

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

LG Uplus Corp.

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

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

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 3, 2021 expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate 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 financial statements of the Company. As discussed in Note 3 to the 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 Company cannot presently be determined and, accordingly, no adjustments related to such uncertainties have been reflected in the accompanying 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 investments in subsidiary (LG HelloVision Corp.)

As explained in the Note 15 of the separate financial statements, the acquisition cost of the investments in subsidiary of LG HelloVision amounts to KRW 800,000 million. The Company performed impairment test on the investments in subsidiary using value-in-use calculation based on the method of discounted cash flows.

We determined accounting for impairment of the investments in subsidiary as a key audit matter due to the significance of size of investments in subsidiary and because calculation of the value-in-use amount involves Company 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 Company's policies, process and internal control related to accounting for impairment of investments in subsidiary
- Assessed the competence and independence of an expert engaged by the Company
- 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.

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

As explained in Note 14 to the separate financial statements, the Company 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 Company 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 Company management's significant judgements and estimates on discount rate, future cash flow forecasts and others.

- Obtained an understanding and evaluated the Company'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 Company

- 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.

Other Matter

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 separate financial statements.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is 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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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

(in millions of Korean won)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5,8,22,33	₩ 533,784	₩ 340,806
Financial institution deposits	5,9,33	30,200	21,050
Trade receivables	5,6,22,32,33	1,726,511	1,615,624
Other receivables	5,6,22,32,33	283,221	202,231
Inventories	10	276,863	430,076
Other current assets	7,11	1,686,182	1,641,436
Assets held for sale	5,6,8,12,22,32	-	207,183
		<u>4,536,761</u>	<u>4,458,406</u>
Non-current assets			
Financial institution deposits	5,9,33	58	58
Available-for-sale financial assets	5,6,33	35,797	26,848
Trade receivables	5,6,22,32,33	711,741	829,692
Other receivables	5,6,22,32,33	176,037	248,785
Investments in subsidiaries	15,32	757,607	923,857
Investments in associates and joint ventures	16,32	40,897	36,397
Property, plant and equipment	12,22,35	9,208,889	8,048,795
Investment property	13	132,012	114,602
Intangible assets	14	887,530	1,361,972
Other non-current assets	7,11	766,651	784,867
		<u>12,717,219</u>	<u>12,375,873</u>
Total assets		<u>₩ 17,253,980</u>	<u>₩ 16,834,279</u>
Liabilities			
Current liabilities			
Trade payables	5,22,32,33	₩ 54,796	₩ 400,560
Non-trade and other payables	5,22,32,33	1,921,415	2,309,975
Short-term borrowings	5,12,17,33	50,000	-
Debentures and long-term borrowings	5,12,17,33	931,768	489,970
Other financial liabilities	5,18,22,33	228,325	175,417
Current tax liabilities	29	177,002	11,557
Current portion of derivative liabilities	5,25,28,33	1,950	151
Other current liabilities	5,7,21,33,35	541,449	493,270
Liabilities held for sale	18,22,32	-	167,047
		<u>3,906,705</u>	<u>4,047,947</u>
Non-current liabilities			
Debentures and long-term borrowings	5,12,17,33	4,340,842	4,172,619
Other financial liabilities	5,18,33	478,766	689,915
Net defined benefit liabilities	20,32	37,523	128,216
Deferred tax liabilities	29	83,516	121,824
Provisions	19	78,884	38,873
Non-current portion of derivative liabilities	5,25,28,33	1,147	746
Other non-current liabilities	5,7,21,33,35	908,474	501,457
		<u>5,929,152</u>	<u>5,653,650</u>
Total liabilities		<u>9,835,857</u>	<u>9,701,597</u>
Equity			
Share capital	23	2,573,969	2,573,969
Capital surplus	23	828,705	828,705
Accumulated other comprehensive income	25	(2,816)	(3,565)
Retained earnings	23	4,018,265	3,733,573
Total equity		<u>7,418,123</u>	<u>7,132,682</u>
Total liabilities and equity		<u>₩ 17,253,980</u>	<u>₩ 16,834,279</u>

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

LG Uplus Corp.
Separate 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	4,32	₩ 12,352,879	₩ 12,337,746
Operating expenses			
Costs of merchandise purchased	10,32	2,894,781	3,429,631
Employee benefits	20,32	910,315	795,749
Depreciation and amortization	12,13,14,35	2,152,359	2,053,054
Other operating expenses	26,33	5,557,445	5,367,545
		<u>11,514,900</u>	<u>11,645,979</u>
Operating profit		<u>837,979</u>	<u>691,767</u>
Financial income	28,32	51,546	40,659
Financial costs	28,35	140,958	129,754
Other non-operating income	27	65,997	58,343
Other non-operating expenses	27	476,482	80,907
Profit before income tax		338,082	580,108
Income tax expense	29	<u>111,046</u>	<u>132,384</u>
Profit from continuing operations		227,036	447,724
Profit (loss) from discontinued operations	22,32	225,505	(2,080)
Profit for the year		<u>₩ 452,541</u>	<u>₩ 445,644</u>
Basic and diluted earnings per share (in Korean won)			
From continuing and discontinued operations	30	₩ 1,036	₩ 1,020
From continuing operations	30	520	1,025

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

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

(in millions of Korean won)

	2020	2019
	₩	₩
Profit for the year	<u>452,541</u>	<u>445,644</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	(8)	2,821
Remeasurements of net defined benefit liability	6,806	(40,675)
<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	<u>(1,628)</u>	<u>(664)</u>
	<u>7,545</u>	<u>(34,048)</u>
Total comprehensive income for the year	<u>₩ 460,086</u>	<u>₩ 411,596</u>

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

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

(in millions of Korean won)

	Notes	Share Capital	Capital Surplus	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total Equity
Balance at January 1, 2019		₩ 2,573,969	₩ 828,705	₩ (4,600)	₩ 3,497,657	₩ 6,895,731
Annual dividends	24,32	-	-	-	(174,645)	(174,645)
Profit for the year		-	-	-	445,644	445,644
Remeasurements of net defined benefit liability	20,25	-	-	-	(40,675)	(40,675)
Gain on valutaion of FV-OCI debt instruments	25,28	-	-	4,470	-	4,470
Gain on valutaion of FV-OCI equity instruments	25,28	-	-	2,821	-	2,821
Reclassification of loss on valuation of equity instruments at fair value through other comprehensive income	25	-	-	(5,592)	5,592	-
Loss on valuation of cash flow hedge derivatives	25,28,33	-	-	(664)	-	(664)
Balance at December 31, 2019		₩ 2,573,969	₩ 828,705	₩ (3,565)	₩ 3,733,573	₩ 7,132,682
Balance at January 1, 2020		₩ 2,573,969	₩ 828,705	₩ (3,565)	₩ 3,733,573	₩ 7,132,682
Annual dividends	24,32	-	-	-	(174,645)	(174,645)
Profit for the year		-	-	-	452,541	452,541
Remeasurements of net defined benefit liability	20,25	-	-	-	6,806	6,806
Gain on valutaion of FV-OCI debt instruments	25,28	-	-	2,375	-	2,375
Loss on valutaion of FV-OCI equity instruments	25,28	-	-	(8)	-	(8)
Reclassification of loss on valuation of equity instruments at fair value through other comprehensive income	25	-	-	10	(10)	-
Loss on valuation of cash flow hedge derivatives	25,28,33	-	-	(1,628)	-	(1,628)
Balance at December 31, 2020		₩ 2,573,969	₩ 828,705	₩ (2,816)	₩ 4,018,265	₩ 7,418,123

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

LG Uplus Corp.
Separate 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	₩ 452,541	₩ 445,644
Additions of expenses not involving cash outflows		
Post-employment benefits	68,082	55,293
Depreciation	1,867,985	1,755,195
Amortization	290,155	307,880
Bad debt expenses	54,060	59,879
Interest expense	138,152	110,718
Loss on foreign currency translation	3,632	1,515
Loss on disposal of trade receivables	2,441	19,036
Loss on disposal of property, plant and equipment, and others	36,595	28,471
Impairment loss on property, plant and equipment, and others	212,444	33,233
Impairment loss on available-for-sale assets	268	-
Impairment loss on investments in subsidiaries	180,251	-
Income tax expense	190,278	132,385
Amortization of contract assets and others	2,164,920	1,976,925
Others	1,305	12,235
	<u>5,210,568</u>	<u>4,492,765</u>
Deduction of income not involving cash inflows		
Interest income	(43,911)	(40,251)
Gain on foreign currency translation	(3,312)	(1,617)
Gain on disposal of property, plant and equipment	(1,238)	(1,976)
Gain on disposal of other financial assets	(4,510)	-
Gain on disposal of investment securities in subsidiary	(313,926)	-
Dividend income	(3,125)	(341)
Amortization of contract liabilities and others	(362,020)	(359,635)
Others	(1,686)	(3,849)
	<u>(733,728)</u>	<u>(407,669)</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(48,172)	(334,872)
Decrease (increase) in other receivables	(26,018)	21,626
Decrease in inventories	153,301	21,313
Increase in contract assets and others	(2,178,735)	(2,320,724)
Increase in other assets	(10,164)	(21,064)
Increase (decrease) in trade payables	(345,765)	68,190
Increase (decrease) in other payables	(285,804)	88,951
Decrease in net defined benefit liabilities	(149,598)	(1,027)
Increase in contract liabilities	346,194	363,928
Increase in other liabilities	114,544	40,050
	<u>(2,430,217)</u>	<u>(2,073,629)</u>
Cash generated from operations		
Interest income received	38,095	33,746
Dividend received	3,114	400
Interest expense paid	(115,544)	(88,584)
Income taxes paid	(74,337)	(149,624)
	<u>(148,672)</u>	<u>(204,062)</u>
Net cash inflow from operating activities	₩ 2,350,492	₩ 2,253,049

