

# **LG CNS CO., LTD.**

**Separate Financial Statements  
December 31, 2024 and 2023**

**LG CNS CO., LTD.**  
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**December 31, 2024 and 2023**

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of  
LG 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, 2024 and 2023, 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, 2024 and 2023, 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 10, 2025

<p>This report is effective as of March 10, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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**LG CNS CO., LTD.**  
**Separate Statements of Financial Position**  
**December 31, 2024 and 2023**

(in thousands of Korean won)

	2024	2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	₩ 926,463,448	₩ 389,108,618
Financial institution deposits	50,000,000	150,000,000
Current derivative assets	2,343,959	4,857,708
Trade receivables, net	1,551,351,245	1,405,929,205
Other receivables, net	46,548,274	37,184,084
Inventories, net	45,173,748	63,673,676
Other assets	458,480,995	672,272,021
	<u>3,080,361,669</u>	<u>2,723,025,312</u>
<b>Non-current assets</b>		
Long-term financial institution deposits	12,000,000	12,000,000
Financial assets at fair value through profit or loss	25,155,331	27,860,363
Financial assets at fair value through other comprehensive income	-	756,000
Long-term trade receivables, net	2,521,972	5,086,157
Long-term other receivables, net	9,941,982	11,031,422
Property, plant and equipment, net	527,937,832	533,939,310
Investment property	22,232,417	31,644,757
Intangible assets	46,948,879	73,010,518
Investments in subsidiaries	109,165,435	99,806,814
Investments in associates and joint ventures	63,636,982	46,049,373
Net defined benefit assets	110,816	388,733
Deferred tax assets	94,920,055	74,496,711
Other non-current assets	75,263	596,255
Right-of-use assets	113,173,172	49,719,123
	<u>1,027,820,136</u>	<u>966,385,536</u>
<b>Total assets</b>	<u>₩ 4,108,181,805</u>	<u>₩ 3,689,410,848</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current derivative liabilities	₩ 24,410,103	₩ 3,252,462
Trade payables	756,020,669	717,744,818
Other payables	226,025,033	225,024,624
Current portion of long-term borrowings	159,948,740	-
Current tax liabilities	60,589,060	50,383,882
Current provisions	56,827,230	40,482,181
Other liabilities	395,458,834	338,741,172
Current lease liabilities	37,365,176	12,961,179
	<u>1,716,644,845</u>	<u>1,388,590,318</u>
<b>Non-current liabilities</b>		
Long-term other payables	2,196,263	2,093,911
Long-term borrowings	389,398,309	548,750,355
Provisions	3,458,635	3,642,951
Other liabilities	25,070,144	22,833,796
Lease liabilities	91,619,270	35,934,715
	<u>511,742,621</u>	<u>613,255,728</u>
<b>Total liabilities</b>	<u>2,228,387,466</u>	<u>2,001,846,046</u>
<b>Equity</b>		
Share capital	47,198,411	47,198,411
Capital surplus	138,026,095	138,026,095
Accumulated other comprehensive loss	(973,214)	(468,386)
Retained earnings	1,695,543,047	1,502,808,682
<b>Total equity</b>	<u>1,879,794,339</u>	<u>1,687,564,802</u>
<b>Total liabilities and equity</b>	<u>₩ 4,108,181,805</u>	<u>₩ 3,689,410,848</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, 2024 and 2023**

*(in thousands of Korean won)*

	<b>2024</b>		<b>2023</b>	
<b>Revenue</b>	₩	5,407,585,590	₩	5,112,688,400
<b>Cost of sales</b>		<u>4,625,994,248</u>		<u>4,398,147,183</u>
<b>Gross profit</b>		781,591,342		714,541,217
Selling and administrative expenses		<u>368,102,736</u>		<u>341,377,105</u>
<b>Operating profit</b>		413,488,606		373,164,112
Financial income		73,950,079		58,401,298
Financial expenses		28,324,710		37,418,773
Other non-operating income		62,185,986		43,139,788
Other non-operating expenses		<u>101,343,806</u>		<u>72,961,195</u>
Profit before income tax		419,956,155		364,325,230
Income tax expense		<u>94,459,368</u>		<u>90,484,470</u>
<b>Profit for the year</b>	₩	<u>325,496,787</u>	₩	<u>273,840,760</u>
<b>Earnings per share</b> <i>(in Korean won)</i>				
<b>Basic earnings per share</b>	₩	3,733	₩	3,140
<b>Diluted earnings per share</b>		3,733		3,140

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, 2024 and 2023**

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
<b>Profit for the year</b>	₩	325,496,787	₩	273,840,760
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurements of net defined benefit liability		(222,446)		461,890
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		(504,828)		3,254,883
<i>Items that may be subsequently reclassified to profit or loss</i>		-		-
<b>Other comprehensive income(loss) for the year, net of tax</b>		<u>(727,274)</u>		<u>3,716,773</u>
<b>Total comprehensive income for the year</b>	₩	<u>324,769,513</u>	₩	<u>277,557,533</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, 2024 and 2023**

			Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
<i>(in thousands of Korean won)</i>	Share Capital	Capital Surplus			
<b>Balance at January 1, 2023</b>	₩ 47,198,411	₩ 138,026,095	₩ (13,749,346)	₩ 1,342,296,959	₩ 1,513,772,119
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	273,840,760	273,840,760
Gain (loss) on valuation and disposal of financial assets at fair value	-	-	13,280,960	(10,026,077)	3,254,883
Remeasurements of net defined benefit liability	-	-	-	461,890	461,890
<b>Transactions with owners</b>					
Cash dividends paid	-	-	-	(103,764,850)	(103,764,850)
<b>Balance at December 31, 2023</b>	<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>
<b>Balance at January 1, 2024</b>	₩ 47,198,411	₩ 138,026,095	₩ (468,386)	₩ 1,502,808,682	₩ 1,687,564,802
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	325,496,787	325,496,787
Loss on valuation and disposal of financial assets at fair value through other comprehensive income	-	-	(504,828)	-	(504,828)
Remeasurements of net defined benefit liability	-	-	-	(222,446)	(222,446)
<b>Transactions with owners</b>					
Cash dividends paid	-	-	-	(132,539,976)	(132,539,976)
<b>Balance at December 31, 2024</b>	<u>₩ 47,198,411</u>	<u>₩ 138,026,095</u>	<u>₩ (973,214)</u>	<u>₩ 1,695,543,047</u>	<u>₩ 1,879,794,339</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, 2024 and 2023**

(in thousands of Korean won)

	2024	2023
<b>Cash flows from operating activities</b>		
Cash generated from operations	₩ 728,968,844	₩ 191,865,512
Interest income received	23,066,812	29,509,430
Dividend income received	40,123,131	24,968,227
Income taxes received	436,628	88,544
Interest paid	(22,189,136)	(35,835,505)
Income taxes paid	(104,727,023)	(111,091,727)
<b>Net cash inflow from operating activities</b>	<b>665,679,256</b>	<b>99,504,481</b>
<b>Cash flows from investing activities</b>		
Decrease in financial institution deposits	150,000,000	100,000,000
Inflow from settlement of derivative instruments	11,607,074	11,829,981
Decrease in other receivables	3,428,961	4,556,587
Disposal of financial assets at fair value through profit or loss	749,357	437,545
Disposal of financial assets at fair value through other comprehensive income	-	5,892,210
Decrease in other non-current receivables	10,000	58,309
Disposal of investments in associates and joint ventures	4,252,240	-
Disposal of property, plant and equipment	232,603	4,362,233
Disposal of intangible assets	30,000	1,303,046
Others	193,419	258,908
Increase in financial institution deposits	(50,000,000)	(150,000,000)
Outflow from settlement of derivative instruments	(40,940,073)	(22,751,575)
Increase in other receivables	(4,327,253)	(3,196,829)
Acquisition of financial assets at fair value through profit or loss	(251)	(3,648,520)
Increase in long-term other receivables	(1,513,921)	(1,028,455)
Acquisition of investments in subsidiaries	(13,218,621)	(8,721,636)
Acquisition of investments in associates and joint ventures	(20,749,608)	-
Acquisition of property, plant and equipment	(25,478,925)	(40,525,799)
Acquisition of intangible assets	(5,231,886)	(11,008,769)
Others	(91,067)	-
<b>Net cash inflow (outflow) from investing activities</b>	<b>8,952,049</b>	<b>(112,182,764)</b>
<b>Cash flows from financing activities</b>		
Issuance of debentures	-	400,000,000
Receipt of lease incentives	19,032,372	-
Redemption of short-term borrowings	-	(270,000,000)
Redemption of debentures	-	(260,000,000)
Redemption of current lease liabilities	(25,532,695)	(13,017,887)
Payment of dividends	(132,539,977)	(103,764,850)
<b>Net cash outflow from financing activities</b>	<b>(139,040,300)</b>	<b>(246,782,737)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>535,591,005</b>	<b>(259,461,020)</b>
Cash and cash equivalents at the beginning of the year	389,108,618	648,866,093
Effects of exchange rate changes on cash and cash equivalents	1,763,825	(296,455)
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 926,463,448</b>	<b>₩ 389,108,618</b>

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, 2024 and 2023**

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**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, 2024, 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

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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, 2024.

*(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 do not have a significant impact 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 do not have a significant impact 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 do not have a significant impact 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

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do not have a significant impact on the financial statements.

**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, 2024 reporting periods and have not been early adopted by the Company.

*(a) Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability*

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, 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 1109 Financial Instruments, Korean IFRS 1107 Financial Instruments: Disclosures*

Korean IFRS 1109 *Financial Instruments* and Korean IFRS 1107 *Financial Instruments: Disclosures* have been amended to respond to recent questions arising in practice, and to include new requirements. The amendments should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

*(c) Annual Improvements to Korean IFRS -Volume 11*

Annual Improvements to Korean IFRS -*Volume 11* should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Company does not expect the amendments to 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.

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- 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.

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,

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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 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.



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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.
- 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

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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.

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

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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 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

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inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

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

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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 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;

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- An actual or expected significant adverse change in the regulatory, economic or 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.

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*(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

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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.



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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.

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**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:

	<b>Useful lives</b>
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

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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.

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*(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

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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

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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

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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.

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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



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- 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.

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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.

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**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.

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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

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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 at 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*

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**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*

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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.

## **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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

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*(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.

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,



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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.

*(d) Pillar Two Model Rules*

The Company is within the scope of the Pillar Two model rules. There are no recognized income tax expenses in relation to the rules. The Company applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income Taxes.

**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 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

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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 at 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.

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**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>	<b>2024</b>	<b>2023</b>
Sales of merchandise	₩ 831,384,090	₩ 914,282,526
Service revenue	2,208,791,034	1,887,517,945
Construction revenue	2,367,410,466	2,310,887,929
	<u>₩ 5,407,585,590</u>	<u>₩ 5,112,688,400</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 and others for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
LG Electronics Inc. <sup>1</sup>	₩ 1,311,030,759	₩ 978,743,612
LG Chem Ltd. <sup>1</sup>	958,020,107	842,379,730

<sup>1</sup> It includes the transaction of subsidiaries.

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
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**5. Classification of Financial Instruments and Fair Value**

The carrying amount and fair value of financial assets and liabilities as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative assets for trading	₩ 2,343,959	₩ 2,343,959	₩ 4,857,708	₩ 4,857,708
Investment <sup>1</sup>	25,155,331	25,155,331	27,860,363	27,860,363
	<u>27,499,290</u>	<u>27,499,290</u>	<u>32,718,071</u>	<u>32,718,071</u>
<b>Financial assets at fair value through other comprehensive income</b>				
Unmarketable equity securities	-	-	756,000	756,000
	<u>-</u>	<u>-</u>	<u>756,000</u>	<u>756,000</u>
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents	926,463,448	926,463,448	389,108,618	389,108,618
Financial institution deposits	62,000,000	62,000,000	162,000,000	162,000,000
Trade receivables	1,553,873,217	1,553,873,217	1,411,015,362	1,411,015,362
Loans	11,924,594	11,924,594	11,041,705	11,041,705
Non-trade receivables	28,507,992	28,507,992	25,129,026	25,129,026
Accrued income	2,768,239	2,768,239	833,227	833,227
Deposits	13,289,430	13,289,430	11,211,548	11,211,548
	<u>2,598,826,920</u>	<u>2,598,826,920</u>	<u>2,010,339,486</u>	<u>2,010,339,486</u>
	<u>₩ 2,626,326,210</u>	<u>₩ 2,626,326,210</u>	<u>₩ 2,043,813,557</u>	<u>₩ 2,043,813,557</u>

<sup>1</sup> Contains investments where the Company has significant influence based on the shareholders' agreement.

