

LG Energy Solution Ltd. and its subsidiary

Interim condensed consolidated financial statements
for the three and six months ended June 30, 2021
with the independent auditor's review report



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Report on review of interim condensed consolidated financial statements

The Shareholders and Board of Directors LG Energy Solution, Ltd.

We have reviewed the interim condensed consolidated financial statements of LG Energy Solution, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as of June 30, 2021, and the related interim condensed consolidated statements of income and interim condensed consolidated statements of comprehensive income for the three and six months ended June 30, 2021, and the interim condensed consolidated statements of changes in equity and and interim condensed consolidated statements of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standard ("KIFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Auditing Standards ("KGAAS") and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Emphasis matter

Without qualifying our review conclusion, we draw attention to Note 35 to the interim condensed consolidated financial statements. As described in Note 35 to the interim condensed consolidated financial statements, the Group has recognized the lump-sum of ₩1,000,000 million (at the present value of ₩992,233 million) as operating income based on the agreement made with SK Innovation Co., Ltd. on May 15, 2021.

Other matter

The consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the one month then ended were audited by Samil PricewaterhouseCoopers, in accordance with KGAAS (not presented herein), whose report dated March 11, 2021 expressed an unqualified opinion. The accompanying consolidated statement of financial position as of

December 31, 2020 presented for comparative purposes is not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

August 13, 2021

This review report is effective as of August 13, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modification to this review report.

LG Energy Solution, Ltd. and its subsidiaries

Interim condensed consolidated financial statements
for the three and six months ended June 30, 2021

“The accompanying interim condensed consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Jong Hyun Kim
Chief Executive Officer
LG Energy Solution, Ltd.

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
as of June 30, 2021 and December 31, 2020

(Korean won in millions)

	Notes		June 30, 2021	December 31, 2020
Assets				
Current assets				
Cash and cash equivalents	3,5,6	₩	2,044,072 ₩	1,493,145
Trade receivables	3,5,7,29		2,698,206	2,931,150
Other receivables	3,5,7,29		794,454	819,075
Other current financial assets	3,5,8		14,682	23,821
Prepaid income taxes			5,650	14,944
Other current assets	13		523,926	401,600
Inventories	9		3,676,592	3,043,138
Assets held for sale	32		-	358,833
			9,757,582	9,085,706
Non-current assets				
Trade receivables	3,5,7	₩	28,504 ₩	26,291
Other receivables	3,5,7		578,852	81,585
Other non-current financial assets	3,5,8		60,762	-
Investments in associates and joint ventures	1,10,31		49,862	48,350
Deferred tax assets	27		1,526,592	1,356,096
Property, plant and equipment	11		9,523,201	8,683,614
Intangible assets	12		361,333	325,786
Investment properties	34		242,316	255,086
Other non-current assets	13		48,462	79,281
			12,419,884	10,856,089
Total assets		₩	<u>22,177,466 ₩</u>	<u>19,941,795</u>
Liabilities				
Current liabilities				
Trade payables	3,5,29	₩	2,627,487 ₩	2,592,309
Other payables	3,5,29		1,654,626	1,768,709
Borrowings	3,5,14		2,057,143	1,123,038
Provisions	15		1,076,934	997,209
Other current financial liabilities	3,5,8		6,278	-
Income tax payables	27		325,840	73,762
Other current liabilities	17		383,530	334,058
Liabilities held for sale	32		-	142
			8,131,838	6,889,227
Non-current liabilities				
Other payables	3,5	₩	7,172 ₩	5,849
Borrowings	3,5,14		4,194,361	5,036,286
Other non-current financial liabilities	3,5,8		1,273	41,768
Provisions	15		571,325	242,635
Net defined benefit liabilities	16		85,482	42,786
Deferred tax liabilities	27		41,936	27,463
Other non-current liabilities	17		65,608	90,376
			4,967,157	5,487,163
Total liabilities		₩	<u>13,098,995 ₩</u>	<u>12,376,390</u>

Equity

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of financial position
as of June 30, 2021 and December 31, 2020 (cont'd)

	<u>Notes</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Equity attributable to owners of the Parent Company			
Share capital	1,19	₩ 100,000	₩ 100,000
Capital surplus		7,231,468	7,231,468
Accumulated other comprehensive income		162,308	1,205
Retained earnings (accumulated deficit)	20	<u>537,884</u>	<u>(453,058)</u>
		8,031,660	6,879,615
Non-controlling interests		₩ 1,046,811	₩ 685,790
Total equity		<u>₩ 9,078,471</u>	<u>₩ 7,565,405</u>
Total liabilities and equity		<u>₩ 22,177,466</u>	<u>₩ 19,941,795</u>

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of income
for the three and six months ended June 30, 2021

(Korean won in millions)

	Notes	2021	
		Three months	Six months
Revenue	29,31,35	₩ 5,131,016	₩ 9,385,132
Cost of sales	22,29	(3,411,817)	(6,888,634)
Gross profit		1,719,199	2,496,498
Selling and administrative expenses	21,22,29	(994,919)	(1,430,999)
Operating profit	31	724,280	1,065,499
Finance income	5,24	116,509	206,461
Finance costs	5,24	(18,281)	(147,695)
Share of profit (loss) of associates and joint ventures	10	(117)	605
Other non-operating income	5,25	37,635	238,125
Other non-operating expenses	5,26,35	(22,258)	(224,612)
Profit before income tax	30	837,768	1,138,383
Income tax expenses	27	219,840	309,885
Profit from continuing operations		617,928	828,498
Profit from discontinued operations	32	12,387	235,395
Profit for the period		₩ 630,315	₩ 1,063,893
Profit for the period attributable to:			
Owners of the Parent Company			
Profit from continuing operations		602,756	793,612
Profit from discontinued operations		10,008	190,176
		612,764	983,788
Non-controlling interests			
Profit from continuing operations		15,172	34,886
Profit from discontinued operations		2,379	45,219
		17,551	80,105
Earnings per share attributable to the equity holders of the Parent Company (in Korean won)	28		
Basic earnings per share		₩ 3,064	₩ 4,919
Diluted earnings per share		3,014	3,968

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of comprehensive income
for the three and six months ended June 30, 2021

(Korean won in millions)

	Notes	2021	
		Three months	Six months
Profit for the period		₩ 630,315	₩ 1,063,893
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	16	(1,255)	10,189
Share of actuarial loss of associates		-	(231)
Gain (loss) on valuation of financial assets at FVOCI		(182)	1,440
Income tax effect of other comprehensive income		397	(3,196)
		(1,040)	8,202
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		102,099	202,255
Loss on cash flow hedge		(7,040)	(11,297)
Share of other comprehensive income of associates and joint ventures		296	1,141
Income tax effect of other comprehensive income		1,794	4,493
		97,149	196,592
Other comprehensive income for the period, net of tax		<u>96,109</u>	<u>204,794</u>
Total comprehensive income for the period, net of tax		<u>₩ 726,424</u>	<u>₩ 1,268,687</u>
Total comprehensive income for the period attributable to:			
Owners of the Parent Company		699,319	1,152,042
Non-controlling interest		27,105	116,645

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statements of changes in equity
for the six months ended June 30, 2021

(Korean won in millions)

	Notes	Attributable to the equity holders of the Parent Company					Non-controlling interests	Total
		Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings (accumulated deficit)	Sub-total		
As of January 1, 2021		₩ 100,000	₩ 7,231,468	₩ 1,205	₩ (453,058)	₩ 6,879,615	₩ 685,790	₩ 7,565,405
Total comprehensive income for the period:								
Profit for the period		-	-	-	983,788	983,788	80,105	1,063,893
Remeasurements of net defined benefit liabilities	16	-	-	-	7,385	7,385	-	7,385
Exchange differences on translation of foreign operations		-	-	167,614	-	167,614	36,537	204,151
Gain on valuation of financial assets at FVOCI	3	-	-	1,044	-	1,044	-	1,044
Loss on cash flow hedge	3	-	-	(8,696)	-	(8,696)	-	(8,696)
Equity adjustments in equity method	10	-	-	1,141	(231)	910	-	910
Total comprehensive income for the period		-	-	161,103	990,942	1,152,045	116,642	1,268,687
Transactions with owners of the Parent Company:								
Others		-	-	-	-	-	244,379	244,379
Total transactions with owners of the Parent Company, recognized directly in equity		-	-	-	-	-	244,379	244,379
As of June 30, 2021		<u>₩ 100,000</u>	<u>₩ 7,231,468</u>	<u>₩ 162,308</u>	<u>₩ 537,884</u>	<u>₩ 8,031,660</u>	<u>₩ 1,046,811</u>	<u>₩ 9,078,471</u>

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

LG Energy Solution, Ltd. and its subsidiaries
Interim condensed consolidated statement of cash flows
for the six months ended June 30, 2021

(Korean won in millions)

	Notes	2021
Cash flows from operating activities:		
Cash generated from operations	30	₩ 717,269
Interest received		11,269
Interest paid		(46,932)
Income tax paid		(223,000)
Net cash flows provided by operating activities		458,606
Cash flows from investing activities:		
Cash inflow from investing activities		
Decrease in other receivables		609,742
Decrease in other non-current receivables		18,030
Proceeds from disposal of property, plant and equipment		43,869
Government grants received		162,892
Cash inflows from transfer of business		622,564
		1,457,097
Cash outflow from investing activities		
Increase in other receivables		(8,041)
Increase in other non-current receivables		(14,715)
Acquisition of financial instruments		(58,429)
Acquisition of property, plant and equipment		(1,518,972)
Acquisition of intangible assets		(21,395)
Business combination		(570)
		(1,622,122)
Net cash flows used in investing activities		(165,025)
Cash flows from financing activities:		
Cash inflow from financing activities		
Proceeds from borrowings		234,850
Paid in capital by non-controlling interests		244,378
		479,228
Cash outflow from financing activities		
Repayments of borrowings and others		(268,825)
		(268,825)
Net cash flows provided by financing activities		210,403
Net increase in cash and cash equivalents		503,984
Cash and cash equivalents at the beginning of the period		1,493,145
Effects of exchange rate changes on cash and cash equivalents		46,943
Cash and cash equivalents at the end of the period	₩	2,044,072

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

1. General

General information about LG Energy Solution, Ltd. (the “Parent Company”) and its 10 subsidiaries (collectively referred to as “the Group”) is as follows:

1.1 Company information

The Parent Company was newly established on December 1, 2020, through the split-off of Energy solution business of LG Chem, Ltd.

As of June 30, 2021, the Parent Company has its manufacturing facilities in Ochang.

As of June 30, 2021, the Parent Company has issued and outstanding 200 million ordinary shares (100,000 million). The largest shareholder of the Parent Company is LG Chem, Ltd., which owns 100% of the Parent Company.

The Parent Company is authorized to issue 800 million shares of ordinary shares with par value of 500 per share.

1.2 Business Overview

The Group is engaged in Energy solution business.

