

LG CNS CO., LTD.

**Separate Financial Statements
December 31, 2023 and 2022**

LG CNS CO., LTD.

Index

December 31, 2023 and 2022

	Page(s)
Independent Auditor's Report	1 - 4
Separate Financial Statements	
Separate Statements of Financial Position	5
Separate Statements of Profit or Loss	6
Separate Statements of Comprehensive Income	7
Separate Statements of Changes in Equity	8
Separate Statements of Cash Flows.....	9
Notes to the Separate Financial Statements.....	10 – 116
Report on Independent Auditor's Review of Internal Control over Financial Reporting.	117 - 118
Management's Report on the Effectiveness of Internal Control over Financial Reporting	119



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
LG CNS CO., LTD.

Opinion

We have audited the accompanying separate financial statements of LG CNS CO., LTD. (hereafter referred to as the "Company"), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the separate financial statements, including material accounting policy information.

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, 2023 and 2022, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standard as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Key Audit Matters

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

Estimation of total contract costs for construction contracts

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

As described in Notes 19 and 24 to the separate financial statements, the Company recognizes revenue over time using the cost-based input method to construction contracts. The Company measures the progress by project at the ratio of the accumulated amount of contract costs divided by the total contract costs. Since total contract cost is estimated on the basis of future forecasting of labor cost, outsourcing cost and others, estimation of the total contract cost affect profit or loss of current and future periods and the calculation of contract assets and contract liabilities. Since the amounts of Company's construction contract sales and costs are material to the separate financial statements and there are uncertainties, under the nature of construction contracts, that the estimation of the total contract costs may vary in the future depending on significant judgments of the Company's management, we identified estimation of total contract costs for construction contracts as a key audit matter.

How our audit addressed the Key Audit Matter

We have performed the following audit procedures to address the Key Audit Matter.

- Obtained an understanding of revenue recognition accounting policies and internal controls
- Performed tests on internal controls such as management's review and approval for the estimation and changes in total contract costs
- Examined the accuracy for reflection of the estimated total contract cost in the measurement of percentage of completion
- Performed recalculation of the percentage of completion for the projects
- Performed retrospective review of projects of which total contract costs were significantly changed during the current period
- Performed review of projects of which total contract costs were significantly changed since the end of the reporting period

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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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

separate 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 separate financial statements, including the disclosures, and whether the separate 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.

Seoul, Korea
March 13, 2024

This report is effective as of March 13, 2024, 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 CNS CO., LTD.
Separate Statements of Financial Position
December 31, 2023 and 2022

(in thousands of Korean won)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	5,6,28,35	₩ 389,108,618	₩ 648,866,093
Financial institution deposits	5,28,32,35	150,000,000	100,000,000
Current derivative assets	5,28,35	4,857,708	11,442,050
Trade receivables, net	5,7,28,31,35	1,405,929,205	1,259,451,660
Other receivables, net	5,7,28,31,35	37,184,084	23,235,946
Inventories, net	8	63,673,676	51,073,840
Other assets	9,19,31	672,272,021	493,181,121
		<u>2,723,025,312</u>	<u>2,587,250,710</u>
Non-current assets			
Long-term financial institution deposits	5,28,32,35	12,000,000	12,000,000
Financial assets at fair value through profit or loss	5,28,32,35	27,860,363	24,534,227
Financial assets at fair value through other comprehensive income	5,28,35	756,000	2,352,237
Long-term trade receivables, net	5,7,28,31,35	5,086,157	5,403,118
Long-term other receivables, net	5,7,28,31,32,35	11,031,422	11,411,713
Property, plant and equipment, net	10,31	533,939,310	548,701,470
Investment property	11	31,644,757	37,133,189
Intangible assets	12	73,010,518	90,479,620
Investments in subsidiaries	13,31	99,806,814	91,085,178
Investments in associates	14,31	46,049,373	54,280,373
Net defined benefit assets	17	388,733	575,080
Deferred tax assets	30	74,496,711	63,692,921
Other non-current assets	9	596,255	1,169,997
Right-of-use assets	31,33	49,719,123	60,691,315
		<u>966,385,536</u>	<u>1,003,510,438</u>
Total assets		<u>₩ 3,689,410,848</u>	<u>₩ 3,590,761,148</u>
Liabilities			
Current liabilities			
Current derivative liabilities	5,28,35	₩ 3,252,462	₩ 1,810,103
Trade payables	5,28,31,35	717,744,818	703,746,373
Other payables	5,28,31,35	225,024,624	218,789,582
Short-term borrowings	5,15,28,35	-	270,000,000
Current portion of long-term borrowings	5,15,28,35	-	259,918,154
Current tax liabilities	30	50,383,882	58,901,400
Current provisions	16	40,482,181	39,468,844
Other liabilities	18,19	338,741,172	293,044,239
Current lease liabilities	28,31,33,35,36	12,961,179	12,494,576
		<u>1,388,590,318</u>	<u>1,858,173,271</u>
Non-current liabilities			
Long-term other payables	5,28,31,35	2,093,911	1,835,004
Long-term borrowings	5,15,28,35,36	548,750,355	149,681,480
Provisions	16	3,642,951	3,562,373
Other liabilities	18	22,833,796	18,036,053
Lease liabilities	28,31,33,35,36	35,934,715	45,700,848
		<u>613,255,728</u>	<u>218,815,758</u>
Total liabilities		<u>2,001,846,046</u>	<u>2,076,989,029</u>
Equity			
Share capital	20	47,198,411	47,198,411
Capital surplus	20,21	138,026,095	138,026,095
Accumulated other comprehensive income (loss)	22	(468,386)	(13,749,346)
Retained earnings	23	1,502,808,682	1,342,296,959
Total equity		<u>1,687,564,802</u>	<u>1,513,772,119</u>
Total liabilities and equity		<u>₩ 3,689,410,848</u>	<u>₩ 3,590,761,148</u>

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

LG CNS CO., LTD.
Separate Statements of Profit or Loss
Years ended December 31, 2023 and 2022

(in thousands of Korean won)

	Notes	2023	2022
Revenue	4,24,31	₩ 5,112,688,400	₩ 4,590,452,884
Cost of sales	24,25,31	<u>4,398,147,183</u>	<u>3,950,665,315</u>
Gross profit		714,541,217	639,787,569
Selling and administrative expenses	24,25,31	<u>341,377,105</u>	<u>322,013,471</u>
Operating profit		373,164,112	317,774,098
Financial income	26	58,401,298	44,861,956
Financial expenses	26	37,418,773	17,124,495
Other non-operating income	27	43,139,788	47,057,053
Other non-operating expenses	27	<u>72,961,195</u>	<u>72,316,542</u>
Profit before income tax		364,325,230	320,252,070
Income tax expense	30	<u>90,484,470</u>	<u>84,459,640</u>
Profit for the year		<u>₩ 273,840,760</u>	<u>₩ 235,792,430</u>
Earnings per share (in Korean won)	29		
Basic earnings per share		₩ 3,140	₩ 2,704
Diluted earnings per share		3,140	2,704

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

LG CNS CO., LTD.
Separate Statements of Comprehensive Income
Years ended December 31, 2023 and 2022

(in thousands of Korean won)

	2023		2022	
Profit for the year	₩	273,840,760	₩	235,792,430
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurements of net defined benefit liability		461,890		422,594
Gain(loss) on valuation of financial assets at fair value through other comprehensive income		3,254,883		(18,318)
<i>Items that may be subsequently reclassified to profit or loss</i>		-		-
Other comprehensive income for the year, net of tax		<u>3,716,773</u>		<u>404,276</u>
Total comprehensive income for the year	₩	<u>277,557,533</u>	₩	<u>236,196,706</u>

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

LG CNS CO., LTD.
Separate Statements of Changes in Equity
Years Ended December 31, 2023 and 2022

			Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
<i>(in thousands of Korean won)</i>	Share Capital	Capital Surplus			
Balance at January 1, 2022	₩ 47,198,411	₩ 138,026,095	₩ (13,731,028)	₩ 1,201,127,050	₩ 1,372,620,528
Total comprehensive income					
Profit for the year	-	-	-	235,792,430	235,792,430
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	(18,318)	-	(18,318)
Remeasurements of net defined benefit liability	-	-	-	422,594	422,594
Transactions with owners					
Cash dividends paid	-	-	-	(95,045,115)	(95,045,115)
Balance at December 31, 2022	<u>₩ 47,198,411</u>	<u>₩ 138,026,095</u>	<u>₩ (13,749,346)</u>	<u>₩ 1,342,296,959</u>	<u>₩ 1,513,772,119</u>
Balance at January 1, 2023	₩ 47,198,411	₩ 138,026,095	₩ (13,749,346)	₩ 1,342,296,959	₩ 1,513,772,119
Total comprehensive income					
Profit for the year	-	-	-	273,840,760	273,840,760
Gain(loss) on valuation and disposal of financial assets at fair value through other comprehensive income	-	-	13,280,960	(10,026,077)	3,254,883
Remeasurements of net defined benefit liability	-	-	-	461,890	461,890
Transactions with owners					
Cash dividends paid	-	-	-	(103,764,850)	(103,764,850)
Balance at December 31, 2023	<u>₩ 47,198,411</u>	<u>₩ 138,026,095</u>	<u>₩ (468,386)</u>	<u>₩ 1,502,808,682</u>	<u>₩ 1,687,564,802</u>

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

LG CNS CO., LTD.
Separate Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(in thousands of Korean won)

	Notes	2023	2022
Cash flows from operating activities			
Cash generated from operations	36	₩ 191,865,512	₩ 211,099,082
Interest income received		29,509,430	9,268,273
Dividend income received		24,968,227	29,096,826
Income taxes received		88,544	143
Interest paid		(35,835,505)	(10,410,125)
Income taxes paid		(111,091,727)	(89,172,849)
Net cash inflow from operating activities		<u>99,504,481</u>	<u>149,881,350</u>
Cash flows from investing activities			
Inflow from settlement of derivative instruments		11,829,981	9,825,284
Decrease in financial institution deposits		100,000,000	-
Decrease in other receivables		4,556,587	4,319,574
Disposal of financial assets at fair value through profit or loss		437,545	-
Disposal of financial assets at fair value through other comprehensive income		5,892,210	-
Decrease in other non-current receivables		58,309	-
Disposal of property, plant and equipment		4,362,233	193,748
Disposal of intangible assets		1,303,046	6,092,000
Others		258,908	470,855
Outflow from settlement of derivative instruments		(22,751,575)	(27,672,172)
Increase in financial institution deposits		(150,000,000)	-
Increase in other receivables		(3,196,829)	(4,685,708)
Acquisition of financial assets at fair value through profit or loss		(3,648,520)	(2,594,460)
Increase in long-term other receivables		(1,028,455)	(4,634,572)
Acquisition of investments in subsidiaries		(8,721,636)	(8,883,629)
Acquisition of investments in associates		-	(17,562,000)
Acquisition of property, plant and equipment		(40,525,799)	(51,125,901)
Acquisition of intangible assets		(11,008,769)	(23,187,166)
Net cash outflow from investing activities		<u>(112,182,764)</u>	<u>(119,444,147)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		-	270,000,000
Issuance of debentures		400,000,000	-
Redemption of short-term borrowings		(270,000,000)	-
Redemption of debentures		(260,000,000)	(90,000,000)
Redemption of current lease liabilities		(13,017,887)	(10,583,744)
Payment of dividends		(103,764,850)	(95,045,115)
Others		-	(47,151)
Net cash inflow (outflow) from financing activities		<u>(246,782,737)</u>	<u>74,323,990</u>
Net increase (decrease) in cash and cash equivalents		(259,461,020)	104,761,193
Cash and cash equivalents at the beginning of the year		648,866,093	545,373,508
Effects of exchange rate changes on cash and cash equivalents		(296,455)	(1,268,608)
Cash and cash equivalents at the end of the year		<u>₩ 389,108,618</u>	<u>₩ 648,866,093</u>

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

LG CNS CO., LTD.

Notes to the Separate Financial Statements

December 31, 2023 and 2022

1. General Information

LG CNS Co., Ltd. (the “Company”) was incorporated in 1987 under the laws of the Republic of Korea to engage in the business of system integration, software design and development, providing information processing services and leasing computer hardware. It was organized under a joint venture agreement among LG Engineering Co., Ltd., E.D.S. World Corporation (Far East) and others.

As of December 31, 2023, the issued capital is ₩ 47,198,411 thousand, and the Company's shareholders are LG Corp. (49.95%) and others.

2. Material Accounting Policies

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

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying 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), certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

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.

2.1.1 New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2023.

(a) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments do not have a significant impact on the financial statements.

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

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact on the financial statements.

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

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments do not have a significant impact on the financial statements.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments do not have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. The amendments do not have a significant impact on the financial statements.

(f) Korean IFRS 1012 Income Taxes – International Tax Reform – Pillar Two Model Rules

The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Since the Pillar Two legislation is scheduled to be effective from January 1, 2024, the Company has no current tax expense related to Pillar Two. The impact of the Pillar Two income taxes is described in Note 30.

2.1.2 New and amended standards and interpretations not yet adopted by the Company

The following new and amended accounting standards and interpretations that have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(c) Amendments to Korean IFRS 1116 Leases – Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets

The amendments require an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the financial statements.

2.2 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with Korean IFRS 1012 *Income Taxes* and Korean IFRS 1019 *Employee Benefits*, respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Korean IFRS 1102 *Share-Based Payment* at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with Korean IFRS 1105 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss (or in other comprehensive income, if appropriate). Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized under the same standards as would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

2.3 Foreign Currency Translation

In preparing the separate financial statements of the Company entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks

2.4 Cash and cash equivalents

Cash and cash equivalents include petty cash, bank deposits and other highly liquid short-term investments with maturity of less than three months at the time of acquisition. The overdraft is included in the short-term borrowings account in the separate statements of financial position.

2.5 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the Company's separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.6 Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- The financial asset is held within a business model, whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (a-3) below).
- The Company may irrevocably designate a debt investment that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch (see (a-4) below).

(a-1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the debt instrument or, where appropriate, a shorter period to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting any loss allowance.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at fair value through other comprehensive income. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the 'financial income - interest income' line item.

(a-2) Debt instruments classified as at fair value through other comprehensive income

The corporate bonds held by the Company are classified as at fair value through other comprehensive income. Fair value is determined in the manner described in Note 35. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(a-3) Equity instruments designated as at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with Korean IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'financial income' line item in profit or loss.

The Company designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income on initial recognition.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking.
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(a-4) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Specifically:

- Investments in equity instruments are classified as at fair value through profit or loss, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at fair value through other comprehensive income on initial recognition (see (a-3) above).
- Debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria (see (a-1) and (a-2) above) are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortized cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend in the 'financial income' line item. Fair value is determined in the manner described in Note 35.

(b) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item;
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other non-operating income and expenses' line item. As the foreign currency element recognized in profit or loss is the same as if it was measured at amortized cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other non-operating income and expenses' line item as part of the fair value gain or loss; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

(c) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime expected credit loss for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current, as well as the forecast direction of conditions at the reporting date, including time

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

value of money, where appropriate.

For all other financial instruments, the Company recognizes lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(c-1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative information and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information includes the future prospects of the industries, in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business and financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic or

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable information and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default.
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past-due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(c-2) Definition of default

The Company considers that the borrower's violation of the terms of contract performance constitutes an event of default for internal credit risk management purposes based on historical experience.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(c-3) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- ① Significant financial difficulty of the issuer or the borrower;
- ② A breach of contract, such as a default or past-due event (see (c-2) above);
- ③ The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- ④ It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- ⑤ The disappearance of an active market for that financial asset because of financial difficulties.

(c-4) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., in the case of trade receivables, when the statutory statute of limitations is completed, whichever comes first. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice, where appropriate.

(c-5) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss-given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss-given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period; for financial guarantee contracts, the exposure includes the amount drawn down at the end of the reporting period, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the expected credit losses is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with Korean IFRS 1116 *Leases*.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

that it incurs, less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit loss in the previous reporting period, but determines during the current period that the conditions for lifetime expected credit loss are no longer met, the Company measures the loss allowance at an amount equal to 12-month expected credit loss at the current period, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the separate statements of financial position.

(d) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and, substantially, all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Company has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.7 Inventories

The acquisition costs of inventories are recognized, including both acquisition costs, conversion costs and other costs incurred, to bring the inventory to its current location.

Cost is a systematic amount of fixed and variable overhead, and is measured in the most appropriate method for each inventory category, and the unit cost measurement method is used by the individual method.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

In addition, inventories are measured at the lower of acquisition cost and net realizable value every subsequent period after acquisition. Net realizable value is the amount of additional cost of completion and sales expected from the expected selling price of the normal sales process, and the net realizable value is reevaluated in each subsequent period. If there is clear evidence that the circumstances that led to the reduction of inventories have been resolved or that the net realizable value has been increased due to changes in economic conditions, the valuation loss shall be reversed within the scope of not exceeding the initial carrying amount.

2.8 Investments in subsidiaries, associates and joint ventures

The Company's financial statements are separate financial statements in accordance with Korean IFRS 1027, *Separate Financial Statements*, and separate financial statements are financial statements in which an investor with joint control or significant influence over the parent or investee applies either the cost method or the equity method specified in Korean IFRS 1028 *Investments in Associates and Joint Ventures*.

The Company has accounted for investments in subsidiaries, associates and joint ventures by selecting the cost method in accordance with Korean IFRS 1027. On the other hand, dividends received from subsidiaries, associates and joint ventures are recognized in profit or loss at the time the right to a dividend is confirmed.

Associates refer to entities in which we have significant influence, and significant influence is the ability to participate in decisions about financial and sales policies of an investee, not control or joint control of such policies.

A joint venture refers to a joint arrangement in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement, and joint control is a contractual agreed-upon share of the control of the arrangement and exists only when a decision on the relevant activity requires consent from all parties who share control.

The Company determines whether or not to recognize impairment losses on investments in subsidiaries, associates and joint ventures in accordance with the requirements of Korean IFRS 1036. In the event of an impairment sign, the entire carrying amount of the investment in the related company and the joint venture is tested for impairment in accordance with Korean IFRS 1036 *Accounting Policies, Changes in Assets*, compared with the recoverable amount (a larger of the fair value, less costs to sell, and the recoverable amount) is compared to the recoverable amount in accordance with Korean IFRS 1036. The recognized impairment loss shall not be allocated to any assets (including goodwill) that constitute a part of the carrying amount of the investment in the associate and the joint venture. In addition, reversals of impairment losses are recognized as the recoverable amount of such investments is subsequently increased in accordance with Korean IFRS 1036.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

2.9 Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash generating unit (CGU) (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site at which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land, and depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives
Buildings	25 - 40 years
Structures	40
Furniture and fixtures	4 – 25
Machinery, vehicles, tools and equipment and other property	3 - 20

The Company reviews the depreciation method and the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

from previous estimates, the changes are accounted for as a change in accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.11 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 25 to 40 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.12 Intangible assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for as change in accounting estimates. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(b) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new or substantially improved products, and the Company can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(d) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.13 Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

impaired.

Recoverable amount is the higher of fair value, less costs to sell, or value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.14 Financial liabilities and equity instruments

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

In addition, the Company does not reassess the classification of financial liabilities or equity instruments after the initial recognition of a financial instrument if the terms of the contract of the issued financial instrument are not subsequently modified.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(c) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contract. Financial liabilities are measured at fair value on initial recognition. Transaction costs directly related to the issue of financial liabilities are deducted or added to the fair value of the financial liability upon initial recognition. However, transaction costs directly related to the issuance of financial liabilities at fair value through profit or loss are recognized as immediate profit or loss.

