

# **SL Corporation and its subsidiaries**

Consolidated financial statements  
for the years ended December 31, 2020 and 2019  
with the independent auditor's report





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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

SL Corporation

### Opinion

We have audited the consolidated financial statements of SL Corporation and its subsidiaries (hereinafter the "Company") which comprise the consolidated statement of financial position as at 31 December 2020 and 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for both of the years ended, and a summary of significant accounting policies applied and other explanatory information on the financial statements.

In our opinion, the accompanying consolidated financial statements fairly, in all material respects, the financial position of the Company at 31 December 2020 and 31 December 2019, and the results of its operations and cash flows for both of the years ended, in accordance with the international accounting standards adopted by Korea.

### Basis for Opinion

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

### Key Audit Matters

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

#### (1) Evaluation of Inventory Assets

As indicated in Note 2 and 14 to the consolidated financial statements, the Company measures its inventory assets using the lower value between acquisition costs and net realizable values.

The Company operates an automobile component manufacturing business and owns various items of inventory assets due to the nature of the business. Since the expected sales price and incidental expenses associated with sales for measuring the net realization value of inventory assets entails a high level of judgment of Management and the use of estimates with uncertainty, we have identified the evaluation of inventory assets as a key audit matter.

Our main audit procedures performed with respect to the evaluation of inventory assets are as follows:

- Evaluation of the effectiveness of design and operation of internal control systems related to the evaluation of inventory assets
- Reviewing the appropriateness of accounting policies related to the evaluation of inventory assets
- Verifying the appropriateness of expected sales price and incidental expenses associated with sales used for measuring the net realizable value of inventory assets by conducting an independent test
- Verifying the recalculation of evaluation materials for inventory assets

(2) Measurement of Provision Liabilities

As indicated in Note 2 and 19 to the consolidated financial statements, The Company recognizes a provision when it is probable that the present obligation arising from the product warranty will be satisfied, and the amount required to settle the obligation can be estimated reliably. The amount recognized as a provision is the best estimate as of the end of each reporting period for the disbursement of the obligation, taking into account the unavoidable risks and uncertainties about the relevant events and circumstances. As the measurement of provision includes significant judgment and estimation by Management, we have identified the measurement of provision liabilities as a key audit matter and performed the following audit procedures.

- Evaluation of the effectiveness of design and operation of internal control systems related to the measurement and disclosure of provision liabilities
- Assessment whether events occurring up to the date of the audit report provide audit evidence for management's estimates
- Conducting tests on management's provisioning measures, models and assumptions used and the data on which they are measured

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the international accounting standards adopted by the Republic of Korea and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the 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.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with audit standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We 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 Company's internal control.

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

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

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

The partner in charge of the audit resulting in this independent auditors' report is Doo Bong Kim.

111, Yeouigongwon-ro, Yeongdeungpo-gu, Seoul  
Ernst & Young Han Young  
Representative Director Yong Geun Park

March 23, 2021

<p>This audit report is effective as at March 23, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.</p>
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**SL Corporation and its subsidiaries**  
**Consolidated statements of financial position**  
**as at December 31, 2020 and 2019**

(Korean won in thousands)

	Notes	Dec. 31, 2020	Dec. 31, 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7, 21	605,117,734	566,880,835
Investment properties	8	28,043,010	28,518,993
Right of Use Assets	9	4,597,232	5,937,052
Intangible assets	10	18,828,885	20,223,922
Other non-current receivable	6, 11, 34	1,262,234	1,248,441
Investment in an associate	12	156,658,223	156,096,895
Deferred tax assets	26	6,882,733	19,160,253
Other non-current financial assets	6, 13, 34	51,736,171	51,695,742
Other non-current assets	16	25,450,746	24,646,383
		<u>898,576,968</u>	<u>874,408,516</u>
<b>Current assets</b>			
Inventories	14	245,188,443	247,838,975
Trade and other receivables	6, 15, 30, 33, 34	637,243,839	557,927,849
Current financial assets	6, 13, 22, 34	238,316,271	225,341,089
Other current assets	16	167,188,084	231,663,521
Prepaid taxes	26	19,331,210	12,433,625
Cash and cash equivalents	6, 17, 33, 34	133,112,131	124,012,987
		<u>1,440,379,978</u>	<u>1,399,218,046</u>
<b>Total assets</b>		<b><u>2,338,956,946</u></b>	<b><u>2,273,626,562</u></b>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	18	24,101,639	24,101,639
Capital surplus	18	459,660,394	459,660,394
Capital Adjustment	18	(12,700,612)	(8,092,346)
Accumulated other comprehensive income/(loss)	18	(33,730,032)	(27,163,767)
Retained earnings	18	972,188,964	912,001,008
		<u>1,409,520,353</u>	<u>1,360,506,928</u>
<b>Non-controlling interests</b>		<u>15,648,075</u>	<u>18,211,134</u>
<b>Total equity</b>		<b><u>1,425,168,428</u></b>	<b><u>1,378,718,062</u></b>
<b>Non-current liabilities</b>			
Non-current provisions	19	38,705,178	38,974,339
Other non-current liabilities	20	13,717,549	10,498,162
Non-current financial liabilities	6, 21, 33, 34	18,624,174	27,013,705
Non-current lease liabilities	6, 9, 33, 34	3,364,569	3,898,635
Defined benefit pension	23	34,474,716	48,934,904
Deferred tax liability	26	30,842,567	36,174,562
		<u>139,728,753</u>	<u>165,494,307</u>
<b>Current liabilities</b>			
CurrentProvisions	19	22,307,410	30,036,431
Trade and other payables	6, 24, 30, 33, 34	418,070,875	384,136,622
Current financial liabilities	6, 21, 22, 33, 34	284,799,045	248,112,727
Current lease liabilities	6, 9, 33, 34	620,468	1,279,498
Other current liabilities	25	31,363,959	65,269,194
Tax payables	26	16,898,008	579,721
		<u>774,059,765</u>	<u>729,414,193</u>
<b>Total liabilities</b>		<b><u>913,788,518</u></b>	<b><u>894,908,500</u></b>
<b>Total equity and liabilities</b>		<b><u>2,338,956,946</u></b>	<b><u>2,273,626,562</u></b>

The accompanying notes are an integral part of the consolidated financial statements.



**SL Corporaotion and its subsidiaries**  
**Consolidated statements of income**  
**for the year ended December 31, 2020 and for the year ended December 31, 2019**

(Korean won in thousands, except per share amounts)

	<u>Notes</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Sales	5, 30	2,505,016,887	2,262,212,221
Cost of sales	27, 30	<u>(2,250,232,420)</u>	<u>(2,052,543,751)</u>
<b>Gross profit</b>		<b>254,784,467</b>	<b>209,668,470</b>
Selling and administrative expenses	27	<u>(161,620,303)</u>	<u>(166,066,866)</u>
<b>Operating profit</b>	5	<b>93,164,164</b>	<b>43,601,604</b>
Share of profit of an associate	12	6,616,563	23,011,591
Finance income	28	10,154,835	9,776,997
Other income	28	55,776,112	57,445,788
Finance cost	28	(10,046,024)	(12,008,925)
Other expenses	28	(66,689,695)	(39,932,094)
<b>Profit for the year/period before tax</b>		<b>88,975,953</b>	<b>81,894,962</b>
Income tax expense	26	<u>(24,772,879)</u>	<u>5,197,955</u>
<b>Profit for the year/period</b>	5	<b>64,203,075</b>	<b>87,092,916</b>
Net income attributable to:			
Equity owners of the parent		65,675,125	85,799,441
Non-controlling interests		<u>(1,472,050)</u>	<u>1,293,475</u>
		<u>64,203,075</u>	<u>87,092,916</u>
Earnings per share:			
- Basic, profit for the period attributable to equity holders of the parent	29	1,420	1,979
- Diluted, profit for the period attributable to equity holders of the parent	29	1,420	1,979

The accompanying notes are an integral part of the consolidated financial statements.

**SL Corporation and its subsidiaries**  
**Consolidated statements of comprehensive income**  
**for the year ended December 31, 2020 and for the year ended December 31, 2019**  
(Korean won in thousands)

	<u>Notes</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<b>Profit for the year/period</b>		<b>64,203,075</b>	<b>87,092,916</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in equity in equity method		901,417	1,799,729
Exchange differences on translations of foreign operations		(8,758,112)	4,586,551
Tax effect	26	<u>1,336,241</u>	<u>(1,800,048)</u>
After deducting the amount of tax effect		(6,520,454)	4,586,232
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain (Loss) on valuation of financial assets at FVOCI		(64,010)	(604,678)
Remeasurement loss on defined benefit plans		16,994,369	(38,876,895)
Changes in retained earnings of affiliated companies		319,443	(1,704,803)
Exchange differences on translations of foreign operations		(1,124,352)	266,906
Tax effect	26	<u>(4,170,030)</u>	<u>7,110,471</u>
After deducting the amount of tax effect		11,955,420	(33,809,000)
<b>Other comprehensive loss for the year/period, net of tax</b>		<b>5,434,966</b>	<b>(29,222,768)</b>
<b>Total comprehensive income for the year/period, net of tax</b>		<b><u>69,638,040</u></b>	<b><u>57,870,148</u></b>
Comprehensive income attributable to:			
Equity owners of the parent		72,201,099	56,526,969
Non-controlling interests		(2,563,059)	1,343,179

The accompanying notes are an integral part of the consolidated financial statements.

SL Corporation and its subsidiaries  
Consolidated statements of changes in equity  
for the year ended December 31, 2020 and the for the year ended December 31, 2019  
(Korean won in thousands)

	Attributable to the equity holders of the parent				Retained earnings	Controlling interests	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Capital Adjustment	Accumulated other comprehensive income/(loss)				
<b>As at January 1, 2019</b>	<b>16,932,545</b>	<b>143,886,416</b>	-	<b>(22,754,521)</b>	<b>867,493,362</b>	<b>1,005,557,802</b>	<b>17,258,135</b>	<b>1,022,815,937</b>
Profit for the year	-	-	-	-	85,799,441	85,799,441	1,293,475	<b>87,092,916</b>
Change in equity in equity method	-	-	-	841,149	-	841,149	-	841,149
Exchange differences on translations of foreign operations	-	-	-	3,745,082	-	3,745,082	266,906	4,011,988
Gain (Loss) on valuation of financial assets at FVOCI	-	-	-	(321,669)	-	(321,669)	-	(321,669)
Remeasurement loss on defined benefit plan	-	-	-	-	(29,509,493)	(29,509,493)	(217,202)	(29,726,695)
Changes in retained earnings of affiliated companies	-	-	-	-	(4,027,542)	(4,027,542)	-	(4,027,542)
Other comprehensive loss	-	-	-	4,264,563	(33,537,035)	(29,272,472)	49,704	(29,222,768)
Total comprehensive income	-	-	-	4,264,563	52,262,406	56,526,969	1,343,179	57,870,148
Dividends	-	-	-	-	(13,546,036)	(13,546,036)	(390,180)	(13,936,216)
Disposal of financial assets at FVOCI	-	-	-	(105,347)	105,347	-	-	-
Change resulting from merger	7,169,094	315,773,977	(8,092,346)	(8,568,462)	5,685,930	311,968,193	-	311,968,193
<b>As at December 31, 2019</b>	<b>24,101,639</b>	<b>459,660,394</b>	<b>(8,092,346)</b>	<b>(27,163,767)</b>	<b>912,001,008</b>	<b>1,360,506,928</b>	<b>18,211,134</b>	<b>1,378,718,062</b>
<b>As at January 1, 2020</b>	<b>24,101,639</b>	<b>459,660,394</b>	<b>(8,092,346)</b>	<b>(27,163,767)</b>	<b>912,001,008</b>	<b>1,360,506,928</b>	<b>18,211,134</b>	<b>1,378,718,062</b>
Profit for the year	-	-	-	-	65,675,125	65,675,125	(1,472,050)	64,203,075
Change in equity in equity method	-	-	-	831,499	-	831,499	-	831,499
Exchange differences on translations of foreign operations	-	-	-	(7,351,953)	-	(7,351,953)	(1,124,352)	(8,476,305)
Gain (Loss) on valuation of financial assets at FVOCI	-	-	-	(48,520)	-	(48,520)	-	(48,520)
Remeasurement loss on defined benefit plan	-	-	-	-	12,775,505	12,775,505	33,344	12,808,849
Changes in retained earnings of affiliated companies	-	-	-	-	319,443	319,443	-	319,443
Other comprehensive loss	-	-	-	(6,568,974)	13,094,948	6,525,974	(1,091,008)	5,434,966
Total comprehensive income	-	-	-	(6,568,974)	78,770,073	72,201,099	(2,563,059)	69,638,040
Acquisition of own shares	-	-	(4,608,266)	-	-	(4,608,266)	-	(4,608,266)
Dividends	-	-	-	-	(18,579,408)	(18,579,408)	-	(18,579,408)
Disposal of financial assets at FVOCI	-	-	-	2,709,075	2,709,075	-	-	-
<b>As at December 31, 2020</b>	<b>24,101,639</b>	<b>459,660,394</b>	<b>(12,700,612)</b>	<b>(33,730,032)</b>	<b>972,188,964</b>	<b>1,409,520,353</b>	<b>15,648,075</b>	<b>1,425,168,428</b>

The accompanying notes are an integral part of the consolidated financial statements.

**SL Corporation and its subsidiaries**  
**Consolidated statements of cash flows**  
**for the year ended December 31, 2020 and for the year ended December 31, 2019**  
(Korean won in thousands)

	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
<b>Operating activities</b>		
Profit for the year/period	64,203,075	87,092,916
Adjustments to reconcile net income to net cash flows:		
Income tax expense	24,772,879	(5,197,955)
Interest income	(5,442,652)	(8,128,481)
Dividends income	(848,547)	(483,828)
Financial costs	8,082,671	10,503,913
Equity method gain(loss) on associates	(6,616,563)	(23,011,591)
Severance and retirement benefits	28,654,526	22,338,070
Other long-term employee benefits	3,255,387	1,204,739
Loss on valuation of inventories	5,913,141	3,387,772
Depreciation of property, plant and equipment	110,945,174	87,639,163
Depreciation of investment property	747,352	741,415
Depreciation of right of use assets	1,394,055	1,304,512
Amortization of intangible assets	8,715,998	7,851,018
Gain on foreign currency translation	(9,116,325)	(11,386,451)
Loss on foreign currency translation	23,857,156	14,363,713
Gain on valuation of derivative instruments	(2,455,685)	(380,797)
Loss on valuation of derivative instruments	-	195,493
Provision for (reversal of) bad debt expense	(2,430,683)	2,419,861
Gain on disposal of property, plant, and equipment	(839,500)	(684,022)
Loss on disposal of property, plant, and equipment	2,065,233	2,126,539
Gain on disposal of intangible assets	-	(125,818)
Loss on disposal of intangible assets	16,146	-
Loss on impairment of intangible assets	-	2,570,322
Gain on valuation of financial assets at FVPL	(731,743)	(770,154)
Loss on valuation of financial assets at FVPL	117,563	84,354
Loss(reversal) of financial guarantee	(7,794)	7,866
Provision for product warranties	10,537,470	4,602,015
Gain on disposal of investments in joint ventures	-	2,982,981
Bargain purchase gains	-	(13,787,700)
Gain on disposal of financial assets at FVPL	(59,107)	-
miscellaneous profit	(47,044)	-
	<b>200,479,109</b>	<b>100,366,947</b>
Working capital adjustments:		
Trade receivables	(59,670,054)	(23,536,257)
Other current receivables	7,026,792	(5,439,934)
Other current assets	59,088,818	(46,092,090)
Inventories	(14,772,076)	(57,661,261)
Other non-current assets	2,220,306	(2,592,540)
Trade payables	4,274,706	(33,204,349)
Other payables	(14,391,827)	(7,597,830)
Other current liabilities	(51,061,480)	(7,296,641)
Derivative financial assets	151,516	(309,567)
Provisions	(16,592,697)	(5,949,783)
Defined benefit liabilities	(25,969,071)	(40,399,660)
	<b>(109,695,066)</b>	<b>(230,079,911)</b>

The accompanying notes are an integral part of the consolidated financial statements.

**SL Corporaotion and its subsidiaries**  
**Consolidated statements of cash flows**  
**for the year ended December 31, 2020 and for the year ended December 31, 2019**

(Korean won in thousands)

	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Interest received	7,245,485	8,237,554
Dividends received	8,124,642	15,731,556
Interest paid	(7,866,661)	(10,289,596)
Income tax refund(paid)	322,578	(12,080,029)
<b>Net cash flows from operating activities</b>	<b>162,813,163</b>	<b>(41,020,563)</b>
<b>Investing activities</b>		
Aquisition of property, plant, and equipment	(164,459,489)	(117,347,217)
Proceeds from disposal of property, plant, and equipment	8,648,162	3,669,827
Aquisition of investment properties	(89,000)	(48,500)
Aquisition of intangible assets	(6,522,604)	(6,854,881)
Proceeds from disposal of intangible assets	-	231,818
Increase in other non-current receivable	(174,814)	(2,023,991)
Decrease in other non-current receivable	2,569,053	253,039
Acquisition of non-current financial assets	(25,143,061)	(54,947,107)
Proceeds from disposal of non-current financial assets	18,020,402	24,978,593
Acquisition of current financial assets	(1,613,797,636)	(460,961,249)
Proceeds from disposal of current financial assets	1,609,593,345	657,022,116
Net cash flows resulting from the business combination	-	(29,102,625)
Net cash flows resulting from the merger	-	6,435,417
<b>Net cash flows used in investing activities</b>	<b>(171,355,643)</b>	<b>21,305,240</b>
<b>Financing activities</b>		
Proceeds from borrowings	262,222,976	274,139,397
Redemption of borrowings	(217,259,912)	(212,243,130)
Redemption of lease liabilities	(1,433,147)	(1,341,260)
Proceeds from government grants	1,262,309	390,763
Repayment of government grants	(296,419)	(1,262,169)
Proceeds from deposits received	44,000	59,000
Redemption from deposits received	(80,000)	(140,000)
Aquisition of treasury stock	(4,608,266)	(2,613)
Dividends paid to the equity holders of the parent	(18,579,408)	(13,936,216)
<b>Net cash flows used in financing activities</b>	<b>21,272,134</b>	<b>45,663,771</b>
<b>Net foreign exchange difference</b>	<b>(3,630,509)</b>	<b>186,915</b>
<b>Net decrease in cash and cash equivalents</b>	<b>9,099,145</b>	<b>26,135,363</b>
<b>Cash and cash equivalents at January 1</b>	<b>124,012,987</b>	<b>97,877,624</b>
<b>Cash and cash equivalents at December 31</b>	<b>133,112,131</b>	<b>124,012,987</b>

The accompanying notes are an integral part of the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

#### 1.1 Overview of the Company

SL Corporation (hereinafter the "Company") was incorporated in Daegu in November 1968 and listed its stock on the KOSPI Market of the Korea Exchange (formerly, the Korea Stock Exchange) since November 8, 1988 and its main business activities are to manufacture and sell, etc. automobile components such as headlamps and sashes.

Its capital is 24,102,000,000 won as of the end of the reporting period. On the other hand, the majority shareholder and affiliated persons hold 63.48% of the shares of the Company.