Energy solution business manufactures and supplies batteries ranging from IT & New application batteries for mobile phones and laptop computers, to automotive batteries for electric vehicles and ESS batteries. Demand of small-sized batteries for new applications such as electric tools and electric driving devices as well as traditional IT devices is increasing recently and the automotive battery business is also expected to expand rapidly due to an increasing demand of the batteries in associated with enhanced environment regulation in developed countries. Demand for ESS is expanding with an increasing importance of efficient usage of electricity and generation of renewable energy.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
June 30, 2021 and December 31, 2020

1. General (cont'd)

1.3 Consolidated Subsidiaries, investment in Associates and Joint Ventures

	June 30, 2021			
	Ownership (%)	Location	Closing month	Business
Subsidiaries:				
LG Energy Solution (Nanjing) Co., Ltd.	81	China	Dec	Battery manufacturing and sale
LG Energy Solution Michigan Inc. (*1)	100	USA	Dec	Automotive battery research and manufacturing
LG Energy Solution Battery (Nanjing) Co., Ltd. (*2)	50	China	Dec	Automotive battery manufacturing and sales
LG Energy Solution Wrocław sp. z o.o.	100	Poland	Dec	Automotive battery manufacturing and sales
LG Energy Solution Australia Pty Ltd.	100	Australia	Dec	ESS sales
LG Energy Solution Technology (Nanjing) Co., Ltd.	100	China	Dec	Battery manufacturing and sales
Ultium Cells LLC (*3)	50	USA	Dec	Automotive battery manufacturing and sales
LG Energy Solution Europe GmbH	100	Germany	Dec	Battery sales
LG Energy Solution (Taiwan) Ltd. (*4)	100	Taiwan	Dec	Battery sales
Areum noori Co., Ltd. (*5)	100	Korea	Dec	Facility management and cleaning
LG Energy Solution Fund I LLC (*6)	100	USA	Dec	Investment in venture
Associates:				
WUXI CL New Energy Technology Ltd.	30	China	Dec	ESS manufacturing and sales
VINFAST LITHIUM BATTERY PACK LLC.	35	Vietnam	Dec	Battery manufacturing and sales
Jiangxi VL Battery Co., Ltd.	34	China	Dec	Manufacturing and sales
Joint venture				
HL GREEN POWER INC. (*7)	49	Korea	Dec	Automotive battery manufacturing and sales

(*1) LG Energy Solution Michigan Inc. owns 50% of Ultium Cells LLC's shares.

(*2) Although the Parent Company does not own more than 50% of shares of Nanjing LG Energy Solution Battery (Nanjing) Co., Ltd., the Parent Company is considered to have control over the investee as the Parent Company can exercise the majority voting rights in its decision-making process in accordance with the shareholders' agreement.

(*3) The Group possesses control over the investee as the Group can exercise the majority voting rights in its decision-making process and has the ability to use power to affect the variable returns of the investee through its involvement in the production and cost management and other activities in accordance with the shareholders' agreement.

(*4) LG Energy Solution (Taiwan) Ltd. was newly established during the current period and the Group acquired 100% shares of LG Energy Solution (Taiwan) Ltd. for ₩1,871 million.

(*5) Areum noori Co., Ltd. was newly established during the current period and the Group acquired 100% shares of Areum noori Co., Ltd. for ₩500 million.

(*6) LG Energy Solution Fund I LLC was newly established during the current reporting period, and the Group acquired 100% shares of LG Energy Solution Fund I LLC for ₩1,868 million.

(*7) HL Green Power Inc. is established by joint arrangement, which the Group participated, and it is classified as joint venture as it is structured separately and the Group has right for its net assets.

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
June 30, 2021 and December 31, 2020

1. General (cont'd)

1.4 Summarized Financial Information of Subsidiaries, Associates and Joint Ventures

Summarized financial information (before elimination of intercompany transactions and adjustments for differences in accounting policies) of subsidiaries, associates and joint ventures is as follows (Korean won in millions):

	June 30, 2021			2021	
	Assets	Liability	Equity	Revenue	Net income (loss)
Subsidiary:					
LG Energy Solution (Nanjing) Co., Ltd.	₩ 4,362,731	₩ 1,633,283	₩ 2,729,448	₩ 1,861,346	₩ 360,307
LG Energy Solution Michigan Inc.	1,344,833	814,403	530,430	601,706	(27,655)
LG Energy Solution Battery (Nanjing) Co., Ltd.	986,680	674,538	312,142	556,612	20,865
LG Energy Solution Wroclaw sp. z o.o.	7,020,640	5,645,336	1,375,304	4,234,146	179,835
LG Energy Solution Austrailia Pty Ltd.	6,231	4,469	1,762	6,284	(9)
LG Energy Solution Technology (Nanjing) Co., Ltd.	1,809,523	929,815	879,708	581,452	38,071
Ultium Cells LLC	968,886	156,386	812,500	-	(1,987)
LG Energy Solution Europe GmbH	85,035	48,511	36,524	88,722	1,574
LG Energy Solution (Taiwan) Ltd.	2,962	931	2,031	1,874	86
Areum noori Co., Ltd.	1,667	865	802	2,150	302
LG Energy Solution Fund I LLC	1,130	4	1,126	-	(741)
Investment in associates:					
WUXI CL New Energy Technology Ltd.	1,855	3,044	(1,189)	-	(86)
VINFAST LITHIUM BATTERY PACK LLC.	18,964	7,150	11,814	6,836	(409)
Jiangxi VL Battery Co., Ltd.	73,431	10,076	63,355	-	(2,744)
Joint venture					
HL GREEN POWER INC.	344,859	294,787	50,071	537,684	1,374

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
June 30, 2021 and December 31, 2020

1. General (cont'd)

1.5 Information of subsidiaries whose non-controlling interests are important

(1) LG Energy Solution (Nanjing) Co., Ltd.

- Percentage of ownership held by non-controlling interests and cumulative non-controlling interests (Korean won in millions)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Percentage of ownership held by non-controlling interests	19.2%	19.2%
Cumulative non-controlling interests	₩ 506,260	₩ 414,287

- Net income and dividends attributable to non-controlling interests (Korean won in millions)

	<u>2021</u>
Net income allocated to non-controlling interests	₩ 71,889
Dividends attributable to non-controlling interests	-

- Summarized consolidated statement of financial position of subsidiaries whose non-controlling interests are important (before elimination of intercompany transactions) (Korean won in millions)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Total Assets		
Current assets	₩ 2,464,815	₩ 2,117,530
Non-current assets	1,897,916	1,676,406
	<u>₩ 4,362,731</u>	<u>₩ 3,793,936</u>
Total liabilities		
Current liabilities	₩ 1,622,372	₩ 1,181,410
Non-current liabilities	10,911	354,910
	<u>₩ 1,633,283</u>	<u>₩ 1,536,320</u>
Total equity	<u>₩ 2,729,448</u>	<u>₩ 2,257,616</u>

- Summarized consolidated statement of comprehensive income of subsidiaries whose non-controlling interests are important (before elimination of intercompany transactions) (Korean won in millions)

	<u>2021</u>
Revenue	₩ 1,861,346
Profit for the period	360,307
Total comprehensive income for the period	477,661

- Summarized consolidated statement of cash flows of subsidiaries whose non-controlling interests are important (before elimination of intercompany transactions) (Korean won in millions)

	<u>2021</u>
Cash flows from operating activities	₩ 275,085
Cash flows from investing activities	204,737
Cash flows from financing activities	48,954
Effects of exchange rate changes on cash and cash equivalents	21,184
Increase in cash and cash equivalents	549,960
Cash and cash equivalents at the beginning of the period	277,003
Cash and cash equivalents at the end of the period	<u>₩ 826,963</u>

1. General (cont'd)

1.6 Changes in Scope for Consolidation

New subsidiaries included in the interim condensed consolidated financial statements for the six months ended June 30, 2021 are as follows:

	<u>Reason</u>
LG Energy Solution (Taiwan) Ltd.	Newly established during current reporting period
Areum noori Co., Ltd.	Newly established during current reporting period
LG Energy Solution Fund I LLC	Newly established during current reporting period

2. Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

The preparation of interim condensed consolidated financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are disclosed in Note 4.

2.2 Changes in Accounting Policies and Disclosures

(1) New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for June 30, 2021 reporting period and have not been early adopted by the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2. Summary of Significant Accounting Policies (cont'd)

3. Financial Risk Management

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's finance team under policies approved by the Board of the Directors. The finance team identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of the Directors reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, investment of excess liquidity.

(1) Market risk

1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group manages maximum loss for currency risk exposures within acceptable range by using currency risk management model and hires employees who are exclusively responsible for currency risk management. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

As of June 30, 2021 and December 31, 2020, the Group's monetary assets and liabilities denominated in currencies other than its functional currency, are as follows (Korean won in millions):

	June 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,768,125	₩ 4,618,145	₩ 3,044,453	₩ 3,597,064
EUR	273,583	4,381,996	165,779	4,407,694
JPY	15,646	79,207	16,334	225,774
CNY and others	295,406	12,923	286,631	5,794

As of June 30, 2021 and December 31, 2020, if the Group weakened / strengthened by 10% against the US dollar with all other variables held constant, profit before income tax would have been affected as follows (Korean won in millions):

	June 30, 2021		December 31, 2020	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	₩ (85,002)	₩ 85,002	₩ (55,261)	₩ 55,261

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

The above sensitivity analysis has been performed for monetary assets and liabilities denominated in foreign currencies other than the Group reporting date.

2) As of June 30, 2021, the Group entered into foreign currency forwards to hedge change of exchange rates and the details are as follows (Korean won in millions):

	Contractor	Contract amount (in millions)	Contract exchange rate	Contract inception date	Contract maturity	Book amount	
						Assets	Liabilities
Currency forward (*1)	Shinhan bank	USD 500	1,135.60	2020.10.14	2024.10.15	₩ -	₩ 1,273
	KB Kookmin bank	USD 500	1,102.83	2020.11.24	2029.04.16	887	-
	CITI	EUR 150	4.5900(*2)	2021.05.12	2022.04.29	-	1,670
	SC	EUR 250	4.5861(*2)	2021.05.14	2022.04.29	-	2,469

(*1) A derivative instrument which is not subject to hedging.

(*2) Represents cross rate of PLN& EUR.

3) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and net interest expense.

The Group adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Group (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The table below summarizes the impact of increases/decreases of interest rate on the Group's equity and post-tax profit for the period. The analysis is based on the assumption that the interest rate has increased/decreased by 1% (100 basis points) with all other variables held constant. (Korean won in millions)

		Impact on post-tax profit		Impact on equity	
		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Increase	₩	(30,998) ₩	(35,686) ₩	(30,998) ₩	(35,686)
Decrease		30,998	35,686	30,998	35,686

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

(2) Credit risk

Credit risk arises from trade receivables and that the Group holds, as well as debt instruments at amortized cost or fair value through other comprehensive income.

1) Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as of June 30, 2021 and December 31, 2020 are as follows. Expected credit losses include forward-looking information. (Korean won in millions)

	Receivables not past due(*1)	Receivables Past due but not impaired(*1)	Total
June 30, 2021 (Account Receivables)			
Gross carrying amount	₩ 2,437,005	₩ 289,733	₩ 2,726,738
Expected loss rate	0.00%	0.00%	0.00%
Loss allowance provision	23	5	28
December 31, 2020 (Account Receivables)			
Gross carrying amount	2,521,293	436,279	2,957,572
Expected loss rate	0.01%	0.0%	0.01%
Loss allowance provision	131	-	131

(*1) See Note 7.(3) for aging analysis.

