 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. Assets held for sale and discontinued operations are shown in Note 21.

2.9 Property, Plant and Equipment

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

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

	Estimated useful lives (years)
Buildings	20~40
Telecommunication facilities	3~15
Other property plant and equipment	3~5
Right-of-use assets	Depreciated over lease period considering extension option

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.10 Borrowing Costs

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

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2.11 Government Grants

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

2.12 Intangible Assets

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Software development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Customer contracts acquired in a business combination are recognized at fair value at the acquisition date. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Estimated useful lives (years)
Intellectual property rights	5~10
The right to use frequencies	5~10
Other intangible assets	2~10

2.13 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 20 ~ 40 years.

2.14 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life and intangible assets not amortized yet, are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting

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period.

2.15 Financial Liabilities

(a) Classification and measurement

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

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade payables', 'borrowings', and 'other financial liabilities' in the consolidated statement of financial position.

(b) Derecognition

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

2.16 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.17 Current and Deferred Tax

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

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

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Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.18 Employee Benefits

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

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

2.19 Revenue Recognition

(a) Identifying performance obligations

The Group shall identify performance obligations from a contract with a customer, such as telecommunication services and handset sales. The timing of revenue recognition may vary depending on whether it satisfies the performance obligation at a point in time or satisfies the performance obligation over time. The Group satisfies the performance obligation and recognizes revenue at the point of sale for handset sales. On the other hand, the Group recognizes revenue over time by providing telecommunication services throughout the estimated contract period.

(b) Allocating the transaction price to performance obligations

The Group shall allocate the transaction price to several performance obligations identified from one contract on a relative stand-alone selling price basis. Accordingly, a certain amount of the discount on handsets given at the point of the sale is deducted from the telecommunication service revenue over the estimated contract period, whereas a certain amount of the discount on plans is added to the telecommunication service revenue over the contract period after immediately deducted from handset sales revenue.

(c) Incremental costs of obtaining a contract and contract assets

The Group pays sales commissions to its employees based on customer contracts signed through the employees in telecommunication services. The commission accounts for substantial portion of sales commissions in operating expenses. The Group recognizes as an asset "the incremental costs of obtaining a contract", and costs that are recognized as assets are amortized over the period.

In addition, the Group pays commissions to install setup box for providing home services, such as internet, IPTV and others. Such commissions are recognized as costs to fulfill a contract when incurred and amortized over the expected contract period.

2.20 Leases

(a) Accounting for lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

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(b) Accounting for lessee

The Group leases various properties, telecommunication facilities and vehicles. Lease contracts are typically made for fixed periods of 2 to 8 years, but may have extension options as described in (c) below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

In addition, measurement of the lease liabilities include lease payment according to extension option if the Company is reasonably certain to exercise

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

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Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements 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 Coronavirus disease 2019 ("COVID-19") may have impact on the Group's accounting estimates and assumptions, but the impact cannot reasonably be determined as at December 31, 2020. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Fair Value of Financial Instruments

Derivative financial instruments and available-for-sale financial assets are measured at fair value after initial recognition and gains and losses from changes in fair value are recognized either in profit

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or loss or in accumulated other comprehensive income (loss). If there is a market value disclosed in an active market when measuring fair value, that market value is used as fair value. Otherwise, the fair value is estimated by a valuation technique requiring management's assumption on the expected future cash flows and discount rate.

3.2 Provision for Impairment of Trade Receivables, and Loans and Receivables

The Group estimates an allowance for doubtful loans and receivables based on aging of receivables, historical loss experience and economic and industrial factors.

3.3 Income Taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 28).

The Group estimates the expected average rate applied to future taxable income upon measurement of deferred income tax. Upon determination on possibility of deferred income tax, the expected temporary difference to be deducted, expected taxable income and usefulness of tax credit are estimated.

3.4 Defined Benefit Pension Plan

For the defined benefit pension plan, the service cost is determined using actuarial valuations. In order to apply actuarial valuations, it is necessary to assume a discount rate, an expected wage increase rate, death rate, etc. The retirement benefit plan contains significant uncertainties on the estimation due to its long-term nature. The defined benefit obligations as at December 31, 2020, are ₩ 48,510 million (2019: ₩ 136,460 million) and details are described in Note 19.

3.5 Depreciation of Incremental Costs

The incremental costs are amortized on a systematic basis consistent with the manner in which goods and services are transferred to customers. The Group determined that the costs are amortized during expected length of time which is estimated based on the period specified in contract and average maintenance period.

3.6 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).

For determining lease terms of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically

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reasonably certain to extend (or not terminate).

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty 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.

In relation to frequency re-acquisition, the terms of frequency reallocation granted to the Group during the current period are considered to be a significant circumstance in which the extension option is expected to be exercised, and therefore, the Group increased lease liabilities and right-of-use assets, and the details are described in Note 35.

3.7 Impairment Loss on Goodwill and Others

The Group regularly reviews goodwill and intangible assets that have not been amortized yet for impairment. The recoverable amounts for impairment test have been determined based on fair value less costs of disposal or value in use calculations. These calculations require the use of estimates.

The Group compared the value-in-use and carrying amount in impairment test on the right to use frequencies (intangible assets) and goodwill during the year ended December 31, 2020, and the details are described in Note 14.

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4. Operating Segment Information

The Group determined that it operates under two business segments of LG Uplus Corp. and LG HelloVision Corp. based on the characteristics of goods and services provided and nature of network assets held. The Group's reportable segments are consistent with the internal business segment reporting provided to the chief operating decision-maker.

Details of operating revenues from the Group's sale of goods and provision of services for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	Revenue recognition	Major goods and services	2020	2019
LG Uplus Corp.	Over time	Telecommunication and related services	₩ 9,653,821	₩ 9,205,595
	At a point in time	Handset sales	2,711,814	3,176,374
	Total of continuing operations		12,365,635	12,381,969
	Discontinued operations ¹		294,268	375,986
			12,659,903	12,757,955
LG HelloVision Corp	Over time	Telecommunication and related services	936,811	-
	At a point in time	Handset sales	115,181	-
			1,051,992	-
			₩ 13,711,895	₩ 12,757,955

¹ Operating profit on electronic payment services classified as discontinued operations in 2020 (Note 21).

The Group's operating revenues are mostly generated from domestic customers due to the nature of the telecommunication services and the majority of the related non-current assets are located in the Republic of Korea.

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Sales and operating profit by each segment for the year ended December 31, 2020, are as follows:

(in millions of Korean won)

	LG HelloVision			
	LG Uplus Corp. ¹	Corp	Adjustment	Total
Revenue	₩ 12,691,233	₩ 1,057,935	₩ (37,273)	₩ 13,711,895
Revenue from external customers	12,659,903	1,051,992	-	13,711,895
Revenue from internal customers	31,330	5,943	(37,273)	-
Operating profit	826,315	34,150	16,497	876,962
Depreciation and amortization expense	2,163,047	192,813	14,617	2,370,477
Goodwill impairment	-	172,520	-	172,520
Impairment on intangible assets (Right to use frequencies)	194,176	-	-	194,176

¹ Profit or loss related to electronic payment services classified as discontinued operations is included.

Assets and liabilities by each segment as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
LG Uplus Corp.	₩ 16,591,094	₩ 9,852,183	₩ 16,004,042	₩ 9,723,068
LG HelloVision Corp	1,472,721	841,616	1,790,671	839,364
	18,063,815	10,693,799	17,794,713	10,562,432
Adjustments including intercompany transactions	286,375	5,177	146,337	29,002
Total assets and liabilities	₩ 18,350,190	₩ 10,698,976	₩ 17,941,050	₩ 10,591,434

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5. Classification of Financial Instruments and Fair Value

Carrying amount and fair value of financial assets by category as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized costs				
Cash and cash equivalents ¹	₩ 726,179	₩ 726,179	₩ 637,315	₩ 637,315
Financial institution deposits	38,523	38,523	21,826	21,826
Trade receivables ²	2,239,939	2,239,939	2,168,686	2,168,686
Loans	81,875	81,875	98,641	98,641
Non-trade receivables ³	177,373	177,373	169,048	169,048
Accrued income	305	305	458	458
Deposits provided	224,052	224,052	234,632	234,632
	<u>3,488,246</u>	<u>3,488,246</u>	<u>3,330,606</u>	<u>3,330,606</u>
Financial assets at fair value through profit or loss				
Available-for-sale financial assets	33,172	33,172	30,024	30,024
Short-term derivatives held for trading	-	-	1,119	1,119
	<u>33,172</u>	<u>33,172</u>	<u>31,143</u>	<u>31,143</u>
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets	12,702	12,702	10,647	10,647
Trade receivables	395,844	395,844	489,392	489,392
	<u>408,546</u>	<u>408,546</u>	<u>500,039</u>	<u>500,039</u>
	<u>₩ 3,929,964</u>	<u>₩ 3,929,964</u>	<u>₩ 3,861,788</u>	<u>₩ 3,861,788</u>

¹ Carrying amount of cash and cash equivalents included in assets held for sale amount to ₩ 162,950 million as at December 31, 2019.

² Carrying amount of trade receivables included in assets held for sale amount to ₩ 4,318 million as at December 31, 2019.

³ Carrying amount of non-trade receivables included in assets held for sale amount to ₩ 10,862 million as at December 31, 2019.

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Carrying amount and fair value of financial liabilities by category as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost				
Trade payables	₩ 73,752	₩ 73,752	₩ 421,487	₩ 421,487
Borrowings ¹	1,899,832	1,953,842	1,607,123	1,623,664
Debentures ¹	3,902,194	4,010,428	3,579,108	3,626,611
Non-trade payables	1,567,549	1,567,549	2,096,921	2,096,921
Accrued expense ²	913,670	913,670	995,285	995,285
Withholdings ³	205,095	205,095	330,332	330,332
Leasehold deposits received	6,782	6,782	6,276	6,276
	<u>8,568,874</u>	<u>8,731,118</u>	<u>9,036,532</u>	<u>9,100,576</u>
Derivative liabilities				
Interest swap liabilities	3,097	3,097	897	897
Others				
Lease liabilities	1,048,509	1,048,509	585,402	585,402
	<u>₩ 9,620,480</u>	<u>₩ 9,782,724</u>	<u>₩ 9,622,831</u>	<u>₩ 9,686,875</u>

¹ The fair value of the borrowings and debentures are the discounted amount of the future cash flow under the terms of the contract by using current market interest rate (borrowings 2020: 0.99%~1.52%, 2019: 1.63%~1.88%) (debentures 2020: 0.99%~2.66%, 2019: 1.63%~2.63%) applied on similar financial instruments.

² Carrying amount of accrued expense included in liabilities held for sale amount to ₩ 8,234 million as at December 31, 2019.

³ Carrying amount of withholdings included in liabilities held for sale amount to ₩ 158,813 million as at December 31, 2019.

The carrying amounts of certain financial assets and liabilities recognized at amortized cost are considered to be approximation of their fair values.

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6. Financial Assets

6.1 Financial assets at fair value through profit or loss

<i>(in millions of Korean won)</i>	2020	2019
Current		
Short-term derivatives held for trading	₩ -	₩ 1,119
Non-current		
Debt instruments	33,087	26,810
Equity instruments	85	3,214
	<u>₩ 33,172</u>	<u>₩ 31,143</u>

6.2 Financial assets at fair value through other comprehensive income

(a) Equity investments at fair value through other comprehensive income

<i>(in millions of Korean won)</i>	2020	2019
Non-current		
Listed equity securities	₩ 201	₩ 201
Unlisted equity securities	12,501	10,446
	<u>₩ 12,702</u>	<u>₩ 10,647</u>

Upon disposal of these equity investments, any balance within the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

(b) Debt investments at fair value through other comprehensive income

Debt investments at fair value through other comprehensive income comprise the following investments in bonds having solely payments of principal and interest:

<i>(in millions of Korean won)</i>	2020	2019
Trade receivables		
Handset installment sales (current)	₩ 171,232	₩ 192,522
Handset installment sales (non-current)	224,612	296,870
	<u>₩ 395,844</u>	<u>₩ 489,392</u>

Upon disposal of these debt investments, any balance within the accumulated other comprehensive income for these debt investments is reclassified to profit or loss.

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6.3 Trade receivables and other financial assets at amortized costs

(a) Trade receivables and provision for impairment

<i>(in millions of Korean won)</i>	2020		2019	
Trade receivables ^{1,2}	₩	2,413,113	₩	2,332,251
Less: provision for impairment		(173,174)		(163,565)
Trade receivables - net	₩	<u>2,239,939</u>	₩	<u>2,168,686</u>

¹ Trade receivables classified as debt instruments at fair value through other comprehensive income are excluded.

² Includes trade receivables classified as assets held for sale amounting to ₩ 4,318 million as at December 31, 2019.

