

# **LG Energy Solution, Ltd.**

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

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

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

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

(Korean won in millions)

	Notes		June 30, 2021	December 31, 2020
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	3,5,6	₩	757,291 ₩	536,731
Trade receivables	3,5,7,29		1,309,484	1,547,136
Other receivables	3,5,7,29		1,404,769	1,072,733
Prepaid income taxes			-	22
Other current financial assets	3,5,8		14,682	23,821
Other current assets	13		101,113	58,243
Inventories	9		960,624	949,749
			<u>4,547,963</u>	<u>4,188,435</u>
<b>Non-current assets</b>				
Trade receivables	3,5,7	₩	28,503 ₩	26,291
Other receivables	3,5,7,29		606,665	454,026
Other non-current financial assets	3,5,8		59,632	-
Investments in subsidiaries	10		4,692,638	4,444,021
Investments in associates and joint ventures	10		43,084	43,084
Deferred tax assets	27		1,164,239	1,088,093
Property, plant and equipment	11		1,583,766	1,528,296
Intangible assets	12		277,954	273,133
Investment properties	32		242,465	255,086
Other non-current assets	13		29,055	42,252
			<u>8,728,001</u>	<u>8,154,282</u>
<b>Total assets</b>		₩	<u>13,275,964 ₩</u>	<u>12,342,717</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables	3,5,29	₩	1,176,590 ₩	1,272,958
Other payables	3,5,29		275,071	378,665
Borrowings	3,5,14		7,825	2,273
Other current financial liabilities	3,5,8		54,266	62,544
Current provisions	15		1,023,592	984,235
Income tax payables			225,518	-
Other current liabilities	17		207,261	206,176
			<u>2,970,123</u>	<u>2,906,851</u>
<b>Non-current liabilities</b>				
Other payables	3,5	₩	3,270 ₩	1,563
Borrowings	3,5,14		2,018,960	1,947,264
Other non-current financial liabilities	3,5,8		1,273	41,768
Non-current provisions	15		392,419	110,325
Net defined benefit liabilities	16		85,338	42,786
Deferred tax liabilities	17		31,366	40,062
			<u>2,532,626</u>	<u>2,183,768</u>
<b>Total liabilities</b>		₩	<u>5,502,749 ₩</u>	<u>5,090,619</u>
<b>Equity</b>				
Share capital	1,19	₩	100,000 ₩	100,000
Capital surplus	19		7,510,351	7,510,351
Accumulated other comprehensive income			11,457	17,270
Retained earnings (accumulated deficit)	20		151,407	(375,523)
<b>Total equity</b>		₩	<u>7,773,215 ₩</u>	<u>7,252,098</u>
<b>Total liabilities and equity</b>		₩	<u>13,275,964 ₩</u>	<u>12,342,717</u>

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

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

(Korean won in millions)

	<b>Notes</b>	<b>2021</b>	
		<b>Three months</b>	<b>Six months</b>
<b>Revenue</b>	29,33	₩ 2,685,072	₩ 4,503,237
Cost of sales	22,29	(1,286,542)	(2,666,473)
<b>Gross profit</b>		1,398,530	1,836,764
Selling and administrative expenses	21,22,29	(880,160)	(1,210,297)
<b>Operating profit</b>		518,370	626,467
Finance income	24,29	58,275	130,833
Finance costs	24,29	(46,508)	(129,629)
Other non-operating income	25	18,662	126,264
Other non-operating expenses	26	(16,548)	(76,901)
<b>Profit before income tax</b>		532,251	677,034
<b>Income tax expenses</b>	27	140,911	157,491
<b>Profit for the period</b>		₩ 391,340	₩ 519,543
<b>Earnings per share attributable to the equity holders of the Parent Company (in Korean won)</b>	28		
Basic earnings per share		₩ 1,957	₩ 2,598

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

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

(Korean won in millions)

	<b>Notes</b>	<b>2021</b>	
		<b>Three months</b>	<b>Six months</b>
<b>Profit for the period</b>		₩ 391,340	₩ 519,543
<b>Other comprehensive income:</b>			
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of net defined benefit liabilities	16	(1,255)	10,189
Gain (loss) on valuation of financial assets at FVOCI		(182)	1,440
Income tax effect of other comprehensive income		<u>395</u>	<u>(3,198)</u>
		(1,042)	8,431
Items that may be subsequently reclassified to profit or loss			
Loss on cash flow hedge	3	(5,202)	(9,459)
Income tax effect of other comprehensive income		<u>1,431</u>	<u>2,602</u>
		(3,771)	(6,857)
<b>Other comprehensive income for the period, net of tax</b>		<u>(4,813)</u>	<u>1,574</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>₩ 386,527</u>	<u>₩ 521,117</u>

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



**LG Energy Solution, Ltd**  
**Interim condensed separate statements of changes in equity**  
**for the six months ended June 30, 2021**

(Korean won in millions)

	Notes	Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings (accumulated Deficit)	Total
<b>As of January 1, 2021</b>		₩ 100,000	₩ 7,510,351	₩ 17,270	₩ (375,523)	₩ 7,252,098
Total comprehensive income for the period:						
Profit for the period		-	-	-	519,543	519,543
Remeasurements of net defined benefit liabilities	16	-	-	-	7,387	7,387
Gain on valuation of financial assets at FVOCI		-	-	1,044	-	1,044
Loss on cash flow hedge	3	-	-	(6,857)	-	(6,857)
<b>Total comprehensive income for the period</b>		-	-	(5,813)	526,930	521,117
<b>As of June 30, 2021</b>		<u>₩ 100,000</u>	<u>₩ 7,510,351</u>	<u>₩ 11,457</u>	<u>₩ 151,407</u>	<u>₩ 7,773,215</u>

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

**LG Energy Solution, Ltd.****Interim condensed separate statements of cash flows  
for the six months ended June 30, 2021**

(Korean won in millions)

	<b>Notes</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Cash generated from operations	30	₩ 149,122
Interest received		20,195
Interest paid		(24,858)
Income tax refund		10,042
<b>Net cash flows provided by operating activities</b>		<b>154,501</b>
<b>Cash flows from investing activities:</b>		
<b>Cash inflow from investing activities</b>		
Decrease in other receivables		600,000
Acquisition of investments in subsidiaries		5,208
Proceeds from disposal of property, plant and equipment		9,985
		<b>615,193</b>
<b>Cash outflow from investing activities</b>		
Increase in other receivables		(4,541)
Increase in other non-current receivables		(248,617)
Acquisition of financial instrument		(57,305)
Acquisition of property, plant and equipment		(213,385)
Acquisition of intangible assets		(20,845)
		<b>(544,693)</b>
<b>Net cash flows provided by investing activities</b>		<b>70,500</b>
<b>Cash flows from financing activities:</b>		
<b>Cash inflow from financing activities</b>		
Increase in borrowings and others		264
<b>Cash outflow from financing activities</b>		264
Repayments of borrowings and others		(5,746)
		<b>(5,746)</b>
<b>Net cash flows provided by financing activities</b>		<b>(5,482)</b>
Net increase in cash and cash equivalents		219,519
Cash and cash equivalents at the beginning of the period		536,731
Effects of exchange rate changes on cash and cash equivalents		1,041
Cash and cash equivalents at the end of the period	₩	<b>757,291</b>

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

## **1. General**

LG Energy Solution, Ltd. (the “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 Company has its manufacturing facilities in Ochang.