**LG CNS CO., LTD.**  
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(in thousands of Korean won)	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative liabilities for trading	₩ 24,410,103	₩ 24,410,103	₩ 3,252,462	₩ 3,252,462
<b>Financial liabilities at amortized cost</b>				
Trade payables	756,020,669	756,020,669	717,744,818	717,744,818
Non-trade payables <sup>1</sup>	42,558,851	42,558,851	41,193,756	41,193,756
Accrued expenses <sup>1</sup>	6,344,345	6,344,345	6,089,485	6,089,485
Dividend payables	220	220	50	50
Deposits received	2,196,263	2,196,263	2,093,911	2,093,911
Debentures	549,347,049	552,364,249	548,750,355	547,154,259
	<u>1,356,467,397</u>	<u>1,359,484,597</u>	<u>1,315,872,375</u>	<u>1,314,276,279</u>
	₩ 1,380,877,500	₩ 1,383,894,700	₩ 1,319,124,837	₩ 1,317,528,741

<sup>1</sup> Non-trade 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, 2024 and 2023, are as follows:

(in thousands of Korean won)	2024	2023
Cash on hand	₩ 6,374	₩ 5,778
Bank deposits and others	<u>926,457,073</u>	<u>389,102,840</u>
	₩ 926,463,447	₩ 389,108,618

**LG CNS CO., LTD.**  
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**7. Trade and Other Receivables**

Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2024 and 2023, are as follows:

*(in thousands of Korean won)*

	<b>2024</b>			
	<b>Neither past due nor impaired receivables</b>	<b>Past due, but not impaired receivables</b>	<b>Impaired receivables</b>	<b>Total</b>
Trade receivables	₩ 1,303,490,651	₩ 250,382,566	₩ 17,689,908	₩ 1,571,563,125
Other receivables	52,466,193	4,024,061	2,844,901	59,335,155
	<u>₩ 1,355,956,844</u>	<u>₩ 254,406,627</u>	<u>₩ 20,534,809</u>	<u>₩ 1,630,898,280</u>

*(in thousands of Korean won)*

	<b>2023</b>			
	<b>Neither past due nor impaired receivables</b>	<b>Past due, but not impaired receivables</b>	<b>Impaired receivables</b>	<b>Total</b>
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>

Aging analysis based on committed collection period of past due, but not impaired trade and other receivables as of December 31, 2024 and 2023, is as follows:

*(in thousands of Korean won)*

	<b>2024</b>	<b>2023</b>
1 day ~ 29 days	₩ 103,770,873	₩ 157,247,350
30 days ~ 60 days	40,229,263	26,784,480
61 days ~ 90 days	23,622,617	5,309,105
91 days ~ 120 days	20,049,595	3,528,690
More than 120 days	66,734,279	46,146,723
	<u>₩ 254,406,627</u>	<u>₩ 239,016,348</u>

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
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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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Trade receivables</b>	<b>Other receivables</b>
Beginning balance	₩ 11,527,940	₩ 616,833	₩ 9,284,250	₩ 3,133,931
Impairment loss	11,403,673	2,229,719	2,233,349	438,125
Write-off	(5,241,705)	(1,651)	(8,079)	(2,955,223)
Others	-	-	18,420	-
Ending balance	<u>₩ 17,689,908</u>	<u>₩ 2,844,901</u>	<u>₩ 11,527,940</u>	<u>₩ 616,833</u>

Aging analysis of impaired trade and other receivables as of December 31, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Less than 6 months	₩ 5,643,153	₩ 2,867,663
More than 6 months and less than 1 year	10,202,851	1,906,353
More than 1 year	4,688,805	7,370,757
	<u>₩ 20,534,809</u>	<u>₩ 12,144,773</u>

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

**8. Inventories**

Inventories as of December 31, 2024 and 2023, are as follows:

*(in thousands of Korean won)*

	<b>2024</b>		
	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
Merchandise	₩ 42,536,566	₩ (108,247)	₩ 42,428,319
Other inventories	2,745,428	-	2,745,428
	<u>₩ 45,281,994</u>	<u>₩ (108,247)</u>	<u>₩ 45,173,747</u>

*(in thousands of Korean won)*

	<b>2023</b>		
	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Carrying amount</b>
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>

Inventory costs recognized in cost of sales for the years ended December 31, 2024 and 2023, are ₩ 1,353,124,963 thousand and ₩ 1,366,197,988 thousand, respectively. Loss on valuation of inventories in accordance with net realizable value for the year ended December 31, 2024, is ₩ 108,247 thousand. There was no loss on valuation of inventories recognized for the year ended December 31, 2023.

**9. Other Assets**

Details of other assets as of December 31, 2024 and 2023, are as follows:

*(in thousands of Korean won)*

	<b>2024</b>		<b>2023</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Advance payments	₩ 14,500,486	₩ 66,811	₩ 3,405,860	₩ 30,558
Prepaid expenses	18,489,931	8,454	18,660,662	565,697
Prepaid value-added tax	557,361	-	53,423	-
Contract asset	316,314,382	-	541,373,041	-
Costs to fulfil a contract	108,613,388	-	108,768,712	-
Other current assets	5,447	-	10,323	-
	<u>₩ 458,480,995</u>	<u>₩ 75,265</u>	<u>₩ 672,272,021</u>	<u>₩ 596,255</u>



**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
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**10. Property, Plant and Equipment**

Details of property, plant and equipment as of December 31, 2024 and 2023, is as follows:

(in thousands of  
Korean won)

	2024								
	Land	Buildings	Structures	Machinery	Tools and equipment	Furniture and fixtures	Construction -in-progress	Others	Total
Acquisition cost	₩92,768,321	₩506,788,959	₩4,500,860	₩44,324	₩324,939	₩90,879,466	₩ -	₩368,256,505	₩1,063,563,374
Accumulated depreciation	-	(181,092,419)	(826,451)	(44,324)	(324,939)	(55,073,715)	-	(297,496,994)	(534,858,842)
Accumulated impairment loss	-	-	-	-	-	-	-	(4,017)	(4,017)
Government grants	-	(762,683)	-	-	-	-	-	-	(762,683)
Carrying amount	₩92,768,321	₩324,933,857	₩3,674,409	₩ -	₩ -	₩35,805,751	₩ -	₩ 70,755,494	₩ 527,937,832

(in thousands of  
Korean won)

	2023								
	Land	Buildings	Structures	Machinery	Tools and equipment	Furniture and fixtures	Construction -in-progress	Others	Total
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

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

Changes in property, plant and equipment for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of  
Korean won)

	2024								
	Land	Buildings	Structures	Machinery	Tools and equipment	Furniture and fixtures	Construction in-progress	Others	Total
Opening net book amount	₩90,161,045	₩334,650,587	₩3,730,552	₩ -	₩ 582	₩36,331,230	₩ -	₩ 69,065,314	₩ 533,939,310
Acquisitions	2,532	467,000	-	-	-	7,601,741	-	28,148,282	36,219,555
Disposals	-	-	-	-	-	-	-	(7,774)	(7,774)
Depreciation	-	(15,807,841)	(117,411)	-	(582)	(8,127,220)	-	(26,450,327)	(50,503,381)
Transfer	2,604,744	5,699,851	61,267	-	-	-	-	-	8,365,862
Impairment loss	-	(75,740)	-	-	-	-	-	-	(75,740)
Closing net book amount	₩92,768,321	₩324,933,857	₩3,674,408	₩ -	₩ -	₩35,805,751	₩ -	₩ 70,755,495	₩ 527,937,832

(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	722,12	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

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

Changes in government grants for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	<b>2024</b>		<b>2023</b>	
	<b>Buildings</b>		<b>Buildings</b>	
Beginning balance	₩	799,728	₩	836,774
Credited to depreciation expense		(37,045)		(37,046)
Ending balance	₩	762,683	₩	799,728

Details of disposal of property, plant and equipment for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	<b>2024</b>			
	<b>Buildings</b>	<b>Furniture and fixtures</b>	<b>Others</b>	<b>Total</b>
Carrying amount before disposal	₩ -	₩ -	₩ 7,774	₩ 7,774
Disposal amount	5	2,276	230,322	232,603
Gain on disposal, net	₩ 5	₩ 2,276	₩ 222,548	₩ 224,829

(in thousands of Korean won)

	<b>2023</b>			
	<b>Buildings</b>	<b>Furniture and fixtures</b>	<b>Others</b>	<b>Total</b>
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

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

**11. Investment Property**

Details of investment property as of December 31, 2024 and 2023, are as follows:

	<b>2024</b>			
	<b>Land</b>	<b>Buildings<sup>1</sup></b>	<b>Structures</b>	<b>Total</b>
Acquisition cost	₩ 5,427,105	₩ 23,007,018	₩ 182,989	₩ 28,617,112
Accumulated depreciation	-	(6,328,174)	(56,520)	(6,384,694)
Ending balance	₩ 5,427,105	₩ 16,678,844	₩ 126,469	₩ 22,232,418

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

	<b>2023</b>			
	<b>Land</b>	<b>Buildings<sup>1</sup></b>	<b>Structures</b>	<b>Total</b>
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

<sup>1</sup> 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, 2024 and 2023, are as follows:

	<b>2024</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Total</b>
Beginning balance	₩ 8,031,849	₩ 23,417,500	₩ 195,408	₩ 31,644,757
Depreciation	-	(1,038,805)	(7,672)	(1,046,477)
Transfer and others	(2,604,744)	(5,699,851)	(61,267)	(8,365,862)
Ending balance	₩ 5,427,105	₩ 16,678,844	₩ 126,469	₩ 22,232,418

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

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

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The fair value of investment property as of December 31, 2024, are as follows:

<i>(in thousands of Korean won)</i>		<b>Land</b>		<b>Buildings and structures</b>		<b>Total</b>
Carrying amount						
Sangam DDMC <sup>1</sup>	₩	13,461,407	₩	29,048,226	₩	42,509,633
Right-of-use assets related to LG ARTS CENTER and LG Discovery Lab			-	5,075,705		5,075,705
Evaluation result						
Sangam DDMC <sup>2,3</sup>			₩	343,000,000	₩	343,000,000
Right-of-use assets related to LG ARTS CENTER and LG Discovery Lab <sup>4</sup>				5,075,705		5,075,705

<sup>1</sup> Includes the value of investment property occupied by the owner (land: ₩ 8,034,302 thousand and buildings and structures: ₩ 17,318,618 thousand).

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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, 2024 and 2023**

**12. Intangible Assets**

Details of intangible assets as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)	2024					
	Development costs	Industrial property rights	Computer software and others	Membership	Construction in progress	Total
Acquisition cost	₩ 118,459,456	₩ 3,182,594	₩ 80,417,543	₩ 15,676,074	₩ 1,488,303	₩ 219,223,970
Accumulated depreciation	(61,385,788)	(2,151,893)	(72,651,184)	-	-	(136,188,865)
Accumulated impairment loss	(34,169,649)	(1,307)	-	(1,915,271)	-	(36,086,227)
	<u>₩ 22,904,019</u>	<u>₩ 1,029,394</u>	<u>₩ 7,766,359</u>	<u>₩ 13,760,803</u>	<u>₩ 1,488,303</u>	<u>₩ 46,948,878</u>

  

(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>

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

Changes in intangible assets for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of  
Korean won)

	<b>2024</b>						
	<b>Development costs</b>	<b>Industrial property rights</b>	<b>Computer software and others</b>	<b>Membership</b>	<b>Construction in progress</b>	<b>Total</b>	
Beginning balance	₩ 44,014,543	₩ 1,251,863	₩ 9,684,730	₩ 13,754,503	₩ 4,304,879	₩ 73,010,518	
Acquisition	-	55,115	3,030,733	36,300	-	3,122,148	
Increase due to internal development	-	-	-	-	1,986,254	1,986,254	
Disposals	-	-	(387,549)	(30,000)	-	(417,549)	
Impairment loss	(11,576,318)	-	-	-	(2,534,739)	(14,111,057)	
Amortization	(11,802,297)	(277,584)	(4,561,555)	-	-	(16,641,436)	
Transfer	2,268,091	-	-	-	(2,268,091)	-	
Ending balance	₩ 22,904,019	₩ 1,029,394	₩ 7,766,359	₩ 13,760,803	₩ 1,488,303	₩ 46,948,878	

(in thousands of  
Korean won)

	<b>2023</b>						
	<b>Development costs</b>	<b>Industrial property rights</b>	<b>Computer software and others</b>	<b>Membership</b>	<b>Construction in progress</b>	<b>Total</b>	
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	₩ 44,014,543	₩ 1,251,863	₩ 9,684,730	₩ 13,754,503	₩ 4,304,879	₩ 73,010,518	

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Details of disposal of intangible assets for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	<b>2024</b>		
	<b>Computer software and others</b>	<b>Membership</b>	<b>Total</b>
Carrying amount before disposal	₩ 387,549	₩ 30,000	₩ 417,549
Disposal amount	-	30,000	30,000
Loss on disposal, net	₩ (387,549)	₩ -	₩ (387,549)

(in thousands of Korean won)

	<b>2023</b>		
	<b>Computer software and others</b>	<b>Membership</b>	<b>Total</b>
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

The expenses related to research and development for the years ended December 31, 2024 and 2023, are ₩ 50,513,660 thousand and ₩ 47,197,274 thousand, respectively. Those amounts are recognized in selling and administrative expenses.