LG Uplus Corp.
Separate 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	₩ 1,644	₩ 8,511
Decrease in financial institution deposits	1,050	-
Proceeds from disposal of property, plant and equipment	13,085	18,379
Proceeds from disposal of intangible assets	18,358	5,350
Decrease in loans	50,803	40,282
Decrease in security deposits provided	23,011	33,102
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>418,407</u>	<u>148,064</u>
Cash outflows for investing activities		
Payments for acquisition of available-for-sale assets	(10,501)	(5,250)
Increase in financial institution deposits	(10,200)	(238)
Payments for acquisition of investments in subsidiaries	(14,000)	(811,803)
Payments for acquisition of investments in associates	(4,500)	(500)
Payments for acquisition of property, plant and equipment	(2,608,478)	(2,325,854)
Payments for acquisition of intangible assets	(240,551)	(236,946)
Increase in loans	(49,038)	(50,012)
Increase in security deposits provided	(12,429)	(11,116)
	<u>(2,949,697)</u>	<u>(3,441,719)</u>
Net cash outflow from investing activities	<u>(2,531,290)</u>	<u>(3,293,655)</u>
Cash flows from financing activities		
Cash inflows from financing activities		
Proceeds from short-term borrowings	100,785	53,283
Issuance of debentures	697,145	1,484,186
Proceeds from long-term borrowings	400,000	1,100,000
Increase in government grants	6,133	102
	<u>1,204,063</u>	<u>2,637,571</u>
Cash outflows for financing activities		
Repayments of short-term borrowings	(50,785)	(53,283)
Repayments of current portion of long-term liabilities	(490,000)	(885,000)
Return of government grants	-	(853)
Payment of dividends	(174,645)	(174,645)
Repayments of lease liabilities	(277,805)	(298,744)
	<u>(993,235)</u>	<u>(1,412,525)</u>
Net cash inflow from financing activities	<u>210,828</u>	<u>1,225,046</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(2)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>30,028</u>	<u>184,440</u>
Cash and cash equivalents at the beginning of the year	<u>503,756</u>	<u>319,316</u>
Cash and cash equivalents classified as held for sale	<u>162,950</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year in the separate statements of financial position	<u>340,806</u>	<u>319,316</u>
Cash and cash equivalents at the end of the year	<u>533,784</u>	<u>503,756</u>
Cash and cash equivalents classified as held for sale	<u>-</u>	<u>162,950</u>
Cash and cash equivalents at the end of the year in the separate statement of financial position	<u>₩ 533,784</u>	<u>₩ 340,806</u>

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

LG Uplus Corp.

Notes to the Separate Financial Statements

December 31, 2020 and 2019

1. General Information

LG Uplus Corp. (the 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 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>

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

LG Uplus Corp.
Notes to the Separate Financial Statements
December 31, 2020 and 2019

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

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

The 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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

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

LG Uplus Corp.
Notes to the Separate Financial Statements
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(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 Company 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 separate 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 Company has changed accounting policy. The Company 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 Company did not restate comparatives for the 2019 reporting period. The amendments do not have a significant impact on the separate financial statements.

2.2.2 New standards and interpretations not yet adopted by the Company

(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 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 Company does not expect that these amendments have a significant impact on the separate financial statements.

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(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 Company does not expect that these amendments have a significant impact on the separate 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 Company does not expect that these amendments have a significant impact on the separate 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 Company does not expect that these amendments have a significant impact on the separate 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 Company does not expect that these amendments have a significant impact on the separate financial statements.

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

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(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 Company does not expect that these amendments have a significant impact on the separate financial statements.

2.3 Subsidiaries, Associates and Joint Ventures

In accordance with Korean IFRS 1027, the Company's separate financial statements are prepared to explain investments of associates' and joint ventures' investors on the direct interest investment basis, not the investee's reported performance and net assets' basis; the Company chose the cost method based on Korean IFRS 1027 to report investments in subsidiaries, associates and joint ventures. Dividends obtained from subsidiaries, associates and joint ventures are recognized in profit or loss when the right to receive dividends is confirmed.

2.4 Foreign Currency Translation

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

In preparation of the Company's separate 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 Company classifies its financial assets in the following measurement categories:

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

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

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

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

(b) Measurement

At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in '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

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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 statement of profit or loss within 'financial income and costs' in the year in which it arises.

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which 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 Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

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

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(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 Company or the counterparty.

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 Company 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 Company 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 33. Movements in the cash flow hedge reserve are shown in Note 25.

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

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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.

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 22.

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 Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

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

(b) Derecognition

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

2.16 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company 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 Company 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 separate 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 Company 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 Company 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 Company 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 Company 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 Company operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company 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.

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.

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2.19 Revenue Recognition

(a) Identifying performance obligations

The Company 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 Company satisfies the performance obligation and recognizes revenue at the point of sale for handset sales. On the other hand, the Company recognizes revenue over time by providing telecommunication services throughout the estimated contract period.

(b) Allocating the transaction price to performance obligations

The Company 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 Company 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 Company 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 Company 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 Company 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 statement of financial position based on their nature.

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(b) Accounting for lessee

The Company 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 Company 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 Company 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 Company 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 Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (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 Company 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 Company. 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 Company and not by the respective lessor.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company 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 Company'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 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

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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 Company 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 Company'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 29).

The Company 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 ₩ 37,523 million (2019: ₩ 128,216 million) and details are described in Note 20.

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 Company 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 Company is typically reasonably certain to extend (or not terminate).

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- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company 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 Company 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 Company during the current period are considered to be a significant circumstance in which the extension option is expected to be exercised, and therefore, the Company increased lease liabilities and right-of-use assets, and the details are described in Note 35.

3.7 Impairment of Non-Financial Assets

The Company performs impairment test on non-financial assets such as property and equipment, intangible assets, investments in subsidiaries and others, when there is an indication of 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 Company compared the value-in-use and carrying amount in impairment test on intangible assets and goodwill during the year ended December 31, 2020, and the details are described in Notes 12, 14 and 15.

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4. Operating Segment Information

The Company determined that it operates under only one business segment based on the characteristics of goods and services provided and nature of network assets held. As a result, no separate segment information is disclosed in this report. The Company's reportable segments are consistent with the internal business segment reporting provided to the chief operating decision-maker.

Details of operating revenues from the Company'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.	At a point in time	Telecommunication and related services	₩	9,637,900	₩	9,168,700
	Over time	Handset sales		2,714,979		3,169,046
	Total of continuing operations			12,352,879		12,337,746
	Discontinued operations ¹			294,268		375,986
			₩	12,647,147	₩	12,713,732

¹ Operating profit on electronic payment services classified as discontinued operations (Note 22).

The Company'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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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	₩ 533,784	₩ 533,784	₩ 503,756	₩ 503,756
Financial institution deposits	30,258	30,258	21,108	21,108
Trade receivables ²	2,042,408	2,042,408	1,960,242	1,960,242
Loans	69,182	69,182	70,934	70,934
Non-trade receivable ³	171,114	171,114	162,321	162,321
Accrued income	142	142	156	156
Security deposits provided	218,820	218,820	228,468	228,468
	<u>3,065,708</u>	<u>3,065,708</u>	<u>2,946,985</u>	<u>2,946,985</u>
Financial assets at fair value through profit or loss				
Available-for-sale financial assets	28,187	28,187	21,500	21,500
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets	7,610	7,610	5,348	5,348
Trade receivables	395,844	395,844	489,392	489,392
	<u>403,454</u>	<u>403,454</u>	<u>494,740</u>	<u>494,740</u>
	<u>₩ 3,497,349</u>	<u>₩ 3,497,349</u>	<u>₩ 3,463,225</u>	<u>₩ 3,463,225</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	₩ 54,796	₩ 54,796	₩ 400,560	₩ 400,560
Borrowings ¹	1,750,000	1,804,010	1,450,000	1,466,541
Debentures ¹	3,572,610	3,673,286	3,212,589	3,260,092
Non-trade payables	1,492,893	1,492,893	2,012,063	2,012,063
Accrued expense ²	786,058	786,058	894,396	894,396
Withholdings ³	211,060	211,060	329,106	329,106
Leasehold deposits received	6,453	6,453	5,241	5,241
	<u>7,873,870</u>	<u>8,028,556</u>	<u>8,303,955</u>	<u>8,367,999</u>
Derivative liabilities				
Interest swap liabilities	3,097	3,097	897	897
Others				
Lease liabilities	965,721	965,721	503,026	503,026
	<u>₩ 8,842,688</u>	<u>₩ 8,997,374</u>	<u>₩ 8,807,878</u>	<u>₩ 8,871,922</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 approximate 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
Non-current		
Debt instruments	₩ 28,187	₩ 21,500