Changes in the loss allowance provision for trade receivables for the six months ended June 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	2021	2020
Beginning	₩ 131	₩ 159
Increase (Reversal) of loss allowance recognized in profit or loss during the period	(103)	(28)
Ending	₩ 28	₩ 131

As of June 30, 2021, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩2,818,481 million (as of December 31, 2020, ₩2,957,572 million)

2) Other financial assets at amortized cost

Changes in loss allowance provision for other financial assets at amortized cost for the six months ended June 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	2021	2020
Beginning	₩ 54	₩ -
Increase in loss allowance recognized as 'other non-operating expenses' in profit or loss during the period	-	54
Ending	₩ 54	₩ 54

All of the financial assets at amortized costs are considered to have low credit risk, and the loss allowance recognized during the period was, therefore, limited to 12 months expected losses.

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

3) Debt investments measured at fair value through other comprehensive income

Debt investments measured at fair value through other comprehensive income include trade receivables to be discounted. For these investments, changes in fair value are accumulated within the financial assets at fair value through other comprehensive income reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is impaired.

The Group has established the following policies and procedures to manage credit risks.

To manage credit risks relating to trade receivables, the Group evaluates the credit rating of customers and determines credit limit for each customer based on the information provided by credit rating agencies and other available financial information before commencing business with new customers. The credit risks relating to trade receivables are also mitigated by insurance contracts, collateral as well as payment guarantees.

The Group has entered into export bond insurance contracts with Korea Trade Insurance Corporation to mitigate credit risks relating to export trade receivables to overseas customers. The Group is also provided with collateral by customers depending on their credit rating or payment guarantees from the customers financial institutions if necessary.

The Group has deposited its cash and cash equivalents and other long-term deposits in several financial institutions, such as Woori Bank and others. The Group has also entered into derivative contract with several financial institutions. The Group maintains business relationship with those financial institutions with high credit ratings evaluated by independent credit rating agencies and accordingly, credit risks associated with these financial institutions are limited.

(3) Liquidity risk

Finance team of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

1) The table below analyzes the Group -derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting period to the contractual maturity date. Cash flows presented below are gross cash flows before discount, and includes cash flows for interests (Korean won in millions):

		June 30, 2021			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments:					
Borrowings (excluding lease liabilities)	₩	2,118,862	₩ 1,405,733	₩ 2,182,544	₩ 800,230
Lease liabilities		20,950	10,631	35,268	-
Trade and other payables		4,282,113	3,912	3,260	-
		6,421,925	1,420,276	2,221,072	800,230
Derivative instruments:					
Gross settlement currency forwards					
Inflows	₩	(537,768)	₩ -	₩ (565,000)	₩ (565,000)
Outflows		545,847	-	567,800	551,145
		8,079	-	2,800	(13,585)
	₩	6,430,004	₩ 1,420,276	₩ 2,223,872	₩ 786,645

		December 31, 2020			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Non-derivative instruments:					
Borrowings (excluding lease liabilities)	₩	1,195,766	₩ 1,122,253	₩ 3,001,387	₩ 1,165,230
Lease liabilities		14,101	6,601	9,890	-
Trade and other payables		4,361,018	5,849	-	-
		5,570,885	1,134,703	3,011,277	1,165,230
Derivative instruments:					
Gross settlement currency forwards					
Inflows	₩	-	₩ -	₩ (544,000)	₩ (544,000)
Outflows		-	-	567,800	551,415
		-	-	23,800	7,415
	₩	5,570,885	₩ 1,134,703	₩ 3,035,077	₩ 1,172,645

3. Financial Risk Management (cont'd)

3.1 Financial Risk Factors (cont'd)

2) As of June 30, 2021, the Group has entered into swap contracts for which cash flow hedge accounting is applied, to avoid market price fluctuation of raw materials (Korean won in millions).

	Purpose of the contracts	Hedged items	Financial institution	Maturity	Fair value
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, SC	~2021.12	₩ 12,543

etails of derivative assets and liabilities as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Merchandise (raw materials) swap (*)	₩ 14,682	₩ 2,139	₩ 23,821	-

(*) Gain (loss) resulting from the contracts to avoid cash flow fluctuation risk of expected future transaction is accounted for as accumulated other comprehensive income (Note 5).

3.2 Capital Risk Management

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

(1) The gearing ratio and debt-to-equity ratio as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021	December 31, 2020
Total borrowings (Note 14) (A)	₩ 6,251,504	₩ 6,159,324
Less: cash and cash equivalents (B)	(2,044,072)	(1,493,145)
Net debt (C=A+B)	4,207,432	4,666,179
Total liabilities (D)	13,098,995	12,376,390
Total equity (E)	9,078,471	7,565,405
Total capital (F=C+E)	13,285,903	12,231,584
Gearing ratio (C/F)	31.7%	38.1%
Debt-to-equity ratio (D/E)	144.3%	163.6%

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3. Financial Risk Management (cont'd)

3.3 Fair Value

(1) The carrying amount and fair value of financial instruments by category as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets(current):				
Cash and cash equivalents	₩ 2,044,072	(*1)	₩ 1,493,145	(*1)
Trade receivables	2,698,206	(*1)	2,931,150	(*1)
Other receivables (excluding deposits held by financial institutions)	794,057	(*1)	219,075	(*1)
Deposits held by financial institutions	397	(*1)	600,000	(*1)
Current derivative financial assets	14,682	14,682	23,821	23,821
Financial assets(non-current):				
Deposits held by financial institutions	60,927	(*1)	60,014	(*1)
Trade receivables	28,504	(*1)	26,291	(*1)
Other receivables (excluding deposits held by financial institutions)	517,925	(*1)	21,571	(*1)
Other non-current financial assets				
(Non-marketability financial assets)	59,875	59,875	-	-
Non-Current derivative financial assets (currency forward)	887	887	-	-
Financial liabilities(current):				
Trade and other payables	4,282,113	(*1)	4,361,018	(*1)
Current borrowings (excluding lease liabilities)	2,039,625	(*1)	1,109,796	(*1)
Current lease liabilities	17,518	(*2)	13,242	(*2)
Current derivative financial liabilities	2,139	2,139	-	-
Current derivative financial assets (currency forward)	4,139	4,139	-	-
Financial liabilities(non-current):				
Non-current borrowings (excluding lease liabilities)	4,151,553	4,241,153	5,020,394	5,097,222
Non-current lease liabilities	42,808	(*2)	15,892	(*2)
Other non-current payables	7,172	(*1)	5,849	(*1)
Other non-current derivative financial liabilities (currency forward)	1,273	1,273	41,768	41,768

(*1) Fair values for these financial assets and liabilities are not disclosed above as their carrying amounts are reasonable approximation of their fair values.

(*2) Fair values for these financial assets and liabilities are not disclosed above in accordance with related KIFRS.

3. Financial Risk Management (cont'd)

3.3 Fair Value (cont'd)

(2) Fair values for measurement and disclosure are determined based on the following method:

Fair values of financial liabilities (non-current) are based on cash outflows discounted by using Korean won currency note yield in the same credit grade with the Parent Company (AA+), and the applied discount rates as of June 30, 2021, is as follows:

	June 30, 2021	December 31, 2020
Discount rate	0.99% ~ 2.59%	0.98% ~ 2.27%

(3) Fair value hierarchy

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

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

Fair value hierarchy of the financial instruments that are either measured at fair value or their fair values are disclosed for as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ -	₩ 14,682	₩ -	₩ 14,682
Non-current derivative financial assets(currency forward)	-	887	-	887
Other non-current financial assets(Non-marketability financial assets)	-	-	59,875	59,875
Current derivative financial liabilities	-	2,139	-	2,139
Current derivative financial liabilities(currency forward)	-	4,139	-	4,139
Non-current derivative financial liabilities (currency forward)	-	1,273	-	1,273
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding finance lease liabilities)	-	4,241,153	-	4,241,153

3. Financial Risk Management (cont'd)

3.3 Fair Value (cont'd)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets/liabilities measured at fair value:				
Current derivative financial assets	₩ -	₩ 23,821	₩ -	₩ 23,821
Non-current derivative financial liabilities (currency forward)	-	41,768	-	41,768
Financial assets/liabilities not measured at fair value:				
Non-current borrowings (excluding finance lease liabilities)	-	5,097,222	-	5,097,222

4. Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the related actual results.

The significant estimates and assumptions made by management on the application of the Group's interim condensed consolidated financial statements are the same as those of the consolidated financial statements for the one month ended December 31, 2020, except for estimates used in determining income tax expenses.

During the current reporting period, the spread of COVID-19 has a significant impact on the domestic and international economies. Due to such impact, the Group's financial position and business performance may fluctuate and expected to continue until the end of 2021.

Significant accounting estimates and assumptions used in the preparation of consolidated financial statements may be adjusted according to fluctuations in uncertainty arising from COVID-19, and the ultimate impact of COVID-19 on the Group position, and management performance is currently unpredictable.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. If certain portion of the taxable income is not used for investments or increase in wages or dividends, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(2) Provisions

The Group recognizes provisions for product warranties as explained in Note 15. These provisions are estimated based on past experience. Provisions related to voluntary recalls by the Group's customer are estimated based on the number of vehicles subject to recall, estimated total repair cost, and cost sharing ratio.

4. Critical Accounting Estimates and Assumptions (cont'd)

(3) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at June 30, 2021 (Note 3.3).

(4) Impairment of financial assets

The provision for impairment for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 3.1.(2)).

(5) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 16).

(6) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5. Financial Instruments by Category

(1) Categorizations of financial instruments are as follows (Korean won in millions):

June 30, 2021					
Financial assets	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total
Cash and cash equivalents	₩ 2,044,072	₩ -	₩ -	₩ -	2,044,072
Trade receivables	2,682,623	-	15,583		2,698,206
Non-current trade receivables	28,503	-	-		28,503
Other receivables	794,454	-	-		794,454
Other non-current receivables	578,852	-	-		578,852
Other current financial assets	-	-	14,682		14,682
Other non-current financial assets	-	887	59,875		60,762
	₩ 6,128,504	₩ 887	₩ 90,140	₩ -	6,219,531

June 30, 2021					
Financial liabilities	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at Fair value Through Other comprehensive income	Other financial liabilities(*)	Total
Trade payables	₩ -	₩ 2,627,487	₩ -	₩ -	2,627,487
Other payables	-	1,654,626	-	-	1,654,626
Borrowings(current)	-	2,039,626	-	17,517	2,057,143
Other current financial liabilities	4,139	-	2,139	-	6,278
Other non-current financial liabilities	1,273	-	-	-	1,273
Other non-current payables	-	7,172	-	-	7,172
Borrowings(non-current)	-	4,151,554	-	42,808	4,194,362
	₩ 5,412	₩ 10,480,465	₩ 2,139	₩ 60,325	₩ 10,548,341

December 31, 2020				
Financial liabilities	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Other financial asset (*1)	Total
Cash and cash equivalents	₩ 1,493,145	₩ -	₩ -	1,493,145
Trade receivables	2,906,185	24,965	-	2,931,150
Non-current trade receivables	26,291	-	-	26,291
Other receivables	819,076	-	-	819,076
Other non-current receivables	81,585	-	-	81,585
Other current financial assets	-	-	23,821	23,821
	₩ 5,326,282	₩ 24,965	₩ 23,821	₩ 5,375,068

5. Financial Instruments by Category (cont'd)

Financial liabilities	Financial liabilities at amortized cost	Other financial liabilities (*2)	Total
Trade payables	₩ 2,592,309	₩ -	₩ 2,592,309
Other payables	1,768,711	-	1,768,711
Borrowings(current)	1,109,796	13,242	1,123,038
Other non-current financial liabilities	-	41,768	41,768
Other non-current payables	5,850	-	5,850
Borrowings(non-current)	5,020,394	15,892	5,036,286
	₩ 10,497,060	₩ 70,902	₩ 10,567,962

(*1) Other financial assets include derivative assets that are not subject to financial instruments categories.