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at fair value through profit or loss. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) contingent consideration of an acquirer in a business combination or (ii) held for trading or (iii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and Korean IFRS 1109 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other non-operating expenses' line item in profit or loss.

However, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at fair value through profit or loss are recognized in profit or loss.

Fair value is determined in the manner described in Note 35.

(e) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at fair value through profit or loss are measured subsequently at amortized cost using the effective interest method.

The effective interest method is to calculate the amortized cost of a financial liability and to allocate the interest expense over the relevant period. The effective interest rate is the interest rate that accurately matches the present value of the expected net carrying amount of the expected future cash payment, including fees and points paid or received (if appropriate) in the expected life of the financial liability (which is a major component of the effective interest rate), transaction costs and other surcharges or discounts.

(f) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss, do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with Korean IFRS 1109.
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with Korean IFRS 1115.

(g) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other non-operating income and expenses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as hedging instruments for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at fair value through profit or loss, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(h) Derecognition of financial liabilities

The Company removes the financial liability only if our obligations have been fulfilled, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.15 Leases

(a) Lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern, in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs, including the risk-free rate based on government bond rates, a country-specific risk adjustment, a credit risk adjustment based on bond yields and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different from that of the Company and the lease does not benefit from a guarantee from the Company.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the separate statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case, a revised discount rate is used).
- - A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under Korean IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statements of financial position.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The Company applies Korean IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, Korean IFRS 1116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

(b) Lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the underlying asset are consumed.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of Korean IFRS 1109, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Company applies Korean IFRS 1115 to allocate the consideration under the contract to each component.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

2.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.17 Derivative financial instruments

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset, whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements, unless the Company has both legally enforceable right and intention to offset. The impact of the Master Netting Agreements on the Company's financial position is disclosed in Note 35. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.18 Post-employment benefits costs and termination benefits

Contributions to defined contribution post-employment benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit post-employment benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the separate statements of financial position, with a charge or credit recognized in the separate statements of comprehensive income in the period in which they occur. Remeasurements recognized in the separate statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Company recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Company recognizes related restructuring costs or termination benefits, if earlier.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories as follows:

- service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements

Service costs and net interest expense (or net interest income) is recognized in the profit or loss and the remeasurement component is recognized in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The defined benefit obligation recognized in the separate statements of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognizes any related restructuring costs.

The discretionary contributions of employees or third parties reduce service cost when such contributions are paid to the plan. When specifying that there will be contributions from employees or third parties in the formal terms of the plan, accounting depends on whether contributions are linked to service as follows:

If the contributions are not linked to the service (for example, contributions to reduce the deficit arising from losses in plan assets or actuarial losses), the contributions affect the remeasurement of the net defined benefit liability (asset).

If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by Korean IFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with Korean IFRS 1019 paragraph 70.

2.19 Provisions and contingent liabilities

A provision is a present obligation (legal or constructive obligation) resulting from past events, and is recognized when it is likely that the obligation will be fulfilled and the amount can be estimated reliably.

The amount recognized as a provision is the best estimate at the end of each reporting period for

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

the expenditure required to fulfill the current obligation, taking into account the inevitable risks and uncertainties associated with the event and situation. If the effect of the time value of money is important, the provision is assessed as the present value of the expected expenditure to fulfill the obligation. Discount rates are pretax rates that reflect current market assessments of the time value of money and the inherent risks of debt. The increase in provisions over time is recognized in profit or loss as financial cost when incurred.

If a third party is expected to reimburse some or all of the expenses required to settle the provision, the reimbursement is almost certain to be reimbursed if the Company fulfills its obligations and the amount can be measured reliably, the reimbursement is recognized as an asset.

The balance of the provisions is reviewed at the end of each reporting period and adjusted to reflect the best estimate as of the end of the reporting period. The related provisions are reversed when the economic benefits are no longer likely to be leaked.

(a) Onerous contract

The current obligations under the onerous contract are recognized and measured as provisions. The Company determines that it is responsible for the onerous contract when the unavoidable costs arising from the performance of its contractual obligations exceed the economic benefits expected to be received under the contract.

(b) warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products at the directors' best estimate of the expenditure required to settle the Company's obligation.

(c) Restoration liabilities

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognized when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

(d) Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, or the amount initially recognized, less cumulative amortization recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

2.20 Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the separate statements of financial position by deducting the grant from the carrying amount of the asset (including property, plant and equipment). The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

2.21 Revenue recognition

Revenue is measured on the basis of the consideration specified in the contract with the customer and excludes the amount collected on behalf of the third party. The Company also recognize revenue when control of goods or services is transferred to the customer.

(a) Sale of goods

The Company recognizes revenue from sale of goods when significant risks and rewards from ownership of goods have been transferred and it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Therefore, the Company recognizes revenue for the manufactured goods at acceptance and merchandises at delivery. Revenue is recognized by estimating the total amount of returns expected monthly using the expected return period and the return rate. Based on past experience, in case of a return condition transaction with a low importance of the amount, the entire amount of the sale is recognized as revenue. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognized for those products expected to be returned. At the same time, the Company has a right to recover the product when customers exercise their right of return, so it consequently recognizes a right to returned goods asset and a corresponding adjustment to cost of sales; previously, these effects were recognized as warranty provisions.

(b) Rendering of service

The Company recognizes revenue from rendering of service using percentage-of-completion method when the outcome of the transaction can be estimated reliably, stage of completion at reporting date can be measured reliably and the costs incurred and the cost to complete the transaction can be measured reliably.

(c) Construction contracts

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The projects that are developed to suit the customer's characteristics are recognized as revenue over time because the assets the Company has created do not have an alternative use to themselves and they have the right to enforceable payment for performance completed. Therefore, revenue from construction contracts is recognized over time on a cost-based input method (i.e., based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs). The directors consider that this input method is an appropriate measure of the progress toward complete satisfaction of these performance obligations under Korean IFRS 1115.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably, and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that are probable to be recovered. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The amount added from the recognized profit to the accumulated accrued costs exceeding the amount claimed for progress is classified as contract assets, and the amount claimed for progress exceeding the amount added from the recognized profit to the accumulated accrued costs is classified as contract liabilities. Amounts received before the related work is performed are included in the separate statements of financial position, as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the separate statements of financial position under trade and other receivables.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

2.22 Income tax

Income tax expense consists of current tax and deferred tax.

(a) Current tax payable

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the end of the reporting period.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and 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. A deferred tax asset for all deductible temporary differences arising from above-mentioned investments is recognized to the extent, and only to the extent, that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Deferred tax assets and liabilities are offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(c) Recognition of current tax payable and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.23 Treasury shares

In the event of reacquisition of its own equity instruments ("treasury share") the incremental costs incurred directly related to the equity transaction are accounted for by deducting the net income tax benefit from equity, and other capital items are marked as the total capital reduction item in the separate statements of financial position. On the other hand, the gain or loss on the purchase, sale or incineration of own shares is not recognized in profit or loss, but is recognized directly in equity.

2.24 Fair value

Fair value is the price that will be received on sale of assets or paid on transfer of liabilities at the measurement date in normal transactions between market participants, whether the price is directly observable or estimated using valuation techniques. In estimating the fair value of an asset or liability, we consider the characteristics of the asset or liability that market participants consider when pricing the asset or liability at the measurement date. Equity-based payment transactions within the scope of Korean IFRS 1102 *Share-based Payment*, lease transactions within the scope of Korean IFRS 1116 *Leases*, net realizable value of Korean IFRS 1002 *Inventories*, and the value of use of Korean IFRS 1036 *Impairment of assets*, are determined in accordance with the principles described in measurement or disclosure, except for measurements that are similar in part, but are not fair value.

In addition, based on the observable degree of input used for measuring fair value for financial reporting purposes and the significance of input variables for the entire fair value measurement, the fair value measurement is classified as Levels 1, 2 or 3.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

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).

2.25 Allocation of greenhouse gas emission rights and accounting for trading systems

The Company classifies the emission rights as intangible assets, and the emission rights allocated free of charge by the government are measured at zero and the sales rights purchased are measured at cost. In addition, the emission liabilities shall be measured at zero if the emission rights granted free of charge by the government are sufficient for fulfilling obligations under emission liabilities incurred in the current period in connection with the corresponding year of implementation, and the emission liabilities shall be measured at the best estimate as of the end of the reporting period for the expenditure expected to be incurred for the discharge of emission liabilities in excess of the amount of free quota.

3. Critical Accounting Estimates and Assumptions

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimation and assumptions are continuously reviewed. Effects of changes in accounting estimates are recognized during the period of changes made only in case that those changes affect a corresponding period. Effects of changes are recognized during both current and future years and, in such case, those changes affect both periods.

3.1 Uncertainty on the estimation of the total construction revenue

Total contract revenue is measured based on the contract amount initially agreed upon, but can be increased or decreased as the terms of the contract change in the course of performing the contract, so measurement of contract revenue is subject to various uncertainties related to the outcome of future events. The Company includes in the contract revenue when it is likely that the customer will approve a change in the amount of revenue due to a change in the terms of the contract or when the Company is more likely to meet its performance criteria and can measure the amount more reliably.

3.2 Estimation of the total construction cost

The amount due from the customer is affected by the percentage of completion, which is estimated by reference to the total cost incurred, and the total contract cost is estimated by reference to the expected future figures, such as the material costs, the labor costs, the contract period, etc. The Company periodically reviews any changes of estimated total contract cost and reflects such changes when it calculates current progress rate at the end of reporting period.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

4. Operating Segments

The Company that has a single reportable segment reports entity-wide segment information based on Korean IFRS 1108 *Operating Segments*. The information at the entity level is as follows:

(1) Information about sales

<i>(in thousands of Korean won)</i>	2023	2022
Sales of merchandise	₩ 914,282,526	₩ 920,787,431
Service revenue	1,887,517,945	1,693,767,658
Construction revenue	2,310,887,929	1,975,897,795
	<u>₩ 5,112,688,400</u>	<u>₩ 4,590,452,884</u>

(2) Information about the region

Company sales are all generated, and all of the non-current assets are located within the country (Republic of Korea).

(3) Information on major customers

Revenue to customers that consist more than 10% of the Company's total sales for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
LG Electronics Inc. ¹	₩ 978,743,612	₩ 882,080,023
LG Chem Ltd. ¹	842,379,730	737,020,261
LG Uplus Corp. ^{1,2}	-	488,195,769

¹ It includes the transaction of subsidiaries.

² The Company did not disclose sales information on the customer because it accounted for less than 10% of the Company's revenue for the year ended December 31, 2023.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

5. Classification of Financial Instruments and Fair Value

The carrying amount and fair value of financial assets and liabilities as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value through profit or loss				
Derivative assets for trading	₩ 4,857,708	₩ 4,857,708	₩ 11,442,050	₩ 11,442,050
Investment ¹	27,860,363	27,860,363	24,534,227	24,534,227
	<u>32,718,071</u>	<u>32,718,071</u>	<u>35,976,277</u>	<u>35,976,277</u>
Financial assets at fair value through other comprehensive income				
Marketable equity securities	-	-	1,596,237	1,596,237
Unmarketable equity securities	756,000	756,000	756,000	756,000
	<u>756,000</u>	<u>756,000</u>	<u>2,352,237</u>	<u>2,352,237</u>
Financial assets at amortized cost				
Cash and cash equivalents	389,108,618	389,108,618	648,866,093	648,866,093
Financial institution deposits	162,000,000	162,000,000	112,000,000	112,000,000
Trade receivables	1,411,015,362	1,411,015,362	1,264,854,778	1,264,854,778
Loans	11,041,705	11,041,705	10,836,214	10,836,214
Other receivables	25,129,026	25,129,026	10,258,654	10,258,654
Accrued income	833,227	833,227	1,761,290	1,761,290
Deposits	11,211,548	11,211,548	11,791,501	11,791,501
	<u>2,010,339,486</u>	<u>2,010,339,486</u>	<u>2,060,368,530</u>	<u>2,060,368,530</u>
	<u>₩ 2,043,813,557</u>	<u>₩ 2,043,813,557</u>	<u>₩ 2,098,697,044</u>	<u>₩ 2,098,697,044</u>

¹ Contains investments where the Company has significant influence based on the shareholders' agreement.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

<i>(in thousands of Korean won)</i>		2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities for trading	₩	3,252,462	₩ 3,252,462	₩ 1,810,103	₩ 1,810,103
Financial liabilities at amortized cost					
Trade payables		717,744,818	717,744,818	703,746,373	703,746,373
Other payables ¹		41,193,756	41,193,756	46,161,138	46,161,138
Accrued expenses ¹		6,089,485	6,089,485	8,246,207	8,246,207
Dividend payables		50	50	6,126	6,126
Deposits received		2,093,911	2,093,911	1,835,004	1,835,004
Borrowings		548,750,355	547,154,259	679,599,634	654,796,224
		<u>1,315,872,375</u>	<u>1,314,276,279</u>	<u>1,439,594,482</u>	<u>1,414,791,072</u>
	₩	<u>1,319,124,837</u>	<u>₩ 1,317,528,741</u>	<u>₩ 1,441,404,585</u>	<u>₩ 1,416,601,175</u>

¹ Other payables and accrued expenses that are not financial liabilities are excluded.

6. Cash and Cash Equivalents

Cash and cash equivalents in the separate statements of cash flows are equivalent to cash and cash equivalents in the separate statements of financial position. Details of cash and cash equivalents as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Cash on hand	₩ 5,778	₩ 5,671
Bank deposits and others	<u>389,102,840</u>	<u>648,860,422</u>
	<u>₩ 389,108,618</u>	<u>₩ 648,866,093</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

7. Trade and Other Receivables

Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Neither past due nor impaired receivables	Past due, but not impaired receivables	Impaired receivables	Total
Trade receivables	₩ 1,172,677,934	₩ 238,337,428	₩ 11,527,940	₩ 1,422,543,302
Other receivables	47,536,587	678,920	616,833	48,832,340
	<u>₩ 1,220,214,521</u>	<u>₩ 239,016,348</u>	<u>₩ 12,144,773</u>	<u>₩ 1,471,375,642</u>

(in thousands of Korean won)

	2022			
	Neither past due nor impaired receivables	Past due, but not impaired receivables	Impaired receivables	Total
Trade receivables	₩ 1,125,034,670	₩ 139,820,108	₩ 9,284,250	₩ 1,274,139,028
Other receivables	34,034,703	612,956	3,133,931	37,781,590
	<u>₩ 1,159,069,373</u>	<u>₩ 140,433,064</u>	<u>₩ 12,418,181</u>	<u>₩ 1,311,920,618</u>

Aging analysis based on committed collection period of past due, but not impaired trade and other receivables as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

	2023	2022
1 day ~ 29 days	₩ 157,247,350	₩ 114,665,740
30 days ~ 60 days	26,784,480	10,766,673
61 days ~ 90 days	5,309,105	1,418,893
91 days ~ 120 days	3,528,690	601,876
More than 120 days	46,146,723	12,979,882
	<u>₩ 239,016,348</u>	<u>₩ 140,433,064</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The Company measures the allowance for losses on trade receivables at amounts equivalent to the lifetime expected credit losses. The expected credit losses on trade receivables are estimated using the provisioning schedule based on the experience of borrowers' past defaults, in which adjusted by assessing the factors specific to the borrower and the general economic situation in the industry to which the borrower belongs to, and the current and future direction of forecast at the end of the reporting period. There are no changes in valuation techniques or important assumptions during this year.

Changes in provisions for impairment of receivables for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩ 9,284,250	₩ 3,133,931	₩ 11,173,213	₩ 5,715,502
Impairment loss	2,233,349	438,125	50,154	343,345
Reversal of impairment loss	-	-	(1,903,266)	(2,426,564)
Write-off	(8,079)	(2,955,223)	(57,263)	(498,352)
Others	18,420	-	21,412	-
Ending balance	₩ 11,527,940	₩ 616,833	₩ 9,284,250	₩ 3,133,931

Aging analysis of impaired trade and other receivables as of December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Less than 6 months	₩ 2,867,663	₩ 2,612,918
More than 6 months and less than 1 year	1,906,353	129,868
More than 1 year	7,370,757	9,675,395
	₩ 12,144,773	₩ 12,418,181

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

8. Inventories

Inventories as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		
	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 62,770,385	₩ -	₩ 62,770,385
Other inventories	903,291	-	903,291
	<u>₩ 63,673,676</u>	<u>₩ -</u>	<u>₩ 63,673,676</u>

(in thousands of Korean won)

	2022		
	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 50,112,884	₩ -	₩ 50,112,884
Other inventories	960,956	-	960,956
	<u>₩ 51,073,840</u>	<u>₩ -</u>	<u>₩ 51,073,840</u>

Inventory costs recognized in cost of sales for the years ended December 31, 2023 and 2022, are ₩ 1,366,197,988 thousand and ₩ 1,222,334,394 thousand, respectively. Reversal of loss on valuation of inventories for the year ended December 31, 2022, is ₩ 626 thousand.