Also, the financial statements of the Company shall be finally approved at the General Meeting of Shareholders of the Company on March 31, 2021.

#### 1.2 The Current State of the Subsidiaries

(1) Details of the Company's subsidiaries included in consolidation as at December 31, 2020 and 2019 are as follows:

Subsidiary	Principal business activities	Country of domicile	Equity ownership (%)		Year-end
			2020	2019	
SL AMERICA Inc. (*1)	Holding Company	US	100	100	Dec 31
SL LUMAX LTD. (*2)	Manufacturing Automobile Components	India	78.72	78.72	Mar 31
SL ASIA-PACIFIC (*3)	Holding Company	Hong Kong	100	100	Dec 31
SL Corporation, China	Supporting Sales Techniques	China	100	100	Dec 31
SL POLAND Sp. z o.o.	Manufacturing Automobile Components	Poland	100	100	Dec 31
SL CORPORATION ASSESSORIA EMPRESARI	Business Consultation	Brazil	100	100	Dec 31
SL DO BRAZIL COMERCIO DE PECAS LTDA	Manufacturing Automobile Components	Brazil	100	100	Dec 31
SL AP PRIVATE LIMITED (*2)	Manufacturing Automobile Components	India	100	100	Mar 31
SL HUBEI AUTOMOTIVE LIGHTING CO., LTD (*4)	Manufacturing Automobile Components	China	50	50	Dec 31

(\*1) SL AMERICA Inc. holds 100% of the shares of SL TENNESSEE LLC. and SL ALABAMA LLC. respectively.

(\*2) Although the closing months of its overseas subsidiaries, SL LUMAX LTD. and SL AP PRIVATE LIMITED, are different from the one of the Company, we have used their financial information at the end of the reporting period identical for the financial statements of the Company.

(\*3) SL ASIA-PACIFIC holds 100% of the shares of Samlip (Yantai) Co., Ltd.

**SL Corporation its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2020 and 2019**

(\*4) It is categorized as a subsidiary because of our judgment that it has an ability to determine the financial and business policies in order to gain benefits from the economic activities of the above company.

(2) Summarized financial position of subsidiaries as at December 31, 2020 and 2019 is as follows (Korean won in thousands):

Subsidiary	2020				
	Assets	Liabilities	Equity	Sales	Net income (loss)
SL AMERICA Inc.	427,903,176	353,958,105	73,945,071	572,892,125	(18,512,188)
SL LUMAX LTD.	108,964,643	47,590,836	61,373,807	208,325,701	1,526,686
SL ASIA-PACIFIC	162,861,070	94,219,137	68,641,933	128,340,851	213,137
SL Corporation, China	11,193,805	1,523,038	9,670,767	10,953,121	622,890
SL POLAND Sp. z o.o.	28,413,642	21,868,644	6,544,998	39,266,128	288,237
SL CORPORATION ASSESSORIA EMPRESARI	458,642	-	458,642	-	-
SL DO BRAZIL COMERCIO DE PECAS LTDA	30,401,912	35,707,888	(5,305,976)	25,393,398	(6,235,608)
SL AP PRIVATE LIMITED	68,282,164	63,442,804	4,839,360	80,949,161	(4,034,367)
SL HUBEI AUTOMOTIVE LIGHTING CO., LTD	30,197,795	25,022,337	5,175,458	18,095,860	(3,593,858)
	<u>868,676,849</u>	<u>643,332,789</u>	<u>225,344,060</u>	<u>1,084,216,345</u>	<u>(29,725,071)</u>

  

Subsidiary	2019				
	Assets	Liabilities	Equity	Sales	Net income (loss)
SL AMERICA Inc.	401,388,417	323,059,721	78,328,696	561,574,650	(17,650,182)
SL LUMAX LTD.	94,626,567	29,310,631	65,315,936	230,018,831	9,233,870
SL ASIA-PACIFIC	161,771,287	93,837,680	67,933,607	161,130,848	(873,794)
SL Corporation, China	10,955,866	1,959,989	8,995,878	9,541,478	(636,083)
SL POLAND Sp. z o.o.	31,397,428	24,854,306	6,543,121	48,870,905	2,561,319
SL CORPORATION ASSESSORIA EMPRESARI	630,695	-	630,695	-	-
SL DO BRAZIL COMERCIO DE PECAS LTDA	36,206,115	35,741,392	464,723	15,100,417	(5,516,097)
SL AP PRIVATE LIMITED	64,340,411	54,941,966	9,398,445	36,474,869	(2,037,345)
SL HUBEI AUTOMOTIVE LIGHTING CO., LTD	20,781,320	12,157,515	8,623,805	3,874,994	(1,342,985)
HSL Electronics Co., Ltd. (*1)	<u>100,627,551</u>	<u>30,460,444</u>	<u>70,167,107</u>	<u>123,117,457</u>	<u>4,065,843</u>
	<u>922,725,657</u>	<u>606,323,644</u>	<u>316,402,013</u>	<u>1,189,704,449</u>	<u>(12,195,454)</u>

(\*1) HSL Electronic Co., Ltd.'s sales and net income(loss) for the year represent for the current accounting period, and the financial performance of the Group only contains the same that occurred after the time of business combinations.

## **2. Basis of Preparation of Financial Statements Significant Accounting Policies**

### **2.1 Basis of Preparation of Financial Statements**

The consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) have been prepared in accordance with the international accounting standards adopted by the Republic of Korea under Act on External Audit of Stock Companies.

The consolidated financial statements have been prepared on the historical cost basis, except for the following matters stated in the accounting policies such as financial instruments, etc. The consolidated financial statements have been presented in Korean won, except as otherwise stated.

### **2.2 Principle of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 of each fiscal year. Control is achieved when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the control over the investee is achieved if and only if the Group has all the following:

- power over the investee (i.e. the existing rights that give it the current ability to direct the relevant activities);
- exposure or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor’s returns

When the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether or not the Group has power over the investee.

- Contractual arrangements between investor and other holder of voting rights
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights held by the Group

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Income and each component of other comprehensive income are attributed to the controlling and non-controlling interests even if this results in the non-controlling interests having a deficit balance. In order to reconcile the accounting policy of its subsidiaries to the one of the Group, financial statements of the subsidiaries are amended for use if necessary. All of the Group’s assets, liabilities, equity, income, expenses and cash flows relating to transactions between the Group and its subsidiaries have been eliminated in full on consolidation.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions.

Upon the loss of control, the Company eliminates the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary, and recognizes any surplus or deficit arising on the loss of control as income. Any retained investment in the previous subsidiary is measured at fair value.



## **2.3 Significant Accounting Policies**

### **2.3.1 Associates and Joint Ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group applies the equity method when accounting for investments in associates and joint ventures. The investment in an associate or a joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognize the change in the Group's share of the net assets of the associates or joint ventures after the date of acquisition. Goodwill relating to an associate or a joint venture is included in carrying amount of the investment, and amortization or a separate impairment testing of that goodwill is not performed.

The Group's share of the profit or loss of the associates and joint ventures derived from business shall be directly reflected in the consolidated income statements and changes in other comprehensive income is included as part of the Group's other comprehensive income. In case of changes directly reflected in the equity of associates or joint ventures, the Group's share is reflected in the consolidated statement of changes in equity. Unrealized profits and losses on transactions between the Group and associates and joint ventures are eliminated against the Group's share.

With regard to returns on associates and joint ventures, the Group's share less the tax effect and the non-controlling interests of the associates and joint ventures in a subsidiary is included in the consolidated comprehensive income statement as incidental profit and loss.

The reporting period of associates and joint ventures is the same as that of the Company and their financial statements are adjusted, if necessary, in order to apply the uniform accounting policies employed by the Group.

After application of the equity method, the Group determines whether it is necessary to recognize additional impairment losses regarding the investment in the associates and joint ventures. The Group determines whether there is any objective evidence that its investment in the associates or joint venture is impaired at the end of each reporting period, and if there is such evidence of impairment, impairment losses, measured as the difference between the recoverable sum from the investment in the associates and joint ventures and the carrying amount thereof, are recognised in the consolidated comprehensive income statement under the account of 'the equity method profit (loss) of associates and joint ventures'.

When the Group loses significant influence over associates or joint ventures or loses joint control over joint ventures, if the Group retains remaining share in the former associates or joint ventures, such remaining share is measured at fair value, and the difference between the carrying amount of the associates and joint ventures at the time significant influence and joint control are lost and the fair value of the remaining share and costs of disposal is recognised in profit or loss.

### **2.3.2 Business combinations and goodwill**

The Group accounts for business combinations under the same control by applying the carrying amount method while applying the acquisition method of accounting to business combinations not under the same control.

The accounting policies on the application of the acquisition method are as follows:

Acquisition costs are determined as the total obtained by adding the fair value of the consideration transferred at the acquisition date and the sum of any non-controlling interest in the acquiree. For each business combination, the acquirer measures any non-controlling interests in the acquiree as fair value or a proportionate share in the non-controlling interest of the acquiree's identifiable net assets and accounts for acquisition-related costs as expenses in the periods in which the costs are incurred.

At the acquisition date, the Group shall classify or designate the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date. Such classification includes a separation of an embedded derivative from a host contract of the acquiree.

In case that the acquirer offers a contingent consideration to the acquiree, such consideration is measured at the acquisition-date fair value and recognised as part of the consideration transferred and changes in the fair value of any contingent considerations classified as assets or liabilities after the acquisition date are recognised in profit or loss or other comprehensive income in accordance of section 1109 of Korean International Financial Reporting Standards. Also, any contingent considerations classified as equity is not remeasured and its subsequent settlement is accounted for within equity. If contingent consideration is not within the scope of section 1109 of Korean International Financial Reporting Standards, it is measured pursuant to adequate provisions of Korean International Financial Reporting Standards.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and the value of the acquirer's previously held equity in the acquiree over the net of the amounts of the identifiable assets acquired and the liabilities assumed. In the event that the fair value of the net assets acquired exceeds the aggregate of the consideration transferred, etc., the Group re-assesses whether all the assets acquired and the liabilities assumed have been accurately identified and re-evaluates the procedures used for measuring the amounts recognised as of the acquisition date. If the aggregate of the consideration transferred, etc. is still lower than the fair value of the net assets acquired after the re-assessment/re-evaluation, such difference is recognised in profit or loss.

After initial recognition, goodwill is stated as the provisional amounts obtained by deducting accumulated impairment loss from the acquisition costs. For the purpose of impairment testing, goodwill acquired in the business combination is, from the acquisition date, allocated to each of Cash Generating Units or groups of Cash Generating Units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### **2.3.3 Classification of Current and Non-Current**

The Group presents current and non-current assets, and current and non-current liabilities, as separate classifications in its consolidated financial statements.

The Group classifies an asset as current when:

- it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realize the asset within 12 months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The Group classifies a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets (liabilities) are classified as non-current assets (liabilities).

#### **2.3.4 Fair Value Measurement**

A fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must have access to the principal (or the most advantageous) market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

In the consolidated financial statements, the fair value measurement of an asset and a liability is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

- Level 1 - (Unadjusted) quoted prices in the active market accessible to the same assets or liabilities
- Level 2 - the fair value measured using inputs that are observable, either directly or indirectly, as the lowest level input that is significant to the entire measurement
- Level 3 - the fair value measured using unobservable inputs as the lowest level input that is significant to the entire measurement

For recurring fair value measurements of assets and liabilities in the consolidated financial statements, the Group determines whether transfers between levels of the hierarchy are deemed to have occurred through re-assessing the categorization based on the lowest level input that is significant to the entire measurement at the end of each reporting period.

The Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy for the disclosure purpose of fair value.

### **2.3.5 Revenue from contracts with Customers**

The Group is engaged in business providing goods and services in the car components business sector (lamps and sashes, etc.). The Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

#### **Sales in car components business sector**

The Group recognizes revenue when transferring a promised goods to a customer and an asset is transferred when the customer obtains control of that asset in general. The Group considers whether other promises in the contract are separate performance obligations to which a portion of the transaction price needs to be allocated. When determining the transaction price, the Group considers variable consideration and a significant financing component.

##### **- Variable Consideration**

If variable consideration is included in a contract, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods to a customer. The Group includes in the transaction price some or all of an amount of variable consideration estimated at contract inception only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

##### **- Significant Financing Components**

There are cases that the Group may receive a prepayment from a customer. In such cases, by applying a practical expedient in section 1115 of Korean International Financial Reporting Standards, The Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

#### **Balance of Contract**

##### **- Contract Assets**

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to its customer before that consideration is paid by the customer or before it is due and when that right is conditioned on something other than the passage of time.

##### **- Accounts Receivable**

A receivable is an entity's right to consideration that is unconditional because only the passage of time is required before payment of that consideration is due. Please refer to Note 2.3.7 for accounting policies regarding financial assets.

##### **- Contract Liabilities**

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers a good or service to the customer, the Group recognizes a contract liability when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised in profits when the Group performs its obligations under the contract.

### **2.3.6 Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated financial statements compose of ordinary deposits, petty cash and short-term borrowings with a maturity period of three months or less. Cash in cash flow statements refers to these cash and cash equivalents.

### **2.3.7 Financial Instruments - Initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **(1) Financial Assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Classification of financial assets at initial recognition may differ depending on the contractual cash flow characteristics of financial asset and the Group's business model for managing the financial assets. Except for trade receivables that do not contain a significant trading component or is subject to a practical expedient, the Group measures a financial asset at its initial fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Group measures trade receivables at their transaction price determined in accordance with section 1115 of Korean International Financial Reporting Standards if the trade receivables do not contain a significant financing component or when the Group applies the practical expedient. For measurement of financial assets at amortized cost or fair value through other comprehensive income, cash flows need to be solely payments of principal and interest (SPPI). This is called SPPI test and conducted for an individual instrument.

The Group's business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The purchase or sale of a financial asset that requires the transfer of the financial asset within the period established by the agreements or restrictions of the market (standardized transactions) is recognised on the trade date. In other words, it refers to the date the Group agrees to purchase or sell the financial asset.

##### **Subsequent Measurement**

Financial assets are classified into four categories as follows for subsequent measurement.

- Financial assets measured at amortized cost (liability)
- Financial assets measured at fair value through other comprehensive income that reclassify the cumulative gain or loss to profit or loss (liability)
- Financial assets measured at fair value through other comprehensive income that reclassify the cumulative gain or loss to profit or loss when removed (equity instrument)
- Financial assets measured at fair value through profit or loss.

##### **Financial assets measured at amortized cost (liability)**

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

A financial asset measured at amortized costs is measured using the Effective Interest Rate (EIR) subsequently, and it recognizes impairment. Gains and losses arising from the removal, change or impairment of assets are recognised in profit and loss.

Financial assets measured at fair value through other comprehensive income (Liability)

The Group measures a liability at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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

For liabilities measured at fair value through other comprehensive income, interest revenue, foreign currency translation gain and loss and impairment or returns are calculated by the same method used for financial assets measured at amortized costs and recognised in loss and profit. The remaining change in fair value is recognised in other comprehensive income. When removing financial assets, the cumulative changes recognised in other comprehensive income are re-cycled in profit or loss.

The Group's liabilities measured at fair value through other comprehensive income is included in liabilities classified as non-current assets.

Financial assets measured at fair value through other comprehensive income (equity instrument)

The Group may make an irrevocable election at initial recognition for equity instruments that meet the definition of equity in section 1032 'financial instrument representation' in Korean International Financial Reporting Standards and are not held for investment purposes to be measured at fair value through other comprehensive income.

Gains and losses on such financial assets are not re-cycled in profit or loss. If dividends do not represent a recovery of part of the cost of the financial asset, such dividends are recognised as other income in income statements when the right to receive payment of the dividend is established. If dividends represent a recovery of part of the cost of the financial asset, such dividends are recognised as other comprehensive income. Equity instruments measured at fair value through other comprehensive income do not recognize impairment.

The Group may make an irrevocable election for unlisted equity instruments.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include held for trading, financial assets required to be measured at fair value through profit or loss upon initial recognition or at fair value. Financial assets acquired for the purpose of selling or repurchasing them in the near term are classified as held for trading.

In case that derivatives including separate embedded derivatives are not designated as effective hedging instrument, they are classified as held for trading. Financial assets' cash flows that are not solely payments of principal and interest on the principal amount outstanding are classified as financial assets measured at fair value through profit or loss or measured as such irrespective of the Group's business model. Despite that, as stated above, liabilities are classified as financial assets measured at amortized costs or at fair value through other comprehensive income, the Group may designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets measured at fair value through profit or loss is recognised as fair value in the consolidated statement of financial position and net changes in fair value is recognised as profit or loss in the consolidated statement of profit or loss.

This scope includes listed equity instruments for which the Group does not make an irrevocable election to recognize change in derivatives and fair value in other comprehensive income. Dividends on listed equity instruments are recognised in profit or loss when the right to receive payment of the dividend is established.

A derivative embedded in the hybrid contract is separated from the host contract and accounted for as a separate derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value and the change in fair value is recognised in profit or loss. Only if there is a change in contractual terms that significantly modify the cash flow or if it is not within the scope of measurement at fair value through profit or loss, reevaluation occurs.

An embedded derivative in the hybrid contract where a host is a financial asset is not separated from the host and accounted for separately. The host contract as a financial asset and embedded derivatives are entirely classified as financial assets measured at fair value through profit or loss.

#### Derecognition

A financial asset (a part of a financial asset or a part of a group of similar financial assets) is derecognised under the following circumstances by priority:

- The right to receive the cash flows of the financial asset expire, or
- The Group transfers the right to receive the cash flows of the financial asset or the Group has an obligation to remit the cash flows received in accordance with the pass-through agreement to a third party without material delay. In this case, the Group transfers substantially all the risks and rewards of ownership of the financial asset, or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but transfers control of the financial asset.

When the Group transfers the right to receive the cash flows of the financial asset or enters into the pass-through agreement, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. In this case, the Group recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

When the Group's continuing involvement takes the form of providing a guaranty, the extent of the Group's continuing involvement is the lower of the carrying amount of the transferred asset and the maximum amount of the consideration received that the Group could be required to repay.

#### Impairment of Financial Assets

Specific disclosures relating to impairment of financial assets are provided in the following notes.

- Disclosures of significant assumptions
- Liabilities measured at fair value through other comprehensive income
- trade receivables including contract assets

The Group recognizes the allowance for expected credit losses (ECL) on all financial liabilities except that are measured at fair value through profit or loss. Expected credit losses are estimated by discounting the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive at the original effective interest rate. The cash flows that are expected include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, entities are required to reflect credit losses that result from default events that are possible within the next 12 months (12-month expected credit losses). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required to measure credit losses expected over the remaining life of the exposure (lifetime expected credit losses) irrespective of the timing of the default.

For trade receivables and contract assets, the Group uses the simplified approach in calculating expected credit losses. Therefore, the Group, instead of tracking changes in credit risk, recognizes lifetime expected credit losses.

as a loss allowance at each settlement date. The Group sets out a provision matrix based on its historical credit loss experience adjusted as appropriate reflecting the forward-looking information and economic conditions of a specific debtor.

For debt instruments measured at fair value through other comprehensive income, the Group applies the low credit risk simplified approach. At each settlement date, the Group assesses whether debt instruments are considered based on a low credit risk using all reasonable and supportable information that is available without undue cost or effort. For such assessment, the Group re-evaluates the internal credit rating of debt liabilities. Also, the Group considers whether there has been a significant increase in credit risk if contractual payments become more than 30 days past due.