(b) Other financial assets at amortized costs

<i>(in millions of Korean won)</i>	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Loans	₩ 52,300	₩ 29,597	₩ 81,897	₩ 75,781	₩ 22,894	₩ 98,675
Non-trade receivables ¹	249,655	-	249,655	264,024	-	264,024
Accrued income	305	-	305	458	-	458
Deposits	63,005	161,047	224,052	1,836	232,797	234,633
	<u>365,265</u>	<u>190,644</u>	<u>555,909</u>	<u>342,099</u>	<u>255,691</u>	<u>597,790</u>
Less: provision for impairment ¹	(72,304)	-	(72,304)	(95,011)	-	(95,011)
	<u>₩ 292,961</u>	<u>₩ 190,644</u>	<u>₩ 483,605</u>	<u>₩ 247,088</u>	<u>₩ 255,691</u>	<u>₩ 502,779</u>

¹ Includes non-trade receivables classified as assets held for sale amounting to ₩ 39,992 million and provision for impairment amounting to ₩ 29,130 million, as at December 31, 2019.

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7. Contract Assets and Liabilities

The Group has recognized the following assets and liabilities, which are presented as other current (non-current) assets and other current (non-current) liabilities, respectively:

<i>(in millions of Korean won)</i>	2020		2019	
Contract assets				
Allocating the transaction price	₩	315,735	₩	354,069
Costs to fulfill a contract		78,354		69,937
Others		-		2,971
	₩	<u>394,089</u>	₩	<u>426,977</u>
Contract liabilities				
Allocating the transaction price	₩	289,873		310,785
Others		93,407	₩	49,894
	₩	<u>383,280</u>		<u>360,679</u>

Significant changes in contract assets and liabilities

There were no significant changes in contract assets and liabilities for the year ended December 31, 2020.

Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current and prior reporting periods relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

<i>(in millions of Korean won)</i>	2020		2019	
Contract liabilities				
Allocating the transaction price	₩	238,932	₩	236,094
Others		36,949		34,355

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8. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows are the same as the cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents as at December 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>		2020		2019
Financial institution deposits ¹	₩	726,179	₩	637,315

¹ Carrying amount of financial institution deposits included in assets held for sale amounting to ₩ 162,950 million as at December 31, 2019.

9. Restricted Financial Assets

Restricted financial assets as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	Financial institution		2020		2019
Financial deposits	Industrial Bank of Korea ¹	₩	30,000	₩	20,500
Term deposits	KEB Hana Bank ²		-		350
Ordinary deposit	Woori Bank ³		75		393
Guarantee deposits for checking accounts	Woori Bank and others		24		24
		₩	<u>30,099</u>	₩	<u>21,267</u>

¹ Financial deposits are restricted in use in relation to Win-win Growth Cooperative Agreements between the big companies and the small and medium enterprises.

² Amounts as at December 31, 2019 are pledged by BC Card in relation to the payment gateway business and included in assets held for sale.

³ Restricted to use in relation to guarantee insurance of registration on mechanical equipment construction business.

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10. Inventories

The Group periodically reviews a possibility of the significant changes in net realizable value of inventories from decrease in market value and obsolescence, and recognizes as valuation allowances of inventories. Details of inventories as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020			2019		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 368,536	₩ (84,459)	₩ 284,077	₩ 501,579	₩ (64,855)	₩ 436,724

Inventory costs recognized in operating expenses for the years ended December 31, 2020 and 2019, are ₩ 2,980,406 million and ₩ 3,437,716 million, respectively, which include ₩ 19,604 million (2019: ₩ 28,879 million) of losses on valuation of inventories for the year ended December 31, 2020.

11. Other Assets

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

<i>(in millions of Korean won)</i>	2020	2019
Advance payments	₩ 31,045	₩ 31,049
Prepaid expenses	72,212	62,721
Contract assets		
Allocating the transaction price	230,916	265,798
Costs to fulfill a contract ¹	44,765	39,467
Others	-	2,971
Incremental costs of obtaining a contract ²	1,220,806	1,134,981
Others	153,793	124,877
	<u>₩ 1,753,537</u>	<u>₩ 1,661,864</u>

¹ The Group recognizes costs related to installment services of home services such as internet, IPTV and others, as "contract assets - costs to fulfill a contract", and amortizes it over the expected contract period.

² The Group recognizes commissions that is paid by the Group to agencies related to the activities to obtain a contract with customer and to maintain a customer in telecommunication services as "incremental costs of obtaining a contract", and amortizes it over the expected contract period.

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

<i>(in millions of Korean won)</i>	2020		2019	
Prepaid expenses	₩	37,054	₩	36,275
Contract assets				
Allocating the transaction price		84,819		88,271
Costs to fulfill a contract ¹		33,589		30,471
Incremental costs of obtaining a contract ²		506,578		524,820
Others		137,650		106,293
	₩	<u>799,690</u>	₩	<u>786,130</u>

¹ The Group recognizes costs related to installment services of home services such as internet, IPTV and others, as “contract assets - costs to fulfill a contract”, and amortizes it over the expected contract period.

² The Group recognizes commissions that is paid by the Group to agencies related to the activities to obtain a contract with customer and to maintain a customer in telecommunication services as “incremental costs of obtaining a contract”, and amortizes it over the expected contract period.

Amortization of costs to fulfill a contract and incremental costs of obtaining a contract for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020			
	Costs to fulfill a contract		Incremental costs of obtaining a contract	
Beginning balance	₩	69,938	₩	1,659,801
Recognition		64,590		1,754,019
Amortization		(56,174)		(1,686,436)
Ending balance	₩	<u>78,354</u>	₩	<u>1,727,384</u>

<i>(in millions of Korean won)</i>	2019			
	Costs to fulfill a contract		Incremental costs of obtaining a contract	
Beginning balance	₩	69,715	₩	1,381,494
Recognition		52,897		1,785,741
Amortization		(52,674)		(1,507,434)
Ending balance	₩	<u>69,938</u>	₩	<u>1,659,801</u>

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12. Property, Plant and Equipment

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

(in millions of Korean won)

	2020						
	Land	Buildings	Telecommuni- cation facilities	Others	Construction in progress	Right of use assets	Total
Beginning acquisition cost	₩ 726,565	₩ 1,259,576	₩ 16,861,666	₩ 1,192,573	₩ 596,584	₩ 877,602	₩ 21,514,566
Accumulated depreciation	-	(303,202)	(11,350,188)	(732,081)	-	(207,510)	(12,592,981)
Accumulated impairment loss	-	-	(53,786)	-	-	-	(53,786)
Government grants	-	(891)	(5,716)	(140)	-	-	(6,747)
Beginning balance	726,565	955,483	5,451,976	460,352	596,584	670,092	8,861,052
Acquisitions ¹	51,130	14,420	447,411	39,453	1,879,962	788,865	3,221,241
Transfers	(1,550)	25,204	1,978,576	77,570	(2,083,621)	-	(3,821)
Disposals	(821)	(26)	(37,146)	(5,608)	(2,530)	(20,427)	(66,558)
Depreciation ²	-	(39,876)	(1,528,846)	(168,354)	-	(288,397)	(2,025,473)
Impairment loss	-	-	(33,130)	(27)	-	-	(33,157)
Transfer to assets held for sale ¹	-	-	(656)	(14)	(2,808)	-	(3,478)
Ending balance	₩ 775,324	₩ 955,205	₩ 6,278,185	₩ 403,372	₩ 387,587	₩ 1,150,133	₩ 9,949,806
Ending acquisition cost	₩ 775,324	₩ 1,265,418	₩ 18,055,006	₩ 1,255,284	₩ 387,587	₩ 1,431,709	₩ 23,170,328
Accumulated depreciation	-	(309,378)	(11,684,277)	(851,281)	-	(281,576)	(13,126,512)
Accumulated impairment loss	-	-	(82,240)	(3)	-	-	(82,243)
Government grants	-	(835)	(10,304)	(628)	-	-	(11,767)
Ending balance	₩ 775,324	₩ 955,205	₩ 6,278,185	₩ 403,372	₩ 387,587	₩ 1,150,133	₩ 9,949,806

¹ Increase in right-of-use assets due to changes in property lease term in relation to 5G wireless station amounting to ₩ 429,501 million are included for the year ended December 31, 2020 (Note 35).

² Depreciation in relation to discontinued operations amounting to ₩ 5,766 million are included for the year ended December 31, 2020.

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2019

	Land		Buildings		Telecommuni- cation facilities		Others		Construction in progress		Right of use assets		Total	
Beginning acquisition cost	₩	656,579	₩	1,018,981	₩	14,065,819	₩	939,951	₩	333,120	₩	-	₩	17,014,450
Accumulated depreciation		-		(235,059)		(9,640,164)		(609,340)		-		-		(10,484,563)
Accumulated impairment loss		-		-		(56,505)		-		-		-		(56,505)
Government grants		-		(836)		(6,596)		(169)		-		-		(7,601)
Beginning balance		656,579		783,086		4,362,554		330,442		333,120		-		6,465,781
Changes in accounting policy		-		-		-		(13,999)		-		678,549		664,550
		656,579		783,086		4,362,554		316,443		333,120		678,549		7,130,331
Acquisitions		3,181		4,417		354,219		72,318		2,214,516		226,931		2,875,581
Transfers		2,869		137,306		1,669,865		150,363		(1,956,216)		-		4,187
Disposals		(33)		(56)		(42,380)		(2,655)		-		(42,267)		(87,391)
Transfer to assets held for sale ¹		-		-		(28,321)		(731)		-		-		(29,052)
Increase due to business combination		63,969		62,615		456,413		49,426		5,164		88,199		725,786
Depreciation ²		-		(31,885)		(1,316,011)		(124,812)		-		(281,320)		(1,754,028)
Impairment loss		-		-		(4,363)		-		-		-		(4,363)
Ending balance	₩	726,565	₩	955,483	₩	5,451,976	₩	460,352	₩	596,584	₩	670,092	₩	8,861,052
Ending acquisition cost	₩	726,565	₩	1,259,576	₩	16,861,666	₩	1,192,573	₩	596,584	₩	877,602	₩	21,514,566
Accumulated depreciation		-		(303,202)		(11,350,188)		(732,081)		-		(207,510)		(12,592,981)
Accumulated impairment loss		-		-		(53,786)		-		-		-		(53,786)
Government grants		-		(891)		(5,716)		(140)		-		-		(6,747)
Ending balance	₩	726,565	₩	955,483	₩	5,451,976	₩	460,352	₩	596,584	₩	670,092	₩	8,861,052

¹ Depreciation in relation to discontinued operations amounting to ₩ 10,021 million are included for the year ended December 31, 2019.

The Group has pledged a portion of land and buildings carrying amounts of which are ₩ 28,061 million and ₩ 7,773 million, as collateral in relation to borrowings from Korea Development Bank ("KDB") and SAMSUNG ELECTRONICS CO., Ltd., respectively, and the maximum amount of bonds are ₩ 58,000 million and ₩ 4,726 million, respectively.

The Group recognized impairment loss of ₩ 33,157 million as other non-operating expenses by estimating its recoverable amount considering asset usage plan (Note 26).

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13. Investment Property

Changes in investment property for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020					
	Land		Buildings		Total	
Beginning acquisition cost	₩	20,475	₩	20,328	₩	40,803
Accumulated depreciation		-		(6,562)		(6,562)
Beginning balance		20,475		13,766		34,241
Transfers		1,901		1,595		3,496
Depreciation		-		(565)		(565)
Ending balance	₩	22,376	₩	14,796	₩	37,172
Ending acquisition cost	₩	22,376	₩	22,743	₩	45,119
Accumulated depreciation		-		(7,947)		(7,947)
Ending balance	₩	22,376	₩	14,796	₩	37,172

(in millions of Korean won)

	2019					
	Land		Buildings		Total	
Beginning acquisition cost	₩	18,982	₩	23,667	₩	42,649
Accumulated depreciation		-		(7,085)		(7,085)
Beginning balance		18,982		16,582		35,564
Transfers		(2,869)		153		(2,716)
Increase due to business combination		4,362		-		4,362
Depreciation		-		(2,969)		(2,969)
Ending balance	₩	20,475	₩	13,766	₩	34,241
Ending acquisition cost	₩	20,475	₩	20,328	₩	40,803
Accumulated depreciation		-		(6,562)		(6,562)
Ending balance	₩	20,475	₩	13,766	₩	34,241

The Group recognized rental revenue related to investment property in the amount of ₩ 3,858 million and ₩ 4,394 million for the years ended December 31, 2020 and 2019, respectively.

Differences between carrying amount and fair value of investment property are not considered to be material.