9. Other Assets

Details of other assets as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
	Current	Non-current	Current	Non-current
Advance payments	₩ 3,405,860	₩ 30,558	₩ 3,433,373	₩ 89,033
Prepaid expenses	18,660,662	565,697	12,862,399	1,080,964
Prepaid value-added tax	53,423	-	17,863	-
Contract asset	541,373,041	-	381,913,011	-
Costs to fulfil a contract	108,768,712	-	94,882,426	-
Other current assets	10,323	-	72,049	-
	<u>₩ 672,272,021</u>	<u>₩ 596,255</u>	<u>₩ 493,181,121</u>	<u>₩ 1,169,997</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

10. Property, Plant and Equipment

Details of property, plant and equipment as of December 31, 2023 and 2022, is as follows:

(in thousands of
Korean won)

	2023								Total
	Land	Buildings	Structures	Machinery	Tools and equipment	Furniture and fixtures	Construction-in-progress	Others	
Acquisition cost	₩ 90,161,045	₩ 498,081,956	₩ 4,413,034	₩ 44,324	₩ 328,239	₩ 86,001,887	₩ -	₩ 384,051,785	₩1,063,082,270
Accumulated depreciation	-	(162,631,640)	(682,482)	(44,324)	(327,657)	(49,670,656)	-	(314,982,457)	(528,339,216)
Accumulated impairment loss	-	-	-	-	-	-	-	(4,016)	(4,016)
Government grants	-	(799,728)	-	-	-	-	-	-	(799,728)
Carrying amount	₩ 90,161,045	₩ 334,650,588	₩ 3,730,552	₩ -	₩ 582	₩ 36,331,231	₩ -	₩ 69,065,312	₩ 533,939,310

(in thousands of
Korean won)

	2022								Total
	Land	Buildings	Structures	Machinery	Tools and equipment	Furniture and fixtures	Construction-in-progress	Others	
Acquisition cost	₩88,798,223	₩492,170,842	₩3,766,518	₩139,324	₩ 416,577	₩89,993,195	₩ -	₩401,809,767	₩1,077,094,446
Accumulated depreciation	-	(145,867,452)	(561,452)	(123,491)	(413,024)	(50,731,305)	-	(329,794,211)	(527,490,935)
Accumulated impairment loss	-	-	-	-	-	-	-	(65,267)	(65,267)
Government grants	-	(836,774)	-	-	-	-	-	-	(836,774)
Carrying amount	₩88,798,223	₩345,466,616	₩3,205,066	₩ 15,833	₩ 3,553	₩39,261,890	₩ -	₩ 71,950,289	₩ 548,701,470

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Changes in property, plant and equipment for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of
Korean won)

	2023								
	Land	Buildings	Structures	Machinery	Tools and equipment	Furniture and fixtures	Construction in-progress	Others	Total
Opening net book amount	₩ 88,798,223	₩ 345,466,617	₩ 3,205,065	₩ 15,833	₩ 3,553	₩ 39,261,890	₩ -	₩ 71,950,289	₩ 548,701,470
Acquisitions	72,212	1,822,901	603,000	-	-	12,096,655	-	26,780,504	41,375,272
Disposals	-	(1,960)	-	-	-	(2,949,800)	-	(1,187,120)	(4,138,880)
Depreciation	-	(15,581,581)	(109,369)	(15,833)	(2,971)	(8,730,704)	-	(27,857,311)	(52,297,769)
Transfer	1,290,610	2,944,611	31,856	-	-	-	-	3,710	4,270,787
Impairment loss	-	-	-	-	-	(3,346,810)	-	(624,760)	(3,971,570)
Closing net book amount	₩ 90,161,045	₩ 334,650,588	₩ 3,730,552	₩ -	₩ 582	₩ 36,331,231	₩ -	₩ 69,065,312	₩ 533,939,310

(in thousands of
Korean won)

	2022								
	Land	Buildings	Structures	Machinery	Tools and equipment	Furniture and fixtures	Construction in-progress	Others	Total
Opening net book amount	₩ 86,420,271	₩ 355,848,986	₩ 3,305,185	₩ 43,423	₩ 28,219	₩ 38,875,013	₩ 4,880,468	₩ 64,405,563	₩ 553,807,128
Acquisitions	2,377,952	5,233,365	-	-	-	8,094,808	865,014	33,845,730	50,416,870
Disposals	-	-	-	-	-	-	-	(50,801)	(50,801)
Depreciation	-	(15,434,470)	(100,119)	(27,590)	(24,666)	(7,703,404)	-	(26,202,745)	(49,492,994)
Transfer	-	(181,264)	-	-	-	(4,528)	(5,745,482)	(47,458)	(5,978,732)
Closing net book amount	₩ 88,798,223	₩ 345,466,617	₩ 3,205,066	₩ 15,833	₩ 3,553	₩ 39,261,890	₩ -	₩ 71,950,289	₩ 548,701,470

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Changes in government grants for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
	Buildings		Buildings	
Beginning balance	₩	836,774	₩	873,820
Credited to depreciation expense		(37,046)		(37,046)
Ending balance	₩	799,728	₩	836,774

Details of disposal of property, plant and equipment for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Buildings	Furniture and fixtures	Others	Total
Carrying amount before disposal	₩ 1,960	₩ 2,949,800	₩ 1,187,120	₩ 4,138,880
Disposal amount	-	2,949,747	1,497,792	4,447,539
Gain (loss) on disposal, net	₩ (1,960)	₩ (53)	₩ 310,672	₩ 308,659

(in thousands of Korean won)

	2022			
	Buildings	Furniture and fixtures	Others	Total
Carrying amount before disposal	₩ -	₩ -	₩ 50,800	₩ 50,800
Disposal amount	-	922	192,825	193,747
Gain on disposal, net	₩ -	₩ 922	₩ 142,025	₩ 142,947

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

11. Investment Property

Details of investment property as of December 31, 2023 and 2022, are as follows:

	2023			
	Land	Buildings¹	Structures	Total
Acquisition cost	₩ 8,031,849	₩ 31,322,761	₩ 270,814	₩ 39,625,424
Accumulated depreciation	-	(7,905,261)	(75,406)	(7,980,667)
Ending balance	₩ 8,031,849	₩ 23,417,500	₩ 195,408	₩ 31,644,757

¹ Right-of-use assets related to LG ARTS CENTER and LG Discovery Lab are included.

	2022			
	Land	Buildings¹	Structures	Total
Acquisition cost	₩ 9,322,460	₩ 35,417,973	₩ 314,330	₩ 45,054,763
Accumulated depreciation	-	(7,843,940)	(77,634)	(7,921,574)
Ending balance	₩ 9,322,460	₩ 27,574,033	₩ 236,696	₩ 37,133,189

¹ Right-of-use assets related to LG ARTS CENTER and LG Discovery Lab are included.

Changes in investment property for the years ended December 31, 2023 and 2022, are as follows:

	2023			
	Land	Buildings	Structures	Total
Beginning balance	₩ 9,322,460	₩ 27,574,033	₩ 236,696	₩ 37,133,189
Depreciation	-	(1,211,922)	(9,433)	(1,221,355)
Transfer and others	(1,290,611)	(2,944,611)	(31,855)	(4,267,077)
Ending balance	₩ 8,031,849	₩ 23,417,500	₩ 195,408	₩ 31,644,757

	2022			
	Land	Buildings	Structures	Total
Beginning balance	₩ 9,322,460	₩ 22,780,263	₩ 246,585	₩ 32,349,308
Depreciation	-	(1,132,978)	(9,889)	(1,142,867)
Transfer	-	5,926,748	-	5,926,748
Ending balance	₩ 9,322,460	₩ 27,574,033	₩ 236,696	₩ 37,133,189

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The fair value of investment property as of December 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>		Land		Buildings and structures		Total
Carrying amount						
Sangam DDMC ¹	₩	13,461,407	₩	30,448,888	₩	43,910,295
Right-of-use assets related to LG ARTS CENTER and LG Discovery Lab			-	5,445,350		5,445,350
Evaluation result						
Sangam DDMC ^{2,3}			₩	343,000,000	₩	343,000,000
Right-of-use assets related to LG ARTS CENTER and LG Discovery Lab ⁴				5,445,350		5,445,350

¹ Includes the value of investment property occupied by the owner (land: ₩ 5,429,557 thousand and buildings and structures: ₩ 12,281,330 thousand).

² This is the valuation amount for entire Sangam DDMC. In case of Sangam DDMC, the total value of real estate includes land and buildings, and constructions. The Company owns 32.8% of the assets.

³ Fair value assessment was performed by an independent third party, Samchang Appraisal Co., Ltd., utilizing cost method, sales comparison approach and yield capitalization method. Capital expenditures after appraisal date are not reflected in the fair value.

⁴ The carrying amount of right-of-use assets was regarded as the fair value.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

12. Intangible Assets

Details of intangible assets as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023					
	Development costs	Industrial property rights	Computer software and others	Membership	Construction in progress	Total
Acquisition cost	₩ 114,043,447	₩ 3,144,661	₩ 86,393,318	₩ 15,669,774	₩ 4,304,879	₩ 223,556,079
Accumulated depreciation	(49,970,312)	(1,891,491)	(76,708,588)	-	-	(128,570,391)
Accumulated impairment loss	(20,058,592)	(1,307)	-	(1,915,271)	-	(21,975,170)
	<u>₩ 44,014,543</u>	<u>₩ 1,251,863</u>	<u>₩ 9,684,730</u>	<u>₩ 13,754,503</u>	<u>₩ 4,304,879</u>	<u>₩ 73,010,518</u>

(in thousands of Korean won)	2022					
	Development costs	Industrial property rights	Computer software and others	Membership	Construction in progress	Total
Acquisition cost	₩ 116,481,752	₩ 2,983,405	₩ 91,262,231	₩ 13,291,595	₩ 1,116,258	₩ 225,135,241
Accumulated depreciation	(38,250,496)	(1,607,327)	(77,305,127)	-	-	(117,162,950)
Accumulated impairment loss	(15,649,625)	(1,307)	-	(1,841,738)	-	(17,492,670)
	<u>₩ 62,581,631</u>	<u>₩ 1,374,771</u>	<u>₩ 13,957,104</u>	<u>₩ 11,449,857</u>	<u>₩ 1,116,258</u>	<u>₩ 90,479,621</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of
Korean won)

	2023					
	Development costs	Industrial property rights	Computer software and others	Membership	Construction in progress	Total
Beginning balance	₩ 62,581,631	₩ 1,374,771	₩ 13,957,104	₩ 11,449,857	₩ 1,116,258	₩ 90,479,621
Acquisition	-	161,256	2,122,136	3,431,862	-	5,715,254
Increase due to internal development	-	-	-	-	6,249,611	6,249,611
Disposals	-	-	(3,328)	(1,053,683)	-	(1,057,011)
Impairment loss	(7,014,938)	-	-	(73,533)	-	(7,088,471)
Amortization	(14,613,140)	(284,164)	(6,387,472)	-	-	(21,284,776)
Transfer	3,060,990	-	(3,710)	-	(3,060,990)	(3,710)
Ending balance	<u>₩ 44,014,543</u>	<u>₩ 1,251,863</u>	<u>₩ 9,684,730</u>	<u>₩ 13,754,503</u>	<u>₩ 4,304,879</u>	<u>₩ 73,010,518</u>

(in thousands of
Korean won)

	2022					
	Development costs	Industrial property rights	Computer software and others	Membership	Construction in progress	Total
Beginning balance	₩ 30,131,250	₩ 1,451,010	₩ 19,583,448	₩ 16,943,963	₩ 36,144,515	₩ 104,254,186
Acquisition	-	230,343	1,828,525	653,914	-	2,712,782
Increase due to internal development	-	-	-	-	19,076,294	19,076,294
Disposals	-	-	(11,988)	(6,148,020)	-	(6,160,008)
Impairment loss	(8,929,562)	-	-	-	(1,440,674)	(10,370,236)
Amortization	(11,283,934)	(306,582)	(7,248,281)	-	-	(18,838,797)
Transfer	52,663,877	-	(194,600)	-	(52,663,877)	(194,600)
Ending balance	<u>₩ 62,581,631</u>	<u>₩ 1,374,771</u>	<u>₩ 13,957,104</u>	<u>₩ 11,449,857</u>	<u>₩ 1,116,258</u>	<u>₩ 90,479,621</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Details of disposal of intangible assets for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

		2023		
	Computer software and others	Membership	Total	
Carrying amount before disposal	₩ 3,328	₩ 1,053,683	₩ 1,057,011	
Disposal amount	367,810	935,236	1,303,046	
Gain (loss) on disposal, net	₩ 364,482	₩ (118,447)	₩ 246,035	

(in thousands of Korean won)

		2022		
	Computer software and others	Membership	Total	
Carrying amount before disposal	₩ 11,988	₩ 6,148,020	₩ 6,160,008	
Disposal amount	-	6,092,000	6,092,000	
Loss on disposal, net	₩ (11,988)	₩ (56,020)	₩ (68,008)	

The expenses related to research and development for the years ended December 31, 2023 and 2022, are ₩ 47,197,274 thousand and ₩ 46,868,554 thousand, respectively. Those amounts are recognized in selling and administrative expenses.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

13. Investments in Subsidiaries

Details of investment in subsidiaries as of December 31, 2023 and 2022, are as follows:

Company	Location of incorporation	Major operation	Closing date	2023			2022
				Number of ordinary shares owned by the Company	Number of ordinary shares issued	Percentage of ownership (%)	Percentage of ownership (%)
LG CNS PHILIPPINES, INC. ¹	Philippines	Services	December 31	-	-	-	100.00%
LG CNS China Inc. ²	China	Services	December 31	-	-	100.00%	100.00%
LG CNS Europe B.V.	Netherlands	Services	December 31	5,000	5,000	100.00%	100.00%
LG CNS America, Inc.	USA	Services	December 31	100	100	100.00%	100.00%
LG CNS India Pvt. Ltd.	India	Services	March 31	15,319,725	15,319,725	100.00%	100.00%
PT. LG CNS Indonesia	Indonesia	Services	December 31	20,000	20,000	100.00%	100.00%
LG CNS BRASIL SERVICOS DE TI LTDA	Brazil	Services	December 31	2,400,000	2,400,000	100.00%	100.00%
BIZTECH I CO., LTD. ³	South Korea	Services	December 31	10,375,721	10,798,244	96.09%	96.09%
LG CNS COLOMBIA SAS	Colombia	Services	December 31	110,000	110,000	100.00%	100.00%
LG CNS MALAYSIA SDN BHD	Malaysia	Services	December 31	1,500,002	1,500,002	100.00%	100.00%
LG CNS JAPAN Co., Ltd.	Japan	Services	December 31	800	800	100.00%	100.00%
LG CNS UZBEKISTAN, LLC ⁴	UZBEKISTAN	Services	December 31	-	-	51.00%	51.00%
Hangbokmaru Co., Ltd.	South Korea	Services	December 31	140,000	140,000	100.00%	100.00%
LG CNS Vietnam Co., Ltd. ⁵	Vietnam	Services	December 31	-	-	100.00%	100.00%
LG CNS FUND I LLC ⁶	USA	Investment Fund	December 31	-	-	100.00%	100.00%
Open Source Consulting, Inc.	South Korea	Services	December 31	244,292	334,365	73.06%	73.06%
Rightbrain Co., Ltd.	South Korea	Services	December 31	204,300	330,000	61.91%	61.91%
Biztech On Co., Ltd. ³	South Korea	Services	December 31	2,158,849	2,246,763	96.09%	96.09%
LG CNS FUND II LLC ^{6,7}	USA	Investment Fund	December 31	-	-	100.00%	-

¹ It was liquidated during the year ended December 31, 2023.

² There are no outstanding shares based on the relevant laws and regulations of local country for an entity formed in China.

³ It is the surviving/newly established company due to the spin-off of Biztech Partners Co., Ltd.

⁴ There are no outstanding shares based on the relevant laws and regulations of local country for an entity formed in Uzbekistan.

⁵ There were no outstanding shares based on the relevant laws and regulations of local country for an entity formed in Vietnam.

⁶ There were no outstanding shares based on the relevant laws and regulations of local country for an entity formed in USA.

⁷ It was newly acquired during the year ended December 31, 2023.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Changes in investments in subsidiaries for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		2023		
		Beginning balance	Acquisition	Ending balance
LG CNS PHILIPPINES, INC. ¹	₩	-	₩	-
LG CNS China Inc.		23,231,647	-	23,231,647
LG CNS Europe B.V.		3,656,950	-	3,656,950
LG CNS America, Inc.		2,883,494	-	2,883,494
LG CNS India Pvt, Ltd.		795,429	-	795,429
PT. LG CNS Indonesia		-	-	-
LG CNS BRASIL SERVICOS DE TI LTDA		1,777,852	-	1,777,852
BIZTECH I CO., LTD ²		10,015,055	-	10,015,055
Biztech On Co.,Ltd. ²		2,083,807	-	2,083,807
LG CNS COLOMBIA SAS		690,134	-	690,134
LG CNS MALAYSIA SDN BHD		-	-	-
LG CNS JAPAN Co., Ltd.		418,032	-	418,032
LG CNS UZBEKISTAN, LLC		-	-	-
Hangbokmaru Co., Ltd.		700,000	-	700,000
LG CNS Vietnam Co., Ltd.		233,340	-	233,340
LG CNS FUND I LLC		27,410,114	1,952,635	29,362,749
Open Source Consulting, Inc.		11,235,955	-	11,235,955
Rightbrain Co., Ltd.		5,953,370	-	5,953,370
LG CNS FUND II LLC ³		-	6,769,000	6,769,000
	₩	91,085,179	₩ 8,721,635	₩ 99,806,814

¹ It was liquidated during the year ended December 31, 2023.

² It is the surviving/newly established company due to the spin-off of Biztech Partners Co., Ltd.

³ It was newly acquired during the year ended December 31, 2023.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2022				
	Beginning balance	Acquisition	Impairment loss	Others	Ending balance
LG CNS PHILIPPINES, INC.	₩ -	₩ -	₩ -	₩ -	-
LG CNS China Inc.	23,231,647	-	-	-	23,231,647
LG CNS Europe B.V.	3,656,950	-	-	-	3,656,950
LG CNS America, Inc.	2,883,494	-	-	-	2,883,494
LG CNS India Pvt, Ltd.	795,429	-	-	-	795,429
PT. LG CNS Indonesia	-	-	-	-	-
LG CNS BRASIL SERVICOS DE TI LTDA	1,777,852	-	-	-	1,777,852
BIZTECH I CO., LTD ¹	12,098,863	-	-	(2,083,807)	10,015,056
Biztech On Co.,Ltd. ¹	-	-	-	2,083,807	2,083,807
LG CNS COLOMBIA SAS	690,134	-	-	-	690,134
LG CNS MALAYSIA SDN BH D	-	-	-	-	-
LG CNS Saudi Arabia LLC ³	-	-	-	-	-
LG CNS JAPAN Co., Ltd.	418,032	-	-	-	418,032
LG CNS UZBEKISTAN, LLC	-	-	-	-	-
Hangbokmaru Co., Ltd.	700,000	-	-	-	700,000
LG CNS Vietnam Co., Ltd.	233,340	-	-	-	233,340
LG CNS FUND I LLC	25,530,828	1,879,285	-	-	27,410,113
Open Source Consulting, Inc ²	6,382,026	6,999,975	(2,146,046)	-	11,235,955
Rightbrain Co., Ltd.	5,949,000	4,370	-	-	5,953,370
	<u>₩ 84,347,595</u>	<u>₩ 8,883,630</u>	<u>₩ (2,146,046)</u>	<u>₩ -</u>	<u>₩ 91,085,179</u>

¹ It is the surviving/newly established company due to the spin-off of Biztech Partners Co., Ltd.

² In the previous year, the Company recognized impairment losses of ₩ 2,146,046 thousand as a result of evaluating the recoverable amount of investments in the subsidiary once identifying indicators of impairment of Open Source Consulting, Inc. At the end of the previous year, the recoverable amount of investments was determined based on value in use, and the discount rates applied when using the discounted future cash flow technique was 19.73%. The value-in-use calculations use cash flow projections based on historical operating performance and future business plan, and cash flow projections thereafter are extrapolated using the long-term growth rate of 2.00%.

³ It was liquidated during the year ended December 31, 2022.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

14. Investments in Associates

Details of the Company's investments in associates and jointly controlled entity as of December 31, 2023 and 2022, are as follows:

Companies	Location of incorporation	Major business activities	Closing date	2023					2022		
				Number of shares owned by the Company		Number of shares issued		Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
				Ordinary share	Preferred share	Ordinary share	Preferred share				
Tmoney Co., Ltd.	South Korea	System software development and supply	December 31	3,927,167	-	11,934,085	-	32.91%	₩21,598,660	32.91%	21,598,660
Songdo U-Life LLC ¹	South Korea	Health care, integrated wireless environment, integrated smart cards and building management	December 31	5,880	-	35,880	-	16.39%	711,333	16.39%	711,333
RECAUDO BOGOTAS.A.S.	Colombia	Public system development and service	December 31	2,126	-	10,630	-	20.00%	2,575,022	20.00%	2,575,022
Hellas SmarTicket Societe Anonyme	Greece	Public system development and service	December 31	22,500	-	75,000	-	30.00%	2,843,358	30.00%	2,843,358
Daegu Natural Energy Co., Ltd.	South Korea	Power plant construction	December 31	25,000	-	100,000	-	25.00%	-	25.00%	-
Cloudgram Co. Ltd.	South Korea	Hosting and related service	December 31	1,075,000	-	3,075,000	-	34.96%	2,962,000	34.96%	8,393,000
KoreaDRD Co., Ltd. ¹	South Korea	Information service and blockchain technology-related service	December 31	119,400	-	600,000	-	19.90%	597,000	19.90%	597,000
HEMPKING INC. ²	South Korea	System software development and supply	December 31	-	25,000	100,000	25,000	-	-	-	-
Danbi Inc.	South Korea	System software development and supply	December 31	50,000	-	250,000	-	20.00%	-	20.00%	-
bithumb META ¹³	South Korea	Other information services	December 31	600,000	-	5,800,000	-	10.34%	200,000	10.34%	3,000,000
Sejong-smartcity Co., Ltd. ¹³	South Korea	Residential / non-residential buildings development and supply	December 31	1,201,000	255,200	6,750,000	2,250,000	17.79%	14,562,000	17.79%	14,562,000
									₩46,049,373		₩54,280,373

¹ The Company has significant influence since contractual right by which the Company is able to appoint one member of the Board of Directors even though the percentage of ownership is less than 20%.