As of June 30, 2021, the 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 Company.

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

## **2. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these interim condensed separate 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 separate financial statements of the Company 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 separate financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), and
- Defined benefit pension plans plan assets measured at fair value

The preparation of interim condensed separate financial statements requires the use of critical accounting estimates.

Management also needs to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed separate 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 Company**

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

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 separate financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

### 3. Financial Risk Management

#### 3.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company'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 Company. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company'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 Company'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 Company 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 Company companies to manage their foreign exchange risk against their functional currency. The Company 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 Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

As of June 30, 2021 and December 31, 2020, the Company'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	₩ 2,073,275	₩ 2,284,485	₩ 2,221,196	₩ 2,364,916
EUR	193,596	800,991	174,206	739,136
JPY	15,391	13,942	15,110	32,693
CNY and others	392,646	1,355	401,943	974

As of June 30, 2021 and December 31, 2020, if the Company 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	₩ (21,121)	₩ 21,121	₩ (14,372)	₩ 14,372

### 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 Company reporting date.

2) As of June 30, 2021, the Company 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 (*)	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	-

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

#### 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 Company adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Company (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 Company has no floating rate deposits and borrowings outstanding at the end of the reporting period.

### 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 Company holds, as well as debt instruments at amortized cost or fair value through other comprehensive income.

##### 1) Trade receivables

The Company 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
<b>June 30, 2021 (Account Receivables)</b>			
Gross carrying amount	₩ 1,142,777	₩ 195,231	1,338,008
Expected loss rate	0.00%	0.00%	0.00%
Loss allowance provision	16	5	21
<b>December 31, 2020 (Account Receivables)</b>			
Gross carrying amount	1,272,961	300,590	1,573,551
Expected loss rate	0.01%	0.00%	0.01%
Loss allowance provision	124	-	124

(\*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	₩ 124	₩ 159
Increase (Reversal) of loss allowance recognized in profit or loss during the period	(103)	(35)
Ending	₩ 21	₩ 124

As of June 30, 2021, the carrying amount of trade receivables representing the maximum exposure to credit risk amounts to ₩1,338,008 million (as of December 31, 2020 ₩1,573,551 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 Company has established the following policies and procedures to manage credit risks.

To manage credit risks relating to trade receivables, the Company 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 Company 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 Company is also provided with collateral by customers depending on their credit rating or payment guarantees from the customers financial institutions if necessary.

The Company has deposited its cash and cash equivalents and other long-term deposits in several financial institutions, such as Woori Bank and others. The Company has also entered into derivative contract with several financial institutions. The Company 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 Company monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Company'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 Company groupings based on the remaining period at the reporting date 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
<b>Non-derivative instruments:</b>					
Borrowings (excluding lease liabilities)	₩	46,891	₩ 718,843	₩ 866,165	₩ 626,444
Lease liabilities		8,147	3,286	26,564	-
Trade and other payables		<u>1,451,661</u>	<u>10</u>	<u>3,260</u>	<u>-</u>
		1,506,699	722,139	895,989	626,444
<b>Derivative instruments:</b>					
Gross settlement currency forwards					
Inflows	₩	-	₩ -	₩ (565,000)	₩ (565,000)
Outflows		<u>-</u>	<u>-</u>	<u>567,800</u>	<u>551,415</u>
		-	-	2,800	(13,585)
	₩	<u>1,506,699</u>	<u>₩ 722,139</u>	<u>₩ 898,789</u>	<u>₩ 612,859</u>
		December 31, 2020			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
<b>Non-derivative instruments:</b>					
Borrowings (excluding lease liabilities)	₩	45,174	₩ 45,174	₩ 1,324,270	₩ 814,127
Lease liabilities		2,379	1,585	2,109	-
Trade and other payables		<u>1,651,623</u>	<u>1,563</u>	<u>-</u>	<u>-</u>
		1,699,176	48,322	1,326,379	814,127
<b>Derivative instruments:</b>					
Gross settlement currency forwards		-	-	(544,000)	(544,000)
Inflows	₩	-	₩ -	₩ 567,800	₩ 551,415
Outflows		<u>-</u>	<u>-</u>	<u>23,800</u>	<u>7,415</u>
		-	-	23,800	7,415
	₩	<u>1,699,176</u>	<u>₩ 48,322</u>	<u>₩ 1,350,179</u>	<u>₩ 821,542</u>



### 3. Financial Risk Management (cont'd)

#### 3.1 Financial Risk Factors (cont'd)

2) As of June 30, 2021, the Company 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).

	<b>Purpose of the contracts</b>	<b>Hedged items</b>	<b>Financial institution</b>	<b>Maturity</b>	<b>Fair value</b>
Merchandise (raw materials) swap (*)	Cash flow hedge	Non-ferrous metal	Citibank, SC	~2021.12	₩ 14,363

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

	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Merchandise (raw materials) swap (*)	₩ 14,682	₩ 319	₩ 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) The table below analyzes the Company into relevant maturity groupings based on the remaining maturity as at the reporting date to the contractual maturity date. (Korean won in millions)

	<b>June 30, 2021</b>			
	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts(*1)	₩ 3,328,275	₩ -	₩ -	-

  

	<b>December 31, 2020</b>			
	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>
Financial guarantee contracts(*1)	₩ 3,335,344	₩ -	₩ -	-

(\*1) The Company has provided financial guarantee for subsidiaries. The amount represents the maximum amount of the guarantee as of June 30, 2020, in which the guarantee could be called (Note 8, 18).

### 3. Financial Risk Management (cont'd)

#### 3.2 Capital Risk Management

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

Consistent with others in the industry, the Company 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 separate statement of financial position plus net debt.