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14. Intangible Assets

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

(in millions of Korean won)	2020					
	Intellectual property rights	Membership	Goodwill	Right to use frequencies	Other intangible assets	Total
Beginning acquisition cost	₩ 9,657	₩ 46,322	₩ 532,290	₩ 2,700,151	₩ 518,477	₩ 3,806,897
Accumulated amortization	(6,544)	-	-	(1,386,297)	(159,120)	(1,551,961)
Accumulated impairment loss	-	(3,519)	-	(28,870)	(3,685)	(36,074)
Beginning balance	3,113	42,803	532,290	1,284,984	355,672	2,218,862
Acquisition	421	1,592	-	-	56,563	58,576
Transfers	2	-	-	-	323	325
Disposals	-	(23,067)	-	-	(3,409)	(26,476)
Amortization	(654)	-	-	(281,859)	(61,926)	(344,439)
Impairment loss	-	439	(172,520)	(194,176)	68	(366,189)
Ending balance	₩ 2,882	₩ 21,767	₩ 359,770	₩ 808,949	₩ 347,291	₩ 1,540,659
Ending acquisition cost	9,976	24,218	532,290	2,700,151	519,820	3,786,455
Accumulated amortization	(7,094)	-	-	(1,668,157)	(169,185)	(1,844,436)
Accumulated impairment loss	-	(2,451)	(172,520)	(223,045)	(3,344)	(401,360)
Ending balance	₩ 2,882	₩ 21,767	₩ 359,770	₩ 808,949	₩ 347,291	₩ 1,540,659

(in millions of Korean won)	2019					
	Intellectual property rights	Membership	Goodwill	Right to use frequencies	Other intangible assets	Total
Beginning acquisition cost	₩ 9,283	₩ 39,695	₩ 932	₩ 2,700,151	₩ 216,172	₩ 2,966,233
Accumulated amortization	(5,897)	-	-	(1,085,192)	(150,910)	(1,241,999)
Accumulated impairment loss	-	(5,839)	-	-	(12,702)	(18,541)
Beginning balance	3,386	33,856	932	1,614,959	52,560	1,705,693
Acquisition	370	208	-	-	8,271	8,849
Increase due to business combination	4	9,134	531,358	-	309,776	850,272

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Disposals	-	(395)	-	-	(5,720)	(6,115)
Impairment loss	-	-	-	(28,869)	(400)	(29,269)
Amortization	(647)	-	-	(301,106)	(8,815)	(310,568)
Ending balance	₩ 3,113	₩ 42,803	₩ 532,290	₩ 1,284,984	₩ 355,672	₩ 2,218,862
Ending acquisition cost	9,657	46,322	532,290	2,700,151	518,477	3,806,897
Accumulated amortization	(6,544)	-	-	(1,386,297)	(159,120)	(1,551,961)
Accumulated impairment loss	-	(3,519)	-	(28,870)	(3,685)	(36,074)
Ending balance	₩ 3,113	₩ 42,803	₩ 532,290	₩ 1,284,984	₩ 355,672	₩ 2,218,862

The Group classifies membership and goodwill as intangible assets with indefinite useful lives and performs impairment test annually. In addition, the Group performs impairment test for unused right to use frequencies.

Carrying amount of goodwill attributed to cash generating unit (CGU) as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020			2019		
	Acquisition cost	Accumulate impairment loss	Carrying amount	Acquisition cost	Accumulate impairment loss	Carrying amount
LG Uplus Corp.	₩ 320,108	₩ -	₩ 320,108	₩ 320,108	₩ -	₩ 320,108
LG HelloVision Corp. ¹	212,182	(172,520)	39,662	212,182	-	212,182
	₩ 532,290	₩ (172,520)	₩ 359,770	₩ 532,290	₩ -	₩ 532,290

¹ LG HelloVision Corp. provides services through own network and operation data processing system, therefore, group of assets that generates cash inflows are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of goodwill is measured by cash generating unit (CGU). The recoverable amount of CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate which does not exceed the long-term average growth rate for the telecommunication and broadcasting industry in which the Group operated.

As a result of the impairment test, the Group recognized impairment loss of ₩ 172,520 million as it is determined that the carrying amount of operating assets of LG HelloVision Corp. exceed the value-in-use.

Value-in-use is heavily influenced by key assumptions such as the long-term growth rate and discount rate used in the discounted cash flow model. Perpetual growth rates and discount rates

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used for estimating the value in use are as follows:

<i>(in percentage)</i>	LG Uplus Corp.	LG HelloVision Corp.
Perpetual growth rates	1%	0%
Discount rates	5.3%	8.5%

In addition, the impact of changes in the perpetual growth rates and discount rate on the value in use are as follows:

<i>(in percentage)</i>	LG Uplus Corp.		
	Changes in assumption	Increase	Decrease
Perpetual growth rates	0.5% point	10.9% increase	8.6% decrease
Discount rates	0.5% point	10.3% decrease	13.1% increase

<i>(in percentage)</i>	LG HelloVision Corp.		
	Changes in assumption	Increase	Decrease
Perpetual growth rates	0.5% point	4.7% increase	4.2% decrease
Discount rates	0.5% point	5.7% decrease	6.4% increase

Impairment loss on the right to use frequencies for 28 GHz

At the end of 2020, the Group recognized impairment loss considering the recoverable amount of unused right to use frequencies for 28 GHz which is not ready for operating in the manner intended by management. For impairment test, the Group estimated cash flows up to the remaining usage period and determined the recoverable amount by discounting the cash flows with 9.3% discount rate. As a result of the impairment test, the impairment loss was recognized for ₩ 194,176 as other non-operating expenses (Note 26).

In addition, the impact of changes in assumption on the discount rate to calculate value-in-use amount are as follows:

<i>(in percentage)</i>	Changes in assumption	Increase	Decrease
Discount rates	0.5% point	1.7% decrease	1.7% increase

Significant intangible assets

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The right to use frequencies were acquired for ₩ 880,033 million (including borrowing cost ₩ 12,119 million) during the year ended December 31, 2011 and amortized on a straight-line method for ten years of useful lives. The right to use frequencies for 2.6 GHz were acquired for ₩ 461,973 million during the year ended December 31, 2013 and amortized on a straight-line method for eight years of useful lives. In addition, the right to use frequencies for 2.1 GHz were acquired for ₩ 372,470 million during the year ended December 31, 2016 and amortized on a straight-line method for five years of useful lives. The right to use frequencies for 3.5 GHz and 28GHz were acquired for ₩ 781,445 million and ₩ 204,231 million, respectively, during the year ended December 31, 2018. And, the right to use frequencies to 3.5 GHz is amortized on a straight-line method for ten years of useful lives and 28 GHz will be amortized on a straight-line method from time of use. Also, the Group is expected to be provided with reallocation of the right to use frequencies whose usage period expires in 2021.

R&D costs

The costs related to research and development for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>		2020		2019
Other operating expenses – R&D costs ¹	₩	75,418	₩	62,577

¹ Includes R&D costs amounting to ₩ 83 million and ₩ 180 million in relation to profit or loss on discontinued operations for the years ended December 31, 2020 and 2019, respectively.

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15. Investments in Associates and Joint Ventures

Composition of the Group's investments in associates and joint ventures as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	Class	Location	2020		2019	
			Percentage of ownership (%)	Book amount	Percentage of ownership (%)	Book amount
DACOM Crossing Corporation ¹	Joint venture	South Korea	51.00	₩ 10,841	51.00	₩ 10,024
Genie Music Corporation ²	Associate	South Korea	12.70	29,324	12.70	28,701
Focus Media Korea Corporation ²	Associate	South Korea	9.00	1,876	9.00	1,839
VENTA VR Co., Ltd.	Associate	South Korea	26.32	1,589	26.32	1,497
ZIPDOC Inc ³	Associate	South Korea	6.70	4,500	-	-
8i corporation ⁴	Associate	USA	26.17	3,584	26.17	4,861
Home Choice Corp. ⁵	Associate	South Korea	17.75	3,039	17.75	3,237
Highway Solar Co., Ltd. ⁶	Associate	South Korea	21.00	532	21.00	521
				₩ 55,285		₩ 50,680

¹ The Group acquired more than 50% shares of DACOM Crossing Corporation, but as the Group retains joint controlling power, it classified the shares as jointly controlled entities.

² Although the Group holds less than 20% of Genie Music Corporation and Focus Media Korea Corporation's equity shares, the Group classified it as an associate because the Group can exercise significant influence over the investee's Board of Directors and others.

³ Newly acquired during 2020. Although the Group holds less than 20% of ZIPDOC Inc's equity shares, the Group classified it as an associate because the Group can exercise significant influence over the investee's Board of Directors and others.

⁴ Invested through LG UPLUS FUND I LLC, a subsidiary, and the Group classified it as an associate because the Group can exercise significant influence.

⁵ Although the Group holds less than 20% of Home Choice Corp, the Group classified it as an associate because the Group can exercise significant influence through LG HelloVision Corp, a subsidiary.

⁶ The Group classified it as an associate because the Group can exercise significant influence through LG HelloVision Corp, a subsidiary.

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Details of valuation of investments in associates and joint ventures that are accounted for using the equity method for the years ended December 31, 2020 and 2019, are as follows:

(in millions of
Korean won)

(in millions of Korean won)

2020												
	Beginning balance		Acquisition		Share of profit or loss of associates and joint ventures		Share of other comprehensive loss of associates and joint ventures		Others		Ending balance	
DACOM Crossing Corporation	₩	10,024	₩	-	₩	817	₩	-	₩	-	₩	10,841
Genie Music Corporation		28,701		-		625		(2)		-		29,324
Focus Media Korea Corporation		1,839		-		37		-		-		1,876
VENTA VR Co., Ltd.		1,497		-		92		-		-		1,589
ZIPDOC Inc		-		4,500		-		-		-		4,500
8i corporation		4,861		-		(768)		-		(509)		3,584
Home Choice Corp.		3,237		-		(198)		-		-		3,039
Highway Solar Co., Ltd.		521		-		11		-		-		532
	₩	50,680	₩	4,500	₩	616	₩	(2)	₩	(509)	₩	55,285

(in millions of
Korean won)

		2019					
	Beginning balance	Acquisition and business combination	Share of profit or loss of associates and joint ventures	Share of other comprehensive loss of associates and joint ventures	Others ²	Disposal	Ending balance
DACOM Crossing Corporation	₩ 9,072	₩ -	₩ 977	₩ (25)	₩ -	₩ -	₩ 10,024
Genie Music Corporation	28,493	-	228	(21)	-	-	28,701
Focus Media Korea Corporation ¹	2,696	-	(48)	(6)	933	(1,735)	1,839
VENTA VR Co., Ltd. ³	953	500	44	-	-	-	1,497
8i corporation	-	4,861	-	-	-	-	4,861
Home Choice Corp.	-	3,237	-	-	-	-	3,237
Highway Solar Co., Ltd.	-	521	-	-	-	-	521
	₩ 41,214	₩ 9,119	₩ 1,201	₩ (52)	₩ 933	₩ (1,735)	₩ 50,680

¹ Gain on disposal amounting to ₩ 5,108 million occurred for the year ended December 31, 2019.

² Effect on changes in percentage of ownership through capital increase in the form of an allotment to the third party for the year ended December 31, 2019.

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³ Includes goodwill amounting to ₩ 98 million due to additional investment.

Details of reconciliation between net assets of joint ventures and associates and the carrying amount of the investments in associates and joint ventures as at and for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020						
	Net assets at the end of the year (A)	The ownership interest of the consolidated entity (B)	The ownership amount of net assets (AxB)	(+) Goodwill	(-) Elimination of internal transaction effect	(-) Others	December 31, 2020
DACOM Crossing Corporation	₩ 21,256	51.00%	₩ 10,841	₩ -	₩ -	₩ -	10,841
Genie Music Corporation	160,572	12.70%	20,393	8,997	-	66	29,324
Focus Media Korea Corporation	19,194	9.00%	1,727	-	-	(149)	1,876
VENTA VR Co., Ltd.	2,709	26.32%	713	876	-	-	1,589
ZIPDOC Inc	4,128	6.70%	277	4,223	-	-	4,500
8i corporation	2,451	26.17%	641	3,180	-	237	3,584
Home Choice Corp.	17,121	17.75%	3,039	-	-	-	3,039
Highway Solar Co., Ltd.	2,948	21.00%	619	-	87	-	532
(in millions of Korean won)	2019						
	Net assets at the end of the year (A)	The ownership interest of the consolidated entity (B)	The ownership amount of net assets (AxB)	(+) Goodwill	(-) Elimination of internal transaction effect	(-) Others	December 31, 2019
DACOM Crossing Corporation	₩ 19,654	51.00%	₩ 10,024	₩ -	₩ -	₩ -	10,024
Genie Music Corporation	155,001	12.70%	19,685	10,626	-	1,610	28,701
Focus Media Korea Corporation	20,189	9.00%	1,817	-	-	(22)	1,839
VENTA VR Co., Ltd.	2,359	26.32%	621	876	-	-	1,497
8i corporation	6,424	26.17%	1,681	3,180	-	-	4,861
Home Choice Corp.	18,238	17.75%	3,237	-	-	-	3,237
Highway Solar Co., Ltd.	2,919	21.00%	613	-	92	-	521

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Summary of financial information of associates and joint ventures as at December 31, 2020 and 2019, are as follows:

	2020													
(in millions of Korean won)	Assets		Liabilities		Equity		Sales		Operating profit (loss)		Profit (loss) for the year		Total comprehensive income (loss)	
DACOM														
Crossing Corporation	₩	66,175	₩	44,919	₩	21,256	₩	33,013	₩	1,398	₩	1,602	₩	1,602
Genie Music Corporation		250,802		90,230		160,572		225,399		10,929		5,589		5,571
Focus Media Korea Corporation		40,754		21,560		19,194		41,250		4,869		5,818		(995)
VENTA VR Co., Ltd.		3,535		826		2,709		3,491		346		345		350
ZIPDOC Inc		6,962		2,834		4,128		6,077		(3,272)		1,288		1,227
8i corporation		3,274		823		2,451		6,117		(1,502)		(2,912)		(2,912)
Home Choice Corp.		49,001		31,880		17,121		53,458		(373)		(373)		(373)
Highway Solar Co., Ltd.		16,345		13,397		2,948		2,128		(13)		(13)		(13)
	2019													
(in millions of Korean won)	Assets		Liabilities		Equity		Sales		Operating profit (loss)		Profit for the year		Total comprehensive income	
DACOM														
Crossing Corporation	₩	60,130	₩	40,475	₩	19,654	₩	36,842	₩	2,130	₩	1,916	₩	1,866
Genie Music Corporation		244,311		89,310		155,001		230,591		8,476		2,456		2,303
Focus Media Korea Corporation		34,032		13,843		20,189		24,930		(1,073)		281		358
VENTA VR Co., Ltd.		2,938		580		2,359		5,333		18		14		659
8i corporation		8,599		2,175		6,424		-		-		-		-
Home Choice Corp.		51,175		32,937		18,238		86,074		859		859		859
Highway Solar Co., Ltd.		17,295		14,376		2,919		2,090		234		234		234

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16. Borrowings and Debentures

Details of short-term borrowings as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	Financial institution	Annual interest rate (%)	2020		2019	
Facilities financing	Korea Development Bank	1.69	₩	50,000	₩	-
General loans	KEB Hana Bank	-		-		5,000
			₩	50,000	₩	5,000

Details of long-term borrowings as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	Creditor	Annual interest rate (%)	2020		2019	
Facilities financing	Korea Development Bank and others	1.83~2.43	₩	1,100,000	₩	850,000
General financing	Shinhan Bank and others	1.80~2.20		600,000		600,000
ABL	CJH 1 st LLC.	3.14		149,832		152,123
				1,849,832		1,602,123
Less: current portion				571,707		150,000
			₩	1,278,125	₩	1,452,123

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

<i>(in millions of Korean won)</i>	Annual interest rate (%)	2020		2019	
Debentures issued under public offering	1.27~3.67	₩	3,910,000	₩	3,440,000
Debentures issued privately	-		-		144,734
Total			3,910,000		3,584,734
	Face value		(7,806)		(5,626)
	Discount on debentures		3,902,194		3,579,108
Less: current portion			510,000		674,734
	Discount on debentures		(107)		(151)
	Book amount		509,893		674,583
Non-current portion			3,400,000		2,910,000
	Discount on debentures		(7,699)		(5,475)
	Book amount	₩	3,392,301	₩	2,904,525

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The repayment schedule of long-term borrowings and debentures as at December 31, 2020, is as follows:

<i>(in millions of Korean won)</i>	Long-term borrowings		Debentures		Total
January 1, 2022 ~ December 31, 2022	₩	237,500	₩	1,100,000	₩ 1,337,500
January 1, 2023 ~ December 31, 2023		487,500		640,000	1,127,500
January 1, 2024, and thereafter		553,125		1,660,000	2,213,125
	₩	<u>1,278,125</u>	₩	<u>3,400,000</u>	₩ <u>4,678,125</u>

17. Other Financial Liabilities

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

<i>(in millions of Korean won)</i>	2020				2019			
	Current		Non-current		Current		Non-current	
Non-trade payables ¹	₩	-	₩	477,728	₩	-	₩	689,797
Withholdings ²		221,579		-		330,332		-
Leasehold deposits received		6,208		574		5,917		358
	₩	<u>227,787</u>	₩	<u>478,302</u>	₩	<u>336,249</u>	₩	<u>690,155</u>

¹ Current portion of non-trade payables are included in non-trade and other payables.

² Includes withholdings amounting to ₩ 158,813 million classified as liabilities held for sale as at December 31, 2019.

18. Provisions

Changes in restoration liabilities for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020				
	Beginning balance		Increase	Decrease	Ending balance
Restoration liabilities	₩	43,100	₩	42,821	₩ (1,913) ₩ 84,008

<i>(in millions of Korean won)</i>	2019				
	Beginning balance	Increase	Business combination	Decrease	Ending balance
Restoration liabilities	₩	40,194	₩	1,133	₩ 3,970 ₩ (2,197) ₩ 43,100

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19. Post-employment Benefits

19.1 Defined Contribution Plan

The Group operates a defined contribution plan for employees, under which the Group is obligated to make payments to third-party funds. The employee benefits under the plan are determined by the payments made to the funds by the Group and the investment earnings from the funds. Additionally, plan assets are managed by the third-party funds and are segregated from the Group's assets.

The Group recognized expense of ₩ 8,137 million and ₩ 7,576 million related to defined contribution plan for the years ended December 31, 2020 and 2019, respectively.

19.2 Defined Benefit Plan

The Group operates a defined benefit plan for employees and according to the plan, employees will be paid his or her average salary amount of the final three months multiplied by the number of years vested; adjusted for salary pay rate and other. The valuation of the defined benefit plan remeasurements is performed by an independent reputable actuary specialist under the projected unit credit method.

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Present value of defined benefit obligations	₩ 689,654	₩ 634,662
Fair value of plan assets	(641,144)	(498,202)
Net defined benefit liabilities	₩ 48,510	₩ 136,460

Movements in the defined benefit obligations for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Beginning balance	₩ 634,662	₩ 463,645
Current service cost	89,152	67,516
Interest expense	14,324	11,654
Remeasurements:	(4,033)	55,740
Actuarial loss (gain) from change in demographic assumptions	(2,895)	2,228
Actuarial loss (gain) from change in financial assumptions	(7,153)	43,820
Actuarial loss from experience adjustments	7,786	9,654
Actuarial loss (gain) arising from transfer in/out adjustment	(1,771)	38
Benefit payments	(40,065)	(28,559)

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Transferred from (to) affiliated companies	(4,386)	304
Liabilities acquired in a business combination	-	64,362
Ending balance	<u>₩ 689,654</u>	<u>₩ 634,662</u>

Income or loss recognized relating to defined benefit plan for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Service cost		
Current service cost	<u>₩ 89,152</u>	<u>₩ 67,516</u>
	<u>89,152</u>	<u>67,516</u>
Net interest on the net defined benefit liability		
Interest cost of defined benefit obligations	14,324	11,654
Interest income on plan assets	<u>(11,377)</u>	<u>(10,694)</u>
	<u>2,947</u>	<u>960</u>
Others	<u>866</u>	<u>709</u>
	<u>₩ 92,965</u>	<u>₩ 69,185</u>

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

<i>(in millions of Korean won)</i>	2020	2019
Beginning balance	<u>₩ 498,202</u>	<u>₩ 425,491</u>
Interest income	11,377	10,694
Remeasurements:	(374)	(1,731)
Return on plan assets (excluding interest income)	(374)	(1,731)
Contributions from the employer	174,220	27,760
Transferred from (to) affiliated companies	(4,923)	76
Others	(866)	(709)
Benefit payments	(36,492)	(24,962)
Assets acquired in a business combination	-	61,583
Ending balance	<u>₩ 641,144</u>	<u>₩ 498,202</u>

All of the plan assets are invested in financial instruments that provide guaranteed principal and interest rate as at December 31, 2020 and 2019.

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The significant actuarial assumptions as at December 31, 2020 and 2019, are as follows:

<i>(in percentage, %)</i>	2020	2019
Discount rate	1.52~2.38%	1.76~3.25%
Salary growth rate	3.90~5.17%	4.20~5.29%

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

<i>(in percentage)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0% point	9.0% decrease	10.5% increase
Salary growth rate	1.0% point	10.1% increase	8.8% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. 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 recognized on the consolidated statement of financial position.

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund.

Expected contributions to post-employment benefit plans for the year ending December 31, 2021, are ₩ 75,289 million.

The expected maturity analysis of undiscounted pension benefits as at December 31, 2020, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	₩ 45,084	₩ 43,909	₩ 147,447	₩ 906,378	₩ 1,142,818

The weighted average duration of the defined benefit obligation is 10.22 years.

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20. Other Liabilities

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

(in millions of Korean won)

	2020		2019	
	Current	Non-current	Current	Non-current
Advances received	₩ 75,228	₩ -	₩ 114,795	₩ -
Unearned income	13,905	-	7,008	-
Contract liabilities – allocating the transaction price	221,739	68,134	229,286	82,499
Contract liabilities – others	69,008	24,399	32,382	16,511
Lease liabilities	184,447	864,062	136,531	448,871
Other	2,816	34,026	-	32,540
	<u>₩ 567,143</u>	<u>₩ 990,621</u>	<u>₩ 520,002</u>	<u>₩ 580,421</u>

21. Discontinued Operations

The Group established Toss Payments Co., Ltd. by split-off on August 3, 2020 for the purpose to sell payment service, and sold 100% of shares of the newly established entity to Toss Payments & Co., Inc on the same date.

Details of assets and liabilities of disposal group classified as held for sale as at December 31, 2019, are as follows:

(in millions of Korean won)

2019

Assets of disposal group held for sale

Cash equivalents	₩ 162,950
Trade receivables	4,318
Other receivables ¹	10,862
Property, plant and equipment	29,053
	<u>₩ 207,183</u>

Liabilities associated with assets of disposal group held for sale

Other payables	₩ 8,234
Other financial liabilities ²	158,813
	<u>₩ 167,047</u>

¹ Provision for impairment of ₩ 29,130 million is included as non-trade receivables in relation to payment service.

² The amount is the remaining balance of unsettled amounts from customers in relation to payment service.

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Profit and loss from discontinued operation for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Revenue	₩ 294,268	₩ 375,986
Expense ¹	(303,457)	(378,066)
Gain on disposal of subsidiaries	313,926	-
Profit (loss) before income tax of discontinued operation	304,736	(2,080)
Income tax expense	(79,231)	-
Profit (loss) after income tax of discontinued operation	₩ 225,505	₩ (2,080)

¹ An amount allocated from common expense is included in expense for discontinued operation.

Cash flows from discontinued operations for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020¹	2019
Net cash inflow from operating activities	₩ 16,075	₩ 42,278
Net cash outflow from investing activities	(3,465)	(3,927)
Net increase in cash generated from discontinued operations	₩ 12,610	₩ 38,351

¹ Cash flow before the payment service was sold

Details of sales transaction of assets and liabilities held for sale on August 3, 2020, are as follows:

<i>(in millions of Korean won)</i>	August 3, 2020
Total disposal consideration	
Cash equivalents	₩ 365,000
Assets of disposal group held for sale	
Cash equivalents	12,318
Trade receivables	22,407
Other receivables	168,720
Other assets	4,591
Property, plant and equipment	32,530
	<u>240,566</u>
Liabilities associated with assets of disposal group held for sale	
Trade and other payables	15,543
Other financial liabilities	179,674
	<u>195,217</u>

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Carrying amount of net assets sold	₩	45,349
Cost of disposal		(5,725)
Gain on disposal		313,926
Income tax expense		(81,622)
After-tax gain on disposal classified as profit from discontinued operations	₩	232,304

22. Equity

22.1 Share Capital

Details of share capital as at December 31, 2020 and 2019, are as follows:

Type of share	Number of authorized shares	Par value	2020		2019	
			Number of issued shares	Share capital	Number of issued shares	Share capital
Ordinary shares	700,000,000	₩ 5,000	436,611,361	₩ 2,573,969 million	436,611,361	₩ 2,573,969 million

The Parent Company retired 78,182,474 shares of treasury share according to the resolution of the Board of Directors on August 30, 2012. The face amount of issued shares and the amount of paid-in capital are not identical due to the retirement of treasury share.

22.2 Capital Surplus

Capital surplus consisting of share premium and other capital surplus, amount to ₩ 836,918 million as at December 31, 2020 and 2019. The Group's share premium is available only for transfer to share capital or use to reduce accumulated deficit.

22.3 Retained Earnings

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

<i>(in millions of Korean won)</i>	2020		2019	
Legal reserves ¹	₩	136,755	₩	118,710
Retained earnings before appropriation		3,831,795		3,554,860
	₩	3,968,550	₩	3,673,570

¹The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, 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 cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed.

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23.Dividends

A dividend is to be proposed to shareholders at the annual general meeting on March 19, 2021.