² The Company has significant influence based on the shareholders' agreement. As a redeemable convertible preference share, it is classified as a financial asset at fair value through profit or loss as mentioned in Note 5.

³ It was acquired during the year ended December 31, 2022.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Changes in investments in associates for the years ended December 31, 2023 and 2022, are as follows :

(in thousands of Korean won)

	2023			
	Beginning balance	Acquisition	Impairment loss	Ending balance
Tmoney Co., Ltd.	₩ 21,598,660	₩ -	₩ -	₩ 21,598,660
Songdo U-Life LLC	711,333	-	-	711,333
RECAUDO BOGOTA S.A.S.	2,575,022	-	-	2,575,022
Hellas SmarTicket Societe Anony me	2,843,358	-	-	2,843,358
Daegu Natural Energy Co., Ltd.	-	-	-	-
Cloudgram Co. Ltd. ¹	8,393,000	-	(5,431,000)	2,962,000
KoreaDRD Co., Ltd.	597,000	-	-	597,000
Danbi Inc.	-	-	-	-
bithumb META ²	3,000,000	-	(2,800,000)	200,000
Sejong-smartcity Co., Ltd.	14,562,000	-	-	14,562,000
	₩ 54,280,373	₩ -	₩ (8,231,000)	₩ 46,049,373

¹ In the current year, the Company recognized impairment losses of ₩ 5,431,000 thousand as a result of evaluating the recoverable amount of investments in the associate once identifying indicators of impairment of Cloudgram Co. Ltd. At the end of the current year, the recoverable amount of investments was determined based on value in use, and the discount rates applied when using the discounted future cash flow method was 19.22%. The value-in-use calculations use cash flow projections based on historical operating performance and future business plan, and cash flow projections thereafter are extrapolated using the long-term growth rate of 1.00%.

² In the current year, the Company recognized impairment losses of ₩ 2,800,000 thousand as a result of evaluating the recoverable amount of investments in the associate once identifying indicators of impairment of bithumb META.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2022			
	Beginning balance	Acquisition	Impairment loss	Ending balance
Tmoney Co., Ltd.	₩ 21,598,660	₩ -	₩ -	₩ 21,598,660
Songdo U-Life LLC	711,333	-	-	711,333
RECAUDO BOGOTA S.A.S.	2,575,022	-	-	2,575,022
Hellas SmarTicket Societe Anony me	2,843,358	-	-	2,843,358
Daegu Natural Energy Co., Ltd.	-	-	-	-
Cloudgram Co. Ltd. ¹	15,793,000	-	(7,400,000)	8,393,000
KoreaDRD Co., Ltd.	597,000	-	-	597,000
Danbi Inc.	-	-	-	-
bithumb META ²	-	3,000,000	-	3,000,000
Sejong-smartcity Co., Ltd.	-	14,562,000	-	14,562,000
	<u>₩ 44,118,373</u>	<u>₩ 17,562,000</u>	<u>₩ (7,400,000)</u>	<u>₩ 54,280,373</u>

¹ In the previous year, the Company recognized impairment losses of ₩ 7,400,000 thousand as a result of evaluating the recoverable amount of investments in the associate once identifying indicators of impairment of Cloudgram Co. Ltd. At the end of the previous year, the recoverable amount of investments was determined based on value in use, and the discount rates applied when using the discounted future cash flow method was 17.91%. The value-in-use calculations use cash flow projections based on historical operating performance and future business plan, and cash flow projections thereafter are extrapolated using the long-term growth rate of 1.00%.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

15. Borrowings

Borrowings as of December 31, 2023 and 2022, are as follows:

Type	2023			2022	
	Annual interest rate (%)	Maturity date	Carrying amount		Carrying amount
Short-term borrowings					
Shinhan Bank	-	-	₩	- ₩	100,000,000
Kookmin Bank	-	-		- -	50,000,000
NongHyup Bank	-	-		- -	20,000,000
KEB Hana Bank	-	-		- -	100,000,000
				- -	270,000,000
Unguaranteed public bond					
11-2nd public offering	-	-	₩	- ₩	110,000,000
12-1st public offering	-	-		-	150,000,000
12-2nd public offering	1.75	2025.05.14	50,000,000		50,000,000
12-3rd public offering	1.99	2027.05.14	100,000,000		100,000,000
13-1st public offering	4.39	2025.03.10	110,000,000		-
13-2nd public offering	4.44	2026.03.10	230,000,000		-
13-3rd public offering	4.32	2028.03.10	60,000,000		-
			550,000,000		410,000,000
Discount on debentures			(1,249,645)		(400,366)
Current portion of debentures			-		(259,918,154)
			₩ 548,750,355	₩	149,681,480

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

16. Provisions

Changes in provisions for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023				
	Beginning balance	Decrease	Reversal	Increase	Ending balance
Provision for construction (product) warranties	₩ 18,412,502	₩ (8,860,733)	₩ (4,593,686)	₩ 12,761,109	₩ 17,719,192
Restoration liabilities ¹	3,562,373	-	-	80,578	3,642,951
Others	21,056,342	(22,583,106)	(8,229,386)	32,519,139	22,762,989
	<u>₩ 43,031,217</u>	<u>₩ (31,443,839)</u>	<u>₩ (12,823,072)</u>	<u>₩ 45,360,826</u>	<u>₩ 44,125,132</u>

¹ Increases in valuation of present value for the year ended December 31, 2023, amounting to ₩ 80,578 thousand are included.

(in thousands of Korean won)	2022				
	Beginning balance	Decrease	Reversal	Increase	Ending balance
Provision for construction (product) warranties	₩ 17,590,725	₩ (8,990,157)	₩ (3,646,485)	₩ 13,458,419	₩ 18,412,502
Restoration liabilities ¹	1,214,451	-	-	2,347,922	3,562,373
Others	8,941,109	(17,086,581)	(63,335)	29,265,149	21,056,342
	<u>₩ 27,746,285</u>	<u>₩ (26,076,738)</u>	<u>₩ (3,709,820)</u>	<u>₩ 45,071,490</u>	<u>₩ 43,031,217</u>

¹ Increases in valuation of present value for year ended December 31, 2022, amounting to ₩ 39,396 thousand are included.

Nature of provisions and expected timing for outflow of economic benefits are as follows:

(in thousands of Korean won)	2023		
	Within 12 months	After 12 months	Total
Provision for construction (product) warranties ¹	₩ 17,719,192	₩ -	₩ 17,719,192
Restoration liabilities ²	-	3,642,951	3,642,951
Others ³	22,762,989	-	22,762,989
	<u>₩ 40,482,181</u>	<u>₩ 3,642,951</u>	<u>₩ 44,125,132</u>

¹ Estimated provision for construction (product) warranties that would be expected in past service revenue.

² Measured at present value of future restoration estimation costs on leased assets.

³ Liability of compensation for damages and estimated provision related to hardware and SI construction work.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2022		
	Within 12 months	After 12 months	Total
Provision for construction (product) warranties ¹	₩ 18,412,502	₩ -	₩ 18,412,502
Restoration liabilities ²	-	3,562,373	3,562,373
Others ³	21,056,342	-	21,056,342
	<u>₩ 39,468,844</u>	<u>₩ 3,562,373</u>	<u>₩ 43,031,217</u>

¹ Estimated provision for construction (product) warranties that would be expected in past service revenue.

² Measured at present value of future restoration estimation costs on leased assets.

³ Liability of compensation for damages and estimated provision related to hardware and SI construction work.

17. Retirement Benefit Plan

(1) Defined contribution plan

The Company operates a defined contribution plan for employees. Obligation of the Company is to make payments to third-party funds. The benefits for employees are determined by the payments made to the funds and the investment earnings from the funds. Plan asset is managed by the third party and is segregated from the Company's assets. The contributions to defined contribution plan for the years ended December 31, 2023 and 2022, are ₩ 54,158,934 thousand and ₩ 50,080,921 thousand, respectively. Other payables in relation to defined contribution plans as of December 31, 2023 and 2022, are ₩ 8,655,438 thousand and ₩ 8,391,345 thousand, respectively.

For the year ended December 31, 2023, the expense recognized in the current period in relation to defined contribution plan was ₩ 54,423,027 thousand (2022: ₩ 52,746,968 thousand).

(2) Defined benefit plan

The Company operates a defined benefit plan for employees, and according to the plan, employees will be paid their average salary of the final three months multiplied by the number of years vested, adjusted for payment rate and others. The valuations of related plan assets and defined benefit liability are performed by an independent reputable actuary using the projected unit credit method at its present value, relevant current service cost and past service costs.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Details of net defined benefit assets recognized in the separate statements of financial position as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Present value of defined benefit obligations	₩ 12,407,854	₩ 14,665,725
Fair value of plan assets	(12,796,587)	(15,240,805)
Net defined benefit assets	<u>₩ (388,733)</u>	<u>₩ (575,080)</u>

Movements in the defined benefit obligations for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 14,665,725	₩ 15,108,413
Current service cost	2,997,461	2,598,610
Interest expense	699,474	482,903
Remeasurements:	(726,207)	(750,684)
Benefit payments	(5,773,494)	(2,864,729)
Transfer from (to) affiliated company	544,895	91,212
Ending balance	<u>₩ 12,407,854</u>	<u>₩ 14,665,725</u>

Profit or loss related to defined benefit plan for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Service cost:		
Current service cost	₩ 2,997,461	₩ 2,598,610
Net interest on the net defined benefit liability (asset):		
Interest expense on defined benefit obligation	699,474	482,903
Interest income on plan assets	(728,803)	(464,211)
	<u>₩ (29,329)</u>	<u>₩ 18,692</u>
Management fee for plan assets	21,907	22,887
	<u>₩ 2,990,039</u>	<u>₩ 2,640,189</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

On the other hand, defined benefit plan gain or loss is allocated to each item as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Amounts included in the selling and administrative expenses	₩ 2,376,578	₩ 2,283,130
Amounts included in the cost of sales	613,461	357,059
	<u>₩ 2,990,039</u>	<u>₩ 2,640,189</u>

Movements in the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 15,240,805	₩ 15,141,174
Expected return on plan	728,803	464,211
Remeasurements:		
Return on plan assets	(106,069)	(200,432)
Transfer from affiliated company	-	623,468
Management fee for plan assets	(21,907)	(22,887)
Benefits paid	(5,773,494)	(2,864,729)
Company's contributions to plan asset	2,728,449	2,100,000
Ending balance	<u>₩ 12,796,587</u>	<u>₩ 15,240,805</u>

As of December 31, 2023 and 2022, all of the plan assets are invested in financial instruments that guarantee principal and interest rate.

The significant actuarial assumptions as of December 31, 2023 and 2022, are as follows:

	2023	2022
Discount rate (%)	3.90%	5.10%
Expected rate of salary increase (%)	2.95%	5.00%

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

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

(in thousands of Korean won)	2023					
	Defined benefit obligation		1% increase		1% decrease	
Change in discount rate	₩	12,407,854	₩	11,911,040	₩	12,940,099
Change in rate of salary increase		12,407,854		12,944,811		11,897,387

¹ The above sensitivity is estimated based on the assumption that holding all other assumptions constant.

Remeasurements related to net defined benefit liability for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Actuarial losses(gains) arising from changes in demographic assumptions	₩	695	₩	(17,579)
Actuarial gains arising from changes in financial assumptions		(395,183)		(1,538,325)
Actuarial losses(gains) arising from experience		(321,242)		852,312
Return on plan assets, excluding amounts included in interest income		106,069		200,432
Actuarial losses arising from transfer in/out adjustments		(10,477)		(47,091)
	₩	(620,138)	₩	(550,251)

As of December 31, 2023, the weighted average duration of the defined benefit obligation is 4.55 years (2022: 3.81 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2023, is as follows:

<i>(in thousands of Korean won)</i>	2022				
	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Defined benefit obligation	₩ 1,350,638	₩ 1,246,333	₩ 4,368,577	₩ 7,127,816	₩ 14,093,364

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The estimated contributions expected to be paid in the next fiscal year are as follows:

(in thousands of Korean won)

2024

Estimated contribution to plan assets¹ ₩ 2,465,248

¹ The expected amount for 2024 is calculated assuming that the ratio of the plan assets to the retirement benefit allowance as of December 31, 2023, will be maintained as of December 31, 2024.

18. Other Liabilities

Other liabilities as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
	Current	Non-current	Current	Non-current
Advance receipts	₩ 5,551,350	₩ -	₩ 6,376,630	₩ -
Withholding value-added tax	57,576,327	-	70,017,931	-
Withholdings	80,712,747	-	48,930,135	-
Government subsidies	916	-	2,169	-
Contract liabilities	194,899,830	-	167,717,374	-
Other long-term employee liabilities	-	22,833,796	-	18,036,053
	<u>₩ 338,741,170</u>	<u>₩ 22,833,796</u>	<u>₩ 293,044,239</u>	<u>₩ 18,036,053</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

19. Contract Assets and Liabilities

Contract assets as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Construction contracts	₩ 552,839,859	₩ 388,482,188
Less: loss allowance	<u>(11,466,818)</u>	<u>(6,569,177)</u>
	<u>₩ 541,373,041</u>	<u>₩ 381,913,011</u>

There are no changes in estimates or important assumptions applied when assessing the loss allowance for contract assets in construction contracts for the year ended December 31, 2023.

Changes in expected credit losses of contract assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 6,569,177	₩ 6,024,624
Increase in allowance for loss	<u>4,897,641</u>	<u>544,553</u>
Ending balance	<u>₩ 11,466,818</u>	<u>₩ 6,569,177</u>

Contract costs as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Costs to fulfil a contract	₩ 108,768,712	₩ 94,882,426

Among the costs incurred before signing the contract (or expected contract) and the costs incurred in connection with the contract, the cost of creating, increasing the value and recovering the Company's resources to fulfill its future performance obligations was recognized as the costs to fulfil a contract. There is no impairment loss recognized regarding the costs to fulfil a contract for the years ended December 31, 2023 and 2022.

Contract liabilities as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Construction contracts	₩ 138,560,584	₩ 136,791,651
Equipment supply and maintenance	<u>56,339,246</u>	<u>30,925,723</u>
	<u>₩ 194,899,830</u>	<u>₩ 167,717,374</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The contract liabilities related to construction contracts are the balances received from the customers in accordance with construction contracts. This occurs when the amount received under the milestone exceeds the revenue recognized up to that point in accordance with the cost-based input method. There is no significant change in accounting policy on the contract liabilities for the year ended December 31, 2023.

Revenue recognized for the years ended December 31, 2023 and 2022, that was included in the contract liabilities at the beginning of the year, is as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Construction contracts	₩	131,320,717	₩	101,299,946
Equipment supply and maintenance		19,844,196		28,918,469
	₩	<u>151,164,913</u>	₩	<u>130,218,415</u>

There is no revenue recognized for the year ended December 31, 2023 from the performance obligations that were satisfied during the year ended December 31, 2022.

Changes in estimated total contract amount and total contract cost for the construction contracts effective as of January 1, 2023, that recognize revenue over time by using the cost-based input method, effects of profit or loss for the current and future reporting periods and changes in contract assets and liabilities are as follows:

<i>(in thousands of Korean won)</i>	Changes in estimated total contract amount	Changes in estimated total contract costs	Effects of profit or loss in the current year	Effect of profit or loss in the future period	Changes in contract assets (contract liabilities)¹
Construction contracts	₩ 53,449,221	₩ 129,493,261	₩ (67,346,184)	₩ (8,697,855)	₩ (67,346,184)

¹ The contract loss provisions related to construction contracts as of December 31, 2023, are ₩ 18,466,016 thousand.

For the year ended December 31, 2023, there is no contract in which the amount of contract is 5% or more of the sales amount of the prior year, as contracts recognized revenue using the cost-based input method.

As of the end of the reporting period, the aggregated amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied is ₩ 1,209,982 million. Cases where the performance obligation was part of a contract that has an original expected duration of one year or less were excluded as a practical expedient.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

20. Share Capital

Details of share capital as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won and in shares)</i>	Total number of authorized shares	Total number of shares issued	Number of shares owned by related parties	Par value per share <i>(in Korean won)</i>	Share capital¹	Share premium
Ordinary share	400,000,000	87,197,353	76,142,992	₩ 500	₩ 47,198,411	₩ 46,625,595

¹ As the Company purchased 7,199,469 shares via tender offer at ₩ 12,000 per share and had retired them before the prior year, the share capital and total number of shares issued multiplied by par value are not equal.

21. Capital Surplus

Details of capital surplus as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Share premium	₩ 46,625,595	₩ 46,625,595
Gain on disposal of treasury share	454,597	454,597
Other capital surplus	90,945,903	90,945,903
	<u>₩ 138,026,095</u>	<u>₩ 138,026,095</u>

22. Accumulated Other Comprehensive Income (Loss)

Details of accumulated other comprehensive income (loss) as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Loss on valuation of financial assets at fair value through other comprehensive income	₩ (468,386)	₩ (13,749,346)

Equity instruments designated as fair value through other comprehensive income are not recognized for impairment. Accumulated gains and losses arising from the valuation of those equity instruments are not subsequently reclassified to profit or loss. For the year ended December 31, 2023, the accumulated gains and losses arising from the valuation of those equity instruments that are subsequently reclassified to retained earnings is ₩ 10,026,077 thousand.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Changes in fair value due to credit risk of financial liabilities measured at fair value through profit or loss are recognized in the other comprehensive income. Accumulated gains and losses arising from the valuation are not subsequently reclassified to profit or loss.

Changes in other comprehensive income (loss) for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ (13,749,346)	₩ (13,731,028)
Change in fair value of equity instruments designated as financial assets at fair value through other comprehensive income	4,294,041	(23,852)
Income tax effect	(1,039,158)	5,534
Transfer to retained earnings	10,026,077	-
Ending balance	<u>₩ (468,386)</u>	<u>₩ (13,749,346)</u>

23. Retained Earnings and Dividends

Details of retained earnings as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Retained earnings unavailable for appropriation ¹	₩ 23,599,205	₩ 23,599,206
Retained earnings available for appropriation	<u>1,479,209,477</u>	<u>1,318,697,753</u>
	<u>₩ 1,502,808,682</u>	<u>₩ 1,342,296,959</u>

¹ This reserve may only be used to offset future deficit, if any, or may be transferred to capital stock by the Commercial Act of the Republic of Korea.