(*2) Other financial liabilities include lease liabilities and derivative liabilities.

(2) Net gains or losses on each category of financial instruments for the six months ended June 30, 2021, are as follows (Korean won in millions):

	2021	
	Three months	Six months
Interest income:		
Financial assets at amortized cost	₩ 6,467	₩ 12,143
Interest expense:		
Financial liabilities at amortized cost	(21,045)	(40,839)
Other financial liabilities	(582)	(927)
Financial assets at amortized cost(*)	(1)	(54)
Financial assets at fair value through other comprehensive income(*)	-	(3)
Gains or loss on valuation:		
Financial assets at fair value through other comprehensive income	(182)	1,440
Derivative instruments	7,451	25,923
Exchange differences:		
Financial assets at amortized cost	(81,492)	80,051
Financial liabilities at amortized cost	200,452	(16,344)

(*) Fees paid to financial institutions for factoring

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6. Cash and Cash Equivalents

(1) Details of cash and cash equivalents as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Bank deposits and cash on hand	₩ 1,112,668	₩ 946,609
Deposits held by financial institutions and others	931,404	546,536
	<u>₩ 2,044,072</u>	<u>₩ 1,493,145</u>

(2) As of June 30, 2021, cash and cash equivalents include ₩7,678 million, which is subject to a restriction on the use and restricted for remittance.

7. Trade and Other Receivables

(1) Trade and other receivables and its provisions for impairment are as follows (Korean won in millions):

	<u>June 30, 2021</u>			<u>December 31, 2020</u>		
	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>	<u>Gross amount</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Trade receivables	₩ 2,698,234	₩ (28)	₩ 2,698,206	₩ 2,931,281	₩ (131)	₩ 2,931,150
Non-current trade receivables	28,504	-	28,504	26,291	-	26,291
Other current receivables	794,508	(54)	794,454	819,129	(54)	819,075
Other non-current receivables	578,852	-	578,852	81,585	-	81,585
	<u>₩ 4,100,098</u>	<u>₩ (82)</u>	<u>₩ 4,100,016</u>	<u>₩ 3,858,286</u>	<u>₩ (185)</u>	<u>₩ 3,858,101</u>

(2) Details of other receivables as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Current:		
Non-trade receivables	₩ 783,415	₩ 200,152
Deposits held by financial institutions	397	600,000
Accrued income	1,439	448
Loans	-	68
Guarantee deposits provided	9,202	18,407
Sub-total	794,453	819,075
Non-current:		
Non-trade receivables	₩ 492,838	
Deposits held by financial institutions(*)	60,927	₩ 60,014
Loans	957	439
Guarantee deposits provided	24,130	21,132
Sub-total	578,852	81,585
	<u>₩ 1,373,305</u>	<u>₩ 900,660</u>

(*) As of June 30, 2021, ₩60,000 million is restricted for withdrawal in relation to the Win-Win Growth Cooperation Agreement between large, small and medium-sized companies and others. In addition, ₩14 million is restricted for withdrawal in relation to maintaining checking accounts and PLN 3 million in relation to guarantee deposit for transfer of dangerous waste abroad.

7. Trade and Other Receivables (cont'd)

(3) The aging analysis of trade and other receivables as of June 30, 2021 and December 31, 2020 is as follows (Korean won in millions):

	June 30, 2021		December 31, 2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Receivables not past due	₩ 2,437,005	₩ 1,335,409	₩ 2,521,293	₩ 854,760
Past due but not impaired:				
Up to 3 months	175,594	35,411	280,944	44,443
Between 3-6 months	18,013	1,045	67,366	118
Over 6 months	96,126	1,441	87,969	1,339
	289,733	37,897	436,279	45,900
Impaired receivables	-	54	-	54
	₩ 2,726,738	₩ 1,373,360	₩ 2,957,572	₩ 900,714

(4) Changes in the provision for impairment of trade and other receivables for the six months ended June 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	2021		2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩ 131	₩ 54	₩ 159	₩ -
Additions (reversal)	(103)	-	(28)	54
Ending	₩ 28	₩ 54	₩ 131	₩ 54

(5) As of June 30, 2021 and December 31, 2020, the carrying amounts of trade and other receivables are approximation of their fair values.

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8. Other Financial Assets and Liabilities

(1) Details of other financial assets and liabilities as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Other financial assets:		
Derivative financial assets(forward contract)(current)	₩ 14,682	₩ 23,821
Financial assets at fair value through other comprehensive income (excluding forward contract) (non-current)	<u>59,875</u>	<u>-</u>
Financial assets at fair value through profit or loss (forward contract) (non-current)	887	
	<u>₩ 75,444</u>	<u>₩ 23,821</u>
Other financial liabilities:		
Derivative financial liabilities (forward contract) (current)	₩ 2,139	-
Financial liabilities at fair value through profit or loss (forward contract) (current)	4,139	
Financial liabilities at fair value through profit or loss(non-current)	<u>1,273</u>	<u>41,768</u>
	<u>₩ 7,551</u>	<u>₩ 41,768</u>

(2) Details of changes in equity securities included in other financial assets for the period ended June 30, 2021 are as follows (Korean won in millions):

	<u>2021</u>
Acquisitions	₩ 58,429
Valuation gain (before income tax deduction), other comprehensive income item	<u>1,440</u>
Others	6
Ending	<u>₩ 59,875</u>

(*) The Group has deposit guarantee contract related to the above equity securities.

(3) No impairment losses on other financial assets were recognized for the six months ended June 30, 2021 and one month ended December 31, 2020.

9. Inventories

(1) Details of inventories as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>June 30, 2021</u>			<u>December 31, 2020</u>		
	<u>Gross amount</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>	<u>Gross amount</u>	<u>Valuation allowance</u>	<u>Carrying amount</u>
Merchandise	₩ 60,120	₩ (2,322)	₩ 57,798	₩ 49,219	₩ (1,816)	₩ 47,403
Finished / Semi-finished products	2,272,702	(64,430)	2,208,272	1,861,412	(55,214)	1,806,198
Raw materials	731,694	(3,735)	727,959	621,275	(1,558)	619,717
Supplies	67,261	-	67,261	37,294	-	37,294
Materials-in-transit	<u>615,302</u>	<u>-</u>	<u>615,302</u>	<u>532,526</u>	<u>-</u>	<u>532,526</u>
	<u>₩ 3,747,079</u>	<u>₩ (70,487)</u>	<u>₩ 3,676,592</u>	<u>₩ 3,101,726</u>	<u>₩ (58,588)</u>	<u>₩ 3,043,138</u>

(2) For the six months ended June 30, 2021, the cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩5,168,845 million.

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10. Investments in Associates and Joint Ventures

Changes in investments in associates and joint ventures for the six months ended June 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

June 30, 2021					
	Beginning	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures	Share of accumulated deficits of associates and joint ventures	Ending
HL Greenpower Co., Ltd.	₩ 22,710	₩ 1,847	₩ -	₩ (234)	₩ 24,323
WUXI CL New Energy Technology Ltd. (*)	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LIMITED LIABILITY COMPANY	4,179	(321)	128	-	3,986
Jiangxi VL Battery Co., Ltd.	21,461	(921)	1,013	-	21,553
	<u>₩ 48,350</u>	<u>₩ 605</u>	<u>₩ 1,141</u>	<u>₩ (234)</u>	<u>₩ 49,862</u>

December 31, 2020					
	Beginning	Share of profit (loss) of associates and joint ventures	Share of other comprehensive income (loss) of associates and joint ventures		Ending
HL Greenpower Co., Ltd.	₩ 21,446	₩ 1,264	₩ -	₩ -	₩ 22,710
WUXI CL New Energy Technology Ltd. (*)	-	-	-	-	-
VINFAST LITHIUM BATTERY PACK LIMITED LIABILITY COMPANY	4,641	(129)	(333)		4,179
Jiangxi VL Battery Co., Ltd.	21,815	71	(425)		21,461
	<u>₩ 47,902</u>	<u>₩ 1,206</u>	<u>₩ (758)</u>		<u>₩ 48,350</u>

(*) As of June 30, 2021, the Group discontinued recognizing its share of further losses as its share of losses of an associate exceeds the carrying amount of its interest in the associate. Unrecognized accumulated losses amounted to ₩346 million during the current reporting period.

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11. Property, Plant and Equipment

(1) Changes in property, plant and equipment for the six months ended June 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning:	₩ 8,683,614	₩ 8,549,113
Business combination	-	3,766
Acquisitions/Transfer	2,612,622	630,356
Disposals/ transfer	(1,372,549)	(313,371)
Exchange differences	230,739	(59,238)
Depreciation	(631,226)	(110,049)
Transfer to assets held for sale	-	(16,963)
Ending:	<u>₩ 9,523,200</u>	<u>₩ 8,683,614</u>

(2) The Group capitalized ₩10,867 million of borrowing costs in relation to acquisition of property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 0.87%.

(3) Line items including depreciation in the consolidated statement of income are as follows (Korean won in millions):

	<u>2021</u>	
	<u>Three months</u>	<u>Six months</u>
Cost of sales	₩ 307,764	₩ 590,078
Selling and administrative expenses	22,836	41,030
Discontinued operations	-	118
	<u>₩ 330,600</u>	<u>₩ 631,226</u>

(4) Lease

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

Details of amounts recognized in the consolidated statement of financial position in relation to lease are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Right-of-use assets(*):		
Real-estate	₩ 65,770	₩ 30,234
Machinery	48	15
Vehicles	4,861	3,731
Tools	304	370
Equipment	493	545
	<u>₩ 71,476</u>	<u>₩ 34,895</u>

(*) Included in 'Property, plant and equipment' of the consolidated statement of financial position.

Additions to the right-of-use assets for the six months ended June 30, 2021 are ₩51,147 million.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Lease liabilities (*):		
Current	₩ 17,518	₩ 13,242
Non-current	42,808	15,892
	<u>₩ 60,326</u>	<u>₩ 29,134</u>

11. Property, Plant and Equipment (cont'd)

(*) Included in 'Borrowings' of the consolidated statement of financial position.

(ii) Amounts recognized in the consolidated statement of income

Details of amounts recognized in the consolidated statement of income in relation to lease are as follows (Korean won in millions):

	2021	
	Three months	Six months
Depreciation of right-of-use assets		
Real-estate	₩ 5,542	₩ 9,925
Machinery	6	8
Vehicles	841	1,810
Tools	39	79
Equipment	112	224
	<u>₩ 6,540</u>	<u>₩ 12,046</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 583	₩ 928
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	2,309	5,160
Expense relating to leases of low-value assets that are not short-term leases (included in cost of goods sold and administrative expenses)	1,503	2,734

Total cash outflow for leases for the six months ended June 30, 2021 is ₩23,689 million.