Details of dividend paid for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
Number of shares issued and outstanding	436,611,361	436,611,361
Number of treasury shares	3	3
Number of shares eligible for dividends	<u>436,611,358</u>	<u>436,611,358</u>
Par value per share	₩ 5,000	₩ 5,000
Dividend rate	9%	8%
Dividends per share	<u>₩ 450</u>	<u>₩ 400</u>
Total dividends	<u>₩ 196,475 million</u>	<u>₩ 174,645 million</u>

Dividend payout ratio of the Parent Company for the years ended December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020	2019
Total dividends	₩ 196,475	₩ 174,645
Profit attributable to the owners of the Group	452,541	445,644
Dividend payout ratio	43.42%	39.19%

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24. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	Defined benefit obligations	Equity investments at fair value through other comprehensive income	Debt investments at fair value through other comprehensive income	Cash flow hedge derivatives	Share of other comprehensive income of associates and joint venture	Foreign currency translation for foreign operations	Total
January 1, 2019	₩ -	₩ 195	₩ (4,795)	₩ -	₩ 17	₩ (244)	₩ (4,827)
Fair value estimation	-	2,821	4,470	-	-	-	7,291
Foreign currency translation for foreign operations	-	-	-	-	-	248	248
Changes in share of other comprehensive income of associates	-	-	-	-	(52)	-	(52)
Loss on valuation of cash flow hedge derivatives	-	-	-	(664)	-	-	(664)
Remeasurement of defined benefit plan	(43,403)	-	-	-	-	-	(43,403)
Reclassification to retained earnings	43,403	(5,592)	-	-	-	-	37,811
December 31, 2019	₩ -	₩ (2,576)	₩ (325)	₩ (664)	₩ (35)	₩ 4	₩ (3,596)
January 1, 2020	₩ -	₩ (2,576)	₩ (325)	₩ (664)	₩ (35)	₩ 4	₩ (3,596)
Fair value estimation	-	(552)	2,375	-	-	-	1,823
Foreign currency translation for foreign operations	-	-	-	-	-	(1,182)	(1,182)
Changes in share of other comprehensive income of associates	-	-	-	-	(2)	-	(2)
Loss on valuation of cash flow hedge derivatives	-	-	-	(1,628)	-	-	(1,628)
Remeasurement of defined benefit plan	2,871	-	-	-	-	-	2,871
Reclassification to retained earnings	(2,871)	10	-	-	-	-	(2,861)
December 31, 2020	₩ -	₩ (3,118)	₩ 2,050	₩ (2,292)	₩ (37)	₩ (1,178)	₩ (4,575)

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25. Other Expenses

Details of other expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020¹	2019¹
Operating lease payment	₩ 59,446	₩ 57,713
Advertising expense	236,839	291,523
Sales commissions	2,082,920	1,809,710
Commission charge	1,825,754	1,561,035
Interconnection charge	541,265	528,875
Telecommunication equipment rental fees	282,296	188,521
Outsourcing expense	263,226	254,839
Bad debt expenses	62,952	61,592
Settlement expenses	44,004	86,352
Others	824,994	725,728
	<u>₩ 6,223,696</u>	<u>₩ 5,565,888</u>

¹ Other operation expenses from discontinued operations for the year ended December 31, 2020, amounting to ₩ 278,167 million is included (2019: ₩ 343,085 million).

26. Other Non-operating Income and Expenses

Details of other non-operating income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Gain on disposal of property, plant and equipment	₩ 3,163	₩ 1,981
Gain on foreign currency transactions	2,873	4,236
Gain on foreign currency translation	3,312	1,617
Gain on disposal of investments in associates	-	5,107
Miscellaneous income	63,271	46,985
	<u>₩ 72,619</u>	<u>₩ 59,926</u>

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Details of other non-operating expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Loss on disposal of property, plant and equipment	₩ 38,226	₩ 28,353
Impairment loss of property, plant and equipment	33,157	4,363
Loss on disposal of intangible assets	834	121
Impairment loss of intangible assets	366,189	29,269
Loss on foreign currency transactions	2,769	4,899
Loss on foreign currency translation	4,936	1,516
Donation	7,069	4,940
Miscellaneous expenses	38,316	9,297
	<u>₩ 491,496</u>	<u>₩ 82,758</u>

27. Finance Income and Costs

Details of finance income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Interest income	₩ 51,218	₩ 41,290
Gain on foreign currency transactions	9	69
Dividend income	239	347
Gain on valuation of available-for-sale financial assets	940	-
Gain on valuation of derivative instruments	1,320	-
Gain on disposal of available-for-sale financial assets	370	-
Gain on disposal of trade receivables	4,139	-
	<u>₩ 58,235</u>	<u>₩ 41,706</u>

Details of interest income included in finance income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cash and cash equivalents and financial institution deposits	₩ 11,808	₩ 12,569
Trade receivables (other loans and receivables) and others	39,410	28,721
	<u>₩ 51,218</u>	<u>₩ 41,290</u>

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Details of finance costs for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Interest expense	₩ 149,250	₩ 111,182
Loss on foreign currency transactions	105	3
Loss on valuation of available-for-sale financial assets	626	2,002
Loss on disposal of available-for-sale financial assets	268	-
Loss on disposal of trade receivables and others	2,529	19,192
	<u>₩ 152,778</u>	<u>₩ 132,379</u>

Details of interest expense in finance costs for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Bank overdrafts and loan interest	₩ 39,122	₩ 12,658
Lease liability interest	17,808	6,468
Debentures interest	81,635	72,498
Other interest expense	10,685	19,558
	<u>₩ 149,250</u>	<u>₩ 111,182</u>

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

<i>(in millions of Korean won)</i>	2020	2019
Financial assets		
Financial assets at amortized cost		
Interest income	₩ 51,218	₩ 41,290
Gain (loss) on foreign currency translation	(2,280)	3,392
Bad debt expenses	(62,809)	(60,775)
	<u>(13,871)</u>	<u>(16,093)</u>
Financial assets at fair value through profit or loss		
Gain (loss) on valuation	1,634	(2,003)
Dividend income	85	99
Gain on disposal	102	-
	<u>1,821</u>	<u>(1,904)</u>
Financial assets at fair value through other comprehensive income		
Gain on valuation (other comprehensive income)	1,823	7,291
Dividend income	154	249
Gain (loss) on disposal	1,610	(19,192)
Bad debt expenses ¹	(143)	(91)
	<u>3,444</u>	<u>(11,743)</u>
	<u>(8,606)</u>	<u>(29,740)</u>
Financial liabilities		
Financial liabilities at amortized cost		
Interest expense	(131,209)	(104,117)
Gain (loss) on foreign currency translation	664	(3,888)
	<u>(130,545)</u>	<u>(108,005)</u>
Cash flow hedge derivative liabilities		
Loss on valuation of cash flow hedge derivatives (other comprehensive income)	(1,628)	(664)
Lease liabilities		
Interest expense	(17,808)	(6,468)
	<u>(149,981)</u>	<u>(115,137)</u>
	<u>₩ (158,587)</u>	<u>₩ (144,877)</u>

¹ The amounts are bad debt expenses incurred from installment receivables for handsets.

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28. Tax Expense

Income tax expense for the years ended December 31, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Current tax ¹	₩ 239,256	₩ 82,556
Changes in deferred tax due to temporary differences	(37,387)	38,538
Beginning deferred tax liabilities	135,014	79,610
Adjustments of deferred tax due to business combination and others	-	(16,866)
Ending deferred tax liabilities	97,627	135,014
Tax that are charged or credited directly to equity	(1,851)	11,935
Income tax expense ²	₩ 200,018	₩ 133,029

¹ ₩ 302 million and ₩ 447 million recognized as tax liabilities in relation to uncertainty over income tax treatments is included for the years ended December 31, 2020 and 2019, respectively, and related income tax expenses are included.

² Income tax expense from discontinued operations of ₩ 79,232 million and ₩ 0 is included for the years ended December 31, 2020 and 2019, respectively.

Reconciliation between profit before income tax and income tax expense of the Group for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Profit before income tax expense ¹	₩ 678,083	₩ 573,940
Tax at domestic tax rates applicable to profits	98,403	147,116
Tax effects of:	101,615	(14,087)
Income not subject to tax	(560)	(663)
Expenses not deductible for tax purposes	8,797	2,551
Tax credits	(42,843)	(15,955)
Changes in deferred tax assets that are deemed to be not realizable	129,907	-
Others	6,314	(20)
Income tax expense	₩ 200,018	₩ 133,029
Effective tax rate (income tax expense/profit before income tax)	29.50%	23.18%

¹ Before loss from discontinued operations

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The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Loss on valuation of cash flow hedge derivatives	₩	572	₩	233
Loss on valuation of financial assets at fair value through other comprehensive income		(1)		(991)
Remeasurement of defined benefit plan		(1,588)		14,264
Loss on valuation of debt investments at fair value through other comprehensive income		(834)		(1,571)
	₩	(1,851)	₩	11,935

The movements in deferred tax assets and liabilities for the year ended December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>		2020			
		Beginning balance	Increase	Decrease	Ending balance
Deductible temporary differences:					
Net defined benefit liabilities	₩	606,037	₩ 94,405	₩ 37,185	₩ 663,257
Bad debt expenses and others		208,182	221,403	222,180	207,405
Loss on valuation of inventories		69,549	88,088	70,376	87,261
Unsettled expenses		318,406	302,709	283,962	337,153
Property, plant and equipment		541,489	205,281	126,752	620,018
Provisions		46,194	86,260	46,427	86,027
Impairment loss on available-for-sale financial assets		8,986	11	898	8,099
Loss on valuation of investment securities		10,982	790	8	11,764
Deemed dividends		160	-	-	160
Government grants		10,504	28,033	17,450	21,087
Adjustments on revenues		91,298	126,537	90,211	127,624
Investment assets		3,984	-	649	3,335
Prepaid expenses		2,139	22,091	10,743	13,487
Present value discount		52	42	52	42
Valuation on installment receivables		439	-	3,210	(2,771)
Subsidiaries		9,046	-	9,046	-
Contract liabilities		309,740	341,581	363,484	287,837
Lease liabilities		558,604	1,098,033	558,604	1,098,033
Derivative instruments		897	2,200	-	3,097
		<u>2,796,688</u>	<u>2,617,464</u>	<u>1,841,237</u>	<u>3,572,915</u>
Taxable temporary differences:					
Accrued interest income		(458)	(305)	(458)	(305)
Deposits for severance benefits		(494,545)	(181,172)	(35,802)	(639,915)

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	2020			
	Beginning balance	Increase	Decrease	Ending balance
Share of profit of associates and joint venture	(3,843)	(3,575)	-	(7,418)
Undistributed profit of subsidiaries	-	(11,301)	-	(11,301)
Intangible assets	(257,320)	(22,872)	(184,648)	(95,544)
Equipment allowances	(50,485)	-	(20,381)	(30,104)
Estimate of assets for restoration	(14,646)	(37,348)	(14,927)	(37,067)
Other assets	(1,886,474)	(1,947,258)	(1,890,060)	(1,943,672)
Contract assets	(313,610)	(310,691)	(364,663)	(259,638)
Right-of-use assets	(558,230)	(1,095,829)	(558,219)	(1,095,840)
Goodwill	(473,685)	-	(113,915)	(359,770)
Others	(41,610)	(30,454)	(47,341)	(24,723)
	<u>(4,094,906)</u>	<u>(3,640,805)</u>	<u>(3,230,414)</u>	<u>(4,505,297)</u>
Tax loss carryforwards	<u>61,232</u>	<u>7,586</u>	<u>1,659</u>	<u>67,159</u>
	<u>(1,236,986)</u>	<u>(1,015,755)</u>	<u>(1,387,518)</u>	<u>(865,223)</u>
Realizable temporary differences and tax loss carryforwards	(827,927)	(1,040,261)	(1,291,708)	(576,480)
Unrealizable temporary differences and tax loss carryforwards	(409,059)	24,506	(95,810)	(288,743)
Tax rate	11%, 22%, 24.2%, 26%			11%, 22%, 24.2%, 26%
Tax effect due to temporary differences and tax loss carryforwards	(211,701)	(273,484)	(331,728)	(153,457)
Tax effect due to tax credit carryforwards	76,688	30,415	51,272	55,831
Deferred tax liabilities	₩ (135,013)	₩ (243,069)	₩ (280,456)	₩ (97,626)

The movements in deferred tax assets and liabilities for the year ended December 31, 2019, are as follows:

(in millions of Korean won)

	2019			
	Beginning balance	Increase	Decrease	Ending balance
Deductible temporary differences:				
Net defined benefit liabilities	₩ 437,415	₩ 194,310	₩ 25,688	₩ 606,037
Bad debt expenses and others	183,783	207,561	183,162	208,182
Loss on valuation of inventories	43,916	69,273	43,640	69,549
Unsettled expenses	174,263	348,147	204,004	318,406
Property, plant and equipment	467,233	187,250	112,994	541,489
Provisions	41,353	46,194	41,353	46,194
Impairment loss on available-for-sale financial assets	7,953	1,033	-	8,986
Loss on valuation of investment securities	7,091	7,557	3,666	10,982
Intangible assets	57,804	-	57,804	-