**LG CNS CO., LTD.**  
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**13. Investments in Subsidiaries**

Details of investment in subsidiaries as of December 31, 2024 and 2023, are as follows:

Company	Location of incorporation	Major operation	Closing date	2024			2023
				Number of ordinary shares owned by the Company	Number of ordinary shares issued	Percentage of ownership (%)	Percentage of ownership (%)
LG CNS China Inc. <sup>1</sup>	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.	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 <sup>2</sup>	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. <sup>3</sup>	Vietnam	Services	December 31	-	-	100.00%	100.00%
LG CNS FUND I LLC <sup>4</sup>	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.	South Korea	Services	December 31	2,158,849	2,246,763	96.09%	96.09%
LG CNS FUND II LLC <sup>4,5</sup>	USA	Investment Fund	December 31	-	-	100.00%	100.00%
GT INNOVISION CO.,LTD. <sup>6</sup>	South Korea	Services	December 31	45,800	83,200	55.05%	-

<sup>1</sup> There are no outstanding shares based on the relevant laws and regulations of local country for an entity formed in China.

<sup>2</sup> There are no outstanding shares based on the relevant laws and regulations of local country for an entity formed in Uzbekistan.

<sup>3</sup> There were no outstanding shares based on the relevant laws and regulations of local country for an entity formed in Vietnam.

<sup>4</sup> There were no outstanding shares based on the relevant laws and regulations of local country for an entity formed in USA.

<sup>5</sup> It was newly acquired during the year ended December 31, 2023.

<sup>6</sup> It was newly acquired during the year ended December 31, 2024.

**LG CNS CO., LTD.**  
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Changes in investments in subsidiaries for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)		2024						
		Beginning balance		Acquisition		Impairment loss		Ending balance
LG CNS China Inc.	₩	23,231,646	₩	-	₩	-	₩	23,231,646
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		10,015,055		-		-		10,015,055
LG CNS COLOMBIA SAS		690,134		-		-		690,134
LG CNS MALAYSIA SDN BH D		-		-		-		-
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		29,362,750		335,248		-		29,697,998
Open Source Consulting, Inc <sup>1</sup>		11,235,955		-		(3,314,000)		7,921,955
Rightbrain Co., Ltd. <sup>2</sup>		5,953,370		-		(546,000)		5,407,370
Biztech On Co.,Ltd.		2,083,807		-		-		2,083,807
LG CNS FUND II LLC		6,769,000		6,930,000		-		13,699,000
GT INNOVISION CO.,LTD. <sup>3</sup>		-		5,953,373		-		5,953,373
	₩	99,806,814	₩	13,218,621	₩	(3,860,000)	₩	109,165,435

<sup>1</sup> During the year ended December 31, 2024, the Company recognized impairment losses of ₩ 3,314,000 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 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 16.99%. 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%.

<sup>2</sup> During the year ended December 31, 2024, the Company recognized impairment losses of ₩ 546,000 thousand as a result of evaluating the recoverable amount of investments in the subsidiary once identifying indicators of impairment of Rightbrain Co., Ltd. At the end of the 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 15.51%. The value-in-

**LG CNS CO., LTD.**  
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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%.

<sup>3</sup> It was newly acquired during the year ended December 31, 2024.

(in thousands of Korean won)

		2023		
		Beginning balance	Acquisition	Ending balance
LG CNS PHILIPPINES, INC. <sup>1</sup>	₩	-	₩	-
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 <sup>2</sup>		10,015,055	-	10,015,055
Biztech On Co.,Ltd. <sup>2</sup>		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 <sup>3</sup>		-	6,769,000	6,769,000
	₩	91,085,179	₩	8,721,635
			₩	99,806,814

<sup>1</sup> It was liquidated during the year ended December 31, 2023.

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

<sup>3</sup> It was newly acquired during the year ended December 31, 2023.

# LG CNS CO., LTD.

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

#### 14. Investments in Associates and Joint Ventures

Details of the Company's investments in associates and joint ventures as of December 31, 2024 and 2023, are as follows:

Companies	Location of incorporation	Major business activities	Closing date	2024						2023	
				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 <sup>1</sup>	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 BOGOTA S.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. <sup>5</sup>	South Korea	Power plant construction	December 31	-	-	-	-	-	-	25.00%	-
Cloudgram Co. Ltd. <sup>6</sup>	South Korea	Hosting and related service	December 31	-	-	3,075,000	-	-	-	34.96%	2,962,000
KoreaDRD Co., Ltd. <sup>1</sup>	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. <sup>2</sup>	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%	-
Sejong-smartcity Co., Ltd. <sup>1</sup>	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
AIMOS CO., LTD. <sup>3,4</sup>	South Korea	System software development and supply	December 31	90,000	-	300,000	-	30.00%	900,000	-	-
PT. LG SINARMAS TECHNOLOGY SOLUTIONS <sup>3,4</sup>	Indonesia	System software development and supply	December 31	575,541	-	1,151,080	-	50.00%	4,849,608	-	-
bithumb META <sup>6</sup>	South Korea	Other information services	December 31	-	-	5,800,000	-	-	-	10.34%	200,000
Smartcity Busan Co., Ltd. <sup>4,7</sup>	South Korea	Residential / non-residential buildings development and supply	December 31	1,500,000	-	8,450,000	440,000	17.75%	15,000,000	-	-
									₩ 63,636,981		₩ 46,049,373

<sup>1</sup> 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%.

<sup>2</sup> 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.

<sup>3</sup> The Company has joint control based on the shareholders' agreement.

<sup>4</sup> It was newly acquired during the year ended December 31, 2024.

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<sup>5</sup> It was liquidated during the year ended December 31, 2024.

<sup>6</sup> It was disposed of during the year ended December 31, 2024.

<sup>7</sup> The Company has significant influence based on the shareholders' agreement.

Changes in investments in associates for the years ended December 31, 2024 and 2023, are as follows :

(in thousands of  
Korean won)

	2024				
	Beginning balance	Acquisition	Disposal	Reversal of 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 Smarmiest Societe Anonyme	2,843,358	-	-	-	2,843,358
Daegu Natural Energy Co., Ltd.	-	-	(2,177)	2,177	-
Cloudgram Co. Ltd.	2,962,000	-	(4,050,063)	1,088,063	-
KoreaDRD Co., Ltd.	597,000	-	-	-	597,000
Danbi Inc.	-	-	-	-	-
bithumb META	200,000	-	(200,000)	-	-
Sejong-smartcity Co., Ltd.	14,562,000	-	-	-	14,562,000
AIMOS CO.,LTD.	-	900,000	-	-	900,000
PT.LG SINARMAS TECHNOLOGY SOLUITONS	-	4,849,608	-	-	4,849,608
Smartcity Busan Co., Ltd.	-	15,000,000	-	-	15,000,000
	₩ 46,049,373	₩ 20,749,608	₩ (4,252,240)	₩ 1,090,240	₩ 63,636,981

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(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 Anonyme	2,843,358	-	-	2,843,358
Daegu Natural Energy Co., Ltd.	-	-	-	-
Cloudgram Co. Ltd. <sup>1</sup>	8,393,000	-	(5,431,000)	2,962,000
KoreaDRD Co., Ltd.	597,000	-	-	597,000
Danbi Inc.	-	-	-	-
bithumb META <sup>2</sup>	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

<sup>1</sup> In the previous 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 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 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%.

<sup>2</sup> In the previous 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.

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**15. Borrowings**

Borrowings as of December 31, 2024 and 2023, are as follows:

Type	2024			2023
	Annual interest rate (%)	Maturity date	Carrying amount	Carrying amount
Unguaranteed public bond				
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	110,000,000
13-2nd public offering	4.44	2026.03.10	230,000,000	230,000,000
13-3rd public offering	4.32	2028.03.10	60,000,000	60,000,000
			550,000,000	550,000,000
Discount on debentures			(652,951)	(1,249,645)
Current portion of debentures			(159,948,740)	-
			₩ 389,398,309	₩ 548,750,355

**LG CNS CO., LTD.**  
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**16. Provisions**

Changes in provisions for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)	2024				
	Beginning balance	Usage	Reversal	Increase and others	Ending balance
Provision for construction (product) warranties	₩ 17,719,192	₩ (9,670,334)	₩ (2,820,859)	₩ 20,536,729	₩ 25,764,728
Restoration liabilities <sup>1</sup>	3,642,951	(356,978)	(46,662)	219,324	3,458,635
Others	22,762,989	(45,720,521)	(5,803,968)	59,824,001	31,062,501
	<u>₩ 44,125,132</u>	<u>₩ (55,747,833)</u>	<u>₩ (8,671,489)</u>	<u>₩ 80,580,054</u>	<u>₩ 60,285,864</u>

<sup>1</sup> Increases in valuation of present value for the year ended December 31, 2024, amounting to ₩ 90,374 thousand are included.

(in thousands of Korean won)	2023				
	Beginning balance	Usage	Reversal	Increase and others	Ending balance
Provision for construction (product) warranties	₩ 18,412,502	₩ (8,860,733)	₩ (4,593,686)	₩ 12,761,109	₩ 17,719,192
Restoration liabilities <sup>1</sup>	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>

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

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

(in thousands of Korean won)	2024		
	Within 12 months	After 12 months	Total
Provision for construction (product) warranties <sup>1</sup>	₩ 25,764,728	₩ -	₩ 25,764,728
Restoration liabilities <sup>2</sup>	-	3,458,635	3,458,635
Others <sup>3</sup>	31,062,501	-	31,062,501
	<u>₩ 56,827,229</u>	<u>₩ 3,458,635</u>	<u>₩ 60,285,864</u>

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

<sup>2</sup> Measured at present value of future restoration estimation costs on leased assets.

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



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(in thousands of Korean won)

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

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

<sup>2</sup> Measured at present value of future restoration estimation costs on leased assets.

<sup>3</sup> 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, 2024 and 2023, are ₩ 57,085,357 thousand and ₩ 54,158,934 thousand, respectively. Other payables in relation to defined contribution plans as of December 31, 2024 and 2023, are ₩ 8,950,002 thousand and ₩ 8,655,438 thousand, respectively.

For the year ended December 31, 2024, the expense recognized in the current period in relation to defined contribution plan was ₩ 57,379,921 thousand (2023: ₩ 54,423,027 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.

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Details of net defined benefit assets recognized in the separate statements of financial position as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Present value of defined benefit obligations	₩ 15,100,236	₩ 12,407,854
Fair value of plan assets	<u>(15,211,051)</u>	<u>(12,796,587)</u>
Net defined benefit assets	<u>₩ (110,815)</u>	<u>₩ (388,733)</u>

Movements in the defined benefit obligations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	₩ 12,407,854	₩ 14,665,725
Current service cost	2,848,274	2,997,461
Interest expense	454,403	699,474
Remeasurements	363,299	(726,207)
Benefit payments	(812,835)	(5,773,494)
Transfer from (to) affiliated company	<u>(160,761)</u>	<u>544,895</u>
Ending balance	<u>₩ 15,100,234</u>	<u>₩ 12,407,854</u>

Profit or loss related to defined benefit plan for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Service cost:		
Current service cost	₩ 2,848,274	₩ 2,997,461
Net interest on the net defined benefit liability (asset):		
Interest expense on defined benefit obligation	454,403	699,474
Interest income on plan assets	<u>(469,564)</u>	<u>(728,803)</u>
	<u>₩ (15,161)</u>	<u>₩ (29,329)</u>
Management fee for plan assets	<u>19,198</u>	<u>21,907</u>
	<u>₩ 2,852,311</u>	<u>₩ 2,990,039</u>

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

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Amounts included in the selling and administrative expenses	₩ 2,223,659	₩ 2,376,578
Amounts included in the cost of sales	628,653	613,461
	<u>₩ 2,852,312</u>	<u>₩ 2,990,039</u>

Movements in the fair value of plan assets for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	₩ 12,796,587	₩ 15,240,805
Expected return on plan	469,564	728,803
Remeasurements:		
Return on plan assets	4,887	(106,069)
Management fee for plan assets	(19,198)	(21,907)
Benefits paid	(812,835)	(5,773,494)
Company's contributions to plan asset	2,772,046	2,728,449
Ending balance	<u>₩ 15,211,051</u>	<u>₩ 12,796,587</u>

As of December 31, 2024 and 2023, all of the plan assets are invested in financial instruments that guarantee principal and interest rate.