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12. Intangible Assets

(1) Changes in intangible assets for the six months ended June 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	2021	2020
Beginning:	₩ 325,786	₩ 323,097
Business combination	-	432
Acquisitions/Transfer	67,298	7,730
Disposals/ transfer	(583)	(82)
Exchange differences	1,284	(405)
Depreciation	(32,452)	(4,986)
Ending:	<u>₩ 361,333</u>	<u>₩ 325,786</u>

(2) Line items including amortization of intangible are as follows (Korean won in millions):

	2021	
	Three months	Six months
Cost of sales	₩ 6,224	₩ 12,208
Selling and administrative expenses	10,424	20,233
Discontinued operations	-	11
	<u>₩ 16,648</u>	<u>₩ 32,452</u>

(3) Greenhouse gas emission right

Changes in greenhouse gas emission right included in intangible assets for the six months ended June 30, 2021 are as follows (Ton in thousands, Korean won in millions):

	2021									
	2020		2021		2022		2023		2024	
	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount	Ton	Amount
Allocated	236	₩ -	300	₩ -	300	₩ -	300	₩ -	297	₩ -
Purchase	28	403	-	-	-	-	-	-	-	-
Ending	<u>264</u>	<u>₩ 403</u>	<u>300</u>	<u>₩ -</u>	<u>300</u>	<u>₩ -</u>	<u>300</u>	<u>₩ -</u>	<u>297</u>	<u>₩ -</u>

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13. Other Current and Other Non-Current Assets

Details of other current and other non-current assets as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Current:		
Prepayments to suppliers and prepaid expenses	₩ 101,915	₩ 72,717
Prepaid value added tax	287,851	301,015
Others	<u>134,161</u>	<u>27,868</u>
	<u>₩ 523,927</u>	<u>₩ 401,600</u>
Non-current:		
Long-term prepayments and long-term prepaid expenses	₩ 48,461	₩ 79,281
	<u>₩ 48,461</u>	<u>₩ 79,281</u>

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14. Borrowings

(1) Borrowings as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Current:		
Short-term borrowings	₩ 977,547	₩ 793,584
Current portion of long-term	1,062,078	316,212
Current lease liabilities	<u>17,518</u>	<u>13,242</u>
	2,057,143	1,123,038
Non-current:		
Long-term borrowings	₩ 2,161,490	₩ 3,076,693
Debentures	1,990,063	1,943,701
Non-current lease liabilities	<u>42,808</u>	<u>15,892</u>
	4,194,361	5,036,286
	<u>₩ 6,251,504</u>	<u>₩ 6,159,324</u>

(2) Details of borrowings as of June 30, 2021 and December 31, 2020 are as follows:

1) Short-term borrowings (Korean won in millions)

	<u>Bank</u>	<u>Latest</u>	<u>Interest rate(%)</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Bank loans	KDB and others	maturity date	1.2% and others	₩ 977,547	₩ 793,584
		2022.1			

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14. Borrowings (cont'd)

2) Long-term borrowings (Korean won in millions)

June 30, 2021					
	Bank	Interest rate(%)	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	Citi Bank	USD: 3M LIBOR + 0.95%			
		EUR: 3M EURIBOR + 0.62 ~ 0.70%	240,109	38,396	201,713
	DBS	6M EURIBOR + 0.60%	134,476	-	134,476
	EBRD	6M EURIBOR + 0.62%	336,189	47,066	289,123
	EIB	3M EURIBOR + 0.47%	645,483	-	645,483
	HSBC	USD: 3M LIBOR + 1.40%			
		CNY: PBOC x0.95, LPR-33.75%	56,700	56,700	-
	ING	6M EURIBOR + 0.70 ~ 0.83%	161,371	-	161,371
	KDB	USD: 3M LIBOR + 0.91 ~ 0.93%	227,554	50,255	177,299
	KDB / The Export-Import Bank of Korea / Nonghyup Bank	EUR: 3M EURIBOR+0.75 ~ 1.50%	739,616	739,616	-
	KEB Hana Bank	3M EURIBOR + 0.62%	268,951	-	268,951
	MUFG	6M EURIBOR + 0.60~0.80%	134,476	67,238	67,238
	SCB	CNY: PBOC x0.95	26,226	26,226	-
	SMBC	0.32 ~ 0.48%	201,714	3,362	198,352
	Construction Bank of China	LPR(1Y) + 0.36 ~ 0.46%	50,703	33,219	17,484
			<u>₩ 3,223,568</u>	<u>₩ 1,062,078</u>	<u>₩ 2,161,490</u>

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14. Borrowings (cont'd)

December 31, 2020					
	Bank	Interest rate(%)	Amount	Current portion	Non-current portion
Borrowings in foreign currencies	BOC	3M LIBOR + 1.15%	₩ 5,475	₩ 5,475	₩ -
	CIMB	3M LIBOR + 1.50%	49,021	49,021	-
	Citi	USD: 3M LIBOR + 0.95%	241,354	39,212	202,142
		EUR: 3M EURIBOR + 0.62 ~ 0.70%			
	DBS	6M EURIBOR + 0.60%	134,761	-	134,761
	EBRD	6M EURIBOR + 0.62%	336,903	-	336,903
	EIB	3M EURIBOR + 0.47%	646,856	-	646,856
	HSBC	USD: 3M LIBOR + 1.40%	87,806	60,541	27,265
		CNY: PBOC × 0.95, LPR-33.75%			
	ING	6M EURIBOR + 0.70 ~ 0.83%	161,714	-	161,714
	KDB	USD: 3M LIBOR + 0.93%	216,905	43,381	173,524
	KDB / The Export-Import Bank of Korea / Nonghyup Bank	EUR: 3M EURIBOR+1.50%	741,188	-	741,188
	KEB Hana Bank	3M EURIBOR + 0.62%	269,523	-	269,523
	MUFG	6M EURIBOR + 0.60~0.80%	134,761	-	134,761
	SCB	USD: 3M LIBOR + 1.20	92,036	79,514	12,522
		CNY: PBOC × 0.95			
	SMBC	0.32 ~ 0.48%	202,142	-	202,142
	Construction Bank of China	LPR(1Y) + 0.36 ~ 0.46%	66,784	33,392	33,392
	Communications Bank of China	PBOC × 1.00	5,676	5,676	-
			₩ 3,392,905	₩ 316,212	₩ 3,076,693

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14. Borrowings (cont'd)

3) Debentures (Korean won in millions)

June 30, 2021							
	Financial institution		Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
1st Debenture (non guaranteed/public)	NH Investment & Securities Co., Ltd. and others		2.21	2026.03.13	₩ 200,000 ₩	- ₩	200,000
USD foreign currency debenture with maturity in 2024)	CITI and others		3.25	2024.10.15	565,000	-	565,000
USD foreign currency debenture with maturity in 2029	CITI and others		3.63	2029.04.15	565,000	-	565,000
EUR foreign currency debenture with maturity in 2023	CITI and others		0.50	2023.04.15	672,210	-	672,210
Less: discount on debentures					(12,147)	-	(12,147)
					<u>₩ 1,990,063 ₩</u>	<u>- ₩</u>	<u>₩ 1,990,063</u>
December 31, 2020							
	Financial institution		Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion
1st Debenture (non guaranteed/public)	NH Investment & Securities Co., Ltd. and others		2.21	2026.03.13	₩ 200,000 ₩	- ₩	200,000
USD foreign currency debenture with maturity in 2024)	CITI and others		3.25	2024.10.15	544,000	-	544,000
USD foreign currency debenture with maturity in 2029	CITI and others		3.63	2029.04.15	544,000	-	544,000
EUR foreign currency debenture with maturity in 2023	CITI and others		0.50	2023.04.15	669,120	-	669,120
Less: discount on debentures					(13,419)	-	(13,419)
					<u>₩ 1,943,701 ₩</u>	<u>- ₩</u>	<u>₩ 1,943,701</u>

14. Borrowings (cont'd)

4) Lease liabilities (Korean won in millions)

June 30, 2021						
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	2.01~2.338	2026.02.12	₩ 60,326 ₩	17,518 ₩	42,808	
December 31, 2020						
	Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Baeksan industry and others	2.01~2.338	2025.12.31	₩ 29,134 ₩	13,242 ₩	15,892	

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15. Provisions

Changes in provisions for the six months ended June 30, 2021 and one month ended December 31, 2020, are as follows (Korean won in millions):

2021					
	Warranty(*1)	Greenhouse gas emission(*2)	Provision for restoration(*3)	Legal claims(*4)	Total
Beginning	₩ 1,238,671	₩ 842	₩ -	₩ 331	₩ 1,239,844
Additions	656,036	(305)	2,442	5,308	663,481
Used	(255,066)	-	-	-	(255,066)
Ending	1,639,641	537	2,442	5,639	1,648,259
Less: current portion	(1,076,397)	(537)	-	-	(1,076,934)
	<u>₩ 563,244</u>	<u>₩ -</u>	<u>₩ 2,442</u>	<u>₩ 5,639</u>	<u>₩ 571,325</u>

2020					
	Warranty(*1)	Greenhouse gas emission(*2)	Legal claims(*4)	Total	
Beginning	₩ 676,612	₩ 746	₩ 336	₩	677,694
Additions	577,244	96	(5)		577,335
Used	(15,185)	-	-		(15,185)
Ending	1,238,671	842	331		1,239,844
Less: current portion	(996,367)	(842)	-		(997,209)
	<u>₩ 242,304</u>	<u>₩ -</u>	<u>₩ 331</u>	<u>₩</u>	<u>242,635</u>

(*1) Warranty provisions have been accrued for the estimated warranty costs to be incurred due to quality control, exchange, refunds with regard to products based on historical experience. In addition, provisions related to replacement costs for ESS and voluntary automotive battery recalls are included.

(*2) Greenhouse gas emission provisions have been accrued for estimated expenditures to be obligated for any excess emission. The Group estimated provisions 291 thousand ton, and estimated expenditures 126 thousand ton for the six months ended June 30, 2021(for the one month ended December 31, 2020 period 215 thousand ton)

(*3) The Group estimated provisions for original state of lease office.

(*4) Lawsuit provisions have been accrued for certain pending cases.

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16. Net Defined Benefit Liabilities

(1) Details of net defined benefit liabilities recognized in the consolidated statement of financial position as of June 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	June 30, 2021	December 31, 2020
Present value of defined benefit obligations (*)	₩ 496,644	₩ 458,710
Fair value of plan assets	(411,162)	(415,924)
Liabilities in the consolidated statement of financial position	<u>₩ 85,482</u>	<u>₩ 42,786</u>

(*) The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of ₩43 million as of June 30, 2021(as of December 31, 2020: ₩44 million)

(2) The amounts recognized in the consolidated statement of income for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Current service cost	₩ 17,908	₩ 35,152
Interest cost	-	271
	<u>₩ 17,908</u>	<u>₩ 35,423</u>

(3) Retirement benefits recognized for defined contribution plan for the six months ended June 30, 2021 amounted to ₩453 million.