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	2019			
	Beginning balance	Increase	Decrease	Ending balance
Deemed dividends	160	-	-	160
Government grants	7,717	5,154	2,367	10,504
Adjustments on revenues	82,033	81,854	72,589	91,298
Investment assets	4,068	464	548	3,984
Prepaid expenses	2,188	1,518	1,567	2,139
Present value discount	9	52	9	52
Goodwill	4,515	-	4,515	-
Valuation on installment receivables	6,500	-	6,061	439
Subsidiaries	9,046	-	-	9,046
Contract liabilities	306,930	362,459	359,649	309,740
Lease liabilities	-	558,741	137	558,604
Derivative instruments	-	897	-	897
	<u>1,843,977</u>	<u>2,072,464</u>	<u>1,119,753</u>	<u>2,796,688</u>
Taxable temporary differences:				
Accrued interest income	(73)	(458)	(73)	(458)
Deposits for severance benefits	(422,276)	(97,221)	(24,952)	(494,545)
Share of profit of associates and joint venture	(2,694)	(1,149)	-	(3,843)
Intangible assets	-	(257,320)	-	(257,320)
Equipment allowances	(70,867)	-	(20,382)	(50,485)
Estimate of assets for restoration	(14,716)	(14,646)	(14,716)	(14,646)
Other assets	(1,587,155)	(2,005,319)	(1,706,000)	(1,886,474)
Contract assets	(353,792)	(325,959)	(366,141)	(313,610)
Right-of-use assets	-	(558,240)	(10)	(558,230)
Goodwill	-	(476,394)	(2,709)	(473,685)
Others	(6,661)	(34,949)	-	(41,610)
	<u>(2,458,234)</u>	<u>(3,771,655)</u>	<u>(2,134,983)</u>	<u>(4,094,906)</u>
Tax loss carryforwards	<u>45,967</u>	<u>15,265</u>	<u>-</u>	<u>61,232</u>
	<u>(568,290)</u>	<u>(1,683,926)</u>	<u>(1,015,230)</u>	<u>(1,236,986)</u>
Realizable temporary differences and tax loss carryforwards	(636,895)	(1,195,675)	(1,004,643)	(827,927)
Unrealizable temporary differences and tax loss carryforwards	68,605	(488,251)	(10,587)	(409,059)
Tax rate	11%, 22%, 24.2%, 26%			11%, 22%, 24.2%, 26%
Tax effect due to temporary differences and tax loss carryforwards	(160,737)	(325,244)	(274,280)	(211,701)
Tax effect due to tax credit carryforwards	81,127	14,377	18,816	76,688
Deferred tax liabilities	<u>₩ (79,610)</u>	<u>₩ (310,867)</u>	<u>₩ (255,464)</u>	<u>₩ (135,013)</u>

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Details of unrecognized deductible (taxable) temporary differences as deferred tax assets and liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Temporary differences	₩ (355,739)	₩ (470,128)
Tax loss	66,996	61,069
Tax credit carryforwards	1,412	12,488

The maturity of tax loss and tax credit carryforwards that are not recognized as deferred tax assets is as follows:

<i>(in millions of Korean won)</i>	2020	
	Tax loss	Tax credit carryforwards
More than 3 years	₩ 66,996	₩ 1,412
	₩ 66,996	₩ 1,412

<i>(in millions of Korean won)</i>	2019	
	Tax loss	Tax credit carryforwards
Less than 1 year	₩ -	₩ 6,003
Between 1 and 3 years	-	5,627
More than 3 years	61,069	858
	₩ 61,069	₩ 12,488

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29. Earnings per Share

Basic earnings per share for the years ended December 31, 2020 and 2019, are as follows.

Basic earnings per share are the profit attributable to one share of ordinary shares of the Group. It is measured by dividing profit attributable to ordinary shares during a specified period with weighted-average number of ordinary shares issued during that period. Earnings per share for the years ended December 31, 2020 and 2019, are as follows:

<i>(in Korean won)</i>	2020	2019
Basic earnings per share		
from continuing operations	₩ 579	₩ 1,010
from discontinued operations	516	(5)
	<u>₩ 1,095</u>	<u>₩ 1,005</u>

Diluted earnings per share are same as basic earnings per share as the Group has no dilutive potential ordinary shares as at December 31, 2020 and 2019.

Details of profit for the year and the weighted average number of ordinary shares outstanding used for calculating basic earnings per share are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Profit attributable to the ordinary equity holders of the Parent Company	₩ 466,764	₩ 438,855
Profit used to determine basic earnings per share		
Profit (loss) from discontinued operations	₩ 225,505	₩ (2,080)
Profit from continuing operations	252,560	440,911
	<u>₩ 478,065</u>	<u>₩ 438,831</u>
Weighted average number of ordinary shares outstanding	436,611,358 shares	436,611,358 shares

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30. Contingencies and Commitments

As at December 31, 2020, there are 123 lawsuits ongoing where the Group is a defendant in the Republic of Korea; total claim amount the Group is being sued for is ₩ 18,933 million. Management believes the outcome of these lawsuits will not likely have a significant effect on the consolidated financial position of the Group.

The Group entered into agreements with Woori Bank and others for a line of credit up to ₩ 107,000 million. These agreements include bank overdraft agreement with Woori Bank and others up to ₩ 30,000 million.

As at December 31, 2020, the Group has entered into agreement with Woori Bank and three other banks for a limit of ₩ 65,800 million in relation to payment of its trade payables. It is a loan agreement secured by an electronic trade receivable, where the Group guarantees the payment of trade receivable when the vendors of the Group transfer their trade receivables due from the Group prior to its maturity to banks.

The Group is provided with payment guarantees amounting to ₩ 65,114 million, ₩ 45,772 million and ₩ 23,063 million in relation to the contract guarantees, bid guarantees, payment guarantees in foreign currencies and payment guarantees in Korean won from Seoul Guarantee Insurance Company, Korea Software Financial Cooperative and Shinhan Bank, respectively. In this regard, the Company's contribution paid of ₩ 500 million is provided as collateral to Korea Software Financial Cooperative, and a deposit of ₩ 38 million in Woori Bank is pledged against Seoul Guarantee Insurance Company. In relation to the payment guarantee from Korea Software Financial Cooperative, the right for the guarantee does not expire until the end of extinctive prescription by the applicable laws even after the guarantee period is ended.

As at December 31, 2020, the Group has entered into purchase agreements with Shinhan Bank and KEB Hana Bank for limits of ₩ 200 billion and ₩ 100 billion, respectively, under which the banks accept any unaccepted bills issued by the Group.

As at December 31, 2020, the Group has entered into agreements with Woori Bank and KEB Hana Bank to provide payment guarantees in relation to housing fund loans for the executives and employees, and the guaranteed amount is ₩ 7 billion.

According to the financial and other covenants included in certain bonds and borrowings, the Group is required to maintain certain financial ratios such as debt to equity ratio and use the funds for the designated purpose. The covenant also contains restriction on provision of additional collaterals and disposal of certain assets.

The Group acquired right to use frequencies for 3.5GHz for the period from December 1, 2018 to November 30, 2028 and 28GHz for the period from December 1, 2018 to November 30, 2023, in the amounts of ₩ 809,500 million and ₩ 207,200 million, respectively, through an auction for 5G frequency by Ministry of Science and ICT in June 2018. A quarter of the acquired amounts for each frequency was paid in November 2018, and the remaining amounts are to be paid in every March over the contract period.

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The Group has entered into a transfer contract of securitized assets with the SPCs (2020: U Plus 5G SPC 49th~54th, 2019: U Plus 5G SPC 46th~48th and U Plus LTE SPC 43th~45th) and transferred the installment receivables of handset during the years ended December 31, 2020 and 2019. The Group also has entered into asset management contract with each SPC to manage the transferred installment receivables, and committed to be received asset management fees when the SPCs are liquidated.

The Group has entered into the investment agreement with SB Global Champ Fund and Growth Acceleration Fund, and has an obligation to make a contribution of ₩ 10,000 million and ₩ 5,000 million, respectively. As at December 31, 2020, the Group has made a contribution of ₩ 9,650 million and ₩ 3,750 million to SB Global Champ Fund and Growth Acceleration Fund, respectively.

31.Related Party Transactions

Major related parties as at December 31, 2020 and 2019, are as follows:

2020

Investor with significant influence over the Group	LG Corporation
Joint venture	Dacom Crossing Corporation
Associates	Genie Music Corporation, Focus Media Korea Corporation, VENTA VR Co., Ltd., 8i Corporation, Home Choice Corp., Highway Solar Co.,Ltd, ZIPDOC Inc ¹
Others	S&I corp. and 10 others, LG CNS and 23 others, LG Sports, LG Holdings Japan, LG Management Development Institute
Other related parties included in Large Business Group defined by the act	LG Chem Ltd. and 46 others; LG Household & Health Care Ltd. and 34 others; LG Hausys, Ltd. and 11 others; LG MMA Corp.; LG Electronics Inc. and 118 others; LG Display Co., Ltd. and 20 others; LG Innotek Alliance Fund and 11 others; Silicon Works Inc. and two others; LG International Corp. and 32 others; Pantos Logistics Co., Ltd and 52 others; GILR Inc. and 15 others

¹ The Group classified it as an associate because the Group has significant influence over the entity.

2019

Investor with significant influence over the Group	LG Corporation
Joint venture	Dacom Crossing Corporation
Associates	Genie Music Corporation, Focus Media Korea Corporation, VENTA VR Co., Ltd., 8i Corporation, Home Choice Corp., Highway Solar Co.,Ltd
Others	S&I corp. and 10 others, LG CNS and 21 others, LG Sports, LG Holdings Japan, LG Management Development Institute
Other related parties included in Large Business Group defined by the act	LG Chem Ltd. and 42 others; LG Household & Health Care Ltd. and 38 others; LG Hausys, Ltd. and 12 others; LG MMA Corp.; LG Electronics

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Business Group defined by the act Inc. and 117 others; LG Display Co., Ltd. and 21 others; LG Innotek Alliance Fund and 11 others; Silicon Works Inc. and two others; LG International Corp. and 34 others; Pantos Logistics Co., Ltd and 52 others; GILR Inc. and 15 others

As at December 31, 2020, there is no entity has control over the Group, and LG Corporation has significant influence over the Group with 37.66% interest in ownership.

Sales and purchases with related parties for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020			2019		
	Sales and others	Purchase of property, plant and equipment	Purchase and others	Sales and others	Purchase of property, plant and equipment	Purchase and others
Investor with significant influence over the Group						
LG Corporation	₩ 128	₩ -	₩ 34,943	₩ 130	₩ -	₩ 32,330
Joint venture						
Dacom Crossing Corporation	373	-	23,411	402	-	16,511
Associates ⁴						
Genie Music Corporation	213	-	49,221	401	-	40,098
Focus Media Korea Corporation	3,815	-	594	2,553	-	878
VENTA VR Co., Ltd.	2	-	2,911	45	-	4,111
8I Corporation	-	-	601	-	-	127
Highway Solar Co., Ltd	197	-	-	-	-	-
Home Choice Corp.	3,484	-	25,354	-	-	-
Others						
S&I corp. ^{1,3}	5,529	51,846	62,129	6,467	107,766	49,390
LG CNS ^{1,3}	22,457	198,386	151,535	25,902	216,799	158,926
LG Management Development Institute ³	153	-	7,386	93	-	7,950
LG Sports	27	-	3,414	25	-	3,513
Other related parties included in Large Business Group defined by the act ²						
HS Ad Co., Ltd.	238	951	13,875	255	-	35,527
LG Display Co., Ltd.	2,121	-	-	2,352	-	-
LG Household & Health Care Ltd. ³	2,304	-	1,207	2,576	-	595
LG Innotek Alliance Fund	3,075	-	32	345	1,843	346
LG Electronics Inc. ³	5,304	859	189,261	5,596	196	470,060

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	2020			2019		
	Sales and others	Purchase of property, plant and equipment	Purchase and others	Sales and others	Purchase of property, plant and equipment	Purchase and others
LG Chem Ltd. ³	2,462	-	23	2,113	-	54
The FaceShop Co., Inc. ^{3,5}	1,442	-	26	1,906	-	47
Pantos Logistics Co., Ltd ³	119	-	10,085	104	-	9,706
L. Best	53	-	4,729	51	-	1,322
Hi Plaza Inc.	36,158	-	40,582	51,471	-	46,885
LG Hausys, Ltd. ³	288	-	7	437	-	2
Coca-Cola Beverage Co. ³	197	-	39	380	-	44
Others ³	1,617	1,067	224	1,585	374	155
	<u>₩ 91,756</u>	<u>₩ 253,109</u>	<u>₩ 621,589</u>	<u>₩ 105,189</u>	<u>₩ 326,978</u>	<u>₩ 878,577</u>

¹ Transactions with subsidiaries of the related parties are included.

² These companies are not related parties defined in paragraph 9 of Korean IFRS 1024 *Related Party Disclosures*. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of Korean IFRS 1024.

³ Transactions for payment service sold during 2020 are included.

⁴ ZIPDOC Inc was included in related parties of the Group on December 24, 2020, and the previous transactions are not included.

⁵ FaceShop Co., Inc. was merged into LG Household & Health Care Ltd. on November 30, 2020 and the amount stated above includes transactions before the merger.