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		
Unlisted equity securities	₩ 7,610	₩ 5,348

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}	₩	2,208,478	₩	2,124,153
Less: provision for impairment		(166,070)		(163,911)
Trade receivables - net	₩	<u>2,042,408</u>	₩	<u>1,960,242</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	₩ 50,149	₩ 19,054	₩ 69,203	₩ 50,651	₩ 20,318	₩ 70,969
Non-trade receivables ¹	240,228	-	240,228	255,352	-	255,352
Accrued income	142	-	142	156	-	156
Deposits	61,838	156,982	218,820	-	228,468	228,468
	<u>352,357</u>	<u>176,036</u>	<u>528,393</u>	<u>306,159</u>	<u>248,786</u>	<u>554,945</u>
Less: provision for impairment ¹	(69,135)	-	(69,135)	(93,065)	-	(93,065)
	<u>₩ 283,222</u>	<u>₩ 176,036</u>	<u>₩ 459,258</u>	<u>₩ 213,094</u>	<u>₩ 248,786</u>	<u>₩ 461,880</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 Company 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	₩	295,952	₩	336,563
Costs to fulfill a contract		69,102		69,937
Others		-		2,971
	₩	<u>365,054</u>	₩	<u>409,471</u>
Contract liabilities				
Allocating the transaction price	₩	289,647	₩	307,461
Others		85,164		48,512
	₩	<u>374,811</u>	₩	<u>355,973</u>

Significant changes in contract assets and liabilities

There are 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>	2019		2019	
Contract liabilities				
Allocating the transaction price	₩	237,827	₩	236,086
Others		32,754		32,711

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8. Cash and Cash Equivalents

Cash and cash equivalents in the separate statement of cash flows are the same as the cash and cash equivalents in the separate 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	₩	533,784	₩	503,756

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		38		38
Guarantee deposits for checking accounts	Woori Bank and others		21		21
		₩	<u>30,059</u>	₩	<u>20,909</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 Company 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	₩ 358,176	₩ (81,313)	₩ 276,863	₩ 493,117	₩ (63,041)	₩ 430,076

Inventory costs recognized in operating expenses for the years ended December 31, 2020 and 2019, are ₩ 2,894,781 million and ₩ 3,429,653 million, respectively, which include ₩ 18,272 million (2019: ₩ 28,192 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	₩ 26,079	₩ 24,842
Prepaid expenses	69,642	60,025
Contract assets		
Allocating the transaction price	215,550	251,765
Costs to fulfill a contract ¹	39,217	39,467
Others	-	2,971
Incremental costs of obtaining a contract ²	1,188,384	1,137,495
Others	147,310	124,871
	<u>₩ 1,686,182</u>	<u>₩ 1,641,436</u>

¹ The Company 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 Company recognizes commissions that is paid by the Company 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	₩	35,167	₩	34,267
Contract assets				
Allocating the transaction price		80,402		84,798
Costs to fulfill a contract ¹		29,885		30,471
Incremental costs of obtaining a contract ²		492,408		529,038
Others		128,789		106,293
	₩	<u>766,651</u>	₩	<u>784,867</u>

¹ The Company 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 Company recognizes commissions that is paid by the Company 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	₩ 1,666,533
Recognition	52,331	1,682,641
Amortization	(53,167)	(1,668,382)
Ending balance	<u>₩ 69,102</u>	<u>₩ 1,680,792</u>

<i>(in millions of Korean won)</i>	2019	
	Costs to fulfill a contract	Incremental costs of obtaining a contract
Beginning balance	₩ 69,715	₩ 1,384,425
Recognition	52,897	1,786,276
Amortization	(52,674)	(1,504,168)
Ending balance	<u>₩ 69,938</u>	<u>₩ 1,666,533</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	₩ 628,718	₩ 1,075,968	₩ 15,600,808	₩ 1,099,618	₩ 591,420	₩ 785,487	₩ 19,782,019
Accumulated depreciation	-	(233,055)	(10,548,353)	(690,657)	-	(202,757)	(11,674,822)
Accumulated impairment loss	-	-	(53,052)	-	-	-	(53,052)
Government grants	-	(891)	(4,459)	-	-	-	(5,350)
Beginning balance	628,718	842,022	4,994,944	408,961	591,420	582,730	8,048,795
Acquisitions ¹	51,074	14,226	372,014	35,537	1,876,681	777,720	3,127,252
Transfers	(6,622)	39,882	1,949,181	77,893	(2,080,987)	-	(20,653)
Disposals	(20)	(26)	(34,683)	(4,334)	(2,480)	(18,036)	(59,579)
Depreciation ²	-	(35,770)	(1,406,919)	(141,117)	-	(280,936)	(1,864,742)
Impairment loss	-	-	(18,706)	-	-	-	(18,706)
Transfer to assets held for sale ¹	-	-	(656)	(14)	(2,808)	-	(3,478)
Ending balance	₩ 673,150	₩ 860,334	₩ 5,855,175	₩ 376,926	₩ 381,826	₩ 1,061,478	₩ 9,208,889
Ending acquisition cost	₩ 673,150	₩ 1,124,675	₩ 17,494,075	₩ 1,197,518	₩ 381,826	₩ 1,335,703	₩ 22,206,947
Accumulated depreciation	-	(263,506)	(11,561,838)	(820,475)	-	(274,225)	(12,920,044)
Accumulated impairment loss	-	-	(67,811)	-	-	-	(67,811)
Government grants	-	(835)	(9,251)	(117)	-	-	(10,203)
Ending balance	₩ 673,150	₩ 860,334	₩ 5,855,175	₩ 376,926	₩ 381,826	₩ 1,061,478	₩ 9,208,889

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	₩	622,604	₩	931,976	₩	14,061,271	₩	933,018	₩	333,120	₩	-	₩	16,881,989
Accumulated depreciation		-		(200,527)		(9,636,089)		(605,199)		-		-		(10,441,815)
Accumulated impairment loss		-		-		(56,501)		-		-		-		(56,501)
Government grants		-		(836)		(6,596)		(13)		-		-		(7,445)
Beginning balance		622,604		730,613		4,362,085		327,806		333,120		-		6,376,228
Changes in accounting policy		-		-		-		(13,840)		-		678,167		664,327
		622,604		730,613		4,362,085		313,966		333,120		678,167		7,040,555
Acquisitions		3,181		4,417		353,843		72,038		2,214,878		227,338		2,875,695
Transfers		2,967		138,933		1,669,867		150,362		(1,956,578)		-		5,551
Disposals		(34)		(56)		(42,379)		(2,648)		-		(42,246)		(87,363)
Transfer to assets held for sale		-		-		(28,321)		(731)		-		-		(29,052)
Depreciation ¹		-		(31,885)		(1,315,788)		(124,026)		-		(280,529)		(1,752,228)
Impairment loss		-		-		(4,363)		-		-		-		(4,363)
Ending balance	₩	628,718	₩	842,022	₩	4,994,944	₩	408,961	₩	591,420	₩	582,730	₩	8,048,795
Ending acquisition cost	₩	628,718	₩	1,075,968	₩	15,600,808	₩	1,099,618	₩	591,420	₩	785,487	₩	19,782,019
Accumulated depreciation		-		(233,055)		(10,548,353)		(690,657)		-		(202,757)		(11,674,822)
Accumulated impairment loss		-		-		(53,052)		-		-		-		(53,052)
Government grants		-		(891)		(4,459)		-		-		-		(5,350)
Ending balance	₩	628,718	₩	842,022	₩	4,994,944	₩	408,961	₩	591,420	₩	582,730	₩	8,048,795

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

The Company has pledged a portion of land, buildings and telecommunication facilities, carrying amounts of which are ₩ 28,061 million, as collateral in relation to borrowings from Korea Development Bank ("KDB") and the maximum amount of bonds are ₩ 58,000 million.

The Company recognized impairment loss of ₩ 18,706 million as other non-operating expenses by estimating its recoverable amount considering asset usage plan (Note 27).