Changes in retained earnings for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 1,342,296,959	₩ 1,201,127,050
Profit for the year	273,840,760	235,792,430
Dividends paid	(103,764,850)	(95,045,115)
Remeasurements of net defined benefit liabilities recognized	620,138	550,252
Income tax effect	(158,248)	(127,658)
Transfer from accumulated other comprehensive income(loss)	<u>(10,026,077)</u>	<u>-</u>
Ending balance	<u>₩ 1,502,808,682</u>	<u>₩ 1,342,296,959</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Details of dividend payments for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won and in shares)</i>	2023	2022
Total number of shares issued	87,197,353	87,197,353
Number of shares attributable to dividend	87,197,353	87,197,353
(X) Dividend per share <i>(in Korean won)</i>	₩ 1,190	₩ 1,090
Total dividends	₩ 103,764,850	₩ 95,045,115

The appropriation of retained earnings for the year ended December 31, 2023, is expected to be appropriated at the shareholders' meeting on March 22, 2024. The appropriation date for the year ended December 31, 2022, was March 28, 2023.

The appropriation of retained earnings for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Unappropriated retained earnings carried over from prior year	₩ 1,194,693,622	₩ 1,062,243,448
Profit for the year	273,840,760	235,792,430
Remeasurements of net defined benefit liabilities	461,890	422,594
Transfer from accumulated other comprehensive income (loss)	(10,026,077)	-
Retained earnings available for appropriation	1,458,970,195	1,298,458,472
Transfers such as discretionary reserves	-	-
Appropriation of retained earnings:		
Earned profit reserves	-	-
Dividends	132,539,977	103,764,850
Unappropriated retained earnings to be carried forward	₩ 1,326,430,218	₩ 1,194,693,622

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

24. Revenue and Operating Profit

The Company is making profit by transferring goods and services over time or at a point in time in the following key business unit. The classification of key business unit is consistent with the disclosure of revenue by reportable segments in accordance with Korean IFRS 1108:

<i>(in thousands of Korean won)</i>	2023	2022
Sales recorded at a point in time:		
Sales of merchandise		
Equipment supply	₩ 766,403,299	₩ 739,120,205
Others	147,879,227	181,667,226
	<u>914,282,526</u>	<u>920,787,431</u>
Sales recorded over time:		
Service revenue		
Maintenance and others	1,887,517,945	1,693,767,658
Construction revenue		
Development service	1,752,750,239	1,526,980,757
Others	558,137,690	448,917,038
	<u>4,198,405,874</u>	<u>3,669,665,453</u>
	<u>₩ 5,112,688,400</u>	<u>₩ 4,590,452,884</u>

Details of operating profit for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Revenue		
Sales of merchandise	914,282,526	920,787,431
Service revenue	1,887,517,945	1,693,767,658
Construction revenue	2,310,887,929	1,975,897,795
	<u>5,112,688,400</u>	<u>4,590,452,884</u>
Cost of goods sold		
Cost of merchandise	824,799,789	822,628,295
Service cost	1,623,738,583	1,445,472,979
Construction cost	1,949,608,811	1,682,564,041
	<u>4,398,147,183</u>	<u>3,950,665,315</u>
Gross profit	<u>714,541,217</u>	<u>639,787,569</u>
Selling and administrative expenses		
Salaries and wages	129,238,298	122,602,506
Retirement benefits	10,581,117	10,410,605

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

<i>(in thousands of Korean won)</i>	2023	2022
Welfare	26,794,560	21,484,058
Depreciation	7,331,267	7,156,758
Amortization of intangible assets	2,214,970	5,033,866
Research and development expenses	47,197,274	46,868,554
Commission	14,978,821	11,978,611
Training expenses	7,068,226	7,192,301
Service contract expenses	47,639,858	46,704,785
Rent expense	2,863,288	3,625,012
Bad debt expenses (reversal)	2,233,349	(1,853,112)
Increase (decrease) in provision	(7,846,353)	3,217,831
Others	51,082,430	37,591,696
	<u>341,377,105</u>	<u>322,013,471</u>
Operating profit	<u>373,164,112</u>	<u>317,774,098</u>

25. Breakdown of Expenses by Nature

Breakdown of expenses by nature for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023			
	Changes in inventories	Selling and administrative expenses	Cost of sales	Total
Changes in inventories:				
Merchandise	₩ (12,657,500)	₩ -	₩ 837,457,289	₩ 824,799,789
Other inventories	<u>57,665</u>	<u>-</u>	<u>541,340,534</u>	<u>541,398,199</u>
	<u>(12,599,835)</u>	<u>-</u>	<u>1,378,797,823</u>	<u>1,366,197,988</u>
Employee benefits	-	166,613,976	767,796,169	934,410,145
Depreciation and amortization	-	9,546,238	78,896,523	88,442,761
Commission	-	14,978,821	152,978,110	167,956,931
Rent expense	-	2,863,288	271,685,640	274,548,928
Service contract expenses	-	47,639,858	1,284,617,714	1,332,257,572
Others	-	99,734,925	475,975,039	575,709,964
	<u>₩ (12,599,835)</u>	<u>₩ 341,377,106</u>	<u>₩ 4,410,747,018</u>	<u>₩ 4,739,524,289</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2022			
	Changes in inventories	Selling and administrative expenses	Cost of sales	Total
Changes in inventories:				
Merchandise	₩ (4,232,408)	₩ -	₩ 826,860,703	₩ 822,628,295
Other inventories	(278,864)	-	399,984,963	399,706,099
	<u>(4,511,272)</u>	<u>-</u>	<u>1,226,845,666</u>	<u>1,222,334,394</u>
Employee benefits	-	154,497,169	710,276,514	864,773,683
Depreciation and amortization	-	12,190,623	68,360,585	80,551,208
Commission	-	11,978,611	168,242,062	180,220,673
Rent expense	-	3,625,012	211,756,057	215,381,069
Service contract expenses	-	46,704,785	1,148,239,734	1,194,944,519
Others	-	93,017,271	421,455,969	514,473,240
	<u>₩ (4,511,272)</u>	<u>₩ 322,013,471</u>	<u>₩ 3,955,176,587</u>	<u>₩ 4,272,678,786</u>

26. Financial Income and Expenses

Financial income for the years ended December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

	2023	2022
Interest income	₩ 29,968,004	₩ 11,180,221
Dividend income	24,968,227	29,133,596
Gain on foreign currency translation and transaction	3,332,744	4,282,527
Gain on valuation of financial assets at fair value through profit or loss	132,323	265,612
	<u>₩ 58,401,298</u>	<u>₩ 44,861,956</u>

Interest income included in financial income for the years ended December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

	2023	2022
Interest income by effective interest method		
Financial assets at amortized cost	₩ 29,968,004	₩ 11,180,221

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Financial expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022
Interest expense	₩	35,782,642	₩	12,439,528
Loss on foreign currency translation and transaction		1,152,568		4,173,275
Loss on valuation of financial assets at fair value through profit or loss		-		240
Loss on disposal of financial assets at fair value through profit or loss		17,161		-
Loss on disposal of financial assets at fair value through other comprehensive income		26,635		-
Loss on transaction and valuation of derivatives		439,767		511,451
	₩	<u>37,418,773</u>	₩	<u>17,124,494</u>

Interest expenses included in financial expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022
Bank overdrafts and loan interest	₩	14,018,478	₩	2,432,603
Interest expense on debentures		19,457,550		9,289,116
Interest expense on lease liabilities		1,705,650		1,134,951
Other interest expense		751,191		323,604
Less: interest expense capitalized ¹		(150,227)		(740,746)
	₩	<u>35,782,642</u>	₩	<u>12,439,528</u>

¹ Capitalization interest rates used for the years ended December 31, 2023 and 2022, are 4.25 % and 2.51 %, respectively.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

27. Other Non-Operating Income and Expenses

Other non-operating income and expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Other non-operating income:				
Rental income	₩	3,061,442	₩	3,381,172
Commission		672,691		643,222
Reversal of other bad debt expenses		-		2,426,564
Gain on foreign currency translation and transaction		19,558,494		18,880,807
Gain on disposal of property, plant and equipment		353,215		179,112
Gain on disposal of right of use asset		81,994		102,956
Gain on disposal of intangible assets		366,690		51,220
Gain on transactions of derivatives		11,829,981		9,825,284
Gain on valuation of derivatives		4,857,708		11,442,050
Miscellaneous gain		2,357,573		124,666
	₩	<u>43,139,788</u>	₩	<u>47,057,053</u>
Other non-operating expenses:				
Other bad debt expenses	₩	438,126	₩	343,345
Loss on foreign currency translation and transaction		14,618,326		21,255,037
Loss on disposal of property, plant and equipment		44,558		36,165
Loss on impairment of property, plant and equipment		3,971,570		-
Loss on disposal of right of use asset		16,360		43,979
Loss on disposal of intangible assets		120,655		119,228
Loss on impairment of intangible assets		7,088,470		10,370,237
Loss on transaction of derivatives		31,943,755		26,729,283
Loss on valuation of derivatives		3,252,462		1,345,802
Impairment loss on investments in subsidiaries		-		2,146,046
Impairment loss on investments in associates		8,231,000		7,400,000
Donations and contributions		1,506,558		1,830,000
Miscellaneous loss		1,729,355		697,420
	₩	<u>72,961,195</u>	₩	<u>72,316,542</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

28. Net Gains (Losses) on Financial Instruments by Category

Net gains or losses on each category of financial instruments for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of
Korean won)

	2023						
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Bad debt expenses	₩ (2,671,474)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (2,671,474)
Gain (loss) on valuation of derivatives	-	4,857,708	-	-	(3,252,462)	-	1,605,246
Gain (loss) on transactions of derivatives	-	11,829,981	-	-	(32,383,522)	-	(20,553,541)
Interest income	29,968,004	-	-	-	-	-	29,968,004
Interest expenses	-	-	-	(33,325,800)	-	(1,705,650)	(35,031,450)
Dividend income	-	22,912	-	-	-	-	22,912
Gain on valuation	-	132,323	4,294,041	-	-	-	4,426,364
Loss on disposal	-	(17,161)	(26,635)	-	-	-	(43,796)
Gain (loss) on foreign currency translation and transaction	6,865,434	-	-	(39,256)	-	-	6,826,178
	<u>₩ 34,161,964</u>	<u>₩ 16,825,763</u>	<u>₩ 4,267,406</u>	<u>₩ (33,365,056)</u>	<u>₩ (35,635,984)</u>	<u>₩ (1,705,650)</u>	<u>₩ (15,451,557)</u>

(in thousands of
Korean won)

	2022						
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Reversal of bad debt expenses	₩ 3,936,331	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 3,936,331
Gain (loss) on valuation of derivatives	-	11,442,050	-	-	(1,810,102)	-	9,631,948
Gain (loss) on transactions of derivatives	-	9,825,284	-	-	(26,776,434)	-	(16,951,150)
Interest income	11,180,221	-	-	-	-	-	11,180,221
Interest expenses	-	-	-	(10,980,973)	-	(1,134,951)	(12,115,924)
Dividend income	-	17,996	-	-	-	-	17,996
Gain (loss) on valuation	-	265,372	(23,852)	-	-	-	241,520
Gain (loss) on foreign currency translation and transaction	1,119,524	-	-	(2,388,573)	-	-	(1,269,049)
	<u>₩ 16,236,076</u>	<u>₩ 21,550,702</u>	<u>₩ (23,852)</u>	<u>₩ (13,369,546)</u>	<u>₩ (28,586,536)</u>	<u>₩ (1,134,951)</u>	<u>₩ (5,328,107)</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

29. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding.

Details of calculation of earnings per share for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Profit for the year	₩ 273,840,760	₩ 235,792,430
Less: Profit attributable to the preferred shareholders of the Company	-	-
Undeclared participating preferred share dividend	-	-
Profit attributable to the ordinary shareholders of the Company	273,840,760	235,792,430
Weighted average number of ordinary shares outstanding	<u>87,197,353</u>	<u>87,197,353</u>
Basic earnings per share <i>(in Korean won)</i>	<u>₩ 3,140</u>	<u>₩ 2,704</u>

The Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

30. Income taxes

Income tax expense for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	2023	2022
Current income tax payable	₩ 98,370,040	₩ 85,505,666
Adjustment relating to prior income tax expense	4,115,625	490,657
Tax expenses related to the variation of temporary difference	(12,001,195)	(1,536,683)
Beginning deferred tax assets due to temporary differences	63,692,921	62,278,363
Ending deferred tax assets due to temporary differences	74,496,711	63,692,921
Deferred tax directly reflected in equity	(1,197,405)	(122,125)
Income tax expense	₩ 90,484,470	₩ 84,459,640

Reconciliation between accounting income and income tax expense of the Company for the years ended December 31, 2023 and 2022, is as follows

<i>(in thousands of Korean won)</i>	2023	2022
Profit before income tax expense	₩ 364,325,230	₩ 320,252,070
Tax at domestic tax rates applicable to profits in the respective countries	85,819,860	77,707,319
Adjustments:	4,664,610	6,752,321
Income not subject to tax	(4,478,305)	(31,462)
Expenses not deductible for tax purposes	2,159,674	5,100,080
Adjustment relating to prior income tax expense	4,115,625	490,657
Effect of tax credit and exemption	(4,151,567)	(17,095,245)
Temporary differences not recognized as deferred tax assets	1,801,293	1,900,040
Foreign tax adjustment	8,919,775	11,331,974
Impact of changes in tax rate	(2,638,319)	2,424,488
Others	(1,063,566)	2,631,789
Income tax expense	₩ 90,484,470	₩ 84,459,640

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (1,039,157)	₩ 5,534
Remeasurements of defined benefit plan	(158,248)	(127,658)
Total deferred tax directly reflected in equity	<u>₩ (1,197,405)</u>	<u>₩ (122,124)</u>

Changes in deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022, are as follows

<i>(in thousands of Korean won)</i>	2023			
	Beginning balance	Reflected in profit or loss	Reflected in equity	Ending balance
Temporary differences:				
Valuation of derivative instruments	₩ (2,342,330)	₩ 1,953,860	₩ -	₩ (388,470)
Property, plant and equipment	10,732,191	2,806,424	-	13,538,615
Financial lease	681,985	360,695	-	1,042,680
Intangible assets	312,392	156,317	-	468,709
Financial assets at fair value through other comprehensive income	(241,567)	988,260	(1,039,157)	(292,464)
Accrued expense	34,991,709	3,781,639	-	38,773,348
Provisions	14,096,487	2,489,917	(158,248)	16,428,156
Doubtful receivable	824,539	35,540	-	860,079
Government grants	194,635	(879)	-	193,756
Other	1,958,959	(156,763)	-	1,802,196
Carried forward tax credit	<u>2,483,921</u>	<u>(413,815)</u>	<u>-</u>	<u>2,070,106</u>
Deferred tax assets (liabilities)	<u>₩ 63,692,921</u>	<u>₩ 12,001,195</u>	<u>₩ (1,197,405)</u>	<u>₩ 74,496,711</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2022			
	Beginning balance	Reflected in profit or loss	Reflected in equity	Ending balance
Temporary differences:				
Valuation of derivative instruments	₩ 228,179	₩ (2,570,509)	₩ -	₩ (2,342,330)
Property, plant and equipment	8,217,946	2,514,245	-	10,732,191
Financial lease	351,140	330,845	-	681,985
Intangible assets	577,139	(264,747)	-	312,392
Financial assets at fair value through other comprehensive income	(193,285)	(53,816)	5,534	(241,567)
Accrued expense	32,561,776	2,429,933	-	34,991,709
Provisions	13,005,078	1,219,067	(127,658)	14,096,487
Doubtful receivable	960,293	(135,754)	-	824,539
Government grants	250,267	(55,632)	-	194,635
Other	2,714,083	(755,124)	-	1,958,959
Carried forward tax credit	3,605,746	(1,121,825)	-	2,483,921
Deferred tax assets (liabilities)	₩ 62,278,362	₩ 1,536,683	₩ (122,124)	₩ 63,692,921

As of December 31, 2023 and 2022, details related to unrecognized deferred tax assets (liabilities) (excluding investment assets and equity-related assets) are as follows:

(in thousands of Korean won)	2023	2022
Unused tax credit	₩ 307,947	₩ 1,242,908

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Details of unrecognized temporary differences as deferred tax assets (liabilities) related to investments in subsidiaries and associates as of December 31, 2023 and 2022, are as follows

<i>(in thousands of Korean won)</i>	2023		2022	
Investments in subsidiaries	₩	3,267,714	₩	4,055,354
Investments in associates		<u>38,355,029</u>		<u>30,124,029</u>
	₩	<u>41,622,743</u>	₩	<u>34,179,383</u>

The timing of collection and settlement of deferred tax assets (liabilities) is as follows.

<i>(in thousands of Korean won)</i>	2023		2022	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	40,087,389	₩	38,172,544
Deferred tax asset to be recovered within 12 months		<u>49,514,985</u>		<u>44,793,103</u>
		<u>89,602,374</u>		<u>82,965,647</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		(14,904,022)		(18,864,107)
Deferred tax liability to be recovered within 12 months		<u>(201,641)</u>		<u>(408,619)</u>
		<u>(15,105,663)</u>		<u>(19,272,726)</u>
Deferred tax assets, net	₩	<u>74,496,711</u>	₩	<u>63,692,921</u>

Under the Pillar Two legislation, the Company is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. The Company is in review for the impact of the Pillar Two legislation on the separate financial statements.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

31. Related Party Transactions

Details of related parties of the Company as of December 31, 2023 and 2022, are as follows:

Parent Company (including Immediate Parent Company and its associates)	2023	
	Subsidiaries, joint ventures and associates of Parent Company (domestic) ¹	Subsidiaries, joint ventures and associates of Parent Company (overseas) ¹
Immediate Parent Company and its subsidiaries		
LG Corp.	D&O CORP. and others ² LG Management Development Institute LG Sports Ltd.	LG Holdings Japan Co., Ltd. D&O CM NANJING and others ²
Subsidiaries		
LG CNS Co., Ltd.	BIZTECH I CO., LTD Biztech On Co.,Ltd. Haemgbokmaru Co., Ltd. Open Source Consulting, Inc. RightBrain Co., Ltd.	LG CNS China Inc. and others
Associates and joint ventures		
LG CNS Co., Ltd.	Tmoney Co., Ltd. and others Songdo U-Life LLC and others Daegu clean energy Co., Ltd. Cloudgram Co., Ltd. KoreaDRD Co., Ltd. HEMPKING Danbi Inc. bithumb META Sejong-smartcity Co., Ltd.	Ulaanbaatar Smart card Co, LLC RECAUDO BOGOTA S.A.S Hellas SmarTicket Societe Anonyme
Associates and joint ventures of Immediate Parent Company		
LG Electronics Inc.	Hi Plaza Inc. High-M Solutec Co., Ltd. HITeleservice Co., Ltd. Ace R&A Co., Ltd. LG Innotek Co., Ltd. Innowith Co., Ltd. LG Hanuri Co. Ltd. ZKW Lighting Systems Korea Co., Ltd. Hi-Caresolution Corp LG Magna e-Powertrain Co., Ltd. Fitness Candy HIEVCHARGER CO.,LTD ⁴	LG Electronics Mexico S.A.DE C.V. and others
LG Chem Ltd.	Haemgboknuri Co., Ltd. FarmHannong LG ENERGY SOLUTION, LTD. Aremnuri. Co. Ltd. LGBCM	LG Chem America, Inc. and others
LG Uplus Corp.	TW Biomassenergy Co., Ltd ⁶ CS Leader Ain Teleservice Medialog Corp. CS ONE Partner WithU LG Hellovision Co., Ltd. LG Uplus Homeservice Co., Ltd. CV Partners Co.,Ltd. Murex wave active senior investment association	Dacom America, Inc. and others

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

2023		
Parent Company (including Immediate Parent Company and its associates)	Subsidiaries, joint ventures and associates of Parent Company (domestic) ¹	Subsidiaries, joint ventures and associates of Parent Company (overseas) ¹
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. Hankook Beverage Co., Ltd. HTB Co., Ltd. Balkeunnuri Co., Ltd. FMG Co., Ltd. LG Farouk TAI GUK PHARM Co., Ltd. Ulleungdo Choosan Water RUCIPELLO KOREA INC. MiGenstory Co., Ltd. Gwoonnuri F&I Agricultural Co.,Ltd. ⁴ vivawave Co., Ltd. ⁸	Beijing LG Household Chemical Co.,Ltd. and others
HS Ad Co., Ltd. ⁷ ZKW Holding GmbH ³ ZKW Austria Immobilien Holding GmbH	ZKW Lighting Systems Korea Co., Ltd.	GIIR America, Inc. and others ZKW Group GmbH. and others ZKW Austria Immobilien GmbH
Large Enterprise Group entities and others ⁵ LG Display SEETEC Co., Ltd. DACOM Crossing Robostar Co., Ltd	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others Robostar(Shanghai) Co., Ltd.
Other related parties CRYSTAL KOREA LIMITED		

¹ Joint ventures of associates are excluded.