The significant actuarial assumptions as of December 31, 2024 and 2023, are as follows:

	<b>2024</b>	<b>2023</b>
Discount rate (%)	3.30%	3.90%
Expected rate of salary increase (%)	2.94%	2.95%

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

(in thousands of Korean won)	2024					
	Defined benefit obligation		1% increase		1% decrease	
Change in discount rate	₩	15,100,236	₩	14,565,091	₩	15,671,860
Change in rate of salary increase		15,100,236		15,670,661		14,555,957

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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Actuarial losses arising from changes in demographic assumptions	₩	4,856	₩	695
Actuarial losses (gains) arising from changes in financial assumptions		282,407		(395,183)
Actuarial losses (gains) arising from experience		74,859		(321,242)
Return (losses) on plan assets, excluding amounts included in interest income		(4,887)		106,069
Actuarial gains (losses) arising from transfer in/out adjustments		1,178		(10,477)
	₩	358,413	₩	(620,138)

As of December 31, 2024, the weighted average duration of the defined benefit obligation is 4.04 years (2023: 4.55 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2024, is as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>				
	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Defined benefit obligation	₩ 2,295,406	₩ 2,492,996	₩ 5,751,423	₩ 6,776,048	₩ 17,315,873

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

(in thousands of Korean won)

**2025**

Estimated contribution to plan assets <sup>1</sup>	₩	2,885,356
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<sup>1</sup> The expected amount for 2025 is calculated assuming that the ratio of the plan assets to the retirement benefit allowance as of December 31, 2025, will be maintained as of December 31, 2024.

**18. Other Liabilities**

Other liabilities as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	<b>2024</b>		<b>2023</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Advance receipts	₩ 3,528,485	₩ -	₩ 5,551,350	₩ -
Withholding value-added tax	66,205,562	-	57,576,327	-
Withholdings	116,533,304	-	80,712,747	-
Government subsidies	-	-	916	-
Contract liabilities	209,191,482	-	194,899,830	-
Other long-term employee liabilities	-	25,070,144	-	22,833,796
	<u>₩ 395,458,833</u>	<u>₩ 25,070,144</u>	<u>₩ 338,741,170</u>	<u>₩ 22,833,796</u>

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**19. Contract Assets and Liabilities**

Contract assets as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Construction contracts	₩ 322,427,500	₩ 552,839,859
Less: loss allowance	<u>(6,113,119)</u>	<u>(11,466,818)</u>
	<u>₩ 316,314,381</u>	<u>₩ 541,373,041</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, 2024.

Changes in expected credit losses of contract assets for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	₩ 11,466,818	₩ 6,569,177
Increase (decrease) in allowance for loss	<u>(5,353,699)</u>	<u>4,897,641</u>
Ending balance	<u>₩ 6,113,119</u>	<u>₩ 11,466,818</u>

Contract costs as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Costs to fulfil a contract	₩ 108,613,388	₩ 108,768,712

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. The above costs to fulfil a contract are amortized on a systematic basis consistent with the manner in which goods and services are transferred to customers. In the current period, impairment loss of ₩ 11,865,921 thousand regarding the costs to fulfil a contract was recognized.

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Contract liabilities as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Construction contracts	₩	140,068,224	₩	138,560,584
Equipment supply and maintenance		69,123,258		56,339,246
	₩	<u>209,191,482</u>	₩	<u>194,899,830</u>

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, 2024.

Revenue recognized for the years ended December 31, 2024 and 2023, that was included in the contract liabilities at the beginning of the year, is as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Construction contracts	₩	133,725,755	₩	131,320,717
Equipment supply and maintenance		40,729,996		19,844,196
	₩	<u>174,455,751</u>	₩	<u>151,164,913</u>

There is no revenue recognized for the year ended December 31, 2024 from the performance obligations that were satisfied during the year ended December 31, 2023.

Changes in estimated total contract amount and total contract cost for the construction contracts effective as of January 1, 2024, 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>	<b>Changes in estimated total contract amount</b>	<b>Changes in estimated total contract costs</b>	<b>Effects of profit or loss in the current year</b>	<b>Effect of profit or loss in the future period</b>	<b>Changes in contract assets (contract liabilities)<sup>1</sup></b>
Construction contracts	₩ 233,822,146	₩ 258,763,515	₩ (11,478,567)	₩ (13,462,801)	₩ (11,478,567)

<sup>1</sup> The contract loss provisions related to construction contracts as of December 31, 2024, are ₩ 27,542,254 thousand.

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At the end of the reporting period, details of construction contract with the amount of 5% or more of the revenue amount of the prior year, are as follows:

(in thousands of Korean won)	Constructor	Contract date	Completion due	Contract amount <sup>1</sup>	Percentage of progress	Contract assets		Trade receivables	
						Total	Accumulated impairment loss	Total	Allowance for bad debt
Construction of Pacific Sunny Jukjeon Data Center	HYUNDAI ENGINEERING & CONSTRUCTION CO.,LTD	March 2, 2022	September 30, 2025	₩ 350,514,000	63%	₩ 28,015,263	₩ -	₩ -	₩ -

<sup>1</sup> The initial contract amount on March 2, 2022 was ₩ 171,699,000 thousand, and changed on November 20, 2024 to ₩ 350,514,000 thousand, subsequently (increase in contract consideration).

At 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 ₩ 1,122,777 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.

## 20. Share Capital

Details of share capital as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won and in shares)	Total number of authorized shares	Total number of shares issued	Number of shares owned by related parties	Par value per share (in Korean won)	Share capital <sup>1</sup>	Share premium
Ordinary share	400,000,000	87,197,353	76,142,992	₩ 500	₩ 47,198,411	₩ 46,625,595

<sup>1</sup> 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.



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**21. Capital Surplus**

Details of capital surplus as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>2024</b>		<b>2023</b>
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 Loss**

Details of accumulated other comprehensive loss as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>2024</b>		<b>2023</b>
Loss on valuation of financial assets at fair value through other comprehensive income	₩	(973,214)	₩	(468,386)

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, 2024, there were no accumulated gains and losses arising from the valuation of those equity instruments that are subsequently reclassified to retained earnings.

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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>2024</b>		<b>2023</b>
Beginning balance	₩	(468,386)	₩	(13,749,346)
Change in fair value of equity instruments designated as financial assets at fair value through other comprehensive income		(756,000)		4,294,041
Income tax effect		251,172		(1,039,158)
Transfer to retained earnings		-		10,026,077
Ending balance	₩	<u>(973,214)</u>	₩	<u>(468,386)</u>

**LG CNS CO., LTD.**  
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**23. Retained Earnings and Dividends**

Details of retained earnings as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Retained earnings unavailable for appropriation <sup>1</sup>	₩ 23,599,206	₩ 23,599,205
Retained earnings available for appropriation	<u>1,671,943,841</u>	<u>1,479,209,477</u>
	<u>₩ 1,695,543,047</u>	<u>₩ 1,502,808,682</u>

<sup>1</sup> 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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	₩ 1,502,808,682	₩ 1,342,296,959
Profit for the year	325,496,787	273,840,760
Dividends paid	(132,539,977)	(103,764,850)
Remeasurements of net defined benefit liabilities recognized	(358,411)	620,138
Income tax effect	135,966	(158,248)
Transfer from accumulated other comprehensive loss	-	(10,026,077)
Ending balance	<u>₩ 1,695,543,047</u>	<u>₩ 1,502,808,682</u>

Details of dividend payments for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won and in shares)</i>	<b>2024</b>	<b>2023</b>
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>	₩ 1,520	₩ 1,190
Total dividends	<u>₩ 132,539,977</u>	<u>₩ 103,764,850</u>

The appropriation of retained earnings for the year ended December 31, 2024, is expected to be appropriated at the shareholders' meeting on March 21, 2025. The appropriation date for the year ended December 31, 2023, was March 22, 2024.

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The appropriation of retained earnings for the years ended December 31, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Unappropriated retained earnings carried over from prior year	₩ 1,326,430,218	₩ 1,194,693,622
Profit for the year	325,496,787	273,840,760
Remeasurements of net defined benefit liabilities	(222,446)	461,890
Transfer from accumulated other comprehensive loss	-	(10,026,077)
Retained earnings available for appropriation	1,651,704,559	1,458,970,195
Transfers such as discretionary reserves	-	-
Appropriation of retained earnings:		
Earned profit reserves	2,422,149	-
Dividends	145,793,974	132,539,977
Unappropriated retained earnings to be carried forward	₩ 1,503,488,436	₩ 1,326,430,218

**LG CNS CO., LTD.**  
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**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>	<b>2024</b>	<b>2023</b>
<b>Sales recorded at a point in time:</b>		
Sales of merchandise		
Equipment supply	₩ 735,625,533	₩ 766,403,299
Others	95,758,557	147,879,227
	<u>831,384,090</u>	<u>914,282,526</u>
<b>Sales recorded over time:</b>		
Service revenue		
Maintenance and others	2,208,791,034	1,887,517,945
Construction revenue		
Development service	1,689,561,756	1,752,750,239
Others	677,848,710	558,137,690
	<u>4,576,201,500</u>	<u>4,198,405,874</u>
	<u>₩ 5,407,585,590</u>	<u>₩ 5,112,688,400</u>

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Details of operating profit for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>		
Sales of merchandise	₩ 831,384,090	₩ 914,282,526
Service revenue	2,208,791,034	1,887,517,945
Construction revenue	2,367,410,466	2,310,887,929
	<u>5,407,585,590</u>	<u>5,112,688,400</u>
<b>Cost of goods sold</b>		
Cost of merchandise	733,390,861	824,799,789
Service cost	1,874,954,755	1,623,738,583
Construction cost	2,017,648,632	1,949,608,811
	<u>4,625,994,248</u>	<u>4,398,147,183</u>
<b>Gross profit</b>	<u>781,591,342</u>	<u>714,541,217</u>
Selling and administrative expenses		
Salaries and wages	136,963,573	129,238,298
Retirement benefits	11,160,967	10,581,117
Welfare	27,550,764	26,794,560
Depreciation	7,191,883	7,331,267
Amortization of intangible assets	1,744,541	2,214,970
Research and development expenses	50,513,660	47,197,274
Commission	18,857,147	14,978,821
Training expenses	6,061,580	7,068,226
Service contract expenses	45,508,532	47,639,858
Rent expense	4,046,238	2,863,288
Bad debt expenses	11,403,673	2,233,349
Increase (decrease) in provision	4,326,198	(7,846,353)
Others	42,773,980	51,082,430
	<u>368,102,736</u>	<u>341,377,105</u>
<b>Operating profit</b>	<u>₩ 413,488,606</u>	<u>₩ 373,164,112</u>

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**25. Breakdown of Expenses by Nature**

Breakdown of expenses by nature for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	<b>2024</b>			
	<b>Changes in inventories</b>	<b>Selling and administrative expenses</b>	<b>Cost of sales</b>	<b>Total</b>
Changes in inventories:				
Merchandise	₩ 20,342,065	₩ -	₩ 713,048,796	₩ 733,390,861
Other inventories	(1,842,136)	-	621,576,239	619,734,103
	<u>18,499,929</u>	<u>-</u>	<u>1,334,625,035</u>	<u>1,353,124,964</u>
Employee benefits	-	175,675,304	810,177,999	985,853,303
Depreciation and amortization	-	8,936,424	84,339,267	93,275,691
Commission	-	18,857,147	165,129,079	183,986,226
Rent expense	-	4,046,238	353,060,449	357,106,687
Service contract expenses	-	45,508,532	1,292,024,580	1,337,533,112
Others	-	115,079,091	568,137,910	683,217,001
	<u>₩ 18,499,929</u>	<u>₩ 368,102,736</u>	<u>₩ 4,607,494,319</u>	<u>₩ 4,994,096,984</u>

(in thousands of Korean won)

	<b>2023</b>			
	<b>Changes in inventories</b>	<b>Selling and administrative expenses</b>	<b>Cost of sales</b>	<b>Total</b>
Changes in inventories:				
Merchandise	₩ (12,657,500)	₩ -	₩ 837,457,289	₩ 824,799,789
Other inventories	57,665	-	541,340,534	541,398,199
	<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.**  
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**26. Financial Income and Expenses**

Financial income for the years ended December 31, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>		<b>2024</b>		<b>2023</b>
Interest income	₩	26,636,063	₩	29,968,004
Dividend income		40,123,131		24,968,227
Gain on foreign currency translation and transaction		6,931,779		3,332,744
Gain on disposal of financial assets at fair value through profit or loss		1,163		-
Gain on valuation of financial assets at fair value through profit or loss		257,942		132,323
	₩	<u>73,950,078</u>	₩	<u>58,401,298</u>

Interest income included in financial income for the years ended December 31, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>		<b>2024</b>		<b>2023</b>
Interest income by effective interest method				
Financial assets at amortized cost	₩	26,636,063	₩	29,968,004

Financial expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>2024</b>		<b>2023</b>
Interest expense	₩	25,925,514	₩	35,782,642
Loss on foreign currency translation and transaction		184,192		1,152,568
Loss on valuation of financial assets at fair value through profit or loss		2,214,000		-
Loss on disposal of financial assets at fair value through profit or loss		1,005		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
	₩	<u>28,324,711</u>	₩	<u>37,418,773</u>

**LG CNS CO., LTD.**  
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Interest expenses included in financial expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Bank overdrafts and loan interest	₩	118,884	₩	14,018,478
Interest expense on debentures		21,092,593		19,457,550
Interest expense on lease liabilities		4,139,790		1,705,650
Other interest expense		596,370		751,191
Less: interest expense capitalized <sup>1</sup>		(22,124)		(150,227)
	₩	<u>25,925,513</u>	₩	<u>35,782,642</u>

<sup>1</sup> Capitalization interest rates used for the years ended December 31, 2024 and 2023, are 3.87% and 4.25%, respectively.