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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	₩	49,989	₩	108,457	₩	158,446
Accumulated depreciation		-		(43,844)		(43,844)
Beginning balance		49,989		64,613		114,602
Transfers		6,621		14,032		20,653
Depreciation		-		(3,243)		(3,243)
Ending balance	₩	56,610	₩	75,402	₩	132,012
Ending acquisition cost	₩	56,610	₩	127,792	₩	184,402
Accumulated depreciation		-		(52,390)		(52,390)
Ending balance	₩	56,610	₩	75,402	₩	132,012

(in millions of Korean won)

	2019					
	Land		Buildings		Total	
Beginning acquisition cost	₩	52,956	₩	110,672	₩	163,628
Accumulated depreciation		-		(41,617)		(41,617)
Beginning balance		52,956		69,055		122,011
Transfers		(2,967)		(1,474)		(4,441)
Depreciation		-		(2,968)		(2,968)
Ending balance	₩	49,989	₩	64,613	₩	114,602
Ending acquisition cost	₩	49,989	₩	108,457	₩	158,446
Accumulated depreciation		-		(43,844)		(43,844)
Ending balance	₩	49,989	₩	64,613	₩	114,602

The Company recognized rental revenue related to investment property in the amount of ₩ 16,712 million and ₩ 15,910 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	Right to use frequencies	Other intangible assets	Total	
Beginning acquisition cost	₩ 9,653	₩ 36,520	₩ 2,700,151	₩ 177,712	₩	2,924,036
Accumulated amortization	(6,544)	-	(1,386,297)	(136,834)		(1,529,675)
Accumulated impairment loss	-	(3,519)	(28,870)	-		(32,389)
Beginning balance	3,109	33,001	1,284,984	40,878		1,361,972
Acquisition	421	47	-	27,711		28,179
Disposals	-	(15,822)	-	(2,907)		(18,729)
Amortization	(653)	-	(281,859)	(7,643)		(290,155)
Impairment loss	-	439	(194,176)	-		(193,737)
Ending balance	₩ 2,877	₩ 17,665	₩ 808,949	₩ 58,039	₩	887,530
Ending acquisition cost	9,970	20,117	2,700,150	142,655		2,872,892
Accumulated amortization	(7,093)	-	(1,668,156)	(84,616)		(1,759,865)
Accumulated impairment loss	-	(2,452)	(223,045)	-		(225,497)
Ending balance	₩ 2,877	₩ 17,665	₩ 808,949	₩ 58,039	₩	887,530

(in millions of Korean won)

	2019					
	Intellectual property rights	Membership	Right to use frequencies	Other intangible assets	Total	
Beginning acquisition cost	₩ 9,282	₩ 39,027	₩ 2,700,151	₩ 185,524	₩	2,933,984
Accumulated amortization	(5,896)	-	(1,085,192)	(130,707)		(1,221,795)
Accumulated impairment loss	-	(5,839)	-	(9,417)		(15,256)
Beginning balance	3,386	33,188	1,614,959	45,400		1,696,933
Acquisition	370	208	-	6,681		7,259
Disposals	-	(395)	-	(5,076)		(5,471)
Amortization	(647)	-	(301,105)	(6,127)		(307,879)
Impairment loss	-	-	(28,870)	-		(28,870)
Ending balance	₩ 3,109	₩ 33,001	₩ 1,284,984	₩ 40,878	₩	1,361,972
Ending acquisition cost	9,653	36,520	2,700,151	177,712		2,924,036
Accumulated amortization	(6,544)	-	(1,386,297)	(136,834)		(1,529,675)
Accumulated impairment loss	-	(3,519)	(28,870)	-		(32,389)
Ending balance	₩ 3,109	₩ 33,001	₩ 1,284,984	₩ 40,878	₩	1,361,972

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

Impairment loss on the right to use frequencies for 28 GHz

At the end of 2020, the Company recognized impairment loss considering the recoverable amount of unused rights to use frequencies for 28 GHz which is not ready for operating in the manner intended by management. For impairment test, the Company 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 27).

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

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 Company 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	₩ 78,058	₩ 64,824

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¹ Includes R&D costs amounting to ₩ 83 million and ₩ 178 million in relation to profit or loss on discontinued operations for the years ended December 31, 2020 and 2019, respectively.

15. Investments in Subsidiaries

Composition of the Company's investments in subsidiaries as at December 31, 2020 and 2019, are as follows:

(in millions of Korean won)	Location	Main business	Percentage of ownership (%)	Acquisition cost	Book amount	
					2020	2019
Ain Tele Service	South Korea	Telemarketing service	100	₩ 434	₩ 434	₩ 434
CS Leader	South Korea	Telemarketing service	100	273	273	273
Medialog Corp. ¹	South Korea	MVNO business and others	99.58	106,085	81,024	97,039
DACOM America, Inc.	USA	Telecommunication service	100	-	-	-
CS One Partner Corporation	South Korea	Telemarketing service	100	2,633	2,633	2,633
With U	South Korea	Other office support service	100	400	400	400
LG UPLUS FUND I LLC	USA	Investment	100	23,078	23,078	23,078
LG HelloVision Corp. ²	South Korea	Cable television business and others	50%+1 share	800,000	635,765	800,000
Uplus Home Service ³	South Korea	Network construction operations	100	14,000	14,000	-
				₩ 946,903	₩ 757,607	₩ 923,857

¹ Impairment loss of ₩ 16,016 million is recognized for the year ended December 31, 2020 (Note 27).

² Impairment loss of ₩ 164,235 million is recognized for the year ended December 31, 2020 (Note 27).

³ Newly established for the year ended December 31, 2020.

The Company established Toss Payments Co., Ltd by split-off for the purpose to sell payment service, and sold it to Toss Payments & Co., Inc on the same date (Note 22).

Impairment of investments in subsidiaries

The cost method is used to account for investments in subsidiaries, and the Company reviews whether there is any indication of asset impairment at the end of each reporting period. If any such indication exists, the asset's recoverable amount is estimated using method of discounted future cashflows and the differences between the recoverable amount and the carrying amount are recognized as an impairment loss.

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The key assumptions applied to the calculation of the value-in-use of subsidiaries as at December 31, 2020, are as follows:

(in percentage)	LG HelloVision Corp.		Medialog corp.
	Cash flow estimation based on business plans approved by management		
Cash flow			
Discount rates	8.50%		12.50%
Nominal perpetual growth rates	0.00%		0.00%

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

(in millions of Korean won)	2020													
	Assets		Liabilities		Equity		Sales		Operating profit (loss)		Profit (loss) for the year		Total comprehensive income (loss)	
Ain Tele Service	₩	27,773	₩	28,837	₩	(1,065)	₩	77,053	₩	2,309	₩	1,980	₩	1,143
CS Leader		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)
With U		4,269		2,644		1,625		8,393		419		387		256
LG UPLUS FUND I LLC		18,674		9		18,666		-		-		(1,366)		(2,743)
LG HelloVision Corp. ¹		1,472,721		841,616		631,106		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 above is based on the consolidated financial statements of LG HelloVision Corp.

(in millions of Korean won)	2019																
	Assets			Liabilities			Equity			Sales		Operating profit (loss)		Profit (loss) for the year		Total comprehensive income (loss)	
Ain Tele																	
Service	₩	25,028	₩	27,236	₩	(2,208)	₩	71,835	₩	942	₩	622	₩			₩	(634)
CS Leader		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		(3,279)		1,224		59		40					(74)
CS One																	
Partner		34,425		31,569		2,855		84,459		794		392					(100)

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Corporation							
With U	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 above is based on the consolidated financial statements of LG HelloVision Corp.

16. Investments in Associates and Joint Ventures

Composition of the Company'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	₩ 5,964	51.00	₩ 5,964
Genie Music Corporation ²	Associate	South Korea	12.70	26,871	12.70	26,871
Focus Media Korea Corporation ²	Associate	South Korea	9.00	2,062	9.00	2,062
VENTA VR Co., Ltd.	Associate	South Korea	26.32	1,500	26.32	1,500
ZIPDOC Inc ³	Associate	South Korea	6.70	4,500	-	-
				₩ 40,897		₩ 36,397

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

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

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

Changes in investments in associates for the year ended December 31, 2020, are as follows:

(in millions of Korean won)	2020			
	Beginning balance	Acquisition	Disposal	Ending balance
ZIPDOC Inc	₩ -	₩ 4,500	₩ -	₩ 4,500

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17. 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	₩	-

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
				1,700,000		1,450,000
Less: current portion				421,875		150,000
			₩	1,278,125	₩	1,300,000

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	₩	3,580,000	₩	3,110,000
Debentures issued privately	-		-		110,000
Total	Face value		3,580,000		3,220,000
	Discount on debentures		(7,390)		(7,411)
	Book amount		3,572,610		3,212,589
Less: current portion	Face value		510,000		340,000
	Discount on debentures		(107)		(30)
	Book amount		509,893		339,970
Non-current portion	Face value		3,070,000		2,880,000
	Discount on debentures		(7,283)		(7,381)
	Book amount	₩	3,062,717	₩	2,872,619

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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	₩	1,070,000	₩ 1,307,500
January 1, 2023 ~ December 31, 2023		487,500		440,000	927,500
January 1, 2024, and thereafter		553,125		1,560,000	2,113,125
	₩	<u>1,278,125</u>	₩	<u>3,070,000</u>	₩ <u>4,348,125</u>

18. 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		222,910		-		329,106		-
Leasehold deposits received		5,415		1,038		5,123		118
	₩	<u>228,325</u>	₩	<u>478,766</u>	₩	<u>334,229</u>	₩	<u>689,915</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.