If the Group's debt instruments measured at fair value through other comprehensive income compose of listed receivables falling under the top investment grade, they are evaluated as low credit risk investment assets. The Group's policy is to measure such instruments at an amount equal to 12-month expected credit losses. However, if there has been a significant increase in credit risk since initial recognition, a loss allowance is calculated on the basis of lifetime expected credit losses. The Group determines whether there has been a significant increase in the credit risk of a debt instrument and uses grades by a credit rating agency to measure expected credit losses.

The Group deems that a default has occurred if contractual payments become more than 365 days past due. However, in particular circumstances, if internal or external information indicates that the Group will be unable to receive the principal amount in full before considering all credit enhancements, a default on a financial asset is deemed to have occurred. A financial asset is derecognised when the Group has no reasonable expectations of recovering the contractual cash flows on the financial asset.

## **(2) Financial Liabilities**

### **Initial Recognition and Measurement**

Financial liabilities are properly classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, loans and receivables, accounts payable or derivatives designated as effective hedging instruments.

All financial liabilities are measured at its initial fair value minus, in the case of loans, receivables and accounts payable, transaction costs that are directly attributable.

The Group's financial liabilities include purchased liabilities and other accounts payable, loans and receivables and derivative liabilities including overdrafts

### **Subsequent Measurement**

Measurement of Financial liabilities are classified into the categories as stated below.

#### **Financial liabilities measured at fair value through profit or loss**

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities required to be measured at fair value through profit or loss upon initial recognition.

Financial liabilities that are repurchased in the near term are classified as held for trading. This scope also includes derivatives that are not designated as effective hedging instrument in a hedging relationship as defined in section 1109 of Korean International Financial Reporting Standards. Moreover, in case that separate embedded derivatives are not designated as effective hedging instrument, they are classified as held for trading. Gains and losses on financial liabilities held for trading are recognised in profit or loss.

Financial liabilities designated as items measured at fair value through profit or loss are designated only at initial recognition if standards in section 1109 of Korean International Financial Reporting Standards are met.

#### **Loans and Receivables**



Since initial recognition, interest-bearing loans and receivables are subsequently measured at amortized cost using the effective interest method. Any gains or losses resulting from the derecognition of liabilities or the amortization process using the effective interest rate are recognised in profit or loss.

The calculation of amortized costs includes discounts or premiums on fees or transaction costs that are integral parts of the effective interest rate.

#### **Derecognition**

A financial liability is removed when the payment obligation is discharged, cancelled or expires. If there is an exchange between an existing borrower and lender of debt instruments with substantially different terms, or a substantial modification of the terms of an existing financial liability, such exchange or modification is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between each carrying amount of a financial liability is recognised in profit or loss.

#### **(3) Offsetting Financial Instruments**

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when the Group currently has a legally enforceable right to set off the recognised asset and liability and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **2.3.8 Inventory Assets**

The Group measures inventories at the lower of cost and net realizable value. The cost of inventories is calculated using a unit price calculated by applying the specific identification method (for materials in transit) and the weighted average cost formula (work-in process, products, etc.) and the quantity of inventory calculated by using the perpetual inventory method throughout the year, and such records are adjusted following a physical inventory conducted during the settlement period of every fiscal year. On the other hand, the net realizable value is the estimated selling price in the ordinary course of business less the estimated additional costs of completion and the estimated costs necessary to make the sale.

#### **2.3.9 Tangible Assets**

An asset in the course of its construction is presented as the cost after deducting any accumulated impairment losses and a tangible asset is presented as the cost after deducting any accumulated depreciation and accumulated impairment losses. It includes the replacement cost when that cost is incurred if the recognition criteria are met. Also, it is included in the carrying amount of tangible assets if the recognition criteria are met such as the cost of a major inspection and all the costs of repairs and maintenance thereof are recognised in profit or loss when that costs are incurred.

The Group depreciates a tangible asset over its useful life as follows using the straight-line method.

	Useful Life
Buildings	20~40 years
Structures	10~30 years
Machinery	5~15 years
Vehicles	4~10 years
Tools	3~15 years
Furniture and fixture	3~10 years
Molds	3~15 years

A tangible asset is derecognised when no future economic benefits are expected from its use or disposal and

the difference between the net disposal value arising from the derecognition of the tangible asset and the carrying amount is recognised in profit or loss when the item is derecognised.

The Group evaluates the residual value and useful life of tangible assets and the appropriateness of depreciation methods at the end of every fiscal year and applies modifications if necessary in a gradual manner.

### **2.3.10 Investment Property**

An investment property is measured at its cost including the relevant transaction costs, and it includes the cost of replacing the investment property at the time that cost is incurred if the recognition criteria for assets are met. However, the cost incurred during the usual course of administrative activities is recognised in expenses at the time that cost is incurred.

The Group eliminates an investment property from the consolidated financial statements when no more future economic benefits are expected from its disposal or use and the difference between the net disposal value arising from the derecognition of the investment property and the carrying amount is recognised in profit or loss when the item is derecognised.

There are no restrictions on the realizability of investment property and there are no contractual obligations to purchase, construct, develop or improve investment property or for repairs, maintenance or enhancements, etc. Also, the Group depreciates investment properties using straight-line method (Building: 20~40 years of useful life, Non-Building Structures: 10~30 years of useful life).

The Group transfers a property to, or from, investment property when, and only when, there is a change in use, and for a transfer from investment property to owner-occupied property (tangible assets), the property's deemed cost is its fair value at the date of change in use. Also, If an owner-occupied property (tangible assets) becomes an investment property, such property is accounted for in the same way as tangible assets up to the date when there is a change in use.

The Group reports an investment property at its historical cost after deducting any accumulated depreciation and accumulated impairment losses.

### **2.3.11 Lease**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease considering if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the principles of recognition and measurement to all leases except for short-term leases and leases for which the underlying asset is of low value. The Group recognizes a lease liability representing the obligation for lease payments and a right-of-use asset representing the right to use the underlying assets

#### **(1) Right-of-Use Assets**

The Group recognizes a right-of-use asset at the commencement date (i.e. the date on which an underlying asset becomes available for use). A right-of-use asset is measured at cost and when measured subsequently, a cost model is applied to it. To apply a cost model, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The cost of the right -of-use asset comprises the amount of the initial measurement of the lease liability, any initial direct costs, any lease payments made at or before the commencement date, less any lease incentives received. The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset on a straight-line basis

If the ownership of the underlying asset is transferred to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the depreciation is calculated using the useful life of the underlying asset.

A right-of-use asset is subject to impairment of assets and it is explained in Note 2.3.14 Accounting Policies on Impairment of Non-Financial Assets.

## **(2) Lease Liabilities**

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that will be paid over the lease term. The lease payments comprise fixed payments (including in-substance fixed payments less any lease incentives receivable), variable lease payments that depend on an index or a rate and amounts expected to be payable under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments other than Variable lease payments that depend on an index or a rate (unless those costs are incurred to produce inventories) are recognised in expenses in the period in which the event or condition that triggers those payments occurs.

When calculating the present value of the lease payments, the Group uses the incremental borrowing rate at the commencement date as interest rate implicit in the lease cannot be readily determined. After the commencement date, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying amount of the lease liability is remeasured if there is a change in the lease term, a change in the lease payment (for example, a change in future lease payments resulting from a change in an index or a rate used to determine payments) or a change in the assessment of an option to purchase the underlying asset.

## **(3) Short-term leases and leases for which the underlying asset is of low value.**

The Group elects not to apply the recognition to short-term lease that at the commencement date, has a lease term of 12 months or less and that does not contain a purchase option ("short-term lease") and a lease for which the underlying asset is of low value ("asset of low value"). the Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

### **2.3.12 Borrowing Costs**

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale as part of the cost of that asset, and the Group recognizes other borrowing costs as an expense in the period in which it incurs them.

### **2.3.13 Intangible Assets**

The Group recognizes the cost of a separately acquired intangible asset at its cost and the cost of the intangible asset acquired in a business combination at its fair value at the acquisition date. After initial acquisition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. On the other hand, an internally generated intangible asset except for research and development expenditure is recognised in profit or loss as expenditure when incurred.

As intangible assets are divided into an intangible asset having a finite useful life and an intangible asset having an indefinite useful life, An intangible asset with a finite useful life is amortized over its useful life and if there is an indication that the intangible asset may be impaired, it is tested for impairment. Also, the appropriateness of the useful life and the amortization method is reviewed at each financial year-end, and if changes are required as there

has been a change in the expected period of use or a change in the pattern of consumption of the economic benefits, such changes are accounted for as changes in accounting estimates

The amortization charge of an intangible asset is recognised in profit or loss as expenditure consistent with its function.

On the other hand, while an intangible asset with an indefinite useful life is not amortized, the impairment testing is conducted on it individually or as included in a cash generating unit every year. Also, the Group reviews whether it is appropriate to apply an indefinite useful life to the subject intangible asset each year and if not, the Group changes it to a finite useful life on a gradual manner.

The Group determines the gain or loss arising from the derecognition of an intangible asset as the difference between the net disposal proceeds and the carrying amount of the asset and it is recognised in profit or loss when the asset is derecognised.

The summary of the Group's accounting policies relating to intangible assets is as follows:

	Amortization method used	Useful Life	Internally Generated or Externally Acquired
Software	Straight-Line	3~10 years	Acquired
Membership	Not Subject to Depreciation	Infinite	Acquired
Others	Straight Line	4~5 years	Acquired

#### Research and Development Expenditure

The Group recognizes research expenditure as an expense when incurred. However, development expenditure relating to an individual project is recognised if, and only if, the Group can demonstrate that i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, ii) its intention and ability to complete the intangible asset and use or sell it, iii) the availability of sufficient resources to complete the development and to use or sell the intangible asset, iv) how the intangible asset will generate probable future economic benefits and v) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

On the other hand, development expenditure recognised as an asset is carried at its cost less any accumulated amortization and any accumulated impairment losses by applying a cost model, and is amortized over the period which economic benefits are expected to continue to exist from the moment it becomes available for use after the completion of its development. The Group conducts impairment testing on development expenditure recognised as an asset during the development period each year.

#### 2.3.14 Impairment of Non-Financial Assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, however if the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, then recoverable amount is determined for the cash-generating unit to which the asset belongs. An asset is deemed impaired when its carrying amount exceeds its recoverable amount, and the carrying amount of the asset is reduced to its recoverable amount. The value in use is considered to be the present value by discounting the estimated future cash flows of the asset at the discount rate determined on a pre-tax basis reflecting current market assessments of the time value of money and the risks specific to the asset. The fair value less costs of disposal is determined by using an appropriate assessment model utilizing share prices of subsidiaries traded on an open market and other available evaluation index for fair value, etc.

Impairment loss is recognised in profit or loss as expenditure consistent with the function of the impaired asset.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, and if any such indication exists, the Group estimates the recoverable amount of that asset. An impairment loss recognised in prior periods for an asset other than goodwill increases the carrying amount of the asset to its recoverable amount, if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, provided that such increase does not exceed the carrying amount of the asset after amortization, and such reversal of an impairment loss is recognised in profit or loss.

Additional requirements are applied to the following assets when they are tested for impairment.

#### **Intangible Assets**

The Group performs the impairment test on an intangible asset with an indefinite useful life each year or when there is any indication of impairment on an individual or on a cash generating unit basis.

#### **2.3.15 Government Grants**

A government grant is recognised if there is reasonable assurance that the Group will comply with the conditions attaching to it. Grants related to income are recognised in profit or loss on a systematic basis over a period necessary to match them with the related costs that they are intended to preserve as grants. Grants related to assets are recognised as deferred income and the same amount of income is recognised in profit or loss each year over the useful life of the asset.

#### **2.3.16 Post-Employment Benefit Plans**

The Group's retirement benefit plans are divided into defined contribution plans and defined benefit plans.

##### **(1) Defined Contribution Plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the Group and the employee to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. When an employee has rendered service to an entity during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service (i) as an accrued expense, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as a prepaid expense to the extent that the prepayment will lead to a reduction in future payments or a cash refund, and (ii) as an expense unless the contribution is included in the cost of an asset according to other provisions in the international accounting standards adopted by Korea.

##### **(2) Defined Benefit Plans**

The service cost under defined benefit plans is determined using the projected unit credit method by each plan. Remeasurements comprising actuarial gains and losses, the return on plan assets, excluding amounts included in net interest and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net are recognised in other comprehensive income immediately upon occurrence, and are not reclassified to profit or loss in a subsequent period.

The Group recognizes past service cost as an expense at the earlier of the following dates:

- when the plan amendment or curtailment occurs; and
- when the Group recognizes related restructuring costs or termination benefits

The Group determines net interest by multiplying the net defined benefit liability (asset) by the discount rate. The Group recognizes service cost and net interest on the net defined benefit liability in profit or loss as cost of goods sold, selling expense and administrative expense.

### **2.3.17 Provisions**

The Group recognizes a provision if (i) the Group has a present obligation (legal or constructive) as a result of a past event, and (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the Group settles the obligation and the reimbursement shall be treated as a separate asset. In the consolidated statement of profit or loss, the expense relating to a provision is presented net of the amount recognised for a reimbursement by a third party.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. Where assessing provisions as the present value, the increase in the carrying amount of a provision that reflects the passage of time is recognised as financing cost.

#### **Product Warranty Liabilities**

The Group is required by law to provide a warranty that covers the cost of repairs of any product defects that existed when purchasing. Such assurance-type-warranty is recognised when products are sold or services are provided to a customer and estimated based on the past experiences. Product warranty provisions are reviewed at the end of each reporting period.

### **2.3.18 Income Tax**

#### **Current Tax**

Current tax liabilities (assets) for the current and prior periods is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current tax relating to items directly reflected in equity are reflected in equity not in the statement of profit or loss. The Management assesses the recoverability of income tax return in relation to the interpretation of tax laws on a regular basis and establishes allowances if necessary.

#### **Deferred Tax**

The Group recognizes deferred tax assets and deferred tax liabilities in respect of temporary differences that are differences between the carrying amount of an asset or liability for the purpose of financial report and its tax base.

A deferred tax liability is recognised by the Group for all taxable temporary differences, except to the extent that:

- the deferred tax liability arises from the initial recognition of goodwill;
- the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Also, a deferred tax asset shall be recognised for all deductible temporary differences, unused tax credits and tax losses to the extent that it is probable that taxable profit will be available against which the unused tax losses and unused tax credits can be utilized, except to the extent that:

- the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, it is not 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 a deferred tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. On the other hand, any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available. Also, at the end of each reporting period, the Group reassesses unrecognised deferred tax assets and recognizes a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current tax and deferred tax are recognised outside profit or loss if the tax relates to items that are recognised outside profit or loss. Deferred tax is recognised in other comprehensive income or recognised directly in equity depending on the transaction.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which 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.

### **2.3.19 Foreign Currency Exchange**

Individual financial statements of each entity subject to consolidation are presented in the currency of the primary economic environment in which the entity operates (functional currency). In order to prepare the consolidated financial statements, the business performance and financial position of each entity are presented in won which is the functional currency of the Company as well as the denomination currency for preparing the consolidated financial statements.

Any transactions conducted in a currency other than the functional currency are recorded by applying the exchange rate at the date of the transaction for preparation of financial statements.

Foreign currency monetary assets and liabilities are translated using the present functional currency rate at the end of the reporting period. Exchange differences arising thereon are recognised in profit or loss.

On the other hand, non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The date of the transaction, for the purpose of determining the exchange rate for the relevant assets, expenses or income (or a part of), is the date of initial recognition of the non-monetary asset or liability by paying or receiving consideration in advance by the Group. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt by the Group.

To prepare the consolidated financial statements, the assets and liabilities of foreign operations that belong to the Group are presented in won using the exchange rate at the end of the reporting period. If exchange rates fluctuate significantly for a period and therefore the use of the exchange rate at the date of the transaction for the period is inappropriate, gains and losses are translated by applying an average exchange rate for the period and any exchange differences resulting from it are recognised in other comprehensive income and accumulated in equity (allocated to the non-controlling interests if appropriate).

On the disposal of a foreign operation (i.e. if the retained interest, after the disposal of an entity's entire interest in a foreign operation, the disposal involving the loss of control of a subsidiary that includes a foreign operation, the

disposal involving the loss of joint control of a joint venture that includes a foreign operation, the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation, is a financial asset that includes a foreign interest), the entire cumulative amount of the exchange differences relating to that foreign operation that are attributed to the Company shall be reclassified to profit or loss. The cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognised, but shall not be reclassified to profit or loss.

On the partial disposal of a subsidiary that does not include a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences to the non-controlling interests in that foreign operation and shall not be reclassified to profit or loss. In any other partial disposal of a foreign operation (i.e. any reduction in an entity's interest in an associate or a joint venture that does not involve the loss of significant influence or the loss of control), the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation, and they are translated at the exchange rate at the end of the reporting period, and any exchange differences resulting from this are recognised in equity.

### **2.3.20 Derivative Financial Instruments and Risk Management**

The Group utilizes derivatives such as forward exchange contracts in order to hedge the foreign currency risk, and such derivatives are initially recognised at fair value at contract inception and remeasured at fair value in a subsequent period.

The fluctuation in the fair value of a derivative is directly recognised in the consolidated statement of profit or loss.

### **2.3.21 Financial Guarantee Contract**

A financial guarantee contract issued by the Group is a contract that requires the Group to make specified payments to reimburse the creditor for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group initially recognizes a financial guarantee contract at fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract as a liability. After initial recognition, the Group measures a financial guarantee contract at the higher of the amount of the expected loss allowance estimated at the end of the reporting period and the amount initially recognised less the cumulative amount of income.

### **2.3.22 Distribution of Cash to the Owner of the Company**

The Group recognizes the liability when the distribution of cash to the owner is authorized and it is no longer at the discretion of the entity. The dividend to shareholders requires approval of the shareholders. The corresponding amount is directly recognised in equity.

## **2.4 Changes in accounting policies and disclosures**

### **Application of the Enacted or Amended Standards**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020.

### **Amendments to KIFRS 1103: Definition of a Business**

The amendment to KIFRS 1103 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the



consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

**Amendments to KIFRS 1107, KIFRS 1109 and KIFRS 1039 Interest Rate Benchmark Reform**

The amendments to KIFRS 1109 and KIFRS 1039 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

**Amendments to KIFRS 1001 and KIFRS 1008 Definition of Material**

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

**Conceptual Framework for Financial Reporting issued on March 29, 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the KASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

**3. Important Accounting Judgments, Estimates and Assumptions**

The Management of the Group has to make judgments, estimates and assumptions in preparing the consolidated financial statements that might affect the reporting amount of income, expenses, assets and liabilities and note disclosure of contingent liabilities at the end of the reporting period. However, the uncertainty of assumptions and estimates may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in a subsequent period.

The assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows: The assumptions and estimates are based on variables obtainable at the time of preparing the consolidated financial statements. The current situation and forecasts of future may change due to market changes or situations free from the Group's control. Such changes are reflected in the assumptions when occurred.

**(1) Impairment of Non-Financial Assets**

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, and whenever there is an indication that they may be impaired, and other non-financial assets are tested for impairment when there is an indication that the carrying amount thereof will not be recoverable.