(4) Retirement benefits recognized in the consolidated statement of income for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Cost of sales	₩ 9,015	₩ 18,148
Selling and administrative expenses	9,128	17,726
	<u>₩ 18,143</u>	<u>₩ 35,874</u>

(5) Changes in the present value of defined benefit obligations for the six months ended June 30, 2021 and one month ended December 31, 2020 are as follows (Korean won in millions):

	2021	2020
Beginning	₩ 458,710	₩ 455,133
Transfer in	19,236	998
Transfer out	(176)	-
Current service cost	35,152	5,786
Interest expense	6,221	924
Remeasurements:		
- Actuarial gain from change in financial assumption	(31,454)	(3,879)
- Actuarial gain from experience adjustments	18,556	-
- Others	743	232
Payments from plans	(10,344)	(484)
Ending	<u>₩ 496,644</u>	<u>₩ 458,710</u>

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16. Net Defined Benefit Liabilities (cont'd)

(6) Changes in the fair value of plan assets for the six months ended June 30, 2021 and one month ended December 31, 2020, are as follows (Korean won in millions):

	<u>2021</u>	<u>2020</u>
Beginning	₩ 415,924	₩ 415,772
Interest income	5,950	871
Plan assets transferred through movement between affiliates	977	
Remeasurements		
- Return on plan assets (excluding amounts included in interest income)	(1,966)	(258)
Payments from plans	(9,217)	(395)
Administrative costs	(506)	(66)
Ending	<u>₩ 411,162</u>	<u>₩ 415,924</u>

(7) The actual return on plan assets for the six months ended June 30, 2021 was ₩3,984 million, (one month ended December 31, 2020, was ₩613 million)

(8) The significant actuarial assumptions as of June 30, 2021 and December 31, 2020, are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Discount rate	2.93%	2.53%
Salary growth rate	5.00%	5.00%

(9) The sensitivity analysis for changes in key actuarial assumptions as of June 30, 2021 is as follows (Korean won in millions):

	<u>Increase by 1.0%</u>	<u>Decrease by 1.0%</u>
Discount rate:		
Increase (decrease) in defined benefit liabilities	₩ (63,571)	₩ 77,549
Salary growth rate:		
Increase (decrease) in defined benefit liabilities	75,125	(63,018)

A decrease in corporate bond yields may lead most significantly to an increase in defined benefit liabilities.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statement of financial position.

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16. Net Defined Benefit Liabilities (cont'd)

(10) Plan assets as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021		December 31, 2020	
	Amount	Composition(%)	Amount	Composition(%)
Insurance contracts with guaranteed yield ₩	411,162	100 ₩	415,924	100

Plan assets consist of various debt instruments with principal and interest protection and others which have no quoted market prices in an active market.

17. Other Current and Non-Current Liabilities

Details of other current and non-current liabilities as of June 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	June 30, 2021	December 31, 2020
Current:		
Advances from customers ₩	187,392 ₩	130,628
Withholdings	31,787	40,170
Unearned revenues	24,550	37,738
Accrued expenses	139,799	125,522
	<u>₩ 383,528</u>	<u>₩ 334,058</u>
Non-current:		
Long-term accrued expenses ₩	23,057 ₩	21,761
Long-term advanced received	42,551	68,616
	<u>₩ 65,608</u>	<u>₩ 90,377</u>

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18. Commitments and Contingencies

(1) The Group is jointly liable with LG Chem, Ltd. for liabilities recognized before the split-off date.

(2) As of June 30, 2021, the Group has been guaranteed from Seoul Guarantee Insurance Company for the execution of contracts and others.

(3) As of June 30, 2021, the Group has various specific line of credit agreements with several financial institutions, as follows: (unit: Korean won in millions, foreign currencies in millions).

		June 30, 2021	
	Currency	The parent Company	Certain subsidiaries
Limit of bank overdraft	KRW	8,700	-
	USD	-	160
	CNY	-	800
Limit of the letter of credit	USD	24	105
	CNY	-	1,410
Limit of discount of notes from export	USD	221	-
Limit of guaranteed payments in other foreign currency	USD	51	-
B2B purchase arrangements	KRW	140,000	-
	KRW	200,000	-
Limit of loan agreement	USD	-	2,062
	CNY	-	804
	EUR	-	2,940
Future agreement	USD	138	-
Factoring arrangements	USD	-	150

(4) As of June 30, 2021, the Group has entered into payment guarantee contracts of USD 6 million, EUR 2 million and KRW 6,748 million with financial institutions in relation to product warranty for certain installed products. Also, certain subsidiaries have entered into payment guarantee contracts of CNY 260 million with financial institutions in relation to custom clearance of imported raw materials.

(5) As of June 30, 2021, the Group has entered into an agreement with General Motors (GM) regarding joint investment in Ultium Cells LLC, whereby each party can sell its shares to third parties in 8 years after the inception of the contract. In addition, if one party defaults, the other party has the right to purchase shares from the other party. The Group is in the process of approval by the government for the use of core technologies according to the Industrial Technology Protection Act.

(6) As of June 30, 2021 in relation to price fixing of mobile batteries, the consumers in Israel have filed one class action against the company. However, the ultimate outcome of these cases cannot be determined at the reporting date.

18. Commitments and Contingencies (cont'd)

(7) In addition, as of June 30, 2021, the Group has been named as a defendant in 132 (with ₩3,026 million in claims) and 27 legal actions, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.

(8) The Group has entered into a license agreement with LG Corp. to use trademarks on the products that the Group manufactures and sells, and on the services the Group provides in relation to its business.

(9) Capital expenditure arrangements that have not incurred as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	₩ 2,663,777	₩ 1,911,328

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19. Share Capital

Changes in share capital and share premium for the six months ended June 30, 2021 are as follows. (Korean won in millions and in shares)

	Ordinary shares		Share premium
	Number of shares	Share capital	
December 31, 2020	200,000,000 ₩	100,000 ₩	7,510,351
June 30, 2021	200,000,000	100,000	7,510,351

20. Retained earnings (accumulated deficit)

Details of retained earnings and accumulated deficit as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021	December 31, 2020
Unappropriated retained earnings (deficit)	₩ 537,883 ₩	(453,058)

21. Selling and Administrative Expenses

Selling and administrative expenses for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Wages and salaries	₩ 128,016 ₩	239,337
Retirement benefits	9,128	17,726
Employee benefits	29,418	54,720
Travel expenses	6,284	10,264
Water & utilities	6,764	15,051
Packaging expenses	78	308
Rental expenses	12,995	23,672
Commission expenses	79,784	159,855
Depreciation	24,606	44,263
Advertising expenses	3,922	6,078
Freight expenses	29,724	78,502
Training expenses	2,603	4,123
Amortization	10,424	20,233
Sample expenses	1,287	1,855
Development costs	22,947	40,221
Others	626,939	714,791
	₩ 994,919 ₩	1,430,999

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22. Classification of Expenses by Nature

Cost of sales, and selling and administrative expenses by nature for the six months ended June 30, 2021 is as follows (Korean won in millions):

	2021	
	Three months	Six months
Changes in inventories of merchandise, finished goods, semi-finished goods, and work in process	₩ (251,549)	₩ (412,468)
Raw materials and consumables used	2,685,977	5,189,139
Purchase of merchandise	180,979	392,174
Employee benefit expenses	387,790	733,564
Advertising expenses	3,955	6,224
Freight expenses	34,143	86,764
Commission expenses	168,407	332,610
Depreciation and amortization	349,142	666,779
Rent expenses and usage fee	7,985	15,140
Other expenses	839,906	1,309,707
	<u>₩ 4,406,735</u>	<u>₩ 8,319,633</u>

23. Employee Benefit Expenses

Details of employee benefit expenses for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Salaries	₩ 326,422	₩ 616,950
Retirement benefits defined benefit plan (Note 16)	17,908	35,423
Retirement benefits defined contribution plan (Note 16)	237	453
Others	43,223	80,738
	<u>₩ 387,790</u>	<u>₩ 733,564</u>

24. Finance Income and Costs

Details of finance income and costs for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Finance income:		
Interest income(*1)	₩ 6,467	₩ 12,143
Exchange differences	91,391	152,936
Profit on valuation of derivative instruments	18,652	41,382
	<u>₩ 116,510</u>	<u>₩ 206,461</u>
Finance costs:		
Interest expense(*2)	₩ 15,941	₩ 30,899
Exchange differences	(1,841)	112,559
Loss on disposal of trade receivables	1	56
Loss on disposal of financial derivatives	4,181	4,181
	<u>₩ 18,282</u>	<u>₩ 147,695</u>

(*1) Details of interest income for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Deposits held by financial institutions	₩ 4,519	₩ 9,240
Other loans and receivables	1,948	2,903
	<u>₩ 6,467</u>	<u>₩ 12,143</u>

(*2) Details of interest expense for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Interest on financial institutions	₩ 9,382	₩ 16,348
Interest on lease liabilities	582	927
Interest on debentures	11,707	24,483
Other interest expenses	(44)	8
Capitalized interest for qualifying assets	(5,686)	(10,867)
	<u>₩ 15,941</u>	<u>₩ 30,899</u>

25. Other Non-Operating Income

Details of other non-operating income for the six months June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Exchange differences	₩ 30,103	₩ 223,918
Gain on disposal of property, plant and equipment	4,233	4,929
Others	3,299	9,278
	<u>₩ 37,635</u>	<u>₩ 238,125</u>

26. Other Non-Operating Expenses

Details of other non-operating expenses for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Exchange differences	₩ 4,376	₩ 200,588
Loss on disposal of property, plant and equipment	15,822	18,906
Loss on disposal of intangible assets	5	90
Donations	789	1,118
Others	1,266	3,910
	<u>₩ 22,258</u>	<u>₩ 224,612</u>

27. Income Tax Expense and Deferred Tax

Income tax expense was recognized based on the estimate of the best weighted average annual tax rate expected for the entire fiscal year. The estimated average annual income tax rate for the fiscal year ending December 31, 2021 is 27.22%.

28. Earning per Share

Basic earning per share is calculated by dividing the earning attributable to ordinary shares of the Parent Company by the number of shares issued.

(1) Basic earning per share for earning from continuing operations and earning per share attributable to the equity holders of the Parent Company for the six months ended June 30, 2021 are computed as follows: (Korean won in millions and in number of shares)

Basic earning per ordinary share from continuing operations (Korean won in millions)

	2021	
	Three months	Six months
Earning from continuing operations attributable to ordinary shares	₩ 602,755	₩ 793,612
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earning per ordinary share from continuing operations (in won)	₩ 3,014 won	₩ 3,968 won

Basic earning per ordinary share (Korean won in millions won)

	2021	
	Three months	Six months
Earning attributable to ordinary shares	₩ 612,762	₩ 983,788
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earning per ordinary shares (in Korean won)	₩ 3,064 won	₩ 4,919 won

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

(2) Basic earnings per share attributable to ordinary shares from discontinued operations for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Earnings from discontinued operations attributable to ordinary shares	₩ 10,008	₩ 190,176
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earnings per share attributable to ordinary shares from discontinued operations (in won)	₩ 50 won	₩ 951 won

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29. Related Party Transactions

(1) As of June 30, 2021, LG Chem, Ltd. is an entity, which owns 100% of the Parent Company, and LG Corp. is an entity exercising a significant influence over LG Chem, Ltd.