The gearing ratio and debt-to-equity ratio 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>
Total borrowings (Note 14) (A)	₩ 2,026,785	₩	1,949,537
Less: cash and cash equivalents (B)	<u>(757,291)</u>		<u>(536,731)</u>
Net debt (C=A+B)	1,269,464		1,412,806
Total liabilities (D)	5,502,749		5,090,619
Total equity (E)	7,773,215		7,252,098
Total capital (F=C+E)	<u>9,042,709</u>		<u>8,664,904</u>
Gearing ratio (C/F)	14.0%		16.3%
Debt-to-equity ratio (D/E)	70.8%		70.2%

### 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
<b>Financial assets(current):</b>				
Cash and cash equivalents	₩ 757,291	(*1)	₩ 536,731	(*1)
Trade receivables	1,309,484	(*1)	1,547,136	(*1)
Other receivables (excluding deposits held by financial institutions)	1,404,769	(*1)	472,733	(*1)
Deposits held by financial institutions	-	(*1)	600,000	(*1)
Current derivative financial assets	14,682	14,682	23,821	23,821
<b>Financial assets(non-current):</b>				
Deposits held by financial institutions	60,014	(*1)	60,014	(*1)
Trade receivables	28,503	(*1)	26,291	(*1)
Other receivables (excluding deposits held by financial institutions)	546,651	(*1)	394,012	(*1)
Other non-current financial assets				
Non-marketability financial assets	58,745	58,745	-	-
Non-Current derivative financial assets (currency forward)	887	887	-	-
<b>Financial liabilities(current):</b>				
Trade and other payables	1,451,661	(*1)	1,651,623	(*1)
Current borrowings (excluding lease liabilities)	258	(*1)	-	-
Current lease liabilities	7,567	(*2)	2,273	(*2)
Current derivative financial liabilities	319	319	-	-
Other current financial liabilities	53,947	(*1)	62,544	(*1)
<b>Financial liabilities(non-current):</b>				
Non-current borrowings (excluding lease liabilities)	1,990,063	2,079,663	1,943,701	2,020,530
Non-current lease liabilities	28,897	(*2)	3,563	(*2)
Other non-current payables	3,270	(*1)	1,563	(*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 Company (AA+), and the applied discount rates as of June 30, 2021 and December 31, 2020 is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
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):

	<u>June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets/liabilities measured at fair value:</b>				
Current derivative financial assets	₩ -	₩ 14,682	₩ -	₩ 14,682
Other non-current derivative financial liabilities (currency forward)	-	887	-	887
Current derivative financial liabilities	-	319	-	319
Other non-current financial assets (Non-marketability financial assets)	-	-	58,745	58,745
Non-current derivative financial liabilities (currency forward)	-	1,273	-	1,273
<b>Financial assets/liabilities not measured at fair value:</b>				
Non-current borrowings (excluding finance lease liabilities)	-	2,079,663	-	2,079,663

### 3. Financial Risk Management (cont'd)

#### 3.3 Fair Value (cont'd)

(3) Fair value hierarchy (cont'd)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial assets/liabilities measured at fair value:</b>				
Current derivative financial assets	₩ -	₩ 23,821	₩ -	₩ 23,821
Non-current derivative financial liabilities (currency forward)	-	41,768	-	41,768
<b>Financial assets/liabilities not measured at fair value:</b>				
Non-current borrowings (excluding finance lease liabilities)	-	2,020,530	-	2,020,530

### 4. Significant Accounting Estimates and Assumptions

The preparation of separate financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company'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 Company's interim condensed separate financial statements are the same as those of the separate 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 Company'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 separate financial statements may be adjusted according to fluctuations in uncertainty arising from COVID-19, and the ultimate impact of COVID-19 on the Company 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 Company'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 Company 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 Company'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 Company 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 Company'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 Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at June 30, 2020 (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 Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company'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 Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

## 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	₩ 757,291	₩ -	₩ -	₩ -	757,291
Trade receivables	1,309,484	-	-	-	1,309,484
Non-current trade receivables	28,503	-	-	-	28,503
Other receivables	1,404,769	-	-	-	1,404,769
Other non-current receivables	606,665	-	-	-	606,665
Other current financial assets	-	-	14,682	-	14,682
Other non-current financial assets	-	887	58,745	-	59,632
	₩ 4,106,712	₩ 887	₩ 73,427	₩ -	4,181,026

June 30, 2021					
Financial liabilities	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities (*)		Total
Trade payables	₩ -	₩ 1,176,590	₩ -	₩ -	1,176,590
Other payables	-	275,071	-	-	275,071
Borrowings(current)	-	258	7,567	-	7,825
Other current financial liabilities	-	53,947	319	-	54,266
Other non-current financial liabilities	1,273	-	-	-	1,273
Other non-current payables	-	3,270	-	-	3,270
Borrowings(non-current)	-	1,990,063	28,897	-	2,018,960
	₩ 1,273	₩ 3,499,199	₩ 36,783	₩ -	3,537,255

December 31, 2020					
Financial assets	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income			Total
Cash and cash equivalents	₩ 536,731	₩ -	₩ -	₩ -	536,731
Trade receivables	1,547,136	-	-	-	1,547,136
Non-current trade receivables	26,291	-	-	-	26,291
Other receivables	1,072,733	-	-	-	1,072,733
Other non-current receivables	454,026	-	-	-	454,026
Other current financial assets	-	23,821	-	-	23,821
	₩ 3,636,917	₩ 23,821	₩ -	₩ -	3,660,738

5. Financial Instruments by Category (cont'd)

Financial liabilities	December 31, 2020			
	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities (*)	Total
Trade payables	₩ -	₩ 1,272,958	₩ -	₩ 1,272,958
Other payables	-	378,665	-	378,665
Borrowings(current)	-	-	2,273	2,273
Other current financial liabilities	-	-	62,544	62,544
Other non-current financial liabilities	41,768	-	-	41,768
Other non-current payables	-	1,563	-	1,563
Borrowings(non-current)	-	1,943,701	3,563	1,947,264
	₩ 41,768	₩ 3,596,887	₩ 68,380	₩ 3,707,035

(\*) 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
<b>Interest income:</b>		
Financial assets at amortized cost	₩ 6,296	₩ 12,841
<b>Interest expense:</b>		
Financial liabilities at amortized cost	(11,708)	(24,484)
Other financial liabilities	(373)	(598)
<b>Gains or loss on valuation:</b>		
Financial assets at fair value through other comprehensive income	(182)	1,440
Derivative instruments	13,451	31,923
<b>Exchange differences:</b>		
Financial assets at amortized cost	(3,210)	84,758
Financial liabilities at amortized cost	1,696	(86,081)



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

**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	₩ 23,456	₩ 23,670
Deposits held by financial institutions and others	733,835	513,061
	<u>₩ 757,291</u>	<u>₩ 536,731</u>

(2) As of June 30, 2021, cash and cash equivalents include ₩5 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	₩ 1,309,505	₩ (21)	₩ 1,309,484	₩ 1,547,260	₩ (124)	₩ 1,547,136
Non-current trade receivables	28,503	-	28,503	26,291	-	26,291
Other current receivables	1,404,823	(54)	1,404,769	1,072,787	(54)	1,072,733
Other non-current receivables	606,665	-	606,665	454,026	-	454,026
	<u>₩ 3,349,496</u>	<u>₩ (75)</u>	<u>₩ 3,349,421</u>	<u>₩ 3,100,364</u>	<u>₩ (178)</u>	<u>₩ 3,100,186</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>
<b>Current:</b>		
Non-trade receivables	₩ 1,047,722	₩ 455,756
Deposits held by financial institutions	-	600,000
Accrued income	1,336	9,293
Loan	349,680	-
Guarantee deposits provided	6,031	7,684
Sub-total	1,404,769	1,072,733
<b>Non-current:</b>		
Non-trade receivables	₩ 529,470	₩ 43,896
Deposits held by financial institutions(*)	60,014	60,014
Loan	-	333,920
Guarantee deposits provided	17,181	16,196
Sub-total	606,665	454,026
	<u>₩ 2,011,434</u>	<u>₩ 1,526,759</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.