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**27. Other Non-Operating Income and Expenses**

Other non-operating income and expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>		<b>2024</b>		<b>2023</b>
Other non-operating income:				
Rental income	₩	2,662,789	₩	3,061,442
Commission		828,250		672,691
Gain on foreign currency translation and transaction		42,242,169		19,558,494
Gain on disposal of property, plant and equipment		225,676		353,215
Gain on disposal of right of use asset		137,056		81,994
Gain on disposal of intangible assets		-		366,690
Gain on transactions of derivatives		11,607,074		11,829,981
Gain on valuation of derivatives		2,343,959		4,857,708
Reversal of loss on impairment of investments in associates		1,090,240		-
Miscellaneous gain		1,048,773		2,357,573
	₩	<u>62,185,986</u>	₩	<u>43,139,788</u>
Other non-operating expenses:				
Other bad debt expenses	₩	2,229,719	₩	438,126
Loss on foreign currency translation and transaction		10,417,130		14,618,326
Loss on disposal of property, plant and equipment		847		44,558
Loss on impairment of property, plant and equipment		-		3,971,570
Loss on disposal of right of use asset		3,765		16,360
Loss on disposal of intangible assets		387,549		120,655
Loss on impairment of intangible assets		14,111,057		7,088,470
Loss on transaction of derivatives		42,545,319		31,943,755
Loss on valuation of derivatives		24,410,103		3,252,462
Impairment loss on investments in subsidiaries		3,860,000		-
Impairment loss on investments in associates		-		8,231,000
Donations and contributions		2,410,000		1,506,558
Miscellaneous loss		968,317		1,729,355
	₩	<u>101,343,806</u>	₩	<u>72,961,195</u>

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**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, 2024 and 2023, are as follows:

(in thousands of  
Korean won)

	2024						
	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	₩ (13,633,392)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (13,633,392)
Gain (loss) on valuation of derivatives	-	2,343,959	-	-	(24,410,103)	-	(22,066,144)
Gain (loss) on transactions of derivatives	-	11,607,074	-	-	(42,545,319)	-	(30,938,245)
Interest income	26,636,063	-	-	-	-	-	26,636,063
Interest expenses	-	-	-	(21,695,350)	-	(4,139,790)	(25,835,140)
Dividend income	-	46,829	-	-	-	-	46,829
Gain on valuation	-	(1,956,058)	(756,000)	-	-	-	(2,712,058)
Loss on disposal	-	158	-	-	-	-	158
Gain (loss) on foreign currency translation and transaction	36,439,897	-	-	(4,271,682)	-	-	32,168,215
	<u>₩ 49,442,568</u>	<u>₩12,041,962</u>	<u>₩ (756,000)</u>	<u>₩ (25,967,032)</u>	<u>₩ (66,955,422)</u>	<u>₩ (4,139,790)</u>	<u>₩ (36,333,714)</u>

(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>

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**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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Profit for the year	₩	325,496,787	₩	273,840,760
Less: Profit attributable to the preferred shareholders of the Company		-		-
Undeclared participating preferred share dividend		-		-
Profit attributable to the ordinary shareholders of the Company		325,496,787		273,840,760
Weighted average number of ordinary shares outstanding		87,197,353		87,197,353
Basic earnings per share <i>(in Korean won)</i>	₩	3,733	₩	3,140

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

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**30. Income taxes**

Income tax expense for the years ended December 31, 2024 and 2023, consists of:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Current income tax payable	₩ 114,022,693	₩ 98,370,040
Adjustment relating to prior income tax expense	472,881	4,115,625
Tax expenses related to the variation of temporary difference	(20,036,206)	(12,001,195)
Beginning deferred tax assets due to temporary differences	74,496,711	63,692,921
Ending deferred tax assets due to temporary differences	94,920,055	74,496,711
Deferred tax directly reflected in equity	387,138	(1,197,405)
Income tax expense	₩ 94,459,368	₩ 90,484,470

Reconciliation between accounting income and income tax expense of the Company for the years ended December 31, 2024 and 2023, is as follows

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Profit before income tax expense	₩ 419,956,155	₩ 364,325,230
Tax at domestic tax rates applicable to profits in the respective countries	100,506,425	85,819,860
Adjustments:	(6,047,057)	4,664,610
Income not subject to tax	(9,826,979)	(4,478,305)
Expenses not deductible for tax purposes	2,227,722	2,159,674
Adjustment relating to prior income tax expense	472,881	4,115,625
Effect of tax credit and exemption	(4,659,929)	(4,151,567)
Temporary differences not recognized as deferred tax assets	(2,170,617)	1,801,293
Foreign tax adjustment	11,910,885	8,919,775
Impact of changes in tax rate	(4,788,536)	(2,638,319)
Others	787,515	(1,063,566)
Income tax expense	₩ 94,459,368	₩ 90,484,470

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The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2024 and 2023, is as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩	251,172	₩	(1,039,157)
Remeasurements of defined benefit plan		135,966		(158,248)
Total deferred tax directly reflected in equity	₩	387,138	₩	(1,197,405)

Changes in deferred tax assets (liabilities) for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>			
	<b>Beginning balance</b>	<b>Reflected in profit or loss</b>	<b>Reflected in equity</b>	<b>Ending balance</b>
Temporary differences:				
Valuation of derivative instruments	₩ (388,470)	₩ 6,081,535	₩ -	₩ 5,693,065
Property, plant and equipment	13,538,616	3,443,190	-	16,981,806
Financial lease	1,042,680	4,203,250	-	5,245,930
Intangible assets	468,709	30,989	-	499,698
Financial assets at fair value through other comprehensive income	(292,465)	460,843	251,172	419,550
Accrued expense	38,773,349	2,134,093	-	40,907,442
Provisions	16,428,157	6,762,029	135,966	23,326,152
Doubtful receivable	860,080	(98,008)	-	762,072
Government grants	193,756	3,016	-	196,772
Other	1,802,195	(1,877,788)	-	(75,593)
Carried forward tax credit	2,070,105	(1,106,943)	-	963,162
Deferred tax assets	₩ 74,496,712	₩ 20,036,206	₩ 387,138	₩ 94,920,056

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(in thousands of Korean won)

	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	2,483,921	(413,815)	-	2,070,106
Deferred tax assets (liabilities)	₩ 63,692,921	₩ 12,001,195	₩ (1,197,405)	₩ 74,496,711

As of December 31, 2024 and 2023, details related to unrecognized deferred tax assets (liabilities) (excluding investment assets and equity-related assets) are as follows:

(in thousands of Korean won)

	2024	2023
Unused tax credit	₩ 388,788	₩ 307,947

**LG CNS CO., LTD.**  
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Details of unrecognized temporary differences as deferred tax assets (liabilities) related to investments in subsidiaries and associates as of December 31, 2024 and 2023, are as follows

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Investments in subsidiaries	₩	14,073,976	₩	3,267,714
Investments in associates		<u>18,504,529</u>		<u>38,355,029</u>
	₩	<u>32,578,505</u>	₩	<u>41,622,743</u>

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

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	69,285,202	₩	40,087,389
Deferred tax asset to be recovered within 12 months		<u>57,948,616</u>		<u>49,514,985</u>
		<u>127,233,818</u>		<u>89,602,374</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		(31,630,845)		(14,904,022)
Deferred tax liability to be recovered within 12 months		<u>(682,919)</u>		<u>(201,641)</u>
		<u>(32,313,764)</u>		<u>(15,105,663)</u>
Deferred tax assets, net	₩	<u>94,920,054</u>	₩	<u>74,496,711</u>

There were no income tax expenses recognized in relation to the Pillar Two model rules for the year ended December 31, 2024.

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**31. Related Party Transactions**

Details of related parties of the Company as of December 31, 2024 and 2023, are as follows:

Parent Company (including Immediate Parent Company and its associates)	2024	
	Subsidiaries, joint ventures and associates of Parent Company (domestic) <sup>1</sup>	Subsidiaries, joint ventures and associates of Parent Company (overseas) <sup>1</sup>
<b>Immediate Parent Company and its subsidiaries</b>		
LG Corp.	D&O CORP. and others <sup>2</sup> LG Management Development Institute LG Sports Ltd.	LG Holdings Japan Co., Ltd. D&O CM NANJING and others <sup>2</sup>
<b>Subsidiaries</b>		
LG CNS Co., Ltd.	BIZTECH I CO., LTD Biztech On Co.,Ltd. Haemgbokmaru Co., Ltd. Open Source Consulting, Inc. RightBrain Co., Ltd. GT INNOVISION CO.,LTD. <sup>4</sup>	LG CNS China Inc. and others
<b>Associates and joint ventures</b>		
LG CNS Co., Ltd.	Tmoney Co., Ltd. and others Songdo U-Life LLC and others KoreaDRD Co., Ltd. HEMPKING  Danbi Inc. Sejong-smartcity Co., Ltd. AIMOS CO., LTD. <sup>6</sup> MEDICNT CO., LTD. <sup>5</sup> Smartcity Busan Co., Ltd. <sup>5</sup>	Ulaanbaatar Smart card Co, LLC RECAUDO BOGOTA S.A.S Hellas SmarTicket Societe Anonyme PT. LG SINARMAS TECHNOLOGY SOLUTIONS <sup>6</sup> AUTIFY, INC. <sup>5</sup>
<b>Associates and joint ventures of Immediate Parent Company</b>		
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. HIEVCHARGER CO.,LTD	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 TW Biomassenergy Co., Ltd LG-ENI BIOREFINING CO., LTD. <sup>8</sup>	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.	Dacom America, Inc. and others



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Parent Company (including Immediate Parent Company and its associates)	2024	
	Subsidiaries, joint ventures and associates of Parent Company (domestic) <sup>1</sup>	Subsidiaries, joint ventures and associates of Parent Company (overseas) <sup>1</sup>
LG Household & Health Care Ltd.	Murex wave active senior investment association LG Uplus VoltUp Corp. <sup>7</sup> Hello Connect N Co., Ltd. <sup>7</sup> 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. VIVAWAVE CO., LTD.	Beijing LG Household Chemical Co., Ltd. and others
HS Ad Co., Ltd. ZKW Holding GmbH <sup>3</sup> 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
<b>Large Enterprise Group entities and others<sup>9</sup></b> LG Display SEETEC Co., Ltd. DACOM Crossing Robostar Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others  Robostar(Shanghai) Co., Ltd.
<b>Other related parties</b> CRYSTAL KOREA LIMITED		

<sup>1</sup> Joint ventures of associates are excluded.

<sup>2</sup> Associates of subsidiaries with direct shareholding are included.

<sup>3</sup> 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.

<sup>4</sup> Classified as subsidiary due to the acquisition of shares during the year ended December 31, 2024.

<sup>5</sup> Classified as an associate due to the acquisition of shares during the year ended December 31, 2024.

<sup>6</sup> Newly established as joint ventures during the year ended December 31, 2024.

<sup>7</sup> Newly acquired as investment in subsidiaries of LG UPLUS CORP. during the year ended December 31, 2024.

<sup>8</sup> Newly acquired as investment in subsidiaries of LG Chem Ltd. during the year ended December 31, 2024.

<sup>9</sup> 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

**LG CNS CO., LTD.**  
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the Fair Trade Commission are considered related parties with the substantive relationship stipulated in paragraph 10 of Korean IFRS 1024.