(2) Details of other related parties other than associates and joint ventures (Note 10) that have sales and other transactions with the Group or have receivables and payables balances as of June 30, 2021 are as follows:

Related party	Related party's subsidiary (Domestic)	Related party's subsidiary (Overseas)	Details
LG Chem, Ltd.	HAENGBOKNURI CO., LTD. and others	LG Chem America Inc. and others	Subsidiary of LG Chem, Ltd
S&I Corp.	S&I CM	S&I CM NANJING Co., Ltd. and others	
LG CNS Co., Ltd.	Biz Tech Partners Co., Ltd. and others	LG CNS America Inc. and others	Subsidiary of LG Corp.
LG Management Development Institute	-	-	
LG Display Co., Ltd.	-	LG Display (China) Co., Ltd. and others	
LG Electronics, Inc.	LG Innotek Co., Ltd. and others	Inspur LG Digital Mobile Communications Co., Ltd. and others	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	-	LG Enterprise group(*1)
LG Uplus Corp.	LG HelloVision Corp	-	
GIIR Inc.	HS AD Inc.	-	
LX Holdings., Ltd. (*2)	LX MMA Corp and others	LX International (Japan) Ltd. and others	

(*1) Although these entities are not the related parties of the Group in accordance with KIFRS 1024, these entities belong to a large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

(*2) Includes LX MMA Corp (formerly, LG MMA Corp.), LX International Corp. (formerly, LG International Corp.), LX Hausys Co., Ltd. (formerly, LG Hausys Co., Ltd.).

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29. Related Party Transactions (cont'd)

(3) Sales and purchases with related parties for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021					
	Purchase and others					Others
	Sales and others	Purchase of raw materials /merchandises	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense	
Parents:						
LG Chem, Ltd.	₩ 41,865	₩ 652,414	₩ 11	₩ -	₩ 33	₩ 7,521
Associates and joint ventures:						
HL Greenpower Co., Ltd.	324,164	440	-	-	-	-
Other related parties:						
LG Corp.	-	-	-	-	-	16,706
LG Chem America, Inc.	-	-	-	-	-	4
LG Chem (Taiwan), Ltd.	5,675	-	-	-	-	560
LG Chem Display Materials (Beijing) Co., Ltd.	4,979	-	-	-	-	-
LG Chem (China) Investment Co., Ltd.	-	77	20	-	-	886
LG Chem Europe GmbH	238	432	-	-	-	324
HAENGBOKNURI CO., LTD.	8	-	-	-	-	1,368
LG Chem (Guangzhou) Information & Electronics Materials Co., Ltd.	11,119	9,727	-	-	-	-
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	334,701	-	-	-	-
TECWIN Co., Ltd.	-	-	2,641	-	-	76
LG Management Development Institute	-	-	-	-	-	5,665
S&I Corp. and its subsidiaries	39	4,407	119,983	-	-	18,268
LG CNS Co., Ltd. and its subsidiaries	6,458	305	54,962	-	-	24,999
Others	-	-	54	-	-	1,637
Others:						
LG Display Co., Ltd. and its subsidiaries	1,180	-	-	-	8	-
LG Electronics Inc., Ltd. and its subsidiaries	565,160	597,001	146,651	-	-	9,362
LX Holdings., Ltd. and its subsidiaries (*)	62	5,971	11,623	-	1	215,385
Others	21	-	-	-	-	729
	<u>₩ 960,968</u>	<u>₩ 1,605,475</u>	<u>₩ 335,945</u>	<u>₩ -</u>	<u>₩ 42</u>	<u>₩ 303,490</u>

(*) Includes subsidiaries of LX Holdings., Ltd. after its split-off from the Group described in Note 29.(2).

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29. Related Party Transactions (cont'd)

(4) Balances of receivables and payables arising from sales and purchases of goods and services as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021									
	Receivables				Payables					
	Trade receivables	Loan receivables	Other receivables	Total	Trade payables	Borrowings	Lease liabilities	Other payables	Total	
Parents:										
LG Chem, Ltd.	₩ -	₩ -	₩ 6,162	₩ 6,162	₩ 366,673	₩ -	₩ 2,591	₩ 11,042	₩ 380,306	
Associates and joint ventures:										
HL Greenpower Co., Ltd.	155,094	-	6,528	161,622	-	-	-	1,807	1,807	
Other related parties:										
LG Corp.	-	-	29	29	-	-	-	4,312	4,312	
LG Chem America, Inc.	-	-	-	-	-	-	-	-	-	
LG Chem (Taiwan), Ltd.	-	-	-	-	-	-	-	68	68	
LG Chem (China) Investment Co., Ltd.	-	-	-	-	-	-	-	-	-	
LG Chem Europe GmbH	-	-	-	-	-	-	-	234	234	
HAENGBOKNURI CO., LTD.	-	-	-	-	-	-	-	93	93	
LG Chem (Guangzhou) Information & Electronics Materials Co., Ltd.	-	-	-	-	-	-	-	-	-	
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	-	-	-	197,369	-	-	-	197,369	
TECWIN Co., Ltd.	-	-	-	-	-	-	-	29,503	29,503	
LG Management Development Institute	-	-	2,784	2,784	-	-	-	464	464	
S&I Corp. and its subsidiaries	-	-	3,881	3,881	-	-	-	95,865	95,865	
LG CNS Co., Ltd. and its subsidiaries	5,788	-	-	5,788	-	-	-	40,565	40,565	
Others	-	-	-	-	-	-	-	207	207	
Others:										
LG Display Co., Ltd. and its subsidiaries	-	-	-	-	-	-	651	28	679	
LG Electronics Inc., Ltd. and its subsidiaries	177,171	-	97,416	274,587	184,561	-	-	186,509	371,070	
LX Holdings., Ltd. and its subsidiaries (*)	-	-	388	388	-	-	82	53,324	53,406	
Others	-	-	-	-	-	-	-	2,545	2,545	
	₩ 338,053	₩ -	₩ 117,188	₩ 455,241	₩ 748,603	₩ -	₩ 3,324	₩ 426,566	₩ 1,178,493	

(*) Includes subsidiaries of LX Holdings., Ltd. after its split-off from the Group described in Note 29.(2).

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29. Related Party Transactions (cont'd)

	December 31, 2020								
	Receivables				Payables				
	Trade receivables	Loan receivables	Other receivables	Total	Trade payables	Borrowings	Lease liabilities	Other payables	Total
Parents:									
LG Chem, Ltd.	₩ 14,857	₩ -	₩ 2,764	₩ 17,621	₩ 336,730	₩ -	₩ 3,330	₩ 38,637	₩ 378,697
Associates and joint ventures:									
HL Greenpower Co., Ltd.	277,326	-	-	277,326	-	-	-	330	330
Other related parties:									
LG Corp.	-	-	25	25	-	-	-	664	664
LG Chem America, Inc.	-	-	-	-	-	-	-	76	76
LG Chem (Taiwan), Ltd.	20,495	-	-	20,495	-	-	-	638	638
LG Chem Display Materials (Beijing) Co.,Ltd.	8,685	-	-	8,685	-	-	-	-	-
LG Chem (China) Investment Co.,Ltd.	-	-	-	-	-	-	-	1,607	1,607
LG Chem Europe GmbH	40,876	-	543	41,419	-	-	-	857	857
LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.	26,144	-	-	26,144	34,028	-	-	-	34,028
LEYOU NEW ENERGY MATERIALS(WUXI) Co.,Ltd.	-	-	-	-	20,562	-	-	-	20,562
TECWIN Co.,Ltd.	-	-	-	-	-	-	-	5,531	5,531
LX MMA Corp. (former.LG MMA Corp.)	-	-	10	10	-	-	-	-	-
S&I Corp. and its subsidiaries	-	-	21	21	-	-	-	51,834	51,834
LG CNS Co., Ltd. and its subsidiaries	7,048	-	-	7,048	-	-	-	95,166	95,166
Others	-	-	1,800	1,800	-	-	-	672	672
Others:									
LG Display Co., Ltd. and its subsidiaries	472	-	2,264	2,736	-	-	703	13	716
LG Electronics Inc., Ltd. and its subsidiaries	158,447	-	111,418	269,865	117,010	-	-	234,982	351,992
LX International Corp. (former.LG International Corp. and its subsidiaries)	-	-	-	-	-	-	575	33,610	34,185
Others	-	-	3	3	-	-	-	661	661
	<u>₩ 554,350</u>	<u>₩ -</u>	<u>₩ 118,848</u>	<u>₩ 673,198</u>	<u>₩ 508,330</u>	<u>₩ -</u>	<u>₩ 4,608</u>	<u>₩ 465,278</u>	<u>₩ 978,216</u>

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29. Related Party Transactions (cont'd)

(5) Fund transactions with related parties for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021							
			Equity contribution In cash (capital Reduction)	Loans transaction		Borrowings transaction(*)		
	Dividends received	Dividends paid		Loans	Repayment	Borrowings	Repayment	
Parents:								
LG Chem, Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	393
Other related parties:								
LG Corp.		-	-	-	-	-	-	-
LG Chem (Taiwan), Ltd.		-	-	-	-	-	430	137
Others:								
LG DISPLAY AMERICA, INC		-	-	-	-	-	-	71
Pantos Logistics France S.A.R.L		-	-	-	-	-	-	357
Pantos Logistics Spain S.L.U.		-	-	-	-	-	-	137
	₩	- ₩	- ₩	- ₩	- ₩	- ₩	430 ₩	1,095

(*) The amounts represent lease liabilities that were recognized or repaid for the six months ended June 30, 2021.

(6) Compensation for key management of the Group for the six months ended June 30, 2021 is as follows (Korean won in millions):

	2021
Short-term employee benefits	₩ 17,360
Retirement benefits	3,783
	₩ 21,143

Key management includes directors and audit committee members having duties and responsibilities over planning, operations and controlling of the Group's business activities.

(7) There are no provisions recognized against receivables from related parties as of June 30, 2021.

(8) As of June 30, 2021, there are no payment guarantees provided by the Group for related parties.

30. Cash Generated from Operations

(1) Details of cash generated from operations for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021
Profit before income tax:	
Profit before income tax from continuing operations	₩ 1,138,382
Profit before income tax from discontinued operations	283,299
	<u>₩ 1,421,681</u>
Adjustments for	
- Depreciation	₩ 634,456
- Amortization	32,452
- Retirement benefits	35,423
- Financial income	(184,915)
- Financial costs	101,681
- Foreign exchange differences	(1,573)
- Loss on valuations of inventories	12,544
- Loss on disposal of inventories	25,032
- Gain on disposal of property, plant and equipment	(4,929)
- Loss on disposal of property, plant and equipment and intangible assets	18,996
- Gain on disposal of business	(243,740)
- Additions to provisions	663,482
- Other income	(9,633)
- Change in inventories	(591,239)
- Change in trade receivables	356,884
- Change in other receivables	(1,219,449)
- Change in other current assets	(36,824)
- Change in trade payables	(68,826)
- Change in other payables	(53,285)
- Change in other current liabilities	(5,027)
- Change in provisions	(257,508)
- Change in net defined benefit liabilities	17,462
- Other cash flows from operations	74,124
Cash generated from operations	<u>₩ 717,269</u>

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30. Cash Generated from Operations (cont'd)

(2) Changes in liabilities arising from financial activities for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021						
	Beginning	Cash flows from financing activities	Reclassification of current portion	Amortization	Lease liabilities	Others	Ending
Short-term borrowings	₩ 1,123,038	₩ (60,072)	₩ 949,814	₩ -	₩ -	₩ 44,363	₩ 2,057,143
Long-term borrowings	3,092,585	26,097	(949,814)	-	48,705	(13,274)	2,204,299
Debentures	1,943,701	-	-	1,602	-	44,760	1,990,063
	<u>₩ 6,159,324</u>	<u>₩ (33,975)</u>	<u>₩ -</u>	<u>₩ 1,602</u>	<u>₩ 48,705</u>	<u>₩ 75,849</u>	<u>₩ 6,251,505</u>

(3) Significant non-cash transactions for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021
Reclassification of construction-in-progress	₩ 1,305,564
Reclassification of long-term borrowings into current portion	949,814
Other payables related to acquisitions of property, plant and equipment and intangible assets	1,032,252

31. Segment Information

(1) General information about the Group's reportable segments is as follows:

Segment	Products or services	Major customers
Energy solution (*)	Mobile batteries, automotive batteries, Electricity storage batteries and others	HP, GM and others

(*) The Group has determined the reporting segment as a single reporting segment based on the performance evaluation reported to the Board of Directors, the chief operating decision-maker.