The Management has to estimate the expected future cash flows derived from the relevant asset or a cash-generating unit and apply the appropriate discount rate to calculate the present value of the expected future cash flows in order to calculate the value in use.

**(2) Post-Employment Benefit Plans**

The present value of a defined benefit plan is determined by applying an actuarial valuation method. The application of an actuarial valuation method requires various assumptions, and such assumptions include determining the discount rate, future salary increase rate and mortality rate, etc. A defined benefit liability is prone to fluctuate based on such assumptions because of the complexity of the valuation method, basic assumptions and its long-term nature. All assumptions are reviewed at the end of each reporting period.

**(3) Fair Value of Financial instruments**

The fair value of a financial instrument that is not quoted in an active market is measured by applying a valuation technique including discounted cash flow. If observable market information is not available to inputs used in such valuation technique, significant estimations are required in calculating the fair value. Such decision entails the consideration of input variables regarding liquidity risk, credit risk and variability, etc. Any changes to such elements may affect the fair value of the financial instruments.

**(4) Allowance for Expected Credit Losses on Trade Receivables**

The Group applies a provision matrix in calculating expected credit losses (ECL) of trade receivables. A provision matrix is based on the number of days that a trade receivable is past due for groups of its diverse customer base that share similar credit risk characteristics (for example, geographical region, product type, customer type, credit rating, collateral or trade credit insurance and type of customer). A provision matrix is based on the Group's historical default rates. The Group adjusts a provision matrix reflecting its historical credit loss experience and forecasts of future conditions. The Group adjusts the historical default rates and analyzes the forecasts of future conditions on each settlement date. The assessment of correlation among the historical default rates, future economic conditions and ECL is significant estimates. The scale of ECL is susceptible to changes in conditions and future economic conditions. The Group's historical credit loss experience and the forecasts of economic conditions do not represent the customer's actual default in the future. Information regarding the Group's allowance for expected credit losses on trade receivables is disclosed in Note 15.

**(5) Deferred tax**

If it is probable that future taxable profit will be available against which tax losses can be utilized, deferred income assets for the unused tax losses are recognised within the extent. The Group's Management makes material decisions in order to determine identifiable deferred tax assets based on the future tax strategies, the timing and the level of tax profits.

**(6) Product Warranty Liability**

The Group's product warranty period is on average 3-5 years. A product warranty liability is established based on the experience in the 3-5 years immediately prior to the end of each reporting period assuming that the Group's actual claim expenses are incurred within the product warranty period in average.

**(7) Lease – Calculation of Incremental Borrowing Rate**

The Group uses the incremental borrowing rate at the commencement date as interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment. Therefore, the incremental borrowing rate

reflects those the Group would have to pay, which requires measurement, if there is no observable rate or if it needs to be adjusted to reflect lease terms

The Group measures the incremental borrowing rate using observable inputs (such as market interest rates) if possible and prepare estimates for specific companies (such as individual credit ratings of subsidiaries).

#### **4. Accounting Policies that have been issued or declared but not yet implemented**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

##### **Amendments to KIFRS 1116 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to KIFRS 1116 Leases. The amendments provide relief to lessees from applying KIFRS 11016 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

##### **Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of KIFRS 1001 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

##### **Reference to the Conceptual Framework – Amendments to KIFRS 1103**

In May 2020, the IASB issued Amendments to KIFRS 1103 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of KIFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 or KIFRS 2121 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in KIFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

##### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037**

In May 2020, the IASB issued amendments to KIFRS 1037 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2018-2020 annual improvements to KIFRS

**KIFRS 1101 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to KIFRS standards process, the IASB issued an amendment to KIFRS 1101 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

**KIFRS 1109 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to KIFRS standards process the IASB issued amendment to KIFRS 1109. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

**KIFRS 1041 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to KIFRS standards process the IASB issued amendment to KIFRS 1041 Agriculture. The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

## 5. Business Sector

### (1) Identification of Business Sector

For management purposes, the Group is organized into three business lines each with separate reportable operating segments based on their products and services, and details are as follows:

	Primary goods	Key customers
Lamp	H/LAMP, etc.	Hyundai Motors Company, General Motors
Chassis	A/T LVR, etc.	Hyundai Motors Company, Kia Motors Corp.
Others	Mold, etc	Beijing Samlip Auto Lighting Ltd., etc.

### (2) Financial Position of Business Sector

Profit and loss in the business sector for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020			
	Lamp	Chassis	Others	Total
1. Sales	2,005,026,681	325,602,741	174,387,465	2,505,016,887
2. Operating Income	83,318,370	(2,467,829)	12,313,623	93,164,164

  

	2019			
	Lamp	Chassis	Others	Total
1. Sales	1,763,344,455	400,075,908	98,791,858	2,262,212,221
2. Operating Income	52,377,590	11,833,847	(20,609,833)	43,601,604

The Group does not disclose the total amount of assets and liabilities in each sector as the same information is not provided to the Chief Operating Decision Maker on a regular basis.

### (3) Information about Geographic Area

Sales in each geographic area for the year ended December 31, 2020 and 2019 are as follow (Korean won in thousands):

	2020	2019
Korea	1,424,695,469	1,154,910,193
North America	548,624,402	571,109,865
China	181,112,707	191,319,305
India	275,637,048	268,951,095
Europe	43,401,721	52,948,677
South America	29,969,008	21,090,135
Others	1,576,532	1,882,951
	<u>2,505,016,887</u>	<u>2,262,212,221</u>

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The above sales in each geographic area are categorized based on the location of customers.

The non-current assets in each geographic area at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Korea	606,279,831	559,721,365
North America	138,849,022	156,367,874
China	62,897,345	59,488,491
India	63,235,462	63,157,168
Europe	14,678,259	16,258,262
South America	12,637,049	19,415,356
	<u>898,576,968</u>	<u>874,408,516</u>

**(4) Information about Major Customers**

Details of revenues of major customers whose revenues from transactions with a single external customer amount to 10 percent or more of an entity's revenues for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
A	426,458,488	389,410,555
B	402,309,940	329,095,840
C	361,910,628	261,122,180
D	284,370,877	298,898,527

**6. Financial assets and liabilities by category**

(1) The classification of financial assets in each category at the end of the reporting period are as follows (Korean won in thousands):

	2020			
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Total
Non-Current:				
Other non-current receivable	-	-	1,262,234	1,262,234
Non-current financial asset	32,773,011	11,506,860	7,456,300	51,736,171
	<u>32,773,011</u>	<u>11,506,860</u>	<u>8,718,534</u>	<u>52,998,405</u>
Current:				
Trade receivable and other current receivables	-	-	637,243,839	637,243,839
Current financial asset	54,243,371	-	184,072,900	238,316,271
Cash and cash equivalents	-	-	133,112,131	133,112,131
	<u>54,243,371</u>	<u>-</u>	<u>954,428,870</u>	<u>1,008,672,241</u>
	<u>87,016,382</u>	<u>11,506,860</u>	<u>963,147,404</u>	<u>1,061,670,646</u>

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	2019			
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Total
Non-Current:				
Other non-current receivable	-	-	6,010,177	6,010,177
Non-current financial asset	34,321,104	9,672,002	7,702,636	51,695,742
	34,321,104	9,672,002	13,712,813	57,705,919
Current:				
Trade receivable and other current receivables	-	-	557,927,849	557,927,849
Current financial asset	65,039,622	-	160,301,467	225,341,089
Cash and cash equivalents	-	-	124,012,987	124,012,987
	65,039,622	-	842,242,303	907,281,925
	99,360,726	9,672,002	855,955,116	964,987,844

(2) The classification of financial liabilities in each category at the end of the reporting period are as follows  
(Korean won in thousands):

	2020
	Financial liabilities at AC
Non-current:	
Non-current financial liability	18,624,174
Non-current lease liability	3,364,569
	21,988,743
Current:	
Acquired debt and other debt	418,070,876
Financial warranty liability	58,139
Current financial liability	284,799,045
Current lease liability	620,468
	703,548,528
	725,537,271

	2019		
	Financial liabilities at FVPL	Financial liabilities at AC	Total
Non-current:			
Non-current financial liability	-	27,013,705	27,013,705
Non-current lease liability	-	3,898,635	3,898,635
	-	30,912,340	30,912,340
Current:			
Acquired debt and other debt	-	384,136,623	384,136,623
Financial warranty liability	-	65,933	65,933
Current financial liability	229,281	247,883,446	248,112,727
Current lease liability	-	1,279,498	1,279,498
	229,281	633,365,500	633,594,781
	229,281	664,277,840	664,507,121

## 7. Property, plant and equipment

(1) Changes in the carrying value of property, plant and equipment for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020						December 31
	January 1	Acquisitions	Disposals	Transfer (*2)	Depreciation	Others	
Acquisition Cost							
Land (*1)	80,917,397	-	-	(96,936)	-	(217,236)	80,603,225
Buildings (*1)	221,204,466	2,513,483	(833,901)	(28,861)	-	(7,539,126)	215,316,061
Structures	15,795,286	1,441,862	(55,500)	-	-	(406,670)	16,774,978
Machinery	736,943,137	63,215,334	(40,803,661)	11,581,999	-	(28,890,027)	742,046,782
Vehicles	5,100,386	124,216	(289,307)	29,101	-	(131,439)	4,832,957
Molds	176,915,638	81,499,924	(18,831,004)	212,696	-	(1,804,793)	237,992,461
Tools	33,381,270	560,048	(572,420)	(3,545,291)	-	(48,994)	29,774,613
Furniture and fixture	85,634,319	6,147,733	(10,601,663)	106,331	-	(2,110,048)	79,176,672
Construction-in-progress	17,051,334	24,083,368	-	(9,875,880)	-	(212,861)	31,045,960
	<u>1,372,943,234</u>	<u>179,585,968</u>	<u>(71,987,456)</u>	<u>(1,616,840)</u>	<u>-</u>	<u>(41,361,195)</u>	<u>1,437,563,711</u>
Accumulated depreciation:							
Building (*1)	(70,933,010)	-	324,361	(32,434)	(8,487,319)	1,848,330	(77,280,072)
Structures	(6,351,009)	-	55,497	-	(412,051)	65,721	(6,641,842)
Machinery	(502,373,905)	-	36,583,965	(2,465,796)	(63,122,203)	18,250,781	(513,127,158)
Vehicles	(4,241,648)	-	267,043	(17,461)	(361,575)	105,487	(4,248,154)
Molds	(131,887,375)	-	13,816,883	(74,156)	(26,159,430)	424,825	(143,879,253)
Tools	(23,510,691)	-	531,931	2,529,891	(3,610,493)	117,562	(23,941,800)
Furniture and fixture	(66,764,760)	-	10,533,881	10,062	(8,792,103)	1,685,224	(63,327,696)
	<u>(806,062,398)</u>	<u>-</u>	<u>62,113,561</u>	<u>(49,894)</u>	<u>(110,945,174)</u>	<u>22,497,930</u>	<u>(832,445,975)</u>
Carrying value							
Land (*1)	80,917,397	-	-	(96,936)	-	(217,236)	80,603,225
Buildings (*1)	150,271,456	2,513,483	(509,540)	(61,295)	(8,487,319)	(5,690,796)	138,035,989
Structures	9,444,277	1,441,862	(3)	-	(412,051)	(340,949)	10,133,136
Machinery	234,569,232	63,215,334	(4,219,696)	9,116,203	(63,122,203)	(10,639,246)	228,919,624
Vehicles	858,738	124,216	(22,264)	11,640	(361,575)	(25,952)	584,803
Molds	45,028,263	81,499,924	(5,014,121)	138,540	(26,159,430)	(1,379,968)	94,113,208
Tools	9,870,579	560,048	(40,489)	(1,015,400)	(3,610,493)	68,568	5,832,813
Furniture and fixture	18,869,559	6,147,733	(67,782)	116,393	(8,792,103)	(424,824)	15,848,976
Construction-in-progress	17,051,334	24,083,368	-	(9,875,880)	-	(212,861)	31,045,960
	<u>566,880,835</u>	<u>179,585,968</u>	<u>(9,873,895)</u>	<u>(1,666,735)</u>	<u>(110,945,174)</u>	<u>(18,863,265)</u>	<u>605,117,734</u>

(\*1) They are provided to financial institutions, etc. as a collateral in relation to the Group's long-term and short-term debts at the end of the reporting period. (Refer to Note (4) of 7 and Note 21).

(\*2) In 2020, land valued at 96,936,000 won and a building valued at 165,924,000 won (accumulated depreciation 26,617,000 won) has been replaced from a tangible asset to an investment property, and a building valued at 112,925,000 won (accumulated depreciation 59,051,000 won) has been replaced from an investment property to a tangible asset.



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2019									
	January 1	Merged	Changes the scope of consolidation	Acquisitions	Disposals	Transfer (*1)	Depreciation	Others	December 31
Acquisition Cost									
Land (*1)	31,895,246	34,075,871	14,485,250	199,848	-	735,119	-	(473,937)	80,917,397
Buildings (*1)	167,489,028	27,823,479	8,354,891	3,352,370	(237,420)	11,427,463	-	2,994,655	221,204,466
Structures	8,846,799	6,084,849	44,810	1,025,150	(355,000)	-	-	148,678	15,795,286
Machinery	471,447,972	175,166,401	23,272,456	45,127,414	(26,289,127)	39,685,961	-	8,532,060	736,943,137
Vehicles	4,010,140	1,025,141	119,903	283,714	(241,334)	-	-	(97,178)	5,100,386
Molds	37,917,962	116,447,845	1,869,560	22,323,980	(1,060,932)	-	-	(582,777)	176,915,638
Tools	25,440,829	985,411	2,677,771	4,046,895	(435,013)	206,493	-	458,884	33,381,270
Furniture and fixture	72,543,373	6,581,605	1,917,665	7,058,553	(4,173,636)	676,233	-	1,030,526	85,634,319
Construction-in-progress	31,560,590	105,000	274,800	37,027,554	-	(53,137,947)	-	1,221,337	17,051,334
	851,151,939	368,295,602	53,017,106	120,445,478	(32,792,462)	(406,678)	-	13,232,248	1,372,943,234
Accumulated depreciation:									
Building (*1)	(43,593,639)	(16,502,871)	(3,154,035)	-	76,876	82,597	(7,151,938)	(690,000)	(70,933,010)
Structures	(2,300,699)	(3,874,278)	(21,168)	-	209,691	-	(342,831)	(21,724)	(6,351,009)
Machinery	(317,243,373)	(129,801,135)	(18,642,605)	-	22,740,854	-	(53,098,117)	(6,329,529)	(502,373,905)
Vehicles	(3,270,925)	(799,578)	(51,613)	-	233,029	-	(320,889)	(31,672)	(4,241,648)
Molds	(30,994,901)	(85,734,926)	(1,526,024)	-	118,460	-	(14,364,625)	614,641	(131,887,375)
Tools	(16,984,495)	(974,751)	(2,407,631)	-	343,845	-	(3,177,055)	(310,604)	(23,510,691)
Furniture and fixture	(53,297,874)	(5,923,179)	(1,492,477)	-	3,957,363	-	(9,183,708)	(824,885)	(66,764,760)
	(467,685,906)	(243,610,718)	(27,295,553)	-	27,680,118	82,597	(87,639,163)	(7,593,773)	(806,062,398)
Carrying value									
Land (*1)	31,895,246	34,075,871	14,485,250	199,848	-	735,119	-	(473,937)	80,917,397
Buildings (*1)	123,895,389	11,320,608	5,200,856	3,352,370	(160,544)	11,510,060	(7,151,938)	2,304,655	150,271,456
Structures	6,546,100	2,210,571	23,642	1,025,150	(145,309)	-	(342,831)	126,954	9,444,277
Machinery	154,204,599	45,365,266	4,629,851	45,127,414	(3,548,273)	39,685,961	(53,098,117)	2,202,531	234,569,232
Vehicles	739,215	225,563	68,290	283,714	(8,305)	-	(320,889)	(128,850)	858,738
Molds	6,923,061	30,712,919	343,536	22,323,980	(942,472)	-	(14,364,625)	31,864	45,028,263
Tools	8,456,334	10,660	270,140	4,046,895	(91,168)	206,493	(3,177,055)	148,280	9,870,579
Furniture and fixture	19,245,499	658,426	425,188	7,058,553	(216,273)	676,233	(9,183,708)	205,641	18,869,559
Construction-in-progress	31,560,590	105,000	274,800	37,027,554	-	(53,137,947)	-	1,221,337	17,051,334
	383,466,033	124,684,883	25,721,553	120,445,478	(5,112,344)	(324,081)	(87,639,163)	5,638,475	566,880,835

(\*1) In 2019, a building valued at 170,939,000 won (accumulated depreciation 82,597,000 won) has been replaced from a tangible asset to an investment property, and assets in the course of its construction valued at 235,739,000 won have been replaced from tangible assets to non-tangible assets.

## (2) Assets revaluation

The Group revalued certain of its property, plant and equipment on April 1, 1980 and January 1, 1988 and October 1, 2000 in accordance with the previous Korea Asset Revaluation law and measured the revaluation amount at deemed cost in accordance with KIFRS 1101. The difference between the revaluation amount and net book value prior to revaluation has been appropriated, and accounted for within retained earnings.

## (3) Insurance on property, plant and equipment

The insured amount for tangible assets under coverage held by the Group at the end of the reporting period is as follows (Korean won in millions):

	2020	2019
Insured Amount	1,370,615	1,358,534

## 8. Investment Properties

(1) Changes in the net book value of investment property for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020				
	January 1	Acquisitions	Transfer (*1)	Depreciation	December 31
Acquisition Cost					
Land	11,703,611	-	96,936	-	11,800,547
Buildings	23,710,728	89,000	52,999	-	23,852,727
Structures	299,635	-	-	-	299,635
	35,713,974	89,000	149,935	-	35,952,908
Accumulated depreciation:					
Buildings	(7,046,286)	-	32,434	(736,714)	(7,750,565)
Structures	(148,696)	-	-	(10,638)	(159,333)
	(7,194,981)	-	32,434	(747,352)	(7,909,899)
Net book value:					
Land	11,703,611	-	96,936	-	11,800,547
Buildings	16,664,443	89,000	85,433	(736,714)	16,102,162
Structures	150,939	-	-	(10,638)	140,302
	28,518,993	89,000	182,369	(747,352)	28,043,010

(\*1) Changes due to replacement during the current period between tangible assets and investment property.

	2019				
	January 1	Acquisitions	Transfer (*1)	Depreciation	December 31
Acquisition Cost					
Land	11,703,611	-	-	-	11,703,611
Buildings	23,499,789	40,000	170,939	-	23,710,728
Structures	291,135	8,500	-	-	299,635
	35,494,535	48,500	170,939	-	35,713,974
Accumulated depreciation:					
Buildings	(6,232,664)	-	(82,597)	(731,024)	(7,046,286)
Structures	(138,305)	-	-	(10,391)	(148,696)
	(6,370,969)	-	(82,597)	(741,415)	(7,194,981)
Net book value:					
Land	11,703,611	-	-	-	11,703,611
Buildings	17,267,125	40,000	88,341	(731,024)	16,664,443
Structures	152,830	8,500	-	(10,391)	150,939
	29,123,566	48,500	88,341	(741,415)	28,518,993

(\*1) In 2019, a building 170,939,000 won (accumulated depreciation 82,597,000 won) has been replaced from a tangible asset to an investment property.