2023		
Parent Company (including Immediate Parent Company and its associates)	Subsidiaries, joint ventures and associates of Parent Company (domestic) <sup>1</sup>	Subsidiaries, joint ventures and associates of Parent Company (overseas) <sup>1</sup>
<b>Immediate Parent Company and its subsidiaries</b>		
LG Corp.	D&O CORP. and others <sup>2</sup> LG Management Development Institute LG Sports Ltd.	LG Holdings Japan Co., Ltd. D&O CM NANJING and others <sup>2</sup>
<b>Subsidiaries</b>		
LG CNS Co., Ltd.	BIZTECH I CO., LTD Biztech On Co.,Ltd. Haembokmaru Co., Ltd. Open Source Consulting, Inc. RightBrain Co., Ltd.	LG CNS China Inc. and others
<b>Associates and joint ventures</b>		
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
<b>Associates and joint ventures of Immediate Parent Company</b>		
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. HIEVCHARGER CO., LTD <sup>4</sup>	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.	TW Biomassenergy Co., Ltd <sup>6</sup> 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	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co.,Ltd.

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2023		
Parent Company (including Immediate Parent Company and its associates)	Subsidiaries, joint ventures and associates of Parent Company (domestic) <sup>1</sup>	Subsidiaries, joint ventures and associates of Parent Company (overseas) <sup>1</sup>
Care Ltd.	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. <sup>4</sup> VIVAWAVE CO., LTD. <sup>8</sup>	and others
HS Ad Co., Ltd. <sup>7</sup> ZKW Holding GmbH <sup>3</sup> 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
<b>Large Enterprise Group entities and others</b> <sup>5</sup> LG Display SEETEC Co., Ltd. DACOM Crossing Robostar Co., Ltd Fitness Candy	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others  Robostar(Shanghai) Co., Ltd.
<b>Other related parties</b> CRYSTAL KOREA LIMITED		

<sup>1</sup> Joint ventures of associates are excluded.

<sup>2</sup> Associates of subsidiaries with direct shareholding are included.

<sup>3</sup> 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.

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

<sup>5</sup> 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.

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

<sup>7</sup> 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.

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

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Sales and purchases with related parties for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024			2023		
	Sales and others <sup>3</sup>	Acquisition of property, plant and equipment	Other purchases	Sales and others	Acquisition of property, plant and equipment	Other purchases
<b>Immediate Parent Company and its subsidiaries</b>						
LG Corp.	₩ 13,410,341	₩ -	₩ 18,508,401	₩ 12,007,619	₩ -	₩ 17,965,953
D&O CORP. <sup>1,2</sup>	60,599,543	-	43,993,011	64,804,417	-	38,598,057
LG Sports Ltd.	1,580,208	-	55,000	1,467,458	-	40,000
LG Management Development Institute	73,922,464	-	13,178,750	60,765,726	-	10,681,896
	149,512,556	-	75,735,162	139,045,220	-	67,285,906
<b>Subsidiaries</b>						
LG CNS China Inc.	70,391,825	-	4,545,314	131,029,499	-	1,525,103
LG CNS Europe B.V.	61,381,501	-	71,558	69,302,072	-	82,499
LG CNS America, Inc.	252,977,222	-	5,002,068	133,565,201	-	11,989,011
LG CNS India Pvt, Ltd.	10,296,070	-	2,790,973	9,233,264	-	159,235
PT. LG CNS Indonesia	11,862,842	-	369,261	48,889,924	-	326,298
LG CNS BRASIL SERVICOS DE TI LTDA	142,075	-	-	192,201	-	-
BIZTECH I CO., LTD	1,866,447	-	288,843,500	1,368,819	186,950	204,848,320
LG CNS COLOMBIA SAS	4,384,774	-	-	5,734,003	-	-
LG CNS JAPAN Co., Ltd.	899,615	-	839,394	619,046	-	284,258
LG CNS Malaysia SDN Bhd	615,944	-	96,730	2,809,488	-	-
LG CNS UZBEKISTAN, LLC	-	-	403,089	-	-	38,772
Haemgbokmaru Co., Ltd.	32,793	-	2,643,904	28,481	-	2,449,230
LG CNS Vietnam Co., Ltd.	31,263,591	-	9,588,453	44,142,905	-	831,484
Open Source Consulting, Inc.	35,782	-	6,437,960	53,256	-	5,635,681
RightBrain Co., Ltd.	3,463	-	5,420,834	2,925	-	5,975,390
Biztech On Co.,Ltd.	402,502	-	6,603,614	343,218	-	5,166,770
GT INNOVISION CO.,LTD.	-	-	2,109,104	-	-	-
	446,556,446	-	335,765,756	447,314,302	186,950	239,312,051
<b>Associates and joint ventures</b>						
Tmoney Co., Ltd.	60,078,958	-	1,447,146	60,102,617	-	1,659,513
Hellas SmarTicket Societe Anonyme	22,328,960	-	-	1,987,191	-	-
Cloudgram Co., Ltd. <sup>4</sup>	-	-	1,219,780	-	-	3,136,969
KoreaDRD Co., Ltd.	2,700	-	-	-	-	1,500
HEMPKING	-	-	1,189,879	-	-	260,044

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	2024			2023		
	Sales and others <sup>3</sup>	Acquisition of property, plant and equipment	Other purchases	Sales and others	Acquisition of property, plant and equipment	Other purchases
Danbi Inc.	1,800	-	145,300	-	-	-
bithum META <sup>4</sup>	3,905	-	-	315,688	-	-
SEJONG SMART CITY CO., LTD.	8,491,308	-	99	12,804,425	-	11,182
AIMOS CO., LTD.	666,076	-	-	-	-	-
PT. LG SINARMAS TECHNOLOGY SOLUTIONS	5,594,101	-	859,488	-	-	-
	<u>97,167,808</u>	<u>-</u>	<u>4,861,692</u>	<u>75,209,921</u>	<u>-</u>	<u>5,069,208</u>
<b>Associates and joint ventures of Parent Company</b>						
LG Chem Ltd. <sup>1,5</sup>	958,745,474	3,018,240	21,854,164	842,379,730	-	36,947,552
LG Household & Health Care Ltd. <sup>1</sup>	59,659,325	-	4,264,766	37,882,373	-	4,459,851
LG Electronics Inc. <sup>1</sup>	1,311,107,295	478,000	65,782,015	978,743,612	-	118,469,340
HS Ad Co., Ltd. <sup>1</sup>	6,726,274	-	1,038,334	6,205,806	-	396,668
LG U Plus Co., Ltd. <sup>1</sup>	497,788,145	-	24,165,046	377,211,469	-	29,258,544
	<u>2,834,026,513</u>	<u>3,496,240</u>	<u>117,104,325</u>	<u>2,242,422,990</u>	<u>-</u>	<u>189,531,955</u>
<b>Large Enterprise Group entities and others</b>						
LG Display <sup>1</sup>	175,592,524	-	-	210,340,654	-	-
SEETEC co., Ltd.	430,600	-	-	-	-	-
Robostar Co., Ltd	4,602	-	-	3,733	-	-
	<u>176,027,726</u>	<u>-</u>	<u>-</u>	<u>210,344,387</u>	<u>-</u>	<u>-</u>
	<u>₩ 3,703,291,049</u>	<u>₩ 3,496,240</u>	<u>₩ 533,466,935</u>	<u>₩ 3,114,336,820</u>	<u>₩ 186,950</u>	<u>₩ 501,199,120</u>

<sup>1</sup> This includes transaction details for subsidiaries.

<sup>2</sup> This includes transaction details for associates.

<sup>3</sup> Other than the above transactions, the amount recognized related to contract assets and contract liabilities for LG Electronics Inc. and others is ₩ 90,891,287 thousand and contract assets of ₩ 172,416,828 thousand and contract liabilities of ₩ 126,239,367 thousand are recognized during the year ended December 31, 2024.

<sup>4</sup> The Company was excluded from the related parties due to disposal during the year ended December 31, 2024, and the amount includes transactions before disposal.

<sup>5</sup> HLI GREEN POWER, a joint venture of LG Chem Ltd., was classified as subsidiaries due to changes in control during the year ended December 31, 2024, and the amount includes transactions before consolidation.

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Outstanding balances arising from sales/purchases of goods and services as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024		2023	
	Trade receivables and others <sup>1</sup>	Trade payables and others <sup>2</sup>	Trade receivables and others <sup>1</sup>	Trade payables and others <sup>2</sup>
<b>Immediate Parent Company and its subsidiaries</b>				
LG Corp.	₩ 9,908,905	₩ 865,971	₩ 6,041,986	₩ 2,481,248
D&O CORP. <sup>3,4,7</sup>	17,573,195	1,855,593	6,971,115	1,931,116
LG Sports Ltd.	232,916	-	158,678	-
LG Management Development Institute	8,108,483	325,150	9,325,249	334,597
	<u>35,823,499</u>	<u>3,046,714</u>	<u>22,497,028</u>	<u>4,746,961</u>
<b>Subsidiaries</b>				
LG CNS China Inc.	13,479,067	728,019	18,782,518	280,417
LG CNS Europe B.V.	17,308,483	6,166	34,784,843	6,261
LG CNS America, Inc.	164,138,722	1,238,228	37,177,801	114,379
LG CNS India Pvt, Ltd.	4,337,641	509,243	3,741,123	67,049
PT. LG CNS Indonesia	13,843,254	-	42,029,601	-
LG CNS BRASIL SERVICOS DE TI LTDA	-	-	4,315	-
BIZTECH I CO., LTD	366,805	39,007,314	218,328	36,214,996
LG CNS COLOMBIA SAS	-	-	2,273,230	-
LG CNS JAPAN Co., Ltd.	476,978	42,142	-	18,115
LG CNS Malaysia SDN Bhd	228,035	-	1,824,975	7,703
LG CNS UZBEKISTAN, LLC <sup>5</sup>	849,164	5,071	744,837	4,448
Haembokmaru Co., Ltd.	72	36,817	89	38,335
LG CNS Vietnam Co., Ltd.	11,412,530	1,080,559	18,891,053	302,605
Open Source Consulting, Inc.	20,221	1,026,884	13,067	1,561,473
RightBrain Co., Ltd.	3,809	123,420	2,336	376,684
Biztech On Co.,Ltd.	40,890	691,716	29,041	629,172
GT INNOVISION CO.,LTD.	-	363,017	-	-
	<u>226,505,671</u>	<u>44,858,596</u>	<u>160,517,157</u>	<u>39,621,637</u>
<b>Associates and joint ventures</b>				
RECAUDO BOGOTA S.A.S	4,814,236	-	7,448,254	-
Tmoney Co., Ltd.	14,178,505	167,750	26,708,291	210,803
Hellas SmartTicket Societe Anonyme	14,082,347	-	230,849	-
Cloudgram Co., Ltd. <sup>9</sup>	-	-	-	91,769
HEMPKING	-	225,968	-	-
Danbi Inc.	1,980	-	-	-
SEJONG SMART CITY CO., LTD.	6,942,401	48	13,233,228	12,299

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AIMOS CO., LTD.	111,840	-	-	-
PT. LG SINARMAS TECHNOLOGY SOLUTIONS	1,736,230	300,674	-	-
	<u>41,867,539</u>	<u>694,440</u>	<u>47,620,622</u>	<u>314,871</u>
<b>Associates and joint ventures of Parent Company</b>				
LG Chem Ltd. <sup>3,8</sup>	319,365,800	5,149,237	332,036,329	8,074,156
LG Household & Health Care Ltd. <sup>3</sup>	6,380,073	334,535	5,733,598	378,760
LG Electronics Inc. <sup>3,6</sup>	501,682,117	14,124,273	405,384,333	28,323,032
HS Ad Co., Ltd. <sup>3</sup>	1,492,097	527,162	1,725,939	160,503
LG U Plus Co., Ltd. <sup>3</sup>	96,947,157	759,409	119,876,675	4,830,080
	<u>925,867,244</u>	<u>20,894,616</u>	<u>864,756,874</u>	<u>41,766,531</u>
<b>Large Enterprise Group entities and others</b>				
LG Display	64,866,808	-	90,181,409	-
SEETEC co., Ltd.	236,830	-	-	-
Robostar Co., Ltd	315	-	264	-
	<u>65,103,953</u>	<u>-</u>	<u>90,181,673</u>	<u>-</u>
	<u>₩ 1,295,167,906</u>	<u>₩ 69,494,366</u>	<u>₩ 1,185,573,354</u>	<u>₩ 86,450,000</u>

<sup>1</sup> 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.

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

<sup>3</sup> It includes receivables and payables and others from/to subsidiaries.

<sup>4</sup> It includes receivables and payables and others from/to associates.

<sup>5</sup> The Company established provision for the receivables amounting to ₩ 849,162 thousand and ₩ 744,837 thousand as of December 31, 2024 and 2023, respectively.