(2) Segment information on revenue, profit and loss for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021	
	Three months	Six months
Total segment revenue	₩ 5,131,016	₩ 9,385,132
Revenue from external customers (*1)	5,131,016	9,385,132
Operating profit (*2)	724,280	1,065,499

(*1) Revenue from external customers consists of sales of goods. Interest income and dividend income are included in finance income.

(*2) Management assesses the performance of the operating segments based on a measurement of operating profit of segment.

(3) Segment information on assets and liabilities as of June 30, 2021 and at December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 22,177,466	₩ 49,862	₩ 13,098,995

	December 31, 2020		
	Assets	Investments in associates and joint ventures	Liabilities
Reportable segment assets	₩ 19,941,795	₩ 48,350	₩ 12,376,390

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31. Segment Information (cont'd)

(4) External sales and non-current assets by geographical segments from continuing operations for the six months ended June 30, 2021 and as of June 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	Sales		Non-current assets(*1)	
	2021		June 30, 2021	December 31, 2020
	Three months	Six months		
Korea(*2)	₩ 1,230,963	₩ 1,569,853	₩ 2,106,963	₩ 2,059,227
China	710,417	1,208,853	3,204,305	2,826,847
Asia	259,880	555,634	1,100	187
America	645,118	1,442,071	915,806	548,665
Europe	2,284,637	4,608,720	3,898,676	3,829,560
	₩ 5,131,015	₩ 9,385,131	₩ 10,126,850	₩ 9,264,486

(*1) Represents aggregate amount of property, plant and equipment, intangible assets and investment properties.

(*2) Domestic sales include exports made through local letters of credit.

(5) During the six months ended June 30, 2021, revenues from transactions with a European automotive battery customer amounted to 10% or more of the Group's revenue. Total revenues from the transactions with this customer amounted to approximately ₩1,376,739 million.

32. Assets and Liabilities Held for Sale and Discontinued Operations

32.1 Assets and Liabilities Held for Sale

Following the approval of management of LG Chem, Ltd. made before the split-off, the Group decided to dispose of six lines of small pouch assembly facilities and others (June 2019) and LCD polarizer business (June 2020). The related assets and liabilities were reclassified as assets and liabilities held for sale. Disposal of LCD polarizer business has been completed in the first half 2021. Disposal of small pouch assembly facility business is pending due to the delay in factory establishment by the buyer, but the transaction is expected to be completed in June of 2021.

(1) Details of assets and liabilities of disposal group classified as held for sale as of June 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Assets of disposal group:		
Inventories	₩ -	₩ 121,125
Property, plant and equipment		237,652
Intangible assets	-	56
	<u>₩ -</u>	<u>₩ 358,833</u>
Liabilities of disposal group:		
Borrowings and others	₩ -	₩ 142
	<u>₩ -</u>	<u>₩ 142</u>

(2) The disposal group was measured at fair value less costs to sell immediately prior to its initial classification as held for sale, and there are no non-operating expenses (income) recognized for the current quarter.

32. Assets and Liabilities Held for Sale and Discontinued Operations (cont'd)

32.2 Discontinued Operations

(1) Following the approval of management made before the split-off, the Group decided to dispose of LCD polarizer business (June 2020) and accordingly, the related assets and liabilities were classified as assets and liabilities held for sale. Profit and loss from the related operations are also presented as discontinued operations. The disposal of LCD polarizer business has been completed in February 2021.

(2) Comprehensive income from discontinued operations for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021
Revenue	₩ 465,148
Expenses	(172,849)
Profit before income tax	283,299
Income tax expense	(47,904)
Profit from discontinued operations	₩ 235,395

(3) Net cash flows from discontinued operations for the six months ended June 30, 2021 are as follows (Korean won in millions):

	2021
Net cash flow from operating activities	₩ 23,787
Net cash flow from investing activities	588,047
Net cash flow from financing activities	(612,310)

(4) Details of Assets held for sale(Korean won in millions)

	2021
Profit Assets held for sale	₩ 243,754
Income tax expense	(60,939)
Profit from discontinued operations	₩ 182,815

33. Assets and Liabilities related to Contracts with Customers

(1) Assets and liabilities related to contracts with customers as of June 30, 2021 are as follows (Korean won in millions):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Contract liabilities:		
Advances from customers received as part of the Group's main business activities	₩ 232,680	₩ 198,454
Expected customer incentives	1,455	3,858
Unearned revenue	416	340
	<u>₩ 234,551</u>	<u>₩ 202,652</u>

(2) Revenue recognized in relation to contract liabilities

Revenues recognized from the contract liabilities transferred through the split-off for the six months ended June 30, 2021 are as follows (Korean won in millions):

	<u>2021</u>	
	<u>Three months</u>	<u>Six months</u>
Revenue recognized in the current period from the beginning contract liabilities:		
Revenues in relation to advances from customers received as part of the Group's main business activities	₩ 48,200	₩ 80,287
Unearned revenue	41	82
	<u>₩ 48,241</u>	<u>₩ 80,369</u>

LG Energy Solution, Ltd. and its subsidiaries
Notes to the interim condensed consolidated financial statements
June 30, 2021 and December 31, 2020

34. Investment Properties

(1) Details of investment properties as of June 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	June 30, 2021				December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 161	₩ -	₩ -	₩ 161	₩ -	₩ -	₩ -	₩ -
Buildings	332,561	(78,011)	(395)	242,155	333,869	(78,342)	(441)	255,086
	<u>₩ 320,722</u>	<u>₩ (78,011)</u>	<u>₩ (395)</u>	<u>₩ 242,316</u>	<u>₩ 333,869</u>	<u>₩ (78,342)</u>	<u>₩ (441)</u>	<u>₩ 255,086</u>

(2) Changes in investment properties for the six months ended June 30, 2021 and for the one month ended December 31, 2020, are as follows (Korean won in millions):

	2021		2020	
	Building	Land	Building	
Beginning	₩ 255,086	₩ -	₩ 255,638	
Acquire / Replace			161	-
Disposal / Replace	(9,700)		-	-
Depreciation	(3,231)		-	(552)
Ending	<u>₩ 242,155</u>	<u>₩ 161</u>	<u>₩ 255,086</u>	

(3) The fair value of investment properties is measured either by independent professional appraisers with certified qualification or measured based on official appraised value of land and available information from recent transactions of similar properties, and it is classified as 'level 3' of the fair value hierarchy. The fair value of investment properties as of June 30, 2021, is ₩272,832 million.

Rental income from investment properties under operating lease for the six months ended June 30, 2021, is ₩7,097 million, and operating expenses incurred for investment properties that generated rental income (including maintenance and repair expenses) for the six months ended June 30, 2021 are ₩3,231 million.

34. Investment Properties (cont'd)

(4) Operating lease

Investment properties are leased to tenants under operating leases with monthly rent payments. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the Term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of investment properties.

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as of June 30, 2021 and December 31, 2020 are as follows (Korean won in millions):

	June 30, 2021		December 31, 2020
Less than 1 year	₩ 13,453	₩	14,842
Between 1-2 years	12,658		12,831
Between 2-5 years	7,384		12,831
	<u>₩ 33,495</u>	₩	<u>40,504</u>

35. Revenue from Contracts with Customers

(1) Regarding the trade secret infringement dispute between the Group and SK Innovation Co., Ltd. on February 11, 2021, the US International Trade Commission (ITC) made a final decision that SK innovation Co., Ltd. had infringed on the Group's trade secrets. The two companies signed an agreement on May 15, 2021, and in exchange for the settlement, the Group agreed to receive a lump-sum payment of ₩1 trillion and ₩1 trillion in royalties in accordance with a certain percentage of annual sales from SK Innovation Co., Ltd.

(2) In accordance with this agreement, the Group terminated the dispute with SK Innovation Co., Ltd. through entering into a permanent license agreement and agreed to not file any lawsuits for the next 10 years as well as dropping all ongoing lawsuits at domestic and abroad. The Group has determined that all settlement payments are consideration received in exchange for the license agreement.

(3) 'Granting a license' corresponds to the main business activity of the Group, and the nature of the license the Group provides to SK innovation Co., Ltd. is the right to use, and there is no performance obligation to provide additionally after agreement.

(4) Accordingly, for the above reasons, the Group has recognized the lump-sum of ₩1,000,000 million (at the present value of ₩992,233 million) as operating income based on the agreement made with SK Innovation Co., Ltd. on May 15, 2021.

36. Events After the Reporting Period

(1) The Group sold all its shares in HL Green Power, a joint venture, in July 2021.

(2) The Group signed a contract to acquire 7.5% shares in Queensland Pacific Metals, a nickel/cobalt smelter, in July 2021.

(3) LG Energy Solution (Nanjing) Co., Ltd., a subsidiary of the Group, has elected to reduce capital for up to ownership shares of LG Chem (China) Investment Co., Ltd.

LG Energy Solution Ltd.

Interim condensed separate financial statements
for the three and six months ended June 30, 2021
with the independent auditor's review report

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Report on review of interim condensed separate financial statements

The Shareholders and Board of Directors LG Energy Solution, Ltd.

We have reviewed the accompanying interim condensed separate financial statements of LG Energy Solution, Ltd. (the “Company”), which comprise the interim condensed separate statement of financial position as of June 30, 2021, and the related interim condensed separate statements of income and interim condensed separate statements of comprehensive income for the three and six months ended June 30, 2021, and the interim condensed separate statements of changes in equity and interim condensed separate statements of cash flows for the six months periods then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the interim condensed separate financial statements

Management is responsible for the preparation and presentation of these interim condensed separate financial statements in accordance with Korean International Financial Reporting Standard (“KIFRS”) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on these interim condensed separate financial statements based on our review.

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Auditing Standards (“KGAAS”) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Emphasis matter

Without qualifying our review conclusion, we draw attention to Note 33 to the interim condensed separate financial statements. As described in Note 33 to the interim condensed separate financial statements, the Company has recognized the lump-sum of ₩1,000,000 million (at the present value of ₩992,233 million) as operating income based on the agreement made with SK Innovation Co., Ltd. on May 15, 2021.

Other matter

The separate statement of financial position as of December 31, 2020, and the related separate statement of income, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the one month then ended were audited by Samil PricewaterhouseCoopers, in accordance with KGAAS (not presented hereis), whose report dated on March 11, 2021 expressed an unqualified opinion. The accompanying separate statement of financial position as of December 31, 2020 presented for comparative purposes is not different, in all material respects, from the above audited separate statement of financial position.

Ernst & Young Han Young

August 13, 2021

This review report is effective as of August 13, 2021, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed separate financial statements and may result in modification to this review report.