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(2) Details of revenues and expenses relating to investment properties for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Revenues-rental	3,042,431	2,945,657
Depreciation expenses	(747,352)	(741,415)

There are no restrictions on the realizability of the Group's investment property and there are no contractual obligations to purchase, construct, develop or improve the investment properties or for repairs, maintenance or enhancements, etc. Also, the Group depreciates the investment properties using straight-line method (Buildings: 20~40 years of useful life, Structures: 10~30 years of useful life).

(3) The fair values of investment properties at the end of the reporting period are as follows (Korean won in thousands):

	Fair Value (*1)	Carrying amount
Land	39,809,478	11,800,547
Building/Structure	17,439,661	16,242,463
	<u>57,249,140</u>	<u>28,043,010</u>

(\*1) The fair value has been determined on the basis of the assessment based on the recent transactional value

## **9. Lease**

(1) Changes in right-of-use assets for the year ended December 31, 2020 are as follows (Korean won in thousands):

	2020
January 1	5,937,052
Acquisitions	456,225
Disposals	(97,181)
Depreciation	(1,394,055)
Transfer	(11,640)
Other (*1)	(293,169)
December 31	<u>4,597,232</u>

(\*1) It is ascribed to exchange rate differences.

(2) Details of the Group's lease liabilities at the end of the reporting period are as follows (Korean won in thousands):

	2020
Lease liability before discount	4,890,031
Lease liability after discount	3,985,037
Non-Current	3,364,569
Current	620,468

The weighted average incremental borrowing rate applied to the discount of the Group's lease liabilities at the end of the reporting period is 1.39 ~ 10.50%.

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(3) Changes in lease liability for the year ended December 31, 2020 are as follows (Korean won in thousands):

	Lease liabilities
January 1	5,178,133
Increase	456,225
Decrease	(126,761)
Interest expense	219,887
Payment	(1,433,147)
Others	(309,300)
December 31	<u>3,985,037</u>

(4) There are no significant findings in lease payments paid by the Group in 2020 for short-term leases, for leases for which the underlying asset is of low value and for fluctuating leases.

## 10. Intangible Assets

(1) Changes to its intangible assets for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020						
	January 1	Acquisitions	Disposals	Transfer (*1)	Amortization/ Impairment	Others	December 31
<b>Acquisition Cost</b>							
Software	55,544,637	7,234,374	(5,965,548)	432,400	-	(853,495)	56,392,368
Other intangible assets	3,132,340	-	-	-	-	-	3,132,340
Membership	1,543,483	-	-	-	-	-	1,543,483
	<u>60,220,460</u>	<u>7,234,374</u>	<u>(5,965,548)</u>	<u>432,400</u>	<u>-</u>	<u>(853,495)</u>	<u>61,068,191</u>
<b>Accumulated amortization:</b>							
Software	(38,835,569)	-	5,949,402	-	(8,078,874)	523,828	(40,441,213)
Other intangible assets	(1,060,695)	-	-	-	(637,124)	-	(1,697,819)
	<u>(39,896,264)</u>	<u>-</u>	<u>5,949,402</u>	<u>-</u>	<u>(8,715,998)</u>	<u>523,828</u>	<u>(42,139,032)</u>
<b>Impaired loss:</b>							
Membership	(100,274)	-	-	-	-	-	(100,274)
<b>Net book value:</b>							
Software	16,709,068	7,234,374	(16,146)	432,400	(8,078,874)	(329,667)	15,951,155
Other intangible assets	2,071,645	-	-	-	(637,124)	-	1,434,521
Membership	1,443,209	-	-	-	-	-	1,443,209
	<u>20,223,922</u>	<u>7,234,374</u>	<u>(16,146)</u>	<u>432,400</u>	<u>(8,715,998)</u>	<u>(329,667)</u>	<u>18,828,885</u>

(\*1) Changes due to replacement during the current period between tangible assets and intangible assets.

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2019									
	January 1	Merged	Changes the scope of consolidation	Acquisitions	Disposal	Transfer (*1)	Amortization/ Impairment	Others	December 31
Acquisition Cost									
Software	47,261,503	1,456,235	219,641	6,159,647	(9,926)	235,739	-	221,798	55,544,637
Other intangible assets	-	-	3,132,340	-	-	-	-	-	3,132,340
Construction- in-progress	-	-	2,470,047	-	-	-	-	-	2,470,047
Membership	946,216	715,267	-	-	(118,000)	-	-	-	1,543,483
	48,207,719	2,171,502	5,822,028	6,159,647	(127,926)	235,739	-	221,798	62,690,507
Accumulated amortization:									
Software	(29,533,003)	(1,334,137)	(188,629)	-	9,926	-	(7,691,736)	(97,990)	(38,835,569)
Other intangible assets	-	-	(901,413)	-	-	-	(159,282)	-	(1,060,695)
	(29,533,003)	(1,334,137)	(1,090,042)	-	9,926	-	(7,851,018)	(97,990)	(39,896,264)
Impairment:									
Construction- in-progress	-	-	-	-	-	-	(2,470,047)	-	(2,470,047)
Membership	-	(12,000)	-	-	12,000	-	(100,274)	-	(100,274)
	-	(12,000)	-	-	12,000	-	(2,570,321)	-	(2,570,321)
Net book value:									
Software	17,728,500	122,098	31,012	6,159,647	-	235,739	(7,691,736)	123,808	16,709,068
Other intangible assets	-	-	2,230,927	-	-	-	(159,282)	-	2,071,645
Construction- in-progress	-	-	2,470,047	-	-	-	(2,470,047)	-	-
Membership	946,216	703,267	-	-	(106,000)	-	(100,274)	-	1,443,209
	18,674,716	825,365	4,731,986	6,159,647	(106,000)	235,739	(10,421,339)	123,808	20,223,922

(\*1) In 2019, Changes due to replacement during the current period between tangible assets and intangible assets.

(2) Impairment test for intangible assets having an indefinite useful life

The Group tested intangible assets having an indefinite useful life for impairment. The recoverable amount of intangible assets having an indefinite useful life is the higher of the net fair value and the value in use, and the recoverable amount has been determined after reasonably calculating the net fair value and the value in use.

## 11. Other non-current receivable

(1) Details of other non-current receivables at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Long-term non-trade receivables	677,946	470,275
Allowances for expected credit losses	(677,946)	(470,275)
Deposits provided	1,262,234	1,248,441
	<u>1,262,234</u>	<u>1,248,441</u>

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(2) Changes to allowances for expected credit losses for long-term receivables for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
January 1	470,275	470,481
Setting	280,691	-
Reversal	-	(206)
Transfer	(73,020)	-
December 31	677,946	470,275

**12. Investment in associate and joint ventures**

(1) Details of investments in associates and joint ventures at the end of the reporting period are as follows (Korean won in thousands):

Associate and Joint ventures	2020		2019	
	Equity ownership (%)	Carrying amount	Equity ownership (%)	Carrying amount
SHB Co., Ltd.	50.00	21,661,471	50.00	21,566,763
KDS Co., Ltd.	47.00	13,500,773	47.00	14,338,113
SUNGIL ENG Co., Ltd.	45.00	2,770,793	45.00	2,747,353
Beijing Samlip Co., Ltd. (*1)	51.00	55,142,462	51.00	57,220,587
Shanghai Samlip Co., Ltd. (*1)	60.00	47,507,175	60.00	44,917,286
Shiyan Dongfeng Samlip Co., Ltd.	50.00	12,170,291	50.00	11,721,015
Chongqing Qinchuan Samlip Co., Ltd	50.00	3,905,258	50.00	3,585,778
		156,658,223		156,096,895

(\*1) Although the Group owns a majority of shares with voting rights in Beijing Samlip Co., Ltd. and another, as the Group is not capable of deciding its financial and business policies to obtain benefits from its economic activities without cooperation from investors other than the Group, it is classified as a joint venture.

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(2) Changes to investments in associates and joint ventures subject to the equity method for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020			
	January 1	Equity method Profit or loss	Others (*1)	December 31
SHB Co., Ltd.	21,566,763	3,078,941	(2,984,233)	21,661,471
KDS Co., Ltd.	14,338,113	(837,942)	602	13,500,773
SUNGIL ENG Co., Ltd.	2,747,353	23,440	-	2,770,793
Beijing Samlip Co., Ltd.	57,220,587	(2,560,791)	482,666	55,142,462
Shanghai Samlip Co., Ltd.	44,917,286	5,387,828	(2,797,939)	47,507,175
Shiyan Dongfeng Samlip Co., Ltd.	11,721,015	1,225,703	(776,427)	12,170,291
Chongqing Qinchuan Samlip Co., Ltd	3,585,778	299,384	20,096	3,905,258
	<u>156,096,895</u>	<u>6,616,563</u>	<u>(6,055,235)</u>	<u>156,658,223</u>

(\*1) Other increase or decrease consists dividend payout, changes in equity of associates resulting from changes to Accumulated other comprehensive income and changes in retained earnings of associates resulting from changes to retained earnings, etc.

	2019					
	January 1	Merger	Changes the scope of consolidation	Equity method Profit or loss	Others (*1)	December 31
SL Lighting Co., Ltd.	163,696,579	(168,894,864)	-	8,078,823	(2,880,538)	-
SHB Co., Ltd.	20,301,029	-	-	3,610,741	(2,345,007)	21,566,763
HSL Electronic Co., Ltd.	35,121,163	-	(31,931,481)	2,606,495	(5,796,177)	-
KDS Co., Ltd.	15,395,089	-	-	(176,329)	(880,648)	14,338,113
SUNGIL ENG Co., Ltd.	-	2,712,315	-	35,038	-	2,747,353
Beijing Samlip Co., Ltd.	55,025,958	-	-	1,231,888	962,741	57,220,587
Shanghai Samlip Co., Ltd.	45,034,280	-	-	4,096,842	(4,213,836)	44,917,286
Shiyan Dongfeng Samlip Co., Ltd.	9,755,142	-	-	1,817,412	148,461	11,721,015
Chongqing Qinchuan Samlip Co., Ltd	1,869,556	-	-	1,710,681	5,542	3,585,778
	<u>346,198,796</u>	<u>(166,182,549)</u>	<u>(31,931,481)</u>	<u>23,011,591</u>	<u>(14,999,462)</u>	<u>156,096,895</u>

(\*1) Other increase or decrease consists dividend payout, changes in equity of associates resulting from changes to Accumulated other comprehensive income and changes in retained earnings of associates resulting from changes to retained earnings, etc.

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(3) A summary of financial information of the associates and joint ventures is as follows (Korean won in thousands):

	2020				
	Total Assets	Total Liabilities	Equity	Sales	Net Income (Loss)
SHB Co., Ltd.	216,078,272	172,751,713	43,326,559	701,245,878	6,155,816
KDS Co., Ltd.	47,939,924	19,211,229	28,728,695	68,849,448	(1,779,938)
SUNGIL ENG Co., Ltd.	6,294,614	137,058	6,157,556	20,421	52,328
Beijing Samlip Co., Ltd.	174,065,470	65,344,057	108,721,413	106,986,920	(5,071,146)
Shanghai Samlip Co., Ltd.	137,676,738	58,323,521	79,353,217	142,584,074	9,039,477
Shiyan Dongfeng Samlip Co., Ltd.	40,147,004	15,798,628	24,348,376	49,582,274	2,355,513
Chongqing Qinchuan Samlip Co., Ltd	45,659,503	37,908,327	7,751,176	52,820,997	548,876

  

	2019				
	Total Assets	Total Liabilities	Equity	Sales	Net Income (Loss)
SL Lighting Co., Ltd.(*1)	-	-	-	287,593,663	22,025,716
SHB Co., Ltd.	181,128,883	137,989,673	43,139,210	657,202,115	7,219,415
HSL Electronic Co., Ltd.	-	-	-	96,927,275	5,287,570
KDS Co., Ltd.	48,562,602	18,055,249	30,507,354	78,831,895	(374,437)
SUNGIL ENG Co., Ltd.	6,167,173	61,945	6,105,228	89,660	108,692
Beijing Samlip Co., Ltd.	157,309,808	44,463,653	112,846,155	174,460,120	2,442,251
Shanghai Samlip Co., Ltd.	119,213,969	44,236,996	74,976,973	121,178,949	6,786,931
Shiyan Dongfeng Samlip Co., Ltd.	43,093,614	19,640,771	23,452,842	57,794,574	3,631,808
Chongqing Qinchuan Samlip Co., Ltd	52,272,981	45,110,871	7,162,109	84,895,302	3,426,054

(\*1) The sales and profit of loss of SL Lighting Co., Ltd. represent financial information prior to the merger with the Group.

### 13. Non-Current Financial Asset and Current Financial Asset

(1) Details of non-current financial assets and current financial assets at the end of the reporting period are as follows (Korean won in thousands):

	2020		
	Non-current	Current	Total
Financial assets at FVPL	32,773,011	54,243,371	87,016,382
Financial assets at FVOCI	11,506,860	-	11,506,860
Financial assets at AC	7,456,300	184,072,900	191,529,200
	<u>51,736,171</u>	<u>238,316,271</u>	<u>290,052,442</u>



	2019		
	Non-current	Current	Total
Financial assets at FVPL	34,321,104	65,039,622	99,360,726
Financial assets at FVOCI	9,672,002	-	9,672,002
Financial assets at AC	7,702,636	160,301,467	168,004,103
	<u>51,695,742</u>	<u>225,341,089</u>	<u>277,036,831</u>

(2) Details of restricted deposits at the end of the reporting period are as follows (Korean won in thousands):

	Financial Institutions	2020	2019	Restrictions
Long-term financial instrument	Industrial Bank of Korea	6,200	8,200	Guarantee deposits for bank overdraft
Short-term financial instrument	Industrial Bank of Korea	1,000,000	7,000,000	Collateral in trade finance
		<u>1,006,200</u>	<u>7,008,200</u>	

(3) Details of non-current financial assets and current financial assets measured at FVPL at the end of the reporting period are as follows (Korean won in thousands):

	Fair value	Book value
Debt Instruments	84,560,697	84,560,697
Derivatives	2,455,685	2,455,685
	<u>87,016,382</u>	<u>87,016,382</u>

(4) Details of non-current financial assets measured at fair value through other comprehensive income at the end of the reporting period are as follows (Korean won in thousands):

	2020			2019
	Acquisition Cost	Fair value/ Book value	Accumulated value through gain(loss)	Book value
Marketable securities	8,803,116	5,417,820	(3,385,296)	5,480,195
Non-marketable securities	10,776,068	6,089,040	(4,687,028)	4,191,807
	<u>19,579,184</u>	<u>11,506,860</u>	<u>(8,072,324)</u>	<u>9,672,002</u>

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(5) Details of marketable equity securities out of non-current financial assets measured at fair value through other comprehensive income at the end of the reporting period are as follows (Korean won in thousands):

	2020						2019	Reasons for designating financial assets at FVOCI
	NO. of shares	Equity ownership (%)	Acquisition Cost	Fair value	Book value	Accumulated unrealized gain (loss)	Book value	
BNK Financial Group Inc.	21,591	0.01%	121,169	122,637	122,637	1,467	165,387	For long-term investment
DGB Financial Group	591,297	0.35%	7,590,902	4,014,907	4,014,907	(3,575,996)	4,210,035	For long-term investment
Samsung Card Co., Ltd.	3,458	0.00%	113,461	112,385	112,385	(1,076)	133,479	For long-term investment
Kia Motors Corp.	4,691	0.00%	697,349	292,718	292,718	(404,631)	207,811	For long-term investment
Fiem Industries Ltd.	104,051	0.79%	280,233	875,173	875,173	594,940	763,483	For long-term investment
			<u>8,803,116</u>	<u>5,417,820</u>	<u>5,417,820</u>	<u>(3,385,296)</u>	<u>5,480,195</u>	

(6) Details of non-marketable equity securities out of non-current financial assets measured at fair value through other comprehensive income at the end of the reporting period are as follows (Korean won in thousands):

	2020						2019	Reasons for designating financial assets at FVOCI	
	NO. of shares	Equity ownership (%)	Acquisition Cost	Fair value	Book value	Accumulated unrealized gain (loss)			Book value
						Before 2020	2020		
Daegu EXCO Co., Ltd	40,620	0.09	203,100	(*)1	203,100	-	-	203,100	For long-term investment
Daegu Football Club	20,000	0.61	100,000	(*)1	100,000	-	-	100,000	For long-term investment
Korea Lottery Service Co., Ltd.	5,426	0.07	110,539	(*)1	65,002	(47,476)	1,939	67,769	For long-term investment
L&S Venture Capital	100,000	3.6	500,000	(*)1	500,000	-	-	500,000	For long-term investment
Wise Automotive	625,000	10	128,125	(*)1	128,125	-	-	128,125	For long-term investment
Other investments	-	-	9,304	(*)1	9,304	-	-	9,304	For long-term investment
OBS Gyeongin TV Ltd	960,000	0	4,800,000	(*)1	158,509	(4,641,491)	-	158,509	For long-term investment
HyunTech	5,000	0	25,000	(*)1	25,000	-	-	25,000	For long-term investment
Next Generation Materials Co., Ltd. (*2)	100,092	16.14	2,500,000	(*)1	2,500,000	-	-	1,000,000	For long-term investment
Gwangju Global Motors	400,000	0	2,000,000	(*)1	2,000,000	-	-	2,000,000	For long-term investment
INZINIOUS Co., Ltd	100,000	13.1	400,000	(*)1	400,000	-	-	-	For long-term investment
			10,776,068		6,089,040	(4,688,967)	1,939	4,191,807	

(\*1) As there are no quoted prices disclosed in active markets, it is assessed by using the adjusted net asset method.

(\*2) It was additionally acquired during the current period, and the stake in the previous year was 11.11%.