19. 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	₩	38,873	₩	41,924	₩	(1,913)	₩	78,884

<i>(in millions of Korean won)</i>	2019							
	Beginning balance		Increase		Decrease		Ending balance	
Restoration liabilities	₩	39,943	₩	1,127	₩	(2,197)	₩	38,873

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20. Post-employment Benefits

20.1 Defined Contribution Plan

The Company operates a defined contribution plan for employees, under which the Company 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 Company and the investment earnings from the funds. Additionally, plan assets are managed by the third-party funds and are segregated from the Company's assets.

The Company recognized expense of ₩ 8,045 million and ₩ 7,576 million related to defined contribution plan for the years ended December 31, 2020 and 2019, respectively.

20.2 Defined Benefit Plan

The Company 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 separate 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	₩ 534,841	₩ 500,043
Fair value of plan assets	(497,318)	(371,827)
Net defined benefit liabilities	<u>₩ 37,523</u>	<u>₩ 128,216</u>

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	₩ 500,043	₩ 403,098
Current service cost	65,181	54,822
Interest expense	11,230	10,374
Remeasurements:	(8,936)	53,218
Actuarial loss (gain) from change in demographic assumptions	(2,608)	2,305
Actuarial loss (gain) from change in financial assumptions	(9,891)	42,777
Actuarial loss from experience adjustments	5,333	8,094
Actuarial loss (gain) arising from transfer in/out adjustment	(1,770)	42
Benefit payments	(29,194)	(21,838)

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Transferred from (to) affiliated companies	(3,483)	369
Ending balance	₩ 534,841	₩ 500,043

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	₩ 65,181	54,822
	65,181	54,822
Net interest on the net defined benefit liability		
Interest cost of defined benefit obligations	11,230	10,374
Interest income on plan assets	(8,293)	(9,874)
	2,937	500
Others	578	620
	₩ 68,696	₩ 55,942

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	₩ 371,827	₩ 384,119
Interest income	8,293	9,874
Remeasurements:	261	(1,750)
Return on plan assets (excluding interest income)	261	(1,750)
Contributions from the employer	143,400	-
Transferred from affiliated companies	871	127
Others	(578)	(620)
Benefit payments	(26,756)	(19,923)
Ending balance	₩ 497,318	₩ 371,827

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

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

<i>(in percentage, %)</i>	2020	2019
Discount rate	2.38%	2.29%
Salary growth rate	5.17%	5.29%

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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	9.7% decrease	11.4% increase
Salary growth rate	1.0% point	11.0% increase	9.5% 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 separate statements of financial position.

The Company 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 ₩ 40,390 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	₩ 22,714	₩ 22,552	₩ 87,152	₩ 574,783	₩ 707,201

The weighted average duration of the defined benefit obligation is 11.15 years.

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21. 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	₩ 68,418	₩ -	₩ 104,563	₩ -
Unearned income	10,445	-	3,936	-
Contract liabilities – allocating the transaction price	221,557	68,090	226,188	81,273
Contract liabilities – others	62,319	22,845	32,001	16,511
Lease liabilities	175,891	789,830	126,582	376,444
Other	2,819	27,709	-	27,229
	<u>₩ 541,449</u>	<u>₩ 908,474</u>	<u>₩ 493,270</u>	<u>₩ 501,457</u>

22. Discontinued Operations

The Company 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 investments in 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 as at 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 ²	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

23. Equity

23.1 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 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.

23.2 Capital Surplus

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

<i>(in millions of Korean won)</i>	2020		2019	
Share premium	₩	834,712	₩	834,712
Other capital surplus		(6,007)		(6,007)
	₩	828,705	₩	828,705

The Company's share premium is available only for transfer to share capital or use to reduce accumulated deficit.

23.3 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	₩	136,174	₩	118,710
Retained earnings before appropriation		3,882,091		3,614,863
	₩	4,018,265	₩	3,733,573

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¹The Commercial Code of the Republic of Korea requires the Company 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.

23.4 Statements of Retained Earnings

The appropriation of retained earnings for the years ended December 31, 2020 and 2019, is as follows:

The appropriation of retained earnings for the year ended December 31, 2020, is expected to be appropriated at the shareholders' meeting on March 19, 2021. The appropriation date for the year ended December 31, 2019, was March 20, 2020.

<i>(in millions of Korean won)</i>	2020	2019
Retained earnings before appropriation:		
Unappropriated retained earnings carried over from prior year	₩ 3,422,755	₩ 3,204,303
Profit for the year	452,541	445,644
Remeasurements of net defined benefit liabilities	6,806	(40,675)
Reclassification of gain (loss) on disposal of equity instruments at fair value through other comprehensive income	(10)	5,592
	<u>3,882,092</u>	<u>3,614,864</u>
Appropriation of retained earnings		
Legal reserve	19,648	17,464
Dividends (Cash dividend (%): 2020: ₩ 450 (9%), 2019: ₩ 400 (8%))	196,475	174,645
	<u>216,123</u>	<u>192,109</u>
Unappropriated retained earnings carried to the following year	₩ <u>3,665,969</u>	₩ <u>3,422,755</u>

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24.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 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 Company	452,541	445,644
Dividend payout ratio	43.42%	39.19%

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25. 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	Total
January 1, 2019	₩ -	₩ 195	₩ (4,795)	₩ -	₩ (4,600)
Fair value estimation	-	2,821	4,470	-	7,291
Remeasurement of defined benefit plan	(40,675)	-	-	-	(40,675)
Reclassification to retained earnings	40,675	(5,592)	-	-	35,083
Loss on valuation of cash flow hedge derivatives	-	-	-	(664)	(664)
December 31, 2019	₩ -	₩ (2,576)	₩ (325)	₩ (664)	₩ (3,565)
January 1, 2020	₩ -	₩ (2,576)	₩ (325)	₩ (664)	₩ (3,565)
Fair value estimation	-	(8)	2,375	-	2,367
Remeasurement of defined benefit plan	6,806	-	-	-	6,806
Reclassification to retained earnings	(6,806)	10	-	-	(6,796)
Loss on valuation of cash flow hedge derivatives	-	-	-	(1,628)	(1,628)
December 31, 2020	₩ -	₩ (2,574)	₩ 2,050	₩ (2,292)	₩ (2,816)

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26. 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	₩ 56,451	₩ 57,665
Advertising expense	210,934	284,009
Sales commissions	2,028,048	1,797,088
Commission charge	1,511,182	1,548,888
Interconnection charge	527,277	529,109
Telecommunication equipment rental fees	188,815	188,744
Outsourcing expense	494,934	470,280
Bad debt expenses	54,060	59,879
Settlement expenses	44,004	86,352
Others	719,907	688,615
	<u>₩ 5,835,612</u>	<u>₩ 5,710,630</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).

27. 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	₩ 1,238	₩ 1,976
Gain on foreign currency transactions	2,873	4,236
Gain on foreign currency translation	3,312	1,617
Miscellaneous income	58,574	46,666
Gain on disposal of investments in associates	-	3,848
	<u>₩ 65,997</u>	<u>₩ 58,343</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	₩ 36,224	₩ 28,350
Impairment loss of property, plant and equipment	18,706	4,363
Loss on disposal of intangible assets	371	121
Impairment loss of intangible assets	193,738	28,870
Loss on foreign currency transactions	2,769	4,899
Loss on foreign currency translation	3,632	1,515
Donation	5,835	4,940
Impairment loss on investments in subsidiaries	180,251	-
Miscellaneous expenses	34,956	7,849
	<u>₩ 476,482</u>	<u>₩ 80,907</u>

28. 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	₩ 43,911	₩ 40,251
Gain on foreign currency transactions	-	67
Dividend income	3,125	341
Gain on disposal of trade receivables	4,139	-
Gain on disposal of available-for-sale financial assets	371	-
	<u>₩ 51,546</u>	<u>₩ 40,659</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	₩ 4,501	₩ 11,530
Trade receivables (other loans and receivables) and others	39,410	28,721
	<u>₩ 43,911</u>	<u>₩ 40,251</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	₩ 138,152	₩ 110,718
Loss on foreign currency transactions	97	-
Loss on disposal of trade receivables and others	2,441	19,036
Loss on disposal of available-for-sale financial assets	268	-
	<u>₩ 140,958</u>	<u>₩ 129,754</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	₩ 34,899	₩ 13,102
Lease liability interest	15,329	5,560
Debentures interest	77,239	72,498
Other interest expense	10,685	19,558
	<u>₩ 138,152</u>	<u>₩ 110,718</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	₩ 43,911	₩ 40,251
Gain (loss) on foreign currency translation	(2,284)	3,393
Bad debt expenses	(53,917)	(59,788)
	<u>(12,290)</u>	<u>(16,144)</u>
Financial assets at fair value through profit or loss		
Dividend income ¹	76	92
Gain on disposal	103	-
	<u>179</u>	<u>92</u>
Financial assets at fair value through other comprehensive income		
Gain on valuation (other comprehensive income)	2,367	7,291
Dividend income ¹	145	249
Gain (loss) on disposal	1,698	(19,036)
Bad debt expenses ²	(143)	(91)
	<u>4,067</u>	<u>(11,587)</u>
	<u>(8,044)</u>	<u>(27,639)</u>
Financial liabilities		
Financial liabilities at amortized cost		
Interest expense	(122,590)	(104,561)
Gain (loss) on foreign currency translation	1,971	(3,888)
	<u>(120,619)</u>	<u>(108,449)</u>
Cash flow hedge derivative liabilities		
Loss on valuation of cash flow hedge derivatives (other comprehensive income)	(1,628)	(664)
Lease liabilities		
Interest expense	(15,329)	(5,560)
	<u>(137,576)</u>	<u>(114,673)</u>
	<u>₩ (145,620)</u>	<u>₩ (142,312)</u>

¹ Dividend income of ₩ 2,904 million received from LG HelloVision Corp., a subsidiary, is not included (Note 32).