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	₩ 1,142,777	₩ 1,975,643	₩ 1,272,961	₩ 1,491,427
Past due but not impaired:				
Up to 3 months	91,830	33,334	146,684	33,876
Between 3-6 months	1,096	1,045	65,219	117
Over 6 months	102,305	1,412	88,687	1,339
	195,231	35,791	300,590	35,332
Impaired receivables	-	54	-	54
	₩ 1,338,008	₩ 2,011,488	₩ 1,573,551	₩ 1,526,813

(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	₩ 124	₩ 54	₩ 159	₩ -
Additions (reversal)	(103)	-	(35)	54
Ending	₩ 21	₩ 54	₩ 124	₩ 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.

**LG Energy Solution, Ltd.**  
**Notes to the interim condensed separate financial statements**  
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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>
<b>Other financial assets:</b>			
Derivative financial assets(current)	₩	14,682	₩ 23,821
Financial assets at fair value through other comprehensive income (excluding forward contract) (non-current)		58,745	-
Financial assets at fair value through profit or loss (forward contract) (non-current)		887	-
	₩	<u>74,314</u>	<u>₩ 23,821</u>
<b>Other financial liabilities:</b>			
Financial guarantee contracts (current)	₩	53,947	₩ 62,544
Derivative financial liabilities (current)		319	-
Financial liabilities at fair value through profit or loss (forward contract) (non-current)		1,273	41,768
	₩	<u>55,539</u>	<u>₩ 104,312</u>

(2) Changes in equity securities included in other financial assets for the six-month ended June 30, 2021 are as follows (Korean won in millions):

		<u>2021</u>
Acquisitions	₩	57,305
Valuation gain(before income tax deduction), other comprehensive income item		1,440
Ending	₩	<u>58,745</u>

(\*) The Company 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	₩ 53,044	₩ (2,110)	₩ 50,934	₩ 43,165	₩ (1,666)	₩ 41,499
Finished / Semi-finished products	711,160	(28,792)	682,368	595,201	(21,403)	573,798
Raw materials	157,626	(1,991)	155,635	235,354	(629)	234,725
Supplies	12,810	-	12,810	12,068	-	12,068
Materials-in-transit	58,877	-	58,877	87,659	-	87,659
	<u>₩ 993,517</u>	<u>₩ (32,893)</u>	<u>₩ 960,624</u>	<u>₩ 973,447</u>	<u>₩ (23,698)</u>	<u>₩ 949,749</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 ₩2,093,265 million.

**LG Energy Solution, Ltd.**
**Notes to the interim condensed separate financial statements**
**June 30, 2021 and December 31, 2020**
**10. Investments in Subsidiaries, Associates and Joint Ventures**

(1) Changes in investments in subsidiaries, 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):

	<b>2021</b>		<b>2020</b>
Beginning	₩ 4,487,105	₩	4,452,376
Additions	<u>248,617</u>		<u>34,729</u>
Ending balance	<u>₩ 4,735,722</u>	₩	<u>4,487,105</u>

(2) Details of investments in subsidiaries, associates and joint ventures as of June 30, 2021 and December 31, 2020, are as follows (Korean won in millions):

	Location	Percentage of ownership(%)		Carrying amount	
		June	December	June	December
		30, 2021	31, 2021	30, 2021	31, 2021
<b>Subsidiaries:</b>					
LG Energy Solution (Nanjing) Co., Ltd.	China	81	81	₩ 1,138,401	₩ 1,138,401
LG Energy Solution Michigan Inc. (*1)	USA	100	100	827,955	583,577
LG Energy Solution Battery (Nanjing) Co., Ltd. (*2)	China	50	50	88,706	88,706
LG Energy Solution Wroclaw sp. z o.o.	Poland	100	100	1,810,008	1,810,008
LG Energy Solution Austrailia Pty Ltd.	Australia	100	100	429	429
LG Energy Solution Technology (Nanjing) Co., Ltd.	China	100	100	788,171	788,171
LG Energy Solution Europe GmbH	Germany	100	100	34,729	34,729
LG Energy Solution (Taiwan) Ltd. (*3)	Taiwan	100	-	1,871	-
Areum noori Co., Ltd. (*4)	Korea	100	-	500	-
LG Energy Solution Fund LLC (*5)	USA	100	-	1,868	-
				4,692,638	4,444,021
<b>Associates:</b>					
WUXI CL New Energy Technology Ltd.	China	30	30	1,737	1,737
VINFAST LITHIUM BATTERY PACK LLC.	Vietnam	35	35	5,323	5,323
Jiangxi VL Battery Co., Ltd.	China	34	34	21,814	21,814
				28,874	28,874
<b>Joint venture</b>					
HL GREEN POWER Co., Ltd. (*6)	Korea	49	49	14,210	14,210
				14,210	14,210
				₩ 43,084	₩ 43,084

(\*1) The Company increase capital 244,378 Korean won in millions current period for LG Energy Solution Michigan, Inc.'s additional factory.

(\*2) Although the Company does not own more than 50% of shares of Nanjing LG Chem New Energy Battery 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) LG Energy Solution (Taiwan) Ltd. was newly established during the current period and the Company acquired 100% shares of LG Energy Solution (Taiwan) Ltd. for ₩1,871 million.

(\*4) Areum noori Co., Ltd was newly established during the current period and the Company acquired 100% shares of Areum noori Co., Ltd for ₩500 million.

(\*5) LG Energy Solution Fund I LLC was newly established during the current period, and the Company acquired 100% shares of LG Energy Solution Fund I LLC for ₩1,868 million.

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

**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>
<b>Beginning:</b>	₩ 1,528,296	₩ 1,457,698
Acquisitions/Transfer	350,210	127,656
Disposals/ transfer	(193,570)	(38,651)
Depreciation	(101,170)	(18,470)
<b>Ending:</b>	<u>₩ 1,583,766</u>	<u>₩ 1,528,296</u>

(2) The Company capitalized ₩634 million of borrowing costs in relation to acquisition of property, plant and equipment, on property, plant and equipment. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 2.40%.