² Associates of subsidiaries with direct shareholding are included.

³ It is an associate of an Immediate Parent Company and a subsidiary of LG Electronics Inc., which is also an associate of an Immediate Parent Company. Therefore, its related party transactions are included in the transactions with LG Electronics Inc.

⁴ During the year ended December 31, 2023, AppleMango Co.Ltd and KONJAM YEWON Co.,Ltd. have changed their names to HIEVCHARGER CO.,LTD and F&I Agricultural Co.,Ltd., respectively.

⁵ These entities are not related parties as defined in paragraph 9 of Korean IFRS 1024. However, the entities are classified as related parties in accordance with the resolution of the Securities and Futures Commission that defined the entities included in a Large Enterprise Group designated by the Fair Trade Commission are considered related parties with the substantive relationship stipulated in paragraph 10 of Korean IFRS 1024.

⁶ Newly acquired as investment in subsidiaries of LG Chem Ltd. during the year ended December 31, 2023.

⁷ GIIR Corp. merged with HS Ad Co., Ltd. and L.Best and changed its name to HS Ad Co., Ltd. during the year ended December 31, 2023.

⁸ Newly acquired as investment in subsidiaries of LG Household & Health Care Ltd. during the year ended December 31, 2023.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

2022		
Parent Company (including Immediate Parent Company and its associates)	Subsidiaries, joint ventures and associates of Parent Company (domestic) ¹	Subsidiaries, joint ventures and associates of Parent Company (overseas) ¹
Immediate Parent Company and its subsidiaries		
LG Corp.	D&O CORP. and others ^{2,3} LG Management Development Institute LG Sports Ltd.	LG Holdings Japan Co., Ltd. S&I NANJING Co., Ltd. and others ²
Subsidiaries		
LG CNS Co., Ltd.	BIZTECH I CO., LTD ⁴ Biztech On Co.,Ltd. ⁴ Haembokmaru Co., Ltd. Open Source Consulting, Inc. RightBrain Co., Ltd.	LG CNS China Inc. and others
Associates and joint ventures		
LG CNS Co., Ltd.	Tmoney Co., Ltd. and others Songdo U-Life LLC and others Daegu clean energy Co., Ltd. Cloudgram Co., Ltd. KoreaDRD Co., Ltd. HEMPKING Danbi Inc. bithumb META ⁵ Sejong-smartcity Co., Ltd. ⁵	T money Asia sdn bhd and others RECAUDO BOGOTA S.A.S Hellas SmarTicket Societe Anonyme
Associates and joint ventures of Immediate Parent Company		
LG Electronics Inc.	Hi Plaza Inc. High-M Solutech Co., Ltd. HiTeleservice Co., Ltd. Ace R&A Co., Ltd. LG Innotek Co., Ltd. Innowith Co., Ltd. LG Hanuri Co. Ltd. ZKW Lighting Systems Korea Co., Ltd. Hi-Caresolution Corp LG Magna e-Powertrain Co., Ltd. Fitness Candy ⁶ APPLEMANGO CO.,LTD ⁹	LG Electronics Mexico S.A.DE C.V. and others
LG Chem Ltd.	Haemboknuri Co., Ltd. FarmHannong LG ENERGY SOLUTION, LTD. Aremnuri. Co. Ltd. LGBCM	LG Chem America, Inc. and others
LG Uplus Corp.	CS Leader Ain Teleservice Medialog Corp. CS ONE Partner WithU LG Hellovision Co., Ltd. LG Uplus Homeservice Co., Ltd. CV Partners Co.,Ltd. Murex wave active senior investment association	Dacom America, Inc. and others
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. Hankook Beverage Co., Ltd. HTB Co., Ltd. Balkeunnuri Co., Ltd. FMG Co., Ltd.	Beijing LG Household Chemical Co.,Ltd. and others

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Parent Company (including Immediate Parent Company and its associates)	2022	
	Subsidiaries, joint ventures and associates of Parent Company (domestic) ¹	Subsidiaries, joint ventures and associates of Parent Company (overseas) ¹
	LG Farouk TAI GUK PHARM Co., Ltd. Ulleungdo Choosan Water RUCIPELLO KOREA INC. MiGenstory Co., Ltd. Gwoonnuri KONJAM YEWON ⁷	
GIIR Corp.	HS Ad Co., Ltd. L.Best	GIIR America, Inc. and others
ZKW Holding GmbH ⁸ ZKW Austria Immobilien Holding GmbH ⁸	ZKW Lighting Systems Korea Co., Ltd.	ZKW Group GmbH. and others ZKW Austria Immobilien GmbH
Large Enterprise Group entities and others ¹⁰ LG Display SEETEC Co., Ltd. DACOM Crossing Robostar Co., Ltd	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others Robostar(Shanghai) Co., Ltd.
Other related parties CRYSTAL KOREA LIMITED		

¹ Joint ventures of associates are excluded.

² Associates of subsidiaries with direct shareholding are included.

³ During the year ended December 31, 2022, S & I Corp., S&I CM Co.,Ltd. and S&I Atxper Co., Ltd have changed their names to D&O CORP., D&O CM CORP. CO.,LTD. and S&I Corp., respectively.

⁴ During the year ended December 31, 2022, due to the spin-off of Biztech Partners Co., Ltd., the surviving company has changed the name to BIZTECH I CO., LTD. and newly established Biztech On Co.,Ltd.

⁵ Newly acquired as investment in associates during the year ended December 31, 2022.

⁶ Newly acquired as investment in subsidiaries of LG Electronics Inc. during the year ended December 31, 2022.

⁷ Newly acquired as investment in subsidiaries of LG Household & Health Care Ltd. during the year ended December 31, 2022.

⁸ It is an associate of an Immediate Parent Company and a subsidiary of LG Electronics Inc., which is also an associate of an Immediate Parent Company. Therefore, its related party transactions are included in the transactions with LG Electronics Inc.

⁹ Newly acquired as investment in associates of LG Electronics Inc. during the year ended December 31, 2022.

¹⁰ These entities are not related parties as defined in paragraph 9 of Korean IFRS 1024. However, the entities are classified as related parties in accordance with the resolution of the Securities and Futures Commission that defined the entities included in a Large Enterprise Group designated by the Fair Trade Commission are considered related parties with the substantive relationship stipulated in paragraph 10 of Korean IFRS 1024.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Sales and purchases with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			2022		
	Sales and others ⁵	Acquisition of property, plant and equipment	Other purchases	Sales and others	Acquisition of property, plant and equipment	Other purchases
Immediate Parent Company and its subsidiaries						
LG Corp.	₩ 12,007,619	₩ -	₩ 17,965,953	₩ 7,092,009	₩ -	₩ 16,681,099
D&O CORP. ^{1,2}	64,804,417	-	38,598,057	50,617,678	100,310	36,531,598
LG Sports Ltd.	1,467,458	-	40,000	1,499,270	-	40,000
LG Management Development Institute	60,765,726	-	10,681,896	45,508,853	-	8,050,799
	139,045,220	-	67,285,906	104,717,810	100,310	61,303,496
Subsidiaries						
LG CNS China Inc.	131,029,499	-	1,525,103	108,409,987	-	1,227,798
LG CNS Europe B.V.	69,302,072	-	82,499	86,763,745	-	86,236
LG CNS America, Inc.	133,565,201	-	11,989,011	86,098,166	-	7,846,420
LG CNS India Pvt, Ltd.	9,233,264	-	159,235	7,314,514	-	84,740
PT. LG CNS Indonesia	48,889,924	-	326,298	3,363,070	-	181,663
LG CNS BRASIL SERVICOS DE TI LTDA	192,201	-	-	206,983	-	-
BIZTECH I CO., LTD	1,368,819	186,950	204,848,320	1,220,875	1,377,271	159,436,834
LG CNS COLOMBIA SAS	5,734,003	-	-	1,232,042	-	-
LG CNS JAPAN Co., Ltd.	619,046	-	284,258	1,327,882	-	20,952
LG CNS Malaysia SDN Bhd	2,809,488	-	-	2,597,918	-	4,346
LG CNS UZBEKISTAN, LLC	-	-	38,772	-	-	198,644
Haemgbokmaru Co., Ltd.	28,481	-	2,449,230	28,425	-	2,056,993
LG CNS Vietnam Co., Ltd.	44,142,905	-	831,484	24,947,759	-	990,726
Open Source Consulting, Inc.	53,256	-	5,635,681	87,001	424	4,896,887
RightBrain Co., Ltd.	2,925	-	5,975,390	-	-	3,923,858
Biztech On Co.,Ltd.	343,218	-	5,166,770	230,758	-	2,067,343
	447,314,302	186,950	239,312,051	323,829,125	1,377,695	183,023,440
Associates and joint ventures						
Tmoney Co., Ltd.	60,102,617	-	1,659,513	22,736,730	-	1,113,819
Hellas SmarTicket Societe Anonyme	1,987,191	-	-	1,518,079	-	-
Cloudgram Co., Ltd.	-	-	3,136,969	-	-	3,729,228
KoreaDRD Co., Ltd.	-	-	1,500	620,000	-	587,384
HEMPKING	-	-	260,044	-	-	137,120
bithum META	315,688	-	-	6,710,985	-	-

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2023			2022		
	Sales and others ⁵	Acquisition of property, plant and equipment	Other purchases	Sales and others	Acquisition of property, plant and equipment	Other purchases
SEJONG SMART CITY CO., LTD.	12,804,425	-	11,182	1,926,252	-	5
	75,209,921	-	5,069,208	33,512,046	-	5,567,556
Associates and joint ventures of Parent Company						
LG Chem Ltd. ¹	842,379,730	-	36,947,552	737,020,261	-	20,357,429
LG Household & Health Care Ltd. ¹	37,882,373	-	4,459,851	36,613,829	4,433	3,640,840
LG Electronics Inc. ¹	978,743,612	-	118,469,340	882,080,023	129,700	133,319,214
HS Ad Co., Ltd. ^{1,4}	6,205,806	-	396,668	9,696,969	7,289	1,190,608
LG Hitachi Co., Ltd.	-	-	-	104,420	-	507,434
LG U Plus Co., Ltd. ¹	377,211,469	-	29,258,544	488,195,769	12,104	27,429,027
	2,242,422,990	-	189,531,955	2,153,711,271	153,526	186,444,552
Large Enterprise Group entities and others						
LG Display ¹	210,340,654	-	-	197,795,491	-	15,500
LX Holdings Corp.	-	-	-	1,042,458	-	-
LX Hausys, Ltd	-	-	-	13,548,955	-	2,770
LX MMA Corp.	-	-	-	2,425,097	-	-
LX Semicon Co., Ltd.	-	-	-	4,310,983	-	-
LX International Corp.	-	-	-	52,730,020	-	118,645
Robostar Co., Ltd	3,733	-	-	4,372	-	-
	210,344,387	-	-	271,857,376	-	136,915
	₩ 3,114,336,820	₩ 186,950	₩ 501,199,120	₩ 2,887,627,628	₩ 1,631,531	₩ 436,475,959

¹ This includes transaction details for subsidiaries.

² This includes transaction details for associates.

³ Other than the above transactions, the amount recognized related to contract assets and contract liabilities for LG Electronics Inc. and others is ₩ 73,669,984 thousand and contract assets of ₩ 270,366,411 thousand and contract liabilities of ₩ 133,297,663 thousand are recognized during the year ended December 31, 2023.

⁴ This includes transaction details for merged subsidiary.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			2022		
	Trade receivables and others ¹	Loans	Trade payables and others ²	Trade receivables and others ¹	Loans	Trade payables and others ²
Immediate Parent Company and its subsidiaries						
LG Corp.	₩ 6,041,986	₩ -	₩ 2,481,248	₩ 6,470,648	₩ -	₩ 1,814,476
D&O CORP. ^{3,4}	6,971,115	-	1,931,116	15,356,119	-	2,189,928
LG Sports Ltd.	158,678	-	-	96,293	-	-
LG Management Development Institute	9,325,249	-	334,597	5,338,211	-	291,612
	22,497,028	-	4,746,961	27,261,271	-	4,296,016
Subsidiaries						
LG CNS China Inc.	18,782,518	-	280,417	27,399,252	-	495,136
LG CNS Europe B.V. ⁶	34,784,843	-	6,261	27,664,004	-	110,736
LG CNS America, Inc. ⁷	37,177,801	-	114,379	39,453,916	-	952,440
LG CNS India Pvt. Ltd.	3,741,123	-	67,049	3,987,014	-	-
PT. LG CNS Indonesia	42,029,601	-	-	1,831,069	-	154,357
LG CNS BRASIL SERVICOS DE TI LTDA	4,315	-	-	9,869	-	-
BIZTECH I CO., LTD	218,328	-	36,214,996	133,437	-	22,003,986
LG CNS COLOMBIA SAS	2,273,230	-	-	559,435	-	-
LG CNS PHILIPPINES, INC. ⁵	-	-	-	81,026	2,799,605	-
LG CNS JAPAN Co., Ltd.	-	-	18,115	6,678	-	-
LG CNS Malaysia SDN Bhd	1,824,975	-	7,703	2,173,282	-	4,297
LG CNS UZBEKISTAN, LLC ⁵	744,837	-	4,448	732,070	-	55,063
Haemgbokmaru Co., Ltd.	89	-	38,335	89	-	27,962
LG CNS Vietnam Co., Ltd.	18,891,053	-	302,605	5,489,255	-	-
Open Source Consulting, Inc.	13,067	-	1,561,473	481	-	1,188,112
RightBrain Co., Ltd.	2,336	-	376,684	-	-	9,680
Biztech On Co.,Ltd.	29,041	-	629,172	21,532	-	373,497
	160,517,157	-	39,621,637	109,542,409	2,799,605	25,375,266
Associates and joint ventures						
RECAUDO BOGOTA S.A.S ⁸	7,448,254	-	-	7,647,811	-	-
Tmoney Co., Ltd.	26,708,291	-	210,803	2,362,147	-	148,666
Hellas SmarTicket Societe Anonyme	230,849	-	-	121,112	-	-
Cloudgram Co., Ltd.	-	-	91,769	-	-	48,666
HEMPKING	-	-	-	-	-	-

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2023			2022		
	Trade receivables and others ¹	Loans	Trade payables and others ²	Trade receivables and others ¹	Loans	Trade payables and others ²
SEJONG SMART CITY CO., LTD.	13,233,228	-	12,299	1,257,267	-	-
	47,620,622	-	314,871	11,388,337	-	197,332
Associates and joint ventures of Immediate Parent Company						
LG Chem Ltd. ³	332,036,329	-	8,074,156	348,319,329	-	6,088,604
LG Household & Health Care Ltd. ³	5,733,598	-	378,760	3,876,104	-	332,023
LG Electronics Inc. ^{3,9}	405,384,333	-	28,323,032	294,482,093	-	29,819,939
HS Ad Co., Ltd. ³	1,725,939	-	160,503	3,819,044	-	1,198,498
LG U Plus Co., Ltd. ³	119,876,675	-	4,830,080	131,717,034	-	7,963,450
	864,756,874	-	41,766,531	782,213,604	-	45,402,514
Large Enterprise Group entities and others						
LG Display	90,181,409	-	-	77,662,946	-	17,050
Robostar Co., Ltd	264	-	-	722	-	-
	90,181,673	-	-	77,663,668	-	17,050
	₩ 1,185,573,354	₩ -	₩ 86,450,000	₩ 1,008,069,289	₩ 2,799,605	₩ 75,288,178

¹ Receivables from related parties consist of trade receivables, other receivables and advance payments from sales and purchase transactions. Contract assets and contract liabilities are excluded.

² Payables to related parties consist of trade payables, other payables and others from purchase transactions.

³ This includes transaction details for subsidiaries.

⁴ This includes transaction details for associates.

⁵ The Company established 100% of provision for the receivables as of December 31, 2023 and 2022.

⁶ The Company established provision for the receivables amounting to ₩ 317 thousand and ₩ 300 thousand as of December 31, 2023 and 2022, respectively.

⁷ The Company established provision for the receivables amounting to ₩ 10,835 thousand and ₩ 10,649 thousand as of December 31, 2023 and 2022, respectively.

⁸ The Company established provision for the receivables amounting to ₩ 1,348 thousand and ₩ 180,259 thousand as of December 31, 2023 and 2022, respectively.

⁹ The Company established provision for the receivables amounting to ₩ 571,562 thousand and ₩ 523,180 thousand as of December 31, 2023 and 2022, respectively.

¹⁰ Other than the above transactions, right-of-use assets of ₩ 27,099,368 thousand and lease liabilities of ₩ 29,782,660 thousand are recognized for LG Corp. and others.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Fund transactions with related parties for the periods ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023									
	Contributions in cash (capital reduction)		Disposal of interests		Loan transactions			Borrowing transactions		
					Loans	Collections		Borrowings	Repayments	
Subsidiaries										
LG CNS FUND I LLC	₩	1,952,636	₩	-	₩	-	₩	-	₩	-
LG CNS FUND II LLC ¹		6,769,000		-		-		-		-
	₩	8,721,636	₩	-	₩	-	₩	-	₩	-

¹ Newly acquired during the year ended December 31, 2023.