² The amounts are bad debt expenses incurred from installment receivables for handsets.

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29. 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	₩ 231,241	₩ 82,462
Changes in deferred tax due to temporary differences	(38,308)	37,960
Beginning deferred tax liabilities	121,824	83,864
Ending deferred tax liabilities	83,516	121,824
Tax that are charged or credited directly to equity	(2,655)	11,963
Income tax expense ²	<u>₩ 190,278</u>	<u>₩ 132,385</u>

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 Company 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	₩ 642,819	₩ 578,028
Tax at domestic tax rates applicable to profits	166,413	148,596
Tax effects of:	23,865	(16,211)
Income not subject to tax	(95)	(62)
Expenses not deductible for tax purposes	8,153	2,424
Tax credits	(42,654)	(18,536)
Changes in deferred tax assets that are deemed to be not realizable	52,056	-
Others	6,405	(37)
Income tax expense	<u>₩ 190,278</u>	<u>₩ 132,385</u>
Effective tax rate (income tax expense/profit before income tax)	29.6%	22.9%

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		(2,391)		14,292
Loss on valuation of debt investments at fair value through other comprehensive income		(834)		(1,570)
	₩	(2,654)	₩	11,964

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	₩ 476,227	₩ 62,937	₩ 26,750	₩ 512,414
Bad debt expenses and others	172,117	185,642	186,391	171,368
Loss on valuation of inventories	67,736	87,342	69,511	85,567
Unsettled expenses	231,209	181,300	194,654	217,855
Property, plant and equipment	474,420	184,303	120,926	537,797
Investment assets	3,520	-	615	2,905
Provisions	39,727	80,064	39,954	79,837
Impairment loss on securities	7,953	11	3	7,961
Intangible assets	48,652	200,951	15,853	233,750
Deemed dividends	160	-	-	160
Government grants	8,205	26,414	14,925	19,694
Share of profit of associates and joint ventures	1,744	-	-	1,744
Adjustments on revenues	91,298	124,918	87,685	128,531
Prepaid expenses	2,139	22,091	10,743	13,487
Goodwill	2,709	-	1,806	903
Impairment loss on investments in subsidiaries	9,046	180,251	-	189,297
Contract liabilities	304,629	338,166	362,020	280,775
Lease liabilities	504,873	965,789	504,873	965,789
Derivative instruments	897	2,200	-	3,097
Valuation on installment receivables	439	-	3,210	(2,771)
Others	3,211	5,098	-	8,309
	<u>2,450,911</u>	<u>2,647,477</u>	<u>1,639,919</u>	<u>3,458,469</u>
Taxable temporary differences:				

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	2020			
	Beginning balance	Increase	Decrease	Ending balance
Loss on valuation of investment securities	3,482	(8)	(19)	3,493
Equipment allowances	(50,485)	-	(20,381)	(30,104)
Accrued interest income	(156)	(142)	(156)	(142)
Deposits for severance benefits	(371,718)	(152,248)	(26,750)	(497,216)
Estimate of assets for restoration	(10,876)	(37,348)	(11,157)	(37,067)
Other assets	(1,900,349)	(1,947,459)	(1,890,061)	(1,957,747)
Contract assets	(369,850)	(292,687)	(344,299)	(318,238)
Right-of-use assets	(504,968)	(959,960)	(504,956)	(959,972)
	<u>(3,204,920)</u>	<u>(3,389,852)</u>	<u>(2,797,779)</u>	<u>(3,796,993)</u>
	<u>(754,009)</u>	<u>(742,375)</u>	<u>(1,157,860)</u>	<u>(338,524)</u>
Realizable temporary differences	(755,913)	(931,672)	(1,157,860)	(529,725)
Unrealizable temporary differences	1,904	189,297	-	191,201
Tax rate	26.00%			26.00%
Tax effect due to temporary differences	(196,538)	(242,235)	(301,043)	(137,730)
Tax effect due to tax credit carryforwards	74,715	30,415	50,916	54,214
Deferred tax liabilities	<u>₩ (121,823)</u>	<u>₩ (211,820)</u>	<u>₩ (250,127)</u>	<u>₩ (83,516)</u>

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	₩ 377,738	₩ 118,413	₩ 19,924	₩ 476,227
Bad debt expenses and others	179,193	173,127	180,203	172,117
Loss on valuation of inventories	42,789	67,460	42,513	67,736
Unsettled expenses	166,795	260,849	196,435	231,209
Property, plant and equipment	467,234	120,181	112,995	474,420
Investment assets	4,068	-	548	3,520
Provisions	41,102	39,727	41,102	39,727
Impairment loss on securities	7,953	-	-	7,953
Intangible assets	55,410	10,128	16,886	48,652
Deemed dividends	160	-	-	160
Government grants	7,717	2,855	2,367	8,205
Share of profit of associates and joint ventures	1,744	-	-	1,744
Adjustments on revenues	82,033	81,854	72,589	91,298
Prepaid expenses	2,188	1,518	1,567	2,139
Goodwill	4,515	-	1,806	2,709

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	2019			
	Beginning balance	Increase	Decrease	Ending balance
Impairment loss on investments in subsidiaries	9,046	-	-	9,046
Contract liabilities	306,916	357,348	359,635	304,629
Lease liabilities	-	504,873	-	504,873
Derivative instruments	-	897	-	897
Valuation on installment receivables	6,500	-	6,061	439
Others	3,957	150	896	3,211
	<u>1,767,058</u>	<u>1,739,380</u>	<u>1,055,527</u>	<u>2,450,911</u>
Taxable temporary differences:				
Loss on valuation of investment securities	(264)	(3,812)	(7,558)	3,482
Equipment allowances	(70,867)	-	(20,382)	(50,485)
Accrued interest income	(62)	(156)	(62)	(156)
Deposits for severance benefits	(381,000)	(10,639)	(19,921)	(371,718)
Estimate of assets for restoration	(14,557)	(10,876)	(14,557)	(10,876)
Other assets	(1,603,360)	(2,002,989)	(1,706,000)	(1,900,349)
Contract assets	(329,620)	(382,200)	(341,970)	(369,850)
Right-of-use assets	-	(504,968)	-	(504,968)
	<u>(2,399,730)</u>	<u>(2,915,640)</u>	<u>(2,110,450)</u>	<u>(3,204,920)</u>
	<u>(632,672)</u>	<u>(1,176,260)</u>	<u>(1,054,923)</u>	<u>(754,009)</u>
Realizable temporary differences	(634,576)	(1,176,260)	(1,054,923)	(755,913)
Unrealizable temporary differences	1,904	-	-	1,904
Tax rate	<u>26.00%</u>			<u>26.00%</u>
Tax effect due to temporary differences	(164,990)	(305,828)	(274,280)	(196,538)
Tax effect due to tax credit carryforwards	81,126	12,404	18,815	74,715
Deferred tax liabilities	<u>₩ (83,864)</u>	<u>₩ (293,424)</u>	<u>₩ (255,465)</u>	<u>₩ (121,823)</u>

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

(in millions of Korean won)

	2020		2019	
Impairment loss on investments in subsidiaries and others	₩	191,201	₩	1,904
Tax credit carryforwards		1,282		12,342

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

<i>(in millions of Korean won)</i>	2020	2019
Less than 1 year	₩ -	₩ 6,003
Between 1 and 3 years	-	5,627
More than 3 years	1,282	712
	<u>₩ 1,282</u>	<u>₩ 12,342</u>

30. 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 Company. 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	₩ 520	₩ 1,025
from discontinued operations	516	(5)
	<u>₩ 1,036</u>	<u>₩ 1,020</u>

Diluted earnings per share are same as basic earnings per share as the Company 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 used to determine basic earnings per share		
Profit (loss) from discontinued operations	₩ 225,505	₩ (2,080)
Profit from continuing operations	227,036	447,724
	<u>₩ 452,541</u>	<u>₩ 445,644</u>
Weighted average number of ordinary shares outstanding	436,611,358 shares	436,611,358 shares

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31. Contingencies and Commitments

As at December 31, 2020, there are 100 lawsuits ongoing where the Company is a defendant in the Republic of Korea; total claim amount the Company is being sued for is ₩ 15,892 million. Management believes the outcome of these lawsuits will not likely have a significant effect on the separate financial position of the Company.

The Company entered into overdraft agreement with Woori Bank and others up to ₩ 30,000 million.