(3) Line items including depreciation in the separate statement of profit or loss are as follows (Korean won in millions):

	<u>2021</u>	
	<u>Three months</u>	<u>Six months</u>
Cost of sales	₩ 37,180	₩ 69,457
Selling and administrative expenses	17,937	31,713
	<u>₩ 55,117</u>	<u>₩ 101,170</u>

(4) Lease

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

Details of amounts recognized in the separate 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>
<b>Right-of-use assets(*):</b>		
Building	₩ 36,189	₩ 3,034
Land	435	520
Vehicles	3,548	2,275
	<u>₩ 40,172</u>	<u>₩ 5,829</u>

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

Additions to the right-of-use assets for the six months ended June 30, 2021 are ₩39,214 million.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
<b>Lease liabilities (*):</b>		
Current	₩ 7,567	₩ 2,273
Non-current	28,897	3,563
	<u>₩ 36,464</u>	<u>₩ 5,836</u>

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

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

(ii) Amounts recognized in the separate statement of income

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

	2021	
	Three months	Six months
<b>Depreciation of right-of-use assets</b>		
Building	₩ 2,022	₩ 3,423
Land	42	84
Vehicles	511	968
	<u>₩ 2,575</u>	<u>₩ 4,475</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 373	₩ 598
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	258	663
Expense relating to leases of low-value assets that are not short-term leases(included in cost of goods sold and administrative expenses)	1,445	2,616

Total cash outflow for leases for the six months ended June 30, 2021 is ₩9,623 million.

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

**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):

	<u>2021</u>	<u>2020</u>
<b>Beginning:</b>	₩ 273,133	₩ 272,057
Acquisitions/Transfer	29,036	5,030
Disposals/ transfer	(496)	(73)
Depreciation	(23,718)	(3,881)
<b>Ending:</b>	<u>₩ 277,955</u>	<u>₩ 273,133</u>

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

	<u>2021</u>		
	<u>Three months</u>	<u>Six months</u>	
Cost of sales	₩ 3,445	₩ 6,800	
Selling and administrative expenses	8,576	16,918	
	<u>₩ 12,021</u>	<u>₩ 23,718</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):

	<u>2021</u>									
	<u>2020</u>		<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>2024</u>	
	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>	<u>Ton</u>	<u>Amount</u>
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>

**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>
<b>Current:</b>		
Prepayments to suppliers and prepaid expenses	₩ 50,579	₩ 42,993
Prepaid value added tax	27,596	14,361
Others	22,938	889
	<u>₩ 101,113</u>	<u>₩ 58,243</u>
<b>Non-current:</b>		
Long-term prepayments and long-term prepaid expenses	₩ 29,055	₩ 42,252
	<u>₩ 29,055</u>	<u>₩ 42,252</u>

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

**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>
<b>Current:</b>		
Short-term borrowing	₩ 258	₩ -
Current lease liabilities	<u>7,567</u>	<u>2,273</u>
	7,825	2,273
<b>Non-current:</b>		
Debentures	₩ 1,990,063	₩ 1,943,701
Non-current lease liabilities	<u>28,897</u>	<u>3,563</u>
	2,018,960	1,947,264
	<u>₩ 2,026,785</u>	<u>₩ 1,949,537</u>

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

1) Debentures (Korean won in millions)

		<u>June 30, 2021</u>				
	<u>Financial institution</u>	<u>Interest rate (%)</u>	<u>Latest maturity date</u>	<u>Amount</u>	<u>Current portion</u>	<u>Non-current portion</u>
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 Bank and others	3.25	2024.10.15	565,000	-	565,000
USD foreign currency debenture with maturity in 2029	CITI Bank and others	3.63	2029.04.15	565,000	-	565,000
EUR foreign currency debenture with maturity in 2023	CITI Bank 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>



14. Borrowings (cont'd)

		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 Bank and others	3.25	2024.10.15	544,000	-	544,000
USD foreign currency debenture with maturity in 2029	CITI Bank and others	3.63	2029.04.15		544,000	-	544,000
EUR foreign currency debenture with maturity in 2023	CITI Bank and others	0.50	2023.04.15		669,120	-	669,120
Less: discount on debentures					(13,419)	-	(13,419)
					₩ 1,943,701 ₩	- ₩	₩ 1,943,701

2) 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	₩	36,464 ₩	7,567 ₩	28,897
		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	₩	5,836 ₩	2,273 ₩	3,563

3) Short-term borrowing

		June 30, 2021					
		Interest rate(%)	Latest maturity date	Amount	Current portion	Non-current portion	
Nego		0.3408	2021.07.08	₩	258 ₩	258 ₩	-

## 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	₩ 1,093,387	₩ 842	₩ -	₩ 331	₩	1,094,560
Additions	539,039	(305)	2,442	5,308		546,484
Used	(225,032)	-	-	-		(225,032)
Ending	1,407,394	537	2,442	5,639		1,416,012
Less: current portion	(1,023,055)	(537)	-	-		(1,023,592)
	₩ 384,339	₩ -	₩ 2,442	₩ 5,639	₩	392,420

  

2020						
	Warranty(*1)	Greenhouse gas emission(*2)	Legal claims(*4)	Total		
Beginning	₩ 546,648	₩ 746	₩ 336	₩		547,730
Additions	560,266	96	(5)			560,357
Used	(13,527)	-	-			(13,527)
Ending	1,093,387	842	331			1,094,560
Less: current portion	(983,393)	(842)	-			(984,235)
	₩ 109,994	₩ -	₩ 331	₩		110,325

(\*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. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(\*2) Greenhouse gas emission provisions have been accrued for estimated expenditures to be obligated for any excess emission. The Company 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 215 thousand ton)

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

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

## 16. Net Defined Benefit Liabilities

(1) Details of net defined benefit liabilities recognized in the separate statement of financial position 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>
Present value of defined benefit obligations (*)	₩ 495,523	₩ 458,710
Fair value of plan assets	(410,185)	(415,924)
Liabilities in the separate statement of financial position	<u>₩ 85,338</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 separate statement of income 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>
Current service cost	₩ 17,792	₩ 35,000
Interest cost	-	271
	<u>₩ 17,792</u>	<u>₩ 35,271</u>

(3) Retirement benefits recognized for defined contribution plan for the six months ended June 30, 2021 amounted to ₩439 million.

(4) Retirement benefits recognized in the separate statement of income 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>
Cost of sales	₩ 8,901	₩ 18,000
Selling and administrative expenses	9,113	17,710
	<u>₩ 18,014</u>	<u>₩ 35,710</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):

	<u>2021</u>	<u>2020</u>
Beginning	₩ 458,710	₩ 455,133
Transfer in	18,267	998
Transfer out	(176)	-
Current service cost	35,000	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>₩ 495,523</u>	<u>₩ 458,710</u>

**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
Remeasurements		
- Return on plan assets	(1,966)	(258)
(excluding amounts included in interest income)		
Payments from plans	(9,217)	(395)
Administrative costs	(506)	(66)
Ending	<u>₩ 410,185</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 separate statement of financial position.