(in thousands of Korean won)

	2022									
	Contributions in cash (capital reduction)		Disposal of interests		Loan transactions			Borrowing transactions		
					Loans	Collections		Borrowings	Repayments	
Subsidiaries										
LG CNS FUND I LLC	₩	1,879,285	₩	-	₩	-	₩	-	₩	-
Open Source Consulting, Inc.		6,999,975		-		-		-		-
RightBrain Co., Ltd.		4,370		-		-		-		-
Associates and joint ventures										
bithumb META ¹		3,000,000		-		-		-		-
Sejong-smartcity Co., Ltd. ¹		14,562,000		-		-		-		-
	₩	26,445,630	₩	-	₩	-	₩	-	₩	-

¹ Newly acquired during the year ended December 31, 2022.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Details of payment guaranteed provided to the related parties as of December 31, 2022, are as follows:

(in USD, EUR, INR, IDR and MYR)

Related party	Guarantees	Guaranteed by	Limit of guarantees	Guarantee period
LG CNS India Pvt, Ltd.	Credit line	Shinhan Bank	INR 130,000,000	2023.03.02~2024.03.02
PT. LG CNS Indonesia	Credit line	Woori Bank	USD 1,200,000	2023.12.01~2024.11.29
PT. LG CNS Indonesia	Credit line	Woori Bank	USD 500,000	2023.11.01~2024.10.30
PT. LG CNS Indonesia	Credit line	KEB Hana Bank	USD 700,000	2023.11.20~2024.11.20
PT. LG CNS Indonesia	Credit line	KEB Hana Bank	USD 800,000	2023.11.20~2024.11.20
PT. LG CNS Indonesia	Credit line	KEB Hana Bank	USD 500,000	2023.10.28~2024.10.28
PT. LG CNS Indonesia	Credit line	KBBukopin	USD 3,000,000	2023.06.09~2024.06.09
PT. LG CNS Indonesia	Credit line	Shinhan Bank	USD 2,000,000	2023.08.22~2024.08.21
PT. LG CNS Indonesia	Payment guarantees	KEB Hana Bank	IDR 28,645,755,534	2020.12.02~2025.07.15
LG CNS America, Inc.	Credit line	BOA	USD 10,000,000	2023.02.01~2024.01.31
LG CNS America, Inc.	Credit line	CHASE	USD 5,000,000	2023.01.27~2024.01.26
LG CNS America, Inc.	Payment guarantees	KEB Hana Bank	USD 4,138,394	2023.02.28~2024.03.31
LG CNS MALAYSIA SDN BHD	Credit line	HSBC Bank Malaysia Berhad	MYR 7,000,000	2023.01.31~2024.01.31
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 1,111,608	2021.09.13~2024.03.31
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 370,207	2020.08.24~2025.06.11
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 305,000	2021.04.07~2024.11.28
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 2,110,000	2019.12.11~2025.05.29
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 1,020,000	2022.07.22~2025.03.31
Hellas SmarTicket Societe Anonyme	Credit line	KEXIM Bank	EUR 28,000,000	2016.03.04~2027.03.04

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The compensation and benefits for the Company's key management (registered executives, including non-permanent and non-registered executives) who have significant authority and responsibility in respect to planning, operating and controlling of the Company's business activities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Short-term employee benefits	₩	26,836,601	₩	24,804,436
Post-employment benefits		2,997,461		2,640,189
Other long-term benefits		7,560		7,686
	₩	<u>29,841,622</u>	₩	<u>27,452,311</u>

During the year ended December 31, 2023, dividends paid to related parties were ₩ 88,150,787 thousand (₩ 51,833,089 thousand to LG Corp. and ₩ 36,317,698 thousand to CRYSTAL KOREA LIMITED), and there are no unpaid dividends as of December 31, 2023.

32. Commitments and Pledging

Financing agreements as of December 31, 2023, are as follows:

(in thousands of USD and Korean won)

Category ^{1,2}	Financial institution	Limit of credit in foreign currency		Limit of credit in Korean won	
Comprehensive import and export	Shinhan Bank and others	USD	33,000	₩	-
Overdraft	Woori Bank		-		5,000,000
Forward exchange	Kookmin Bank and others	USD	104,800		-
Loans for working capital	Shinhan Bank and others		-		50,000,000
Other payment guarantee	KEB Hana Bank and others		-		109,000,000

¹ Both blanket credit agreement and individual credit agreement are presented.

² Payment guarantees provided for the related parties are described in Note 31.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Restricted financial assets as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022	Restrictions on use
Long-term financial institution deposits	₩ 12,000,000	₩ 12,000,000	Support fund for partners
Long-term deposits	5,500	9,500	Deposit for overdraft
	<u>₩ 12,005,500</u>	<u>₩ 12,009,500</u>	

Details of pledging and collaterals provided by the Company are as follows:

Performance guarantee

The Company provides the following performance guarantees for contracts and warrants to customers by insuring guarantee insurance as of December 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	Guaranteed amount	Insurance company
Performance guarantees for contracts, warranties and others	₩ 84,965,658	Seoul Guarantee Insurance
	470,264,140	Korea Software Financial Cooperative
	2,568,653	Korea Info. & Comm. Contractors Association
	4,740,902	Korea Specialty Contractor Financial Cooperative
	37,360,982	KEB Hana Bank and others
	<u>₩ 599,900,335</u>	

Collateral

Details of collateral provided by the Company as of December 31, 2023, are as follows:

Remark¹

Korea Software Financial Cooperative	Capital stock investments amounting to ₩1,341,561 thousand are provided as collateral
Engineering Guarantee Insurance	Capital stock investments amounting to ₩ 774,805 thousand are provided as collateral

¹ It is the amount based on the initial deposit, excluding gains and losses on valuation, and the related carrying amount is ₩ 4,708,489 thousand.

There are no financial and non-financial assets pledged as collateral as of December 31, 2023.

The Company has entered into an investment agreement with LG CNS FUND I LLC, its subsidiary. According to the agreement, the Company is obligated to invest a total of USD 25,000,000 to LG CNS FUND I LLC. As of December 31, 2023, the Company invested USD 24,749,979 to LG CNS FUND I LLC.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The Company has entered into an investment agreement with LG CNS FUND II LLC, its subsidiary. According to the agreement, the Company is obligated to invest a total of USD 25,000,000 to LG CNS FUND II LLC. As of December 31, 2023, the Company invested USD 5,000,000 to LG CNS FUND II LLC.

33. Leases

As a Lessee

Details of the right-of-use assets as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Buildings	Vehicles	Furniture and fixtures	Total
Acquisition cost	₩ 84,220,393	₩ 3,318,547	₩ 1,953,790	₩ 89,492,730
Accumulated depreciation	<u>(37,707,251)</u>	<u>(1,333,685)</u>	<u>(732,671)</u>	<u>(39,773,607)</u>
Carrying amount	<u>₩ 46,513,142</u>	<u>₩ 1,984,862</u>	<u>₩ 1,221,119</u>	<u>₩ 49,719,123</u>

(in thousands of Korean won)

	2022			
	Buildings	Vehicles	Furniture and fixtures	Total
Acquisition cost	₩ 84,653,060	₩ 2,904,167	₩ 2,031,252	₩ 89,588,479
Accumulated depreciation	<u>(26,866,208)</u>	<u>(1,557,761)</u>	<u>(473,195)</u>	<u>(28,897,164)</u>
Carrying amount	<u>₩ 57,786,852</u>	<u>₩ 1,346,406</u>	<u>₩ 1,558,057</u>	<u>₩ 60,691,315</u>

Changes in carrying amount of the right-of-use assets for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Buildings	Vehicles	Furniture and fixtures	Total
Beginning balance	₩ 57,786,851	₩ 1,346,406	₩ 1,558,058	₩ 60,691,315
Additional (renewal) contracts	1,144,715	1,998,294	-	3,143,009
Depreciation of right-of-use assets	(12,259,073)	(1,042,851)	(336,939)	(13,638,863)
Termination of contracts and others	<u>(159,351)</u>	<u>(316,987)</u>	<u>-</u>	<u>(476,338)</u>
Ending balance	<u>₩ 46,513,142</u>	<u>₩ 1,984,862</u>	<u>₩ 1,221,119</u>	<u>₩ 49,719,123</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

	2022			
	Buildings	Vehicles	Furniture and fixtures	Total
Beginning balance	₩ 47,402,309	₩ 1,152,041	₩ 2,012,624	₩ 50,566,974
Additional (renewal) contracts	20,167,670	1,286,215	-	21,453,885
Depreciation of right-of-use assets	(9,744,809)	(901,136)	(430,606)	(11,076,551)
Termination of contracts and others	(38,319)	(190,714)	(23,960)	(252,993)
Ending balance	₩ 57,786,851	₩ 1,346,406	₩ 1,558,058	₩ 60,691,315

The Company has operating lease contracts for buildings, vehicles and others. The weighted average total lease term is 14.59 years. During the year ended December 31, 2023, about 3.49% of the leases for buildings, vehicles and others have expired. Expired contracts have been replaced by new leases with the underlying assets identified.

The amounts recognized as profit or loss for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

	2023	2022
Depreciation of right-of-use assets	₩ 13,638,863	₩ 11,076,551
Interest expense relating to lease liabilities	1,705,650	1,134,951
Interest expense relating to short-term leases	3,416,384	1,488,049
Expense relating to leases of low-value assets	519,843	62,722
Expense relating to variable lease payments not included in lease liabilities ¹	326,916	272,797

¹The Company leases some of the equipment (multifunction devices, etc.), and the lease payments for the lease contract are variable lease fees that vary depending on the amount of use. The Company concludes a contract with these variable lease terms to reduce fixed costs. Variable lease payments account for about 1.85% and 2.20% of total lease payments for the years ended December 31, 2023 and 2022.

As of December 31, 2023, the remaining lease agreement amount for the short-term leases is ₩ 876,004 thousand and the total cash outflow for leases for the year ended December 31, 2023 is ₩ 17,709,473 thousand.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

As a Lessor

The Company has a lease agreement to lease office buildings to LG Chem Co., Ltd., and 9 other companies and the future lease payment receipt plan as of December 31, 2023 and 2022, is as follows:

(in millions of Korean won)

2023

	Future lease payment receipt plan							Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years		
LG CHEM LTD.	₩ 870,440	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 870,440	
LG ARTS CENTER and LG Discovery Lab	271,068	271,068	271,068	271,068	-	-	1,084,272	
CJ E&M Corp. and 6 others	1,191,155	586,077	449,913	35,656	12,077	-	2,274,878	

(in millions of Korean won)

2022

	Future lease payment receipt plan						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
LG CHEM LTD.	₩ 1,235,375	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,235,375
LG ARTS CENTER and LG Discovery Lab	290,723	290,723	290,723	290,723	290,723	-	1,453,615
CJ E&M Corp. and 8 others	1,464,801	808,986	208,502	53,460	-	-	2,535,749

The lease income recognized by the Company in relation to the lease agreement for the years ended December 31, 2023 and 2022, is ₩ 3,061,442 thousand and ₩ 3,381,172 thousand, respectively.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

34. Pending Litigations

Pending litigation as of December 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>		Final amount of lawsuit	Plaintiff	Defendant
Claims for damages from the Korea Customs Service	₩	15,170,000	Korea Customs Service	LG CNS Co., Ltd. and others
ASAN Hospital service charge claim		10,000,000	LG CNS Co., Ltd.	ASAN Foundation
Claims for damages from ASAN Hospital		37,933,444	ASAN Foundation	LG CNS Co., Ltd.
Itmate's service charge claim		1,554,285	Itmate	LG CNS Co., Ltd.
Claims for contract deposit from Green Energy Power Co.,Ltd		6,765,000	Green Energy Power Co.,Ltd	LG CNS Co., Ltd
Unjust enrichment claim to KOREA SOFTWARE FINANCIAL COOPERATIVE		230,270	LG CNS Co., Ltd. and others	KOREA SOFTWARE FINANCIAL COOPERATIVE
Claims for SHIFT Co. Ltd., program return and others		1,000,000	SHIFT Co. Ltd.,	LG CNS Co., Ltd and others
Claims for injunction for discontinuation of use of SHIFT Co. Ltd.,		100,000	SHIFT Co. Ltd.,	LG CNS Co., Ltd and others
Claims for damages from Med Bank		600,000	Individuals	LG CNS Co., Ltd

The final result of the litigation and effect on the separate financial statements cannot be reasonably estimated at the end of the reporting period.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

35. Risk Management

34.1 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. In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's capital structure consists of net liability, which is borrowings, less cash and cash equivalents, and equity. The overall capital risk management policy of the Company has been consistent from the prior period. In addition, items managed as capital by the Company as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Total borrowings	₩	548,750,355	₩	679,599,634
Less: cash and cash equivalents		<u>389,108,618</u>		<u>648,866,093</u>
Borrowings, net		<u>159,641,737</u>		<u>30,733,541</u>
Total equity	₩	<u>1,687,564,802</u>	₩	<u>1,513,772,119</u>
Debt ratio		9.46%		2.03%

34.2 Financial Risk Management

The Company is exposed to various financial risks, such as market (foreign currency, interest rate 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. Overall, financial risk management policy of the Company has been consistent from the prior period.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

1) Foreign exchange risk

The Company is exposed to foreign currency risk as it makes transactions denominated in foreign currencies. The carrying amount of the Company's monetary assets and liabilities denominated in foreign currencies that are not the functional currency as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)	2023		2022	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 195,787,720	₩ 18,375,173	₩ 163,547,279	₩ 13,528,997
EUR	51,769,908	15,473,874	32,134,141	2,728,625
JPY	827,804	341,968	372,555	924,460
CNY	388,464	163,042	222,000	130,298
Others	113,581,878	372,123	56,377,920	305,587
	₩ 362,355,774	₩ 34,726,180	₩ 252,653,895	₩ 17,617,967

The Company internally assesses the foreign currency risk from changes in exchange rates on a regular basis. The Company's sensitivity to a 10% increase and 10% decrease in the Korean won (functional currency of the Company) against the major foreign currencies as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)	2023		2022	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
USD	₩ 13,643,025	₩ (13,643,025)	₩ 11,521,404	₩ (11,521,404)
EUR	2,791,165	(2,791,165)	2,258,344	(2,258,344)
JPY	37,361	(37,361)	(42,386)	42,386
CNY	17,335	(17,335)	7,043	(7,043)
Others	8,705,830	(8,705,830)	4,306,355	(4,306,355)
	₩ 25,194,716	₩ (25,194,716)	₩ 18,050,760	₩ (18,050,760)

The above sensitivity analysis is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency at the end of reporting period.

In addition, the Company entered into currency forward contracts to manage its foreign currency exchange rate risk related to its foreign currency payables and receivables and its expected sale and purchase. The evaluation of unsettled currency forward contracts as of December 31, 2023, is as follows:

(in thousands of Korean won)	Unsettled contractual amounts	Valuation gain and loss		Fair value	
		Gain	Loss	Assets	Liabilities
Currency forward	₩ 416,151,077	₩ 4,857,708	₩ 3,252,462	₩ 4,857,708	₩ 3,252,462

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

2) *Price risk*

The Company does not hold any equity instruments exposed to price fluctuation risk.

3) *Credit risk*

Credit risk refers to the risk of financial losses to the Company when the counterparty defaults on the obligations of the contract.

The maximum amount of financial loss to be incurred by the counterparty due to non-fulfilment of obligations excluding the effect of collateral or other credit enhancement is equivalent to the carrying amount of each financial asset in the separate financial statements. The maximum amount the Company will be required to pay if it is warranted due to the financial guarantees it provides is ₩ 74,477,250 thousand (the financial guarantee limit described in Note 31).

To minimize credit risk, the Company uses independent external credit rating agencies' information to classify exposure based on the extent of default. If the information from credit rating agencies is not available, the Company uses officially available financial information to determine the ratings of key customers and other debtors. The Company's total exposure and the counterparty's credit rating are constantly reviewed, and the total amount of these transactions is evenly distributed among the authorized accounts.

As of December 31, 2023, the exposure to credit risk by major industries, to which the Company's customers belong, is as follows:

<i>(in thousands of Korean won)</i>	Manufacturing	Financial service	Other service	Public institutions	Others	Total
Financial assets at fair value through profit or loss	₩ -	₩ 4,857,708	₩ -	₩ -	₩ 27,860,363	₩ 32,718,071
Financial assets at fair value through other comprehensive income	-	-	-	-	756,000	756,000
Financial assets at amortized cost	1,165,110,667	214,783,346	172,366,470	7,421,274	61,549,111	1,621,230,868
Limit of payment guarantee	-	-	74,477,250	-	-	74,477,250
	<u>₩ 1,165,110,667</u>	<u>₩ 219,641,054</u>	<u>₩ 246,843,720</u>	<u>₩ 7,421,274</u>	<u>₩ 90,165,474</u>	<u>₩ 1,729,182,189</u>

The carrying amount of financial assets at fair value through profit or loss is the best indication of the maximum exposure to credit risk. The Company has not provided any collateral for its financial assets other than those stated in Note 32.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

4) *Liquidity risk*

The Company manages liquidity risk by establishing short-, medium- and long-term funding plan 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 their remaining maturity as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

	2023			
	Within 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 765,028,059	₩ 2,093,911	₩ -	₩ 767,121,970
Borrowings	20,585,930	577,802,400	-	598,388,330
Limit of payment guarantee ¹	74,477,250	-	-	74,477,250
Lease liabilities	13,202,320	37,030,760	2,148,294	52,381,374
	₩ 873,293,559	₩ 616,927,071	₩ 2,148,294	₩ 1,492,368,924

¹ It includes the payment guarantees for foreign subsidiaries (USD 23,700,000, EUR 28,000,000, MYR 7,000,000 and INR 130,000,000) in Note 31. Based on the expectation as of December 31, 2023, the Company believes that possibility of payment on guaranteed amount is not higher. However, the expectation could be changed because warrantees may request payment to the Company according to the credit loss on the financial assets held by the warrantees.

(in thousands of Korean won)

	2022			
	Within 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 922,535,954	₩ 1,835,004	₩ -	₩ 924,370,958
Borrowings	551,166,116	158,262,750	-	709,428,866
Limit of payment guarantee ¹	85,348,060	-	-	85,348,060
Lease liabilities	12,709,633	42,427,462	8,058,974	63,196,069
	₩ 1,571,759,763	₩ 202,525,216	₩ 8,058,974	₩ 1,782,343,953

¹ It includes the payment guarantees for foreign subsidiaries (USD 33,700,000, EUR 28,600,000, MYR 7,000,000 and INR 130,000,000) in Note 31. Based on the expectation as of December 31, 2022, the Company believes that possibility of payment on guaranteed amount is not higher. However, the expectation could be changed because warrantees may request payment to the Company according to the credit loss on the financial assets held by the warrantees.

The above maturity analysis is based on the earliest maturity date that the Company is required to pay on the basis of undiscounted cash flows and includes the cash flows of principal and interest.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

The Company manages liquidity through cash inflows from financial assets and financing arrangements with financial institutions. The financial assets' maturity structures as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Within 1 year	Between 1 and 5 years	Over 5 years	Total
Financial institution deposits	₩ 150,000,000	₩ 12,000,000	₩ -	₩ 162,000,000
Trade and other receivables	1,443,113,290	12,720,726	3,396,853	1,459,230,869
Investment in equity and debt instruments	-	-	28,616,363	28,616,363
	<u>₩ 1,593,113,290</u>	<u>₩ 24,720,726</u>	<u>₩ 32,013,216</u>	<u>₩ 1,649,847,232</u>

(in thousands of Korean won)

	2022			
	Within 1 year	Between 1 and 5 years	Over 5 years	Total
Financial institution deposits	₩ 100,000,000	₩ 12,000,000	₩ -	₩ 112,000,000
Trade and other receivables	1,282,687,606	13,284,152	3,530,679	1,299,502,437
Investment in equity and debt instruments	-	-	26,886,464	26,886,464
	<u>₩ 1,382,687,606</u>	<u>₩ 25,284,152</u>	<u>₩ 30,417,143</u>	<u>₩ 1,438,388,901</u>

Meanwhile, the maturity analysis of derivative financial assets (liabilities) according to their remaining maturity as of December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

	2023		
	Within 1 year	Between 1 and 5 years	Total
Derivative instruments for trading:			
Foreign currency Inflows	₩ 415,667,066	₩ -	₩ 415,667,066
derivative Outflows	(414,061,820)	-	(414,061,820)
instruments ¹			
Total	<u>₩ 1,605,246</u>	<u>₩ -</u>	<u>₩ 1,605,246</u>

¹ As all foreign currency derivative instruments contracts are subject to total settlement, cash flows outflows and inflows are recorded separately.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

(in thousands of Korean won)		2022			
		Between		Total	
		Within 1 year	1 and 5 years		
Derivative instruments for trading:					
Interest rate derivative instruments		₩ (464,301)	₩ -	₩ (464,301)	
Foreign currency derivative instruments ¹	Inflows	₩ 336,611,064	₩ -	₩ 336,611,064	
	Outflows	(326,514,817)	-	(326,514,817)	
	Total	₩ 10,096,247	₩ -	₩ 10,096,247	

¹ As all foreign currency derivative instruments contracts are subject to total settlement, cash flows outflows and inflows are recorded separately.