As at December 31, 2020, the Company has entered into agreement with Woori Bank and two other banks for a limit of ₩ 58,800 million in relation to payment of its trade payables. It is a loan agreement secured by an electronic trade receivable, where the Company guarantees the payment of trade receivable when the vendors of the Company transfer their trade receivables due from the Company prior to its maturity to banks.

The Company is provided with payment guarantees amounting to ₩ 23,488 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 Company 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 Company.

According to the financial and other covenants included in certain bonds and borrowings, the Company 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 Company 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 Company 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 Company acquired the 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 Company has entered into the investment commitment with LG UPLUS FUND I LLC, a subsidiary of the Company. According to the commitment, the Company has an obligation to make a contribution of \$ 50,000,000 to LG UPLUS FUND I LLC from May 2018 until April 2023. As at December 31, 2020, the Company has made a contribution of \$ 20,000,000 to LG UPLUS FUND I LLC.

The Company 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 Company has made a contribution of ₩ 9,650 million and ₩ 3,750 million to SB Global Champ Fund and Growth Acceleration Fund, respectively.

32.Related Party Transactions

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

2020

Investor with significant influence over the Company	LG Corporation
Subsidiaries	Ain Tele Service, CS Leader, Medialog Corp., DACOM America Inc., CS One Partner Corporation, With U, LG UPLUS FUND I LLC, LG HelloVision Corp., Uplus Home Service ¹ , Hana Broadcasting Co., Ltd. ²
Joint venture	Dacom Crossing Corporation
Associates	Genie Music Corporation, Focus Media Korea Corporation, VENTA VR Co., Ltd., 8i Corporation ³ , Home Choice Corp. ⁴ , Highway Solar Co., Ltd ⁴ , ZIPDOC Inc ⁵
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 34 others; Pantos Logistics Co., Ltd and 52 others; GIIR Inc. and 15 others

¹ The entity has been classified as a subsidiary since the Company has a control over the entity during 2020.

² The entity has been classified as a subsidiary since LG HelloVision Corp., a subsidiary of the Company, has a control of the entity.

³ The Company has invested in the entity through LG UPLUS FUND I LLC, a subsidiary of the Company, and the Company can exercise significant influence over the entity; therefore, the entity has been classified as an associate.

⁴ The entity has been classified as an associate because LG HelloVision Corp., a subsidiary of the Company, has a significant influence over the entity.

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⁵ The entity has been classified as an associate since the Company has a significant influence over the entity.

2019

Investor with significant influence over the Company	LG Corporation
Subsidiaries	Ain Tele Service, CS Leader, Medialog Corp., DACOM America Inc., CS One Partner Corporation, With U, LG UPLUS FUND I LLC, LG HelloVision Corp., Hana Broadcasting Co., Ltd.
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 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; GIIR 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 Company								
LG Corporation	₩ 128	₩ -	₩ 32,854	₩ 130	₩ -	₩ 32,330		
Subsidiaries								
CS Leader	2,575	-	44,709	2,544	-	43,281		
CS One Partner Corporation	4,407	-	92,011	4,349	-	84,459		
Ain Tele Service	3,614	-	77,053	3,564	-	71,835		
With U	256	-	6,915	244	-	6,414		
Medialog Corp. ³	111,192	-	53,041	98,138	-	50,400		
LG HelloVision Corp. ^{1,3,4}	32,139	-	6,560	-	-	-		
Uplus Home Service	1,897	-	59,057	-	-	-		

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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
DACOM America Inc.	-	-	1,385	-	-	1,224
Joint venture						
Dacom Crossing Corporation	373	-	23,411	402	-	16,511
Associates ⁵						
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
Home Choice Corp. ⁴	15	-	1,409	-	-	-
Others						
S&I corp. ^{1,3}	5,445	51,846	62,068	6,467	107,766	50,450
LG CNS ^{1,3}	20,850	192,549	145,227	23,471	216,799	156,131
LG Management Development Institute ³	84	-	6,857	93	-	7,915
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.	234	466	13,505	255	-	35,527
LG Display Co., Ltd.	2,121	-	-	2,352	-	-
LG Household & Health Care Ltd. ³	2,264	-	920	2,576	-	595
LG Innotek Alliance Fund	3,075	-	32	345	1,843	346
LG Electronics Inc. ³	3,119	859	181,884	4,669	196	469,998
LG Chem Ltd. ³	2,389	-	23	2,113	-	54
The FaceShop Co., Inc. ^{3,6}	1,442	-	26	1,906	-	47
Pantos Logistics Co., Ltd ³	116	-	10,085	104	-	9,706
L. Best	53	-	4,706	51	-	1,322
Hi Plaza Inc.	34,008	-	37,833	50,945	-	46,018
LG Hausys, Ltd. ³	288	-	7	437	-	2
Coca-Cola Beverage Co. ³	190	-	37	380	-	41
Others ³	1,614	1,067	219	1,583	374	155
	<u>₩ 237,945</u>	<u>₩ 246,787</u>	<u>₩ 918,575</u>	<u>₩ 210,142</u>	<u>₩ 326,978</u>	<u>₩ 1,133,488</u>

¹ Transactions with subsidiaries of the related parties are included.

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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 LG HelloVision Corp. and its subsidiaries and associates were included in related parties of the Company on December 31, 2019, and the pervious transactions are not included.

⁵ ZIPDOC Inc was included in related parties of the Company on December 24, 2020, and the previous transactions are not included.

⁶ 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 Company				
LG Corporation ¹	₩ 5,627	₩ 13	₩ 5,387	₩ 1,159
Subsidiaries				
CS Leader	-	5,509	-	3,563
CS One Partner Corporation	-	10,340	-	7,276
Ain Tele Service	-	9,690	-	6,303
With U	-	339	-	213
Medialog Corp.	18,610	23,978	15,721	19,057
LG HelloVision Corp. ²	5,560	7,529	59	94
Uplus Home Service	7	13,123	-	-
DACOM America Inc.	2,467	-	2,625	101
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	2	189	-	-
Others				
S&I corp. ²	4,747	30,686	19,617	60,750
LG Management Development Institute	2,958	13	2,958	15
LG CNS ²	1,937	106,392	606	133,208
Other related parties included in Large Business Group defined by the act ³				
HS Ad Co., Ltd.	72	21,284	-	25,770
LG Household & Health Care Ltd.	242	3	86	-
LG Innotek Alliance Fund	1,483	-	182	400
LG Electronics Inc.	79	39,959	428	5,918
LG Chem Ltd. ⁴	411	-	51	270
LG Energy Solution. Ltd.	86	-	-	-
Pantos Logistics Co., Ltd	4	1,989	-	2,239
L. Best	-	5,212	-	690
Hi Plaza Inc.	887	4,756	-	3,910
Hi-M Solutech Co., Ltd.	-	138	1	432
LG International Corp.	3	-	-	-
Others ⁴	192	2	566	8
	₩ 52,091	₩ 304,509	₩ 48,313	₩ 283,200

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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 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.

On the other hand, the Company established 100% of provision for the trade receivables and others to DACOM America Inc.

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

(in millions of Korean won)

	2020			2019		
	Dividends paid	Dividend received	Contributions in cash	Dividends paid	Contributions in cash	
Investor with significant influence over the Company						
LG Corporation	₩ 62,950	₩ -	₩ -	₩ 62,950	₩ -	
Subsidiaries						
LG UPLUS FUND I LLC	-	-	-	-	11,803	
LG HelloVision Corp.	-	2,904	-	-	-	
Uplus Home Service	-	-	14,000	-	-	
Associates						
VENTA VR Co., Ltd.	-	-	-	-	500	
ZIPDOC Inc	-	-	4,500	-	-	

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The compensation and benefits for the Company's key management, including directors (excluding non-executive directors) and executive officers, who have significant control and responsibilities on planning, operating and controlling the Company'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	₩	34,888	₩	37,893
Long-term employee benefits		34		18
Post-employment benefits ¹		8,129		4,147
	₩	43,051	₩	42,058

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 ₩ 40,419 million and ₩ 40,292 million as at December 31, 2020 and 2019, respectively.

33.Risk Management

33.1 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company 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 Company'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 Company has been consistently maintained to all the years presented. In addition, items managed as capital by the Company as at December 31, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
Total borrowings ¹	₩	6,288,331	₩	5,165,615
Less: cash and cash equivalents ²		(533,784)		(503,756)
Borrowings, net	₩	5,754,547	₩	4,661,859
Total equity	₩	7,418,123	₩	7,132,682
Net borrowings-to-equity ratio		77.57%		65.36%

¹ Lease liabilities of ₩ 965,721 million and ₩ 503,026 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.

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33.2 Financial Risk Management

The Company 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 Company is to identify the potential risks to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Company. The Company 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 Company has been consistently maintained to all the years presented.