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

**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):

	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Amount</b>	<b>Composition (%)</b>	<b>Amount</b>	<b>Composition (%)</b>
Insurance contracts with guaranteed yield ₩	410,185	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):

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Current:		
Advances from customers ₩	105,522 ₩	100,135
Withholdings	2,310	28,197
Unearned revenues	1,103	1,015
Accrued expenses	98,326	76,829
	<u>₩ 207,261</u>	<u>₩ 206,176</u>
Non-current:		
Long-term accrued expenses ₩	23,058 ₩	21,762
Long-term advanced received	8,308	18,300
	<u>₩ 31,366</u>	<u>₩ 40,062</u>

**18. Commitments and Contingencies**

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

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

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

	<b>Currency</b>	<b>June 30, 2021</b>
Limit of bank overdraft	KRW	8,700
Limit of the letter of credit	USD	24
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
Limit of loan agreement	KRW	200,000
Future agreement	USD	138

(4) As of June 30, 2021, the Company 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.

(5) 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.

(6) In addition, as of June 30, 2021, the Company has been named as a plaintiff and a defendant in 4 and 132 legal actions, respectively, with ₩3,026 million in claims. The ultimate outcome of these cases cannot be determined at the reporting date.

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

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Property, plant and equipment	₩ 42,599	₩ 59,506

**LG Energy Solution, Ltd.**
**Notes to the interim condensed separate financial statements**
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**18. Commitments and Contingencies (cont'd)**

(9) The Company guarantee borrowings amount is ₩3,227,418 million and details are as follows (Korean won in millions):

				June 30, 2021	
	Guarantee beneficiary	Financial institution	Guarantee period	Amount of guarantee	Outstanding loan amount
LG Energy Solution Ltd.	LG Energy Solution Wrocław sp. z.o.o.	Citi	2019.07.28~2021.07.27	₩ 26,895	₩ -
		Citi	2018.12.12~2021.07.27	33,619	-
		Citi	2020.08.28~2021.07.27	40,343	-
		ING	2017.09.01~2022.09.01	67,238	67,238
		Citi	2018.11.02~2023.11.02	67,238	67,238
		ING	2018.11.23~2023.11.23	67,238	67,238
		ING	2018.11.23~2023.11.23	26,895	26,895
		MUFG	2019.01.16~2024.01.31	67,238	67,238
		MUFG	2019.01.16~2022.01.31	67,238	67,238
		KEB Hana Bank	2019.02.06~2024.03.31	268,951	268,951
		Citi	2019.03.22~2024.03.31	67,238	67,238
		Citi	2019.08.20~2024.08.20	67,238	67,238
		SMBC	2019.09.25~2021.11.24	134,476	134,476
		EBRD	2019.09.25~2026.09.24	134,476	134,476
		SMBC	2020.02.07~2023.02.06	134,476	134,476
		SMBC	2020.02.07~2027.02.05	67,238	67,238
		DBS	2020.03.11~2023.03.11	134,476	134,476
		EIB	2020.03.16~2031.03.06	645,483	645,483
		EBRD	2020.03.26~2027.03.26	201,714	201,714
		KDB Bank/ The Export-import Bank of Korea/ NH Bank KDB Bank/ The Export-import Bank of Korea	2020.04.29~2022.04.29	739,616	739,616
				268,951	268,951
				₩ 3,328,275	₩ 3,227,418

In addition, the Company provides Letters of Comfort (LOC) in relation to certain borrowings of subsidiaries

As of June 30, 2021, the Company provided no financial guarantees to its associates in relation to their borrowings.

## 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 Earning (accumulated deficit)

Details of retained earning 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 earning (deficit)	₩ 151,407 ₩	(375,523)

## 21. Selling and Administrative Expenses

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

	2021	
	Three months	Six months
Wages and salaries	₩ 104,437 ₩	197,740
Retirement benefits	9,113	17,710
Employee benefits	23,143	42,219
Travel expenses	5,768	9,493
Water & utilities	6,574	14,595
Rental expenses	12,798	25,322
Commission expenses	85,256	172,037
Depreciation	19,707	34,946
Advertising expenses	3,645	5,469
Freight expenses	9,553	31,619
Training expenses	2,157	3,435
Amortization	8,576	16,918
Sample expenses	578	731
Development costs	23,952	44,659
Others	564,903	593,404
	₩ 880,160 ₩	1,210,297



## 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	₩ (77,061)	₩ (118,005)
Raw materials and consumables used	844,362	1,904,963
Purchase of merchandise	132,561	306,307
Employee benefit expenses	222,664	427,284
Advertising expenses	3,678	5,610
Freight expenses	11,023	34,466
Commission expenses	96,523	193,909
Depreciation and amortization	68,907	128,121
Rent expenses and usage fee	1,341	2,950
Other expenses	862,704	991,165
	₩ 2,166,702	₩ 3,876,770

## 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	₩ 185,003	₩ 357,106
Retirement benefits defined benefit plan	17,792	35,271
Retirement benefits defined contribution plan	222	439
Others	19,647	34,468
	₩ 222,664	₩ 427,284

## 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
<b>Finance income:</b>		
Interest income(*1)	₩ 6,296	₩ 12,841
Exchange differences	33,325	76,609
Gain on valuation of derivative instruments	18,654	41,383
	<u>₩ 58,275</u>	<u>₩ 130,833</u>
<b>Finance costs:</b>		
Interest expense(*2)	₩ 11,833	₩ 24,447
Exchange differences	34,675	105,182
	<u>₩ 46,508</u>	<u>₩ 129,629</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	₩ 1,036	₩ 2,666
Other loans and receivables	5,260	10,175
	<u>₩ 6,296</u>	<u>₩ 12,841</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 lease liabilities	₩ 373	₩ 598
Interest on debentures	11,707	24,483
Capitalized interest for qualifying assets	(247)	(637)
	<u>₩ 11,833</u>	<u>₩ 24,447</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	₩ 11,627	₩ 96,635
Gain on disposal of property, plant and equipment	15	735
Others	7,021	28,894
	<u>₩ 18,663</u>	<u>₩ 126,264</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	₩ 11,790	₩ 69,385
Loss on disposal of property, plant and equipment	3,242	3,919
Loss on disposal of intangible	5	5
Donations	260	332
Others	1,251	3,260
	<u>₩ 16,548</u>	<u>₩ 76,901</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 23.8% (28.7% of the average annual income tax rate for the fiscal period ending December 31, 2020 as of the end of the previous year).

## 28. Earning per Share

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

(1) Basic earning per ordinary share 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 (Korean won in millions and in number of shares)

	2021	
	Three months	Six months
Earning attributable to ordinary shares	₩ 391,340	₩ 519,543
Number of ordinary shares outstanding	200,000,000 shares	200,000,000 shares
Basic earning per ordinary share (in Korean won)	₩ 1,957 won	₩ 2,598 won

(2) The Company did not issue any potential ordinary shares. Therefore, basic earning per share is identical to diluted earning per share.

**LG Energy Solution, Ltd.****Notes to the interim condensed separate financial statements****June 30, 2021 and December 31, 2020****29. Related Party Transactions**

(1) As of June 30, 2021, the Parent Company is LG Chem, Ltd. (percentage of ownership: 100%) over which LG Corp. exercises a significant influence.