5) Interest rate risk

As of December 31, 2023, the Company does not have any instruments exposed to interest rate risk.

34.3 Estimation of Fair Value

The fair values of financial instruments (i.e., financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income) traded in active markets are determined with reference to quoted market prices. The Company uses the current bid price as the quoted market price for its financial assets.

The fair values of financial instruments not traded on an active market (i.e., over-the-counter derivatives) are determined using a valuation technique. The Company uses various valuation techniques using assumptions based on current market conditions. The fair values of long-term liabilities and financial liabilities available for settlement are determined using prices from observable current market transactions and dealer quotes for similar instruments. When such prices are not available, a discounted cash flow ("DCF") analysis or other valuation technique is performed to measure their fair values.

The fair values of trade and other receivables are approximated as their carrying amount, less impairment loss. The Company estimates the fair values of financial liabilities as the present value of future contractual cash flows, discounted based on current market rates applied to similar financial instruments.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3, based on the degree to which the fair value is observable, as described below.

- 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).

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

- Inputs for the asset or liability and are not based on observable market data (unobservable inputs) (Level 3).

1) Financial instruments that are measured subsequently at fair value as of December 31, 2023 and 2022, are as follows:

		2023				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets						
Financial assets at fair value through profit or loss						
Derivative financial assets for trading	₩ 4,857,708	₩ -	₩ 4,857,708	₩ -	₩ 4,857,708	
Investment and others	27,860,363	-	-	27,860,363	27,860,363	
	32,718,071	-	4,857,708	27,860,363	32,718,071	
Financial assets at fair value through other comprehensive income						
Non-marketable equity securities	756,000	-	-	756,000	756,000	
	756,000	-	-	756,000	756,000	
	₩ 33,474,071	₩ -	₩ 4,857,708	₩ 28,616,363	₩ 33,474,071	
Financial liabilities						
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities for trading	₩ 3,252,462	₩ -	₩ 3,252,462	₩ -	₩ 3,252,462	
	3,252,462	-	3,252,462	-	3,252,462	
	₩ 3,252,462	₩ -	₩ 3,252,462	₩ -	₩ 3,252,462	

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

(in thousands of Korean won)

	2022					
	Carrying amount	Fair value				
		Level 1	Level 2	Level 3	Total	
Financial assets						
Financial assets at fair value through profit or loss						
Derivative financial assets for trading	₩ 11,442,050	₩ -	₩ 11,442,050	₩ -	₩ 11,442,050	
Investment and others	24,534,227	-	-	24,534,227	24,534,227	
	35,976,277	-	11,442,050	24,534,227	35,976,277	
Financial assets at fair value through other comprehensive income						
Marketable equity securities	1,596,237	1,596,237	-	-	1,596,237	
Non-marketable equity securities	756,000	-	-	756,000	756,000	
	2,352,237	1,596,237	-	756,000	2,352,237	
	₩ 38,328,514	₩ 1,596,237	₩ 11,442,050	₩ 25,290,227	₩ 38,328,514	
Financial liabilities						
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities for trading	₩ 1,810,103	₩ -	₩ 1,810,103	₩ -	₩ 1,810,103	
	1,810,103	-	1,810,103	-	1,810,103	
	₩ 1,810,103	₩ -	₩ 1,810,103	₩ -	₩ 1,810,103	

There were no significant transfers between level 1 and 2 during the years ended December 31, 2023 and 2022.

2) Valuation method and input variables of financial instruments, which are included in Level 2 of the financial instruments that are measured at fair value in the separate statements of financial position, are as follows:

(in thousands of Korean won)

	Fair value	Valuation technique	Inputs
Financial assets			
Derivative financial assets for trading	₩ 4,857,708	Forward pricing model	Forward exchange rate
Financial liabilities			
Derivative financial liabilities for trading	3,252,462	Forward pricing model	Forward exchange rate

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

3) The levels of fair value measurements of the financial instruments that are not measured subsequently at fair value as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)

		2023								
		Carrying amount	Fair value							
			Level 1	Level 2	Level 3	Total				
Financial assets										
Cash and cash equivalents	₩	389,108,618	₩	-	₩	-	₩	389,108,618	₩	389,108,618
Financial institution deposits		162,000,000		-		-		162,000,000		162,000,000
Trade receivables ¹		1,411,015,362		-		-		1,411,015,362		1,411,015,362
Loans ¹		11,041,705		-		-		11,041,705		11,041,705
Non-trade receivables ¹		25,129,026		-		-		25,129,026		25,129,026
Accrued income ¹		833,227		-		-		833,227		833,227
Deposits ¹		11,211,548		-		-		11,211,548		11,211,548
	₩	2,010,339,486	₩	-	₩	-	₩	2,010,339,486	₩	2,010,339,486
Financial liabilities										
Trade payables ¹	₩	717,744,818	₩	-	₩	-	₩	717,744,818	₩	717,744,818
Non-trade payables ^{1,2}		41,193,756		-		-		41,193,756		41,193,756
Accrued expenses ^{1,2}		6,089,485		-		-		6,089,485		6,089,485
Dividends payable ¹		50		-		-		50		50
Deposits received		2,093,911		-		2,093,911		-		2,093,911
Borrowings		548,750,355		-		547,154,259		-		547,154,259
	₩	1,315,872,375	₩	-	₩	549,248,170	₩	765,028,109	₩	1,314,276,279

¹ Short-term receivables and payables that have been shown as Level 3 are measured at the original amount since the effect of discounting is immaterial.

² Other payables and accrued expenses that are not related financial liabilities are excluded.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of Korean won)

(in thousands of Korean won)

		2022						
		Carrying amount	Fair value				Total	
			Level 1	Level 2	Level 3			
Financial assets								
Cash and cash equivalents	₩	648,866,093	₩	-	₩	-	₩ 648,866,093	₩ 648,866,093
Financial institution deposits		112,000,000		-		-	112,000,000	112,000,000
Trade receivables ¹		1,264,854,778		-		-	1,264,854,778	1,264,854,778
Loans ¹		10,836,214		-		-	10,836,214	10,836,214
Non-trade receivables ¹		10,258,654		-		-	10,258,654	10,258,654
Accrued income ¹		1,761,290		-		-	1,761,290	1,761,290
Deposits ¹		11,791,501		-		-	11,791,501	11,791,501
	₩	2,060,368,530	₩	-	₩	-	₩ 2,060,368,530	₩ 2,060,368,530
Financial liabilities								
Trade payables ¹	₩	703,746,373	₩	-	₩	-	₩ 703,746,373	₩ 703,746,373
Non-trade payables ^{1,2}		46,161,138		-		-	46,161,138	46,161,138
Accrued expenses ^{1,2}		8,246,207		-		-	8,246,207	8,246,207
Dividends payable ¹		6,126		-		-	6,126	6,126
Deposits received		1,835,004		-	1,835,004		-	1,835,004
Borrowings		679,599,634		-	384,796,224		270,000,000	654,796,224
	₩	1,439,594,482	₩		₩ 386,631,228	₩ 1,028,159,844		₩ 1,414,791,072

¹ Short-term receivables and payables that have been shown as Level 3 are measured at the original amount since the effect of discounting is immaterial.

² Other payables and accrued expenses that are not related financial liabilities are excluded.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

4) Changes in level 3 for recurring fair value measurements for the years ended December 31, 2023 and 2022, are as follows:

(in millions of Korean won)

2023

	Total comprehensive income						Ending balance
	Beginning balance	Profit or loss	Other comprehensive income	Purchases	Sales	Transfer	
Financial assets							
Investment and others	₩ 24,534,227	₩ 132,323	₩ -	₩ 3,648,520	₩ (454,707)	₩ -	₩ 27,860,363
Non-marketable equity securities	756,000	-	(28,567)	28,567	-	-	756,000
	<u>₩ 25,290,227</u>	<u>₩ 132,323</u>	<u>₩ (28,567)</u>	<u>₩ 3,677,087</u>	<u>₩ (454,707)</u>	<u>₩ -</u>	<u>₩ 28,616,363</u>

(in millions of Korean won)

2022

	Total comprehensive income						Ending balance
	Beginning balance	Profit or loss	Other comprehensive income	Purchases	Sales	Transfer	
Financial assets							
Investment and others	₩ 23,281,345	₩ 265,372	₩ -	₩ 2,594,460	₩ -	₩ (1,606,950)	₩ 24,534,227
Non-marketable equity securities	769,139	-	(13,139)	-	-	-	756,000
	<u>₩ 24,050,484</u>	<u>₩ 265,372</u>	<u>₩ (13,139)</u>	<u>₩ 2,594,460</u>	<u>₩ -</u>	<u>₩ (1,606,950)</u>	<u>₩ 25,290,227</u>

Total gains and losses recognized in other comprehensive income relate to equity securities held as of December 31, 2023 and are recognized as changes in gain (loss) on valuation of financial assets at fair value through other comprehensive income (Note 22).

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

5) A description of the valuation techniques and the inputs used in the fair value measurement of financial instruments categorized within Level 2 and Level 3 is as follows:

- Currency forward and Interest rate swaps

In principle, the fair value of currency forward was measured based on forward currency rates whose period is coincident with the residual period of the currency forward and that are advertised in the market at the end of the reporting period. If forward currency rates whose period is coincident with the residual period are not advertised in the market, the fair value of currency forward was measured by estimating the forward currency rates whose period is similar to the residual period of the currency forward. The estimation of the forward currency was performed using interpolation to advertised periodical forward currency rates. Discount rates used to measure the fair value of currency forward were determined based on yield curve from yields advertised in the market.

Discount rates and forward rates used to measure the fair value of interest rate swap were determined based on applicable yield curve from yields advertised in the market. The fair value of interest rate swap is measured as the amount of future cash flows of interest rate estimated based on the forward rate, discounted by using appropriate discount rate.

As the input variables that are used to measure the fair value of currency forward and interest rate swaps for the end of the reporting period are derived via the forward exchange rate and the yield curve in the market, the fair values of currency forward and interest rate swap were classified as Level 2 fair value measurement.

- Corporate bonds

The fair value of corporate bonds was measured using DCF. The discount rates used in DCF were determined based on advertised-in-market swap rates and credit spreads of the bonds, whose credit rating and period were similar to those corporate bonds. The discount rates that influence the fair value of corporate bonds and cumulative redeemable preference stocks significantly were classified as Level 2 fair value measurement because they resulted in observable information in the market.

- Unlisted securities and unlisted securities-linked convertible securities

The fair value of unlisted shares and unlisted securities-linked convertible securities are measured using the DCF model which is partially based on assumptions with unobservable market prices or rates, such as sales growth rate, pretax operating profit margin rate and the weighted-average cost of capital, to estimate the future cash flows. Capital asset pricing model ("CAPM") was used to calculate the weighted-average cost of capital. The key assumptions of estimation listed above are determined to have a significant impact on the fair value of non-listed shares, and the Company has classified the fair value hierarchy system as Level 3 of the fair value measurement for non-listed shares.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

6) There are no changes in the valuation techniques used in the fair value measurement of financial instruments categorized within level 2 and level 3 for the year ended December 31, 2023.

7) A description of the valuation processes in the fair value measurement for Level 2 and Level 3 that the Company is carrying out is as follows:

Unobservable inputs that are used to estimate Level 3 fair value measurement are derived in a manner that is described below.

- Stock volatilities and stock correlation used in measurement of the financial instruments linked to stocks (e.g., investments in convertible bonds, equity-linked securities and consideration for conversion rights) were measured based on change in stock price during certain period before the reporting period.

- Pre-tax profit margin and sales growth rate, which are used to measure the fair value of non-listed shares, are estimated based on the average value of pre-tax operating margin and sales growth rate of comparable listed companies.

- Weighted-average cost of capital discount rate that is used to measure the fair value of non-listed shares and the fair value of the contingent consideration is estimated by the weighted-average, and outside capital cost; capital cost estimates of the share value beta reflected for the purpose of the issuer of the shares; and capital structure based on the equity beta of comparable public companies derived based on the CAPM.

On the other hand, when it was difficult to use objective financial indicators necessary for measuring the fair value of unlisted stocks, market observable transaction price was used for fair value evaluation.

8) The Company believes that changing one or more of the unobservable inputs for reasonably possible alternative assumptions would not result in a significant change in the fair value measurement.

9) There is no significant change in business and economic environment affecting the fair value of the financial assets and liabilities during the year ended December 31, 2023.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

36. Cash Flows

Cash generated from operations

(in thousands of Korean won)

		2023		2022
Profit for the year	₩	273,840,760	₩	235,792,430
Adjustments for:				
Depreciation		67,157,985		61,712,411
Amortization		21,284,776		18,838,797
Impairment loss property, plant and equipment and intangible assets		3,971,570		-
Impairment loss on intangible assets		7,088,470		10,370,237
Gain on disposal of property, plant and equipment and intangible assets		(554,691)		(74,939)
Gain on disposal of right-of-use assets		(65,634)		(58,977)
Provisions		32,457,176		39,013,749
Reversal of loss on valuation of inventories		-		(626)
Salaries		6,527,628		2,403,030
Retirement benefits		3,232,225		5,283,349
Interest expense		5,814,637		1,259,307
Loss on transaction / valuation of derivatives		18,948,295		7,319,202
Gain on valuation / disposal of financial assets at fair value through profit or loss		(115,161)		(265,372)
Loss on disposal of financial assets at fair value through other comprehensive income		26,634		-
Bad debt expense (reversal)		2,671,474		(3,936,330)
Exchange rate difference		(453,992)		6,336,133
Impairment loss on investments in subsidiaries		-		2,146,046
Impairment loss on investments in associates		8,231,000		7,400,000
Income tax expense		90,484,470		84,459,640
Dividend income		(24,968,227)		(29,133,597)
Others		4,839,268		544,552
		<u>246,577,903</u>		<u>213,616,612</u>
Change in operating assets and liabilities:				
Trade receivables		(148,394,763)		(266,004,322)
Other receivables		(15,167,424)		2,074,654
Net defined benefit liabilities		(2,161,646)		(2,609,369)
Other current assets		(183,252,898)		(119,755,222)
Inventories		(12,599,835)		(4,264,060)
Long-term trade receivables		24,081		1,660,717
Other non-current assets		(71,710)		(67,510)
Trade payables		10,582,485		107,407,145
Other payables		9,966,869		24,409,656
Other current liabilities		45,696,416		46,066,428
Current provisions		(31,443,839)		(25,319,879)
Other non-current liabilities		(1,729,634)		(1,750,025)

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

<i>(in thousands of Korean won)</i>	2023	2022
Decrease in other operating liabilities	(1,253)	(158,173)
	<u>(328,553,151)</u>	<u>(238,309,960)</u>
Cash generated from operations	₩ 191,865,512	₩ 211,099,082

Significant non-cash investing and financing activities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Reclassification of construction in progress	₩ 3,060,990	₩ 52,663,877
Increase (decrease) in other payables related to acquisition of property, plant and equipment and intangible assets	174,944	(4,765,217)
Decrease in advance payments related to acquisition of property, plant and equipment and intangible assets	(1,643,045)	(2,476,831)
Reclassification between property, plant and equipment and investment properties	4,267,078	5,745,483
Recognition of right-of-use assets	2,579,770	17,926,940
Recognition of lease liabilities	2,441,150	18,108,206
Reclassification of lease liabilities to current portion	12,461,057	9,535,328
Reclassification of long-term borrowings to current portion	-	259,765,167

Changes in liabilities arising from financial activities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023						
	Beginning balance	Cash flows	Non-cash changes				Ending balance
			Others	Reclassification to current	Others		
Short-term borrowings	₩ 270,000,000	₩ (270,000,000)	₩ -	₩ -	₩ -	₩ -	-
Current portion of long-term borrowings	259,918,154	(260,000,000)	-	-	81,846		-
Long-term borrowings	149,681,480	400,000,000	-	-	(931,125)		548,750,355
Current lease liabilities	12,494,576	(13,017,887)	1,023,433	12,461,057	-		12,961,179
Lease liabilities	45,700,848	-	1,417,716	(12,461,057)	1,277,207		35,934,714
	<u>₩ 737,795,058</u>	<u>₩ (143,017,887)</u>	<u>₩ 2,441,149</u>	<u>₩ -</u>	<u>₩ 427,928</u>		<u>₩ 597,646,248</u>

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

(in thousands of
Korean won)

(in thousands of Korean won)	2022						
	Beginning balance	Cash flows	Non-cash changes			Ending balance	
			Others	Reclassification to current	Others		
Short-term borrowings	₩ -	₩ 270,000,000	₩ -	₩ -	₩ -	₩ 270,000,000	
Current portion of long-term borrowings	89,982,760	(90,000,000)	-	259,765,167	170,227	259,918,154	
Long-term borrowings	409,262,536	-	-	(259,765,167)	184,111	149,681,480	
Current lease liabilities	9,854,903	(10,583,744)	3,457,150	9,535,328	230,939	12,494,576	
Lease liabilities	39,705,653	-	14,626,511	(9,535,328)	904,012	45,700,848	
	₩ 548,805,852	₩ 169,416,256	₩ 18,083,661	₩ -	₩ 1,489,289	₩ 737,795,058	

37. Events After the Reporting Period

On February 14, 2024, the Company entered into a contract in which the Company acquires 55% of shares of GT INNOVISION CO.,LTD. for consideration transferred of ₩ 5.94 billion.

38. Approval of Issuance of the Financial Statements

The separate financial statements 2023 were approved for issue by the Board of Directors on February 6, 2024, which will be submitted for approval of the shareholders at their Annual General Meeting to be held on March 22, 2024.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

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

(English Translation of a Report Originally Issued in Korean)

To the Chief Executive Officer of
LG CNS CO., LTD.

We have reviewed the accompanying management's report on the effectiveness of Internal Control over Financial Reporting ("ICFR") of LG CNS CO., LTD. (the "Company") as of December 31, 2023. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of ICFR and issue a report based on our review. The management's report on the effectiveness of ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as of December 31, 2023, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*"

Our review was conducted in accordance with ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the effectiveness of ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a Company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

An entity's ICFR 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 ICFR 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 directors of the entity; 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, ICFR 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.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

Based on our review, nothing has come to our attention that causes us to believe that management's report on the effectiveness of ICFR, referred to above, is not presented fairly, in all material respects, in accordance with *the Best Practice Guideline for Evaluating and Reporting Internal Control over Financial Reporting*.

Our review is based on the Company's ICFR as of December 31, 2023, and we did not review management's assessment of its ICFR subsequent to December 31, 2023. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc. in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
Seoul, Korea
March 13, 2024

This report is effective as at March 13, 2024, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the Company's Internal Control over Financial Reporting. Accordingly, the readers of the audit report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG CNS CO., LTD.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

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

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Internal Auditor of
LG CNS CO., LTD.

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting ("ICFR") Officer of LG CNS CO., LTD. ("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, 2023.

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 Guidance for Designing and Operating 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, 2023, is designed and operating effectively, 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 6, 2024

Shin Gyoon Hyun
Chief Executive Officer

Lee Hyeongyu
Internal Control over Financial Reporting Officer