(a) Foreign currency risk

The Company is exposed to foreign currency risk since it undertakes transactions denominated in foreign currencies. The carrying amounts of the Company'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	₩ 24,427	₩ 23,702
Others	3	231
	<u>₩ 24,430</u>	<u>₩ 23,933</u>

(in millions of Korean won)

	2019	
	Assets	Liabilities
USD	₩ 48,327	₩ 59,680
Others	4	274
	<u>₩ 48,331</u>	<u>₩ 59,954</u>

The Company internally assesses the foreign currency risk from changes in exchanges rates on a regular basis. The Company's sensitivity to a 10% increase and decrease in the Korean won (functional currency of the Company) 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%	Gain from 10%

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		increase against foreign currency		decrease against foreign currency
USD	₩	(840)	₩	840

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

The Company 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
Non-trade payables		695,491		915,033
	₩	995,491	₩	1,215,033

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 Company 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>	2019			
	1% point increase		1% point decrease	
	Profit or loss	Net assets	Profit or loss	Net assets
Non-trade payables	₩ (6,970)	₩ (6,970)	₩ 6,970	₩ 6,970

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The Company manages interest rate risk by entering into an interest rate swap contract. The Company 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)	₩	-	₩	3,097

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 Company does not hold marketable equity instruments as at December 31, 2020. The fair value of marketable equity instruments for the year ended December 31, 2019, is ₩ 0.05 million, and when the price of equity instrument changes by 10% with all other variables held constant, the effect to equity will be ₩ 0.003 million, for the year ended December 31, 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 Company. Credit risk is managed on respective entity basis. 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 Company's credit risk exposure to bank and financial institutions is limited due to making transactions with high credit rating financial institutions. The Company evaluate credit status of customers based on their financial status, credit history and other factors. The Company does not establish policies to manage credit limits of each customer.

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(i) Trade receivables at amortized costs

The Company 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.

<i>(in millions of Korean won)</i>	2020			
	Within 6 months	7-12 months	More than 1 year	Total
Expected loss rate	2.53%	56.96%	69.23%	
Gross carrying amount	₩ 2,035,322	₩ 42,648	₩ 130,508	₩ 2,208,478
Loss allowance provision	51,423	24,292	90,355	166,070

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:

<i>(in millions of Korean won)</i>	2020	2019
Beginning balance	₩ 163,911	₩ 154,978
Increase in loss allowance recognized in profit or loss during the year	42,071	48,522
Receivables written off during the year as uncollectible	(57,085)	(57,290)
Unused amounts reversed	17,082	16,180
Transfer of loss allowance due to reclassification of the receivables	91	1,521
Ending balance	<u>₩ 166,070</u>	<u>₩ 163,911</u>

As at December 31, 2020, total carrying amounts of trade receivables that are maximum exposure to credit risk is ₩ 2,042,408 million (2019: ₩ 2,124,152 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	₩ 42,071	₩ 48,522

(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 Company 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	₩ 93,064	₩ 86,418
Increase in loss allowance recognized in profit or	11,846	11,266

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loss during the year		
Receivables written off during the year as uncollectible	(10,697)	(5,690)
Decrease due to sales of discontinued operations	(26,220)	-
Unused amounts reversed	1,142	1,070
Ending balance¹	₩ 69,135	₩ 93,064

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 Company 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 Company 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	₩ 1,846,692	₩ 1,039	₩ -	₩ 1,847,731
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	1,070,981	3,751,029	500,626	5,322,636
Lease liabilities	184,360	579,432	259,633	1,023,425
	<u>₩ 3,335,087</u>	<u>₩ 4,942,857</u>	<u>₩ 942,397</u>	<u>₩ 9,220,341</u>

¹ Maturity analysis above is based on the earliest maturity for the Company 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	₩ 2,720,713	₩ 121	₩ -	₩ 2,720,834
Variable interest rate instruments	232,894	471,690	242,850	947,434
Variable interest rate instruments (for cash flow hedge)	5,645	312,990	-	318,635
Fixed interest rate instruments	580,210	3,415,150	687,457	4,682,817
Lease liabilities	131,258	243,859	155,344	530,461
	<u>₩ 3,670,720</u>	<u>₩ 4,443,810</u>	<u>₩ 1,085,651</u>	<u>₩ 9,200,181</u>

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¹ Maturity analysis above is based on the earliest maturity for the Company 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:

(in millions of Korean won)

	2020	
	Within a year	1-5 years
Derivative instruments designated as hedging instruments		
Interest rate swap liabilities	₩ 1,950	₩ 1,147

(in millions of Korean won)

	2019	
	Within a year	1-5 years
Derivative instruments designated as hedging instruments		
Interest rate swap liabilities	₩ 151	₩ 746

Meanwhile, the Company is obligated to invest a total of \$ 50,000,000 in LG UPLUS FUND I LLC, a subsidiary of the Company, by April 2023. Also, the Company is obligated to contribute ₩ 10,000 million and ₩ 5,000 million to SB Global Champ Fund and Growth Acceleration Fund, respectively (Note 31).

33.3 Transfer of Financial Assets

Transferred Financial Assets that are Derecognized in their Entirety

The Company 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 Company recognized a loss on disposal for ₩ 2,441 million and a gain on disposal for ₩ 4,139 million.

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33.4 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	₩	44,895	₩ 44,895	₩ -
Financial liabilities				
Accrued expense		52,896	44,895	8,001

33.5 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	₩ 28,187	₩ -	₩ -	₩ 28,187	₩ 28,187
Financial assets at fair value through other comprehensive income					
Available-for-sale financial assets	7,610	-	-	7,610	7,610
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	₩ 21,500	₩ -	₩ -	₩ 21,500	₩ 21,500
Financial assets at fair value through other comprehensive income					
Available-for-sale financial assets	5,348	-	-	5,348	5,348
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 Company.

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	3,097	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.

34. 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	₩ 2,080,987	₩ 1,956,578
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	471,318	92,816
Current portion of long-term borrowings and debentures	931,471	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	₩ -	₩ 275,000	₩ 350,000	₩ -	₩ 2,961,062
Cash flows – issue / borrowing	-	1,484,186	53,283	-	1,100,000	-	2,637,469
Cash flows – repayment	(610,000)	-	(53,283)	(275,000)	-	(298,745)	(1,237,028)
Current portion	339,732	(339,732)	-	150,000	(150,000)	-	-
Others	429	1,912	-	-	-	801,770	804,111
At December 31, 2019	₩ 339,970	₩ 2,872,619	₩ -	₩ 150,000	₩ 1,300,000	₩ 503,025	₩ 5,165,614
Cash flows – issue / borrowing	₩ -	₩ 697,145	₩ 100,785	₩ -	₩ 400,000	₩ -	₩ 1,197,930
Cash flows – repayment	(340,000)	-	(50,785)	(150,000)	-	(277,805)	(818,590)
Current portion	509,596	(509,596)	-	421,875	(421,875)	-	-
Others	327	2,549	-	-	-	740,501	743,377
At December 31, 2020	₩ 509,893	₩ 3,062,717	₩ 50,000	₩ 421,875	₩ 1,278,125	₩ 965,721	₩ 6,288,331

35. Leases

(a) Amounts recognized in the separate statements of financial position

The separate statements 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	₩ 1,021,358	₩ 537,445
Telecommunication facilities	22,871	24,103
Vehicles	17,249	21,182
	₩ 1,061,478	₩ 582,730
Lease liabilities		
Current	₩ 175,891	₩ 126,582
Non-current	789,830	376,444
	₩ 965,721	₩ 503,026

¹ The amount is included in property, plant and equipment in the separate statements of financial

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position.

² The amount is included in other liabilities in the separate statements 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 ₩ 478,748 million and deduction to the right-of-use assets during the 2019 financial year were ₩ 95,437 million.

(b) Amounts recognized in the separate statements of profit or loss

The separate statements 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	₩ 262,174	₩ 262,190
Telecommunication facilities	8,237	8,215
Vehicles	10,525	10,123
	<u>280,936</u>	<u>280,528</u>
Interest expense relating to lease liabilities (included in finance cost)	15,329	5,560
	<u>₩ 296,265</u>	<u>₩ 286,088</u>

The total cash outflow for leases in 2020 was ₩ 298,745 million (2019: ₩ 277,805 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 Company 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.Approval of Issuance of the Financial Statements

The separate 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.

LG Uplus Corp.
Notes to the Separate Financial Statements
December 31, 2020 and 2019

37.Events After the Reporting Period

It was approved at the finance committee on January 18, 2021 to issue bonds in order to retain conversion funds and operating funds as the following:

(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

On January 18, 2021, in accordance with the resolution of finance committee, the Company 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.

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

(English Translation of a Report Originally Issued in Korean)

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

Opinion on Internal Control over Financial Reporting

We have audited LG Uplus Corp.'s (the Company) Internal Control over Financial Reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2020, and the separate statement of profit or loss, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 3, 2021 expressed unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

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

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

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

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

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

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

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

Seoul, Korea

March 3, 2021

This report is effective as at 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 Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Report on the Effectiveness of
Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

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

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting Officer of LG Uplus Corp. (the “Company”), assessed the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ended December 31, 2020.

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

Based on the assessment results, we believe that the Company’s ICFR, as at December 31, 2020, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

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

February 2, 2021

Hyunhoe Ha, Chief Executive Officer

Hyukju Lee, Internal Control over Financial Reporting Officer