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

<b>Related party</b>	<b>Related party's subsidiary (Domestic)</b>	<b>Related party's subsidiary (Overseas)</b>	<b>Details</b>
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	
LG Management Development Institute	-	-	
LG Electronics, Inc.	LG Innotek Co., Ltd. and others	Inspur LG Digital Mobile Communications Co., Ltd. and others	LG Enterprise group (*1)
LG Household & Health Care Ltd.	Coca-Cola Beverage Co. and others	-	
LG Uplus Corp.	LG HelloVision Corp	-	
GILR 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 Company in accordance with Korean IFRS 1024, the 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.).

**LG Energy Solution, 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	
<b>Parents:</b>						
LG Chem, Ltd.	₩ 10,625	₩ 55,353	₩ 11-	₩ -	₩ 31	₩ 4,420
<b>Subsidiaries:</b>						
LG Energy Solution (Nanjing) Co., Ltd	65,550	699,619	-	-	-	-
LG Energy Solution Michigan, Inc.	162,828	2,258	-	-	-	15,371
LG Energy Solution Battery (Nanjing) Co., Ltd.	20,825	245,904	-	-	-	-
LG Energy Solution Wroclaw sp. z o.o.	592,320	2,166	-	-	-	2,028
LG Energy Solution Australia Pty Ltd	5,495	-	-	-	-	1,576
LG Energy Solution Technology (Nanjing) Co., Ltd.	23,851	445,690	-	-	-	-
LG Energy Solution Europe GmbH	88,218	-	-	-	-	21,547
LG Energy Solution (Taiwan), Ltd.	-	-	-	-	-	1,874
Areum noori Co., Ltd.	-	-	-	-	-	1,861
<b>Associates and joint ventures:</b>						
HL Greenpower Co., Ltd.	324,164	440	-	-	-	-
<b>Other related parties:</b>						
LG Corp.	-	-	-	-	-	16,706
LG Chem America, Inc.	-	-	-	-	-	4
LG Chem(Taiwan), Ltd.	-	-	-	-	-	560
LG Chem Europe GmbH	238	-	-	-	-	47
HAENGBOKNURI CO., LTD.	8	-	-	-	-	1,368
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	48,092	-	-	-	-
LG Management Development Institute	-	-	-	-	-	5,665
S&I Corp. and its subsidiaries	39	4,293	3,754	-	-	14,283
LG CNS Co., Ltd. and its subsidiaries	6,452	305	23,220	-	-	19,890
Others	-	-	-	-	-	1,359
<b>Others:</b>						
LG Electronics Inc., Ltd. and its subsidiaries	238,471	57,627	3,808	-	-	4,561
LX Holdings., Ltd. and its subsidiaries (*)	62	5,969	2,272	-	-	56,929
Others	21	-	-	-	-	729
	₩ 1,539,167	₩ 1,567,716	₩ 33,065	₩ -	₩ 31	₩ 170,778

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

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

**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	
<b>Parents:</b>										
LG Chem, Ltd.	₩ -	₩ -	₩ 6,162	₩ 6,162	₩ 23,977	₩ -	₩ 2,521	₩ 8,151	₩ 34,649	
<b>Subsidiaries:</b>										
LG Energy Solution (Nanjing) Co., Ltd	19,506	349,680	116,583	485,769	420,570	-	-	1,296	421,866	
LG Energy Solution Michigan, Inc.	58,615	-	22,530	81,145	1,165	-	-	12,960	14,125	
LG Energy Solution Battery (Nanjing) Co., Ltd.	4,301	-	3,658	7,959	85,217	-	-	8	85,225	
LG Energy Solution Wroclaw sp. z o.o.	231,550	-	287,380	518,930	3,070	-	-	6,242	9,312	
LG Energy Solution Australia Pty Ltd	4,192	-	-	4,192	-	-	-	426	426	
LG Energy Solution Technology (Nanjing) Co., Ltd.	10,378	-	32	10,410	163,065	-	-	-	163,065	
LG Energy Solution Europe GmbH	37,526	-	-	37,526	-	-	-	8,361	8,361	
LG Energy Solution (Taiwan), Ltd.	-	-	-	-	-	-	-	410	410	
Areum noori Co., Ltd.	-	-	-	-	-	-	-	-	-	
<b>Associates and joint ventures:</b>										
HL Greenpower Co., Ltd.	155,094	-	6,528	161,622	-	-	-	1,807	1,807	
<b>Other related parties:</b>										
LG Corp.	-	-	29	29	-	-	-	4,312	4,312	
LG Chem Europe GmbH	-	-	-	-	-	-	-	68	68	
HAENGBOKNURI CO., LTD.	-	-	-	-	-	-	-	93	93	
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	-	-	-	15,840	-	-	-	15,840	
LG Management Development Institute	-	-	2,784	2,784	-	-	-	464	464	
S&I Corp. and its subsidiaries	-	-	3,881	3,881	-	-	-	8,305	8,305	
LG CNS Co., Ltd. and its subsidiaries	5,788	-	-	5,788	-	-	-	12,938	12,938	
Others	-	-	-	-	-	-	-	150	150	
<b>Others:</b>										
LG Electronics Inc., Ltd. and its subsidiaries	49,665	-	97,417	147,082	38,516	-	-	8,316	46,830	
LX Holdings., Ltd. and its subsidiaries (*)	-	-	388	388	-	-	-	12,974	12,974	
Others	-	-	-	-	-	-	-	2,522	2,522	
	<u>₩ 576,615</u>	<u>₩ 349,680</u>	<u>₩ 547,372</u>	<u>₩ 1,473,667</u>	<u>₩ 751,420</u>	<u>₩ -</u>	<u>₩ 2,521</u>	<u>₩ 89,801</u>	<u>₩ 843,742</u>	