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Outstanding balances arising from sales/purchases of goods and services as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020		2019	
	Trade receivables and others	Trade payables and others	Trade receivables and others	Trade payables and others
Investor with significant influence over the Group				
LG Corporation ¹	₩ 5,730	₩ 13	₩ 5,387	₩ 1,159
Joint venture				
Dacom Crossing Corporation	-	118	-	41
Associates				
Genie Music Corporation	6,714	23,176	23	11,782
Focus Media Korea Corporation	3	71	3	1
Home Choice Corp	804	2,149	-	-
Others				
S&I corp. ²	5,733	30,686	19,617	60,750
LG Management Development Institute	3,028	19	2,958	18
LG CNS ²	2,079	108,240	766	133,364
Other related parties included in Large Business Group defined by the act ³				
HS Ad Co., Ltd.	196	21,296	-	25,770
LG Household & Health Care Ltd.	242	3	86	-
LG Innotek Alliance Fund	1,483	-	182	400
LG Electronics Inc.	256	39,915	534	5,918
LG Chem Ltd. ⁴	424	-	51	270
LG Energy Solution Ltd.	86	-	-	-
Pantos Logistics Co., Ltd	4	1,989	-	2,239
L. Best	17	5,214	-	690
Hi Plaza Inc.	1,222	5,050	-	4,043
Hi-M Solutech Co., Ltd.	-	138	1	433
LG International Corp.	3	-	-	-
Others ⁴	191	-	566	9
	₩ 28,215	₩ 238,077	₩ 30,174	₩ 246,887

¹ The amount of lease liabilities recognized in accordance with the lease contract entered with LG Corporation is ₩ 52,994 million as at December 31, 2020, and it is not included in the line item of trade receivables and others. The amount of repayment of lease liabilities for the year ended December 31, 2020, is ₩ 6,424 million.

² Receivables and payables between the entity and the entity's subsidiaries are included.

³ These companies are not related parties defined in paragraph 9 of Korean IFRS 1024 *Related Party Disclosures*. However, the companies are designated by the Fair Trade Commission as related

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parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of Korean IFRS 1024.

⁴ Transactions for payment service sold during 2020 are included in the amounts as at December 31, 2019.

Above receivables and payables are unsecured and to be settled in cash. Also, there are no payment guarantees, which were given or received related to above receivables and payables.

Fund transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Dividends paid	Contributions in cash	Dividends paid	Contributions in cash
Investor with significant influence over the Group				
LG Corporation	₩ 62,950	₩ -	₩ 62,950	₩ -
Associates				
VENTA VR Co., Ltd.	-	-	-	500
8i Corporation	-	-	-	4,861
ZIPDOC Inc	-	4,500	-	-

The compensation and benefits for the Group's key management, including directors (excluding non-executive directors) and executive officers, who have significant control and responsibilities on planning, operating and controlling the Group's business activities for the years ended December 31, 2020 and 2019, are summarized as follows:

<i>(in millions of Korean won)</i>	2020	2019
Short-term employee benefits	₩ 36,940	₩ 38,981
Long-term employee benefits	37	25
Post-employment benefits ¹	8,694	4,226
	<u>₩ 45,671</u>	<u>₩ 43,232</u>

¹ The above balances refer to post-employment benefits incurred for key management during the years ended December 31, 2020 and 2019. In addition, the present values of defined benefit obligations for key management are ₩ 41,312 million and ₩ 41,387 million as at December 31, 2020 and 2019, respectively.

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32. Risk Management

32.1 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so the Group can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure consists of net liability, which is borrowing (including bonds and lease liability) less cash and cash equivalents, and equity; the overall capital risk management policy of the Group has been consistently maintained to all the years presented. In addition, items managed as capital by the Group as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Total borrowings ¹	₩	6,850,535	₩	5,771,633
Less: cash and cash equivalents ²		(726,179)		(637,315)
Borrowings, net	₩	<u>6,124,356</u>	₩	<u>5,134,318</u>
Total equity	₩	7,651,214	₩	7,349,616
Net borrowings-to-equity ratio		80.04%		69.86%

¹ Lease liabilities of ₩ 1,048,509 million and ₩ 585,402 million are included as at December 31, 2020 and 2019, respectively, as a result from application of Korean IFRS 1116.

² Cash and cash equivalents classified as assets held for sale of ₩ 162,950 million are included as at December 31, 2019.

32.2 Financial Risk Management

The Group is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify the potential risks to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. The Group makes use of derivative financial instruments to hedge certain risks, such as foreign exchange and interest rate risks. Overall financial risk management policy of the Group has been consistently maintained to all the years presented.

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(a) Foreign currency risk

The Group is exposed to foreign currency risk since it undertakes transactions denominated in foreign currencies. The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies that is not the functional currency as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020			
	Assets		Liabilities	
USD	₩	24,432	₩	23,702
Others		3		232
	₩	24,435	₩	23,934

(in millions of Korean won)

	2019			
	Assets		Liabilities	
USD	₩	48,327	₩	94,418
Others		4		274
	₩	48,331	₩	94,692

The Group internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Group's sensitivity to a 10% increase and decrease in the Korean won (functional currency of the Group) against the major foreign currencies as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)

	2020			
	10% increase against foreign currency		10% decrease against foreign currency	
USD	₩	54	₩	(54)

(in millions of Korean won)

	2019			
	Loss from 10% increase against foreign currency		Gain from 10% decrease against foreign currency	
USD	₩	(3,411)	₩	3,411

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency as at December 31, 2020 and 2019.

(b) Interest rate risk

LG Uplus Corp. and Subsidiaries **Notes to the Consolidated Financial Statements** **December 31, 2020 and 2019**

The Group is exposed to cash flow risk arising from interest rate changes due to financial liabilities with floating interest rates. The carrying amount of liabilities exposed to interest rate risk as at December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Borrowings ¹	₩	300,000	₩	300,000
Debentures		-		34,734
Non-trade payables		695,491		915,033
	₩	995,491	₩	1,249,767

¹ The amount has been borrowed at floating interest rate, but is not exposed to interest rate risk due to an interest rate swap for cash flow hedge.

The Group internally assesses the cash flow risk from changes in interest rates on a regular basis. The effect of changes in interest rates of 1% point to profit or loss and net assets as at December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020			
	1% point increase		1% point decrease	
	Profit or loss	Net assets	Profit or loss	Net assets
Non-trade payables	₩ (5,288)	₩ (5,288)	₩ 5,288	₩ 5,288

<i>(in millions of Korean won)</i>	2020			
	1% point increase		1% point decrease	
	Profit or loss	Net assets	Profit or loss	Net assets
Debentures	₩ (257)	₩ (257)	₩ 257	₩ 257
Non-trade payables	(6,970)	(6,970)	6,970	6,970
	₩ (7,227)	₩ (7,227)	₩ 7,227	₩ 7,227

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The Group manages interest rate risk by entering into an interest rate swap contract. The Group applies cash flow hedge accounting to the interest rate swap contract, and details of an evaluation on the unsettled amount of the interest rate swap contract as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)		2020							
		Unsettled amount of the contract	Gain or loss on valuation		Gain or loss on valuation ¹	Fair value			
			Gain	Loss		Assets	Liabilities		
Interest rate swap	₩	300,000	₩	-	₩ 2,200	₩ (1,628)	₩	-	₩ 3,096

¹ There is no ineffectiveness recognized from cash flow hedge, and gain or loss on valuation is an after-tax amount.

(in millions of Korean won)		2019										
		Unsettled amount of the contract	Gain or loss on valuation		Gain or loss on valuation ¹	Fair value						
			Gain	Loss		Assets	Liabilities					
Interest rate swap	₩	300,000	₩	-	₩	897	₩	(664)	₩	-	₩	897

¹ There is no ineffectiveness recognized from cash flow hedge, and gain or loss on valuation is an after-tax amount.

(c) Price risk

The Group is exposed to price risks arising from marketable equity instruments. The fair value of marketable equity instruments for the years ended December 31, 2020 and 2019, is ₩ 201 million and ₩ 201 million, respectively, and when the price of equity instrument changes by 10% with all other variables held constant, the effect to equity will be ₩ 15 million and ₩ 15 million, for the years ended December 31, 2020 and 2019, respectively.

(d) Credit risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Credit risk is managed on respective entity basis, including the Parent Company and its subsidiaries. Credit risk arises from cash and cash equivalents, derivatives, deposits in bank and financial institution as well as receivables and firm commitments to individual customers. The Group's credit risk exposure to bank and financial institutions is limited due to making transactions with high credit rating financial institutions. The Group evaluate credit status of customers based on their financial status, credit history and other factors. The Group does not establish policies to manage credit limits of each customer.

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(i) Trade receivables at amortized costs

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables at amortized costs. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the period. On that basis, the loss allowance as at December 31, 2020 was determined as follows for trade receivables. The expected credit losses reflect forward-looking information.

(in millions of Korean won)	2020			
	Within 6 months	7-12 months	More than 1 year	Total
Expected loss rate	2.63%	55.65%	67.21%	
Gross carrying amount	₩ 2,235,250	₩ 44,291	₩ 133,572	₩ 2,413,113
Loss allowance provision	58,754	24,647	89,773	173,174

¹ Aging schedule is categorized by claim date for the receivables. The receivables that were not claimed are included in aging schedule of 'Within 6 months'.

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	2020	2019
Beginning balance	₩ 163,566	₩ 155,756
Increase in loss allowance recognized in profit or loss during the year	49,522	49,613
Receivables written off during the year as uncollectible	(57,086)	(59,504)
Unused amounts reversed	17,081	16,180
Transfer of loss allowance due to reclassification of the receivables	91	1,521
Ending balance	<u>₩ 173,174</u>	<u>₩ 163,566</u>

As at December 31, 2020, total carrying amounts of trade receivables that are maximum exposure to credit risk is ₩ 2,239,939 million (2019: ₩ 2,332,251 million).

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Following losses are recognized in profit or loss in relation to impaired trade receivables for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Impairment loss		
Bad debt expenses	₩ 49,522	₩ 49,613

(ii) Debt investments at fair value through other comprehensive income

Debt investments at fair value through other comprehensive income include trade receivables subject to be sold. The loss allowance for debt investments at fair value through other comprehensive income is recognized in profit or loss and reduces the fair value loss otherwise recognized in other comprehensive income.

Debt investments at fair value through other comprehensive income are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, after the initial recognition, and the loss allowance recognized during the period was, therefore, limited to 12 months expected losses. When credit risk is not low and decrease in credit risk is significant, a lifetime expected loss allowance is used.

Movements in loss allowance provision for debt investments at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Beginning balance	₩ 91	₩ 1,521
Increase in loss allowance recognized in profit or loss during the year	143	91
Transfer of loss allowance due to change of accounts for receivables	(91)	(1,521)
Ending balance	<u>₩ 143</u>	<u>₩ 91</u>

(iii) Other financial assets at amortized cost

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets at amortized cost other than trade receivables.

Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Beginning balance	₩ 95,011	₩ 86,701
Increase in loss allowance recognized in profit or loss during the year	13,287	11,888

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Receivables written off during the year as uncollectible	(10,917)	(5,737)
Decrease due to sales of discontinued operations	(26,220)	-
Unused amounts reversed	1,142	1,070
Transfer of loss allowance due to change of accounts for receivables	-	1,089
Ending balance¹	₩ 72,303	₩ 95,011

¹ Loss allowance for other receivables classified as assets held for sale are included, and the amount of loss allowance included as at December 31, 2019, is ₩ 29,130 million.

(e) Liquidity risk

The Group manages liquidity risk by establishing short-, medium- and long-term funding plans and continuously monitoring actual cash outflow and its budget to match the maturity profiles of financial assets and liabilities. Management of the Group believes that financial liability may be redeemed by cash flows arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to its remaining maturity as at December 31, 2020 and 2019, is as follows:

(in millions of Korean won)

Type ¹	2020			
	Within a year	1-5 years	More than 5 years	Total
Non-interest-bearing instruments	₩ 2,062,745	₩ 576	₩ -	₩ 2,063,321
Variable interest rate instruments	227,409	305,010	182,138	714,557
Variable interest rate instruments (for cash flow hedge)	5,645	306,347	-	311,992
Fixed interest rate instruments	1,227,984	4,093,060	500,626	5,821,670
Lease liabilities	193,264	601,800	328,357	1,123,421
	₩ 3,717,047	₩ 5,306,793	₩ 1,011,121	₩ 10,034,961

¹ Maturity analysis above is based on the earliest maturity for the Group to pay based on the carrying amount.

(in millions of Korean won)

Type ¹	2019			
	Within a year	1-5 years	More than 5 years	Total
Non-interest-bearing instruments ²	₩ 2,927,252	₩ 362	₩ -	₩ 2,927,614
Variable interest rate instruments	268,271	471,690	242,850	982,811
Variable interest rate instruments (for cash flow hedge)	5,645	312,990	-	318,635
Fixed interest rate instruments	894,642	3,599,516	687,457	5,181,615
Lease liabilities	141,207	292,297	179,333	612,837
	₩ 4,237,017	₩ 4,676,855	₩ 1,109,640	₩ 10,023,512

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¹ Maturity analysis above is based on the earliest maturity for the Group to pay based on the carrying amount.