<sup>6</sup> The Company established provision for the receivables amounting to ₩ 565,178 thousand and ₩ 571,562 thousand as of December 31, 2024 and 2023, respectively.

<sup>7</sup> The Company established provision for the receivables amounting to ₩ 156,730 thousand as of December 31, 2024. There was no provision for the receivables as of December 31, 2023.

<sup>8</sup> The Company established provision for the receivables amounting to ₩ 129,598 thousand and ₩ 41,822 thousand as of December 31, 2024 and 2023, respectively.

<sup>9</sup> The company was excluded from related parties during the year ended December 31, 2024.

<sup>10</sup> Other than the above transactions, right-of-use assets of ₩ 23,676,444 thousand and lease liabilities of ₩ 24,124,882 thousand are recognized for LG Corp. and others.

**LG CNS CO., LTD.**  
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Fund transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)

	2024									
	Contributions in cash (capital reduction)		Disposal of interests	Loan transactions				Borrowing transactions		
				Loans		Collections		Borrowings	Repayments	
<b>Subsidiaries</b>										
LG CNS FUND I LLC	₩	335,248	₩	-	₩	-	₩	-	₩	-
LG CNS FUND II LLC		6,930,000		-		-		-		-
GT INNOVISION CO.,LTD. <sup>1</sup>		5,953,373		-		-		-		-
<b>Associates and joint ventures</b>										
AIMOS CO., LTD. <sup>1</sup>		900,000		-		-		-		-
PT. LG SINARMAS TECHNOLOGY SOLUTIONS <sup>1</sup>		4,849,608		-		-		-		-
Smartcity Busan Co., Ltd. <sup>1</sup>		15,000,000		-		-		-		-
	₩	33,968,229	₩	-	₩	-	₩	-	₩	-

<sup>1</sup> Newly acquired during the year ended December 31, 2024.

(in thousands of Korean won)

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

<sup>1</sup> Newly acquired during the year ended December 31, 2023.



**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
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Details of payment guaranteed provided to the related parties as of December 31, 2024, 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	2024.03.02~2025.03.02
PT. LG CNS Indonesia	Credit line	Woori Bank	USD 1,200,000	2024.11.29~2025.11.29
PT. LG CNS Indonesia	Credit line	Woori Bank	USD 500,000	2024.10.30~2025.10.29
PT. LG CNS Indonesia	Credit line	KEB Hana Bank	USD 700,000	2024.11.20~2025.11.20
PT. LG CNS Indonesia	Credit line	KEB Hana Bank	USD 800,000	2024.11.20~2025.11.20
PT. LG CNS Indonesia	Credit line	KEB Hana Bank	USD 500,000	2024.10.28~2025.10.28
PT. LG CNS Indonesia	Credit line	KBBukopin	USD 3,000,000	2024.06.09~2025.06.09
PT. LG CNS Indonesia	Credit line	Shinhan Bank	USD 2,000,000	2024.08.22~2025.08.21
PT. LG CNS Indonesia	Payment guarantees	KEB Hana Bank	IDR 49,218,616,327	2020.12.02~2025.12.30
LG CNS America, Inc.	Credit line	BOA	USD 10,000,000	2024.02.01~2025.01.31
LG CNS America, Inc.	Credit line	CHASE	USD 5,000,000	2024.02.01~2025.01.31
LG CNS MALAYSIA SDN BHD	Credit line	HSBC	MYR 7,000,000	2024.05.03~2025.04.30
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 305,000	2021.04.07~2025.01.25
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 305,000	2024.06.28~2027.08.28
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 2,110,000	2019.12.11~2025.05.29
LG CNS MALAYSIA SDN BHD	Payment guarantees	KEB Hana Bank	MYR 1,020,000	2022.08.09~2025.05.08
Hellas SmarTicket Societe Anonyme	Credit line	KEXIM Bank	EUR 28,000,000	2016.03.04~2027.03.04

**LG CNS CO., LTD.**  
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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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Short-term employee benefits	₩	29,635,829	₩	26,836,601
Post-employment benefits		3,791,440		2,997,461
Other long-term benefits		7,560		7,560
	₩	<u>33,434,829</u>	₩	<u>29,841,622</u>

During the year ended December 31, 2024, dividends paid to related parties were ₩ 112,595,964 thousand (₩ 66,206,971 thousand to LG Corp. and ₩ 46,388,992 thousand to CRYSTAL KOREA LIMITED), and there are no unpaid dividends as of December 31, 2024.

### **32. Commitments and Pledging**

Financing agreements as of December 31, 2024, are as follows:

*(in thousands of USD and Korean won)*

<b>Category <sup>1,2</sup></b>	<b>Financial institution</b>	<b>Limit of credit in foreign currency</b>		<b>Limit of credit in Korean won</b>	
Comprehensive import and export	Kookmin Bank and others	USD	33,000	₩	-
Overdraft	Woori Bank		-		5,000,000
Forward exchange	Kookmin Bank and others	USD	88,836		-
Other payment guarantee	KEB Hana Bank and others		-		109,000,000

<sup>1</sup> Both blanket credit agreement and individual credit agreement are presented.

<sup>2</sup> Payment guarantees provided for the related parties are described in Note 31.

**LG CNS CO., LTD.**  
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Restricted financial assets as of December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023	Restrictions on use
Long-term financial institution deposits	₩ 12,000,000	₩ 12,000,000	Support fund for partners
Long-term deposits	5,500	5,500	Deposit for overdraft
	<u>₩ 12,005,500</u>	<u>₩ 12,005,500</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, 2024, are as follows:

<i>(in thousands of Korean won)</i>	Guaranteed amount	Insurance company
Performance guarantees for contracts, warranties and others	₩ 35,589,600	Seoul Guarantee Insurance
	617,791,160	Korea Software Financial Cooperative
	58,052,454	Korea Info. & Comm. Contractors Association
	48,567,922	Korea Specialty Contractor Financial Cooperative
	57,898,370	KEB Hana Bank and others
	<u>₩ 817,899,506</u>	

**Collateral**

Details of collateral provided by the Company as of December 31, 2024, are as follows:

**Remark<sup>1</sup>**

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

<sup>1</sup> It is the amount based on the initial deposit, excluding gains and losses on valuation, and the related carrying amount is ₩ 4,840,983 thousand.

There are no financial and non-financial assets pledged as collateral as of December 31, 2024.

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, 2024, the Company invested USD 25,000,000 to LG CNS FUND I LLC.

**LG CNS CO., LTD.**  
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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, 2024, the Company invested USD 10,000,000 to LG CNS FUND II LLC.

**33. Leases**

*As a Lessee*

Details of the right-of-use assets as of December 31, 2024 and 2023, are as follows:

*(in thousands of Korean won)*

	<b>2024</b>			
	<b>Buildings</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Acquisition cost	₩ 151,498,029	₩ 3,751,743	₩ 16,567,956	₩ 171,817,728
Accumulated depreciation	(52,763,988)	(1,992,165)	(3,888,403)	(58,644,556)
Carrying amount	<u>₩ 98,734,041</u>	<u>₩ 1,759,578</u>	<u>₩ 12,679,553</u>	<u>₩ 113,173,172</u>

*(in thousands of Korean won)*

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

Changes in carrying amount of the right-of-use assets for the years ended December 31, 2024 and 2023, are as follows:

*(in thousands of Korean won)*

	<b>2024</b>			
	<b>Buildings</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Beginning balance	₩ 46,513,142	₩ 1,984,862	₩ 1,221,119	₩ 49,719,123
Additional (renewal) contracts	72,956,098	1,228,113	14,614,165	88,798,376
Depreciation of right-of-use assets	(20,659,211)	(1,269,455)	(3,155,731)	(25,084,397)
Termination of contracts and others	(75,988)	(183,942)	-	(259,930)
Ending balance	<u>₩ 98,734,041</u>	<u>₩ 1,759,578</u>	<u>₩ 12,679,553</u>	<u>₩ 113,173,172</u>

**LG CNS CO., LTD.**  
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(in thousands of Korean won)

	<b>2023</b>			
	<b>Buildings</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
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	(159,351)	(316,987)	-	(476,338)
Ending balance	₩ 46,513,142	₩ 1,984,862	₩ 1,221,119	₩ 49,719,123

The Company has operating lease contracts for buildings, vehicles and others. The weighted average total lease term is 9.61 years. During the year ended December 31, 2024, about 3.63% 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, 2024 and 2023, are as follows:

(in millions of Korean won)

	<b>2024</b>	<b>2023</b>
Depreciation of right-of-use assets	₩ 25,084,397	₩ 13,638,863
Interest expense relating to lease liabilities	4,139,790	1,705,650
Interest expense relating to short-term leases	2,965,582	3,416,384
Expense relating to leases of low-value assets	240,526	519,843
Expense relating to variable lease payments not included in lease liabilities <sup>1</sup>	244,067	326,916

<sup>1</sup>The 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 0.81% and 1.85% of total lease payments for the years ended December 31, 2024 and 2023.

As of December 31, 2024, the remaining lease agreement amount for the short-term leases is ₩ 631,473 thousand and the total cash outflow for leases for the year ended December 31, 2024 is ₩ 30,102,204 thousand.

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*As a Lessor*

The Company has a lease agreement to lease office buildings to LG ARTS CENTER, and 10 other companies and the future lease payment receipt plan as of December 31, 2024 and 2023, is as follows:

*(in millions of Korean won)*

**2024**

	<b>Future lease payment receipt plan</b>						<b>Total</b>
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 3 years</b>	<b>Between 3 and 4 years</b>	<b>Between 4 and 5 years</b>	<b>Over 5 years</b>	
LG ARTS CENTER and LG Discovery Lab	₩ 281,083	₩ 281,083	₩ 281,082	₩ -	₩ -	₩ -	₩ 843,248
CJ E&M Corp. and 8 others	1,544,964	1,149,866	727,696	412,056	198,793	-	4,033,375

*(in millions of Korean won)*

**2023**

	<b>Future lease payment receipt plan</b>						<b>Total</b>
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 3 years</b>	<b>Between 3 and 4 years</b>	<b>Between 4 and 5 years</b>	<b>Over 5 years</b>	
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

The lease income recognized by the Company in relation to the lease agreement for the years ended December 31, 2024 and 2023, is ₩ 2,662,789 thousand and ₩ 3,061,442 thousand, respectively.

**LG CNS CO., LTD.**  
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**34. Pending Litigations**

Pending litigation as of December 31, 2024, are as follows:

<i>(in thousands of Korean won)</i>		<b>Final amount of lawsuit</b>	<b>Plaintiff</b>	<b>Defendant</b>
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.
Claims for storage refunds		2,000,000	Individuals	LG CNS Co., Ltd. and others
Unjust enrichment claim to KOREA SOFTWARE FINANCIAL COOPERATIVE		230,270	LG CNS Co., Ltd. and others	KOREA SOFTWARE FINANCIAL COOPERATIVE
Claims for cancellation of unfair sanctions for next-generation social security		100,000	LG CNS Co., Ltd.	Director of the Public Procurement Service
Claims for confirmation of non-existence of next-generation social security debt and others		18,138,104	LG CNS Co., Ltd. and others	South Korea

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**  
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**35. Risk Management**

**35.1 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, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Total borrowings	₩	549,347,049	₩	548,750,355
Less: cash and cash equivalents		<u>926,463,448</u>		<u>389,108,618</u>
Borrowings, net		<u>(377,116,399)</u>		<u>159,641,737</u>
Total equity	₩	<u>1,879,794,339</u>	₩	<u>1,687,564,802</u>
Debt ratio		-		9.46%

<sup>1</sup> As of December 31, 2024, the total borrowing capital ratio is not calculated as net borrowings was negative.