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

**LG Energy Solution, Ltd.**  
**Notes to the interim condensed separate financial statements**  
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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	
<b>Parents:</b>										
LG Chem, Ltd.	₩	- ₩	- ₩	2,764 ₩	2,764 ₩	20,352 ₩	- ₩	3,127 ₩	6,971 ₩	30,450
<b>Subsidiaries:</b>										
LG Energy Solution (Nanjing) Co., Ltd	12,097	333,920	53,573	399,590	466,069	-	-	14,165	480,234	
LG Energy Solution Michigan, Inc.	122,039	-	17,921	139,960	7,581	-	-	4,199	11,780	
LG Energy Solution Battery (Nanjing) Co., Ltd.	50,565	-	2,110	52,675	91,114	-	-	-	91,114	
LG Energy Solution Wroclaw sp. z o.o.	182,243	-	258,450	440,693	2,401	-	-	3,858	6,259	
LG Energy Solution Australia Pty Ltd	2,590	-	-	2,590	-	-	-	505	505	
LG Energy Solution Technology (Nanjing) Co., Ltd.	13,364	-	15,878	29,242	157,191	-	-	-	157,191	
LG Energy Solution Europe GmbH	7,645	-	-	7,645	-	-	-	3,315	3,315	
<b>Associates and joint ventures:</b>										
HL Greenpower Co., Ltd.	277,326	-	-	277,326	-	-	-	330	330	
<b>Other related parties:</b>										
LG Corp.	-	-	25	25	-	-	-	664	664	
LG Chem (Taiwan), Ltd.	-	-	-	-	-	-	-	638	638	
LG Chem Europe GmbH	40,876	-	543	41,419	-	-	-	857	857	
LEYOU NEW ENERGY MATERIALS(WUXI) Co., Ltd.	-	-	-	-	9,662	-	-	-	9,662	
TECWIN Co., Ltd.	-	-	-	-	-	-	-	5,531	5,531	
LX MMA Corp. (formerly, LG MMA Corp.)	-	-	10	10	-	-	-	-	-	
S&I Corp. and its subsidiaries	-	-	21	21	-	-	-	18,702	18,702	
LG CNS Co., Ltd. and its subsidiaries	7,048	-	-	7,048	-	-	-	38,914	38,914	
Others	-	-	1,800	1,800	-	-	-	672	672	
<b>Others:</b>										
LG Electronics Inc., Ltd. and its subsidiaries	67,708	-	103,723	171,431	37,559	-	-	13,237	50,796	
LX International Corp. (formerly, LG International Corp. and its subsidiaries)	-	-	-	-	-	-	-	5,151	5,151	
Others	-	-	3	3	-	-	-	661	661	
	<u>₩ 783,501</u>	<u>₩ 333,920</u>	<u>₩ 456,821</u>	<u>₩ 1,574,242</u>	<u>₩ 791,929</u>	<u>₩ -</u>	<u>₩ 3,127</u>	<u>₩ 118,370</u>	<u>₩ 913,426</u>	



**LG Energy Solution, Ltd.**  
**Notes to the interim condensed separate financial statements**  
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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							
				Loans transaction		Borrowings transaction(*)		
	Dividends received	Dividends paid	Equity contribution In cash (Capital reduction)	Loans	Repayment	Borrowings	Repayment	
Parents:								
LG Chem, Ltd.	₩	- ₩	- ₩	- ₩	- ₩	- ₩	- ₩	215
Subsidiaries:								
LG Energy Solution Michigan, Inc.		-	- 244,378		-	-	-	-
LG Energy Solution (Taiwan), Ltd.		-	- 1,871		-	-	-	-
Areum noori Co., Ltd.		-	- 500		-	-	-	-
LG Energy Solution Fund LLC		-	- 1,868		-	-	-	-
	₩	- ₩	- ₩ 248,617	₩	- ₩	- ₩	- ₩	215

(\*) 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 Company for the six months ended June 30, 2021 is as follows (Korean won in millions):

	2021
Short-term employee benefits	₩ 16,585
Retirement benefits	3,471
	₩ 20,056

Key management includes directors and audit committee members having duties and responsibilities over planning, operations and controlling of the Company'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 payment guarantees provided by the company for related parties are filled in 18.

### 30. Statement of Cash Flow

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

	<b>2021</b>
Profit before income tax:	₩ 677,034
Adjustments for	
- Depreciation	104,402
- Amortization	23,718
- Retirement benefits	35,271
- Financial income	(87,509)
- Financial costs	79,048
- Loss on valuations of inventories	9,194
- Loss on disposal of inventories	4,712
- Gain on disposal of property, plant and equipment	(735)
- Loss on disposal of property, plant and equipment	3,919
- Loss on disposal of intangible asset	5
- Additions to provisions	546,484
- Other income	379
- Change in inventories	(24,782)
- Change in trade receivables	245,504
- Change in other receivables	(1,102,845)
- Change in other current assets	(29,975)
- Change in trade payables	(103,872)
- Change in other payables	(13,840)
- Change in other current liabilities	(8,282)
- Change in net defined benefit liabilities	17,470
- Change in provisions	(227,474)
- Other cash flows from operations	1,296
Cash generated from operations	₩ 149,122

30. Statement of Cash Flow (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	₩ 2,273	₩ (5,482)	₩ 11,040	₩ -	₩ -	₩ (66)	₩ 7,825
Long-term borrowings	3,563	-	(11,040)	-	36,374	-	28,897
Debentures	1,943,701	-	-	1,602	-	44,760	1,990,063
	<u>₩ 1,949,537</u>	<u>₩ (5,482)</u>	<u>₩ -</u>	<u>₩ 1,602</u>	<u>₩ 36,374</u>	<u>₩ 44,754</u>	<u>₩ 2,026,785</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	₩ 159,134
Reclassification of long-term borrowings into current portion	11,040
Other payables related to acquisitions of property, plant and equipment and intangible assets	48,110

### 31. 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):

	June 30, 2021	December 31, 2020
<b>Contract liabilities:</b>		
Advances from customers received as part of the Company's main business activities	₩ 111,390	₩ 104,522
Expected customer incentives	1,455	3,858
Unearned revenue	416	340
	<u>₩ 113,261</u>	<u>₩ 108,720</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):

	2021	
	Three months	Six months
<b>Revenue recognized in the current period from the beginning contract liabilities:</b>		
Revenues in relation to advances from customers received as part of	₩ 26,667	₩ 54,411
Unearned revenue	41	82
	<u>₩ 26,708</u>	<u>₩ 54,493</u>

### 32. 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, 2021			
	Acquisition Cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition Cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩ 161	₩ -	₩ -	₩ 161	₩ -	₩ -	₩ -	₩ -
Buildings	320,805	(78,105)	(396)	242,304	333,869	(78,342)	(441)	255,086
	₩ 320,966	₩ (78,105)	₩ (396)	₩ 242,465	₩ 333,869	₩ (78,342)	₩ (441)	₩ 255,086

(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
	Land	Building
Beginning	₩ -	₩ 255,086
Acquire / Replace	161	-
Disposal / Replace	-	(9,549)
Depreciation	-	(3,233)
Ending	<u>₩ 161</u>	<u>₩ 242,304</u>

### 32. Investment Properties (cont'd)

(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 ₩273,464 million.

Rental income from investment properties under operating lease for the six months ended June 30, 2021, is ₩7,100 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 ₩3,233 million.

#### (4) Operating lease

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

Although the Company is exposed to changes in the residual value at the end of the current leases, the Company 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):

	<u>June 30, 2021</u>		<u>December 31, 2020</u>
Less than 1 year	₩ 13,456	₩	14,842
Between 1-2 years	12,660		12,831
Between 2-5 years	<u>7,384</u>		<u>12,831</u>
	<u>₩ 33,500</u>	₩	<u>40,504</u>

### **33. Revenue form Contracts with Customers**

(1) Regarding the trade secret infringement dispute between the company 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 company's trade secrets. The two companies signed an agreement on May 15, 2021, and in exchange for the settlement, the Company 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 Company 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 Company 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 company, and the nature of the license the company 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 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.

### **34. Events After the Reporting Period**

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

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