(7) Details of non-current financial assets and current financial assets measured at amortized cost at the end of the reporting period are as follows (Korean won in thousands):

	2020		2019	
	Fair value	Book value	Fair value	Book value
Deposits/Installment savings & Debt instruments	179,678,917	179,678,917	161,022,395	161,022,395
Loans	11,850,283	11,850,283	6,981,708	6,981,708
	<u>191,529,200</u>	<u>191,529,200</u>	<u>168,004,103</u>	<u>168,004,103</u>

#### 14. Inventories

(1) Details of inventories as at the end of the reporting period are as follows (Korean won in thousands):

	2020			2019		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Merchandises	5,341,173	(1,139,721)	4,201,452	7,066,402	(699,793)	6,366,609
Finished goods	51,709,732	(2,743,311)	48,966,421	56,072,964	(3,392,541)	52,680,423
Work in progress	25,671,964	(252,858)	25,419,106	65,188,981	-	65,188,981
Raw materials	6,150,106	(381,166)	5,768,940	4,770,104	(358,310)	4,411,794
Stored goods	57,101	-	57,101	66,284	-	66,284
Sub-materials	1,192,649	(120,260)	1,072,389	1,145,604	-	1,145,604
Purchased sub-materials	111,581,603	(6,341,277)	105,240,326	84,320,137	(1,108,090)	83,212,048
Goods in Transit (at cost)	54,462,708	-	54,462,708	34,767,231	-	34,767,231
	<u>256,167,036</u>	<u>(10,978,593)</u>	<u>245,188,443</u>	<u>253,397,708</u>	<u>(5,558,733)</u>	<u>247,838,975</u>

(2) The Group's inventory assets are mainly consisted of auto parts, etc. and the insurance coverages held by the Group for the inventory assets at the end of the reporting period are as follows (Korean won in millions):

	2020	2019
Inventory asset fire insurance	153,757	100,822

## 15. Trade receivable and other current receivables

(1) Details of trade receivables and other current receivables at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Trade receivables	626,632,265	540,062,546
Allowances for expected Credit losses	(2,042,367)	(3,600,664)
	624,589,898	536,461,882
Account receivables	12,604,445	19,611,338
Accrued income	49,496	1,854,629
	12,653,941	21,465,967
	637,243,839	557,927,849

(2) Changes to expected credit loss allowances of trade receivable and other current receivables for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
January1	3,600,664	762,613
Increase due to merger	-	1,491,803
Utilized	(2,711,374)	2,420,067
Transfer	73,021	-
Elimination	(707)	-
Others	1,080,763	(1,073,819)
December 31	2,042,367	3,600,664

(3) Age-analysis of trade receivables at the end of the reporting period is as follows (Korean won in thousands):

	2020	2019
Amount not yet due	590,982,315	507,014,759
Amount past due		
< 3 months	30,420,483	21,817,019
3 - 6 months	1,777,910	8,902,664
6 - 9 months	1,961,774	36,604
9 - 12 months	33,583	552,020
Over 12 months	1,456,200	1,739,480
	626,632,265	540,062,546

(4) Explanations on the Group's credit risk management policy are stated in Note 33.

## 16. Other non-current assets and other current assets

Details of other non-current assets and other current assets at the end of the reporting period are as follows (Korean won in thousands):

	2020		2019	
	Current	Non-current	Current	Non-current
Prepayment	159,516,795	6,203,205	222,924,680	-
Prepayment expenses	2,497,912	2,356,731	2,869,161	-
Others	5,173,377	16,890,810	5,869,680	19,884,647
	<u>167,188,084</u>	<u>25,450,746</u>	<u>231,663,521</u>	<u>19,884,647</u>

## 17. Cash and cash equivalents

Details of cash and cash equivalents at the end of the reporting period are as follows (Korean won in thousands):

	Financial Institutions	2020	2019
Short-term deposit	Industrial Bank of Korea and etc.	133,112,131	124,012,987

## 18. Issued capital and reserves

### (1) Issued capital

The total number of shares to be issued by the Company is 100,000,000 at the end of the reporting period, and the total number of shares that have been issued at the end of the reporting period and the price per share are 48,203,277 common shares and 500 won respectively.

### (2) Capital surplus

The components of the Group's paid-in capital at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Paid in capital in excess of par value	450,392,314	450,392,314
Other capital surplus	9,268,080	9,268,080
	<u>459,660,394</u>	<u>459,660,394</u>

### (3) Capital Adjustment

1) The components of the Group's capital adjustment at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Treasury stock	(12,700,612)	(8,092,346)

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2) Changes to its treasury stock in 2020 are as follows (Korean won in thousands):

	2020	2019
January 1	(8,092,346)	-
Increase due to merger	-	(8,089,733)
Acquisition	(4,608,266)	(2,613)
December 31	(12,700,612)	(8,092,346)

(4) Accumulated other comprehensive income

1) Details of the Group's accumulated other comprehensive income at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Financial assets at FVOCI	(6,118,822)	(6,073,011)
Changes in equity associates	(4,993,153)	(5,824,652)
Foreign currency translation differences of foreign operations	(22,618,057)	(15,266,104)
	(33,730,032)	(27,163,767)

2) Changes to the gain and loss on valuation of financial assets measured at fair value through other comprehensive income in 2020 are as follows (Korean won in thousands):

	2020	2019
January 1	(6,073,011)	(1,704,027)
Increase due to merger	-	(3,941,968)
Valuation of Financial assets at FVOCI	(48,520)	(321,669)
Disposal of Financial assets at FVOCI	2,709	(105,347)
December 31	(6,118,822)	(6,073,011)

(5) Retained Earnings

Details of the Group's retained earnings at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Legal reserve:		
Earned surplus reserves	10,324,213	8,466,273
Voluntary reserves:		
Other voluntary reserves	32,417,000	32,417,000
Unappropriated retained earnings	929,447,751	871,117,736
	972,188,964	912,001,008

(6) Dividends

The dividends proposed for approval of the general shareholder's meeting of the Company for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020 (Proposal) (*1)	2019
Common shares (2020: planned as 500 won, 2019: 400 won)	23,027,731	18,579,408

(\*1) The current dividend is scheduled to be finalized on March 31, 2021.

**19. Provisions**

Changes to the provisions for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020				December 31
	January 1	Provision	Collection	Others (*1)	
Product warranties (Non-current)	38,974,339	1,447,178	(302,867)	(1,413,472)	38,705,178
Product warranties (Current)	30,036,431	9,090,292	(16,289,830)	(529,483)	22,307,410
	<u>69,010,770</u>	<u>10,537,470</u>	<u>(16,592,697)</u>	<u>(1,942,955)</u>	<u>61,012,588</u>

	2019						
	January 1	Merger	Changes the scope of consolidation	Provision	Collection	Others (*1)	December 31
Product warranties (Non-current)	25,836,869	12,680,862	483,726	(813,268)	163,157	622,993	38,974,339
Product warranties (Current)	7,806,035	18,272,095	4,496,720	5,415,283	(6,112,940)	159,238	30,036,431
	<u>33,642,904</u>	<u>30,952,957</u>	<u>4,980,446</u>	<u>4,602,015</u>	<u>(5,949,783)</u>	<u>782,231</u>	<u>69,010,770</u>

(\*1) Other increase is ascribed to exchange rate differences.

In order to apply to product warranty expenses that may occur after the end of the reporting period, the Group establishes expected estimates as product warranty liability based on the historical product warranty expenses.

**20. Other non-current liability**

Details of other non-current liability at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Long-term accrued expenses	12,899,649	9,644,262
Deposits received	817,900	853,900
	<u>13,717,549</u>	<u>10,498,162</u>

## 21. Non-current financial liability and Current financial liability

(1) Details of non-current financial liability and current financial liability at the end of the reporting period are as follows (Korean won in thousands):

	2020		2019	
	Non-current	Current	Non-current	Current
Borrowings	18,624,174	276,639,304	27,013,705	235,802,334
Long-term liability	-	8,159,741	-	12,081,112
Derivative Liability	-	-	-	229,281
	<u>18,624,174</u>	<u>284,799,045</u>	<u>27,013,705</u>	<u>248,112,727</u>

(2) Details of short-term borrowings at the end of the reporting period are as follows (Korean won in thousands):

Type	Lender	Interest rate (%)	2020	2019
Working Capital	Korea Exim Bank	L(3)+1.10~1.20	123,705,600	131,641,860
	KEB Hana Bank	L(3)+1.00~1.65	11,462,080	8,523,490
	Shinhan Bank	L(3)+0.90~1.60	13,344,320	4,401,375
	KB Kookmin Bank	L(3)+1.50	9,792,000	10,420,200
	Industrial Bank of Korea	L(3)+1.30~1.60	19,584,000	13,732,620
	Citi Bank	L(3)+0.90~1.00	27,904,066	20,336,904
	BBVA	L(1)+1.98	28,505,600	31,492,160
	Standard Chartered Bank	L(1)+1.35, L(3)+0.90~2.50	31,694,161	15,253,725
	Shiyan Dongfeng Samlip Co., Ltd.	5.90	8,348,000	-
	Woori Bank	LPR(12)+0.14	2,299,477	-
			<u>276,639,304</u>	<u>235,802,334</u>

(3) Details of long-term payables at the end of the reporting period are as follows (Korean won in thousands):

Type	Lender	Interest Rate (%)	2020	2019
Mortgage	KB Kookmin Bank	-	-	15,906
Facilities funds	BBVA	L(1)+1.70%	2,266,666	8,683,500
	Korea Exim Bank	L(3)+1.59%	2,007,359	3,243,574
	KEB Hana Bank	L(3)+1.80~2.20	669,121	2,724,604
	Shinhan Bank	-	-	2,075,888
	Industrial Bank of Korea	L(3)+0.90%	17,558,400	14,884,769
	Standard Chartered Bank	L(3)+0.90%	4,282,369	4,151,776
	Shiyan Dongfeng Samlip Co., Ltd.	-	-	3,314,800
			<u>26,783,915</u>	<u>39,094,817</u>
	Deduction: Current long-term liability		<u>(8,159,741)</u>	<u>(12,081,112)</u>
			<u>18,624,174</u>	<u>27,013,705</u>



(4) Repayment plan for long-term payables are as follows (Korean won in thousands):

Type	Balance at Dec. 31, 2020	Repayment Amount				
		December 2021	December 2022	December 2023	December 2024	After 2025
Facilities funds, etc.	26,783,915	8,159,741	14,738,459	3,108,571	777,144	-

(5) The assets provided to financial institutions as collaterals in connection with the Group's long-term/short-term payables at the end of the reporting period are as follows (Korean won in thousands):

	Collaterals	Maximum amount of bonds
BBVA	Land, Building, etc.	USD 2,083

## 22. Derivatives

The Group utilizes sell forward contracts and currency options in order to avoid the fluctuation risk of the recoverable amount in won due to foreign exchange fluctuations relating to foreign account receivables.

(1) Details of derivative contracts entered into by the Group at the end of the reporting period are as follows (Korean won in thousands):

	Contract exchange rate	Contract period	Total contract Value (USD)	Outstanding Amount (USD)
Industrial Bank of Korea	1,169.51	21.01~21.12	12,000	12,000
	1,191.20	21.01~21.12	12,000	12,000
Standard Chartered Bank	1,193.50	21.01~21.12	24,000	24,000
Citi Bank	1,163.60	21.03~22.02	36,000	36,000
			45,800	45,800

(2) Profits or losses recognised in relation to derivatives in 2020 are as follows (Korean won in thousands):

	2020	2019
Gain on derivative transactions	617,101	13,737
Loss on derivative transactions	1,845,789	1,225,165
Gain on valuation of derivative	2,455,685	380,797
Loss on valuation of derivative	-	195,493

### **23. Severance and retirement benefits**

The Group operates defined benefit plans for its employees, and the actuarial valuation of defined benefit liabilities has been conducted using the projected unit credit method by a qualified independent actuary.

(1) Changes to defined benefit obligation for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Changes to defined benefit obligation:		
As of January 1	48,934,904	29,376,974
Changes due to merger	-	(5,030,977)
Changes due to changing the scope of consolidation	-	3,752,943
Contributions	(26,400,000)	(43,800,000)
Payments during the year	(926,244)	3,265,423
Gross cost recognized in the income statement	28,654,526	22,338,069
Remeasurements	(16,994,369)	38,876,894
Transfers from affiliates	767,075	134,918
Effects of foreign exchange difference	438,824	20,660
As of December 31	<u>34,474,716</u>	<u>48,934,904</u>
Items presented on the financial statements:		
Present value of defined benefit obligation	267,779,969	260,932,811
Fair value of plan assets	<u>(233,305,253)</u>	<u>(211,997,907)</u>
	<u>34,474,716</u>	<u>48,934,904</u>

(2) Recognised gain and loss on defined benefit for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Current service cost	28,138,844	22,409,590
Interest cost	5,104,083	3,700,433
Expected return on plan assets	<u>(4,588,400)</u>	<u>(3,771,955)</u>
	<u>28,654,526</u>	<u>22,338,068</u>

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(3) The movements the present value of the defined benefit obligation for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
As of January 1	260,932,811	135,785,702
Changes due to merger	-	58,124,676
Changes due to changing the scope of consolidation	-	10,114,984
Payments during the year	(12,177,273)	(11,361,292)
Remeasurements for defined benefit plans	(15,425,684)	39,671,226
Changes in Demographic Assumptions	15,759	3,561,032
Changes in financial assumptions	(13,888,166)	23,844,634
Changes due to experience adjustments	(1,553,277)	12,265,561
Current service cost	28,138,844	22,409,590
Interest cost	5,104,083	3,700,433
Transfers from affiliates	768,364	2,466,832
Effects of foreign exchange difference	438,824	20,660
As of December 31	267,779,969	260,932,811

(4) Changes to the fair value of plan assets for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
As of January 1	211,997,907	106,408,727
Changes due to merger	-	63,155,653
Changes due to changing the scope of consolidation	-	6,362,041
Contributions	26,400,000	43,800,000
Remeasurements for defined benefit plans	1,568,685	794,332
Payments during the year	(11,251,029)	(14,626,715)
Transfers from affiliates	1,290	2,331,914
Expected returns	4,588,400	3,771,955
As of December 31	233,305,253	211,997,907

On the other hand, the expected return on plan assets are estimated considering the maturity of defined benefit obligation on expected earnings in market at the time of estimation.

(5) The proportions of main types of plan assets at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Certificates of deposit	14.03%	23.13%
Bonds, etc.	85.97%	76.87%
	100.00%	100.00%

(6) Material assumptions used for actuarial valuation at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Expected salary increase rate	4.59%	4.54%
Discount rate	2.94%	2.51%

(7) The results of sensitivity analysis on the Group's retirement benefit obligation following changes of material actuarial assumptions at the end of the reporting period are as follows (Korean won in thousands):

	1% increase	1% decrease
Discount rate Fluctuations	(28,280,853)	34,261,847
Expected salary increase rate Fluctuations	34,102,895	(28,781,695)

(8) The effect of defined benefit plans on future cash flows

The Group reviews the credit level of the fund annually and in case of any loss in the fund, we have policies to preserve the same.

The weighted average maturity of the defined benefit obligation is 12.9 years (12.8 years in 2019).

(9) Defined Contribution Plans

Expenses recognised in relation to the define contribution plans for the year ended December 31, 2020 and 2019 are 464,193,000 won and 136,674,000 won.

## **24. Trade and other payables**

Details of trade and other payables at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Trade payables	317,540,823	282,959,398
Non-trade payables	51,763,579	60,508,078
Accrued expenses	48,766,474	40,669,147
	<u>418,070,876</u>	<u>384,136,623</u>

Transactions terms of the above payables are as follows:

- The terms of trade and non-trade payables are interest-free and payable in 30 days in general.

## **25. Other current liability**

Details of other current liabilities at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Advances Received	20,710,137	55,937,574
Unearned Revenues	1,013,925	104,661
Deposit	9,581,758	9,161,026
Financial guarantee contract liability	58,139	65,933
	<u>31,363,959</u>	<u>65,269,194</u>

## **26. Income Tax**

(1) The components of income tax for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Current income tax	23,844,171	7,835,775
Changes in deferred tax	3,762,497	(18,344,153)
Income tax (refunds) recognized directly to equity	(2,833,789)	5,310,423
Income tax expense reported in the statements of comprehensive income	24,772,879	(5,197,955)

(2) Details on income taxes recognized directly to equity for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Income tax:		
Remeasurements for defined benefit plans	(4,185,521)	9,150,200
Deferred income tax:		
Gain and loss on valuation of financial assets at FVOCI	15,490	283,010
Changes in equity associates	(69,918)	(958,579)
Changes in equity in equity method	-	(2,322,739)
Foreign currency translation differences of foreign operations	1,406,160	(841,469)
	<u>1,351,732</u>	<u>(3,839,777)</u>
Income tax expense/(benefit) recognized directly to equity	<u>(2,833,789)</u>	<u>5,310,423</u>

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(3) A reconciliation between income before income tax and income tax expense of the Group for the years ended December 31, 2019 and 2018 is as follows (Korean won in thousands):

	2020	2019
Income before income tax expense	88,975,953	81,894,962
Income tax expense at the effective tax rate	21,070,181	19,356,581
Adjustments		
- Tax-free earnings	(411,960)	(28,806,545)
- Non-deductible expenditure	665,305	535,858
- Tax credit	(4,131,199)	(7,929,230)
- Income tax return	1,281,953	(1,508,927)
- The effect of unrecognized deferred tax	4,231,245	12,397,451
- Others (tax rate differences, etc.)	2,067,354	756,857
Income tax expenses (benefit)	24,772,879	(5,197,955)
Effective tax rate (income tax expense/income before income tax)	27.84%	(*1)

(\*1) A effective tax rate has not been calculated in 2019 as income tax benefits are generated.

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(4) Changes in temporary differences and deferred tax assets (liabilities) and the in the deferred income tax assets (liabilities) based on the total amount prior to a set-off are for the years ended December 31, 2020 and 2019 as follows (Korean won in thousands) :

	2020		
	January 1	Increase (Decrease)	December 31
(Deductible temporary differences)			
Depreciation Expense	1,497,490	(955,305)	542,185
Pension benefit obligation	225,816,762	16,576,113	242,392,875
Impairment Losses on Equity Securities	2,443,388	(1,245,773)	1,197,615
Loss on valuation of securities	9,149	-	9,149
Provision for Product Warranties	29,766,865	(5,117,297)	24,649,568
Government grant	-	1,013,925	1,013,925
Payment guarantee fees	879,942	-	879,942
Loss on valuation of equity securities (Listed)	3,494,582	201,698	3,696,280
Loss on valuation of equity securities (Unlisted)	4,688,967	(1,939)	4,687,028
Loss on valuation of debt securities	284,491	-	284,491
Accrued expense	4,812,334	806,465	5,618,799
Impaired loss on financial assets	(137,954)	(561,586)	(699,540)
Management Assistant Fee	6,026,493	-	6,026,493
Royalty	12,222,724	-	12,222,724
Lease liabilities	306,546	52,082	358,628
Others	18,356,374	6,770,576	25,126,950
	310,468,153	17,538,959	328,007,112
(Temporary differences to be added)			
Accrued income	1,640,813	(1,634,566)	6,247
Buildings	148,061	413,539	561,600
Land	30,364,377	12,151,997	42,516,374
Depreciation Expense - Depreciation variation	795,523	-	795,523
Equity securities	3,746,392	-	3,746,392
Gain on valuation of equity securities (Listed)	171,661	139,323	310,984
Gain on valuation of debt securities	410,582	(105,080)	305,502
Retirement insurance premiums	203,836,929	29,390,675	233,227,604
Advanced depreciation provision	393,468	-	393,468
Lease assets	303,202	51,988	355,190
Investment in subsidiaries, affiliates and joint ventures	280,377,958	(36,108,381)	244,269,577
Others	(9,244,083)	4,928,544	(4,315,539)
	512,944,883	9,228,039	522,172,922
	(202,476,730)	8,310,920	(194,165,810)
Deferred tax assets	75,133,293		79,377,721
Deferred tax liabilities	(93,587,041)		(96,713,306)
Unrecognized Deferred Tax Adjustments	(2,393,004)		(6,624,249)
Income tax return estimates in future	3,183,028		-
Tax credit	649,415		-
	(17,014,309)		(23,959,834)

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	2019			
	January 1	Changes resulting from merger and business consolidation	Increase (Decrease)	December 31
(Deductible temporary differences)				
Depreciation Expense	511,725	2,336,363	(1,350,598)	1,497,490
Pension benefit obligation	109,254,130	58,108,663	58,453,969	225,816,762
Impairment Losses on Equity Securities	2,443,388	-	-	2,443,388
Loss on valuation of securities	9,149	-	-	9,149
Provision for Product Warranties	5,170,647	30,952,957	(6,356,739)	29,766,865
Government grant	11,548	-	(11,548)	-
Payment guarantee fees	879,942	-	-	879,942
Loss on valuation of equity securities (Listed)	2,835,873	-	658,709	3,494,582
Loss on valuation of equity securities (Unlisted)	47,476	4,641,491	-	4,688,967
Loss on valuation of debt securities	284,491	-	-	284,491
Accrued expense	3,520,955	1,256,666	34,713	4,812,334
Impaired loss on financial assets	335,728	(116,417)	(357,265)	(137,954)
Management Assistant Fee	6,026,493	-	-	6,026,493
Royalty	12,222,724	-	-	12,222,724
Lease liabilities	-	-	306,546	306,546
Others	12,625,655	3,363,451	2,367,268	18,356,374
	156,179,924	100,543,174	53,745,055	310,468,153
(Temporary differences to be added)				
Accrued income	1,372,519	377,428	(109,134)	1,640,813
Buildings	156,522	-	(8,461)	148,061
Land	3,471,926	26,892,451	-	30,364,377
Depreciation Expense - Depreciation variation	795,523	-	-	795,523
Equity securities	3,464,113	-	282,279	3,746,392
Gain on valuation of equity securities (Listed)	635,292	(412,315)	(51,316)	171,661
Gain on valuation of debt securities	92,163	-	318,419	410,582
Retirement insurance premiums	106,339,565	58,108,663	39,388,701	203,836,929
Advanced depreciation provision	393,468	-	-	393,468
Lease assets	-	-	303,202	303,202
Investment in subsidiaries, affiliates and joint ventures	469,204,496	(1,445,685)	(187,380,853)	280,377,958
Others	42,369,542	(2,874,332)	(48,739,293)	(9,244,083)
	628,295,129	80,646,210	(195,996,456)	512,944,883
	(472,115,205)	19,896,964	249,741,511	(202,476,730)
Deferred tax assets	37,795,542			75,133,293
Deferred tax liabilities	(118,251,358)			(93,587,041)
Unrecognized Deferred Tax Adjustments	10,004,447			(2,393,004)
Income tax return estimates in future	-			3,183,028
Tax credit	3,140,860			649,415
	(67,310,509)			(17,014,309)

The Group applies the rate at the time when temporary differences are expected to expire as the expected tax rate in the future applicable to temporary differences.