**35.2 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.**  
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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, 2024 and 2023, is as follows:

(in thousands of Korean won)	2024		2023	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 364,093,126	₩ 29,199,324	₩ 195,787,720	₩ 18,375,173
EUR	64,580,581	10,750,980	51,769,908	15,473,874
JPY	1,412,024	1,047,112	827,804	341,968
CNY	1,586,702	374,042	388,464	163,042
Others	45,019,929	83,285	113,581,878	372,123
	₩ 476,692,362	₩ 41,454,743	₩ 362,355,774	₩ 34,726,180

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, 2024 and 2023, is as follows:

(in thousands of Korean won)	2024		2023	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
USD	₩ 25,753,333	₩ (25,753,333)	₩ 13,643,025	₩ (13,643,025)
EUR	4,139,496	(4,139,496)	2,791,165	(2,791,165)
JPY	28,062	(28,062)	37,361	(37,361)
CNY	93,254	(93,254)	17,335	(17,335)
Others	3,455,628	(3,455,628)	8,705,830	(8,705,830)
	₩ 33,469,773	₩ (33,469,773)	₩ 25,194,716	₩ (25,194,716)

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, 2024, is as follows:

(in thousands of Korean won)	Unsettled contractual amounts	Valuation gain and loss		Fair value	
		Gain	Loss	Assets	Liabilities
Currency forward	₩ 485,963,590	₩ 2,343,959	₩ 24,410,103	₩ 2,343,959	₩ 24,410,103

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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 ₩ 82,182,750 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, 2024, the exposure to credit risk by major industries, to which the Company's customers belong, is as follows:

(in thousands of Korean won)	Manufacturing		Financial service		Other service		Public institutions		Others		Total	
Financial assets at fair value through profit or loss	₩	-	₩	2,343,959	₩	-	₩	-	₩	25,155,331	₩	27,499,290
Financial assets at amortized cost		1,101,003,894		21,985,924		381,364,003		97,960,663		70,048,987		1,672,363,471
Limit of payment guarantee		-		-		82,182,750		-		-		82,182,750
	₩	1,101,003,894	₩	24,329,883	₩	463,546,753	₩	97,960,663	₩	95,204,318	₩	1,782,045,511

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.

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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, 2024 and 2023, is as follows:

(in thousands of Korean won)

	2024			
	Within 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 982,045,702	₩ 2,196,264	₩ -	₩ 984,241,966
Borrowings	176,439,375	401,363,025	-	577,802,400
Limit of payment guarantee <sup>1</sup>	82,182,750	-	-	82,182,750
Lease liabilities	38,160,572	101,046,621	75,783	139,282,976
	<u>₩ 1,278,828,399</u>	<u>₩ 504,605,910</u>	<u>₩ 75,783</u>	<u>₩ 1,783,510,092</u>

<sup>1</sup> 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, 2024, 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)

	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 <sup>1</sup>	74,477,250	-	-	74,477,250
Lease liabilities	13,202,320	37,030,760	2,148,294	52,381,374
	<u>₩ 873,293,559</u>	<u>₩ 616,927,071</u>	<u>₩ 2,148,294</u>	<u>₩ 1,492,368,924</u>

<sup>1</sup> 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.

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.

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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, 2024 and 2023, are as follows:

(in thousands of Korean won)

	<b>2024</b>			
	<b>Within 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Financial institution deposits	₩ 50,000,000	₩ 12,000,000	₩ -	₩ 62,000,000
Trade and other receivables	1,597,899,519	12,443,452	20,500	1,610,363,471
Investment in equity and debt instruments	-	-	27,499,290	27,499,290
	<u>₩ 1,647,899,519</u>	<u>₩ 24,443,452</u>	<u>₩ 27,519,790</u>	<u>₩ 1,699,862,761</u>

(in thousands of Korean won)

	<b>2023</b>			
	<b>Within 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
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>

Meanwhile, the maturity analysis of derivative financial assets (liabilities) according to their remaining maturity as of December 31, 2024 and 2023, is as follows:

(in thousands of Korean won)

	<b>2024</b>		
	<b>Within 1 year</b>	<b>Between 1 and 5 years</b>	<b>Total</b>
Derivative instruments for trading:			
Foreign currency Inflows	₩ 488,196,932	₩ -	₩ 488,196,932
derivative Outflows	(510,263,076)	-	(510,263,076)
instruments <sup>1</sup>			
Total	<u>₩ (22,066,144)</u>	<u>₩ -</u>	<u>₩ (22,066,144)</u>

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

**LG CNS CO., LTD.**  
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(in thousands of Korean won)

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

<sup>1</sup> 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, 2024, the Company does not have any instruments exposed to interest rate risk.

**35.3 Estimation of Fair Value**

The fair values of financial instruments (i.e., short-term financial assets held for trading, 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).
- Inputs for the asset or liability and are not based on observable market data

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(unobservable inputs) (Level 3).

1) Financial instruments that are measured subsequently at fair value as of December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)	2024					
	Carrying amount	Fair value				Total
		Level 1	Level 2	Level 3		
<b>Financial assets</b>						
Financial assets at fair value through profit or loss						
Derivative financial assets for trading	₩ 2,343,959	₩ -	₩ 2,343,959	₩ -	₩ 2,343,959	
Investment and others	25,155,331	-	-	25,155,331	25,155,331	
	27,499,290	-	2,343,959	25,155,331	27,499,290	
	₩ 27,499,290	₩ -	₩ 2,343,959	₩ 25,155,331	₩ 27,499,290	
<b>Financial liabilities</b>						
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities for trading	₩ 24,410,103	₩ -	₩ 24,410,103	₩ -	₩ 24,410,103	
	24,410,103	-	24,410,103	-	24,410,103	
	₩ 24,410,103	₩ -	₩ 24,410,103	₩ -	₩ 24,410,103	

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(in thousands of Korean won)

(in thousands of Korean won)

		2023								
		Carrying amount	Fair value				Total			
			Level 1	Level 2	Level 3					
<b>Financial assets</b>										
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
<b>Financial liabilities</b>										
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

There were no significant transfers between level 1 and 2 during the years ended December 31, 2024 and 2023.

**LG CNS CO., LTD.**  
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2) Valuation method and input variables of financial instruments, which are classified in Level 2 and 3 of the financial instruments that are subsequently measured at fair value in the separate statements of financial position, are as follows:

*(in thousands of Korean won)*

	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs</b>
<b>Financial assets</b>			
Derivative financial assets for trading Currency forward	₩ 2,343,959	Application of cash flow discount method based on discount rate, forward exchange rate, and forward interest rate determined based on yield curve	Discount rate, exchange rate, interest rate
Other financial assets Unlisted shares	25,155,331	Estimating fair value by comparative analysis of transactions with similar conditions	Recent transaction price
<b>Financial liabilities</b>			
Derivative financial liabilities for trading Currency forward	24,410,103	Application of cash flow discount method based on discount rate, forward exchange rate, and forward interest rate determined based on yield curve	Discount rate, exchange rate, interest rate



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3) Changes in level 3 for recurring fair value measurements for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

**2024**

	Beginning balance	Total comprehensive income				Sales	Others	Ending balance
		Profit or loss	Other comprehensive income	Purchases				
Financial assets								
Investment and others	₩ 27,860,363	₩ (1,955,900)	₩ -	₩ -	₩ (749,133)	₩ -	₩ -	₩ 25,155,330
Non-marketable equity securities	756,000	-	(756,000)	-	-	-	-	-
	<u>₩ 28,616,363</u>	<u>₩ (1,955,900)</u>	<u>₩ (756,000)</u>	<u>₩ -</u>	<u>₩ (749,133)</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 25,155,330</u>

(in millions of Korean won)

**2023**

	Beginning balance	Total comprehensive income				Sales	Others	Ending balance
		Profit or loss	Other comprehensive income	Purchases				
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>₩ -</u>	<u>₩ 28,616,363</u>

Total gains and losses recognized in other comprehensive income relate to equity securities held as of December 31, 2024 and are recognized as changes in gain (loss) on valuation of financial assets at fair value through other comprehensive income.

**LG CNS CO., LTD.**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

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4) 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, 2024.

5) 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.

- 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, a comparative analysis of transactions with similar conditions was used for fair value evaluation.

6) 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.

7) 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, 2024.

**LG CNS CO., LTD.**  
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**36. Cash Flows**

*Cash generated from operations*

*(in thousands of Korean won)*

		<b>2024</b>		<b>2023</b>
Profit for the year	₩	325,496,787	₩	273,840,760
Adjustments for:				
Depreciation		76,634,256		67,157,985
Amortization		16,641,436		21,284,776
Impairment loss property, plant and equipment and intangible assets		-		3,971,570
Impairment loss on intangible assets		14,111,057		7,088,470
Loss (gain) on disposal of property, plant and equipment and intangible assets		162,719		(554,691)
Gain on disposal of right-of-use assets		(133,292)		(65,634)
Provisions		71,689,241		32,457,176
Salaries		4,373,704		6,527,628
Retirement benefits		3,127,678		3,232,225
Interest expense (income)		(710,549)		5,814,637
Loss on transaction / valuation of derivatives		53,004,389		18,948,295
Loss (gain) on valuation / disposal of financial assets at fair value through profit or loss		1,955,900		(115,161)
Loss on disposal of financial assets at fair value through other comprehensive income		-		26,634
Bad debt expense		13,633,392		2,671,474
Exchange rate difference		(24,915,555)		(453,992)
Impairment loss on investments in subsidiaries		3,860,000		-
Impairment loss on investments in associates		(1,090,240)		8,231,000
Income tax expense		94,459,368		90,484,470
Dividend income		(40,123,131)		(24,968,227)
Others		(5,245,426)		4,839,268
		<u>281,434,947</u>		<u>246,577,903</u>
Change in operating assets and liabilities:				
Trade receivables		(136,422,160)		(148,394,763)
Other receivables		(4,829,573)		(15,167,424)
Net defined benefit liabilities		(2,913,609)		(2,161,646)
Other current assets		226,409,391		(183,252,898)
Inventories		18,391,682		(12,599,835)
Long-term trade receivables		(183,065)		24,081
Other non-current assets		(83,726)		(71,710)
Trade payables		26,084,434		10,582,485
Other payables		1,240,629		9,966,869
Other current liabilities		52,227,257		45,696,416
Current provisions		(55,390,855)		(31,443,839)
Other non-current liabilities		(2,135,399)		(1,729,634)
Decrease in other operating liabilities		<u>(357,894)</u>		<u>(1,253)</u>

**LG CNS CO., LTD.**  
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<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
	122,037,112	(328,553,151)
Cash generated from operations	₩ 728,968,846	₩ 191,865,512

Significant non-cash investing and financing activities for the years ended December 31, 2024 and 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2024</b>	<b>2023</b>
Decrease in other payables related to acquisition of property, plant and equipment and intangible assets	₩ (132,615)	₩ (1,643,045)
Reclassification of construction in progress	2,268,091	3,060,990
Increase in non-trade payables related to acquisition of property, plant and equipment and intangible assets	10,484,531	174,944
Reclassification between property, plant and equipment and investment properties	8,365,862	4,267,078
Recognition of right-of-use assets	102,871,531	2,579,770
Recognition of lease liabilities	102,600,790	2,441,150
Reclassification of lease liabilities to current portion	25,283,226	12,461,057
Reclassification of long-term borrowings to current portion	159,778,888	-

Changes in liabilities arising from financial activities for the years ended December 31, 2024 and 2023, are as follows:

(in thousands of Korean won)	2024											
	Beginning balance		Cash flows		Non-cash changes				Ending balance			
					Reclassification		Others					
					Others	to current						
Current portion of long-term borrowings	₩	-	₩	-	₩	-	₩	159,778,888	₩	169,852	₩	159,948,740
Long-term borrowings		548,750,355		-		-		(159,778,888)		426,842		389,398,309
Current lease liabilities		12,961,179		(25,532,695)		24,653,465		25,283,226		-		37,365,175
Lease liabilities		35,934,715		-		77,947,325		(25,283,226)		3,020,457		91,619,271
	₩	597,646,249	₩	(25,532,695)	₩	102,600,790	₩	-	₩	3,617,151	₩	678,331,495

**LG CNS CO., LTD.**  
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(in thousands of  
Korean won)

	2023						
	Beginning balance	Cash flows	Non-cash changes			Others	Ending balance
			Others	Reclassification to current			
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	
	₩ 737,795,058	₩ (143,017,887)	₩ 2,441,149	₩ -	₩ 427,928	₩ 597,646,248	

### 37. Events After the Reporting Period

The Company was listed on the Korea Exchange (KOSPI Market) on February 5, 2025, after the reporting period. In relation to this, the Company issued 9,688,595 new shares (ordinary shares) through a public offering at an offering price of ₩ 61,900. After the offering, the total number of issued shares is 96,885,948 shares (ordinary shares).

### 38. Approval of Issuance of the Financial Statements

The separate financial statements 2024 were approved for issue by the Board of Directors on February 4, 2025, which will be submitted for approval of the shareholders at their Annual General Meeting to be held on March 21, 2025.

**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, 2024. 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, 2024, 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.

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 *Standards for Evaluation and Reporting of Internal Accounting Control System*.

Our review is based on the Company's ICFR as of December 31, 2024, and we did not review management's assessment of its ICFR subsequent to December 31, 2024. 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 10, 2025

This report is effective as at March 10, 2025, 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.

## **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, 2024.

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 *Standards for Evaluation and Reporting of Internal Accounting Control System in accordance with Table 6 of the Detailed Enforcement Rules of the Regulation on External Audit and Accounting*, etc.

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2024, 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 4, 2025

Shin Gyoong Hyun  
Chief Executive Officer

Lee Hyeongyu  
Internal Control over Financial Reporting Officer