² The carrying amount of liabilities held for sale included in non-interest-bearing non-derivative financial liabilities with a maturity within one year as at December 31, 2019, is ₩ 167,047 million.

Maturity analysis of derivative financial liabilities according to its remaining maturity as at December 31, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020	
	Within a year	1-5 years
Derivative instruments designated as hedging instruments		
Interest rate swap liabilities	₩ 1,950	₩ 1,147

<i>(in millions of Korean won)</i>	2019	
	Within a year	1-5 years
Derivative instruments designated as hedging instruments		
Interest rate swap liabilities	₩ 151	₩ 746

Meanwhile, the Group is obligated to invest a total of \$ 50,000,000 in LG UPLUS FUND I LLC, a subsidiary of the Group, by April 2023. Also, the Group is obligated to contribute ₩ 10,000 million and ₩ 5,000 million to SB Global Champ Fund and Growth Acceleration Fund, respectively (Note 30).

32.3 Transfer of Financial Assets

Transferred Financial Assets that are Derecognized in their Entirety

The Group transferred trade receivables to special purpose entities and others for ₩ 2,135,800 million in relation to handset installment sales and derecognized the trade receivables from the financial statements as substantially all the risks and rewards are transferred. Accordingly, the Group recognized a loss on disposal for ₩ 2,530 million and a gain on disposal for ₩ 4,139 million.

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32.4 Offsetting Financial Assets and Financial Liabilities

Details of carrying amount of financial assets and financial liabilities that are subject to netting agreements as at December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>		2020		Net amounts presented in the statement of financial position
		Gross financial instruments recognized	Gross financial instruments offset	
Financial assets				
Trade receivables	₩	45,136	₩ 45,136	₩ -
Financial liabilities				
Accrued expense		53,827	45,136	8,691

32.5 Fair Value Hierarchy

Items that are measured at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

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Fair value hierarchy classifications of the financial instruments that are measured subsequent at fair value to initial recognition as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)

	2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial assets at fair value through profit or loss					
Available-for-sale financial assets	₩ 33,172	₩ -	₩ -	₩ 33,172	₩ 33,172
Financial assets at fair value through other comprehensive income					
Available-for-sale financial assets	12,702	201	-	12,501	12,702
Handset installment receivables	395,844	-	395,844	-	395,844
Financial liabilities					
Derivative liabilities designated as hedging instruments	3,097	-	3,097	-	3,097

(in millions of Korean won)

	2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial assets at fair value through profit or loss					
Available-for-sale financial assets	₩ 30,024	₩ -	₩ -	₩ 30,024	₩ 30,024
Derivative assets held for sale	1,119	-	1,119	-	1,119
Financial assets at fair value through other comprehensive income					
Available-for-sale financial assets	10,647	201	-	10,446	10,647
Handset installment receivables	489,392	-	489,392	-	489,392
Financial liabilities					
Derivative liabilities designated as hedging instruments	897	-	897	-	897

There were no significant transfers between levels 1 and 2 for fair value measurements for the years ended December 31, 2020 and 2019.

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The financial assets categorized within level 2 of the fair value hierarchy classifications are measured with application of the present value discount method using discount rates that are based on interest rates disclosed in the market as at December 31, 2020. Valuation of the financial assets categorized within level 3 of the fair value hierarchy classifications is performed by using reliable information from a third party or in accordance with B5.2.3 of Korean IFRS 1109.

There are no significant changes in business environments or economic environments, which have impact on the fair values of financial assets and financial liabilities held by the Group.

Valuation techniques and inputs used in the recurring and non-recurring fair value measurements categorized within level 2 of the fair value hierarchy are as follows:

<i>(in millions of Korean won)</i>	Fair value	Level	Valuation techniques	Inputs
Debt instruments at fair value through other comprehensive income				
Trade receivables	₩ 395,844	2	Discounted cash flow	Interest rate of guarantee debentures
Derivative liabilities				
Interest rate swap	3,096	2	Discounted cash flow	Discount rate observed in the market ¹

¹ The valuation has been performed based on discount rates derived from margin curves that are observable the market.

33.Statements of Cash Flows

The major transactions not involving cash outflows and cash inflows for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of assets under construction	₩ 2,083,621	₩ 1,956,216
Current portion of long-term non-trade payables	227,978	227,942
Non-trade payables relating to acquiring property, plant and equipment and intangible assets	482,296	93,015
Current portion of long-term borrowings and debentures	1,081,314	489,732

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Changes in liabilities arising from financial activities for the years ended December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>		Current portion of debentures	Debentures	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Lease liabilities	Total
At January 1, 2019	₩	609,809	₩ 1,726,253	₩ 10,000	₩ 275,000	₩ 350,000	₩ -	₩ 2,971,062
Cash flows – issue / borrowing		-	1,484,186	63,283	-	1,100,000	-	2,647,469
Cash flows – repayment		(610,000)	-	(68,283)	(275,000)	-	(298,756)	(1,252,039)
Current portion		339,732	(339,732)	-	150,000	(150,000)	-	-
Others		429	1,912	-	-	-	801,498	803,839
Increase due to business combination		334,613	31,906	-	-	152,123	82,661	601,303
At December 31, 2019	₩	674,583	₩ 2,904,525	₩ 5,000	₩ 150,000	₩ 1,452,123	₩ 585,403	₩ 5,771,634
Cash flows – issue / borrowing	₩	-	₩ 996,200	₩ 100,785	₩ -	₩ 400,000	₩ -	₩ 1,496,985
Cash flows – repayment		(676,039)	-	(55,785)	(150,000)	-	(286,774)	(1,168,598)
Current portion		509,607	(509,607)	-	571,707	(571,707)	-	-
Others		1,742	1,182	-	-	(2,291)	749,880	750,513
At December 31, 2020	₩	509,893	₩ 3,392,300	₩ 50,000	₩ 571,707	₩ 1,278,125	₩ 1,048,509	₩ 6,850,534

34. Unconsolidated Structured Entities

In order to carry out asset securitization with receivables of handset as underlying assets, the Group transferred the receivables of handset to U Plus 5G SPC 54th and 21 other companies (the “SPC”). As a result, SPC is not subject to consolidation according to Korean IFRS 1110 *Consolidated Financial Statement* and the receivables of handset satisfy the requirements of derecognition of Korean IFRS 1109 *Financial Instruments*.

Details of scale of unconsolidated structured entities as at December 31, 2020, are as follows:

<i>(in millions of Korean won)</i>	Asset securitization
Total assets of unconsolidated structured entities	₩ 3,323,280

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35.Lee

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	2020	2019
Right-of-use assets ^{1,3}		
Properties	₩ 1,097,863	₩ 611,074
Telecommunication facilities	33,182	36,774
Vehicles	19,088	22,244
	<u>₩ 1,150,133</u>	<u>₩ 670,092</u>
Lease liabilities ^{2,3}		
Current	₩ 184,447	₩ 136,531
Non-current	864,062	448,871
	<u>₩ 1,048,509</u>	<u>₩ 585,402</u>

¹ The amount is included in property, plant and equipment in the consolidated statement of financial position.

² The amount is included in other liabilities in the consolidated statement of financial position.

³ During the year ended December 31, 2020, right-of-use assets and lease liabilities of ₩ 429,501 million were included due to changes in the lease term of real estate leases related to 5G wireless station.

Additions to the right-of-use assets during the 2020 financial year were ₩ 480,041 million and deduction to the right-of-use assets during the 2019 financial year were ₩ 8,457 million.

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	2020	2019
Depreciation of right-of-use assets		
Properties	₩ 266,383	₩ 262,859
Telecommunication facilities	10,657	8,215
Vehicles	11,357	10,246
	<u>288,397</u>	<u>281,320</u>
Interest expense relating to lease liabilities (included in finance cost)	17,808	6,468
	<u>₩ 306,205</u>	<u>₩ 287,788</u>

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The total cash outflow for leases in 2020 was ₩ 286,774 million (2019: ₩ 298,756 million).

As a result of negotiation on the precondition of reallocation of the right to use frequencies with Ministry of Science and ICT, the plan for capital expenditure of 5G wireless communication (hereinafter, referred to as 5G) become more concrete. The Group determined that it is reasonably certain to exercise the extension option until the useful life of the 5G-related equipment arrives to the end of its useful life. Accordingly, the lease period for real estate installed 5G-related equipment at the end of December was reevaluated from 8 years from the initial acquisition date to 8 years from the time of 5G asset installation. As a result, as at December 31, 2020, the right-of-use assets and lease liabilities have increased by ₩ 429,501 million, respectively.

36.Information for Non-controlling Interests

(a) Changes in Accumulated Non-controlling Interests

<i>(in millions of Korean won)</i>		2020					
		Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Others	Accumulated non-controlling interests at the end of the year
LG HelloVision Corp.	50%-1 share	₩	268,641	₩ 11,304	₩ (2,904)	₩ (800)	₩ 276,241
Medialog corp.	21		114	(3)	-	-	111
		₩	268,755	₩ 11,301	₩ (2,904)	₩ (800)	₩ 276,352

<i>(in millions of Korean won)</i>		2019					
		Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Others		Accumulated non-controlling interests at the end of the year
LG HelloVision Corp.	50%-1 share	₩	-	₩ -	₩ 268,641	₩	268,641
Medialog corp.	21		138	(24)	-		114
		₩	138	₩ (24)	₩ 268,641	₩	268,755

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(b) Summarized Financial Information on Subsidiaries

<i>(in millions of Korean won)</i>	2020		2019	
	LG HelloVision Corp.¹	Medialog corp.	LG HelloVision Corp.¹	Medialog corp.
Current assets	₩ 376,033	₩ 77,296	₩ 332,332	₩ 80,781
Non-current assets	1,096,688	25,882	1,458,339	23,135
Current liabilities	422,440	42,969	582,921	41,207
Non-current liabilities	419,176	8,135	256,443	9,246
Equity	631,105	52,074	951,307	53,463

¹ Financial information based on consolidated financial statements of LG HelloVision Corp.

(c) Summarized statements of comprehensive income of subsidiaries

<i>(in millions of Korean won)</i>	2020		2019	
	LG HelloVision Corp.¹	Medialog corp.	LG HelloVision Corp.¹	Medialog corp.
Revenue	₩ 1,057,935	₩ 219,406	₩ 1,112,180	₩ 202,149
Loss for the year	(312,794)	(1,665)	(100,778)	(11,700)
Other comprehensive income (loss)	(1,599)	17	(7,175)	82
Total comprehensive loss	₩ (314,393)	₩ (1,648)	₩ (107,953)	₩ (11,618)

¹ Financial information based on consolidated financial statements of LG HelloVision Corp.

(d) Summarized statements of cash flows of subsidiaries

<i>(in millions of Korean won)</i>	2020		2019	
	LG HelloVision Corp.¹	Medialog corp.	LG HelloVision Corp.¹	Medialog corp.
Cash flows from operating activities	₩ 218,615	₩ (675)	₩ 250,434	₩ (2,944)
Cash flows from investing activities	(97,335)	(2,053)	(114,659)	(3,765)
Cash flows from financing activities	(51,493)	(6,635)	(164,108)	(6,372)
Net increase (decrease) in cash and cash equivalents	69,787	(9,363)	(28,333)	(13,081)
Cash and cash equivalents at beginning of year	80,742	27,248	109,074	40,329
Cash and cash equivalents at end of year	₩ 150,529	₩ 17,885	₩ 80,742	₩ 27,248

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¹ Financial information based on consolidated financial statements of LG HelloVision Corp.

(e) Transactions with non-controlling interests

There are no effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company.

37. Approval of Issuance of the Financial Statements

The consolidated financial statements 2020 were approved for issue by the Board of Directors on February 2, 2021 and will be finally approved with the approval of shareholders at their annual general shareholders' meeting on March 19, 2021.

38. Events After the Reporting Period

It was approved to issue the following bonds in order to retain conversion funds and operating funds:

- LG Uplus Corp.: approval of the finance committee on January 18, 2021
- LG HelloVision Corp.: approval of the finance committee on November 26, 2020

(in millions of Korean won)

Issued by (Credit rating)	Issuance date	Issuance No.	Face value	Maturity date
LG Uplus Corp. (AA0)	2021.02.02	Public bond No. 108-1 st	₩ 100,000	2024.02.02
	2021.02.02	Public bond No. 108-2 nd	200,000	2026.02.02
	2021.02.02	Public bond No. 108-3 rd	70,000	2031.02.02
	2021.02.02	Public bond No. 108-4 th	30,000	2036.02.02
LG HelloVision Corp. (AA-)	2021.01.25	Public bond No. 11-1 st	140,000	2024.01.25
	2021.01.25	Public bond No. 11-2 nd	50,000	2026.01.25

On January 18, 2021, in accordance with the resolution of finance committee, the Group transferred trade receivables (handset installment receivables) with a total face amount of ₩ 423,696 million to UPlus 5G SPC 55th. The proceeds from this sale was settled on February 8, 2021.