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The Group's Management considers that expected taxable income after next period would exceed deductible temporary differences expiring in each fiscal year and therefore it is possible that deferred income tax assets would be realized.

**27. Selling and administrative expenses**

(1) The details on selling and administrative expenses for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Salaries	69,582,868	67,252,090
Pension benefits costs	2,431,239	2,200,883
Long-term employee benefits	213,591	189,914
Employee welfare benefits	10,350,775	11,658,430
Travel and transportation	887,625	2,397,409
Vehicle maintenance	114,957	135,805
Communication	595,877	575,753
Entertainment	215,638	330,703
Taxes and dues	4,545,738	4,736,449
Insurance	361,446	561,569
Repair & maintenance	877,198	1,021,439
Supplies	3,686,917	2,936,080
Commissions and fees (returns)	12,301,615	13,707,770
Rental fees	973,935	1,208,985
Depreciation	3,152,889	4,125,779
Publication	119,215	168,430
Training	351,580	345,498
Conferencing	173,757	182,772
Research and development	15,026,982	17,773,570
Utilities	221,716	253,930
Packaging	5,609,354	7,488,795
Transportation	17,293,751	16,482,397
Advertising	84,242	249,778
Provision for product warranties	10,537,470	4,602,015
Sample	1,017,946	888,178
Royalty	1,631,160	164,154
bad debts expenses (returns)	(2,430,683)	2,419,861
Amortization	1,572,155	1,963,680
Miscellaneous expenses	119,350	44,749
	<u>161,620,303</u>	<u>166,066,865</u>

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(2) The classification according to nature of expense for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Raw materials used	1,508,277,007	1,686,226,824
Change of inventories	27,261,545	(34,332,633)
Employee benefits	522,376,134	399,382,593
Transportation	20,865,374	19,500,666
Commissions and fees	26,942,246	27,378,843
Depreciation and amortization	121,055,228	97,536,108
Other	185,075,189	22,918,216
	<u>2,411,852,723</u>	<u>2,218,610,617</u>

(3) Details of employee benefits for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Salaries	427,683,064	366,265,817
Pension benefits costs	29,118,719	22,467,373
Long-term employee benefits	3,255,387	1,204,739
Other employee benefits	62,318,964	9,444,664
	<u>522,376,134</u>	<u>399,382,593</u>

## **28. Non-operating income**

(1) Details of financial income for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Interest income	5,442,652	8,128,481
Dividends income	848,547	483,828
Gain on disposal of financial assets at FVPL	59,107	-
Gain on valuation of financial assets at FVPL	731,743	770,154
Gain on derivative transactions	617,101	13,737
Gain on valuation of derivative	2,455,685	380,797
	<u>10,154,835</u>	<u>9,776,997</u>

(2) Details of financing costs for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Interest expense	8,082,671	10,503,913
Loss on valuation of financial assets at FVPL	117,563	84,354
Loss on derivative transactions	1,845,790	1,225,165
Loss on valuation of derivative	-	195,493
	<u>10,046,024</u>	<u>12,008,925</u>

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(3) Details on financial income and costs by category of financial instruments for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020				Total
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Financial liabilities at AC	
Financial income:					
Interest income	2,705,591	-	2,737,061	-	5,442,652
Dividend income	567,087	281,460	-	-	848,547
Gain on disposal of financial assets at FVPL	59,107	-	-	-	59,107
Gain on valuation of financial assets at FVPL	731,743	-	-	-	731,743
Gain on derivative transactions	617,101	-	-	-	617,101
Gain on valuation of derivative	2,455,685	-	-	-	2,455,685
	<u>7,136,314</u>	<u>281,460</u>	<u>2,737,061</u>	<u>-</u>	<u>10,154,835</u>
Financing cost:					
Interest expense	-	-	-	8,082,671	8,082,671
Loss on valuation of financial assets at FVPL	117,563	-	-	-	117,563
Loss on valuation of derivative	1,845,790	-	-	-	1,845,790
	<u>1,963,353</u>	<u>-</u>	<u>-</u>	<u>8,082,671</u>	<u>10,046,024</u>
	2019				Total
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Financial liabilities at AC	
Financial income:					
Interest income	1,899,484	-	6,228,997	-	8,128,481
Dividend income	273,882	209,946	-	-	483,828
Gain on valuation of financial assets at FVPL	770,154	-	-	-	770,154
Gain on derivative transactions	13,737	-	-	-	13,737
Gain on valuation of derivative	380,797	-	-	-	380,797
	<u>3,338,054</u>	<u>209,946</u>	<u>6,228,997</u>	<u>-</u>	<u>9,776,997</u>
Financing cost:					
Interest expense	-	-	-	10,503,913	10,503,913
Loss on valuation of financial assets at FVPL	84,354	-	-	-	84,354
Loss on derivative transactions	1,225,165	-	-	-	1,225,165
Loss on valuation of derivative	195,493	-	-	-	195,493
	<u>1,505,012</u>	<u>-</u>	<u>-</u>	<u>10,503,913</u>	<u>12,008,925</u>

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(4) Details of other income for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Rental revenue	3,042,431	2,977,188
Gain on disposal of property, plant, and equipment	839,500	684,022
Bargain purchase gains	-	13,787,700
Gain on disposition of intangible assets	-	125,818
Commissions	17,603,112	8,231,672
Reversal of financial guarantee liability	7,794	-
Gain on foreign currency translations	9,116,325	11,386,451
Gain on foreign currency transactions	22,958,339	17,171,319
Other revenues	2,208,611	3,081,619
	<u>55,776,112</u>	<u>57,445,789</u>

(5) Details of other expenses for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020	2019
Loss on disposal of property, plant, and equipment	2,065,233	2,126,539
Loss on disposal of investments	-	2,982,981
Depreciation of investment property	747,352	741,415
Loss on disposal of intangible assets	16,146	-
Impairment loss of intangible assets	-	2,570,322
Financial guarantee fee	-	7,866
Loss on foreign currency translation	23,857,156	14,363,713
Loss on foreign currency transactions	34,609,238	12,014,214
Donations and contributions	3,206,020	136,543
Other losses	2,188,550	4,988,501
	<u>66,689,695</u>	<u>39,932,094</u>

## **29. Earnings per share**

(1) Earnings per share is calculated by dividing net income applicable to common shares attributed to controlling shareholders by the weighted average common shares outstanding, and Details are provided as follows (Korean won, share):

	2020	2019
Net Income attributable to owners of the parent	65,675,124,927	85,799,441,282
Weighted-average number of shares outstanding during the year	46,244,484	43,345,762
Basic earnings per share	<u>1,420</u>	<u>1,979</u>

As the Company does not own dilutive securities, the basic earnings per share and diluted earnings per share are the same.

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(2) Weighted average common shares outstanding for the year ended December 31, 2020 and 2019 are calculated as follows (Unit: Share):

2020				
	Period	Days	No. of shares outstanding	Accumulated balance
At January 1	2020.01.01~2020.12.31	366	46,448,520	17,000,158,320
Acquisition of treasury stock	2020.03.19~2020.12.31	288	(33,255)	(9,577,440)
Acquisition of treasury stock	2020.03.26~2020.12.31	281	(20,412)	(5,735,772)
Acquisition of treasury stock	2020.03.27~2020.12.31	280	(15,977)	(4,473,560)
Acquisition of treasury stock	2020.03.30~2020.12.31	277	(17,692)	(4,900,684)
Acquisition of treasury stock	2020.03.31~2020.12.31	276	(10,000)	(2,760,000)
Acquisition of treasury stock	2020.04.01~2020.12.31	275	(2,119)	(582,725)
Acquisition of treasury stock	2020.04.02~2020.12.31	274	(3,199)	(876,526)
Acquisition of treasury stock	2020.07.09~2020.12.31	176	(30,000)	(5,280,000)
Acquisition of treasury stock	2020.07.10~2020.12.31	175	(28,423)	(4,974,025)
Acquisition of treasury stock	2020.07.13~2020.12.31	172	(281)	(48,332)
Acquisition of treasury stock	2020.07.20~2020.12.31	165	(10,000)	(1,650,000)
Acquisition of treasury stock	2020.07.21~2020.12.31	164	(17,721)	(2,906,244)
Acquisition of treasury stock	2020.07.22~2020.12.31	163	(30,000)	(4,890,000)
Acquisition of treasury stock	2020.07.23~2020.12.31	162	(10,000)	(1,620,000)
Acquisition of treasury stock	2020.07.24~2020.12.31	161	(6,970)	(1,122,170)
Acquisition of treasury stock	2020.07.27~2020.12.31	158	(14,000)	(2,212,000)
Acquisition of treasury stock	2020.07.28~2020.12.31	157	(12,048)	(1,891,536)
Acquisition of treasury stock	2020.07.29~2020.12.31	156	(7,000)	(1,092,000)
Acquisition of treasury stock	2020.07.30~2020.12.31	155	(25,000)	(3,875,000)
Acquisition of treasury stock	2020.08.03~2020.12.31	151	(22,000)	(3,322,000)
Acquisition of treasury stock	2020.08.05~2020.12.31	149	(11,790)	(1,756,710)
Acquisition of treasury stock	2020.08.06~2020.12.31	148	(15,762)	(2,332,776)
Acquisition of treasury stock	2020.08.07~2020.12.31	147	(10,000)	(1,470,000)
Acquisition of treasury stock	2020.08.12~2020.12.31	142	(1,468)	(208,456)
Acquisition of treasury stock	2020.08.14~2020.12.31	140	(30,000)	(4,200,000)
Acquisition of treasury stock	2020.08.31~2020.12.31	123	(2,841)	(349,443)
Acquisition of treasury stock	2020.09.11~2020.12.31	112	(5,100)	(571,200)
				16,925,479,721
Weighted-average number of shares outstanding				46,244,480

2019				
	Period	Days	No. of shares outstanding	Accumulated balance
At January 1	2019.01.01~2019.12.31	365	33,865,090	12,360,757,850
New share issue	2019.04.01~2019.12.31	275	14,338,187	3,943,001,425
Acquisition of treasury stock	2019.04.01~2019.12.31	275	(1,754,601)	(482,515,275)
Acquisition of treasury stock	2019.04.08~2019.12.31	268	(152)	(40,736)
				15,821,203,264
Weighted-average number of shares outstanding				43,345,762

### 30. Related party disclosures

(1) The current state of related parties of the Group at the end of the reporting period is as follows:

	2020	2019
Associates and Joint Ventures	SHB Co., Ltd. KDS Co., Ltd. Beijing Samlip Co., Ltd. Shanghai Samlip Co., Ltd. Shiyan Dongfeng Samlip Co., Ltd. Chongqing Qinchuan Samlip Co., Ltd SUNGIL ENG Co., Ltd.	SHB Co., Ltd. KDS Co., Ltd. Beijing Samlip Co., Ltd. Shanghai Samlip Co., Ltd. Shiyan Dongfeng Samlip Co., Ltd. Chongqing Qinchuan Samlip Co., Ltd SUNGIL ENG Co., Ltd.
Others	SL Mirror Tech Co., Ltd. Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd. S-Energy Co., Ltd. Young-Sung Solar Energy Hemi-Solar Energy	SL Mirror Tech Co., Ltd. Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd. S-Energy Co., Ltd. Young-Sung Solar Energy Hemi-Solar Energy

(2) Significant transactions with related parties for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020			
	Income			
	Sales-Finished Goods & Merchandise	Dividend income	Rental Revenue	Others
Associates and Joint Ventures:				
KDS Co., Ltd.	645,220	-	-	612,085
SHB Co., Ltd.	135,012,215	3,303,075	1,907,124	993,914
Shanghai Samlip Co., Ltd.	48,260,881	3,109,320	-	5,219,741
Beijing Samlip Co., Ltd.	15,856,602	-	-	7,464,633
Shiyan Dongfeng Samlip Co., Ltd.	169,093	863,700	-	2,118,378
Chongqing Qinchuan Samlip Co., Ltd	441,413	-	-	2,127,180
SUNGIL ENG Co., Ltd.	-	-	1,200	19,400
Others:				
SL Mirror Tech Co., Ltd.	11,320,330	-	152	4,025,292
Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd.	-	-	-	33,187
S-Energy Co., Ltd.	-	-	11,666	-
	<u>211,705,754</u>	<u>7,276,095</u>	<u>1,920,142</u>	<u>22,613,810</u>

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	2020			
	Cost			
	Inventory Purchase	Service Expenses	Purchase of tangible assets	Others
Associates and Joint Ventures:				
KDS Co., Ltd.	2,898,852	-	-	15,990
SHB Co., Ltd.	-	-	1,061	2,232
Shanghai Samlip Co., Ltd.	4,226,321	5,240	-	-
Beijing Samlip Co., Ltd.	2,298	-	-	-
Shiyan Dongfeng Samlip Co., Ltd.	-	-	-	-
Chongqing Qinchuan Samlip Co., Ltd	-	-	-	-
SUNGIL ENG Co., Ltd.	-	-	-	-
Others				
SL Mirror Tech Co., Ltd.	47,552,397	303,764	511	-
Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd.	-	-	-	-
S-Energy Co., Ltd.	-	-	-	-
	<u>54,679,868</u>	<u>309,004</u>	<u>1,572</u>	<u>18,222</u>

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	2019			
	Income			
	Sales-Finished Goods & Merchandise	Dividend income	Rental Revenue	Others
Associates and Joint Ventures:				
SL Lighting Co., Ltd.	49,530,986	2,307,576	1,090	15,692,627
KDS Co., Ltd.	510,577	527,152	-	451,984
HSL Electronic Co., Ltd.	555,292	5,476,500	145	3,071,756
SHB Co., Ltd.	126,470,284	1,901,000	1,907,505	766,789
Shanghai Samlip Co., Ltd.	8,648,103	5,035,500	-	2,954,314
Beijing Samlip Co., Ltd.	21,994,891	-	-	3,381,106
Shiyan Dongfeng Samlip Co., Ltd.	133,644	-	-	2,323,805
Chongqing Qinchuan Samlip Co., Ltd	4,219,162	-	-	4,077,496
SUNGIL ENG Co., Ltd.	-	-	1,200	-
Others:				
SL Mirror Tech Co., Ltd.	5,979,314	-	484	2,986,806
Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd.	-	-	-	22,227
S-Energy Co., Ltd.	-	-	16,351	-
	<u>218,042,253</u>	<u>15,247,728</u>	<u>1,926,775</u>	<u>35,728,910</u>

	2019				
	Cost				
	Inventory Purchase	Service Expenses	Dividend Payment	Purchase of tangible assets	Others
Associates and Joint Ventures:					
SL Lighting Co., Ltd.	44,324,886	2,479	701,840	-	478,419
KDS Co., Ltd.	51,861	-	-	-	13,824
HSL Electronic Co., Ltd.	71,111,768	52,883	-	2,221,276	-
SHB Co., Ltd.	-	-	-	556	1,704
Shanghai Samlip Co., Ltd.	1,016,095	-	-	-	-
Beijing Samlip Co., Ltd.	23,608	28,817	-	-	-
Shiyan Dongfeng Samlip Co., Ltd.	-	-	-	-	-
Chongqing Qinchuan Samlip Co., Ltd	-	-	-	-	-
SUNGIL ENG Co., Ltd.	92,628	-	-	-	-
Others					
SL Mirror Tech Co., Ltd.	44,093,446	242,108	-	4,637	647
Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd.	-	-	-	-	-
S-Energy Co., Ltd.	-	-	-	-	-
	<u>160,714,292</u>	<u>326,287</u>	<u>701,840</u>	<u>2,226,469</u>	<u>494,594</u>



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(3) Details of money transactions with related parties for the year ended December 31, 2020 and 2019 are as follows (Korean won in thousands):

	Name of Company	2020 (Borrowing)
Affiliated company	Shiyan Dongfeng Samlip Co., Ltd.	8,543,000

	Name of Company	2019 (Borrowing)
Affiliated company	Shiyan Dongfeng Samlip Co., Ltd.	3,314,800

(4) Significant outstanding balances with related parties as at December 31, 2020 and 2019 are as follows (Korean won in thousands):

	2020					
	Account receivables			Account payables		
	Trade receivables	Accounts Receivables	Other receivables	Trade payables	Accounts payables	Other payables (*1)
Associates and Joint Ventures:						
KDS Co., Ltd.	36,810	31,854	-	748,415	158,280	-
SHB Co., Ltd.	21,408,064	175,488	-	-	798	-
Shanghai Samlip Co., Ltd.	3,405,020	-	336	603,347	-	11,734
Beijing Samlip Co., Ltd.	7,707,978	-	-	-	-	434,612
Shiyan Dongfeng Samlip Co., Ltd.	646,280	-	-	-	-	-
Chongqing Qinchuan Samlip Co., Ltd	4,034,586	33,111	-	-	-	-
SUNGIL ENG Co., Ltd.	-	10,560	-	-	-	1,000
Others:						
SL Mirror Tech Co., Ltd.	2,656,845	1,349	-	14,490,869	-	-
Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd.	50,003	-	-	-	-	-
S-Energy Co., Ltd	-	9,021	-	-	-	-
	<u>39,945,586</u>	<u>261,383</u>	<u>336</u>	<u>15,842,631</u>	<u>159,078</u>	<u>447,346</u>

(\*1) A part of the Group's account payables for related parties does not match the related parties' account receivables due to the differences in categorizing accounts.

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	2019					
	Account receivables			Account payables		
	Trade receivables	Accounts Receivables	Other receivables	Trade payables	Accounts payables	Other payables (*1)
Associates and Joint Ventures:						
KDS Co., Ltd.	458,139	2,883	-	16,051	1,646	-
SHB Co., Ltd.	21,280,826	177,431	-	-	-	229
Shanghai Samlip Co., Ltd.	3,080,089	-	3,302	199,014	-	11,734
Beijing Samlip Co., Ltd.	5,150,620	-	-	6,143	-	1,404,954
Shiyan Dongfeng Samlip Co., Ltd.	901,410	-	-	-	-	-
Chongqing Qinchuan Samlip Co., Ltd.	5,082,691	35,235	-	-	-	-
SUNGIL ENG Co., Ltd.	-	110	-	-	-	1,000
Others:						
SL Mirror Tech Co., Ltd.	1,706,673	15,375	-	14,044,685	5,672	-
Hubei Tri-ring SLAUTO Rear View Mirror Co., Ltd.	19,988	-	-	-	-	-
	<u>37,680,436</u>	<u>231,034</u>	<u>3,302</u>	<u>14,265,893</u>	<u>7,318</u>	<u>1,417,917</u>

(\*1) A part of the Group's account payables for related parties does not match the related parties' account receivables due to the differences in categorizing accounts.

(5) Details of payment guarantees provided by the Group for related parties at the end of the reporting period are as follows (Korean won in thousands):

Name of Company	Guarantor	Limits on payment guarantee (*1)	Account payables subject to payment guarantee	
			Borrowing limit	Executed amount
Chongqing Qinchuan Samlip Co., Ltd	Woori Bank	CNH 18,000	CNH 15,000	CNH 15,000
	Shinhan Bank	CNH 24,000	CNH 20,000	CNH 20,000
	Industrial Bank of Korea	CNH 24,500	CNH 20,000	CNH 20,000

(\*1) The payment guarantee amount is limited to 120% of the target amount.

(6) Compensation of key management personnel of the Group

The compensation of the Group's key management is as follows and the key management includes directors and key executives that have important authorities and responsibilities for planning, operating and controlling of the Group's business activities (Korean won in thousands).

	2020	2019
Short-term salaries	3,336,160	3,425,775
Pension benefits costs	1,092,403	8,466,479
	<u>4,428,563</u>	<u>11,892,254</u>

### 31. Supplementary cash flow information

(1) Cash on the consolidated cash flow statement is equivalent to cash and cash equivalents on the statement of financial position.

(2) The Group's statement of cash flows is prepared using the indirect method, and material transactions that do not involve cash inflow and outflow are as follows (Korean won in thousands):

	2020	2019
Replacement of retained earnings by remeasurements for defined benefit plans	(12,775,505)	28,253,540
Replacement of OCI by profits on valuation of equity securities	(48,520)	(321,669)
Replacement of long-term borrowing liquidity	(8,159,741)	(12,081,112)
Increase of outstanding payables concerning the acquisition of tangible assets	15,126,479	3,098,261
Increase (decrease) of outstanding payables concerning the acquisition of intangible assets	711,769	(590,234)
Replacement of long-term loan liquidity	848,799	1,376,952
Replacement of long-term debt security liquidity	5,311,109	7,024,644

(3) Changes in liabilities arising from the Group's financial activities for the year ended December 31, 2020 and 2019 (Korean won in thousands).

	January 1	Financial activity	Liquidity reclassification	Recognition and Amortization	Termination	Foreign exchange difference, etc.	December 31
Short-term borrowings	235,802,334	57,358,011	-	-	-	(16,521,041)	276,639,304
Current long-term liabilities	12,081,112	(12,394,947)	8,159,741	-	-	313,835	8,159,741
Long-term borrowings	27,013,705	-	(8,159,741)	-	-	(229,790)	18,624,174
Deposits	853,900	(36,000)	-	-	-	-	817,900
Lease liabilities	5,178,133	(1,433,147)	-	676,112	(126,761)	(309,300)	3,985,037

	January 1	Financial activity	Liquidity reclassification	Effect of adopting the Standards	Recognition and Amortization	Foreign exchange difference, etc.	December 31
Short-term borrowings	177,189,982	83,386,242	-	-	-	(24,773,890)	235,802,334
Current long-term liabilities	26,998,783	(26,998,783)	12,081,112	-	-	-	12,081,112
Long-term borrowings	30,410,846	5,527,463	(12,081,112)	-	-	3,156,509	27,013,705
Deposits	778,900	75,000	-	-	-	-	853,900
Lease liabilities	133,503	(1,341,260)	-	4,924,091	1,323,954	137,845	5,178,133

### 32. Commitments and contingencies

#### (1) Commitments

Details of the Group's commitments at the end of the reporting period are as follows (Korean won in millions, USD in thousands, CNH in thousands and EUR in thousands):

Financial institutions	Amount to commitment	Description
Industrial Bank of Korea	USD 3,000	L/C opening
	USD 8,000	Foreign currency derivatives
	USD 18,000	Local general/Facility loan
	1000	Trade bills Loans
	USD 12,000	Local general/Facility loan
	CNH 72,000	Foreign currency payment guarantee
KEB Hana Bank	USD 6,000	Foreign currency payment guarantee
	EUR 5,900	Foreign currency payment guarantee
KB Kookmin Bank	USD 9,000	Foreign currency payment guarantee
Citi Bank	USD 40,800	Foreign currency payment guarantee
	EUR 6,000	Foreign currency payment guarantee
	USD 10,000	Foreign currency derivatives
Shinhan Bank	USD 13,500	Foreign currency payment guarantee
	CNH 24,000	Foreign currency payment guarantee
	EUR 6,600	Foreign currency payment guarantee
The Export-Import Bank of Korea	USD 113,700	Foreign currency payment guarantee
	EUR 5,000	Foreign currency payment guarantee
Woori Bank	CNH 45,000	Foreign currency payment guarantee
Standard Chartered Bank	USD 41,000	Foreign currency payment guarantee
	USD 3,000	Local general/Facility loan
BBVA	USD 3,750	Local general/Facility loan
	USD 50,000	Foreign currency payment guarantee
	1,000	
	USD 331,750	
	CNH 141,000	
	EUR 23,500	

#### (2) Pledged Notes

The Group has pledged 3 blank notes as collaterals in relation to performance of contracts at the end of the reporting period.

#### (3) Lost Notes

The Group received a certificate of non-payment for one bill received from KEB Hana Bank Ansan Financial Center and proceeded with a nullification judgment on November 16, 2020, and the deletion was completed according to the nullification judgment.

### 33. Financial risk management objectives and policies

The Group's main financial liabilities are composed of acquired debt and other debt, current financial liability and non-current financial liability, etc. and such financial liabilities have been created in order to raise funds for business activities. Also, the Group owns various financial assets generated from business activities such as trade receivables, cash and short-term savings, etc.

The main risks that might arise from the Group's financial assets and financial liabilities are market risk, credit risk and liquidity risk. The Group's key management, as explained below, reviews the management procedures for each risk and check whether they are in compliance with the policies.

#### (1) Market Risk

Market risk is the risk of changes in the fair value of future cash flows of financial instruments arising from movements in market prices. Market risk is composed of three types of risks including interest rate risk, foreign exchange risk and other price risk.

#### (A) Interest Rate Risk

Interest rate risk is the risk of changes in the fair value or future cash flows of financial instruments arising from fluctuating market interest rate. The Group is exposed to the risk of fluctuating market interest rate concerning fluctuating interest-bearing short-term borrowings.

Therefore, the Group has established policies to manage interest risk by combining fixed-interest bearing borrowings and fluctuating interest-bearing borrowings to maintain a proper balance, and reviews the current state of interest rates on a regular basis and maintain a proper balance between fixed-interest bearing borrowings and fluctuating interest-bearing borrowings.

Fluctuating interest-bearing borrowings at the end of the reporting period are as follows (Korean won in thousands):

	2020	2019
Borrowings	290,066,418	265,260,049

The Group internally measures risk of fluctuating interest rate on a regular basis. The impact of interest rate fluctuation by 1% on profit or loss at the end of the reporting period is as follows (Korean won in thousands):

	2020		2019	
	1% increase	1% decrease	1% increase	1% decrease
Gain (Loss)	(2,900,664)	2,900,664	(2,652,600)	2,652,600

(B) Foreign currency risk

Foreign exchange risk is the risk of changes in the fair value or future cash flows of financial instruments arising from fluctuating exchange rate. The Group is exposed to foreign exchange risk such as USD, etc. due to business activities overseas, etc. The carrying amounts of monetary assets and liabilities presented in foreign currencies other than functional currency at the end of the reporting period are as follows (Korean won in thousands):

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
USD	251,621,918	9,072,730	189,290,903	5,139,556
EUR	4,788,046	1,056,277	8,090,700	1,370,729
CNH	15,187,877	824,953	8,760,685	761,517
JPY	134,630	209,336	58,378	268,730
AUD	-	-	50	-
INR	2,267,486	-	1,667,212	-
HKD	-	1,084	-	-
	<u>273,999,957</u>	<u>11,164,380</u>	<u>207,867,928</u>	<u>7,540,532</u>

The Group internally measures foreign exchange risk arising from fluctuating exchange rate on a regular basis. The impact of functional currency fluctuation on each foreign currency by 5% on profit or loss for the year ended December 31, 2020 and 2019 at the end of the reporting period is as follows (Korean won in thousands):

	2020		2019	
	5% increase	5% decrease	5% increase	5% decrease
USD	12,127,459	(12,127,459)	9,207,567	(9,207,567)
EUR	186,588	(186,588)	335,999	(335,999)
CNH	718,146	(718,146)	399,958	(399,958)
JPY	(3,735)	3,735	(10,518)	10,518
AUD	-	-	3	(3)
INR	113,374	(113,374)	83,361	(83,361)
HKD	(54)	54	-	-
Total	<u>13,141,778</u>	<u>(13,141,778)</u>	<u>10,016,370</u>	<u>(10,016,370)</u>

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

(C) Other Price Risk

Other price risk is the risk of changes in the fair value or future cash flows of financial instruments arising from fluctuating market price other than interest rate risk or foreign exchange risk, and the Group's equity securities 5,417,820,000 won among its financial assets measured at fair value through other comprehensive income are exposed to risk of fluctuating price, and the impact of marketable equity securities' price fluctuation on other comprehensive income (profit or loss on valuation of financial assets measured at fair value through other comprehensive income) when the price of the share fluctuates by 5% at the end of the reporting period is as follows (Korean won in thousands):

	5% increase	5% decrease
Other comprehensive income before tax	270,891	(270,891)
The effects of income tax	(65,556)	65,556
Other comprehensive income after tax	205,335	(205,335)

(2) Credit Risk

A credit risk is the risk of financial loss due to default on obligations by the other party. The Group is exposed to credit risk in terms of business activities and financial activities.

(A) Trade Receivables and Other Current Receivables.

The reporting on impairment of trade receivables and other current receivables is conducted using allowances at the end of the reporting period in order to measure expected credit loss. The allowance rate is based on the maturity date by grouping various customer segments according to similar loss patterns (i.e. regions, product type, customer type and rating, letter of credits or the extent of applying other forms of credit insurance, etc.). This calculation reflects reasonable and supportable information regarding probability weighted results, historical events for time value and future economic conditions, current conditions and predictions. In general, trade receivables and other current receivables recognize the entire loss allowances when they become more than 1 year past due.

In principle, the Group conducts credit verification process against the other parties to all transactions who desire to have transactions on credit, and conducts transactions with other parties with sound credit status only. Also, the Group continues to manage the balance of trade receivable and other current receivables such as the re-assessment of credit rating continuously in order to maintain the level that the Group's exposure to bad debt risk is not material, etc. The degree of the Group's maximum exposure to bad debt risk at the end of the reporting period is as follows (Korean won in thousands):

	2020	2019
Trade receivables	624,589,898	536,461,882
Other current receivables	12,653,941	21,465,967
	637,243,839	557,927,849

The Group reviews whether the above receivables are impaired individually or collectively at the end of each reporting period.

(B) Other Assets

Credit risk arising from the Group's other assets composing of cash and short-term savings, etc. arises from bankruptcy of the other parties. In this case, the extent of the Group's exposure to credit risk will be equivalent to the maximum carrying amount of the financial instruments. On the other hand, the Group deposits cash and cash

equivalents in financial institutions such as IBK, and deals with financial institutions with good credit ratings, therefore credit risk arising from financial institutions is limited.

### (3) Liquidity Risk

Liquidity risk is the risk of failing to raise funds required for performance of terms and conditions of all financial contracts until maturity date. The Group manages risks arising from insufficient funds through unique liquidity strategies and plans. The Group responds to the maturity of financial assets and financial liabilities considering the maturity of financial instruments and financial assets and the estimates of business cash flows.

The following is the redemption plans for each financial liability representing the contractual amount without discount (Korean won in thousands).

2020					
	Payment on demand	Within a year	1 - 5 years	More than 5 years	Total
Trade and other payables	-	418,070,876	-	-	418,070,876
Borrowings	-	284,799,045	18,624,174	-	303,423,219
Lease liabilities	-	761,375	1,958,205	2,170,451	4,890,031
Financial guarantee liability	58,139	-	-	-	58,139
	<u>58,139</u>	<u>703,650,921</u>	<u>20,640,859</u>	<u>2,088,573</u>	<u>726,438,492</u>

  

2019				
	Payment on demand	Within a year	1 - 5 years	Total
Trade and other payables	-	384,136,623	-	384,136,623
Borrowings	-	247,883,446	27,013,705	274,897,151
Lease liabilities	-	1,279,498	3,898,635	5,178,133
Derivatives	-	229,281	-	229,281
Financial guarantee liability	65,933	-	-	65,933
	<u>65,933</u>	<u>633,528,848</u>	<u>30,912,340</u>	<u>664,507,121</u>

The cash flows of the above financial liabilities for each residual maturity are prepared based on the earliest date when payment of nominal amounts without discount can be demanded.

### (4) Capital Management

The main purpose of capital management is to retain high credit rating and sound capital ratio in order to maintain the Group's business activities and maximize shareholder value.

The Group modifies capital structure according to changes to economic conditions, and in order to do so, the Group modifies dividend policies or reviews capital reduction or issuance of new shares. On the other hand, there have been no changes to any matters relating to the purpose, policy and procedure of weighted capital management.

As the Group supervises its net liabilities using the debt ratio calculated by dividing total liabilities by total capital, i.e. combination of equity and net liabilities, the Group calculates the net liability by deducting cash and cash equivalents from acquired debts, other liabilities, lease liabilities and borrowings. The net liabilities and equity at the end of the reporting period are as follows (Korean won in thousands):



**SL Corporation its subsidiaries**  
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	2020	2019
Trade and other payables	418,070,876	384,136,623
Lease liabilities and borrowings	307,408,256	280,075,284
Less: Cash and cash equivalents	(133,112,131)	(124,012,987)
Net liabilities	592,367,001	540,198,920
Equity	1,425,168,428	1,378,718,062
Net liabilities and total equity	2,017,535,429	1,918,916,982
Net debt ratio	29.36%	28.15%

### 34. Fair Value

#### (1) Fair value of financial instruments

The carrying and the fair value of financial assets and financial liabilities at the end of the reporting period are as follows (Korean won in thousands):

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Other non-current receivable	1,262,234	1,262,234	1,248,441	1,248,441
Non-current financial asset	51,736,171	51,736,171	51,695,742	51,695,742
Trade receivable and other current receivables	637,243,839	637,243,839	557,927,849	557,927,849
Current financial asset	238,316,271	238,316,271	225,341,089	225,341,089
Cash and cash equivalents	133,112,131	133,112,131	124,012,987	124,012,987
	<u>1,061,670,646</u>	<u>1,061,670,646</u>	<u>960,226,108</u>	<u>960,226,108</u>
Financial liabilities:				
Non-current financial liability	18,624,174	18,624,174	27,013,705	27,013,705
Non-current lease liability	3,364,569	3,364,569	3,898,635	3,898,635
Financial guarantee liability	58,139	58,139	65,933	65,933
Current financial liability	284,799,045	284,799,045	248,112,727	248,112,727
Current lease liability	620,468	620,468	1,279,498	1,279,498
Trade and other payables	418,070,876	418,070,876	384,136,623	384,136,623
	<u>725,537,271</u>	<u>725,537,271</u>	<u>664,507,121</u>	<u>664,507,121</u>

#### (2) Fair Value Hierarchy

The Group categorizes the measurements of the fair value according to fair value hierarchy reflecting the significance of inputs used for measuring the fair value, and the level of the fair value hierarchy is as follows:

	Significance of Inputs
Level 1	Quoted prices in the active market accessible to the same assets or liabilities
Level 2	Directly or indirectly observable inputs regarding assets or liabilities
Level 3	Inputs regarding assets and liabilities not based on observable market information

(3) Fair value of financial assets and financial liabilities measured at fair value of each level

The fair value of financial assets and financial liabilities measured at fair value of each level at the end of the reporting period is as follows (Korean won in thousands):

	2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at FVPL				
Debt instruments	-	84,560,697	-	84,560,697
Derivatives	-	2,455,685	-	2,455,685
Financial assets at FVOCI				
Listed shares	5,417,820	-	-	5,417,820
Unlisted shares	-	-	6,089,040	6,089,040
	2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at FVPL				
Debt instruments	-	98,979,929	-	98,979,929
Derivatives	-	380,797	-	380,797
Financial assets at FVOCI				
Listed shares	5,480,195	-	-	5,480,195
Unlisted shares	-	-	4,191,807	4,191,807
Liabilities measured at fair value				
Financial liabilities at FVPL				
Derivatives	-	229,281	-	229,281

Valuation methods used for measuring the fair value of financial instruments classified into the hierarchy levels 1, 2 and 3 include the following.

- The fair value of financial assets measured at fair value through other comprehensive income traded in the market is measured using the closing asking price disclosed at the end of the reporting period
- Financial assets measured at fair value through other comprehensive income not traded in the market are measured using the cash flow discount model depending on its importance.

In respect of financial assets and financial liabilities not measured at fair value, the carrying amount thereof is estimated at the reasonable approximation of the fair value.

### **35. Uncertainty of the impact of COVID-19**

Various prevention and control measures, including movement restrictions, are being implemented around the world to contain the spread of COVID-19, and as a result, the global economy is having a wide impact. In addition, various forms of government support policies are being announced to cope with COVID-19. The operations of the consolidated company are affected by the automobile industry, such as Hyundai Motor Group affiliates and GM Group affiliates. Items affected by COVID-19 are mainly the recoverability of trade receivables, impairment of inventories and tangible and intangible assets, and recognition of provisions. The Group has prepared consolidated financial statements by reasonably estimating the impact of COVID-19 on the Group. However, there are significant uncertainties in the estimation of the end of COVID-19 and the impact of COVID-19 on the Group in the context of COVID-19.